TE TAI ŌHANGA
THE TREASURY

Pre-election Economic and Fiscal Update 2026

29 September 2026

Embargo: Contents not for communication in any form
before 1:00pm on Tuesday 29 September 2026

New Zealand Government
Te Kāwanatanga o Aotearoa

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An introduction to the *Pre-election Economic and Fiscal Update*

As the government's lead economic and financial adviser, the Public Finance Act 1989 requires the Treasury to produce a range of stewardship documents:

- Some as part of an annual cycle: twice-yearly Economic and Fiscal Updates, and monthly and annual Financial Statements of the Government.
- Some are every three or four years: Pre-election Economic and Fiscal Update, Long-term Fiscal Statement and Investment Statement.

The *Pre-election Economic and Fiscal Update* is part of the three- or four-year cycle of stewardship documents. This update primarily outlines what the Treasury observes in our current economic climate and what we might see in the future. Our observations of the economy, alongside the Government's fiscal policy decisions are used to inform our view on the Government's financial performance and financial position over the current year and next four years (our forecast period). We also consider the risks we may face that could alter the economic and fiscal outlook over the forecast period.

This gives an indication of what the economy and the Government's fiscal outlook is most likely to do for accountability purposes and to inform decision-making.

The URL for this document on the Treasury's website at September 2026 is
https://treasury.govt.nz/publications/efu/pre-election-economic-and-fiscal-update-2026

Contents

Statement of Responsibility

I, the Secretary to the Treasury, confirm that the Treasury has supplied the Minister of Finance with this *Pre-election Economic and Fiscal Update* that:

- incorporates the fiscal and economic implications of:
  - all policy decisions with material economic or fiscal implications made by the Government before 10 September 2026, and which have been communicated to me by the Minister of Finance, and
  - all other circumstances with material economic or fiscal implications of which the Minister of Finance was aware before 10 September 2026 and which have been communicated to me by the Minister of Finance
- does not incorporate any decisions, circumstances, or statements that the Minister of Finance has determined under section 26V of the Public Finance Act 1989 should not be incorporated in this *Pre-election Economic and Fiscal Update*.

The Treasury has prepared this *Pre-election Economic and Fiscal Update* using its best professional judgements and on the basis of the economic and fiscal information available to it before 10 September 2026.

Iain Rennie CNZM
Secretary to the Treasury

22 September 2026

I, the Minister of Finance, have communicated to the Secretary to the Treasury:

- all policy decisions with material economic or fiscal implications made by the Government before 10 September 2026
- all other circumstances with material economic or fiscal implications of which I was aware before 10 September 2026, and

I accepted responsibility for:

- the integrity of the disclosures contained in this *Pre-election Economic and Fiscal Update*
- the consistency of the information in this *Pre-election Economic and Fiscal Update* with the requirements of Part 2 of the Public Finance Act 1989, and
- the omission from this *Pre-election Economic and Fiscal Update* of any decision, circumstance or statement under section 26V of the Public Finance Act 1989.

Hon Nicola Willis
Minister of Finance

22 September 2026

Executive Summary

An emerging economic recovery has been delayed by higher oil prices

The economic recovery has experienced a series of delays. A period of high interest rates and weak domestic demand subdued economic activity through 2024 and into 2025. By late 2025 and early 2026, a recovery was taking hold, supported by resilient export demand. However, the recovery remained uneven, with household spending and residential investment still subdued.

The increase in oil and fuel prices associated with the Middle East conflict has further delayed the recovery by increasing inflationary pressures and contributing to higher interest rates, resulting in subdued June quarter GDP growth.

Recent volatility in oil prices highlights the risks posed by ongoing uncertainty in the Middle East conflict. Since the forecasts were finalised, oil prices and market interest rate expectations have increased, raising the risk of more persistent inflation and higher interest rates. At the same time, newly released GDP and activity indicators suggest the economy had slightly stronger momentum than assumed.[1] Overall, developments since finalisation point to somewhat stronger near-term activity but increased inflation and interest rate pressures.

The recovery regains momentum as inflation pressures ease

Despite the uncertainty surrounding the outlook, the forecast is for the recovery to regain momentum in the second half of 2026 as oil and fuel prices ease, inflation moderates and real wages begin to recover. Resilient external demand and an improving terms of trade are expected to continue supporting export growth and national income.

As the recovery becomes more entrenched, stronger household incomes and confidence are expected to support a gradual transition from an externally driven recovery towards one with a greater contribution from domestic demand, underpinned by consumption, business investment and hiring.

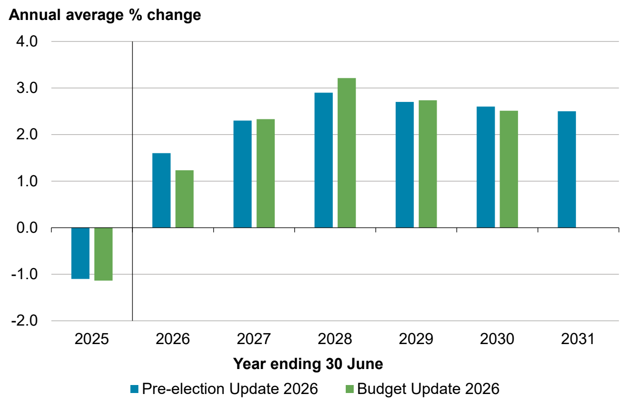
The unemployment rate is forecast to have now peaked at 5.6% and to gradually improve to 4.3% by the end of the forecast period as the economy strengthens.

1 The forecasts were finalised before the release of the June quarter GDP estimate by Stats NZ. The Treasury's forecast for quarterly GDP growth in June 2026 was 0.0%, whereas Stats NZ estimate GDP increased by 0.2%.

Compared to the Budget Update*, real economic activity is little changed but the nominal economy is larger*

Despite stronger than expected momentum in early 2026, the initial boost to activity largely unwinds over the forecast period, with the economy evolving towards a similar level of output to that forecast at the *Budget Economic and Fiscal Update 2026 (Budget Update)*. Faster growth in early 2026 has reduced the Treasury's estimate of spare capacity. Along with slightly higher oil prices, this contributes to higher inflation and interest rates and slows subsequent growth.

Figure 1 – Real GDP growth



Sources: Stats NZ, the Treasury

While the medium-term real GDP outlook is little changed, the economy is now expected to be larger in nominal terms across the forecast period. The initial strength in economic activity relative to the *Budget Update* largely subsides but higher and more persistent inflation contributes to an increased price level that lifts nominal GDP. Nominal GDP is cumulatively around $18 billion higher over the forecast period relative to the *Budget Update*.

Weak economic conditions weighed on the fiscal position over recent years, limiting the improvement in OBEGALx

The operating balance before gains and losses excluding ACC (OBEGALx) deficit was $8.8 billion in 2023/24 (2.1% of GDP) and $9.3 billion in 2024/25 (2.1% of GDP), before a small improvement to $8.6 billion (1.9% of GDP) in 2025/26.

The limited improvement in OBEGALx across the three years from 2023/24 to 2025/26 reflects several offsetting developments:

- Core Crown expenses fell by around 0.9 percentage points of GDP, from 33.0% in 2023/24 to 32.1% in 2025/26. This occurred despite health and social security and welfare spending increasing by 0.5 percentage points of GDP. In aggregate, all other categories of expenditure declined by around 1.4 percentage points of GDP (in part due to some one-off factors, such as a reduction in expenses related to the North Island Weather Events).

- Core Crown revenue fell by around 1.3 percentage points of GDP, reflecting both cyclical economic weakness and tax policy changes.

- Crown entity (excluding ACC) and State-owned enterprise deficits improved by 0.5 percentage points of GDP.

Lower expenses and improved Crown entity performance were almost entirely offset by lower tax revenue. As a result, the OBEGALx deficit improved by 0.2 percentage points of GDP between 2023/24 and 2025/26.

The cyclically adjusted OBEGALx adjusts the headline measure of OBEGALx to remove the effects of the economic cycle, showing what OBEGALx would be if the economy were operating at its normal, trend level rather than at a temporarily weak or strong point in the cycle. This measure improved more substantially than headline OBEGALx over the period, moving from a deficit of 2.5% of potential GDP in 2023/24 to a deficit of 1.0% in 2025/26.

These estimates reflect the Treasury's assessment that the economy was operating above trend in 2023/24, which strengthened the fiscal position in that year, and below trend in 2025/26, which weakened the fiscal position in that year. The estimates are imprecise but suggest the structural fiscal position strengthened between 2023/24 and 2025/26, with much of that improvement masked by weaker economic conditions.

Economic growth supports higher revenue, which, alongside expenditure restraint, is forecast to return the fiscal position to surplus

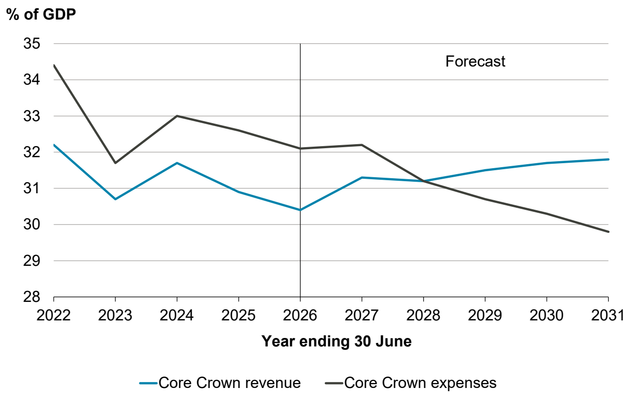
In 2026/27, the OBEGALx deficit is projected to narrow to $6.8 billion (1.4% of GDP), due to a large increase in revenue as a share of GDP, which is partly offset by a small increase in expenses as a share of GDP and a deterioration in Crown entity deficits.

Beyond 2026/27, the fiscal outlook strengthens steadily as revenue continues to increase as a share of GDP, expenditure declines as a share of GDP, and Crown entity deficits improve. The OBEGALx balance is expected to improve to a deficit of $0.8 billion (0.2% of GDP) in 2027/28, return to a surplus of $4.0 billion (0.8% of GDP) in 2028/29, and continue strengthening to reach a surplus of $11.7 billion (2.0% of GDP) by 2030/31.

Over the forecast period as a whole:

- Core Crown revenue is forecast to increase from 30.4% of GDP in 2025/26 to 31.8% of GDP in 2030/31, driven by an increase in tax revenue. Around one-third of this increase reflects fiscal drag, a further third reflects tax policy changes, including planned increases in fuel excise duty and road user charges, while most of the remainder reflects changes in the composition of economic activity towards relatively tax-rich parts of the economy eg, business profits.

Figure 2 – Core Crown expenses and revenue

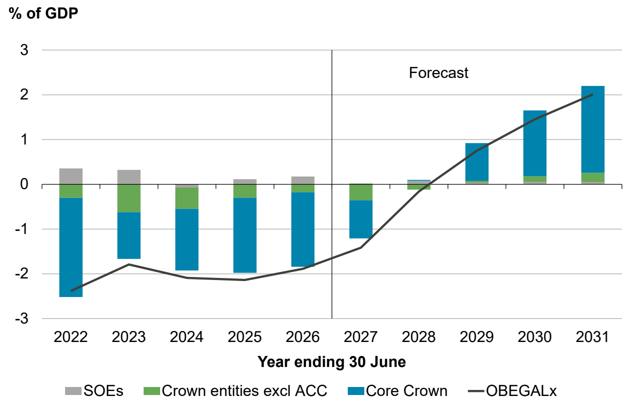


Source: The Treasury

- Core Crown expenses as a share of GDP rise slightly in 2026/27 to 32.2% of GDP, largely due to Budget 2025 and 2026 spending decisions, but then fall over the forecast period to 29.8% by 2030/31. The reduction reflects tight future operating allowances and the profile of past Budget packages, with savings that increase over the latter part of the forecast period.

- Crown entity deficits (excluding ACC) initially increase to 0.4% of GDP in 2026/27 before improving to a broadly balanced position in 2028/29 and surpluses thereafter, driven by improvements in the Health New Zealand and the Kāinga Ora deficits. As ACC deficits persist across the forecast period, OBEGAL remains weaker than OBEGALx, although it also returns to surplus in 2028/29.

Figure 3 – Components of OBEGALx



Source: The Treasury

The strengthening OBEGALx track also improves the Crown's cash position and debt trajectory. The residual cash deficit is expected to peak in the current year before narrowing significantly and returning to surplus by 2030/31, which would be the first residual cash surplus since 2017/18. Net core Crown debt as a share of GDP is expected to peak at 43.9% in 2027/28 before gradually declining to 39.5% by the end of the forecast period.

The economic and fiscal forecasts incorporate the Government's fiscal policy settings. They therefore incorporate the Government's future operating and capital allowances, the future impacts of policies agreed prior to the forecast being closed, particularly those announced in Budgets 2025 and 2026, the revenue impacts of the Government's tax policy settings, and the fiscal impacts of initiatives to improve Crown entity performance. Changes to these policy settings would result in different economic and fiscal outcomes.

Compared to the **Budget Update*****, higher tax revenue improves the fiscal outlook***

The fiscal outlook has improved since the *Budget Update*. All headline fiscal indicators are now stronger, largely due to an improved tax forecast and the flow-on effects to interest costs from the reduction in the Government's borrowing requirements.

OBEGALx has improved by $11.5 billion over the comparable forecast period, which is an average of $2.9 billion (0.6% of GDP) per annum, with the improvement weighted toward the earlier years of the forecast. The OBEGALx position in 2028/29, the year in which the Government intends to return to surplus, has improved by $1.4 billion from a surplus of $2.6 billion (0.5% of GDP) at the *Budget Update* to a surplus of $4.0 billion (0.8% of GDP). After adjusting for the fiscal effects of the economic cycle, the cyclically adjusted OBEGALx is expected to return to surplus in 2027/28, one year earlier than at the *Budget Update*.

Higher tax revenue is the primary driver of the improved fiscal outlook. Core Crown tax revenue has been revised up by $11.4 billion over the four comparable years of the forecast period. This higher tax revenue is partly offset by the decision to defer the increases to FED and RUC, which reduces tax revenue by $1.4 billion over the forecast period compared with the *Budget Update*. The stronger revenue outlook reduces government borrowing, resulting in net finance costs being revised down by $1.7 billion despite increased market interest rates.

Table 1 – Change in OBEGALx since the *Budget Update*

Year ending 30 June $billions	**2027 Forecast**	**2028 Forecast**	**2029 Forecast**	**2030 Forecast**	**4-year total**
OBEGALx – *Budget Update*	**(11.4)**	**(4.3)**	**2.6**	**6.1**	
Tax revenue (excluding policy decisions)	4.5	2.9	2.0	2.0	**11.4**
Fuel excise duties and road user charges from policy decisions	(0.3)	(0.6)	(0.4)	(0.1)	**(1.4)**
Net finance costs	0.2	0.4	0.5	0.6	**1.7**
Other movements	0.2	0.8	(0.7)	(0.5)	**(0.2)**
Total movement	**4.6**	**3.5**	**1.4**	**2.0**	**11.5**
OBEGALx – *Pre-election Update*	**(6.8)**	**(0.8)**	**4.0**	**8.1**	

Source: The Treasury

The improved tax revenue forecast is primarily the result of higher than previously forecast tax returns in 2025/26 combined with a stronger nominal GDP growth forecast. Higher than previously forecast tax revenue in 2025/26 of $1.1 billion lifts the base from which future tax revenue is forecast. Stronger than previously forecast nominal GDP growth, particularly higher business profits, consumption and employee compensation, then applies to this higher base and boosts the forecasts for corporate tax, GST and source deductions respectively. In addition, provisional tax receipts from corporate taxpayers have recently increased, which is expected to be recorded as revenue in the 2026/27 year. The increase in tax compared to the *Budget Update* therefore peaks in 2026/27 with some of this strength expected to dissipate in later years.

In part, the stronger fiscal outlook reflects the asymmetry between the impact of inflation on revenue and expenditure. Higher prices lift tax revenue by increasing nominal incomes, spending and profits, while many areas of government expenditure are determined through fixed Budget allowances and therefore do not automatically rise with inflation. This generally results in a net fiscal gain in the forecast period. However, higher inflation can also make it more difficult for agencies to operate within existing funding baselines and allowances, increasing pressure on future Budgets.

Risks remain skewed towards weaker growth and higher inflation

While the forecasts show the fiscal position recovering steadily over the forecast period, there is considerable uncertainty around that outlook. The *Risks to the Forecasts* chapter illustrates the scale of this uncertainty using fan chart analysis. For example, based on historical forecast errors, there is a 10-20% chance that core Crown tax revenue will be at least 2.0 percentage points of GDP lower than forecast by the end of the period, equivalent to the size of the OBEGALx surplus in 2030/31.

The forecasts reflect the economic and fiscal outcomes we expect if our core assumptions eventuate and does not include the materialisation of risks or shocks unless we consider them more likely to occur than not. Risks to the outlook include cyclical risks affecting near-term growth and inflation, unexpected shocks such as natural disasters, financial market volatility, and geopolitical conflicts, and structural factors affecting the economy’s long-run growth potential. Fiscal pressures, including demographic and other cost drivers, could also place pressure on future Budgets and the fiscal outlook. On balance, these risks are assessed to be weighted to the downside.

In the near term, the main uncertainty is the persistence of the oil price shock arising from the Middle East conflict. If energy prices remain elevated for longer than assumed, inflation could prove more persistent, requiring higher interest rates for longer and resulting in weaker economic activity. Over the medium to longer term, structural risks relate to productivity growth, migration, and the terms of trade, which could materially affect both economic performance and the fiscal outlook.

Table 2 – Key economic and fiscal indicators[2]

Years ending 30 June	2025 Actual	2026 Forecast[3]	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Real production GDP (annual average % change)	(1.1)	1.6	2.3	2.9	2.7	2.6	2.5
Unemployment rate (June quarter)	5.2	5.6	5.2	4.7	4.4	4.3	4.3
CPI inflation (annual % change, June quarter)	2.7	4.1	1.9	2.0	2.1	2.1	2.0
Current account balance (annual, % of GDP)	(3.8)	(4.0)	(3.5)	(2.7)	(2.6)	(2.5)	(2.4)
OBEGALx ($billions)	(9.3)	(8.6)	(6.8)	(0.8)	4.0	8.1	11.7
% of GDP	(2.1)	(1.9)	(1.4)	(0.2)	0.8	1.4	2.0
OBEGAL ($billions)	(14.0)	(10.7)	(8.7)	(2.9)	2.1	6.3	8.9
% of GDP	(3.2)	(2.4)	(1.8)	(0.6)	0.4	1.1	1.5
Net core Crown debt ($billions)	182.2	186.7	209.6	223.0	230.5	232.8	229.8
% of GDP	41.9	41.0	43.7	43.9	43.3	41.8	39.5
Net worth attributable to the Crown ($billions)	179.3	177.2	186.5	190.1	199.2	212.8	229.6
% of GDP	41.2	38.9	38.8	37.5	37.4	38.2	39.4

Sources: Stats NZ, the Treasury

Finalisation dates for the *Pre-election Economic and Fiscal Update*

Economic forecasts – 21 August 2026

Tax revenue forecasts – 10 September 2026

Fiscal forecasts – 10 September 2026

Statement of specific fiscal risks – 10 September 2026

Document text – 22 September 2026

2 The '% of GDP' fiscal ratios for 2025 and 2026 have not been updated for the GDP data and revisions released by Stats NZ on 17 September.

3 The fiscal measures for the 2026 fiscal year represent the unaudited actual results and the measures for the unemployment rate and CPI inflation in this column are 'Actual'.

1

Economic Outlook

This chapter presents the Treasury's *Pre-election Economic and Fiscal Update 2026* (*Pre-election Update*) economic forecasts and discusses the key risks and assumptions underpinning the outlook. While the Middle East conflict (the conflict) has delayed the recovery by raising oil prices, inflation and uncertainty, the medium-term outlook is broadly unchanged from the *Budget Economic and Fiscal Update 2026* (*Budget Update*). Economic activity also entered this period from a stronger position than previously expected, showing greater momentum prior to the conflict, which provides a firmer foundation for the recovery.

The outlook is characterised by three key themes: restrained domestic demand, resilient global demand supporting export performance, and ongoing geopolitical risks keeping uncertainty elevated. Household spending, business investment and employment growth are expected to remain subdued in the near term, before improving as inflationary pressures ease and real incomes recover. At the same time, resilient global activity continues to support demand for New Zealand's exports, helping offset weak domestic conditions and supporting an improvement in the terms of trade over the forecast period. However, geopolitical risks, particularly those associated with the conflict and oil price volatility, remain a key source of uncertainty for both growth and inflation.

Given this uncertainty, the economic forecasts presented in this *Pre-election Update* represent the Treasury's baseline view based on a range of cyclical and structural assumptions. This chapter explores some of the key medium-term judgements underpinning the forecasts and discusses how alternative outcomes could affect the economic and fiscal outlook.

Economic developments since the *Budget Update*

Latest data confirms economic growth was increasing before the conflict…

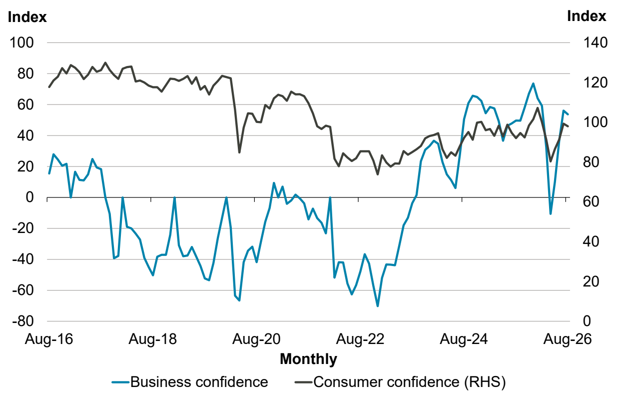
Economic momentum began to strengthen in late 2025 and into early 2026, following a prolonged slowdown throughout 2024 and much of 2025, driven by high interest rates and weak domestic demand. This emerging momentum was confirmed in the March 2026 quarter GDP outturn, with quarterly growth of 0.8%, stronger than the 0.4% forecast in the *Budget Update*, pointing to an economy with more momentum and less spare capacity than previously thought.

Encouragingly, the recovery prior to the conflict was broadening across sectors, although rural-facing regions and industries continued to perform more strongly than urban and domestically oriented industries. Exports of goods and services continued to drive growth on the back of continued resilience in global demand in the face of heightened geopolitical and trade uncertainty, contributing 0.8 percentage points to quarterly GDP growth.

…but the conflict has created a substantial global oil shock, dampening growth and increasing uncertainties

The Middle East conflict that began in late February resulted in the largest oil supply shock in history, according to the International Energy Agency (IEA). Consumer price inflation rose to 4.1% in the June quarter, in line with the 4.0% forecast in the *Budget Update*, with higher petrol prices contributing 0.9 percentage points to the increase. Higher fuel prices contributed to a 2.7% lift in quarterly tradables inflation, bringing annual tradables inflation to 4.9%.

Figure 1.1 – Consumer and business confidence



Source: ANZ Research

Meanwhile annual non-tradable inflation eased slightly to 3.4% in the June quarter after holding flat at 3.5% for the last three quarters. Core measures of inflation remain below 3% in line with subdued demand in the economy. However, household energy remains a pressure point and the cost of construction of new housing lifted sharply.

More recently, selected price indexes data for July point to slowdown in inflation pressure, a general easing seen in both fuel and non-fuel related prices. Annual food price inflation is at its lowest rate in over eighteen months at 1.9%, and rents just 0.1% higher than in July 2025. However, this data predates the most recent escalation in oil prices.

Since February, the conflict has raised uncertainty levels, contributing to weaker household and business sentiment in the June quarter. Consequently, GDP growth is expected to be flat in the June quarter.

Although consumer and business sentiment have since improved from their lows in April, they remain below pre-conflict levels (Figure 1.1), weighing on near-term activity. The housing market remains soft with little house price growth at a national level, and the unemployment rate rose to 5.6% in the June quarter from 5.4% in March.

However, there are signs that firms are adapting to the elevated uncertainty that has characterised recent years. Employment grew 0.5% in the June quarter, and rising job advertisements in June point to firming labour demand ahead.

Exports continued to show strength in the June quarter, with monthly trade data showing goods export values rising to a record high, supported by strong dairy and meat exports. Goods import values also rose in the June quarter, up 7.7% from the March quarter, reflecting higher fuel costs as a result of the conflict. Prices for items such as electrical components have also risen, reflecting stronger demand in international markets for artificial intelligence (AI)-related investments.

Internationally, growth has been resilient

Internationally, global growth has been resilient with the IMF noting that, although growth in 2026 is likely to be lower than previous years, the effects of the conflict are being partly offset by advances in AI and its adoption. The IMF projects global growth to be 3.0% in 2026 and 3.4% in 2027, down from the average of 3.5% observed in 2024-25. Continued resilience in global growth is expected to continue supporting demand for New Zealand's exports.

In the United States, growth slowed to 1.5% in the June quarter, down from 2.1% in the March quarter, but underlying resilience remains and fixed investment broadened beyond AI-related activity. More recently, higher-frequency indicators continue pointing to expansion ahead, with the S&P Global Composite PMI reaching 56 in August, its strongest level since April 2022.

Meanwhile, China's growth fell to 4.3%, a three-year low, as it continues to grapple with weak domestic demand. Strong manufacturing and goods exports have cushioned the impact of the oil shock and property market weakness. Additional fiscal policy stimulus announced in July is expected to support household consumption and meet their 2026 growth target of 4.5% to 5%.

Implications of recent economic developments since finalisation

The baseline economic forecasts were finalised on 21 August. Since then, additional information has become available that may have implications for the outlook.

World oil markets have continued to be volatile, with no clear pathway to a lasting resolution to the Middle East conflict. Global oil supply remains substantially disrupted and the IEA no longer expects the Strait of Hormuz to reopen by the end of the year. At the same time, global oil inventories have continued to be drawn down, cushioning price pressures, but this cannot be sustained indefinitely. The IEA notes that as these buffers shrink, progress toward resolving the conflict will be critical to avoiding further market tightening and demand destruction. These developments mean there is a risk that oil prices could rise further in the near term, having already returned above US$100 per barrel in early September. For example, based on oil futures pricing as at 14 September, annual CPI inflation would be around 0.25 percentage points higher over the three quarters from December 2026 to June 2027 compared to the baseline forecasts, returning to the Reserve Bank's 1%-3% target band around a quarter later.

Long-term borrowing costs have reached multi-decade highs, as oil supply disruptions push up inflation and lower real returns, while expanded sovereign borrowing programmes have increased the returns investors require to hold longer-dated debt. At the same time, rising corporate debt issuance to fund AI investment has intensified competition for investor funds. Beyond adding to the taxpayer burden, rising long-term yields lift the benchmark price of money across the economy, flowing through to higher interest rates for households and businesses.

Short-term interest rate expectations have also been rising on the back of escalating geopolitical tensions and higher energy costs. At the time the baseline economic forecasts were finalised, financial markets were expecting the Official Cash Rate to reach 3.50% by October 2027, whereas this has now increased to around 3.9%, pointing to a faster withdrawal of monetary policy stimulus than what the baseline forecasts have included.

GDP lifted 0.2% in the June quarter, slightly above the baseline forecast for a flat quarter. March quarter GDP growth was revised to 0.9%, from 0.8% previously, pointing to stronger momentum over the first six months of the year than previously thought. Annual nominal expenditure GDP was $457 billion in the June quarter, around $0.9 billion higher than the baseline forecast, and is broadly consistent with the tax growth observed recently.

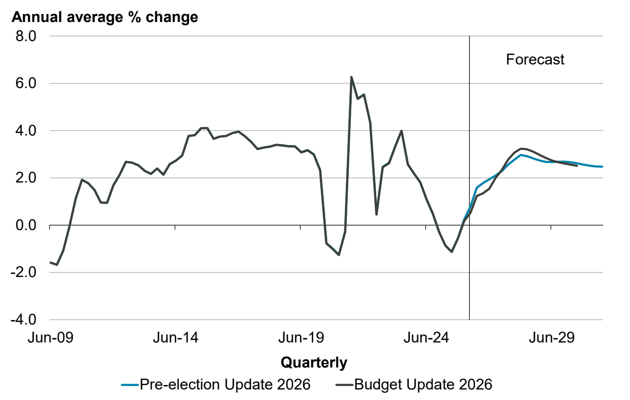
Higher frequency indicators suggest the economy was gaining momentum in the September quarter. Manufacturing and services activity both expanded in August, with the Performance of Services Index reaching its highest level since September 2023, while business surveys point to a broad-based improvement in firms' activity. Tourism activity has also strengthened, with overseas visitor arrivals in July exceeding their corresponding pre-pandemic level for the first time.

June quarter balance of payments data show the annual current account deficit was 3.2% of GDP, widening 0.2 percentage points from a revised 3.0% in the March quarter. Large historical revisions resulted in a smaller current account deficit in the June quarter than the 4.0% of GDP expected in the baseline forecasts. However, the trajectory for the current account deficit is expected to be in line with the baseline forecasts, which show a broadly narrowing deficit over the forecast period.

Medium-term outlook and risks

Growth is forecast to increase in the second half of 2026…

Figure 1.2 – Real GDP growth



Sources: Stats NZ, the Treasury

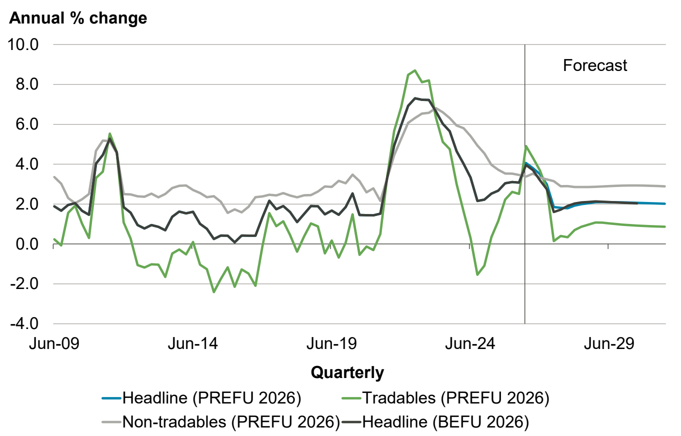
As at the *Budget Update*, the conflict is expected to have delayed, but not derailed, the economic recovery. Growth is forecast to resume once the effects of the conflict ease over the second half of 2026, with consumer and business sentiment expected to continue improving as fuel prices fall. The stronger pre-conflict starting point indicates that the recovery was initially proceeding faster than previously understood, indicating less spare economic capacity. This, combined with slightly higher near-term inflationary pressures, results in a faster withdrawal of monetary stimulus than forecast in the *Budget Update*. In turn, this moderates growth over the year ahead by weighing on household spending along with other near-term headwinds such as heightened uncertainty, labour market softness and weaker house price growth. 90-day interest rates are forecast to peak at around 3.8% by mid-2029, compared to a peak of 3.3% by early 2029 forecast in the *Budget Update*.

Over the medium term, the outlook for real GDP is little changed from the *Budget Update*, with our assumption about the economy's medium-term productive capacity unchanged from the previous forecast. Consequently, there is less spare capacity in early 2026 than previously anticipated. Along with slightly higher oil prices, this contributes to higher inflation and interest rates, slowing subsequent growth. Annual average growth is forecast to peak at 3.0% by March 2028, slightly below the 3.2% forecast in the *Budget Update* (Figure 1.2).

Stronger economic momentum prior to the conflict and increased inflationary pressures contribute to nominal expenditure GDP being higher than the *Budget Update* across the forecast period. Cumulatively, nominal GDP is higher by $18.1 billion over the forecast period, averaging $3.6 billion per annum, and contributes to an improved tax outlook relative to the *Budget Update*.

…as inflation returns to the RBNZ's target band in early 2027

Figure 1.3 – Consumers Price Index inflation



Sources: Stats NZ, the Treasury

Higher near-term fuel prices flow through to higher tradables inflation and contribute to annual inflation staying higher than forecast at the *Budget Update* through to the September 2027 quarter. The box below outlines how world oil price movements have been incorporated in the Treasury's inflation forecasts.

As world oil prices ease from their current levels, tradables inflation is also expected to ease. In comparison, non-tradables inflation is forecast to be little changed over the forecast period, although it is slightly higher over the year ahead, which reflects less spare capacity compared to the *Budget Update*.

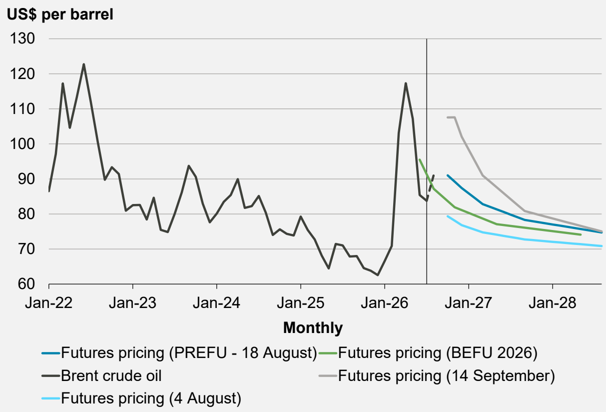
Overall, annual consumer price inflation is around 0.1-0.3 percentage points higher than forecast at the *Budget Update* through to the middle of 2027. However, annual consumer price inflation is still forecast to return to the RBNZ's target band in early 2027, as at the *Budget Update* (Figure 1.3).

World oil prices and their impact on New Zealand's inflation

The assumptions underpinning the impact of higher oil prices on the New Zealand economy are broadly unchanged from the *Budget Update*. Given the high degree of uncertainty with how oil prices will evolve, the Treasury's baseline economic forecast assumes that oil prices will evolve in line with the oil futures market, which is the same approach used by international forecasters. The baseline forecasts are based on Brent oil spot and futures prices as at 18 August 2026.

While oil futures prices are higher across much of the forecast period relative to the *Budget Update*, the increase is skewed towards the near term, with prices still expected to fall over the medium term. As a result, oil price volatility evidenced by futures prices presents a greater risk to the near-term outlook for growth and inflation than it does over a medium-term horizon (Figure 1.4).

Figure 1.4 – Oil spot and futures prices



Source: Haver Analytics

Domestic fuel prices do not move one-for-one with global oil prices, as factors such as refinery margins, exchange rates, shipping costs and changing fuel demand also influence prices at the pump. Nevertheless, petrol and diesel prices are expected to remain somewhat higher than previously assumed at the *Budget Update*, resulting in slightly higher projections for inflation, particularly over 2026 and early 2027.

Higher fuel prices add to inflation

Higher fuel prices affect inflation in two ways. First, they have a direct impact because petrol and diesel prices are part of the Consumers Price Index. Changes in pump prices are therefore reflected in headline inflation.

Second, higher fuel prices can indirectly affect inflation by increasing transport and operating costs for businesses. Firms may absorb some of these costs, but some can eventually be passed on to consumers through higher prices for goods and services.

While this broader pass-through is expected to occur to some extent, the evidence to date suggests it remains limited. Recent inflation data and surveys of business pricing intentions show little sign that higher fuel costs have generated widespread price increases outside fuel-related categories. As a result, only a modest impact on domestic inflation is expected over the coming quarters.

Broader inflation impacts are likely to remain limited

Treasury analysis of previous oil price shocks supports the view that the wider inflationary effects of higher oil prices are generally small and delayed.[4] The analysis found that oil price shocks primarily influence tradable inflation through higher import costs, while domestically generated (non-tradable) inflation tends to be driven by factors such as labour market conditions, wage growth and overall demand pressures in the economy.

This suggests that, at the moment, temporary increases in oil prices are unlikely to lead to large or persistent increases in domestic inflation, given the level of spare capacity in the economy. The analysis shows that labour market conditions in particular remain a more important determinant of non-tradable inflation than changes in global energy prices, and in the current context, there is excess capacity in the labour market.

The analysis also supports the assumption that inflation expectations remain relatively well anchored. Although higher fuel prices can temporarily lift inflation expectations, recent survey measures suggest this effect has largely unwound. This reduces the likelihood that a temporary oil price shock becomes embedded in broader inflation, even if fuel prices remain elevated for a period.

Overall, higher oil prices are expected to add modestly to inflation over the near term, mainly through higher fuel prices, which will be squeezing household incomes as discussed on the next page.

However, the broader effects on domestic-related inflation are expected to be limited, with labour market conditions and wage growth continuing to play a much larger role in determining underlying inflation pressures.

The delay in the increase to fuel excise tax was announced at the end of August, after the baseline forecasts had been finalised, which could reduce annual inflation by just over 0.1 percentage points in the March 2027 quarter. However, as noted on page 12, oil price movements since the baseline forecasts were finalised pose upside risk to near-term annual inflation.

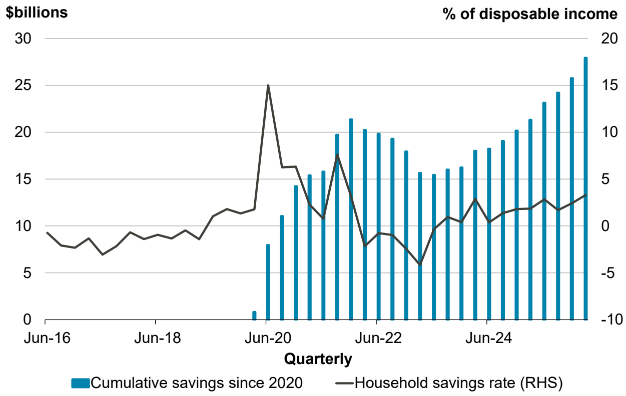
4 For more information see the special topic in the *Fortnightly Economic Update* 18 September 2026.

Household demand remains restrained in the near term before recovering…

In recent years, budget pressures, a soft labour market and subdued consumer confidence have contributed to weak growth in private consumption. Sentiment had been improving prior to the conflict, but the spike in fuel prices stemming from the conflict has reduced real household incomes and increased uncertainty has dampened spending intentions.

Households are responding to the oil shock from a resilient position, with aggregate saving having increased recently to a four-year high in the March 2026 quarter (Figure 1.5). Increased saving likely reflects cautious behaviour in response to heightened uncertainty and soft labour market conditions. Centrix reported consumer credit demand is down 7.3% year on year in August and consumer arrears are near their lowest level since 2021.

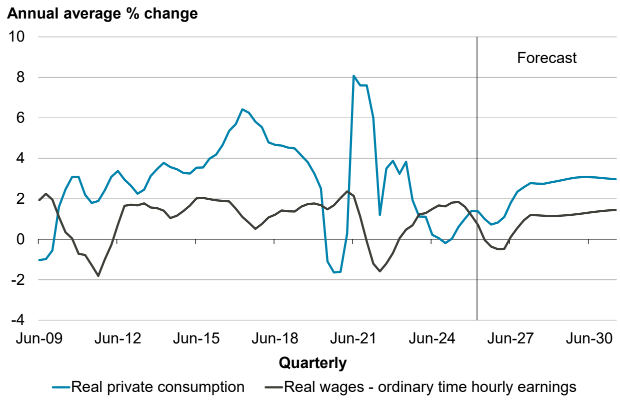
Figure 1.5 – Household savings



Source: Stats NZ

Household balance sheets are also in a resilient position, with rising equity values in recent years helping to offset subdued house price growth in New Zealand.

Figure 1.6 – Household consumption and wages



Sources: Stats NZ, the Treasury

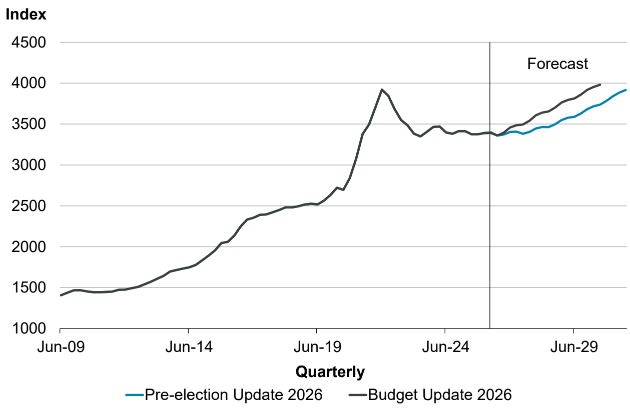
Private consumption is forecast to increase from the September quarter onwards as the previous headwinds unwind. Inflationary pressures are assumed to ease as fuel prices fall, resulting in growing real incomes with wages continuing to grow over the forecast period as demand picks up (Figure 1.6). However, a slower increase in net migration and slower growth in house prices contribute to private consumption remaining near, but slightly below, the levels forecast in the *Budget Update* over the forecast period.

Private consumption is expected to be supported by continued strong export earnings, which have contributed to the stronger growth seen in export-oriented regions in recent years, particularly in the South Island. Fonterra's sale of its consumer brands earlier in 2026 is also likely to have provided a boost, although it is unclear how those funds have been used. Anecdotal evidence suggests that some of the proceeds have been used for debt reduction and on-farm investment to improve productivity.

Stronger growth in rural areas has also been reflected in the differences in regional housing market performance. Although national house prices have been broadly flat over the past year and a half, prices have continued to rise year on year in parts of the South Island that are particularly exposed to export performance, while continuing to fall in the main urban centres of the North Island.

Higher interest rates, growth in housing supply and lower net migration than forecast in the *Budget Update* contribute to a weaker outlook for house prices over the forecast period (Figure 1.7), reducing private consumption relative to the *Budget Update* forecast through a weaker wealth effect. Strong consents issuance since the end of 2025 points to a robust pipeline of housing construction activity, supported by ongoing reforms to zoning regulations aimed at increasing housing intensification.

Figure 1.7 – House prices



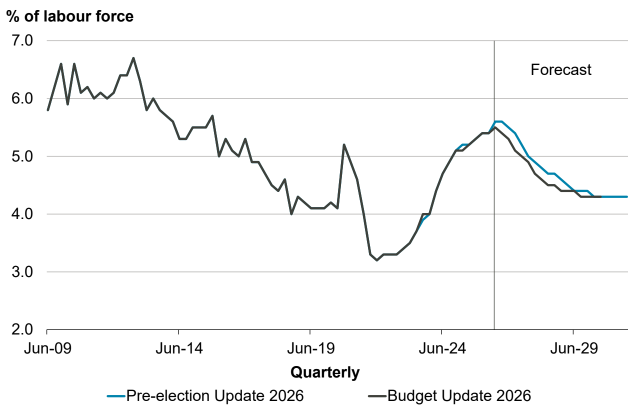
Sources: Cotality, the Treasury

A key risk to the outlook is the speed and strength of the recovery in household demand. If inflation pressures prove more persistent or uncertainty remains elevated, the recovery could be delayed further. Conversely, private consumption could be stronger than currently forecast and closer to the *Budget Update* forecast if net migration exceeds assumptions or house prices recover sooner than expected.

...leading to a tightening labour market from 2027…

As real incomes recover, rising household demand and falling fuel prices are expected to help improve trading conditions, increasing demand for labour. Initially, this is expected to result in an increase in hours worked by those already employed. As the recovery broadens, employment is expected to rise as labour demand catches up with labour supply, resulting in tightening labour market conditions. The unemployment rate is forecast to fall from 5.6% in the September 2026 quarter to 4.3% by June 2030, the same end point as the *Budget Update* (Figure 1.8).

Figure 1.8 – Unemployment rate



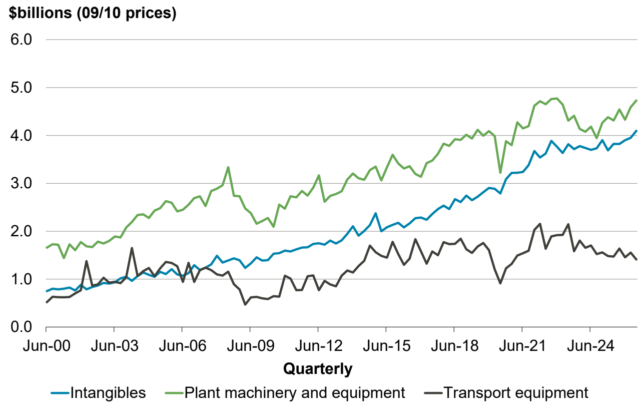
Sources: Stats NZ, the Treasury

However, the recovery could be more prolonged if real household incomes rise more slowly than forecast. Firms may continue to adjust labour costs via hours worked or delay hiring decisions, which could have flow-on impacts on output and labour productivity. Conversely, the development and proliferation of AI technologies could support stronger growth outcomes.

…and business investment is forecast to rise, with more firms investing in AI

Increased uncertainty and cost pressures from the Middle East conflict are expected to have dampened investment activity in the June quarter, consistent with weaker sentiment survey results in April and May. The deterioration in business investment is expected to be temporary, with recent business engagements highlighting continued appetite to invest. Notably, the discussions reveal that there has been a shift from broad expansion towards targeted productivity-enhancing investments, particularly AI, automation and labour-saving technologies. Business investment in intangible assets has been rising over time (Figure 1.9) and as a proportion of total business investment has grown from 15% in the year to June 2000 to 28% in the year to June 2026. The box on page 19 discusses what impacts AI technologies might have on the New Zealand economy.

Figure 1.9 – Business investment by category



Source: Stats NZ

The prices of some of the componentry of these technologies, which include computer storage, memory chips and processing units, have risen sharply recently, contributing to higher import prices. Prices for these AI-related goods are likely to continue rising even as fuel and other oil-related prices ease over the coming quarters.

Looking ahead, ANZ reported in August that firms are now optimistic that the worst is behind them and that the economic recovery will resume. As fuel prices ease over the second half of 2026, pressure on business margins will be reduced. Combined with growing domestic demand and a recovery in the terms of trade business investment is expected to resume its recovery, returning to the June 2023 quarter peak by the September 2027 quarter and continuing to grow thereafter, in line with the *Budget Update* forecast.

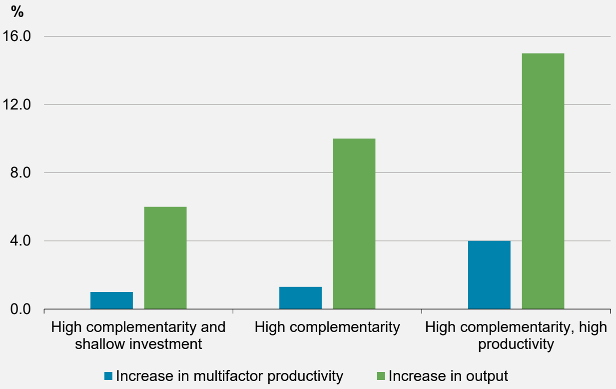
Artificial Intelligence and its implications for economic growth

AI has the potential to significantly lift productivity and growth. Like earlier technological transformations, AI creates scope for increased automation of tasks, lower input costs and greater innovation. While the impact of AI is highly uncertain, ensuring New Zealand's economy is well placed to realise the gains and minimise significant risks will increase the likelihood of stronger outcomes.

New Zealand is relatively well placed to benefit…

New Zealand ranks among the best-prepared economies globally on the IMF's AI Preparedness Index, but there are some significant hurdles to achieving the potential gains.[5] New Zealand's high ranking reflects strengths in digital infrastructure and regulation, and like other advanced economies, most of the labour force is employed in service-driven sectors where AI may affect a wide range of tasks. But it is the interaction of these strengths with other drivers of productivity where there are long-standing challenges, including capital intensity, connections to global markets and the pace of adoption, that will affect the overall performance of the economy.[6]

Figure 1.10 – IMF productivity scenarios



Source: IMF (2026)

Multifactor productivity (MFP) compares the level of output to labour and capital input and provides a gauge of technological change. The bars show the size of the gains 10-years after AI adoption.

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5 IMF, *Gen-AI: Artificial Intelligence and the Future of Work,* Staff Discussion Notes No.2024/001, 2024.

6 For more details see *The productivity slowdown: implications for the Treasury's forecasts and projections,* New Zealand Treasury Paper, May 2024.

…but the gains are uncertain and depend on other drivers of productivity

Uncertainty around the size of the productivity benefits and its dependence on other growth drivers is illustrated by scenarios developed by the IMF (Figure 1.10).[7] The largest gains occur when AI adoption is accompanied by increased investment and widespread productivity improvements, potentially increasing economic output by 15% after a decade. In comparison, the increase in output might be significantly smaller if investment remains low and capital intensity does not increase. In this case AI will mostly add to productivity through wider use rather than increased capital intensity.

Labour market adjustment will be an important part of AI adoption

The labour market impacts could be significant over time, though there remains considerable uncertainty about their scale, timing, and how they will vary across sectors and occupations. Given New Zealand's relatively large share of professional occupations, AI may complement many workers and reshape the tasks they perform, while also reducing demand for some roles. Realising the benefits of AI will depend on having a workforce able to use the technology to support workplace innovation, alongside policies that help workers build digital skills and move into new opportunities where needed.

AI has the potential to support economic growth, improve public services and strengthen New Zealand's competitiveness. However, it could also create resilience risks, including through cyber threats to critical systems, geopolitical tensions and market volatility.

AI could help ease pressures on fiscal spending, but the revenue impact is uncertain

AI could support improved public sector productivity, particularly though reduced costs of service delivery, although its wider fiscal impacts may be muted. For example, superannuation spending is linked to productivity growth through the indexation of wage. On the revenue side, increased output may lead to higher tax payments, but the extent of changes in the distribution of taxable income between capital and labour will also be important, and increased payments to overseas technology providers could reduce taxable revenue. In addition, higher public investment in capital may support productivity and service delivery but also results in higher debt.

7 The OECD have also used scenarios to illustrate potential gains: *AI meets trade: Global linkages and the cross-country distribution of the gains from AI*, OECD Artificial Intelligence papers, No.57, March 2026.

Ongoing fiscal consolidation reduces government consumption as a share of GDP

The GDP measure of government consumption has grown strongly over the past year, in contrast to subdued growth in fiscal expenditure. The GDP measure of government consumption broadly covers expenditure on central and local government services. It excludes a number of areas of fiscal expenses, in particular transfer payments (such as welfare benefits) and government finance costs.

Continued fiscal restraint, in line with the outlook in the *Budget Update*, is expected to see much slower rates of government consumption than has been apparent in the national accounts of late.[8] As a proportion of the overall economy, government consumption falls across the forecast period towards the levels seen prior to the COVID-19 pandemic.

Fiscal policy withdraws support for aggregate demand

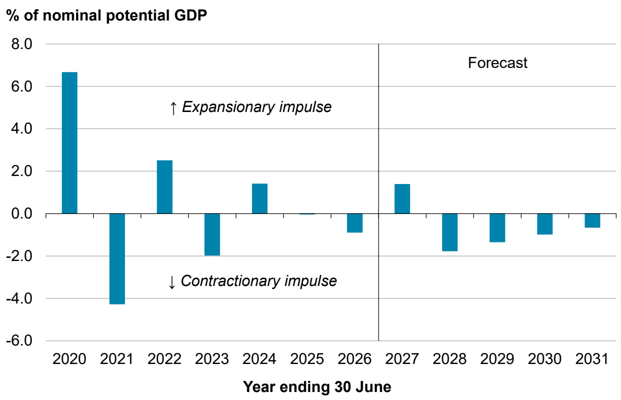
Government consumption captures only part of the Government's influence on economic activity. The broader effect of fiscal policy also reflects government investment, taxes, and transfers.

The Government has spent more than it has received in revenue each year since 2019/20, providing ongoing net support to incomes and aggregate demand. Fiscal policy remains supportive over the first three years of the forecast period, but the degree of support declines as fiscal consolidation continues and the economy recovers. By 2029/30, this support has been withdrawn, approximately coinciding with spare capacity in the economy being used up.[9]

The total fiscal impulse (TFI) measures how fiscal support for aggregate demand changes from year to year. A positive impulse means support is increasing relative to the previous year, while a negative impulse means support is being withdrawn.

Fiscal policy temporarily increases support in 2026/27, resulting in a positive TFI (Figure 1.11). This is mainly due to spending shifted from the previous year, and higher net finance costs. From 2027/28, fiscal support is gradually withdrawn as tax revenue rises, and government spending falls as a share of GDP, resulting in a negative TFI.

Figure 1.11 – Total fiscal impulse



Source: The Treasury

The TFI should be interpreted with caution. It depends on assumptions about what spending is relevant to demand and does not account for composition or multiplier effects. For example, while higher net finance costs are a component of next year's positive fiscal impulse, a large proportion of this expenditure is paid to overseas entities, so it is likely to have a smaller effect on aggregate demand than other types of expenditure.

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8 It is also possible for GDP data to be revised as new annual data becomes available. Annual GDP data released in November will feed into quarterly GDP data from late December.

9 More detailed information on the contribution of fiscal policy to aggregate demand including a comparison to the *Budget Update* forecast is provided in the *Pre-election Economic and Fiscal Update 2026 – Supplementary Information*.

Resilient demand for exports in key markets continues to support growth…

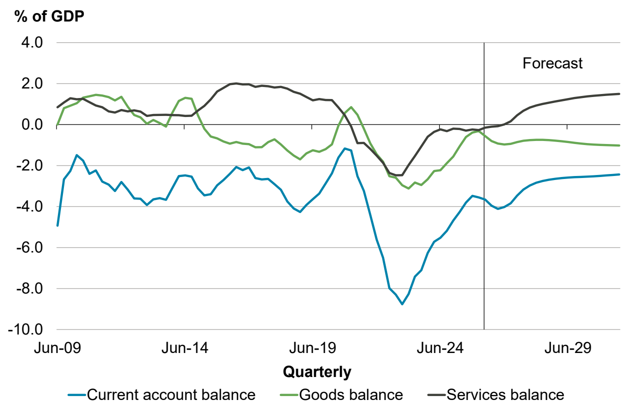
Globally, the world economy has so far weathered the impacts of the Middle East conflict, with growth supported by the rapid development, investment, and adoption of AI tools. While trading partner growth for 2026 has softened slightly since the *Budget Update*, the outlook for the remainder of the forecast period is broadly unchanged. However, as with the domestic economy, much still depends on how the conflict evolves. The recent re-escalation underlines the risk of longer-lasting effects than assumed in the baseline forecasts.

After showing resilience to recent trade policy uncertainty and now the Middle East conflict, New Zealand's exports are expected to continue contributing to growth over the forecast period. In China, demand for New Zealand exports remains strong despite weak household demand and an ongoing property sector downturn. Meanwhile, the US economy continues to support New Zealand's red meat exports, reflecting strong demand for international meat, while the US cattle herd is at its smallest size in 75 years.

Goods exports are forecast to fall from their record highs in the near term as dairy production eases from the 2025/26 record. However, the impact on export values will be cushioned by continued resilience in export prices. Although goods export values are falling, import values are forecast to fall at a faster rate over the year ahead, resulting in a narrowing goods trade deficit through to the middle of 2027. As domestic demand recovers, import values are forecast to rise as consumption and investment increase, resulting in a widening goods trade deficit through to the end of the forecast period.

Offsetting the widening trade deficit, rising services exports are forecast to contribute to a growing services surplus from the end of 2026 onwards. Services exports have now recovered to their pre-pandemic levels, reflecting continued growth in tourism, particularly from Australia, while tourism arrivals from China remain subdued. As the services surplus grows, the current account deficit as a share of GDP is forecast to narrow from a peak of 4.1% in the September quarter to 2.4% by the end of the forecast period (Figure 1.12).

Figure 1.12 – Current account balance and components

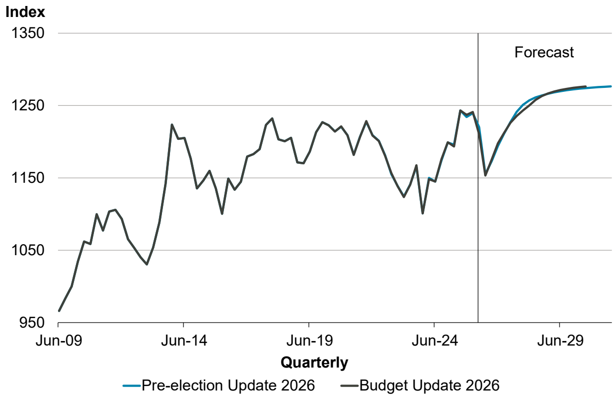


Sources: Stats NZ, the Treasury

Over the year ahead, El Niño presents risks to the outlook but so far the potential effects are too uncertain to include in the baseline forecasts. The current episode is anticipated to reach or exceed very strong intensity in coming months, potentially the strongest on record. The precise impacts are difficult to quantify ahead of time, as each episode is unique and the effects are varied across the country and around the world. Given the uncertainties, the Treasury will continue monitoring this risk, but favourable starting points in terms of soil conditions, agricultural prices, more resilient farming practices compared to previous decades and an above-average hydro-electric water storage position are expected to mitigate some of the effects.

…and a recovering terms of trade will be supporting medium-term growth

Figure 1.13 – Terms of trade



Sources: Stats NZ, the Treasury

New Zealand's terms of trade deteriorated over the first half of 2026 from a strong position at the end of 2025, largely as a result of import prices being pushed up by higher prices for fuel and other oil-related goods and services in the June quarter (Figure 1.13). As oil prices decline, import prices are expected to follow, resulting in a sustained improvement in terms of trade from the second half of 2026 onwards, returning to levels similar to that at the *Budget Update*. Export prices are expected to be supported by continued strength in demand in key export markets, keeping export prices on an upward trajectory after a period of softness in the September quarter.

Assuming the terms of trade recover and continue to grow as forecast, private consumption and business investment will be supported as export revenue rises and import costs fall. However, the recovery in the terms of trade and the subsequent support for broader economic activity could be delayed if import prices do not fall by as much expected or if export prices experience a larger fall than expected. In July 2026, the ANZ Commodity Price Index showed prices for meat and fibre falling for the first time since May 2025, posing some downside risk to the export price outlook.

Heightened uncertainties present risks to the outlook…

The near-term outlook is subject to a range of cyclical risks, reflecting the current environment of heightened geopolitical and economic uncertainty. Cyclical risks and uncertainties centre on the evolution of the current oil price shock, the extent to which higher fuel costs flow through to broader inflation and how households respond as inflation eases and real incomes recover. A more prolonged period of higher oil prices could result in permanent negative impacts on the economy, which is discussed in the box on page 26. Other cyclical risks include weaker household spending, adverse climate conditions such as El Niño, or an escalation in geopolitical tensions, all of which could result in weaker growth and higher inflation than assumed in the baseline forecasts.

Beyond these cyclical factors, other risks to the outlook include shocks that cannot be predicted ahead of time. These include the possibility of natural disasters, financial crises, additional geopolitical conflicts and other events occurring during the forecast period. By their nature, this means the risks to the economic forecasts are generally not symmetric and are tilted to the downside.

Over the medium term, the outlook depends on a range of structural assumptions about the economy's productive capacity and growth trajectory. These assumptions include productivity growth, labour force participation, population growth, and the economy's long-run productive capacity. The outlook is also sensitive to developments in global financial markets and New Zealand's terms of trade. Higher long-term interest rates could increase debt servicing costs and put pressure on the fiscal position, while sustained changes in export prices relative to import costs could materially affect national income, tax revenue, and economic growth.

Two key assumptions in the baseline forecasts relate to labour productivity growth and net migration.

Annual labour productivity growth is assumed to rise to 1.1% by the end of the forecast period in the baseline forecasts, partly reflecting slowing net migration over the forecast period. However, there is a high degree of uncertainty with this assumption. Labour productivity growth has been slowing over recent decades, and is not unique to New Zealand.[10] Although labour productivity growth accelerated sharply in the early 2020s during the COVID-19 period, estimates of labour productivity have fallen back almost to the pre-COVID-19 level, with average growth over the past decade now around 0.2% per annum, suggesting that New Zealand is likely in a flat period that was briefly interrupted by the COVID-19 pandemic.

In the baseline forecasts, net migration is assumed to rise to 40,000 people per year over the forecast period, but there have been periods where there has been stronger net migration.

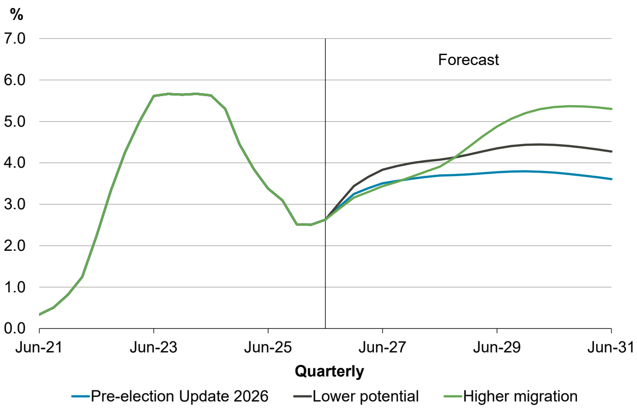
…including if labour productivity growth and trend potential is lower…

Instead of rising to 1.1% by the end of the forecast period, labour productivity growth could rise less than assumed in the baseline forecasts. In addition, more of the weakness in post-COVID-19 GDP growth could be reflective of a weaker trend rather than a temporary period of subdued demand. Together, these changes result in a lower level of sustainable output throughout the forecast period, relative to the baseline forecasts.

To illustrate the impacts of these effects, trend labour productivity growth at the end of the forecast period could recover to only 0.6% per year, around half that assumed in the baseline forecasts. In this case, GDP growth over the forecast period will be reduced by around 0.7 percentage points and the level of potential output at the end of the forecast period will be around 3.6% lower than in the baseline forecast.

Since the level of potential output is lower at the beginning of the forecast period, the estimate of the output gap is less negative for a given level of observed GDP. This means there is more inflationary pressure in the domestic economy compared to the baseline forecast, which requires a more aggressive monetary policy response to keep inflation in check. This sees 90-day rates around 60 basis points higher than in the baseline forecast (Figure 1.14).

Figure 1.14 – 90-day interest rates



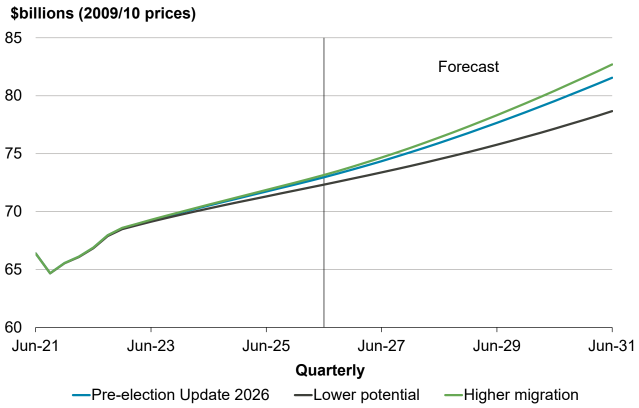
Sources: Haver, the Treasury

10 For more details, the Treasury published this paper in 2024 that discusses the global productivity slowdown and how it is playing out in New Zealand. https://www.treasury.govt.nz/news-and-events/news/new-treasury-paper-productivity-slowdown

Overall, nominal GDP is cumulatively $31 billion lower over the forecast period. Cumulative tax receipts are around $14 billion lower, with most tax types lower except for resident withholding tax, which is around $1.5 billion cumulatively higher from higher interest rates.

Operating balance before gains and losses excluding ACC (OBEGALx) is around $5.9 billion lower at the end of the forecast period due to lower tax receipts and higher spending, with higher financing costs partly offset by lower superannuation costs as lower trend labour productivity growth sees annual wage growth around 0.5% lower per year on average over the forecast period.

Figure 1.15 – Potential output



Sources: Stats NZ, the Treasury

…or net migration is higher than assumed

In the years prior to the COVID-19 pandemic, net migration reached around 70,000 people per year. If net migration rises to this level in the years ahead, this may result in the level of the population (both total and working age) increasing by around 2.1% at the end of the forecast period relative to the baseline forecast. This expands the labour supply as well as the activity base and sees potential output around 1.4% higher at the end of the forecast (Figure 1.15).

Higher population growth contributes to higher growth in residential investment and private consumption, with an accompanying increase in business investment. With a larger population, nominal government spending is assumed to increase to maintain the same volume of government spending per capita as in the baseline forecast, with this representing additional spending over and above current assumed nominal allowances.

This added demand increases domestic inflation pressures, requiring higher interest rates to keep inflation in check, with 90-day rates around 160 basis points higher at the end of the forecast period (sitting at around 5.3%), however they are headed back towards neutral.

Nominal GDP is cumulatively $30 billion higher over the forecast period, with most of the increase coming from the higher level of potential output. Higher prices from the second half of the forecast period have a slight contribution to the increase as higher interest rates are a little slow to respond to the added inflation pressures.

Tax receipts are around $13 billion higher cumulatively over the forecast period, with all tax types up across the board. OBEGALx is around $2.3 billion higher at the end of the forecast period with higher tax revenue partly offset by higher government spending, and net debt is around $7 billion lower at the end of the forecast period (Table 1.1).

Table 1.1 – OBEGALx under different assumptions

Year ending 30 June	2025	2026	2027	2028	2029	2030	2031
$billions	**Actual**	**Unaudited Actual**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**
Baseline forecast	-9.3	-8.6	-6.7	-0.8	4.0	8.1	11.7
Downside - Lower potential	-9.3	-8.6	-7.1	-2.2	1.4	3.9	5.7
Upside - Higher migration	-9.3	-8.6	-6.8	0.0	5.9	10.5	14.0

Upside and downside scenario values are estimates from the Treasury's macroeconomic forecasting model.

Potential GDP impacts from structurally higher oil prices

In the baseline forecasts, the supply-side oil shock caused by the Middle East conflict is assumed to be cyclical, with no longer-term impact on potential output. As fuel and petroleum-based products are major inputs for much of the world's economic activity, higher and more persistent oil prices may cause longer-lasting structural impacts as demand and activity decline. Higher oil prices raise costs for households and businesses, which can slow spending, investment and growth, reshaping the economy's structure, lowering potential output as well as its short-term performance in terms of labour productivity.

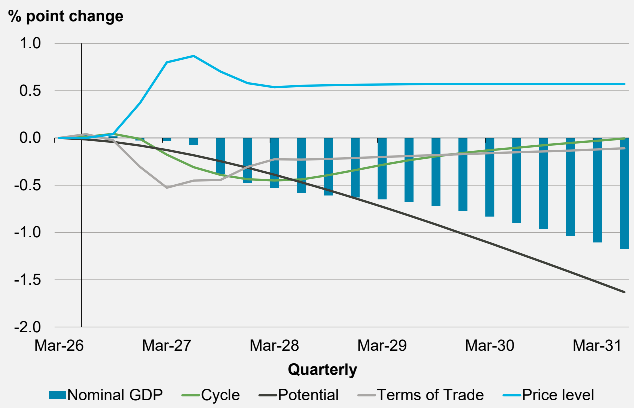
Higher oil and fuel prices are likely to affect sectors differently. Sectors with higher fuel dependencies such as air transport, freight, construction, agriculture and aquaculture may face significant cost increases, with downstream industries also affected as costs are passed on through the supply chain and to consumers. How activity in these industries adjusts to cost changes is difficult to determine given the indispensability of oil and fuels in the production process.

As in the *Budget Update*, the Treasury has considered an illustrative scenario that considers a sustained increase in oil prices, with Brent crude oil remaining between US$90 and US$115 per barrel until the end of 2027, before stabilising at a level that remains around 8% higher than assumed in our baseline forecast. This is a slightly more sustained increase than assumed in the *Budget Update* scenario and results in a 1.5% fall in potential output relative to the baseline forecast by mid-2031. These results remain sensitive to assumptions about the price elasticities of demand for different fuel types, and the impact on technical efficiency (or productivity) as businesses substitute away from oil-based products and fuels.

Under these oil price assumptions, inflation remains elevated over early 2027 with the higher price level reducing real incomes and household spending. This weaker demand, together with higher near-term interest rates that are required to contain short-term inflation pressures act as a further drag on activity that constrains residential and business investment. Further out in the forecast period, this weaker demand subdues domestic inflation pressures, allowing interest rates to fall, with monetary policy becoming more accommodating.

The end result is that nominal GDP is around $17 billion cumulatively lower than in the baseline forecast, with a lower level of real activity (both cyclical and trend) and a lower terms of trade partly offset by a higher domestic price level (Figure 1.16). This sees tax revenues around $5 billion cumulatively lower over the forecast period, while OBEGALx is around $3.0 billion on average lower in each of the last two years of the forecast. Since the reduction in output is structural rather than cyclical, a portion of the fiscal deterioration is expected to persist and will not automatically reverse as the economy recovers.

Figure 1.16 – Contribution to change in nominal GDP



Source: The Treasury

Key economic forecast judgements and assumptions

In addition to the judgements and assumptions included in the text, the baseline forecasts include the following assumptions:

- Annual net migration inflows are assumed to gradually increase from around 17,500 in the June 2026 quarter to approximately 40,000 in the final year of the forecasts.
- The New Zealand dollar TWI is assumed to appreciate from 66.5 in the June 2026 quarter to 70.1 by June 2031.
- Brent crude oil prices are assumed to have peaked at US$103 per barrel in the June 2026 quarter, falling to an average of US$76 per barrel by the June 2028 quarter.
- The non-accelerating inflation rate of unemployment is assumed to be 4.25% in the long-run.
- The neutral 90-day interest rate is assumed to be 3.0% in the long-run.

Table 1.2 – Economic Forecasts

Year ending 30 June Annual average % change	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Private consumption	0.6	1.0	1.8	2.7	2.9	3.1	3.0
Public consumption	-0.8	4.7	1.1	0.4	0.2	0.2	0.3
Total consumption	**0.3**	**1.9**	**1.6**	**2.2**	**2.3**	**2.4**	**2.3**
Residential investment	-12.1	-1.8	7.0	10.6	5.2	3.4	2.5
Business investment[1]	-2.4	1.6	1.9	6.2	4.8	3.6	2.9
Total investment	**-4.5**	**1.0**	**2.9**	**7.1**	**4.9**	**3.6**	**2.8**
Stock change[2]	0.0	0.3	0.0	0.2	0.0	0.0	0.0
Gross national expenditure	**-1.0**	**2.4**	**2.1**	**3.3**	**2.9**	**2.7**	**2.4**
Exports	3.0	5.7	2.8	0.7	2.1	2.3	2.3
Imports	2.0	6.1	0.0	2.4	2.8	2.6	2.3
GDP (expenditure measure)	**-0.8**	**2.1**	**2.6**	**3.0**	**2.7**	**2.6**	**2.4**
GDP (production measure)	**-1.1**	**1.6**	**2.3**	**2.9**	**2.7**	**2.6**	**2.5**
Real GDP per capita	-2.1	1.0	1.4	1.8	1.5	1.4	1.3
Nominal GDP (expenditure measure)	3.4	4.8	5.3	5.7	4.9	4.7	4.5
GDP deflator	4.2	2.6	2.7	2.7	2.2	2.0	2.0
Potential GDP	1.8	1.7	1.8	2.0	2.2	2.4	2.5
Output gap (% of potential, June quarter)[3]	-2.5	-2.0	-1.0	-0.4	0.0	0.1	0.0
Employment	-1.0	0.3	1.6	2.3	1.9	1.6	1.4
Unemployment rate[4]	5.2	5.6	5.2	4.7	4.4	4.3	4.3
Participation rate[5]	70.5	70.7	70.9	71.1	71.3	71.3	71.3
Hourly wages (annual % change)[6]	4.5	2.8	3.1	3.2	3.3	3.5	3.5
CPI inflation (annual % change)	2.7	4.1	1.9	2.0	2.1	2.1	2.0
Terms of trade (goods)[7]	8.0	2.1	0.1	4.1	0.9	0.1	0.0
House prices (annual % change)[8]	-0.7	-0.4	0.6	2.4	3.7	4.1	4.8
Current account balance (annual)							
$billions	-16.6	-18.0	-16.6	-13.9	-13.8	-14.1	-14.2
% of GDP	-3.8	-4.0	-3.5	-2.7	-2.6	-2.5	-2.4
Net international investment position (% of GDP)	-48.2	-43.3	-43.8	-43.4	-43.1	-42.9	-42.7
Exchange rate (TWI)[9]	69.1	66.5	67.7	68.7	69.3	69.8	70.1
90-day bank bill rate[10]	3.4	2.6	3.5	3.7	3.8	3.8	3.6
10-year bond rate[10]	4.6	4.6	4.7	4.7	4.7	4.7	4.7
Population growth	1.0	0.6	0.8	1.1	1.2	1.2	1.2
Net migration (4-quarter sum, 000s)	10.1	17.6	31.9	37.1	39.3	39.8	40.0

Notes:
1 Business investment is non-residential public and private investment.
2 Contribution to GDP growth.
3 Percentage difference between actual real GDP and potential real GDP.
4 Percent of the labour force, June quarter, seasonally adjusted.
5 Percent of working-age population, June quarter, seasonally adjusted.
6 Quarterly Employment Survey (QES), average ordinary time hourly earnings.
7 System of National Accounts.
8 Cotality Quarterly House Price Index.
9 Trade-weighted index (TWI), average for the June quarter.
10 Average for the June quarter.

2

Fiscal Outlook

This chapter presents the outlook of the Government's finances over the next five years.

The operating balance before gains and losses excluding ACC (OBEGALx) deficits over the last three years has averaged around 2.0% of GDP. Over the same period, net core Crown debt has increased from 38.6% of GDP in 2022/23 to 41.0% of GDP by 2025/26. The results over this time have been characterised by a period of subdued economic growth and partly from the phasing of past Budget packages which have had larger upfront fiscal costs.

The outlook for OBEGALx is forecast to start to recover in 2026/27, with more noticeable improvements forecast from 2027/28 onwards. The improvement in the fiscal outlook is supported by the expected economic recovery as discussed in the *Economic Outlook* chapter, through constraining expenditure growth and the expected improvements in the financial performance of Crown entities.

While the fiscal outlook at the *Budget Economic and Fiscal Update 2026 (Budget Update)* indicated a recovery across most key fiscal indicators, this recovery is now expected to be stronger. The improvement since the *Budget Update* is driven by expectations of a larger nominal economy throughout the forecast period, supported by a stronger starting position for the forecasts from the year ended 30 June 2026 results.

The expected recovery in the fiscal outlook is contingent on the economic recovery as detailed in the *Economic Outlook* chapter but also the Government's current policy settings. This includes managing the costs of future policy decisions within the established Budget allowances, the expected implementation of policies announced through Budgets 2025 and 2026 (such as future baseline reductions) and the fiscal impacts of planned performance improvements of certain Crown entities. The uncertainty around these factors is discussed further in the scenarios presented in the *Economic Outlook* and the *Risks to the Forecasts* chapters.

Table 2.1 – Key fiscal indicators compared to the *Budget Update*

Year ending 30 June $billions	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Core Crown tax revenue							
Pre-election Update	121.7	125.9	137.2	144.5	153.2	161.6	169.7
Budget Update			133.0	142.2	151.6	159.7	
Core Crown expenses							
Pre-election Update	141.7	146.2	154.6	158.3	163.2	168.6	173.7
Budget Update			154.8	158.8	162.8	167.9	
OBEGALx							
Pre-election Update	(9.3)	(8.6)	(6.8)	(0.8)	4.0	8.1	11.7
Budget Update			(11.4)	(4.3)	2.6	6.1	
Core Crown residual cash							
Pre-election Update	(6.0)	(4.9)	(22.0)	(13.5)	(7.3)	(1.8)	3.3
Budget Update			(24.2)	(15.6)	(8.8)	(4.5)	
Net core Crown debt							
Pre-election Update	182.2	186.7	209.6	223.0	230.5	232.8	229.8
Budget Update			216.5	232.4	241.4	246.1	
Net worth attributable to the Crown							
Pre-election Update	179.3	177.2	186.5	190.1	199.2	212.8	229.6
Budget Update			179.9	179.4	186.2	197.2	
% of GDP							
Core Crown tax revenue							
Pre-election Update	28.0	27.6	28.6	28.5	28.8	29.0	29.1
Budget Update			28.0	28.2	28.6	28.8	
Core Crown expenses							
Pre-election Update	32.6	32.1	32.2	31.2	30.7	30.3	29.8
Budget Update			32.6	31.5	30.7	30.3	
OBEGALx							
Pre-election Update	(2.1)	(1.9)	(1.4)	(0.2)	0.8	1.4	2.0
Budget Update			(2.4)	(0.8)	0.5	1.1	
Core Crown residual cash							
Pre-election Update	(1.4)	(1.1)	(4.6)	(2.7)	(1.4)	(0.3)	0.6
Budget Update			(5.1)	(3.1)	(1.7)	(0.8)	
Net core Crown debt							
Pre-election Update	41.9	41.0	43.7	43.9	43.3	41.8	39.5
Budget Update			45.6	46.1	45.6	44.4	
Net worth attributable to the Crown							
Pre-election Update	41.2	38.9	38.8	37.5	37.4	38.2	39.4
Budget Update			37.9	35.6	35.1	35.6	

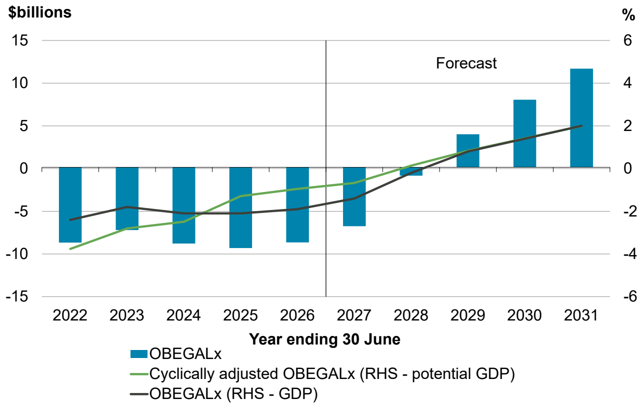
Source: The Treasury

Government's Fiscal Performance

Deficits start narrowing and return to a surplus position in 2028/29…

The OBEGALx deficit is expected to start to narrow in the current year, following a sustained period of elevated deficits (Figure 2.1). This reflects growth in core Crown tax revenue being partly offset by core Crown expense growth and a slight improvement in Crown entity performance.

Figure 2.1 – OBEGALx and cyclically adjusted OBEGALx



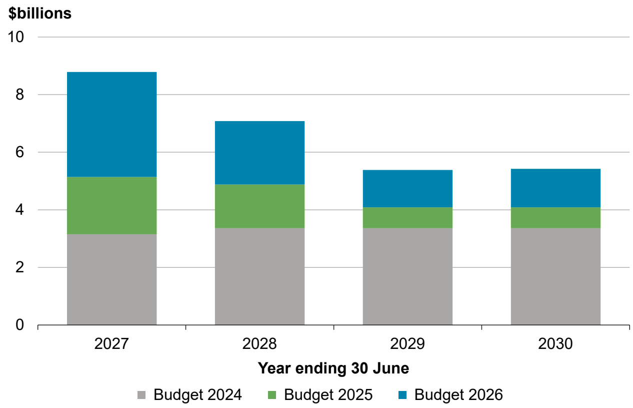
Source: The Treasury

A more noticeable recovery is expected in 2027/28, with the OBEGALx deficit narrowing from 1.4% of GDP in 2026/27 to 0.2% of GDP. This recovery is largely supported by subdued growth in core Crown expenses, which as a percentage of GDP, falls by 1.0%. The profile of the last three Budget packages, the size of the Budget 2027 operating allowance and the economic recovery contribute to this change.

The profile of the last three budgets has had a greater upfront fiscal impact on OBEGALx (Figure 2.2). For example, the combined impact on OBEGALx in 2026/27 of budget decisions totalled $8.8 billion, this impact reduces to $7.1 billion in 2027/28 and reduces further to $5.4 billion in 2028/29.

OBEGALx continues to improve thereafter, returning to a surplus of $4.0 billion (0.8% of GDP) in 2028/29, which grows to $11.7 billion (2.0% of GDP) by 2030/31.

Figure 2.2 – Year-on-year reduction to OBEGALx from the last three Budget packages (Budget 2024 to Budget 2026)[11]



Source: The Treasury

[11] Based on amounts announced at each Budget.

Overall, the recovery is supported by the steady growth in core Crown tax revenue as economic activity increases, terms of trade improve and overall price levels rise. In contrast, more modest growth in core Crown expenses is expected. In addition, the continued improvement in the results of the Crown entity (excluding ACC) segment contributes to the improvement. These drivers are discussed in further detail in the following sections.

In contrast, the cyclically adjusted OBEGALx started to recover from a deficit of 2.5% of potential GDP in 2023/24 to a deficit of 1.0% of potential GDP in 2025/26. This suggests that the underlying structural position strengthened over this period, but this improvement was largely offset by weaker economic conditions. As the economic cycle unwinds by the back end of the forecast period, cyclically adjusted OBEGALx follows a similar trend to OBEGALx and both indicators are broadly the same from 2028/29 (Figure 2.1).

When including the forecast revenue and expenses of Accident Compensation Corporation (ACC), the operating balance before gains and losses (OBEGAL) is also forecast to return to surplus in 2028/29. The trend in OBEGAL over the forecast period follows a similar path to OBEGALx, with the deficit narrowing over the next two years before returning to surplus in 2028/29 and reaching a surplus of $8.9 billion by 2030/31. Overall, the OBEGAL track is lower than OBEGALx, reflecting that ACC's expenses exceed its revenue throughout the forecast period.

The operating balance is also expected to recover over the forecast period and returns to a surplus in 2027/28, a year earlier than OBEGALx. The operating balance is forecast to follow a similar trend to OBEGALx, strengthening across the forecast horizon and reaching a surplus of $16.7 billion by 2030/31. In addition to the strengthening outlook for OBEGALx, returns from the investment portfolio of the New Zealand Superannuation Fund (NZS Fund) contribute to the improving operating balance outlook.

All the key operating balance fiscal indicators discussed above are the residual of two very large numbers (revenue and expenses), so a slight change in either can lead to a different track. The fan charts included in the *Risks to the Forecasts* chapter (refer to pages 56 to 57) help illustrate this uncertainty by analysing fiscal outcomes based on historical forecasts revisions.

…with the recovery now stronger than previously expected at the Budget Update

The outlook for OBEGALx across all forecast years is expected to improve since the *Budget Update*, largely due to improved tax revenue forecasts and the flow-on effects to interest costs from the reduction in the Government's borrowing requirements.

Table 2.2 – Change in OBEGALx since the *Budget Update*

Year ending 30 June $billions	**2027 Forecast**	**2028 Forecast**	**2029 Forecast**	**2030 Forecast**	**4-year Total**
OBEGALx – *Budget Update*	**(11.4)**	**(4.3)**	**2.6**	**6.1**	
Tax revenue (excluding policy decisions)	4.5	2.9	2.0	2.0	**11.4**
Fuel Excise Duty and Road User Charges policy decisions	(0.3)	(0.6)	(0.4)	(0.1)	**(1.4)**
Changes to tagged contingencies	0.5	-	(0.5)	(0.5)	**(0.5)**
Net finance costs	0.2	0.4	0.5	0.6	**1.7**
Other movement	(0.3)	0.8	(0.2)	-	**0.3**
Total movement	**4.6**	**3.5**	**1.4**	**2.0**	**11.5**
OBEGALx – *Pre-election Update*	**(6.8)**	**(0.8)**	**4.0**	**8.1**	

Source: The Treasury

Compared to the *Budget Update*, core Crown tax revenue (excluding policy decisions) is $11.4 billion higher over the comparable forecast period. This improvement is largely driven by the stronger 30 June 2026 outturns (discussed further on page 34) and stronger nominal GDP growth, particularly through higher business profits, consumption and employee compensation, which boosts the forecasts for corporate tax, GST and source deductions respectively. Overall, the forecast for core Crown tax revenue has also been impacted by policy decisions around deferring the rate increases to Fuel Excise Duty and Road User Charges.

For further information on the changes to tagged contingencies refer to the Funding for Land Transport box on page 44.

The upward revisions in core Crown tax revenue coupled with the stronger starting position of net core Crown debt as at 30 June 2026 have contributed to a reduction in net finance costs compared to the *Budget Update*. Overall, the borrowing requirements have reduced by $15.0 billion since the *Budget Update*.

The improvements in OBEGALx largely flow through to strengthen the outlook for most other key fiscal indicators, with the accumulated core Crown residual cash deficit smaller by $8.5 billion and net core Crown debt lower by $13.3 billion.

Year Ended 30 June 2026 Results

The *Pre-election and Fiscal Update 2026 (Pre-election Update)* forecast financial statements include the year ended 30 June 2026 unaudited results. These results form the starting point for the fiscal forecasts and help inform some judgements over the forecast period. The audited results will be published on 8 October 2026.

Year-end outturns have come in stronger than expected, which has implications through the forecast period…

Most key fiscal indicators for the year ended 30 June 2026 came in stronger than forecast at the *Budget Update*. The OBEGALx deficit of $8.6 billion was $3.3 billion smaller than forecast, while net core Crown debt was $5.1 billion lower than expected at $186.7 billion (41.0% of GDP).

The stronger OBEGALx deficit result was roughly evenly attributable to higher core Crown tax revenue, lower core Crown expenses (spread across several spending areas) and improved State-owned enterprise and Crown entity performance. The core Crown operating results (mentioned above), delays in capital spending and higher issuance of circulating currency have contributed to a lower net core Crown debt position compared to the *Budget Update*. The stronger starting position of net core Crown debt largely persists throughout the forecast period and contributes to a reduction in net finance costs.

While some of the factors driving the stronger year-end results are one-off or temporary in nature, some are expected to persist through the forecast period. A large part of the stronger-than-forecast tax outturn in 2025/26 came from business income taxes (ie, net other persons tax and corporate tax). Business income tax returns filed through the latter part of 2025/26 were stronger than was assumed in the *Budget Update*. This indicates that taxable profits in the 2025 tax year were higher than forecast. This also helped to push provisional tax revenue for the 2026 tax year above forecast. As a result, the stronger-than-forecast tax outturns are largely expected to persist through all years of the forecast period, adding around $1.0 billion to the tax revenue forecast in each forecast year.

The 2025/26 tax outturns also showed strong provisional tax receipts from corporate taxpayers (notably in May 2026), which was $1.0 billion above the *Budget Update* forecast. This is expected to boost terminal tax revenue by a similar amount in 2026/27 but is not expected to fully persist.

…however, there has still been minimal improvement in the headline fiscal indicators

The 30 June 2026 unaudited results show that most key fiscal indicators have stayed relatively stable compared to the results from the previous few years.

In nominal terms, core Crown tax revenue and core Crown expenses have grown at broadly the same pace through 2025/26. As a result, the OBEGALx deficit in 2025/26 has shown minimal improvement compared to the previous year.

Core Crown tax revenue at $125.9 billion was $4.2 billion higher compared to 2024/25. Economic momentum started to pick up in late 2025, which translated through to growth in most tax types. The transitory shock to the economy from the Middle East conflict has partially dampened the growth in core Crown tax revenue at the back end of 2025/26, and the effects of policy changes, particularly Investment Boost, have contributed to softening the growth in core Crown tax revenue from 2024/25.

Core Crown expenses at $146.2 billion were $4.5 billion higher compared to 2024/25. The increase in core Crown expenses reflected higher benefit expenses owing to an increase in recipient numbers (mainly from an ageing population and weak labour market conditions) and the impact of the indexation of most main benefit types. Additionally, spending decisions made as part of Budget 2025 have also contributed to the overall increase.

As a proportion of GDP, both core Crown tax revenue and core Crown expenses decreased by similar percentage points compared to the previous year. This change somewhat reflects the composition of Budget 2025 decisions, which was more evenly balanced between revenue and expense initiatives.

The changes in core Crown tax revenue and core Crown expenses broadly translate through to impact on core Crown residual cash. Overall, the core Crown residual cash deficit at $4.9 billion was $1.1 billion smaller compared to the prior year. The core Crown residual cash deficit contributes to most of the increase in net core Crown debt in nominal terms. While net core Crown debt reduces as a share of GDP, this is partly reflective of some one-off factors such as higher issuance of circulating currency and the timing of tax receipts. Looking through these one-off factors, net core Crown debt as a share of GDP would be broadly consistent with last year.

The operating balance has moved from a deficit of $4.4 billion in 2024/25 to a surplus of $1.1 billion in 2025/26. This largely reflects strong returns on the Government's investment portfolios. However, downward valuations to property, plant and equipment this year have meant in nominal terms that net worth attributable to the Crown has also stayed relatively unchanged from the previous year.

Table 2.3 – 2025/26 unaudited results compared to previous years and *Budget Update*

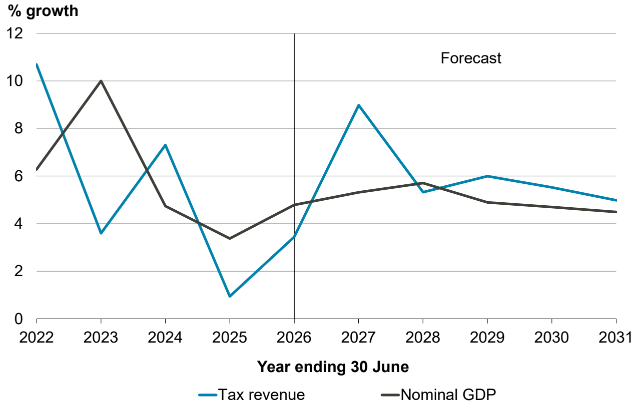
Year ending 30 June $billions	**2023 Actual**	**2024 Actual**	**2025 Actual**	**2026 Unaudited Actual**	**2026 Budget Update**	**Variance to Budget**
Core Crown tax revenue	112.4	120.6	121.7	125.9	124.8	1.1
Core Crown expenses	127.6	139.0	141.7	146.2	147.2	(1.0)
OBEGALx	(7.2)	(8.8)	(9.3)	(8.6)	(11.9)	3.3
Operating balance	5.3	(8.4)	(4.4)	1.1	(4.1)	5.2
Core Crown residual cash	(25.6)	(19.3)	(6.0)	(4.9)	(9.3)	4.4
Net core Crown debt	155.3	175.5	182.2	186.7	191.8	(5.1)
Net worth attributable to the Crown	183.5	181.8	179.3	177.2	175.5	1.7
% of GDP						
Core Crown tax revenue	28.0	28.6	28.0	27.6	27.6	
Core Crown expenses	31.7	33.0	32.6	32.1	32.6	
OBEGALx	(1.8)	(2.1)	(2.1)	(1.9)	(2.6)	
Operating balance	1.3	(2.0)	(1.0)	0.2	(0.9)	
Core Crown residual cash	(6.4)	(4.6)	(1.4)	(1.1)	(2.1)	
Net core Crown debt	38.6	41.7	41.9	41.0	42.4	
Net worth attributable to the Crown	45.7	43.2	41.2	38.9	38.8	

Source: The Treasury

Growth in the nominal economy drives increases in tax revenue…

As a percentage of GDP, core Crown tax revenue is expected to increase over the forecast period from 27.6% in 2025/26 to 29.1% by 2030/31. In nominal terms, core Crown tax revenue is forecast to increase by $43.8 billion over the forecast period from $125.9 billion in 2025/26 to $169.7 billion in 2020/31.

Figure 2.3 – Core Crown tax revenue and nominal GDP growth



Source: The Treasury

Growth in nominal GDP is the main driver of the increase in core Crown tax revenue. Nominal GDP grows at an average of 5.0% per annum over the forecast period, rising from $455.9 billion in 2025/26 to $582.4 billion by 2030/31 (Figure 2.3). Over the forecast period, GDP grows as real economic activity strengthens, the terms of trade improve and prices increase.

Overall, core Crown tax revenue grows on average at 6.2% per annum across the forecast period. However, within this growth, different taxes are forecast to grow at different rates. For example, corporate tax, GST and source deductions grow at faster rates than nominal GDP at 7.6%, 5.9% and 6.0% per annum respectively. Other taxes are forecast to grow slower than GDP, particularly customs and excise duties, which are forecast to grow at an average of 1.9% per annum owing to the flat-to-negative volume growth assumptions used in the forecasts.

In addition, the stronger starting position for core Crown tax revenue from 2025/26 also contributes to increased tax revenue across the forecast period. The stronger revenue in 2025/26 is expected to persist across the forecast period. The 2025/26 results also showed a strong increase in provisional tax payments by businesses, which is expected to be reflected through tax revenue recognised in 2026/27, although not all of this uplift is expected to persist. The combination of these two factors contributes to the forecast core Crown tax revenue growing faster than the economy in the current year.

…with most tax types increasing over the forecast period…

The lift in core Crown tax revenue across the forecast period is largely supported by income growth, price increases, higher household consumption and stronger business profits. These factors translate to increased source deductions, GST and company tax.

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

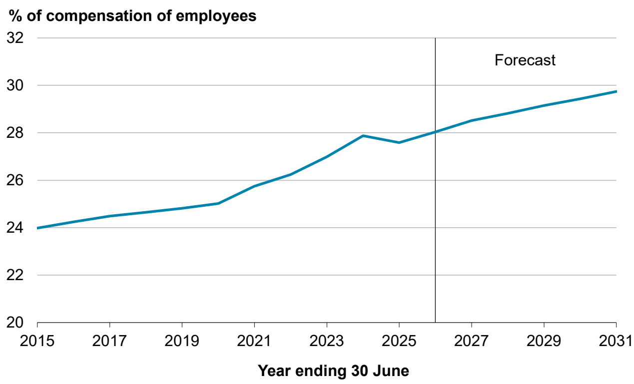
Year ending 30 June $billions	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast	Total change
Movement in core Crown tax revenue owing to:						
Source deductions	3.3	3.4	3.7	3.9	4.1	**18.4**
Goods and services tax (GST)	2.6	2.2	1.8	2.0	1.7	**10.3**
Corporate tax	4.5	-	1.6	1.0	1.0	**8.1**
Net other persons tax	0.7	0.9	0.6	0.5	0.5	**3.2**
Motor vehicle fees and Road User Charges	0.2	0.2	0.4	0.4	0.3	**1.5**
Customs and excise duties	(0.1)	-	0.2	0.2	0.1	**0.4**
Resident withholding tax	0.2	0.6	0.3	0.3	0.2	**1.6**
Other taxes	(0.1)	-	0.1	0.1	0.2	**0.3**
Total movement in core Crown tax revenue	**11.3**	**7.3**	**8.7**	**8.4**	**8.1**	**43.8**
Plus previous year	125.9	137.2	144.5	153.2	161.6	
Core Crown tax revenue	**137.2**	**144.5**	**153.2**	**161.6**	**169.7**	
As a % of GDP	28.6	28.5	28.8	29.0	29.1	

Source: The Treasury

Source deductions, which are largely dependent on aggregate salaries and wages, are expected to increase across all years of the forecast period. This is supported by forecast wage growth and employment growth, which are forecast to increase an average of 3.3% and 1.8% in each year, respectively.

A key component of the source deductions forecast is the 'fiscal drag' effect. Over time, fiscal drag increases the effective rate on compensation of employees. As salary and wage earners' incomes rise, so too does their average tax rate. Fiscal drag is the main reason for the increase in the source deductions effective tax rate since 2014/15, as shown in Figure 2.4, and is expected to add a further $3.2 billion to tax revenue by 2030/31.

Figure 2.4 – Core Crown source deduction revenue



Source: The Treasury

The increase in GST revenue reflects growth in household consumption and an increase in residential investment, particularly in the 2026/27 year. The increase in salaries and wages contributes to household consumption picking up.

The expected growth in household consumption supports an improvement in net operating surplus of firms, which includes business profits. In addition, strong provisional tax receipts from companies through the latter part of 2025/26, not all of which was captured in 2025/26 tax revenue, are expected to accelerate growth in business income tax revenue in 2026/27. Beyond 2026/27, growth in business income tax is more modest, resulting in smaller increases in corporate and other persons tax revenue.

When excluding planned increases in fuel excise rates and annual CPI-linked indexation of alcohol and tobacco excise rates, total revenue from excise taxes is forecast to decline over the forecast period. In line with the recent trend, volumes of excisable tobacco are assumed to fall. In contrast, alcohol volumes are forecast to increase by around 2.0% per annum, broadly in line with the long-term alcohol volume growth rate and forecast population growth.

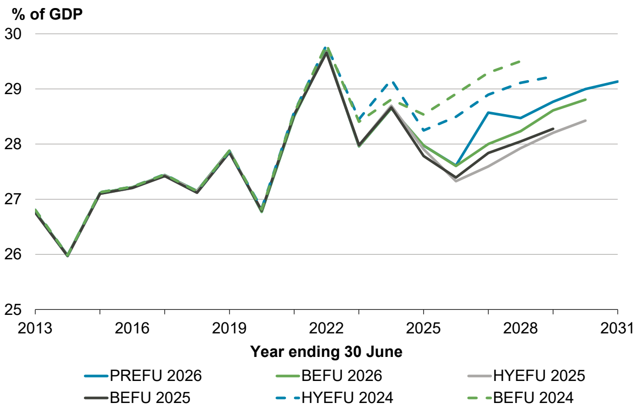
…while a greater tax take per dollar of GDP is expected

The tax-to-GDP ratio shows the average tax take for each dollar of GDP. The core Crown tax-to-GDP ratio lifts from a cycle low of 27.6% in 2025/26 to reach 29.1% in 2030/31.

There are three main drivers of this lift in the tax-to-GDP ratio across the forecast period:

- **Composition of GDP:** Operating surplus of firms grows at a faster rate than nominal GDP, lifting business income tax.

Figure 2.5 – Core Crown tax-to-GDP ratio



Source: The Treasury

- **Fiscal drag:** Growth in nominal incomes lifts the average tax rate paid by individuals, meaning more tax is paid for every dollar of income.

- **Policy changes:** Multiple policies contribute additional tax revenue over the forecast period, including changes such as increases to Fuel Excise Duty and Road User Charges rates.

Figure 2.5 shows that, apart from the last two forecast rounds, the tax-to-GDP ratio has been revised down over successive forecast rounds since the *Budget Update 2024*. These downward revisions to the tax-to-GDP ratio reflect several different factors, including changes in the underlying economic forecasts, tax policy changes, revisions to GDP outturns and updated tax revenue forecasts that reflect the latest tax data.

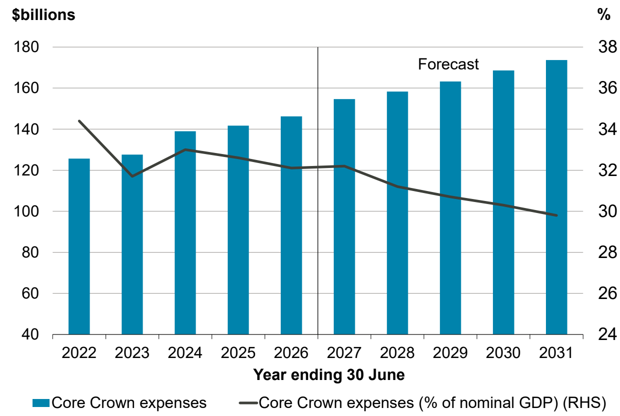
Compared to the *Budget Update*, the tax-to-GDP ratio is 0.6% higher in 2026/27 and 0.2% in each year of the remaining forecast years. The larger uplift in 2026/27 than in other years largely comes from the expected boost in terminal tax revenue from the very strong provisional tax receipts through the latter part of 2025/26. While, overall, this still represents a significant $10.0 billion lift in nominal tax across the forecast period, the change in the tax-to-GDP ratio is more subdued than was seen between earlier rounds.

Core Crown expenses start to fall as a share of GDP…

In the current year, core Crown expenses are expected to remain stable as a percentage of GDP compared to 2025/26 but then start to fall, reaching 29.8% of GDP by 2030/31.

In nominal terms across the forecast period, core Crown expenses increase by $27.5 billion (or 18.8%) from $146.2 billion in 2025/26 to $173.7 billion by 2030/31 (Figure 2.6).

Figure 2.6 – Core Crown expenses



Source: The Treasury

As a share of GDP, core Crown expenses in 2026/27 keep pace with the growth in the economy. This largely reflects the impact of recent Budget decisions (Figure 2.2), demographic changes from an ageing population, the impact of the economic cycle on some benefit types and the indexation of most main benefit types.

Beyond 2026/27, core Crown expenses as a share of GDP start to fall as the impact from past Budget decisions become smaller, the amounts available to allocate from future Budget allowances constrain growth and the economy recovers. Despite core Crown expenses falling as share of GDP over the forecast period, New Zealand Superannuation (NZ Super) payments and finance costs are expected to increase by 0.2 and 0.4 percentage points of GDP, respectively. Therefore, spending in other areas in aggregate will fall by 2.9 percentage points of GDP.

The key drivers of the uplift in core Crown expenses in nominal terms across the forecast period are outlined in Table 2.5. An increase of $8.4 billion is expected from 2025/26 to 2026/27, with smaller increases expected thereafter – an average increase of $4.8 billion per annum.

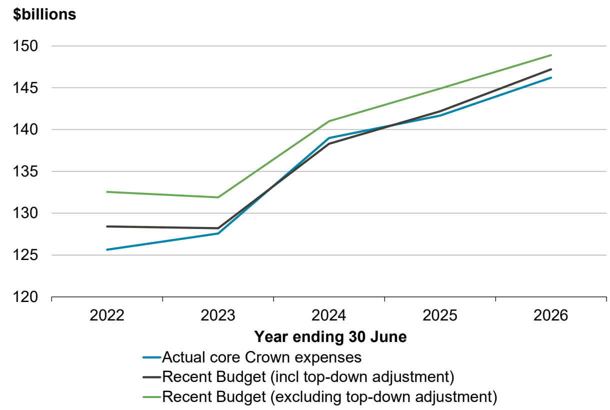
Table 2.5 – Movement in core Crown expenses

Year ending 30 June $billions	**2027 Forecast**	**2028 Forecast**	**2029 Forecast**	**2030 Forecast**	**2031 Forecast**	**Total change**
Movement in core Crown expenses						
Budget 2026 and 2025 spending decisions	4.7	(1.9)	(1.2)	-	-	**1.6**
New Zealand Superannuation	1.8	1.8	1.4	1.5	1.7	**8.2**
Other benefit payments	1.0	(0.2)	(0.2)	0.4	0.6	**1.6**
Finance costs	1.2	1.1	1.1	1.0	0.2	**4.6**
Budget operating allowances	-	2.4	2.4	2.4	2.4	**9.6**
Other	(0.3)	0.5	1.4	0.1	0.2	**1.9**
Total movement in core Crown expenses	**8.4**	**3.7**	**4.9**	**5.4**	**5.1**	**27.5**
Plus previous year	146.2	154.6	158.3	163.2	168.6	
Core Crown expenses	**154.6**	**158.3**	**163.2**	**168.6**	**173.7**	
As a % of GDP	32.2	31.2	30.7	30.3	29.8	

Source: The Treasury

The increase in core Crown expenses from 2025/26 to 2026/27 would have been larger if the operating top-down adjustment of $2.6 billion was not included. Historically, actual operating and capital expenses incurred by departments for the year usually fall below the level of expenditure that they include in their fiscal forecasts. This usually occurs because, when departments prepare their forecasts, they tend to use their appropriation amounts (which are upper spending limits) as a basis for their expenditure forecasts rather than making an assessment of whether they will spend all that is appropriated. For example, over the last five years on average, departments have over-forecast by $3.8 billion per annum (Figure 2.7).

Figure 2.7 – Top-down adjustment

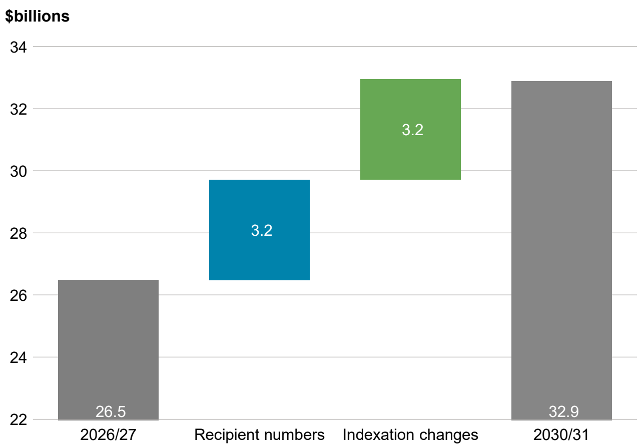


Source: The Treasury

To compensate for departments' bias towards over-forecasting expenditure, the Treasury makes a central adjustment to the forecasts called a top-down adjustment informed by an analysis of historical spending trends. The top-down adjustment reflects the extent to which departments use their appropriation limits when preparing their forecasts. The top-down adjustment is usually higher in the current year as departments have more flexibility to change appropriations in the near term. Without a central adjustment, the Treasury's forecast of expenditure would be significantly higher than the amount that departments will actually spend for the year.

…as benefit expenses grow at a slower rate than the economy…

Figure 2.8 – Drivers of NZ Super payment increases



Source: The Treasury

Benefit expenses are expected to grow at a slower pace than the economy over the forecast period. As a result, as a share of GDP, benefit expenses fall from 10.6% in 2025/26 to 10.0% of GDP by 2030/31.

However, in nominal terms one of the largest increases in core Crown expenses across the forecast period relates to benefits expenses, which are forecast to increase from $51.1 billion in 2026/27 to $58.2 billion in 2030/31. NZ Super payments account for much of this uplift (around $6.4 billion). The change in other benefit types totals around $0.7 billion over the forecast period and predominantly reflects the impact from the indexation of payment rates.

From 2026/27, the average increase to NZ Super payments is $1.6 billion per annum – increasing from $26.5 billion in 2026/27 to $32.9 billion in 2030/31. About half of the uplift each year is driven by increased recipient numbers, which are forecast to increase by around 120,000 people from 2026/27 to 2030/31, exceeding a million people in 2027/28, with the other half relating to the indexation of payments (Figure 2.8).

Beyond the forecast horizon, as over-65s become a larger share of the population, the cost of NZ Super payments will continue to increase core Crown expenses and is likely to create long-term fiscal pressures on other spending areas such as healthcare.

…and current Budget allowance settings support fiscal consolidation…

One of the features of the Government's fiscal management approach is fixed nominal baselines. This means the amount of funding that agencies receive does not automatically adjust for price or demand changes. Instead, agencies are expected to absorb these pressures or seek funding from Budget allowances through the annual Budget process.

The Government has announced operating allowances of $2.4 billion per annum for Budget 2027 through to Budget 2029 to allocate in the future to help cover such pressures on future spending. The forecasts assume operating allowances remain the same for Budget 2030. By 2030/31, these allowances for new spending in future Budgets will increase core Crown expenses by $9.6 billion. The Budget allowances are a net concept so are available to manage the impact of initiatives that increase expenses and reduce revenue. In addition, savings and revenue raising initiatives can be managed against budget packages reducing their net cost as illustrated in Table 2.6.

Table 2.6 – Net Budget packages

$billions (average per annum)	**Budget 2024**	**Budget 2025**	**Budget 2026**
Gross cost	9.07	6.68	3.81
Savings and revenue raising initiatives	(5.86)	(5.34)	(1.67)
Net Budget package	**3.21**	**1.34**	**2.14**

Source: The Treasury

Although operating allowances increase core Crown expenses in nominal terms, the level of funding set aside will support a reduction in core Crown expenses as a share of GDP. This is because the amounts available to allocate in the future will constrain the growth in core Crown expenses to below that of nominal GDP. In addition, past Budget decisions contribute to reducing the core Crown expenses to GDP ratio, as larger savings are expected at the back end of the forecast period.

…but in contrast, finance costs grow.

Core Crown finance costs are expected to gradually increase from 2.0% of GDP in 2025/26 to 2.4% of GDP by 2029/30. This increase largely reflects the additional borrowings expected over the forecast period to meet Government funding requirements. With net core Crown debt expected to fall in nominal terms in the last year of the forecast period, core Crown finance costs stay flat as a share of GDP by 2030/31. In nominal terms core Crown finance costs grow from $9.1 billion in 2025/26 to $13.7 billion by 2030/31. Since the completion of the fiscal forecasts, interest rates have risen. The sensitivity of interest rate changes on interest expenses and income is outlined in the *Risks to the Forecasts* chapter on page 58.

Staying within these future allowances will be challenging

The fiscal forecasts assume that new spending at each Budget – including to maintain existing services – is managed through operating and capital allowances. Under current policy settings, the trade-offs required to deliver a given allowance are likely to increase over time. The Government has options to help manage this challenge such as reprioritising existing spending, finding efficiencies and introducing revenue-raising policies.

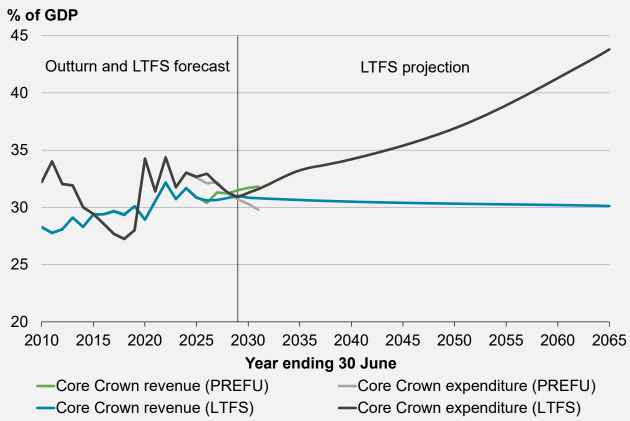
The box below summarises the medium to long-term pressures on the fiscal position, and further discussion of cost pressures is included on pages 58 to 59 of the *Risks to the Forecasts* chapter.

Medium to long-term pressures on the fiscal position

As outlined in the Treasury's 2025 Long-term Fiscal Statement (LTFS), the structural pressures on our fiscal system – an ageing population, geopolitical tensions, health costs, climate change and technological change – are converging and intensifying. These forces mean that we will see growing demand for public services, which will put increasing pressure on the Government's finances over time. Absent policy change, the gap between expenditure and revenue will grow.

A scenario published as part of the LTFS showed the impact of maintaining stable policy settings on the Crown's finances. The scenario showed rising core Crown expenses, reaching 34.2% of GDP by 2040 (Figure 2.9). Much of this increase is driven by population ageing and rising health costs. This scenario assumed that income tax thresholds are adjusted with wage growth so that revenue stays relatively constant as a percentage of GDP.

Figure 2.9 – LTFS projections assuming no change to fiscal policy



Source: The Treasury

The fiscal forecasts in the *Pre-election Update* show core Crown expenses ending at a lower point than for the same period in the LTFS scenario. This means that there is now a lower starting point for long-term expenditure growth.

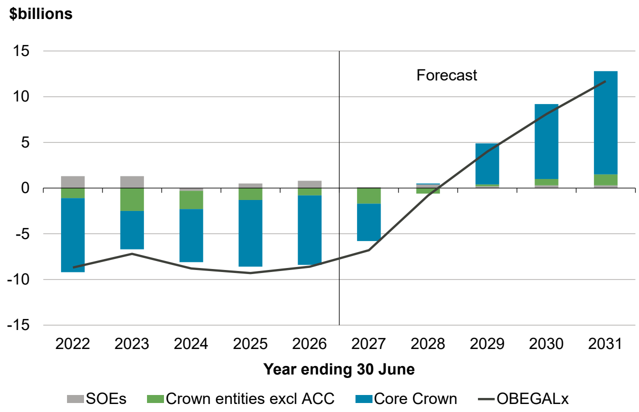
Although less certain, other forces could also put pressure on the Government's finances over time. The Treasury's Long-term Insights Briefing estimated that, based on historical experience, New Zealand can expect to face a fiscal cost of around 10% of GDP from shocks per decade. Climate change and growing global tensions could increase the frequency, scale and severity of future shocks.

The Fiscal Strategy Model, published on the Treasury website alongside the *Pre-election Update*, allows you to adjust operating and capital spending and other key variables to see how the fiscal position could change under different assumptions.

The performance of Crown entities improves over the forecast period

Over the last five years in aggregate, Crown entities have reported operating deficits that have contributed to the overall operating deficits of the Government. The deficits (excluding ACC) have averaged around $1.5 billion per annum, largely spread across Health New Zealand, Kāinga Ora and the New Zealand Transport Agency (NZTA).

Figure 2.10 – Components of OBEGALx by segment

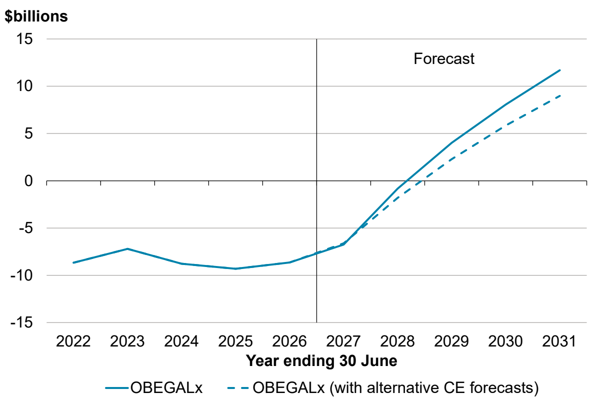


Source: The Treasury

Crown entity operating deficits are expected to reduce from 2027/28 and start positively contributing to OBEGALx by 2028/29 (Figure 2.10). The expected recovery is underpinned by several turnaround plans announced by the Government to improve the performance and fiscal sustainability of Crown entities such as Kāinga Ora and Health New Zealand. In addition, in June 2026, a new Service Agreement was signed with the ACC Board that sets targets for improvement, which will contribute to an expected improvement in OBEGAL over the forecast period.

Over the forecast period, the ACC operating deficits continue to reduce as the impacts of the implementation of the turnaround plan are anticipated. The current levy rates for levied accounts are agreed until the end of the 2027/28 levy period, with the next levy setting round due to commence in late 2027. Forecast levy rates are set in line with ACC's Funding Policy Statement and include expected future benefits from the turnaround plan. The levy rates for the Motor Vehicle and Work Accounts which are currently overfunded, are expected to decrease in 2029 and then increase in line with the funding policy. The levy rates for the Earners' and Earners' portion of the Treatment Injury Account are assumed to increase in line with the funding policy.

Figure 2.11 – OBEGALx alternative track



Source: The Treasury

The forecasts incorporate an estimate of the fiscal impact of the expected performance under these turnaround plans. However, there is a risk that, should these turnaround plans not materialise or generate savings as expected, there could be an adverse impact to the fiscal outlook. To illustrate this uncertainty, Figure 2.11 presents an alternative OBEGALx track under a scenario where the deficits are held consistent to the average deficit reported over the last five years. The forecasts assume Crown entities (excluding ACC) surpluses in 2030/31 will contribute $1.2 billion to the overall OBEGALx surplus of $11.7 billion in that year. If the Crown entities (excluding ACC) results remained consistent with the average over the last five years this would result in OBEGALx being $2.7 billion lower at $9.0 billion.

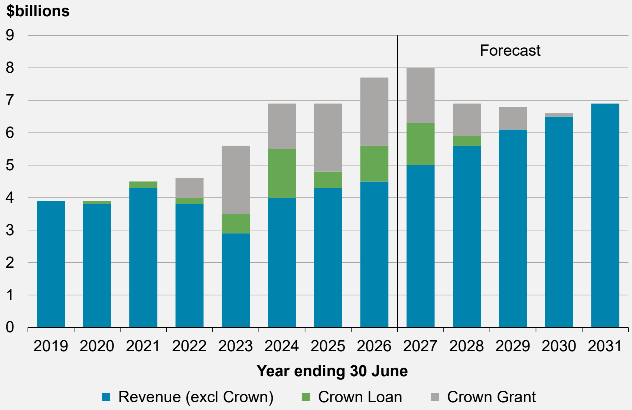
Funding for Land Transport

The National Land Transport Fund (NLTF) is the main funding source for the operation, maintenance and improvement of New Zealand's land transport system. The fund is comprised of hypothecated revenue from users of the transport system, the majority of which comes from Fuel Excise Duty (FED) and Road User Charges (RUC). The Crown has also contributed to the NLTF at times.

Over recent years, the Crown's contribution to the NLTF has become more prevalent. This reflects a combination of decisions around revenue settings and investment intentions.

Every three years, the Government sets out its Government Policy Statement (GPS) on Land Transport. This statement sets out the Government's land transport strategy and the expenditure priorities for the NLTF. The Government is currently operating under the GPS 2024, which is scheduled to be replaced by the GPS 2027 from 1 July 2027.

Figure 2.12 – Breakdown of land transport funding sources (including Crown top-up following 31 August 2026 announcement)



Source: MCERT

The Statement of Land Transport Investment, released in August 2026, will inform development of the draft GPS 2027. This Statement recognises that the Crown is constrained in what it can contribute in the coming years so hard choices will be needed. Over 2027/28–2036/37, NLTF revenue is likely to be enough only for continuous programmes, critical resilience activities, debt repayments and projects already underway. Accordingly, the draft GPS 2027 will likely have an overarching focus on value for money and investment and cost discipline. Other focus areas are: maintenance, operations and renewals; resilience; transit-oriented development; economic growth and productivity; and safety.

Impacts on the NLTF from decisions since the *Budget Update*

Since the *Budget Update*, the Government has announced the deferral of the planned 1 January 2027 increases in FED and RUC rates. The next increases are now planned from 1 January 2028. While this decision reduces FED and RUC revenue available in the NLTF, the Government decided to provide funding to the NLTF to offset this shortfall. Therefore, overall spending remains unchanged. This shortfall has been partially funded from the Conflict Related Operating Contingency established at Budget 2026.

In the *Budget Update*, NZTA shifted previously planned capital spending to operating spending. NZTA has statutory independence to make such expenditure allocations provided they are consistent with the GPS. While there was no change to total expenditure, this reallocation resulted in a $1.0 billion corresponding adverse impact on OBEGALx. At the time, the Government decided to manage this adverse impact by establishing a tagged contingency managed as a pre-commitment against Budget 2027. The Government has now decided to expire this tagged contingency, therefore removing the pre-commitment against Budget 2027 and restoring the Budget 2027 operating allowance back to $2.4 billion per annum.

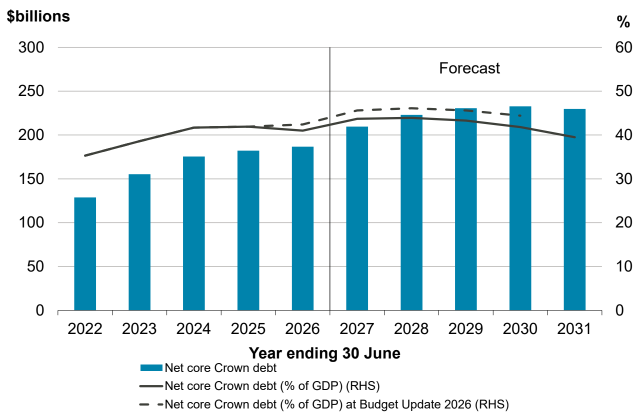
Government's Debt Position

Net core Crown debt as a share of GDP starts to fall during the forecast period…

In the near term, net core Crown debt as a percentage of GDP is forecast to gradually rise and peak at 43.9% of GDP in 2027/28, before declining to 39.5% of GDP by the end of the forecast period. In the current year, net core Crown debt is expected to increase from 41.0% of GDP in 2025/26 to 43.7% of GDP in 2026/27. Several one-off factors such as the Funding for Lending Programme (FLP) repayments, the timing of tax receipts and increase in circulating currency helped minimise growth in net core Crown debt in 2025/26, but as these are not reoccurring, there is a more pronounced increase in net core Crown debt expected in 2026/27.

In nominal terms, net core Crown debt is expected to grow from $186.7 billion in 2025/26 to $232.8 billion by 2029/30 and then decrease to $229.8 billion in 2030/31 an overall increase of $43.1 billion (Figure 2.13). Larger increases are anticipated in the near term. This trajectory broadly aligns with the trend in the residual cash deficit, with the accumulated residual cash deficit totalling $41.3 billion.

Figure 2.13 – Net core Crown debt



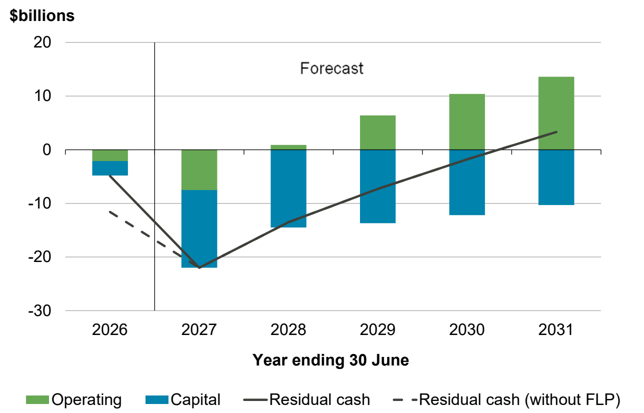
Source: The Treasury

…as core Crown residual cash recovers…

Core Crown residual cash is expected to improve over the forecast period, returning to surplus in the last year of the forecast, which was last achieved in 2017/18 (Figure 2.14).

The total accumulated cash deficit across the forecast period is $41.3 billion. Over the forecast period, net core Crown operating cash inflows are more than sufficient to cover outflows, with an accumulated surplus of $23.9 billion. In contrast, accumulated net capital cash flows are forecast to have a $65.2 billion shortfall. Therefore, the accumulated residual cash deficit comprises spending on capital investments. The cash shortfall is largely being funded through additional borrowings and the use of financial assets held on the balance sheet.

Figure 2.14 – Core Crown residual cash



Source: The Treasury

The residual cash deficit is expected to grow in the near term, peaking at a forecast $22.0 billion deficit in 2026/27 compared to a deficit of $4.9 billion in 2025/26.

The deficit seen in the prior year is somewhat masked by the repayments from the FLP. Looking through the FLP repayments, there would have been a residual cash deficit of $11.6 billion in 2025/26.

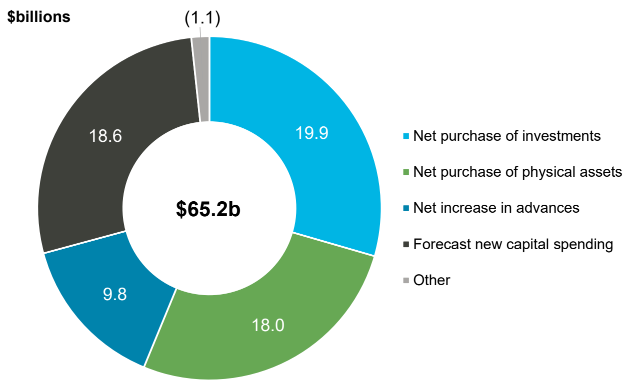
While the trend in OBEGALx improves, the residual cash deficit is expected to widen in the current year. These trends differ largely due to an increase in capital investments of around $11.8 billion and timing differences between tax revenue and receipts. This timing difference is driven by an expected lag in payments of provisional tax.

…but an accumulated residual cash deficit remains…

Accumulated core Crown net capital spending is forecast to total $65.2 billion by 2030/31 (Figure 2.15).

This includes net capital spending of $19.9 billion on investments, which mainly represent capital injections into Crown entities, as well as $18.0 billion on purchases of physical assets by departments. The remaining net capital spending mainly comprises the funding set aside for future Budget capital allowances and tagged contingencies.

Figure 2.15 – Components of the accumulated core Crown capital cash deficit



Source: The Treasury

A breakdown of net capital expenditure that has an impact on core Crown residual cash can be found on page 118 of the *Forecast Financial Statements* chapter.

…which largely translates to additional spending on Crown property, plant and equipment investment

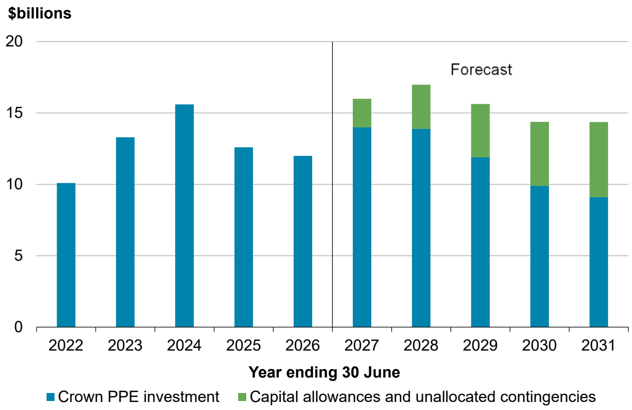
A significant portion of the net capital spending forecast will lead to an increase in property, plant and equipment (PPE) investments. Crown PPE investments measure the net investment in physical and intangible assets that are expected to be funded by the Crown directly (through capital injections) or indirectly (through operating funding or lending). This measure incorporates the core Crown, Crown entities and KiwiRail and serves as a proxy to link the impact of capital policy decisions through to the economy.

Over the forecast period, Crown PPE investments total $58.8 billion. Just over one-third of forecast capital expenditure is in the transport sector ($21.2 billion), with expenditure in the education, health and housing sectors also contributing around $10.0 billion, $10.0 billion and $4.5 billion, respectively. It is expected that this expenditure will be spent on both projects already underway and those yet to be commenced.

In addition to the Crown PPE investments, new capital spending yet to be allocated totals $18.6 billion across the forecast period. This includes funding agreed in previous Budgets for specific projects that have not yet been appropriated into agencies' baselines because further work is required prior to this occurring (unallocated contingencies) and Budget capital allowances set aside for future Budgets. A breakdown of these amounts can be found in *Note 6: Forecast New Spending and Top-down Adjustments* on page 101 of the *Forecast Financial Statements* chapter.

Beyond 2026/27, Crown PPE investments are shown to slowly taper off across the forecast period, reflecting a reduction in capital expenditure as projects already committed to are completed. It is likely these will increase at future forecast updates once funding is allocated to new PPE investments from the future budget capital allowances, as illustrated in Figure 2.16.

Figure 2.16 – Crown PPE investments



Source: The Treasury

The overall cash shortfall will mainly be funded by issuing bonds

The Government's borrowing programme includes the issuance of both government bonds and short-term borrowings (Treasury Bills and Euro-Commercial Paper). Overall, the programme is forecast to provide net funds of $23.8 billion (Table 2.7) to cover the residual cash deficits and maintain the Crown liquidity buffer. The liquidity buffer ensures the Government is well placed to manage funding and liquidity risks.

Annual net government bond issuance is broadly consistent with the profile of the core Crown residual cash deficits. However, in the 2026/27 fiscal year, net issuance is below the level of residual cash deficits, reflecting the planned transition to a lower liquidity buffer[12] and smoothing of the government bond programme across years. The declining trend in forecast annual cash flows from the programme from 2027/28 reflects an expected narrowing in the residual cash deficits. Compared to the *Budget Update*, the government bond programme has decreased by $15.0 billion over the comparable forecast period.

[12] As part of the scheduled 2025 review of the minimum liquidity buffer, New Zealand Debt Management reduced the size of the buffer from NZ$15 billion to NZ$10 billion: https://debtmanagement.treasury.govt.nz/sites/default/files/2025-12/nzdm-resizing-crown-minimum-liquidity-buffer.pdf

Table 2.7 – Net issuance of market government bonds and short-term borrowing[1]

Year ending 30 June $billions	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast	Total
Face value of market government bonds issued	30.0	28.0	26.0	25.0	25.0	**134.0**
Debt programme cash flows						
Cash proceeds from issue of market government bonds	29.3	26.5	25.4	24.2	24.2	**129.6**
Repayment of market government bonds	(22.0)	(15.1)	(16.6)	(22.6)	(30.0)	**(106.3)**
Net issue/(repayment) of short-term borrowings	(2.5)	3.0	-	-	-	**0.5**
Net debt programme cash flows	**4.8**	**14.4**	**8.8**	**1.6**	**(5.8)**	**23.8**

1 This table only reflects the transactions forecast by New Zealand Debt Management. It is not consolidated with other entities within the Crown.

More information on the bond programme can be found at: https://debtmanagement.treasury.govt.nz/investor-resources/media-statements

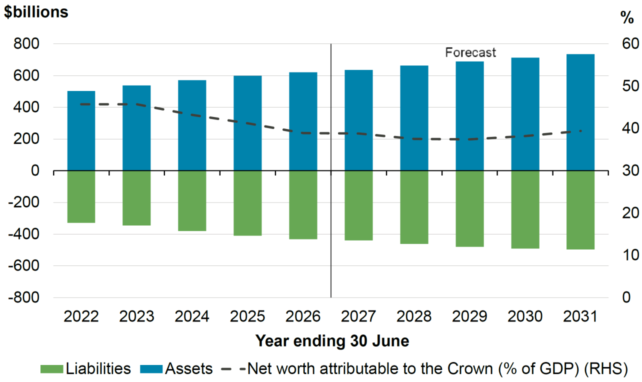
Source: The Treasury

Government's Fiscal Position

Net worth attributable to the Crown grows over the forecast period…

In nominal terms, net worth attributable to the Crown is forecast to grow from $177.2 billion in 2025/26 to $229.6 billion in the last year of the forecast (Figure 2.17). Looking through the impact of the implementation of PBE IFRS 17 *Insurance Contracts*[13] in 2026/27, the year-on-year changes in net worth attributable to the Crown follow the trend in the operating balance forecasts, which is initially in deficit but moves into a surplus position by 2027/28.

Figure 2.17 – Net worth attributable to the Crown



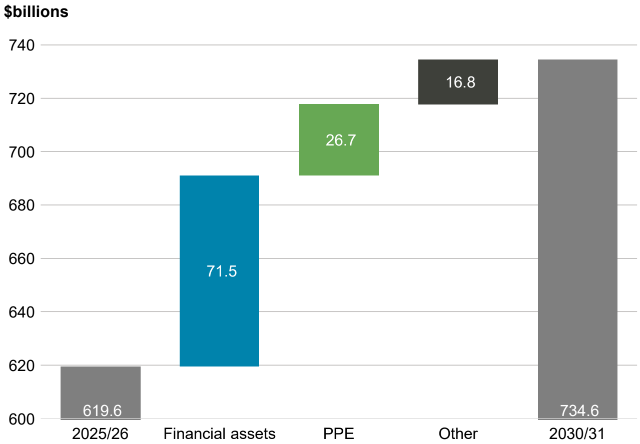
Source: The Treasury

As a share of GDP, net worth attributable to the Crown initially stays stable as the operating deficit in the current year is more than offset by the reduction in insurance liabilities from the adoption of PBE IFRS 17. It then falls from 38.8% in 2026/27 to 37.4% in 2028/29 before rising again to 39.4% at the end of the forecast period. The fall in the GDP ratio reflects that operating balance surpluses over this period grow at a slower pace than the economy. As the operating balance surpluses strengthen, net worth attributable to the Crown as a share of GDP starts to stabilise and then increases in the last year of the forecast period.

…with assets increasing at a higher rate than liabilities…

Total assets are forecast to increase by $115.0 billion over the forecast period, reaching $734.6 billion in 2030/31, while total liabilities are forecast to increase by $63.4 billion, rising to $495.3 billion by the last year of the forecast period (Figures 2.18 and 2.19).

Figure 2.18 – Increase in assets



Source: The Treasury

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13 Refer to the box in the Statement of Accounting Policies, Judgements and Assumptions section of the *Forecast Financial Statements* chapter on page 77 of the *Budget Update* for further information on the implementation of PBE IFRS 17.

…and with financial assets driving most of the increase in assets…

Financial assets are forecast to increase by $71.5 billion by 2030/31. The following areas contribute to most of this growth:

- The investment portfolios of the NZS Fund and ACC contribute $39.0 billion to the increase in financial assets, which largely reflects growth from expected investment returns.
- Kiwi Group loans and advances are forecast to increase by $24.8 billion, primarily driven by expected growth in mortgage lending, which results in a broadly corresponding increase in financial liabilities, as discussed below.

…along with growth in property, plant and equipment

PPE assets are expected to increase by $26.7 billion by 2030/31. This increase is largely due to additions of $79.8 billion over the forecast period, which are partly offset by depreciation expenses that total $47.5 billion over the same period.

In net terms, the largest growth in PPE by asset class is the state highways asset category, which is forecast to increase by $10.2 billion over the forecast period, while buildings also increase by $7.4 billion.

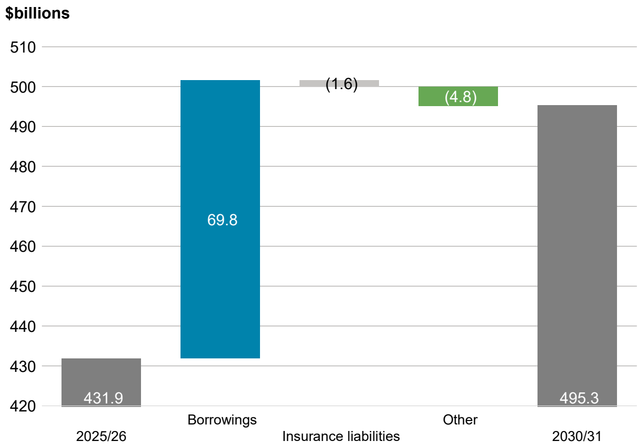
In addition, the forecast includes new capital spending that has yet to be allocated to agencies' baselines, which is expected to increase assets by $18.6 billion by 2030/31.

Total borrowings are expected to increase largely to fund Government activity…

Total borrowings are forecast to increase by $69.8 billion from $294.0 billion in 2025/26 to reach $363.8 billion by 2030/31.

Government bonds are expected to increase by $40.7 billion by the end of the forecast period. Government bond issuances are largely reflective of the borrowing required to meet the accumulated residual cash shortfall to fund operating and capital expenditure of the Government that cannot be covered by revenue (such as tax revenue).

Figure 2.19 – Increase in liabilities



Source: The Treasury

Kiwi Group borrowings (such as customer deposits) are forecast to increase by $20.1 billion, which is more than offset by the forecast increase in Kiwi Group loans and advances (as discussed above).

…while the Government's insurance liabilities decrease

Insurance liabilities are forecast to decrease by $1.6 billion to reach $72.9 billion by 2030/31. The ACC insurance liability makes up most of this balance and is forecast to reduce by $1.2 billion over the forecast period. This decrease is mainly a result of the impact of the adoption of PBE IFRS 17, which is expected to reduce the liability by $12.1 billion from 1 July 2026.

The key changes from the implementation of PBE IFRS 17 for ACC are the removal of a risk margin ($8.2 billion) that served as a buffer on top of the outstanding claims liability (OCL), now referred to under PBE IFRS 17 as the liability for incurred claims (LIC), and changes to the discount rate used for the valuation of the OCL/LIC ($4.0 billion). While these reductions in the OCL will impact insurance expenses in the future, for the purposes of levy setting, the risk margin is looked through, so there are no direct implications from this change. The next levy-setting process expected in 2027 will take multiple factors into consideration, so it is unclear how much the discount rate adjustment alone will ultimately influence future levy rates.

The ACC insurance liability is an estimate of the present-day value of the amount ACC would need to pay out to meet future costs of injuries that have already occurred or that are expected to occur over the forecast period. Looking through the impacts of the adoption of PBE IFRS 17, the ACC insurance liability is expected to grow by an average of $2.2 billion per year over the forecast period, with the increases largely reflecting growth in claims volumes and economic factors.

Crown balance sheet sensitivity

Many of the assets and liabilities that make up the Crown's balance sheet are measured at fair value in order to disclose estimates of what the Crown owns and owes. In many cases, these valuations are sensitive to changes in underlying assumptions used to measure the fair value of these assets and liabilities. While in general the forecasts of assets and liabilities use valuations as recorded in the most recent financial year end and any additional valuations that have occurred up to the forecast reference date[14], there are exceptions for some specific asset and liability classes.

Below is a summary of how some of the Crown's major assets and liabilities are valued, including how the valuations are sensitive to changes in underlying assumptions.

Property, plant and equipment (PPE)

Averaging 45.9% of total assets across the forecast period, PPE is the single-largest asset type held on the Crown's balance sheet.

Items of PPE are initially recorded at cost, except where the asset is acquired for nil or nominal consideration, where it is recognised at fair value. Subsequent to initial recognition, most classes of PPE are regularly revalued, with different valuation approaches applied across different classes of PPE. Table 2.8 summarises the main valuation approaches applied. For forecast purposes, PPE revaluations are only reflected if they have been completed prior to the forecast reference date. No further gains or losses are forecast beyond the forecast reference date.

Table 2.8 – PPE valuation approaches

Valuation approach	Description of approach
Market value	Uses market-based information to establish the fair value. Generally used in the valuation of land and buildings.
Discounted cash flows	Estimates the value of PPE based on the expected future cash flows discounted to present day. Generally used for profit-generating assets such as electricity generation assets.
Optimised depreciated replacement cost	Value is based on the estimated present cost of constructing the existing PPE item by the most appropriate method of construction, less allowances for physical deterioration and optimisation for obsolescence and relevant surplus capacity. Generally used for specialist assets such as state highways and the rail network.

Source: The Treasury

The sensitivity of PPE classes to changes in underlying assumptions is dependent on the valuation approach applied to that class. For example, land and building valuations are sensitive to changes in market property values, while state highways (excluding land) are sensitive to changes in construction costs and the quantity of materials used in construction. The audited Financial Statements of the Government for the year ended 30 June 2026, due to be published on 8 October 2026, will provide disclosures on the sensitivity of key assumptions on the valuation of certain PPE asset classes.

14 'Forecast reference date' refers to the month that the forecast uses as its starting point. The forecast reference date for the *Pre-election Update* will be either 30 June 2026 or 31 July 2026.

Insurance liabilities

The Crown's total insurance liabilities are predominantly made up of ACC's claims liabilities which are expected to total $71.9 billion (or 14.5% of total liabilities) by 2030/31. The forecast for ACC's claims liabilities is based on the present value of estimated future cash flows and is underpinned by assumptions in the actuarial estimate prepared by ACC as at 30 June 2026 for the outstanding claims liability (now referred to as the liability for incurred claims).

The key variables that impact on changes to the valuation of ACC's claims liabilities are summarised below.

Economic variables

With the value of the claims liabilities based on the present value of estimated cash flows, economic variables impact on the valuation, including inflation rates (CPI), which are used to help estimate future cash flows, long-term discount rates, which are used to determine the value of those cash flows in today's dollars, as well as the Labour Cost Index (LCI) and Average Weekly Earnings (AWE). Changes in these assumptions can have significant impacts on the valuation, particularly because the cash flows can be large and occur over long time periods (eg, beyond 50 years). Table 2.9 shows the impact of a 1% change in the risk-free discount rate and inflation rate on ACC's claims liabilities for the unaudited actuals for the year ended 30 June 2026.

Table 2.9 – ACC's claims liabilities sensitivities

Impact on liability – increase/(decrease)	**% change**	**2026 Unaudited Actuals $millions**
Risk-free discount rate	+ 1%	(7,962)
	- 1%	10,376
Inflation rate	+ 1%	10,576
	- 1%	(8,259)

Source: The Treasury

Other key variables

Forecast increases in claims costs (eg, expected medical costs) over and above the economic variables (as above) as well as the assumed rate at which long-term claimants will leave the scheme over the period are key variables in the valuation of the claims liabilities. In addition, the valuation will be subject to the impact of the result of past and future litigations that impact the coverage of the scheme. As an example, there is significant uncertainty around the number of clients with sensitive claims (largely from the result of the ACC v TN court decision) who will start to receive loss of potential earnings weekly compensation as well as the associated backdated payments.

Financial instruments

Financial instruments are measured at either fair value or amortised cost. The values of these financial assets and liabilities are sensitive to several key underlying assumptions and judgements. For example, entities like the NZS Fund and ACC hold investments to make financial returns, and those asset values are dependent on market prices, exchange rates and interest rates.

For forecast purposes, sales and purchases of liquid instruments are assumed to be issued at par value, with no discounts or premiums forecasted. While instruments with non-market elements include the write-down to fair value when the loan or receivable is forecast to be issued and where applicable, the effective interest unwind (eg, Student Loans).

The sensitivity of the fair value of financial assets and liabilities to changes in interest rates, share prices and NZD exchange rates for the unaudited actuals for the year ended 30 June 2026 are shown in Table 2.10.

Table 2.10 – Financial instrument sensitivities

Impact on operating balance	% change	2026 Unaudited Actuals $millions
New Zealand interest rates	+ 1%	(2,342)
	- 1%	2,994
Share prices	+ 1%	(1,683)
	- 1%	2,058
NZD exchange rates	+ 1%	7,724
	- 1%	(7,724)

Source: The Treasury

3

Risks to the Forecasts

Our forecasts are based on various assumptions and judgements

The economic and fiscal forecasts presented in the previous two chapters are prepared using a number of key assumptions and judgements. As with any kind of forecasting, there is risk that actual events will differ from expectations. This chapter outlines the key risks that could alter the economic and fiscal forecasts presented in this *Pre-election Economic and Fiscal Update 2026 (Pre-election Update)*.

Risks to the outlook can be largely grouped under three areas:

- The economy evolves differently than assumed (for example, the speed at which lower or higher interest rates affect the economy).
- Significant policy changes or specific fiscal risks materialising.
- Adverse events (for example, adverse weather events or unanticipated global developments like the Middle East conflict).

There are several ways to disclose and illustrate these uncertainties. This *Pre-election Update* does this in the following ways:

- Sets out alternative scenarios to illustrate possible outcomes if the economy evolves differently – see the *Economic Outlook* chapter.
- Uses fan chart analysis to illustrate uncertainty in fiscal outcomes based on historical forecast revisions – see pages 56 to 57.
- Uses sensitivity analysis to illustrate how changes to key economic indicators could flow through to the fiscal indicators – see page 58.
- Considers the cost pressures facing the Government – see pages 58 to 59.
- Discloses specific fiscal risks that, if they were to eventuate, may affect the fiscal forecast – see pages 59 to 74 – and contingent liabilities and contingent assets – see pages 78 to 82.

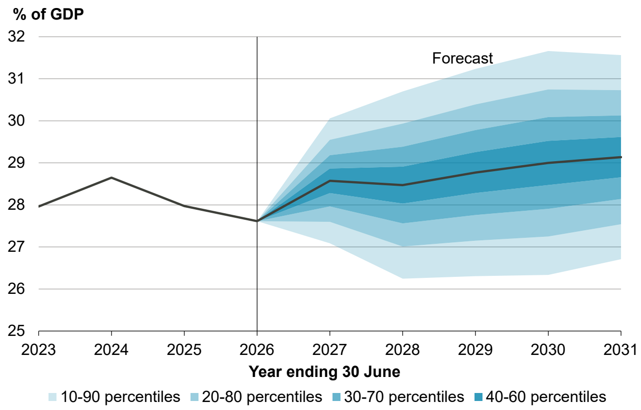
This chapter does not include risks associated with significant economic shocks or long-term structural changes. The Treasury's most recent Long-term Insights Briefing provides information on economic shocks. Since the late 1980s, the fiscal cost of government responses to economic shocks has averaged about 10% of GDP per decade. Our Long-term Fiscal Statement examines the implications of longer-term fiscal changes, while our Investment Statement looks at the implication of a variety of shocks on the Government's balance sheet.[15]

General Uncertainty in the Fiscal Forecasts

Fan charts illustrate the uncertainty around central forecasts for key fiscal indicators over the forecast horizon. We present fan charts for core Crown tax revenue (Figure 3.1), core Crown expenses (Figure 3.2), operating balance before gains and losses (OBEGAL) (Figure 3.3), net core Crown debt (Figure 3.4) and net worth attributable to the Crown (Figure 3.5).[16] These charts reflect uncertainty arising from unexpected economic developments, fiscal outcomes, and policy changes, based on past forecast errors.

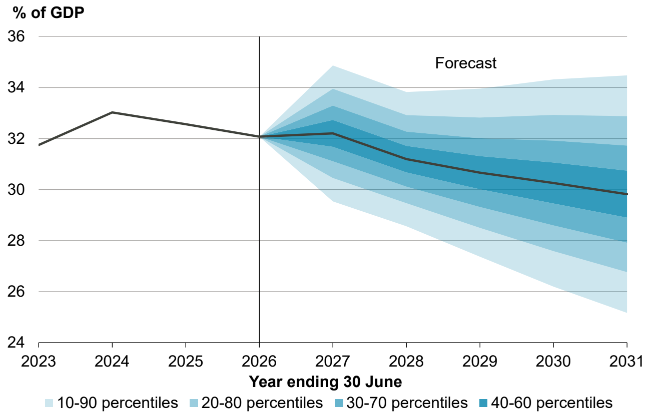
We follow the fan charts methodology used in the *Budget Economic and Fiscal Update 2026 (Budget Update)*. This methodology constructs confidence intervals based on analysis of past forecast errors over nearly two decades.[17] Forecast errors are defined as the difference between forecasts and outturns, with variables expressed as a percentage of GDP. Errors are assumed to be symmetric and follow a normal distribution, with dispersion calibrated using the root mean squared forecast error.[18]

Figure 3.1 – Core Crown tax revenue fan chart



Source: The Treasury

Figure 3.2 – Core Crown expenses fan chart



Source: The Treasury

[15] The Treasury's stewardship reports are available here: https://www.treasury.govt.nz/publications/treasurys-stewardship-reports

[16] It is not possible to produce fan charts for OBEGALx due to the small number of past forecasts.

[17] For most indicators, the methodology uses forecast errors since 2007, when government reporting moved to the New Zealand equivalent of the International Financial Reporting Standards. For net core Crown debt, it uses forecast errors since 2009, when the current indicator was introduced.

[18] Due to the small number of past Pre-election Updates, forecast errors are assumed to have the same distribution as those observed in historical Half Year Updates, which are prepared at a similar point in the forecast cycle and provide a larger sample for estimating forecast uncertainty.

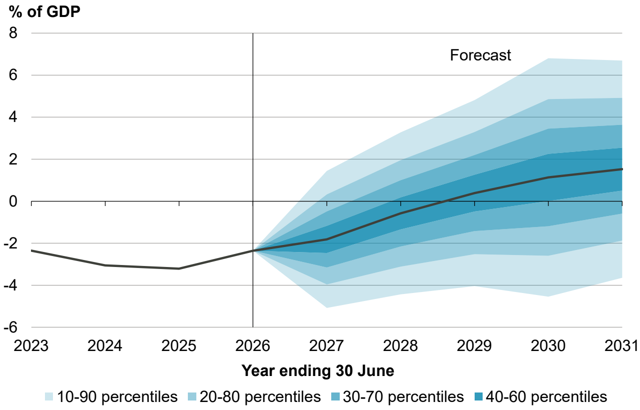
Under these assumptions, the fan charts imply that, in the last year of the forecast period (year ending June 2031), there is:

- a 30–40% chance that core Crown tax revenue will be above 30% of GDP
- a 50–60% chance that core Crown expenses will be below 30% of GDP
- a 60–70% chance that OBEGAL will be in surplus
- a 50–60% chance that net core Crown debt will be below 40% of GDP, and a 10–20% chance that it will be above 50% of GDP
- a 40–50% chance that net worth attributable to the Crown will be above 40% of GDP.

These statements are not intended to reflect the current Government's short-term intentions for fiscal policy, which are based on different indicators and time horizons. For example, the current Government's operating balance intention is based on OBEGALx rather than OBEGAL. The intentions for debt and net worth do not specify precise targets for a specific year.

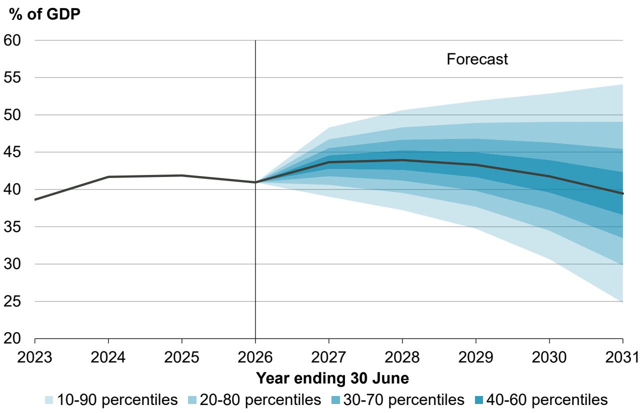
The fan charts provide a probabilistic view of uncertainty around the fiscal forecasts based on historical forecast errors. However, they do not identify which economic or policy developments might drive outcomes away from the forecast. To provide additional insights into these areas of uncertainty, the following sections use two complementary approaches: sensitivity analysis to illustrate exposure to key economic variables; and analysis of cost pressures that may affect future policy decisions.

Figure 3.3 – OBEGAL fan chart



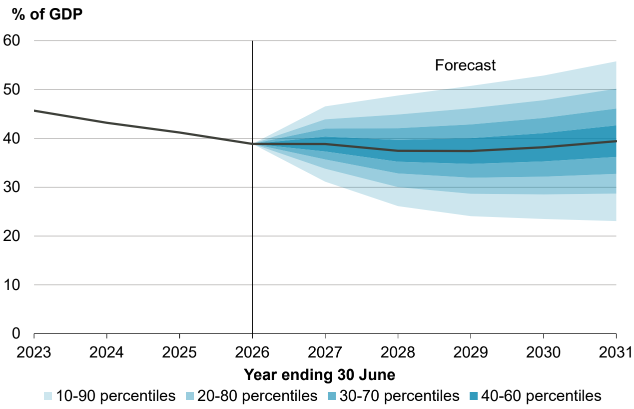
Source: The Treasury

Figure 3.4 – Net core Crown debt fan chart



Source: The Treasury

Figure 3.5 – Net worth attributable to the Crown fan chart



Source: The Treasury

Fiscal sensitivity analysis shows how small changes to key economic indicators have a large effect on fiscal indicators…

The fiscal forecasts are prepared based on underlying economic forecasts. These are critical in determining significant revenue and expenses estimates. The most relevant economic indicators to the fiscal forecasts are outlined on page 86. Any variation in the forecasts of these underlying economic indicators could impact the fiscal forecasts. The forecasts for tax revenue, benefit expenses and finance costs are particularly sensitive to changes in certain economic indicators.

Sensitivity analysis illustrates how certain changes in key economic indicators could flow through to fiscal indicators. Table 3.1 provides rules of thumb for the sensitivity of tax revenue to economic growth, as well as how government income and expenses are affected by interest rates.

Table 3.1 – Fiscal sensitivity analysis

Year ending 30 June $millions	**2027 Forecast**	**2028 Forecast**	**2029 Forecast**	**2030 Forecast**	**2031 Forecast**
Impact on tax revenue of a 1 percentage point increase[1] in growth of					
Nominal GDP	1,290	2,820	4,465	6,345	8,415
Wages and salaries	625	1,325	2,110	2,995	3,985
Taxable business profits	250	610	985	1,435	1,910
Impact of 1 percentage (100bp) lower[1] interest rates on					
Interest income[2]	(513)	(463)	(480)	(574)	(576)
Interest expenses[2]	(564)	(893)	(1,165)	(1,420)	(1,625)
Net impact on operating balance	51	430	685	846	1,049

1 These sensitivities are broadly symmetrical.

2 Interest sensitivities relate to consolidated external exposures of both the Treasury (Debt Management) and the Reserve Bank.

Source: The Treasury

…while there are risks to the fiscal forecasts from pressures on expenditure

The Government's fiscal strategy and policy programme are key assumptions underlying the fiscal forecasts. The forecasts assume that net new spending for cost increases of new initiatives (such as additional public services or tax cuts) and existing public services (ie, cost pressures) will be allocated from allowances.

As public sector agencies generally have fixed nominal baselines, increases to the cost of providing services (such as wage growth or inflation) have to be met within those fixed baselines (either through efficiencies in the delivery of services including through delivery or operating model changes, or savings) or through new funding from Budget allowances. As allowances are net concepts, gross spending can be offset through savings, reprioritisation or increased revenue elsewhere.

In Budgets 2024–2026, funding allocated for cost pressures has ranged between approximately $2.25 billion to $3 billion per annum. Though this funding is substantial and made up a majority of available operating allowances before savings or new spending initiatives were considered, it still required a targeted approach to cost pressures.

The Government did this by funding only critical cost pressures in core public services, and finding savings and reprioritisation opportunities in existing Crown expenditure.

In Budgets 2027–2030, operating allowances are forecast at $2.4 billion per annum. These have not been adjusted for inflation, but the benefits of inflation that are captured in the tax forecasts also have negative effects by increasing cost pressures for maintaining existing public services. Delivering these allowances will require difficult choices about how to prioritise funding for cost pressures and new spending initiatives, and with tight allowances these choices become more challenging and require more significant changes in public services over time.

For example, based on an indicative funding track, health cost pressure funding alone could absorb 58–65% of the allowances (see "Health New Zealand Operating Cost Pressures" in the statement of specific fiscal risks on page 69). The fiscal forecasts also assume increased savings and service efficiencies from baseline reductions and Public Service Transformation. As discussed on page 69, there would be additional upwards pressure on Crown expenditure if these programmes are not implemented as planned.

Specific Risks to the Fiscal Forecasts

The statement of specific fiscal risks seeks to provide transparency on risks that could affect the fiscal forecasts

The statement of specific fiscal risks sets out all Government decisions and other circumstances known to the Treasury where the fiscal implications may have a material effect on the economic and fiscal outlook but are not certain enough on the outcome, timing or quantum to include in the forecasts.

This section of the chapter covers:

- analysis of specific fiscal risks over time and changes since the *Budget Update*
- a statement of specific fiscal risks of the Government
- narrative summaries of new and changed[19] specific fiscal risks
- a table of risks that have been removed from the statement of specific fiscal risks since the *Budget Update*
- the requirements and criteria for disclosing specific fiscal risks and how these interact with the fiscal forecasts
- the key judgements the Treasury applies in assessing whether a risk is a specific fiscal risk.

[19] New risks are those identified or disclosed for the first time in this *Pre-election Update*, while changed risks are those where there is a significant change in the nature or substance of the risk. The narrative descriptions of unchanged specific fiscal risks can be found in *Pre-election Economic and Fiscal Update 2026 – Supplementary Information*.

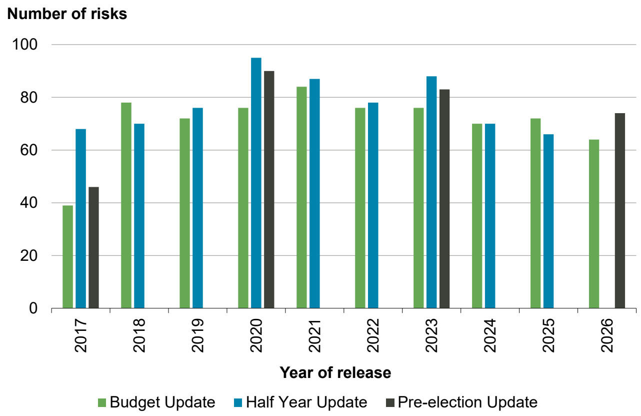
Transparency is a key principle guiding the disclosure of risks. This means that material risks are disclosed in this section, regardless of whether they can be managed through existing funding sources (such as through reprioritisation of funding already available to departments or against future allowances). This ensures a prudent approach to the disclosure of risks to improve transparency and to avoid prejudging future decisions by governments about what may or may not be funded from allowances.

The risks disclosed in this chapter reflect risks known as at 10 September 2026, when the fiscal forecasts were finalised. Although the process for preparing the statement of specific fiscal risks involves several entities, including government departments, the Treasury and the Minister of Finance, it is still possible that not every specific risk is identified in the statement of specific fiscal risks.

The number of specific fiscal risks has been broadly stable over the past eight years

Since the *Budget Update 2018*, the number of risks published has been broadly consistent, with an average of 77 risks (Figure 3.6). At this *Pre-election Update*, 74 specific fiscal risks are being published (with one withheld – see page 76) compared to 64 at the *Budget Update,* a net increase of 10 risks from the introduction of 14 new risks and 4 risks being expired. A one-off change in the number of specific fiscal risks does not always imply an increase or decrease in risks faced by a government and can be a result of other factors.

Figure 3.6 –Total number of published specific fiscal risks 2017–2026

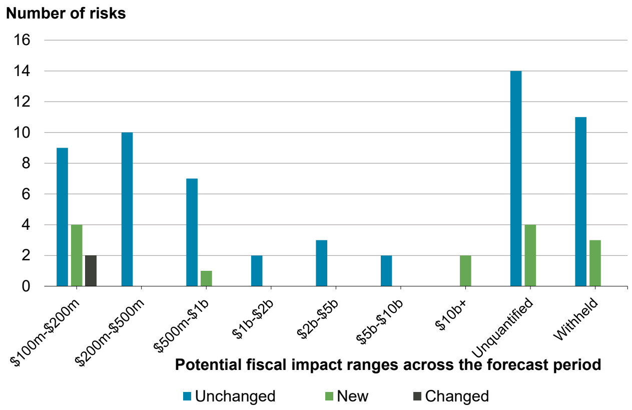


Source: The Treasury

The potential fiscal impact of specific fiscal risks provides a sense of scale of the risks facing the Government

The statement of specific fiscal risks includes the potential fiscal impacts over the forecast period in the event a specific fiscal risk materialises. Figure 3.7 shows the distribution of the potential fiscal impact of risks at this *Pre-election Update*. Of the risks where the potential fiscal impact is quantified, the majority (60%) have a potential fiscal impact of less than $500 million across the forecast period, while there are a small number of much larger risks.

Figure 3.7 – New, changed and unchanged risks based on potential fiscal impact



Source: The Treasury

While independent, many specific fiscal risks have similar themes and reflect significant fiscal challenges faced by the Crown over the coming years. These themes have been consistent across many updates. These are some of the key areas of risk reflected across the statement of specific fiscal risks:

- **Maintenance and development of infrastructure**, including the potential costs associated with agencies' long-term investment plans and the potential for cost escalation in large and complex projects.

- **Climate change and responses to adverse weather events**, including the potential fiscal costs of meeting the Government's climate change targets.

- **Growing demands on public services**, particularly in health, education and the justice sector, which are driven by a mix of demographic change, policy change and other specific cost drivers.

- **Public sector pay costs**, including all collective agreements in the public sector due to be renegotiated over the forecast period.

- **Government policy commitments**, where the Government has publicly committed to taking a future decision or announced an intent to do so, and this may have fiscal implications.

Risks in Transport and ACC

In bringing the statement of specific fiscal risks together, there are choices made on the level to which risks are disaggregated and how risks are grouped and categorised. To provide an understanding of the different types of fiscal risks, risks have been grouped into eight risk categories aligned to the underlying risk driver – for more information on the risk categories, refer to page 77.

There are other ways to consider aggregated risks, and one of these is by looking at risks across a sector or portfolio. There are two sectors where there are multiple risks across the statement of specific fiscal risks – Transport and ACC. The risks in these areas are brought together below to provide an aggregate picture of the overall risks within each sector.

Transport

In the Transport portfolio, there are four main categories of risks.

Categories of risk	Risks in the chapter	Potential fiscal impact
Revenue – related to land transport revenue, which is collected to support investment in the transport system. There are risks around the sustainability of transport revenue and possible change to the revenue system.	Support for the National Land Transport Fund	$2b to $5b increase in revenue, expenses and/or capital
Future projects or ongoing programmes that may require a funding source – related to transport projects or programmes that have been announced by the Government and are at varying stages of delivery where additional Crown funding may be required.	Transport Project Funding	$5b to $10b increase in expenses and/or capital
	Rail Network Investment Programme – National Rail Freight Network	$500m to $1b increase in expenses and/or capital
	Metropolitan Rail Networks	$100m to $200m increase in capital
Capital cost escalations – transport projects that are funded, but are facing increases in delivery costs.	Roads of Regional Significance	$200m to $500m increase in expenses and/or capital
	Mount Messenger Bypass	Withheld
Changes in the fiscal impact of transport investment – there can be significant uncertainty in the operating and capital impact of future transport investment.	Auckland City Rail Link Ownership Issues	$200m to $500m increase or decrease in expenses and/or capital
	Forecast Operating and Capital Spending in the National Land Transport Programme	$1b to $2b movement between expenses and capital

ACC

In the ACC portfolio, there are three main categories of risks:

Categories of risk	Risks in the chapter	Potential Fiscal Impact
Revenue/claims costs – related to revenue from ACC levies and Crown funding to deliver ACC services and whether this is sufficient to cover the costs of the scheme.	ACC Levies	$500m to $1b increase or decrease in revenue and/or expenses
	Non-Earners' Account	$100m to $200m increase or decrease in expenses
Valuation of the ACC liability – the ACC liability is large and can change significantly depending on multiple factors including experience, ACC performance, economic assumptions and scheme boundary changes.	ACC Levies	$500m to $1b increase or decrease in revenue and/or expenses
	Non-Earners' Account	$100m to $200m increase or decrease in expenses
	ACC Sensitive Claims	Unquantified
Outcomes of specific litigation / policy decisions – this relates to possible or recent changes to ACC policy settings by Government decisions and/or the courts that impacts ACC claims and/or the ACC liability.	Impacts of Changes to Accident Compensation Policy Settings	Unquantified
	ACC Sensitive Claims	Unquantified

Statement of Specific Fiscal Risks

Potential fiscal impacts in the statement of specific fiscal risks

Where possible, the statement of specific fiscal risks below includes the potential fiscal impacts, portrayed as ranges over the forecast period, in the event a specific fiscal risk materialises.

These ranges are only intended to provide a sense of the scale of impact of a specific fiscal risk – they do not represent funding commitments or detailed costing of policies. In most cases, the ranges reflect the maximum possible exposure from the risk. In the situation a risk materialises, the Government will have a better estimate of the actual fiscal impact.

The potential fiscal impacts are across the forecast period (2026/27 to 2030/31). Where a figure has not been provided:

- a "withheld" note means that an estimate is possible but it has not been published to enable the Government to maintain the effective conduct of public affairs through its negotiation, litigation and commercial activity[20]
- an "unquantified" note means that no estimate is currently available or possible as the estimate of the range is so wide that to disclose the estimate would not contribute meaningfully in assessing the risk to the fiscal forecasts.[21]

Status	Title	Portfolio	Potential fiscal impact	Pg[22]
Achieving future savings and spending constraint				
New	Public Service Transformation	Cross-portfolio	Unquantified	69
Unchanged	Health New Zealand Operating Deficit	Health	Withheld	SI 7
	Kāinga Ora – Homes and Communities Operating Expenditure Forecast Reductions	Housing	$100m to $200m increase in expenses	SI 7
	Social Development Forecast Savings	Social Development and Employment	$1b to $2b increase in expenses	SI 7
	Delivering Baseline Reductions	Cross-portfolio	$2.8b of savings across the forecast period have been factored into fiscal forecasts	SI 8

20 This is the reason why the fiscal impact of these risks has not been disclosed, required by section 26Q(3)(b)(iii)(B) of the Public Finance Act 1989.

21 This is the reason why it is not possible to quantify the fiscal impact of these risks, required by section 26Q(3)(b)(iii)(C) of the Public Finance Act 1989.

22 Page references identified as 'SI' refer to the page number within *Pre-election Economic and Fiscal Update 2026 – Supplementary Information*.

Status	Title	Portfolio	Potential fiscal impact	Pg[22]
Capital cost escalation				
New	Waikeria Prison Expansion	Corrections	Withheld	69
Unchanged	Mount Messenger Bypass	Transport	Withheld	SI 8
	Roads of Regional Significance	Transport	$200m to $500m increase in expenses and/or capital	SI 8
Changing demand and expectations on services				
New	Youth Justice Residences	Children	Withheld	69
	Health New Zealand Operating Cost Pressures	Health	$10b+ increase in expenses	69
	Civil Registration Replacement	Internal Affairs	Withheld	70
	Development Levies for Crown Investment	Local Government	$100m to $200m increase in expenses and/or capital	70
Changed	Going for Housing Growth – Incentives for Growth Fund	Housing	$100m to $200m increase in expenses	73
	Financial Challenges Across Tertiary Education Institutes	Tertiary Education	$100m to $200m increase in expenses and/or capital	73
Unchanged	ACC Levies	ACC	$500m to $1b increase or decrease in revenue and/or expenses	SI 9
	Enabling Communities and Iwi to Help Children	Children	$100m to $200m increase in expenses	SI 9
	Increasing Prison Population	Corrections	$500m to $1b increase in expenses and/or capital	SI 9
	Transforming and Sustaining Disability Support Services for New Zealanders	Disability Issues	$500m to $1b increase in expenses	SI 10
	Learning Support	Education	$200m to $500m increase in expenses and/or capital	SI 10
	Health Capital Pressures	Health	$200m to $500m increase in expenses and/or capital	SI 10
	Increases to Cost per Place for Social Housing and Transitional Housing	Housing	$200m to $500m increase in expenses	SI 11
	Tertiary Tuition and Training Funding Baseline Pressure	Tertiary Education	$500m to $1b increase in expenses	SI 11
	Wānanga Funding and Crown's Te Tiriti Obligations to Wānanga	Tertiary Education	Unquantified	SI 11
	Wānanga Legislative Framework – Te Wānanga Aotearoa and Te Whare Wānanga o Awanuiārangi	Tertiary Education	$100m to $200m increase in expenses	SI 11
	Support for the National Land Transport Fund	Transport	$2b to $5b increase in revenue, expenses and/or capital	SI 11
	Legal Aid and Court-Ordered Cost Pressures	Cross-portfolio	$200m to $500m increase in expenses	SI 12
	New Zealand Screen Production Rebate	Cross-portfolio	$100m to $200m increase in expenses	SI 12
	Services Funded by Third Parties and Memorandum Account Deficits	Cross-portfolio	Unquantified	SI 12

Status	Title	Portfolio	Potential fiscal impact	Pg[22]
Commitment or announced intent that may have fiscal implications				
New	Implementing the Defence Capability Plan	Defence	$10b to $15b increase in expenses and/or capital	70
Unchanged	Achieving New Zealand's International and Domestic Climate Change Targets	Climate Change	Unquantified	SI 13
	Response to the Report of the Government Inquiry into the Response to the North Island Severe Weather Events	Emergency Management and Recovery	$200m to $500m increase in expenses and/or capital	SI 14
	Liquefied Natural Gas Import Facility and Related Infrastructure	Energy	Withheld	SI 14
	Resource Management Reform Implementation Costs	Environment	$200m to $500m increase in expenses	SI 14
	Cook Strait Ferry Replacement and Enabling Infrastructure	Finance	Withheld	SI 14
	Science, Innovation and Technology Reform	Science, Innovation and Technology	Withheld	SI 14
	Transport Project Funding	Transport	$5b to $10b increase in expenses and/or capital	SI 15
	City and Regional Deals	Cross-portfolio	Unquantified	SI 15
	Government Targets	Cross-portfolio	Unquantified	SI 15
	The Government's Approach to the Smokefree Aotearoa 2025 Goal	Cross-portfolio	Unquantified	SI 15
	Long-term Infrastructure and Digital Investment Plans	Cross-portfolio	$5b to $10b increase in expenses and/or capital	SI 16
	Ongoing Costs of a New Medical School	Cross-portfolio	$200m to $500m increase in expenses and/or capital	SI 16
Forecast dependent on a status quo that is uncertain				
New	H5N1 High Pathogenicity Avian Influenza Response Costs	Biosecurity	$100m to $200m increase in expenses	71
	Gas Security Fund	Regional Development	$100m to $200m increase in expenses	71
	Modernising the Census	Statistics	$100m to $200m increase in expenses	71
	Maintenance for Government-owned Buildings	Cross-portfolio	Unquantified	71
Unchanged	Regional Infrastructure Fund	Regional Development	$200m to $500m movement between expenses and capital	SI 17
	Potential Tax and Social Policy Changes	Revenue	$100m to $200m increase or decrease in revenue and/or expenses	SI 17
	Auckland City Rail Link Ownership Issues	Transport	$200m to $500m increase or decrease in expenses and/or capital	SI 17

Status	Title	Portfolio	Potential fiscal impact	Pg[22]
Unchanged	Forecast Operating and Capital Spending in the National Land Transport Programme	Transport	$1b to $2b movement between expenses and capital	SI 17
	Relativity Clause	Treaty of Waitangi Negotiations	Withheld	SI 18
	Adverse Weather Events	Cross-portfolio	Unquantified	SI 18
	Middle East Conflict	Cross-portfolio	Unquantified	SI 18
	Public Sector Employment Agreements	Cross-portfolio	Withheld	SI 18
Forecast risk				
New	ACC Sensitive Claims	ACC	Unquantified	72
Unchanged	Non-Earners' Account	ACC	$100m to $200m increase or decrease in expenses	SI 19
	Frontline Technology Systems Upgrade	Children	Withheld	SI 19
	Emissions Trading Scheme – Variations Arising from Unit Auctions Failing to Clear	Climate Change	Withheld	SI 19
	Emissions Trading Scheme – Variations in Revenue and Expenses	Climate Change	Up to $2b to $5b net increase or decrease in revenue and/or expenses	SI 20
	Costs Associated with the Sinking of the HMNZS Manawanui	Defence	$100m to $200m increase in expenses and/or capital	SI 20
	Additional Monetary Policy Tools	Finance	Unquantified	SI 20
	Natural Hazards Commission	Finance	Unquantified	SI 20
	Realising Sales of Land and Dwellings – Kāinga Ora	Housing	$100m to $200m increase in expenses	SI 21
	Ministry of Social Development's Services for the Future	Social Development and Employment	Unquantified	SI 21
	Veterans' Disability Entitlements Liability	Veterans' Affairs	$500m to $1b increase or decrease in expenses	SI 21

Status	Title	Portfolio	Potential fiscal impact	Pg[22]
Potential fiscal impacts of reviews or litigation				
New	Government Response to the Aged Care Ministerial Advisory Group Report	Health	Unquantified	72
Unchanged	Impacts of Changes to Accident Compensation Policy Settings	ACC	Unquantified	SI 22
	Metropolitan Rail Networks	Transport	$100m to $200m increase in capital	SI 22
	Treaty Settlement Forecasts	Treaty of Waitangi Negotiations	Withheld	SI 22
	Pay Equity Claims	Cross-portfolio	Withheld	SI 22
	Responding to the Royal Commission of Inquiry into Abuse in Care – Redress System Claims	Cross-portfolio	Unquantified	SI 23
	Response to the Dame Karen Poutasi Review of Safety Nets in the Children's System	Cross-portfolio	Unquantified	SI 23
Time-limited funding				
New	Rail Network Investment Programme – National Rail Freight Network	Transport	$500m to $1b increase in expenses and/or capital	72
Unchanged	Healthy School Lunches Programme	Education	$500m to $1b increase in expenses and/or capital	SI 23
	Time-limited International Climate Financing Funding: Unfunded 2026 to 2030 Commitment Period	Foreign Affairs	$200m to $500m increase in expenses	SI 23

New Risks

Achieving future savings and spending constraint

Cross-portfolio

Public Service Transformation (Expenses and Capital)

The Government has announced a public service transformation programme that aims to improve public services, lift productivity and deliver better value for money. The goals of the programme include streamlining the number of government agencies and entities, digitising customer-facing and back-office government functions, including through greater use of AI, and reducing public service FTE.

There are upside and downside risks to this programme. This includes positive fiscal impacts from productivity gains, including from the use of AI, and the streamlining of functions and government agencies and entities. However, there may be costs to implement transformation that are not yet incorporated into the forecasts, including investment in new digital systems and increasing cost of AI.

The wider transformation programme includes both structural change to the public service as well as baseline reductions. The risk of the fiscal impact of baseline reductions being different from what is reflected in the fiscal forecasts is outlined in the *Delivering Baseline Reductions* risk.

Capital cost escalation

Corrections

Waikeria Prison Expansion (Expenses and Capital)

Funding was provided in Budget 2024 for an expansion to Waikeria Prison, which will allow for up to 810 (948 if fully double-bunked) additional beds. Commercial processes relating to the programme remain underway. Accordingly, there remains uncertainty regarding the final fiscal impact of the programme.

Changing demand and expectations on services

Children

Youth Justice Residences (Expenses and Capital)

Ongoing demand pressure on the youth justice residential network may require additional funding to invest in expanding youth justice residential capacity, including high-needs youth residences and remand and bail homes.

Health

Health New Zealand Operating Cost Pressures (Expenses)

Historically, spending in the health sector increases year on year, reflecting that the costs to deliver health services rise largely due to the impact of inflation, wage growth and demographic changes. Over the last five Budgets the Government has provided additional funding of between $1.196 billion and $1.430 billion per annum for Health New Zealand (Health NZ) cost pressures.

An indicative, non-binding Health NZ cost pressure funding track for the next three years has been provided to Health NZ to inform the development of a three-year financial and service plan and funding choices at Budget 2027. The indicative track includes increases of $1.400 billion from 2027/28, a further $1.440 billion from 2028/29, and a further $1.550 billion from 2029/30. The indicative track is not a funding commitment. Final decisions will be taken through the Budget decision making process and be informed by the latest information, including inflation forecasts. While it is uncertain how much funding the Government will approve for Health NZ cost pressures, based on past funding amounts and the indicative funding track it is likely to represent a significant portion of the Government's current Budget operating allowances.

Internal Affairs

Civil Registration Replacement (Expenses and Capital)

The Department of Internal Affairs' civil registration system is reaching the end of its useful life. Following the termination of the civil registration system replacement vendor contract on 1 December 2023, unspent funding was returned. Therefore, the delivery of any future replacement is currently unfunded.

Local Government

Development Levies for Crown Investment (Expenses and Capital)

The Government has agreed that the Crown will be required to pay development levies for Crown-funded developments that create demand for local growth infrastructure. The payment of development levies will increase the cost of future Crown capital investments. However, the potential fiscal impact is uncertain and depends on the scale of future developments.

Commitment or announced intent that may have fiscal implications

Defence

Implementing the Defence Capability Plan (Expenses and Capital)

The Defence Capability Plan (DCP) sets out a pathway to lift defence spending to 2% of GDP from the current level of approximately 1% of GDP by 2032/33. The DCP outlines indicative investments over 15 years, with investment of $12 billion over Budgets 2025 – 2028 to ensure New Zealand can respond to the changing global security environment. It is estimated that around $4.8 billion of new funding would be required over the next two Budgets to deliver on the first horizon of the DCP. Based on current GDP expectations, defence spending would need to increase to around $12 billion per annum by 2032/33 from the current levels of around $6 billion per annum to meet the 2% target.

Note that this risk was previously included in the *Long-term Infrastructure and Digital Investment Plans* risk at the *Budget Update.*

Forecast dependent on a status quo that is uncertain

Biosecurity

H5N1 High Pathogenicity Avian Influenza Response Costs (Expenses)

New Zealand has recorded H5N1 high pathogenicity avian influenza (bird flu) in wild birds. There is no evidence of spread between wild birds, no mass mortality event, and no detections in commercial or backyard poultry. The Ministry for Primary Industries, in conjunction with partner agencies, is actively monitoring the situation and implementing preparedness and response activities.

Should H5N1 bird flu become established, the Crown could face additional expenditure associated with managing the outbreak. The scale and timing of costs would depend on the extent of the outbreak, effectiveness of containment measures, and impacts on poultry production and international trade.

Regional Development

Gas Security Fund (Expenses)

Budget 2025 established a $200 million Gas Security Fund, intended to support New Zealand's energy security. Given the nature of the projects being considered, there is a risk that some Crown investments may not achieve their intended commercial outcomes, which could result in impairment or write-off of invested capital. The fiscal impact will depend on the performance of individual projects and the extent to which investments generate recoverable returns.

Statistics

Modernising the Census (Expenses)

The timing of the next census is dependent on the Data and Statistics (Census) Amendment Bill. If the Bill is not passed, Stats NZ would be required to deliver the next census in 2028, carrying significant cost.

Cross-portfolio

Maintenance for Government-owned Buildings (Expenses and Capital)

There are a number of buildings the Government owns that will require capital works, maintenance and/or replacement. Costs are dependent the nature of the work required which could include earthquake strengthening to meet modern building standards, maintenance for weather-tightness, capital works to prevent further deterioration or damage and potential replacement of the asset. The likelihood, timing and fiscal impact of costs are uncertain and there will be choices for the Government on how it manages these costs, including disposal. Specifically, there could be work required on New Zealand Police and Courts infrastructure and the Washington Embassy and Official Residence.

Note that the maintenance of assets that are part of long-term infrastructure and digital investment plans are also captured in the *Long-term infrastructure and Digital Investment Plans* risk.

Forecast risk

ACC

ACC Sensitive Claims (Expenses)

There is significant uncertainty around the number of clients with sensitive claims who will start to receive loss of potential earnings weekly compensation as well as the associated backdated payments that will come from these claims. The majority of these additional claims are as a result of the *ACC v TN* court decision. If the number of these claims continue to grow there could be substantial liability for incurred claims (LIC) strain, particularly impacting the Non-Earners' Account. There is significant uncertainty in the estimation of this liability.

Potential fiscal impacts of reviews or litigation

Health

Government Response to the Aged Care Ministerial Advisory Group Report (Expenses)

The Aged Care Ministerial Advisory Group recently released its report on achieving a sustainable aged care system. The Group made 40 recommendations, some of which would have significant fiscal impacts if implemented. The Government is yet to take policy decisions on its response to the report.

Time-limited funding

Transport

Rail Network Investment Programme – National Rail Freight Network (Expenses and Capital)

The Rail Network Investment Programme (RNIP) is a 10-year programme of planned network maintenance, operation and renewal of the national rail network. In Budget 2026, the RNIP 2027-2030 was funded.

For 2030/31 onwards Crown funding would be needed to top-up the Rail Network activity class for core renewals and maintenance of the national rail infrastructure.

This time-limited funding ceases after 2029/30.

Changed Risks

Changing demand and expectations on services

Housing

Going for Housing Growth – Incentives for Growth Fund (Expenses)

The Government has established a new system of council incentives to support housing growth with $100 million operating funding per annum provided at Budget 2026. Based on current policy settings, expenditure is expected to grow above the funding provided.

At the *Budget Update*, this risk was titled *Going for Housing Growth – Incentives for Communities and Councils to Support Growth* and reflected that final design decisions for the scheme were yet to be made. This risk has been changed to reflect the demand risks associated with the scheme now that the final policy design has been agreed.

Tertiary Education

Financial Challenges Across Tertiary Education Institutes (Expenses and Capital)

There are heightened financial pressures facing New Zealand's tertiary education institutions (TEIs). While there is not an immediate risk to the financial viability of any TEI, there are risks for several TEIs that could materialise within the forecast period. If TEIs are unable to adequately manage these risks, they may seek support from Government to ensure their financial stability and viability in the future.

This risk was published as *Financial Challenges Across Universities* in the *Budget Update*. This risk has been expanded to incorporate financial pressures across all TEIs.

Risks Removed Since the *Budget Update 2026*

The following table outlines risks that were published in the *Budget Update* but are no longer disclosed as specific fiscal risks because they are provided for in the forecasts, are adequately captured by existing risks or no longer meet the materiality threshold for publication.

Portfolio name	Risk title	Reason for expiry
Corrections	Timing of Fiscal Impacts of Christchurch Men's Prison Public Private Partnership	This risk is expired as the public private partnership agreement has been signed and the fiscal impacts are reflected in the fiscal forecasts.
Finance	Potential Sale of the Ultra-Fast Broadband Chorus Securities	This risk is expired as the Crown has entered into a binding agreement for the sale of the securities.
Transport	Review of the Clean Car Standard	This risk is expired because a decision has been made to retain the Clean Car Standard.
Transport	Potential Changes to Planned Increases to Fuel Excise Duty and Road User Charges	This risk is expired because Cabinet has agreed to changes to fuel excise duty and road user charges increases and these are reflected in the fiscal forecasts.

Further Information on the Criteria and Key Judgements for Disclosing Specific Fiscal Risks

The Public Finance Act 1989 sets out the requirements for specific fiscal risks

The fiscal forecasts in this *Pre-election Update* incorporate to the fullest extent possible the fiscal implications of all Government decisions and other circumstances if the criteria set out in the table below are satisfied.

Fiscal forecasts	Specific fiscal risks[23]
Matters are incorporated into the fiscal forecasts when: • the matter can be quantified for particular years with reasonable certainty, and • a decision has been taken, or • a decision has not yet been taken but is reasonably probable[24] that the matter will be approved or the situation will occur.	Matters are disclosed as specific fiscal risks if the likely impact is $100 million or more over the forecast period and either: • a decision has not yet been taken but it is reasonably possible[25] (but not probable) that the matter will be approved or the situation will occur, or • it is reasonably probable or possible that the matter will be approved or the situation will occur, but the matter cannot be quantified for, or assigned to, particular years with reasonable certainty.

As outlined in the table, if the fiscal implications of Government decisions and other circumstances cannot be quantified for particular years with reasonable certainty or the outcome is still unclear, those Government decisions and other circumstances are disclosed in the statement of specific fiscal risks included in this chapter, as required by sections 26Q(3)(b) and 26U of the Public Finance Act 1989.

Judgements are applied in assessing whether a risk is a specific fiscal risk

In order to implement the criteria outlined above, judgement is required to determine whether a Government decision or other circumstance meets the definition of a specific fiscal risk. The Treasury has applied the principles outlined in *Pre-election Economic and Fiscal Update 2026 – Supplementary Information* when assessing whether a decision or other circumstance meets the definition of a specific fiscal risk.

[23] These are the rules used to determine what is and is not a fiscal risk for the purposes of section 26Q(3)(b)(ii) of the Public Finance Act 1989.

[24] For these purposes, 'reasonably probable' is taken to mean that the matter is more likely than not to be approved within the forecast period (there is a greater than 50% chance of the matter occurring or being approved).

[25] For these purposes, 'reasonably possible' is taken to mean that the matter might be approved within the forecast period (there is a 20–50% chance of the matter occurring or being approved).

Exceptions to disclosing specific fiscal risks

Section 26V of the Public Finance Act 1989 provides that the requirements to disclose government decisions or other circumstances in an economic and fiscal update (including in forecast financial statements and the statement of specific fiscal risks) do not apply where the Minister of Finance determines that to incorporate the decision or circumstance is likely to:

- prejudice the substantial economic interests, security or defence of New Zealand
- prejudice the international relations of the Government
- compromise the Government in a material way in negotiation, litigation or commercial activity
- result in a material loss of value to the Government.

In addition, the Minister must also determine that there is no reasonable or prudent way the Government can avoid this prejudice, compromise or material loss through incorporation in this *Pre-election Update*.

One new specific fiscal risk has been withheld under section 26V. Disclosure of this risk could prejudice the security or defence of New Zealand.

Risks have been categorised by risk type in the statement of specific fiscal risks

The risks in the statement of specific fiscal risks have been broadly classified into one of eight risk categories aligned to the underlying risk driver. The purpose of categorising risks is to provide an understanding of different types of fiscal risks and the potential aggregate impact of these on the fiscal forecasts. There have been no changes to risk categories since the *Budget Update*.

Some risks may include aspects that include multiple risk drivers – in this case, the risk is categorised based on the most significant driver. A description of each risk type is provided in the table below.

The status of the risks relative to the *Budget Update* is also provided. New risks are those identified or disclosed for the first time in this *Pre-election Update*, while changed risks are those where there is a significant change in the nature or substance of the risk. Unchanged risks are those where there is no change to the nature or substance of the risk, even if the size of the risk has changed. This includes risks that have updated narratives because of wording changes for clarity or that have been amended to reflect present circumstances. These changes do not reflect a change in the underlying risk.

Risk category	Description
Achieving future savings and spending constraint	Risks related to achieving future savings or the implementation of plans to constrain spending. As savings or spending tracks reflected in the fiscal forecasts require future actions to deliver, there is a risk that actual expenditure or revenue will differ from the forecasts. This risk may be an upside risk (higher revenue or lower expenses) or downside risk (lower revenue or higher expenses).
Capital cost escalation	Risks where there are indications that a capital project or programme may differ from the funding allocated. There may be choices for the Government to manage the cost escalation and scope of the project or programme.
Changing demand and expectations on services	Risks where there is changing demand for a service or good, or changed expectations on the level of service, that may increase or decrease costs beyond the funding allocated. This may be driven by changes in policy or through external factors such as technological advances or behavioural change. This risk may be an upside risk (higher revenue or lower expenses) or downside risk (lower revenue or higher expenses).
Commitment or announced intent that may have fiscal implications	The Government has publicly committed to taking a future decision or announced an intent to do so, and this may have fiscal implications (for example, require funding that has not yet been allocated or increase revenue if progressed). The Government generally still has choice about whether to progress with a decision but the Government commitment or announced intent means it is reasonably possible it will be approved.
Forecast dependent on a status quo that is uncertain	Risks where the forecast is based on the status quo but an uncertain future decision or event could materially affect the forecast approach. The change in the status quo may be a decision the Government controls or an external event outside of the control of the Government.
Forecast risk	Risks where revenue, expenditure, assets or liabilities are inherently uncertain in the fiscal forecasts. This risk may be an upside risk (higher revenue or lower expenses) or downside risk (lower revenue or higher expenses).
Potential fiscal implications of reviews or litigation	Risks where there are reviews of policy settings (both those initiated by the Government or external to the Government) or litigation that may require a fiscal response from the Government. This includes independent reviews, Royal Commissions or Court decisions.
Time-limited funding	Programmes that have time-limited funding that decreases or ceases at some point in the forecast period and may potentially be extended. Time-limited funding often relates to pilot programmes or to programmes under review.

Contingent Liabilities and Contingent Assets

Contingent liabilities are costs that the Government will have to face if a particular event occurs or they are present liabilities that are unable to be measured with sufficient reliability to be recorded in the fiscal forecasts (unquantifiable liabilities).

Typically, contingent liabilities consist of guarantees and indemnities, legal disputes and claims and uncalled capital. The contingent liabilities facing the Crown are a mixture of operating and balance sheet risks, and they can vary greatly in magnitude and likelihood of realisation.

In general, if a contingent liability were realised or the amount becomes sufficiently reliable to record as a liability, it would reduce the operating balance and net worth and, for contingencies within the core Crown, increase net core Crown debt. However, in the case of some contingencies (for example, uncalled capital), the negative impact would be restricted to net core Crown debt.

Contingent assets are possible assets that have arisen from past events but the amount of the asset or whether it will eventuate, will not be confirmed until a particular event occurs.

Only contingent liabilities and contingent assets involving amounts of over $100 million are separately disclosed in the Statement of Contingent Liabilities and Contingent Assets. Quantifiable contingencies of less than $100 million are aggregated in the 'other quantifiable' total.

Some contingencies of the Crown are not able to be quantified. We have disclosed unquantifiable contingent liabilities and unquantifiable contingent assets that potentially could have an impact in excess of $20 million and are not expected to be remote.[26]

The contingencies have been stated as at 30 June 2026, being the unaudited actuals.

To make the chapter more accessible and focused on the contingent liabilities or assets that have been introduced or have significantly changed in nature or substance, since the *Budget Update 2026*, the narrative summaries of unchanged contingent liabilities or assets are included in the *Pre-election Update 2026 – Supplementary Information.*

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[26] 'Remote' is defined as being an item with less than a 10% chance of occurring.

Statement of Contingent Liabilities and Contingent Assets

Quantifiable contingent liabilities

	Status[27]	Unaudited 30 June 2026 ($millions)	31 March 2026 ($millions)
Uncalled capital			
Asian Development Bank	Unchanged	3,719	3,670
International Bank for Reconstruction and Development	Unchanged	2,234	2,204
International Monetary Fund – promissory notes	Unchanged	2,176	2,200
International Monetary Fund – arrangements to borrow	Unchanged	1,633	1,612
Asian Infrastructure Investment Bank	Unchanged	654	645
Other uncalled capital		33	33
		10,449	**10,364**
Guarantees and indemnities			
New Zealand Export Credit Office guarantees	Unchanged	239	157
Other guarantees and indemnities		94	134
		333	**291**
Legal proceedings and disputes			
Inland Revenue – legal tax proceedings	Unchanged	286	303
New Zealand Transport Authority – contractual disputes		101	59
Other legal proceedings and disputes		173	172
		560	**534**
Other quantifiable contingent liabilities			
Unclaimed monies	Unchanged	607	607
Air New Zealand partnership agreement	Unchanged	291	402
Waitangi Tribunal – Mangatū Remedies Inquiry	Unchanged	230	220
Community Housing Funding Agency (CHFA)	Unchanged	150	150
Kāinga Ora – Land Programme	New	141	-
Ministry for Primary Industries – *Mycoplasma bovis* compensation claims	Unchanged	125	125
Clean Car Standard credits	Unchanged	108	118
Ministry of Justice – Waipāoa Remedies Inquiry	Unchanged	104	100
Other quantifiable contingent liabilities		119	90
		1,875	**1,812**
Total quantifiable contingent liabilities		**13,217**	**13,001**

[27] Status of contingent liabilities or assets when compared to the *Budget Update* published on 28 May 2026 (based on the nature of the contingency, not the dollar value of contingencies which are regularly updated).

Quantifiable contingent assets

	Unaudited 30 June 2026 ($millions)	31 March 2026 ($millions)
Transpower New Zealand – economic gains	116	116
Other contingent assets	250	94
Total quantifiable contingent assets	**366**	**210**

Unquantifiable contingent liabilities

Indemnities	**Status**
Contact Energy Limited	Unchanged
Genesis Energy	Unchanged
Justices of the Peace, Community Magistrates and Disputes Tribunal Referees	Unchanged
Maui Partners	Unchanged
Natural Hazards Commission Toka Tū Ake	Unchanged
New Zealand Aluminium Smelters Limited and Rio Tinto Aluminium Limited (formerly Comalco)	Unchanged
New Zealand Local Authorities	Unchanged
New Zealand Railways Corporation	Unchanged
Southern Response Earthquake Services Limited	Unchanged
Synfuels–Waitara Outfall indemnity	Unchanged
Westpac New Zealand Limited	Unchanged
Legal proceedings and disputes	
Accident Compensation Corporation (ACC) litigations	Unchanged
Ministry of Health – New Zealand College of Midwives class action	Unchanged
Ministry of Social Development – Disability Support Services employment obligations	Unchanged
Ministry of Social Development – Welfare system litigation	New
Ministry of Transport – Public Works Act claims	Unchanged
Redress for historical abuse in care	Unchanged
Treaty of Waitangi claims	Unchanged
Other unquantifiable contingent liabilities	
Aquaculture settlements	Unchanged
Criminal Proceeds (Recovery) Act 2009	Unchanged
Environmental liabilities	Unchanged
Ministry for Primary Industries – Biosecurity Act compensation	Unchanged
Ministry of Transport – City Rail Link Limited's obligation regarding Project Alliance Agreement	New
Pay Equity Claims	Unchanged
Transpower New Zealand – possible removal of assets subject to resource consents	New
Treaty of Waitangi claims – settlement relativity payments	Unchanged

New Contingent Liabilities and Contingent Assets

Quantifiable contingent liabilities

Other quantifiable contingent liabilities

Kāinga Ora – Land Programme

The contingent liability relates to Kāinga Ora's obligation to purchase land lots under a Land Supply Agreement with a developer. The developer is required to create new lot titles in accordance with a delivery schedule, and upon the issue of new titles Kāinga Ora is required to purchase those lots shortly thereafter. At this stage, no lots have been created.

Unquantifiable contingent liabilities

Legal proceedings and disputes

Ministry of Social Development – Welfare system litigation

There are unquantifiable contingent liabilities claims against the Crown relating to welfare system litigation. This commonly arises from challenges by clients to operational decisions made by Ministry staff within the social welfare system. Such challenges are generally made through the statutory review and appeal processes but also occasionally include general civil proceedings such as judicial review applications.

Other unquantifiable contingent liabilities

Ministry of Transport – City Rail Link Limited's obligation regarding Project Alliance Agreement

Under the Project Alliance Agreement with Link Alliance, City Rail Link Limited has an obligation to make performance-related payments (known as Limb 2 and Limb 3) at final completion. The amount of these payments was provisionally calculated at practical completion (30 June 2026). The Limb 2 and 3 framework continues to apply during the two-year defect period, with the final financial outcome determined at final completion. Estimating the final amount involves significant judgement and underlying assumptions, including a view on the likelihood of any risks eventuating and their possible financial implications. As the final outcome remains uncertain and contingent on certain events, the obligation has been disclosed as a contingent liability.

Transpower New Zealand – possible removal of assets subject to resource consents

Certain assets are subject to resource consents that authorise their ongoing occupation. If those consents are not renewed or replaced when they expire, Transpower may be required to remove the relevant assets and restore the affected areas. Management considers the likelihood of an outflow of economic resources related to removal to be unlikely as Transpower expects that replacement consents will be sought and renewed in due course to authorise their continued occupation. Accordingly, no provision has been recognised. The timing and amount of possible removal costs are uncertain and would depend on future consent outcomes, regulatory requirements and the scope of any removal work required.

Subsequent Contingent Liabilities

After 30 June 2026, the Crown has entered into the following material additional indemnities:

- with the National Infrastructure Funding and Financing Limited to the holders of Chorus UFB securities for certain events from the execution of the monetisation of Chorus UFB securities, and
- with the New Zealand Transport Authority for certain liabilities under the recently announced Northern Corridor – Public Private Partnership.

4

Forecast Financial Statements

These forecasts have been prepared in accordance with the Public Finance Act 1989.

They are based on the accounting policies and assumptions that follow. As with all such assumptions, there is a degree of uncertainty surrounding them. This uncertainty increases as the forecast horizon extends. There are risks to the fiscal forecasts which are discussed further in the *Risks to the Forecasts* chapter.

These forecasts have been prepared in accordance with the Statement of Responsibility and reflect the judgements and information known at the time they were prepared. The forecast financial statements reflect all material government decisions and circumstances communicated up to 10 September 2026, where these can be reliably measured.

The key assumptions that underpin the preparation of the Forecast Financial Statements are outlined on pages 84 to 86.

Statement of Accounting Policies, Judgements and Assumptions

Significant Accounting Policies

The Forecast Financial Statements have been prepared in accordance with the accounting policies that are expected to be used in the comparable audited actual Financial Statements of the Government. They comply with generally accepted accounting practice (GAAP) as required by the Public Finance Act 1989 and have been prepared in accordance with *Public Benefit Entity Financial Reporting Standard 42: Prospective Financial Statements*.

The Forecasts Financial Statements use the accrual basis of accounting unless otherwise specified (for example, the Statement of Cash Flows). Forecasts have been prepared for the consolidated Financial Statements of the Government reporting entity, which includes all entities controlled by the Government (as defined by applicable financial reporting standards).

The Forecast Financial Statements reflect the accounting standards in place in the year that they are prepared. Consequently, adoption of new accounting standards in future financial years are generally not reflected in these Forecast Financial Statements.

The public sector modified version of PBE IFRS 17: *Insurance Contracts* has been adopted in these forecast financial statements for reporting periods beginning 1 July 2026. Information on the adoption of this standard and how it impacts the forecast can be found on page 77 of the *Budget Update 2026* and in the Notes to the Forecast Financial Statements on page 100.

The specific accounting policies are included on the Treasury's website at https://www.treasury.govt.nz/publications/efu/supplementary-information-pre-election-economic-and-fiscal-update-2026.

Forecast Policies

The Forecast Financial Statements have been prepared on the basis of the Treasury's best professional judgement. Actual financial results for the periods covered are likely to vary from the information presented in these forecasts. Factors that may lead to a material difference between information in these Forecast Financial Statements and the actual reported results in future years are set out in the *Risks to the Forecasts* chapter.

Key Judgements and Assumptions

The fiscal forecasts are based on assumptions and judgements developed from the best information available at the time they were prepared. Actual events are likely to differ from these assumptions and judgements, while uncertainty around the forecast assumptions and judgements increases over the forecast period.

The following key judgements and assumptions supporting the fiscal forecasts were made:

- To calculate income tax revenue across the forecast period, net operating surplus forecasts on a System of National Accounts basis are used to create tax-year forecasts of total income tax for both net other persons tax and corporate tax, which are then converted into fiscal years (to 30 June). For the five-year forecast period to 2030/31, the annual operating surplus growth forecasts range from 4.1% to 8.9%.
- Tax forecasts are based on the economic forecasts completed on 21 August 2026.
- The cost of commitments not explicitly included in the fiscal forecasts (or variations to the estimates included in the fiscal forecasts) are assumed to be met from within the Budget operating allowances and the Budget capital allowances, which are included in the fiscal forecasts.
- Departments continue to spend less than the upper limits of approved spending (referred to as appropriations). A top-down adjustment is made to compensate for this. The adjustment is higher at the start of the forecast period, as departments' appropriations (and therefore expenses) tend to be higher in these years, reflecting the flexibility departments have in transferring expenses into these years.
- Market derived forward-looking interest rates are used to forecast New Zealand Debt Management cash flows, expenses, revenues and valuations. The rates used for the *Pre-election Update* forecasts were based on market rates prevailing on 30 June 2026, with an adjustment made for interest rates prevailing on 21 August 2026.
- Forecast returns on the investment portfolios managed by the ACC and the NZS Fund are based on their expectations of long-term benchmark rates of return for their respective portfolios.
- No revaluations of property, plant and equipment are forecast beyond the current year. Only revaluations already completed are included in these forecasts.
- Significant valuations (eg, the student loans portfolio, the ACC claims liability and the Government Superannuation Fund retirement liability) are based on underlying assumptions (eg, discount rates, salary increases and inflation) made at the time the valuations were prepared.
- Refer to Note 11: NZ Superannuation Fund for the contributions over the forecast period. The contributions to the NZS Fund are assumed to be derived from the legislative formula. However, the Government has choices around how much they contribute in any given year. Over the forecast years, all NZS Fund variables (apart from the capital contributions) are based on those provided by the NZS Fund. For more information, refer to the Treasury website for the NZS Fund model.
- Recognition of non-exchange expenses and liabilities: expenses (and related liabilities) are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Judgement is required in assessing each of these conditions and therefore reporting if an expense and a present obligation should be recognised.

Key Economic Assumptions used in the Forecast Financial Statements

In addition to the outlined key judgements and assumptions, the Forecast Financial Statements are prepared on the basis of underlying economic forecasts. Such forecasts are critical for determining revenue and expense estimates.

For example:

- a nominal GDP forecast is needed to forecast tax revenue
- a forecast of average weekly earnings and CPI is needed, because social assistance benefits are generally indexed to wage growth or inflation
- forecasts of interest rates are needed to forecast finance costs, interest income and discount rates.

Below is a summary of the key economic forecasts that are particularly relevant to the Forecast Financial Statements.

Table 4.1 – Key economic assumptions for fiscal forecasts

Year ending 30 June	2025 Actual	2026 Forecast[4]	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Real GDP[1] (ann avg % chg)	(1.1)	1.6	2.3	2.9	2.7	2.6	2.5
Nominal GDP[2] ($b)	435.1	455.9	480.1	507.5	532.3	557.4	582.4
CPI (ann % chg)	2.7	4.1	1.9	2.0	2.1	2.1	2.0
CPI (ann avg % chg)	2.4	3.3	3.0	1.9	2.1	2.1	2.0
Govt 10-year bonds (ann avg, %)	4.5	4.5	4.7	4.7	4.7	4.7	4.7
5-year bonds (ann avg, %)	4.0	3.8	4.2	4.2	4.3	4.3	4.3
90-day bill rate (ann avg, %)	4.2	2.7	3.3	3.6	3.7	3.8	3.7
Unemployment rate (ann avg, %)	5.1	5.4	5.4	4.9	4.6	4.3	4.3
Employment (ann avg % chg)	(1.0)	0.3	1.6	2.3	1.9	1.6	1.4
Average weekly earnings[3] (ann % chg)	4.2	2.9	2.7	3.0	3.2	3.4	3.4

Notes:
1 Production measure.
2 Expenditure measure.
3 Ordinary time.
4 Measures are actuals except for real GDP and nominal GDP.

Sources: The Treasury, Stats NZ, Reserve Bank of New Zealand

Reporting and Forecast Period

The reporting periods for these Forecast Financial Statements are the years ended 30 June 2027 to 30 June 2031. The "Previous Budget" figures are the original forecasts to 30 June 2026 as presented in the 2025 *Budget Update*, the "2025 Actual" figures are the audited actual results for the year ended 30 June 2025 reported in the *Financial Statements of the Government for the year ended 30 June 2025* and the "2026 Unaudited Actual" figures are the unaudited actual results for the year ended 30 June 2026.

Government Reporting Entity as at 10 September 2026

These Forecast Financial Statements are for the Government Reporting Entity as specified in Part 3 of the Public Finance Act 1989. This comprises Ministers of the Crown and the following entities (classified in the three institutional components used for segmental reporting). The following tables list the entities within each institutional component. Subsidiaries are consolidated by their parents and are not listed separately.

Core Crown Segment

Departments

Crown Law Office
Department of Conservation
Department of Corrections
Department of Internal Affairs
(hosts Ministry for Ethnic Communities as a departmental agency)
(hosts National Emergency Management Agency as a departmental agency)
Department of the Prime Minister and Cabinet
Education Review Office
Government Communications Security Bureau
Inland Revenue Department
Land Information New Zealand
Ministry for Cities, Environment, Regions and Transport
(services Climate Change Chief Executives Board as an interdepartmental executive board)
Ministry for Culture and Heritage
Ministry for Pacific Peoples
Ministry for Primary Industries
Ministry for Regulation
Ministry for Women
Ministry of Business, Innovation, and Employment
Ministry of Defence
Ministry of Disabled People
Ministry of Education
(hosts Charter School Agency as a departmental agency)
Ministry of Foreign Affairs and Trade
Ministry of Health
(hosts Cancer Control Agency as a departmental agency)
Ministry of Justice
(services Executive Board for the Elimination of Family Violence and Sexual Violence as an interdepartmental executive board)
(hosts Office of Treaty Settlements and Takutai Moana – Te Tari Whakatau as a departmental agency)
Ministry of Māori Development – Te Puni Kōkiri
Ministry of Social Development
New Zealand Customs Service
New Zealand Defence Force
New Zealand Police
New Zealand Security Intelligence Service
Oranga Tamariki – Ministry for Children
Parliamentary Counsel Office
Public Service Commission
Serious Fraud Office
Social Investment Agency
Statistics New Zealand
The Treasury

Others

New Zealand Superannuation Fund
Reserve Bank of New Zealand

Offices of Parliament

Controller and Auditor-General
Office of the Ombudsman
Parliamentary Commissioner for the Environment

Parliamentary Agencies

Office of the Clerk of the House of Representatives
Parliamentary Service

State-owned Enterprises Segment

State-owned Enterprises

Airways Corporation of New Zealand Limited
Animal Control Products Limited
AsureQuality Limited
Electricity Corporation of New Zealand Limited
KiwiRail Holdings Limited
Kordia Group Limited
Landcorp Farming Limited
Meteorological Service of New Zealand Limited
New Zealand Post Limited
New Zealand Railways Corporation
Quotable Value Limited
Transpower New Zealand Limited

Mixed ownership model companies (Public Finance Act Schedule 5)

Genesis Energy Limited
Mercury NZ Limited
Meridian Energy Limited

Other

Air New Zealand Limited

Crown Entities Segment

Crown Entities

Accident Compensation Corporation
Accreditation Council
Arts Council of New Zealand Toi Aotearoa
Auckland Light Rail Limited
Broadcasting Commission
Broadcasting Standards Authority
Callaghan Innovation
Civil Aviation Authority of New Zealand
Classification Office (previously Office of Film and Literature Classification)
Climate Change Commission
Commerce Commission
Criminal Cases Review Commission
Crown Irrigation Investments Limited
Education New Zealand
Electoral Commission
Electricity Authority
Energy Efficiency and Conservation Authority
Environmental Protection Authority
External Reporting Board
Financial Markets Authority
Fire and Emergency New Zealand
Government Superannuation Fund Authority
Guardians of New Zealand Superannuation
Health and Disability Commissioner
Health New Zealand
Health Quality and Safety Commission
Health Research Council of New Zealand
Heritage New Zealand Pouhere Taonga
Human Rights Commission
Independent Monitor of the Oranga Tamariki System
Independent Police Conduct Authority
Integrity Sport and Recreation Commission
Invest New Zealand
Kāinga Ora – Homes and Communities
Law Commission
Mana Mokopuna – Children's Commissioner
Maritime New Zealand
Mental Health and Wellbeing Commission
Museum of New Zealand Te Papa Tongarewa Board
New Zealand Antarctic Institute
New Zealand Artificial Limb Service
New Zealand Blood and Organ Service
New Zealand Film Commission
New Zealand Growth Capital Partners Limited
New Zealand Infrastructure Commission/ Te Waihanga
New Zealand Institute for Advanced Technology Limited
New Zealand Institute for Bioeconomy Science Limited
New Zealand Institute for Earth Science Limited
New Zealand Institute for Public Health and Forensic Science Limited
New Zealand Institute of Skills and Technology
New Zealand Lotteries Commission
New Zealand Qualifications Authority
New Zealand Symphony Orchestra
New Zealand Tourism Board
New Zealand Trade and Enterprise
New Zealand Transport Agency
Outdoor Access Commission (previously New Zealand Walking Access Commission)
Pharmaceutical Management Agency
Polytechnics (10)
Privacy Commissioner
Public Trust
Radio New Zealand Limited
Real Estate Authority (previously Real Estate Agents Authority)
Retirement Commissioner
School Boards of Trustees (2,425)
Social Workers Registration Board
Sport and Recreation New Zealand
Takeovers Panel
Television New Zealand Limited
Te Reo Whakapuaki Irirangi (Māori Broadcasting Funding Agency)
Tertiary Education Commission
Te Taura Whiri i te Reo Māori (Māori Language Commission)
Toka Tū Ake – Natural Hazards Commission
Transport Accident Investigation Commission
Water Services Authority – Taumata Arowai
WorkSafe New Zealand

Crown Entities Segment (continued)

Organisations listed in Schedule 4 of the Public Finance Act 1989

Agricultural and Marketing Research and Development Trust

Asia New Zealand Foundation

Fish and Game Councils (12)

Game Animal Council

Māori Trustee

National Pacific Radio Trust

New Zealand Fish and Game Council

New Zealand Game Bird Habitat Trust Board

New Zealand Government Property Corporation

New Zealand Lottery Grants Board

Ngāi Tahu Ancillary Claims Trust

Pacific Island Business Development Trust

Reserves Boards (20)

Legal entities created by Treaty of Waitangi settlement Acts (Public Finance Act Schedule 6)

Te Urewera

Te Kāhui Tupua

Non-listed companies in which the Crown is majority or sole shareholder (Public Finance Act Schedule 4A)

Crown Infrastructure Delivery Limited

Crown Regional Holdings Limited

Education Payroll Limited

Ferry Holdings Limited

Kiwi Group Capital Limited

National Infrastructure Funding and Financing Limited

New Zealand Green Investment Finance Limited

Ngāpuhi Investment Fund Limited

Research and Education Advanced Network New Zealand Limited

SafetyNet Critical Communications Limited

Southern Response Earthquake Services Limited

Tāmaki Redevelopment Company Limited

The Network for Learning Limited

Others

Elevate NZ Venture Fund

Other entities not fully consolidated into the Forecast Financial Statements of the Government with only the Crown's interest in them being included

Crown entities

Tertiary Education Institutions (excluding Polytechnics)

(8 Universities and 2 Wānanga)

Non-listed companies in which the Crown is majority or sole shareholder (Public Finance Act Schedule 4A)

City Rail Link Limited

Subsidiaries of SOEs, Crown entities and other government entities are consolidated by entities listed above and are not listed separately in this table.

Forecast Statement of Financial Performance

for the years ending 30 June

	Note	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Revenue									
Taxation revenue	1	121,058	124,210	124,999	136,316	143,606	152,166	160,497	168,451
Other sovereign revenue	1	9,768	11,006	10,302	10,911	11,522	11,723	12,203	12,422
Total Revenue Levied through the Crown's Sovereign Power		**130,826**	**135,216**	**135,301**	**147,227**	**155,128**	**163,889**	**172,700**	**180,873**
Sales of goods and services		26,085	27,554	25,220	26,961	27,520	28,156	29,151	29,816
Interest revenue	2	7,039	6,408	5,984	6,486	7,203	7,917	8,926	9,399
Other revenue		5,861	6,686	5,829	5,183	5,368	5,670	5,904	6,034
Total revenue earned through the Crown's operations		**38,985**	**40,648**	**37,033**	**38,630**	**40,091**	**41,743**	**43,981**	**45,249**
Total revenue (excluding gains)		**169,811**	**175,864**	**172,334**	**185,857**	**195,219**	**205,632**	**216,681**	**226,122**
Expenses									
Transfer payments and subsidies	3	44,679	46,523	46,676	49,509	51,205	52,445	54,341	56,542
Personnel expenses		38,771	40,758	40,433	41,913	42,014	42,068	42,102	42,324
Depreciation		8,294	8,424	8,681	8,962	9,275	9,458	9,834	9,948
Other operating expenses	4	69,827	72,901	67,601	74,824	70,370	70,560	70,534	70,494
Finance costs	2	10,390	11,073	10,248	11,658	13,081	14,595	15,983	16,500
Insurance expenses	5	11,541	10,659	9,052	8,949	9,618	9,681	10,023	11,425
Forecast new operating spending	6	-	1,720	-	1,258	2,968	5,025	7,783	10,116
Top-down operating expense adjustment	6	-	(900)	-	(2,600)	(800)	(650)	(650)	(650)
Total expenses (excluding losses)		**183,502**	**191,158**	**182,691**	**194,473**	**197,731**	**203,182**	**209,950**	**216,699**
Gains/(losses)									
Net gains/(losses) on financial instruments	2	9,272	5,692	13,232	5,654	6,186	6,670	7,162	7,805
Net gains/(losses) on non-financial instruments	7	(402)	-	(1,980)	(59)	-	-	-	-
Total gains/(losses) (including minority interests)		**8,870**	**5,692**	**11,252**	**5,595**	**6,186**	**6,670**	**7,162**	**7,805**
Net surplus/(deficit) from associates and joint ventures		214	71	274	265	252	220	127	70
Less minority interests' share of operating balance		207	(353)	(33)	(207)	(449)	(438)	(477)	(605)
Operating balance (excluding minority interests)		**(4,400)**	**(9,884)**	**1,136**	**(2,963)**	**3,477**	**8,902**	**13,543**	**16,693**
Minority interests' share of operating balance		(207)	353	33	207	449	438	477	605
Operating balance (including minority interests)		**(4,607)**	**(9,531)**	**1,169**	**(2,756)**	**3,926**	**9,340**	**14,020**	**17,298**

The accompanying notes and accounting policies are an integral part of these Statements.

Forecast Statement of Comprehensive Revenue and Expense

for the years ending 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Operating Balance (including minority interests)	**(4,607)**	**(9,531)**	**1,169**	**(2,756)**	**3,926**	**9,340**	**14,020**	**17,298**
Other comprehensive revenue and expense								
Revaluation of physical assets	3,730	-	(2,505)	(10)	-	-	-	-
Revaluation of defined benefit retirement plan schemes	388	104	(6)	152	104	88	71	54
Net revaluations of veterans' disability entitlements	(1,202)	-	(150)	-	-	-	-	-
Transfers into/(out of) cash flow hedge reserve	(121)	(25)	460	35	(14)	160	29	101
Transfers into/(out of) reserves	126	-	40	(8)	-	-	-	-
(Gains)/losses transferred to the statement of financial performance	(49)	-	(181)	4	-	-	-	-
Foreign currency translation differences on foreign operations	-	-	12	(3)	-	-	-	-
Impact of the adoption of PBE IFRS 17	-	-	-	12,125	-	-	-	-
Other movements	10	(28)	(69)	(12)	(16)	(14)	(1)	3
Total other comprehensive revenue and expense	**2,882**	**51**	**(2,399)**	**12,283**	**74**	**234**	**99**	**158**
Total comprehensive revenue and expense	**(1,725)**	**(9,480)**	**(1,230)**	**9,527**	**4,000**	**9,574**	**14,119**	**17,456**
Attributable to:								
- minority interests	833	337	827	209	447	490	482	633
- the Crown	(2,558)	(9,817)	(2,057)	9,318	3,553	9,084	13,637	16,823
Total comprehensive revenue and expense	**(1,725)**	**(9,480)**	**(1,230)**	**9,527**	**4,000**	**9,574**	**14,119**	**17,456**

Forecast Statement of Changes in Net Worth

for the years ending 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Opening net worth	191,049	183,130	189,128	187,714	196,555	200,072	209,121	222,403
Operating balance (including minority interests)	(4,607)	(9,531)	1,169	(2,756)	3,926	9,340	14,020	17,298
Net revaluations of physical assets	3,730	-	(2,505)	(10)	-	-	-	-
Net revaluations of defined benefit retirement plan schemes	388	104	(6)	152	104	88	71	54
Net revaluations of veterans' disability entitlements	(1,202)	-	(150)	-	-	-	-	-
Transfers into/(out of) cash flow hedge reserve	(121)	(25)	460	35	(14)	160	29	101
Transfers into/(out of) reserves	126	-	40	(8)	-	-	-	-
(Gains)/losses transferred to the Statement of Financial Performance	(49)	-	(181)	4	-	-	-	-
Foreign currency translation differences on foreign operations	-	-	12	(3)	-	-	-	-
Impact of the adoption of PBE IFRS 17	-	-	-	12,125	-	-	-	-
Other movements	10	(28)	(69)	(12)	(16)	(14)	(1)	3
Comprehensive income	**(1,725)**	**(9,480)**	**(1,230)**	**9,527**	**4,000**	**9,574**	**14,119**	**17,456**
Increase/(decrease) in minority interest from equity issues and repurchases	374	102	337	(138)	116	127	(110)	152
Transactions with minority interests	(570)	(528)	(521)	(548)	(599)	(652)	(727)	(783)
Closing net worth	**189,128**	**173,224**	**187,714**	**196,555**	**200,072**	**209,121**	**222,403**	**239,228**

The accompanying notes and accounting policies are an integral part of these Statements.

Forecast Statement of Cash Flows

for the years ending 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Cash Flows from Operations								
Cash was provided from								
Taxation receipts	121,183	122,887	125,980	131,616	141,738	150,571	158,842	166,847
Other sovereign receipts	7,878	8,605	8,103	8,936	9,654	9,662	10,075	10,387
Sales of goods and services	26,961	27,605	25,895	26,574	27,469	28,120	29,117	29,825
Interest receipts	6,791	5,604	5,946	4,748	4,311	5,574	6,479	6,832
Other operating receipts	6,372	6,054	6,855	6,129	6,391	6,744	6,946	7,171
Total cash provided from operations	**169,185**	**170,755**	**172,779**	**178,003**	**189,563**	**200,671**	**211,459**	**221,062**
Cash was disbursed to								
Transfer payments and subsidies	45,928	47,413	47,884	50,166	51,540	52,912	54,810	57,018
Personnel and operating payments	113,733	116,934	114,075	123,211	117,145	116,874	116,799	117,832
Interest payments	8,825	9,281	8,288	9,768	11,063	12,731	13,933	14,291
Forecast new operating spending	-	1,720	-	1,258	2,968	5,025	7,783	10,116
Top-down operating expense adjustment	-	(900)	-	(2,600)	(800)	(650)	(650)	(650)
Total cash disbursed to operations	**168,486**	**174,448**	**170,247**	**181,803**	**181,916**	**186,892**	**192,675**	**198,607**
Net cash flows from operations	**699**	**(3,693)**	**2,532**	**(3,800)**	**7,647**	**13,779**	**18,784**	**22,455**
Cash Flows from Investing Activities								
Cash was provided from/(disbursed to)								
Net (purchase)/sale of physical assets	(14,054)	(17,817)	(14,309)	(16,707)	(17,112)	(15,181)	(13,492)	(13,242)
Net (purchase)/sale of shares and other securities	(9,781)	(4,693)	(3,504)	3,746	(1,909)	(2,579)	(2,311)	(222)
Net (purchase)/sale of intangible assets	(655)	(743)	(643)	(759)	(738)	(708)	(704)	(685)
Net (issue)/repayment of advances	5,888	2,743	3,607	(3,653)	(5,155)	(5,515)	(5,975)	(6,259)
Net acquisition of investments in associates	(404)	(266)	(447)	(306)	(144)	(46)	(46)	(45)
Forecast new capital spending	-	(2,560)	-	(1,994)	(3,087)	(3,728)	(4,480)	(5,268)
Top-down capital adjustment	-	900	-	2,000	700	100	100	100
Net cash flows from investing activities	**(19,006)**	**(22,436)**	**(15,296)**	**(17,673)**	**(27,445)**	**(27,657)**	**(26,908)**	**(25,621)**
Net cash flows from operating and investing activities	**(18,307)**	**(26,129)**	**(12,764)**	**(21,473)**	**(19,798)**	**(13,878)**	**(8,124)**	**(3,166)**
Cash Flows from Financing Activities								
Cash was provided from/(disbursed to)								
Net issue/(repayment) of circulating currency	175	91	1,110	(456)	98	99	100	101
Net issue/(repayment) of government bonds[1]	31,541	24,812	21,529	18,989	11,408	8,896	1,633	(5,831)
Net issue/(repayment) of foreign-currency borrowings	6,291	(1,333)	(2,249)	1,186	(477)	136	301	(114)
Net issue/(repayment) of other New Zealand dollar borrowings	(12,149)	3,161	(2,835)	2,635	9,040	5,561	6,574	9,212
Net issue/(purchase) of equity	251	-	189	(246)	-	-	(251)	-
Dividends paid to minority interests	(409)	(462)	(406)	(461)	(491)	(541)	(602)	(633)
Net cash flows from financing activities	**25,700**	**26,269**	**17,338**	**21,647**	**19,578**	**14,151**	**7,755**	**2,735**
Net movement in cash	**7,393**	**140**	**4,574**	**174**	**(220)**	**273**	**(369)**	**(431)**
Opening cash balance	16,212	22,709	23,668	28,646	28,898	28,678	28,951	28,582
Foreign-exchange gains/(losses) on opening cash	63	-	404	78	-	-	-	-
Closing cash balance	**23,668**	**22,849**	**28,646**	**28,898**	**28,678**	**28,951**	**28,582**	**28,151**

1. Further information on the issue and repayments of government bonds is available in the core Crown residual cash summary included in the attached Fiscal Indicator Analysis section.

The accompanying notes and accounting policies are an integral part of these Statements.

Forecast Statement of Cash Flows (continued)

for the years ending 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Reconciliation Between the Net Cash Flows from Operations and the Operating Balance								
Net Cash Flows from Operations	**699**	**(3,693)**	**2,532**	**(3,800)**	**7,647**	**13,779**	**18,784**	**22,455**
Items included in the operating balance but not in net cash flows from operations								
Gains/(losses) and Other Interests								
Net gains/(losses) on financial instruments	9,272	5,692	13,232	5,654	6,186	6,670	7,162	7,805
Net gains/(losses) on non-financial instruments	(402)	-	(1,980)	(59)	-	-	-	-
Net surplus/(deficit) from associates and joint ventures	214	71	274	265	252	220	127	70
Total gains/(losses) and other interests	**9,084**	**5,763**	**11,526**	**5,860**	**6,438**	**6,890**	**7,289**	**7,875**
Other Non-cash Items in Operating Balance								
Depreciation	(8,294)	(8,424)	(8,681)	(8,962)	(9,275)	(9,458)	(9,834)	(9,948)
Amortisation and net impairment of non-financial assets	(975)	(1,556)	(1,589)	(871)	(892)	(914)	(878)	(857)
Cost of concessionary lending	(661)	(681)	(827)	(785)	(848)	(922)	(892)	(922)
Impairment of financial assets (excluding receivables)	(64)	47	(77)	33	(34)	(43)	(46)	(52)
Change in accumulating insurance expenses	(4,339)	(3,037)	(1,928)	(1,636)	(1,998)	(2,102)	(2,287)	(2,457)
Change in NZ ETS liability	755	1,145	419	632	573	462	353	212
Change in accumulating pension expenses	(49)	(49)	(323)	(46)	(48)	(47)	(46)	(45)
Total other non-cash items in operating balance	**(13,627)**	**(12,555)**	**(13,006)**	**(11,635)**	**(12,522)**	**(13,024)**	**(13,630)**	**(14,069)**
Working Capital and Other Movements								
Increase/(decrease) in receivables	(1,620)	1,338	(816)	4,879	1,446	1,375	1,572	525
Increase/(decrease) in accrued interest	(985)	(1,019)	(1,918)	(162)	757	335	242	228
Increase/(decrease) in inventories	239	112	165	(154)	(81)	20	29	(12)
Increase/(decrease) in prepayments	328	(178)	183	147	(33)	10	2	(6)
Decrease/(increase) in deferred revenue	(74)	(7)	(279)	103	39	(29)	(58)	(96)
Decrease/(increase) in payables/provisions	1,349	708	2,782	2,006	235	(16)	(210)	398
Total working capital and other movements	**(763)**	**954**	**117**	**6,819**	**2,363**	**1,695**	**1,577**	**1,037**
Operating balance (including minority interests)	**(4,607)**	**(9,531)**	**1,169**	**(2,756)**	**3,926**	**9,340**	**14,020**	**17,298**

The accompanying notes and accounting policies are an integral part of these Statements.

Forecast Statement of Financial Position

as at 30 June

	Note	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Assets									
Cash and cash equivalents	8	23,668	22,849	28,646	28,898	28,678	28,951	28,582	28,151
Receivables	8	34,760	37,007	36,582	38,957	40,424	41,818	43,412	43,962
Marketable securities, deposits and derivatives in gain	8	82,544	95,932	89,467	87,414	92,775	98,365	103,245	105,999
Share investments	8	59,573	61,163	67,221	69,889	74,351	77,135	80,967	85,147
Advances	8	64,911	60,767	60,273	63,731	68,614	73,835	79,558	85,570
Investments in controlled enterprises	8	8,093	9,309	10,503	11,325	12,249	13,203	14,228	15,332
Inventory		3,100	3,517	3,265	3,111	3,030	3,050	3,079	3,067
Other assets		5,157	5,041	5,550	5,628	5,573	5,325	5,324	5,313
Property, plant and equipment	10	292,601	302,790	295,967	303,177	310,653	316,477	319,894	322,711
Equity accounted investments[1]		19,478	16,738	18,127	18,913	19,360	19,609	19,724	19,825
Intangible assets and goodwill		4,091	4,191	3,964	4,030	3,955	3,906	3,925	3,933
Forecast for new capital spending	6	-	2,560	-	1,994	5,081	8,809	13,289	18,557
Top-down capital adjustment	6	-	(2,400)	-	(2,000)	(2,700)	(2,800)	(2,900)	(3,000)
Total assets		**597,976**	**619,464**	**619,565**	**635,067**	**662,043**	**687,683**	**712,327**	**734,567**
Liabilities									
Issued currency		9,152	9,156	10,262	9,806	9,904	10,003	10,103	10,204
Payables	12	21,957	26,925	20,308	20,341	22,205	21,843	22,009	22,122
Deferred revenue		3,527	3,643	3,806	3,703	3,664	3,693	3,751	3,847
Borrowings	16	272,085	305,076	293,999	314,431	335,178	350,851	360,362	363,754
New Zealand Emissions Trading Scheme	15	7,156	5,741	6,279	5,781	5,408	5,095	4,846	4,671
Insurance liabilities	5	70,326	72,964	74,544	64,055	66,053	68,155	70,442	72,900
Retirement plan liabilities	13	6,661	6,028	6,248	5,634	5,131	4,639	4,165	3,708
Provisions	14	17,984	16,707	16,405	14,761	14,428	14,283	14,246	14,133
Total liabilities		**408,848**	**446,240**	**431,851**	**438,512**	**461,971**	**478,562**	**489,924**	**495,339**
Total assets less total liabilities		**189,128**	**173,224**	**187,714**	**196,555**	**200,072**	**209,121**	**222,403**	**239,228**
Net Worth									
Taxpayers' funds		(3,487)	(15,064)	(1,523)	7,631	11,104	19,997	33,536	50,242
Property, plant and equipment revaluation reserve		183,280	181,198	179,166	179,156	179,159	179,164	179,176	179,171
Defined benefit plan revaluation reserve		1,251	1,462	1,244	1,396	1,500	1,588	1,659	1,713
Veterans' disability entitlements reserve		(1,843)	(3,855)	(1,998)	(1,998)	(1,998)	(1,998)	(1,998)	(1,998)
Other reserves		59	137	314	336	309	407	422	490
Total net worth attributable to the Crown		**179,260**	**163,878**	**177,203**	**186,521**	**190,074**	**199,158**	**212,795**	**229,618**
Net worth attributable to minority interests		9,868	9,346	10,511	10,034	9,998	9,963	9,608	9,610
Total net worth	17	**189,128**	**173,224**	**187,714**	**196,555**	**200,072**	**209,121**	**222,403**	**239,228**

1. Equity accounted investments include Universities, Wānanga and City Rail Link Limited.

The accompanying notes and accounting policies are an integral part of these Statements.

Statement of Actual Commitments

	As at 30 June 2026 Unaudited $m	As at 30 June 2025 $m
Capital Commitments		
State highways	4,942	2,976
Specialist military equipment	849	437
Land and buildings	6,219	5,821
Other property, plant and equipment	6,080	5,121
Other capital commitments	405	562
Universities and Wānanga	504	542
Total capital commitments	**18,999**	**15,459**
Operating Commitments		
Non-cancellable accommodation leases	6,703	6,562
Other non-cancellable leases	5,187	5,354
Universities and Wānanga	1,586	1,266
Total operating commitments	**13,476**	**13,182**
Total commitments	**32,475**	**28,641**
Total Commitments by Segment		
Core Crown	11,268	11,258
Crown entities	13,221	9,812
State-owned Enterprises	8,213	8,068
Inter-segment eliminations	(227)	(497)
Total commitments	**32,475**	**28,641**

Statement of Actual Contingent Liabilities and Assets

	As at 30 June 2026 Unaudited $m	As at 30 June 2025 $m
Quantifiable Contingent Liabilities		
Uncalled capital and arrangements to borrow	10,449	9,861
Guarantees and indemnities	333	282
Legal proceedings and disputes	560	515
Other quantifiable contingent liabilities	1,875	1,464
Total quantifiable contingent liabilities	**13,217**	**12,122**
Total Quantifiable Contingent Liabilities by Segment		
Core Crown	13,784	11,801
Crown entities	254	81
State-owned Enterprises	342	279
Inter-segment eliminations[1]	(1,163)	(39)
Total quantifiable contingent liabilities	**13,217**	**12,122**
Quantifiable Contingent Assets by Segment		
Core Crown	108	29
Crown entities	142	53
State-owned Enterprises	116	106
Total quantifiable contingent assets	**366**	**188**

1. In general the inter-segment eliminations for contingent liabilities relates to uncalled capital to other Government reporting entities. The large increase in this balance since June 2025 primarily relates to uncalled capital for Ferry Holdings Limited, of which the full amount has been called and reflected in the relevant section of the forecast financial statements.

More information on contingent liabilities and assets (quantified and unquantified) are outlined in the *Risks to the Forecasts* chapter and Supplementary Information document.

The accompanying notes and accounting policies are an integral part of these Statements.

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
NOTE 1: Sovereign Revenue (Accrual)								
Taxation Revenue (accrual)								
Individuals								
Source deductions	52,460	55,243	54,756	58,031	61,448	65,172	69,073	73,194
Other persons	11,334	11,394	11,489	12,342	13,437	14,150	14,831	15,513
Refunds	(2,854)	(2,936)	(2,670)	(2,853)	(3,093)	(3,253)	(3,398)	(3,549)
Fringe benefit tax	909	909	975	1,010	1,052	1,103	1,157	1,213
Total individuals	**61,849**	**64,610**	**64,550**	**68,530**	**72,844**	**77,172**	**81,663**	**86,371**
Corporate Tax								
Gross companies tax	17,727	17,074	17,836	22,249	22,143	23,557	24,409	25,375
Refunds	(964)	(1,049)	(813)	(777)	(808)	(772)	(772)	(808)
Non-resident withholding tax	733	723	714	779	858	908	944	961
Total corporate tax	**17,496**	**16,748**	**17,737**	**22,251**	**22,193**	**23,693**	**24,581**	**25,528**
Other Direct Income Tax								
Resident w/holding tax on interest income	3,567	3,209	2,572	2,761	3,153	3,347	3,503	3,622
Resident w/holding tax on dividend income	940	1,168	1,217	1,180	1,365	1,443	1,510	1,568
Total other direct income tax	**4,507**	**4,377**	**3,789**	**3,941**	**4,518**	**4,790**	**5,013**	**5,190**
Total direct income tax	**83,852**	**85,735**	**86,076**	**94,722**	**99,555**	**105,655**	**111,257**	**117,089**
Goods and Services Tax								
Gross goods and services tax	48,668	52,072	51,701	55,654	58,804	61,753	64,881	67,718
Refunds	(19,118)	(21,567)	(20,495)	(21,861)	(22,770)	(23,873)	(24,958)	(26,116)
Total goods and services tax	**29,550**	**30,505**	**31,206**	**33,793**	**36,034**	**37,880**	**39,923**	**41,602**
Other Indirect Taxation								
Road and track user charges	2,036	2,172	2,106	2,195	2,394	2,791	3,244	3,586
Alcohol excise – domestic production	791	832	795	806	845	879	916	954
Petroleum fuels excise[1]	1,995	1,937	2,034	2,011	2,086	2,361	2,629	2,762
Alcohol excise – imports	452	510	447	494	518	539	561	585
Tobacco excise[1]	1,471	1,479	1,317	1,194	1,067	952	851	760
Other duties, fees and levies[2]	911	1,040	1,018	1,101	1,107	1,109	1,116	1,113
Total other indirect taxation	**7,656**	**7,970**	**7,717**	**7,801**	**8,017**	**8,631**	**9,317**	**9,760**
Total indirect taxation	**37,206**	**38,475**	**38,923**	**41,594**	**44,051**	**46,511**	**49,240**	**51,362**
Total taxation revenue	**121,058**	**124,210**	**124,999**	**136,316**	**143,606**	**152,166**	**160,497**	**168,451**
Other Sovereign Revenue (accrual)								
ACC levies	4,244	4,715	4,501	4,970	5,363	5,449	5,854	5,986
Emissions trading revenue	1,774	2,215	1,706	1,786	1,754	1,730	1,644	1,559
Fire and Emergency levies	797	834	820	856	883	912	942	974
Natural Hazards Commission levies	908	920	914	916	926	939	949	958
Other miscellaneous items[3]	2,045	2,322	2,361	2,383	2,596	2,693	2,814	2,945
Total other sovereign revenue	**9,768**	**11,006**	**10,302**	**10,911**	**11,522**	**11,723**	**12,203**	**12,422**
Total sovereign revenue	**130,826**	**135,216**	**135,301**	**147,227**	**155,128**	**163,889**	**172,700**	**180,873**

1. Includes excise duty on domestic production and excise-equivalent duty on imports.
2. Includes other customs duty, gaming duties, motor vehicle fees, approved issuer levy and cheque duty and energy resource levies.
3. Includes child support and working for families penalties, court fines and other miscellaneous items.

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
NOTE 1 (continued): Sovereign Receipts (Cash)								
Taxation Receipts (cash)								
Individuals								
Source deductions	51,833	54,960	54,119	57,635	61,015	64,837	68,717	72,814
Other persons	11,049	11,702	11,847	12,762	13,796	14,788	15,546	16,271
Refunds	(3,366)	(3,648)	(3,503)	(3,642)	(3,906)	(4,196)	(4,420)	(4,619)
Fringe benefit tax	892	909	957	1,011	1,052	1,103	1,157	1,213
Total individuals	**60,408**	**63,923**	**63,420**	**67,766**	**71,957**	**76,532**	**81,000**	**85,679**
Corporate Tax								
Gross companies tax	19,548	18,031	21,331	20,231	22,940	24,622	25,567	26,610
Refunds	(2,072)	(2,246)	(1,811)	(1,974)	(1,990)	(2,185)	(2,328)	(2,435)
Non-resident withholding tax	728	723	711	779	858	908	944	961
Total corporate tax	**18,204**	**16,508**	**20,231**	**19,036**	**21,808**	**23,345**	**24,183**	**25,136**
Other Direct Income Tax								
Resident w/holding tax on interest income	3,590	3,209	2,637	2,761	3,153	3,347	3,503	3,622
Resident w/holding tax on dividend income	980	1,168	1,169	1,180	1,365	1,443	1,510	1,568
Total other direct income tax	**4,570**	**4,377**	**3,806**	**3,941**	**4,518**	**4,790**	**5,013**	**5,190**
Total direct income tax	**83,182**	**84,808**	**87,457**	**90,743**	**98,283**	**104,667**	**110,196**	**116,005**
Goods and Services Tax								
Gross goods and services tax	48,939	51,282	50,730	54,624	57,823	60,753	63,891	66,803
Refunds	(18,569)	(21,167)	(20,001)	(21,461)	(22,370)	(23,473)	(24,558)	(25,716)
Total goods and services tax	**30,370**	**30,115**	**30,729**	**33,163**	**35,453**	**37,280**	**39,333**	**41,087**
Other Indirect Taxation								
Road and track user charges	2,038	2,172	2,108	2,195	2,394	2,791	3,244	3,586
Alcohol excise – domestic production	789	832	780	806	845	879	916	954
Customs duty[1]	4,060	4,028	4,016	3,719	3,760	3,954	4,150	4,219
Other duties, fees and levies[2]	744	932	890	990	1,003	1,000	1,003	996
Total other indirect taxation	**7,631**	**7,964**	**7,794**	**7,710**	**8,002**	**8,624**	**9,313**	**9,755**
Total indirect taxation	**38,001**	**38,079**	**38,523**	**40,873**	**43,455**	**45,904**	**48,646**	**50,842**
Total taxation receipts	**121,183**	**122,887**	**125,980**	**131,616**	**141,738**	**150,571**	**158,842**	**166,847**
Other Sovereign Receipts (cash)								
ACC levies	4,216	4,592	4,394	4,986	5,356	5,352	5,748	6,058
Emissions trading receipts[3]	267	330	4	120	200	149	104	37
Fire and Emergency levies	771	828	813	782	874	904	934	966
Natural Hazards Commission levies	918	923	919	922	928	942	952	961
Other miscellaneous items[4]	1,706	1,932	1,973	2,126	2,296	2,315	2,337	2,365
Total other sovereign receipts	**7,878**	**8,605**	**8,103**	**8,936**	**9,654**	**9,662**	**10,075**	**10,387**
Total sovereign receipts	**129,061**	**131,492**	**134,083**	**140,552**	**151,392**	**160,233**	**168,917**	**177,234**

1. Includes customs excise-equivalent duty from imports.
2. Includes gaming duties, motor vehicle fees, approved issuer levy and cheque duty and energy resource levies.
3. Includes cash proceeds from the sale of NZUs at auction.
4. Includes child support and working for families penalties, court fines and other miscellaneous items.

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
NOTE 2: Investment Revenue/(Expenditure)								
Interest Revenue	**7,039**	**6,408**	**5,984**	**6,486**	**7,203**	**7,917**	**8,926**	**9,399**
Interest Expenses								
Interest on financial liabilities	9,804	10,526	9,873	11,287	12,664	14,150	15,528	16,049
Interest unwind on provisions	586	547	375	371	417	445	455	451
Total interest expenses	**10,390**	**11,073**	**10,248**	**11,658**	**13,081**	**14,595**	**15,983**	**16,500**
Net interest revenue/(expense)	**(3,351)**	**(4,665)**	**(4,264)**	**(5,172)**	**(5,878)**	**(6,678)**	**(7,057)**	**(7,101)**
Dividend revenue	1,636	1,354	1,484	1,344	1,394	1,473	1,553	1,643
Net gains/(losses) on financial instruments	9,272	5,692	13,232	5,654	6,186	6,670	7,162	7,805
Total investment revenue/(expenditure)	**7,557**	**2,381**	**10,452**	**1,826**	**1,702**	**1,465**	**1,658**	**2,347**
NOTE 3: Transfer Payments and Subsidies								
New Zealand superannuation	23,191	24,691	24,721	26,480	28,321	29,706	31,237	32,888
Family tax credit	2,434	2,374	2,438	2,574	2,603	2,676	2,633	2,680
Jobseeker support and emergency benefit	4,641	4,839	4,926	5,031	5,011	4,904	5,001	5,109
Accommodation assistance	2,232	2,350	2,306	2,233	2,330	2,221	2,247	2,283
Supported living payment	2,668	2,782	2,826	3,006	3,190	3,286	3,434	3,581
Sole parent support	2,255	2,331	2,386	2,438	2,392	2,234	2,240	2,284
KiwiSaver subsidies	1,020	545	470	494	516	541	565	589
International Development Cooperation	953	995	956	1,151	982	982	982	982
Hardship assistance	755	837	810	803	737	738	773	815
Paid parental leave	709	745	726	760	800	840	885	930
Winter energy payment	562	577	582	595	604	613	624	635
Student allowances	574	635	641	704	715	699	689	689
Disability assistance	492	511	518	531	538	538	545	558
Other working for families tax credits	561	596	620	843	610	579	561	546
Orphan's/unsupported child's benefit	402	417	416	433	447	453	460	465
Best start tax credit	346	326	339	286	275	281	274	279
Income related rent subsidy	192	215	224	273	294	305	336	365
Other social assistance benefits	692	757	771	874	840	849	855	864
Total transfer payments and subsidies	**44,679**	**46,523**	**46,676**	**49,509**	**51,205**	**52,445**	**54,341**	**56,542**
NOTE 4: Other Operating Expenses								
Grants and subsidies	11,990	11,253	11,703	12,955	11,472	11,727	11,611	11,801
Repairs and maintenance	3,336	3,650	3,768	3,467	3,160	3,177	3,371	3,270
Rental and leasing costs	1,639	1,940	1,766	1,859	1,858	1,857	1,891	1,890
Amortisation and impairment of non-financial assets	975	1,556	1,589	871	892	914	878	857
Impairment of financial assets	2,075	1,678	1,494	1,599	1,659	1,676	1,692	1,712
Cost of concessionary lending	661	681	827	785	848	922	892	922
Lottery prize payments	873	853	903	902	955	994	1,012	1,031
Inventory expenses	754	769	682	841	696	657	700	662
Other operating expenses	47,524	50,521	44,869	51,545	48,830	48,636	48,487	48,349
Total other operating expenses	**69,827**	**72,901**	**67,601**	**74,824**	**70,370**	**70,560**	**70,534**	**70,494**

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
NOTE 5: Insurance								
Insurance expense by entity								
ACC	10,771	9,983	8,549	8,370	8,989	9,033	9,361	10,737
Natural Hazards Commission	659	583	476	572	617	632	645	668
Other (incl. inter-segment eliminations)	111	93	27	7	12	16	17	20
Total insurance expenses	**11,541**	**10,659**	**9,052**	**8,949**	**9,618**	**9,681**	**10,023**	**11,425**
Insurance liability by entity								
ACC	68,766	71,797	73,116	62,813	64,894	67,056	69,384	71,868
Natural Hazards Commission	1,273	992	1,137	1,002	943	899	869	851
Other (incl. inter-segment eliminations)	287	175	291	240	216	200	189	181
Total insurance liabilities	**70,326**	**72,964**	**74,544**	**64,055**	**66,053**	**68,155**	**70,442**	**72,900**

ACC liability
Calculation information
ACC prepared an actuarial estimate of the ACC outstanding claims liability as at 30 June 2026. This estimate includes the expected future payments relating to accidents that occurred prior to balance date (whether or not the associated claims have been reported to, or accepted by, ACC) and also the expected future administrative expenses of managing these claims. The 2025/26 estimate includes a risk margin. With the adoption of PBE IFRS 17 Insurance Contracts from 2026/27 onwards, the risk margin is removed, a zero risk margin is applied and an illiquidity premium is included in the discount rate. For more information on the implementation of PBE IFRS 17 refer to page 77 of the *Budget Update 2026*. The assumptions underpinning this valuation forms the basis of the five-year forecast of the outstanding claims liability (now referred to as the liability for incurred claims).

The key economic variables that impact on changes to the valuation are the long-term discount rates, Consumer Price Index (CPI), Labour Cost Index (LCI) and Average Weekly Earnings (AWE). Under PBE IFRS 17, discount rates used to value ACC's claims liability are comprised of risk-free rates, which are derived from the yield curve for New Zealand Government bonds, and an illiquidity premium. For these forecast statements, the claims liability has been updated for the inflation and discount rates as at 30 June 2026. The equivalent single effective discount rate, taking into account ACC's projected future cash flow patterns, is 5.51% and allows for a long-term risk-free discount rate of 4.80% beyond 50 years.

Other key variables in each valuation are the forecast increases in claim costs over and above the economic variables above, and the assumed rate at which long-term claimants will leave the scheme over the period. This assessment is largely based on scheme history.

Presentation approach
ACC has a portfolio of assets that offset the claims liability. The assets below (less cross-holdings of NZ Government stock) are included as assets in the Statement of Financial Position.

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Gross ACC Liability								
Opening gross liability	65,049	68,627	68,766	73,116	62,813	64,894	67,056	69,384
Impact of the adoption of PBE IFRS 17	-	-	-	(12,084)	-	-	-	-
Net change	3,717	3,170	4,350	1,781	2,081	2,162	2,328	2,484
Closing gross liability	**68,766**	**71,797**	**73,116**	**62,813**	**64,894**	**67,056**	**69,384**	**71,868**
Less Net Assets Available to ACC								
Opening net asset value	52,682	54,392	54,917	58,331	58,575	59,275	60,309	61,834
Net change	2,235	285	3,414	244	700	1,034	1,525	744
Closing net asset value	**54,917**	**54,677**	**58,331**	**58,575**	**59,275**	**60,309**	**61,834**	**62,578**
Net ACC Reserves (Net Liability)								
Opening reserves position	(12,367)	(14,235)	(13,849)	(14,785)	(4,238)	(5,619)	(6,747)	(7,550)
Impact of the adoption of PBE IFRS 17	-	-	-	12,084	-	-	-	-
Net change	(1,482)	(2,885)	(936)	(1,537)	(1,381)	(1,128)	(803)	(1,740)
Closing reserves position (net liability)/net asset	**(13,849)**	**(17,120)**	**(14,785)**	**(4,238)**	**(5,619)**	**(6,747)**	**(7,550)**	**(9,290)**
Net Change in ACC Reserves								
Revenue	8,548	9,078	8,943	9,549	10,171	10,502	11,176	11,611
Expenses	(13,215)	(12,605)	(11,041)	(11,529)	(12,275)	(12,456)	(12,923)	(14,425)
Valuation changes	3,185	642	1,162	443	723	826	944	1,074
Net change	**(1,482)**	**(2,885)**	**(936)**	**(1,537)**	**(1,381)**	**(1,128)**	**(803)**	**(1,740)**

Notes to the Forecast Financial Statements

	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
NOTE 6: Forecast New Spending and Top-down Adjustments					
Forecast New Operating Spending					
Unallocated operating contingencies	1,258	961	1,011	1,369	1,302
Baseline reductions	-	(393)	(786)	(786)	(786)
Budget operating allowance for Budget 2027	-	2,400	2,400	2,400	2,400
Budget operating allowance for Budget 2028	-	-	2,400	2,400	2,400
Budget operating allowance for Budget 2029	-	-	-	2,400	2,400
Budget operating allowance for Budget 2030	-	-	-	-	2,400
Total forecast new operating spending	**1,258**	**2,968**	**5,025**	**7,783**	**10,116**

	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m	Post-2031 $m	Total $m
Forecast New Capital Spending (annual)							
Unallocated capital contingencies	1,894	1,862	1,278	805	718	696	7,253
Budget capital allowance for Budget 2027	100	1,225	1,225	700	350	-	3,600
Budget capital allowance for Budget 2028	-	-	1,225	1,225	700	350	3,500
Budget capital allowance for Budget 2029	-	-	-	1,750	1,750	1,500	5,000
Budget capital allowance for Budget 2030	-	-	-	-	1,750	3,250	5,000
Total forecast new capital spending	**1,994**	**3,087**	**3,728**	**4,480**	**5,268**	**5,796**	**24,353**
Forecast new capital spending (cumulative)	**1,994**	**5,081**	**8,809**	**13,289**	**18,557**		

Unallocated operating and capital contingencies represents funding agreed by the Government, or likely to be agreed in the future, that have yet to be allocated to departments.

Budget operating and capital allowances for Budgets 2027 through to Budget 2030 indicate the expected spending increases from future Budgets. The Budget 2027 capital allowance includes the additional proceeds received from the monetisation of Chorus securities, which was part of the Budget 2026 package.

The baseline reductions reflect the savings expected through the Government's public sector transformation programme.

	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Top-down Adjustments					
Top-down operating expense adjustment	(2,600)	(800)	(650)	(650)	(650)
Top-down capital adjustment (cumulative)	(2,000)	(2,700)	(2,800)	(2,900)	(3,000)

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
NOTE 7: Net Gains and Losses on Non-Financial Instruments								
Actuarial gains/(losses) on ACC outstanding claims	588	-	(2,290)	-	-	-	-	-
Gains/(losses) on the Emissions Trading Scheme	(1,018)	-	462	(14)	-	-	-	-
Other	28	-	(152)	(45)	-	-	-	-
Net gains/(losses) on non-financial instruments	**(402)**	**-**	**(1,980)**	**(59)**	**-**	**-**	**-**	**-**
NOTE 8: Financial Assets (including receivables)								
Cash and cash equivalents	23,668	22,849	28,646	28,898	28,678	28,951	28,582	28,151
Tax receivables	20,936	20,443	19,383	23,151	24,098	24,633	25,231	25,943
Trade and other receivables	13,824	16,564	17,199	15,806	16,326	17,185	18,181	18,019
Student loans (refer to note 9)	10,054	10,026	10,545	10,648	10,730	10,746	10,714	10,643
Kiwi Group loans and advances	35,942	38,870	38,999	42,355	46,855	52,057	57,711	63,763
Long-term deposits	6,964	9,768	7,365	7,349	7,691	7,796	8,234	8,205
IMF financial assets	5,720	5,779	5,948	5,968	5,966	5,965	5,967	5,968
FLP advances	7,261	-	-	-	-	-	-	-
Other advances	11,654	11,871	10,729	10,728	11,029	11,032	11,133	11,164
Share investments	59,573	61,163	67,221	69,889	74,351	77,135	80,967	85,147
Investments in controlled enterprises	8,093	9,309	10,503	11,325	12,249	13,203	14,228	15,332
Derivatives in gain	6,359	4,062	5,480	4,953	4,850	4,951	4,980	5,259
Other marketable securities	63,501	76,323	70,674	69,144	74,268	79,653	84,064	86,567
Total financial assets (including receivables)	**273,549**	**287,027**	**292,692**	**300,214**	**317,091**	**333,307**	**349,992**	**364,161**
Financial Assets by Segment								
The Treasury	56,159	53,694	58,071	41,441	46,595	51,978	55,192	53,184
Reserve Bank of New Zealand	48,570	48,974	44,251	43,876	44,324	44,792	45,266	45,754
NZS Fund	87,295	94,126	98,241	105,305	112,799	118,802	125,700	133,263
Other core Crown	41,381	38,844	39,826	43,978	45,658	47,410	48,405	50,223
Intra-segment eliminations	(33,594)	(23,097)	(25,205)	(12,715)	(14,183)	(16,157)	(17,106)	(17,788)
Total core Crown segment	**199,811**	**212,541**	**215,184**	**221,885**	**235,193**	**246,825**	**257,457**	**264,636**
ACC	59,321	58,088	61,148	61,353	61,996	62,971	64,462	65,125
Natural Hazards Commission	881	958	1,106	1,239	1,415	1,623	1,851	2,087
Kiwi Group loans and advances	35,942	38,870	38,999	42,355	46,855	52,057	57,711	63,763
Other Crown entities	23,760	23,728	25,506	25,522	26,671	27,823	29,235	30,279
Intra-segment eliminations	(5,209)	(4,702)	(5,207)	(6,173)	(6,538)	(7,034)	(7,375)	(7,398)
Total Crown entities segment	**114,695**	**116,942**	**121,552**	**124,296**	**130,399**	**137,440**	**145,884**	**153,856**
Total State-owned Enterprises segment	**6,775**	**6,258**	**7,200**	**7,141**	**7,065**	**7,180**	**7,364**	**7,301**
Inter-segment eliminations	(47,732)	(48,714)	(51,244)	(53,108)	(55,566)	(58,138)	(60,713)	(61,632)
Total financial assets (including receivables)	**273,549**	**287,027**	**292,692**	**300,214**	**317,091**	**333,307**	**349,992**	**364,161**
NOTE 9: Student Loans								
Nominal value (including accrued interest)	16,222	16,634	16,867	17,579	18,327	19,058	19,776	20,494
Opening book value	9,596	10,012	10,054	10,545	10,648	10,730	10,746	10,714
Net new lending (including fees)	1,709	1,877	2,009	2,156	2,189	2,192	2,215	2,253
Less initial write-down to fair value	(585)	(636)	(763)	(724)	(786)	(821)	(853)	(883)
Repayments made during the year	(1,562)	(1,631)	(1,628)	(1,726)	(1,801)	(1,863)	(1,932)	(2,005)
Interest unwind	492	413	311	363	446	474	501	526
Unwind of administration costs	26	25	28	34	34	34	37	38
Final-year fees free payments	-	(34)	-	-	-	-	-	-
Experience/actuarial adjustments:								
- Expected repayment adjustments	(91)	-	139	-	-	-	-	-
- Discount rate adjustments	469	-	395	-	-	-	-	-
Closing book value	**10,054**	**10,026**	**10,545**	**10,648**	**10,730**	**10,746**	**10,714**	**10,643**

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
NOTE 10: Property, Plant and Equipment								
Net Carrying Value[1]								
By class of asset								
Land	83,056	81,888	80,754	80,699	80,069	80,361	79,906	79,681
Buildings	76,154	82,377	76,576	79,291	82,057	82,774	83,456	83,933
State highways	64,285	66,857	66,375	68,561	71,263	73,353	75,234	76,545
Electricity generation assets	25,479	24,436	27,774	28,272	29,452	30,502	31,395	32,030
Electricity distribution network (cost)	4,922	5,347	5,175	5,598	6,186	7,051	7,977	9,411
Aircraft (excluding military)	5,150	5,892	5,576	5,715	5,630	5,319	5,081	4,789
Specialist military equipment	5,614	6,412	5,548	5,592	5,801	6,252	6,106	5,939
Specified cultural and heritage assets	3,214	3,244	2,857	2,870	2,884	2,898	2,913	2,928
Rail network	14,270	16,410	14,494	14,781	14,853	14,631	14,296	13,960
Other plant and equipment (cost)	10,457	9,927	10,838	11,798	12,458	13,336	13,530	13,495
Total property, plant and equipment	**292,601**	**302,790**	**295,967**	**303,177**	**310,653**	**316,477**	**319,894**	**322,711**
Land breakdown by usage								
Housing	28,996	29,990	28,926	28,775	28,273	28,615	28,279	28,054
State highway corridor land	25,082	22,758	24,058	23,862	23,635	23,557	23,424	23,404
Conservation estate	8,955	8,913	8,744	8,683	8,689	8,696	8,703	8,710
Rail network	4,304	4,406	4,383	4,479	4,489	4,486	4,484	4,484
Schools	6,761	6,838	6,133	6,209	6,257	6,256	6,253	6,249
Commercial (SOEs) excluding Rail	1,503	1,519	1,580	1,584	1,595	1,607	1,619	1,630
Other	7,455	7,464	6,930	7,107	7,131	7,144	7,144	7,150
Total land	**83,056**	**81,888**	**80,754**	**80,699**	**80,069**	**80,361**	**79,906**	**79,681**
Schedule of Movements								
Cost or Valuation								
Opening balance	306,631	322,525	315,732	321,024	336,999	353,577	368,684	381,746
Additions	14,958	19,636	18,102	18,203	17,904	16,214	14,148	13,340
Disposals	(1,701)	(748)	(4,080)	(2,232)	(1,315)	(1,117)	(1,089)	(782)
Net revaluations	(3,717)	-	(7,935)	10	-	-	-	-
Other	(439)	(17)	(795)	(6)	(11)	10	3	4
Total cost or valuation	**315,732**	**341,396**	**321,024**	**336,999**	**353,577**	**368,684**	**381,746**	**394,308**
Accumulated Depreciation and Impairment								
Opening balance	22,841	30,329	23,131	25,057	33,822	42,924	52,207	61,852
Eliminated on disposal	(977)	(143)	(1,540)	(170)	(173)	(170)	(187)	(196)
Eliminated on revaluation	(6,839)	-	(5,258)	-	-	-	-	-
Impairment losses charged to operating balance	79	-	37	-	-	-	-	-
Depreciation expense	8,294	8,424	8,681	8,962	9,275	9,458	9,834	9,948
Other	(267)	(4)	6	(27)	-	(5)	(2)	(7)
Total accumulated depreciation and impairment	**23,131**	**38,606**	**25,057**	**33,822**	**42,924**	**52,207**	**61,852**	**71,597**
Total property, plant and equipment	**292,601**	**302,790**	**295,967**	**303,177**	**310,653**	**316,477**	**319,894**	**322,711**

1. Using a revaluation methodology unless otherwise stated.

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
NOTE 11: NZ Superannuation Fund								
Revenue	1,784	1,773	1,794	1,783	1,846	1,934	2,023	2,117
Less current tax expense	1,755	1,518	1,196	1,191	1,269	1,351	1,442	1,540
Less other expenses	193	314	215	322	336	352	371	391
Add gains/(losses)	7,313	4,933	10,267	5,236	5,626	6,012	6,458	6,933
Operating balance	**7,149**	**4,874**	**10,650**	**5,506**	**5,867**	**6,243**	**6,668**	**7,119**
Opening net worth	74,819	82,397	82,847	93,497	99,565	105,587	112,180	119,297
Gross contribution from/(to) the Crown	879	-	-	562	155	350	449	473
Operating balance	7,149	4,874	10,650	5,506	5,867	6,243	6,668	7,119
Closing net worth	**82,847**	**87,271**	**93,497**	**99,565**	**105,587**	**112,180**	**119,297**	**126,889**
Comprising:								
Financial assets	87,295	94,126	98,241	105,305	112,799	118,802	125,700	133,263
Financial liabilities	(4,515)	(6,800)	(4,757)	(5,722)	(7,192)	(6,598)	(6,376)	(6,343)
Net other assets	67	(55)	13	(18)	(20)	(24)	(27)	(31)
Closing net worth	**82,847**	**87,271**	**93,497**	**99,565**	**105,587**	**112,180**	**119,297**	**126,889**
NOTE 12: Payables								
Accounts payable	14,933	19,561	13,538	13,330	14,852	14,296	14,228	13,928
Taxes repayable	7,024	7,364	6,770	7,011	7,353	7,547	7,781	8,194
Total payables	**21,957**	**26,925**	**20,308**	**20,341**	**22,205**	**21,843**	**22,009**	**22,122**
NOTE 13: Retirement Plan Liabilities								
Government Superannuation Fund	6,659	6,025	6,246	5,633	5,129	4,638	4,164	3,706
Other funds	2	3	2	1	2	1	1	2
Total retirement plan liabilities	**6,661**	**6,028**	**6,248**	**5,634**	**5,131**	**4,639**	**4,165**	**3,708**

Government Superannuation Fund

The net liability of the Government Superannuation Fund (GSF) was calculated by GSF's actuary as at 30 June 2026. Refer to *Note 22: Retirement Plan Liabilities* in the Financial Statements of the Government of New Zealand for the year ended 30 June 2025 for further details on the scheme and the method used in calculating the net liability.

The following key economic assumptions were used to calculate the net liability:
- inflation rate, as measured by the Consumers Price Index (CPI), with rates initially 2.70% p.a. decreasing to 1.96% p.a. after 4 years, and remaining there for 15 years, then increasing gradually to 2.00% p.a after 45 years.
- an annual salary growth rate, before any promotional effects, of 2.50% (2.50% at 30 June 2025).
- discount rates derived from the market yield curve for New Zealand Government bonds as at 30 June 2026.
- expected return on assets of 5.50% p.a. (5.00% at 30 June 2025).

The net GSF liability is sensitive to changes in the underlying assumptions mentioned above which is discussed further in the Financial Statements of the Government of New Zealand for the year ended 30 June 2025 *Note 22: Retirement Plan Liabilities.*

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
GSF Liability								
Opening GSF liability	12,830	12,381	12,480	12,466	11,794	11,194	10,606	10,034
Net change	(350)	(574)	(14)	(672)	(600)	(588)	(572)	(554)
Closing GSF liability	**12,480**	**11,807**	**12,466**	**11,794**	**11,194**	**10,606**	**10,034**	**9,480**
Less Net Assets Available to GSF								
Opening net asset value	5,495	5,849	5,821	6,220	6,161	6,065	5,968	5,870
Investment valuation changes	674	322	790	331	327	322	317	312
Contribution and other income less benefit payments	(348)	(389)	(391)	(390)	(423)	(419)	(415)	(408)
Closing net asset value	**5,821**	**5,782**	**6,220**	**6,161**	**6,065**	**5,968**	**5,870**	**5,774**
Net GSF Liability								
Opening unfunded liability	7,335	6,532	6,659	6,246	5,633	5,129	4,638	4,164
Net change	(676)	(507)	(413)	(613)	(504)	(491)	(474)	(458)
Closing unfunded liability	**6,659**	**6,025**	**6,246**	**5,633**	**5,129**	**4,638**	**4,164**	**3,706**

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
NOTE 14: Provisions								
Provision for employee entitlements	8,275	6,716	8,211	7,229	7,275	7,325	7,366	7,413
Veterans' disability entitlements	4,132	6,125	4,285	4,310	4,276	4,235	4,184	4,133
Provision for National Provident Fund guarantee	572	534	535	496	448	403	363	325
Other provisions	5,005	3,332	3,374	2,726	2,429	2,320	2,333	2,262
Total provisions	**17,984**	**16,707**	**16,405**	**14,761**	**14,428**	**14,283**	**14,246**	**14,133**

NOTE 15: New Zealand Emissions Trading Scheme

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Opening liability	6,626	6,556	7,156	6,279	5,781	5,408	5,095	4,846
Units sold	267	330	4	120	200	149	104	37
Allocated units	1,075	1,174	1,293	1,230	1,304	1,369	1,418	1,446
Units surrendered	(1,774)	(2,215)	(1,706)	(1,786)	(1,754)	(1,730)	(1,644)	(1,559)
(Gains)/ losses due to revaluation in NZ Units	1,018	-	(462)	14	-	-	-	-
Other movements	(56)	(104)	(6)	(76)	(123)	(101)	(127)	(99)
Closing liability	**7,156**	**5,741**	**6,279**	**5,781**	**5,408**	**5,095**	**4,846**	**4,671**

The New Zealand Emissions Trading Scheme (NZ ETS) encourages emissions abatement by putting a price on emissions and rewarding carbon removal activities such as forestry. New Zealand Units (NZUs) are sold into the market through Government auctions, with cash proceeds reported from the sale of NZUs at auction. Expenses from the NZ ETS, and a corresponding increase in liability, is recognised when NZUs are allocated free-of-charge to foresters for forestry removals and to certain industrial activities that are both emission-intensive and trade-exposed (industrial allocation).

NZ ETS participants must meet their emissions obligations by surrendering NZUs to the Government. Revenue from the NZ ETS, and the corresponding decrease in the liability, is recognised when a participant in the scheme generates emissions or the liability to the Crown is incurred. The NZ ETS liability represents the NZUs outstanding that can be used to settle future emissions obligations.

The prices for NZUs used to calculate the NZ ETS liability are assumed to remain constant over the forecast period and are based on the market price at 31 July 2026 of $55.85 (30 June 2026: $54.75, 30 June 2025: $58.70).

NOTE 16: Borrowings

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Borrowings								
Government bonds	155,313	181,913	177,080	197,433	209,995	219,917	222,609	217,737
Kiwi Group customer deposits	29,794	32,128	32,173	35,175	38,612	42,985	47,415	52,301
Settlement deposits with Reserve Bank	32,055	25,872	24,431	24,431	24,486	24,486	24,486	24,486
Derivatives in loss	5,924	10,148	9,352	8,627	8,376	8,230	8,096	7,972
Treasury bills	4,847	5,930	5,299	4,742	5,726	5,721	5,716	5,711
European Commercial Paper	10,021	11,946	9,053	6,193	8,481	8,678	8,877	9,100
Finance lease liabilities	1,141	1,101	1,096	975	941	909	876	717
Other borrowings[1]	32,990	36,038	35,515	36,855	38,561	39,925	42,287	45,730
Total borrowings	**272,085**	**305,076**	**293,999**	**314,431**	**335,178**	**350,851**	**360,362**	**363,754**
By guarantee								
Sovereign-guaranteed debt	213,928	242,204	230,477	245,666	261,173	271,123	273,728	268,665
Non sovereign-guaranteed debt	58,157	62,872	63,522	68,765	74,005	79,728	86,634	95,089
Total borrowings	**272,085**	**305,076**	**293,999**	**314,431**	**335,178**	**350,851**	**360,362**	**363,754**

1. Includes Government retail stock.

This note constitutes a Statement of Borrowings as required by the Public Finance Act 1989.

Total borrowings can be split into sovereign-guaranteed and non-sovereign-guaranteed debt. This split reflects the fact that borrowings by SOEs and Crown entities are not explicitly guaranteed by the Crown.

Notes to the Forecast Financial Statements

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
NOTE 17: Changes in Net Worth								
Taxpayers' funds	(3,487)	(15,064)	(1,523)	7,631	11,104	19,997	33,536	50,242
Property, plant and equipment revaluation reserve	183,280	181,198	179,166	179,156	179,159	179,164	179,176	179,171
Defined benefit plan revaluation reserve	1,251	1,462	1,244	1,396	1,500	1,588	1,659	1,713
Veterans' disability entitlements reserve	(1,843)	(3,855)	(1,998)	(1,998)	(1,998)	(1,998)	(1,998)	(1,998)
Intangible asset reserve	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)
Cash flow hedge reserve	(220)	(86)	(19)	14	(1)	101	118	186
Fair value hedge reserve	323	269	365	357	345	341	339	339
Foreign currency translation reserve	(37)	(39)	(25)	(28)	(28)	(28)	(28)	(28)
Net worth attributable to minority interests	9,868	9,346	10,511	10,034	9,998	9,963	9,608	9,610
Total net worth	**189,128**	**173,224**	**187,714**	**196,555**	**200,072**	**209,121**	**222,403**	**239,228**
Taxpayers' funds								
Opening taxpayers' funds	300	(5,156)	(3,487)	(1,523)	7,631	11,104	19,997	33,536
Operating balance excluding minority interests	(4,400)	(9,884)	1,136	(2,963)	3,477	8,902	13,543	16,693
Transfers from/(to) other reserves	604	-	907	-	-	-	-	-
Impact of the adoption of PBE IFRS 17	-	-	-	12,125	-	-	-	-
Other movements	9	(24)	(79)	(8)	(4)	(9)	(4)	13
Closing taxpayers' funds	**(3,487)**	**(15,064)**	**(1,523)**	**7,631**	**11,104**	**19,997**	**33,536**	**50,242**
Property, Plant and Equipment Revaluation								
Opening property, plant and equipment revaluation reserve	181,176	181,193	183,280	179,166	179,156	179,159	179,164	179,176
Net revaluations	3,730	-	(2,505)	(10)	-	-	-	-
Transfers from/(to) other reserves	(604)	5	(907)	-	3	5	12	(5)
Net revaluations attributable to minority interests	(1,022)	-	(702)	-	-	-	-	-
Closing property, plant and equipment revaluation reserve	**183,280**	**181,198**	**179,166**	**179,156**	**179,159**	**179,164**	**179,176**	**179,171**
Net Worth Attributable to Minority Interests								
Opening minority interest	9,231	9,435	9,868	10,511	10,034	9,998	9,963	9,608
Operating balance attributable to minority interests	(207)	353	33	207	449	438	477	605
Transactions with minority interest	(570)	(528)	(521)	(548)	(599)	(652)	(727)	(783)
Increase/(decrease) in minority interest from equity issues and repurchases	374	102	337	(138)	116	127	(110)	152
Other (includes net revaluations)	1,040	(16)	794	2	(2)	52	5	28
Closing minority interest	**9,868**	**9,346**	**10,511**	**10,034**	**9,998**	**9,963**	**9,608**	**9,610**

Statement of Segments

	Core Crown 2025 Actual $m	Crown entities 2025 Actual $m	State-owned Enterprises 2025 Actual $m	Inter-segment eliminations 2025 Actual $m	Total Crown 2025 Actual $m
Statement of Financial Performance for the year ended 30 June 2025					
Revenue					
Taxation revenue	121,698	-	-	(640)	121,058
Other sovereign revenue	3,700	8,678	-	(2,610)	9,768
Revenue from core Crown funding	-	48,593	874	(49,467)	-
Sales of goods and services	2,004	3,255	21,725	(899)	26,085
Interest revenue	4,189	4,099	162	(1,411)	7,039
Other revenue	2,820	5,271	839	(3,069)	5,861
Total revenue (excluding gains)	**134,411**	**69,896**	**23,600**	**(58,096)**	**169,811**
Expenses					
Transfer payments and subsidies	46,239	-	-	(1,560)	44,679
Personnel expenses	11,185	23,951	3,697	(62)	38,771
Other operating expenses	75,386	38,018	18,533	(53,816)	78,121
Interest expenses	8,862	2,387	572	(1,431)	10,390
Insurance expenses	3	11,527	11	-	11,541
Total expenses (excluding losses)	**141,675**	**75,883**	**22,813**	**(56,869)**	**183,502**
Total gains/(losses) and other items	7,687	3,166	(798)	(764)	9,291
Operating balance	**423**	**(2,821)**	**(11)**	**(1,991)**	**(4,400)**
Expenses by functional classification					
Social security and welfare	*47,503*	*12,761*	-	*(2,629)*	*57,635*
Health	*30,311*	*27,827*	-	*(28,285)*	*29,853*
Education	*20,895*	*16,092*	-	*(14,679)*	*22,308*
Transport and communications	*5,472*	*5,978*	*10,046*	*(5,666)*	*15,830*
Other	*28,632*	*10,838*	*12,195*	*(4,179)*	*47,486*
Finance costs	*8,862*	*2,387*	*572*	*(1,431)*	*10,390*
Total expenses (excluding losses)	***141,675***	***75,883***	***22,813***	***(56,869)***	***183,502***
Statement of Financial Position as at 30 June 2025					
Assets					
Cash and cash equivalents	16,062	7,025	1,610	(1,029)	23,668
Receivables	26,275	8,665	2,405	(2,585)	34,760
Other financial assets	157,474	99,005	2,760	(44,118)	215,121
Property, plant and equipment	67,518	164,292	60,791	-	292,601
Equity accounted investments	74,980	16,366	611	(72,479)	19,478
Intangible assets and goodwill	1,530	979	1,825	(243)	4,091
Inventory and other assets	4,539	2,253	1,667	(202)	8,257
Total assets	**348,378**	**298,585**	**71,669**	**(120,656)**	**597,976**
Liabilities					
Borrowings	238,967	61,850	13,523	(42,255)	272,085
Other liabilities	46,472	88,053	13,517	(11,279)	136,763
Total liabilities	**285,439**	**149,903**	**27,040**	**(53,534)**	**408,848**
Total assets less total liabilities	**62,939**	**148,682**	**44,629**	**(67,122)**	**189,128**
Net worth					
Taxpayers' funds	20,746	41,003	9,560	(74,796)	(3,487)
Reserves	42,193	107,182	25,256	8,116	182,747
Net worth attributable to minority interests	-	497	9,813	(442)	9,868
Total net worth	**62,939**	**148,682**	**44,629**	**(67,122)**	**189,128**

Statement of Segments (continued)

	Core Crown	Crown entities	State-owned Enterprises	Inter-segment eliminations	Total Crown
	2026 Unaudited Actual $m	2026 Unaudited Actual $m	2026 Unaudited Actual $m	2026 Unaudited Actual $m	2026 Unaudited Actual $m
Statement of Financial Performance for the year ended 30 June 2026					
Revenue					
Taxation revenue	125,884	-	-	(885)	124,999
Other sovereign revenue	3,824	9,314	-	(2,836)	10,302
Revenue from core Crown funding	-	51,310	602	(51,912)	-
Sales of goods and services	2,336	3,439	20,570	(1,125)	25,220
Interest revenue	3,519	3,936	114	(1,585)	5,984
Other revenue	3,086	4,642	938	(2,837)	5,829
Total revenue (excluding gains)	**138,649**	**72,641**	**22,224**	**(61,180)**	**172,334**
Expenses					
Transfer payments and subsidies	48,417	-	-	(1,741)	46,676
Personnel expenses	11,682	25,045	3,780	(74)	40,433
Other operating expenses	77,061	39,220	16,612	(56,611)	76,282
Interest expenses	9,057	2,201	577	(1,587)	10,248
Insurance expenses	2	9,039	11	-	9,052
Total expenses (excluding losses)	**146,219**	**75,505**	**20,980**	**(60,013)**	**182,691**
Total gains/(losses) and other items	11,977	1,445	(801)	(1,128)	11,493
Operating balance	**4,407**	**(1,419)**	**443**	**(2,295)**	**1,136**
Expenses by functional classification					
Social security and welfare	*50,224*	*10,669*	*-*	*(2,855)*	*58,038*
Health	*32,917*	*29,770*	*-*	*(30,898)*	*31,789*
Education	*21,206*	*16,541*	*-*	*(14,896)*	*22,851*
Transport and communications	*6,035*	*6,005*	*10,469*	*(5,049)*	*17,460*
Other	*26,780*	*10,319*	*9,934*	*(4,728)*	*42,305*
Finance costs	*9,057*	*2,201*	*577*	*(1,587)*	*10,248*
Total expenses (excluding losses)	***146,219***	***75,505***	***20,980***	***(60,013)***	***182,691***
Statement of Financial Position as at 30 June 2026					
Assets					
Cash and cash equivalents	20,080	7,451	2,212	(1,097)	28,646
Receivables	28,107	9,191	2,408	(3,124)	36,582
Other financial assets	166,997	104,910	2,580	(47,023)	227,464
Property, plant and equipment	65,868	165,838	64,261	-	295,967
Equity accounted investments	79,526	16,682	696	(78,777)	18,127
Intangible assets and goodwill	1,457	884	1,790	(167)	3,964
Inventory and other assets	4,649	2,315	1,966	(115)	8,815
Total assets	**366,684**	**307,271**	**75,913**	**(130,303)**	**619,565**
Liabilities					
Borrowings	256,837	66,849	14,352	(44,039)	293,999
Other liabilities	45,186	90,246	14,245	(11,825)	137,852
Total liabilities	**302,023**	**157,095**	**28,597**	**(55,864)**	**431,851**
Total assets less total liabilities	**64,661**	**150,176**	**47,316**	**(74,439)**	**187,714**
Net worth					
Taxpayers' funds	25,330	44,325	11,547	(82,725)	(1,523)
Reserves	39,331	105,354	25,258	8,783	178,726
Net worth attributable to minority interests	-	497	10,511	(497)	10,511
Total net worth	**64,661**	**150,176**	**47,316**	**(74,439)**	**187,714**

Forecast Statement of Segments

	Core Crown 2027 Forecast $m	Crown entities 2027 Forecast $m	State-owned Enterprises 2027 Forecast $m	Inter-segment eliminations 2027 Forecast $m	Total Crown 2027 Forecast $m
Statement of Financial Performance for the year ended 30 June 2027					
Revenue					
Taxation revenue	137,185	-	-	(869)	136,316
Other sovereign revenue	4,091	9,876	-	(3,056)	10,911
Revenue from core Crown funding	-	54,878	450	(55,328)	-
Sales of goods and services	2,916	3,507	22,187	(1,649)	26,961
Interest revenue	4,029	4,065	78	(1,686)	6,486
Other revenue	2,249	2,822	754	(642)	5,183
Total revenue (excluding gains)	**150,470**	**75,148**	**23,469**	**(63,230)**	**185,857**
Expenses					
Transfer payments and subsidies	51,131	-	-	(1,622)	49,509
Personnel expenses	12,255	25,935	3,780	(57)	41,913
Other operating expenses	82,274	41,478	18,778	(58,744)	83,786
Interest expenses	10,291	2,441	649	(1,723)	11,658
Insurance expenses	-	8,938	11	-	8,949
Forecast for future new spending	1,258	-	-	-	1,258
Top-down operating expense adjustment	(2,600)	-	-	-	(2,600)
Total expenses (excluding losses)	**154,609**	**78,792**	**23,218**	**(62,146)**	**194,473**
Total gains/(losses) and other items	5,177	603	(65)	(62)	5,653
Operating balance	**1,038**	**(3,041)**	**186**	**(1,146)**	**(2,963)**
Expenses by functional classification					
Social security and welfare	*53,391*	*11,167*	*-*	*(3,322)*	*61,236*
Health	*34,472*	*31,096*	*-*	*(31,818)*	*33,750*
Education	*22,187*	*17,132*	*-*	*(15,548)*	*23,771*
Transport and communications	*5,333*	*7,107*	*10,717*	*(5,620)*	*17,537*
Other	*30,277*	*9,849*	*11,852*	*(4,115)*	*47,863*
Finance costs	*10,291*	*2,441*	*649*	*(1,723)*	*11,658*
Forecast for future new spending	*1,258*	*-*	*-*	*-*	*1,258*
Top-down operating expense adjustment	*(2,600)*	*-*	*-*	*-*	*(2,600)*
Total expenses (excluding losses)	***154,609***	***78,792***	***23,218***	***(62,146)***	***194,473***
Statement of Financial Position as at 30 June 2027					
Assets					
Cash and cash equivalents	21,223	6,717	1,958	(1,000)	28,898
Receivables	29,439	9,328	2,707	(2,517)	38,957
Other financial assets	171,223	108,251	2,476	(49,591)	232,359
Property, plant and equipment	67,391	169,788	65,998	-	303,177
Equity accounted investments	85,883	17,181	785	(84,936)	18,913
Intangible assets and goodwill	1,438	869	1,886	(163)	4,030
Inventory and other assets	4,841	2,229	1,831	(162)	8,739
Forecast for new capital spending	1,994	-	-	-	1,994
Top-down capital adjustment	(2,000)	-	-	-	(2,000)
Total assets	**381,432**	**314,363**	**77,641**	**(138,369)**	**635,067**
Liabilities					
Borrowings	272,785	72,601	15,512	(46,467)	314,431
Other liabilities	42,791	77,615	14,559	(10,884)	124,081
Total liabilities	**315,576**	**150,216**	**30,071**	**(57,351)**	**438,512**
Total assets less total liabilities	**65,856**	**164,147**	**47,570**	**(81,018)**	**196,555**
Net worth					
Taxpayers' funds	26,369	58,534	12,026	(89,298)	7,631
Reserves	39,487	105,362	25,266	8,775	178,890
Net worth attributable to minority interests	-	251	10,278	(495)	10,034
Total net worth	**65,856**	**164,147**	**47,570**	**(81,018)**	**196,555**

Forecast Statement of Segments (continued)

	Core Crown 2028 Forecast $m	Crown entities 2028 Forecast $m	State-owned Enterprises 2028 Forecast $m	Inter-segment eliminations 2028 Forecast $m	Total Crown 2028 Forecast $m
Statement of Financial Performance for the year ended 30 June 2028					
Revenue					
Taxation revenue	144,493	-	-	(887)	143,606
Other sovereign revenue	4,163	10,582	-	(3,223)	11,522
Revenue from core Crown funding	-	54,429	334	(54,763)	-
Sales of goods and services	2,979	3,503	22,705	(1,667)	27,520
Interest revenue	4,456	4,510	84	(1,847)	7,203
Other revenue	2,342	2,770	749	(493)	5,368
Total revenue (excluding gains)	**158,433**	**75,794**	**23,872**	**(62,880)**	**195,219**
Expenses					
Transfer payments and subsidies	52,792	-	-	(1,587)	51,205
Personnel expenses	12,165	25,988	3,919	(58)	42,014
Other operating expenses	79,787	40,034	18,359	(58,535)	79,645
Interest expenses	11,396	2,834	741	(1,890)	13,081
Insurance expenses	-	9,606	12	-	9,618
Forecast for future new spending	2,968	-	-	-	2,968
Top-down operating expense adjustment	(800)	-	-	-	(800)
Total expenses (excluding losses)	**158,308**	**78,462**	**23,031**	**(62,070)**	**197,731**
Total gains/(losses) and other items	5,544	913	(388)	(80)	5,989
Operating balance	**5,669**	**(1,755)**	**453**	**(890)**	**3,477**
Expenses by functional classification					
Social security and welfare	*55,098*	*11,887*	*-*	*(3,369)*	*63,616*
Health	*34,094*	*30,755*	*-*	*(31,799)*	*33,050*
Education	*22,069*	*17,182*	*-*	*(15,473)*	*23,778*
Transport and communications	*5,408*	*6,247*	*10,779*	*(5,465)*	*16,969*
Other	*28,075*	*9,557*	*11,511*	*(4,074)*	*45,069*
Finance costs	*11,396*	*2,834*	*741*	*(1,890)*	*13,081*
Forecast for future new spending	*2,968*	*-*	*-*	*-*	*2,968*
Top-down operating expense adjustment	*(800)*	*-*	*-*	*-*	*(800)*
Total expenses (excluding losses)	***158,308***	***78,462***	***23,031***	***(62,070)***	***197,731***
Statement of Financial Position as at 30 June 2028					
Assets					
Cash and cash equivalents	21,500	6,518	1,660	(1,000)	28,678
Receivables	30,559	9,559	2,781	(2,475)	40,424
Other financial assets	183,134	114,322	2,624	(52,091)	247,989
Property, plant and equipment	68,777	173,966	67,910	-	310,653
Equity accounted investments	91,435	17,504	800	(90,379)	19,360
Intangible assets and goodwill	1,389	941	1,797	(172)	3,955
Inventory and other assets	4,674	2,319	1,773	(163)	8,603
Forecast for new capital spending	5,081	-	-	-	5,081
Top-down capital adjustment	(2,700)	-	-	-	(2,700)
Total assets	**403,849**	**325,129**	**79,345**	**(146,280)**	**662,043**
Liabilities					
Borrowings	288,827	78,403	16,840	(48,892)	335,178
Other liabilities	43,395	79,573	14,614	(10,789)	126,793
Total liabilities	**332,222**	**157,976**	**31,454**	**(59,681)**	**461,971**
Total assets less total liabilities	**71,627**	**167,153**	**47,891**	**(86,599)**	**200,072**
Net worth					
Taxpayers' funds	32,037	61,560	12,380	(94,873)	11,104
Reserves	39,590	105,342	25,270	8,768	178,970
Net worth attributable to minority interests	-	251	10,241	(494)	9,998
Total net worth	**71,627**	**167,153**	**47,891**	**(86,599)**	**200,072**

Forecast Statement of Segments (continued)

	Core Crown 2029 Forecast $m	Crown entities 2029 Forecast $m	State-owned Enterprises 2029 Forecast $m	Inter-segment eliminations 2029 Forecast $m	Total Crown 2029 Forecast $m
Statement of Financial Performance for the year ended 30 June 2029					
Revenue					
Taxation revenue	153,156	-	-	(990)	152,166
Other sovereign revenue	4,184	10,993	-	(3,454)	11,723
Revenue from core Crown funding	-	54,236	208	(54,444)	-
Sales of goods and services	3,031	3,637	23,215	(1,727)	28,156
Interest revenue	4,709	5,079	87	(1,958)	7,917
Other revenue	2,677	3,074	806	(887)	5,670
Total revenue (excluding gains)	**167,757**	**77,019**	**24,316**	**(63,460)**	**205,632**
Expenses					
Transfer payments and subsidies	54,014	-	-	(1,569)	52,445
Personnel expenses	12,158	25,993	3,977	(60)	42,068
Other operating expenses	80,210	39,846	18,826	(58,864)	80,018
Interest expenses	12,481	3,270	845	(2,001)	14,595
Insurance expenses	-	9,669	12	-	9,681
Forecast for future new spending	5,025	-	-	-	5,025
Top-down operating expense adjustment	(650)	-	-	-	(650)
Total expenses (excluding losses)	**163,238**	**78,778**	**23,660**	**(62,494)**	**203,182**
Total gains/(losses) and other items	5,897	970	(314)	(101)	6,452
Operating balance	**10,416**	**(789)**	**342**	**(1,067)**	**8,902**
Expenses by functional classification					
Social security and welfare	*56,384*	*12,044*	*-*	*(3,446)*	*64,982*
Health	*34,209*	*30,608*	*-*	*(31,965)*	*32,852*
Education	*21,948*	*16,970*	*-*	*(15,250)*	*23,668*
Transport and communications	*5,650*	*6,143*	*11,085*	*(5,772)*	*17,106*
Other	*28,191*	*9,743*	*11,730*	*(4,060)*	*45,604*
Finance costs	*12,481*	*3,270*	*845*	*(2,001)*	*14,595*
Forecast for future new spending	*5,025*	*-*	*-*	*-*	*5,025*
Top-down operating expense adjustment	*(650)*	*-*	*-*	*-*	*(650)*
Total expenses (excluding losses)	***163,238***	***78,778***	***23,660***	***(62,494)***	***203,182***
Statement of Financial Position as at 30 June 2029					
Assets					
Cash and cash equivalents	21,721	6,673	1,561	(1,004)	28,951
Receivables	31,381	10,113	2,850	(2,526)	41,818
Other financial assets	193,723	120,654	2,769	(54,608)	262,538
Property, plant and equipment	69,620	177,459	69,398	-	316,477
Equity accounted investments	95,393	17,726	795	(94,305)	19,609
Intangible assets and goodwill	1,294	1,016	1,767	(171)	3,906
Inventory and other assets	4,488	2,297	1,754	(164)	8,375
Forecast for new capital spending	8,809	-	-	-	8,809
Top-down capital adjustment	(2,800)	-	-	-	(2,800)
Total assets	**423,629**	**335,938**	**80,894**	**(152,778)**	**687,683**
Liabilities					
Borrowings	299,254	84,540	18,372	(51,315)	350,851
Other liabilities	42,241	81,569	14,674	(10,773)	127,711
Total liabilities	**341,495**	**166,109**	**33,046**	**(62,088)**	**478,562**
Total assets less total liabilities	**82,134**	**169,829**	**47,848**	**(90,690)**	**209,121**
Net worth					
Taxpayers' funds	42,454	64,244	12,316	(99,017)	19,997
Reserves	39,680	105,334	25,331	8,816	179,161
Net worth attributable to minority interests	-	251	10,201	(489)	9,963
Total net worth	**82,134**	**169,829**	**47,848**	**(90,690)**	**209,121**

Forecast Statement of Segments (continued)

	Core Crown 2030 Forecast $m	Crown entities 2030 Forecast $m	State-owned Enterprises 2030 Forecast $m	Inter-segment eliminations 2030 Forecast $m	Total Crown 2030 Forecast $m
Statement of Financial Performance for the year ended 30 June 2030					
Revenue					
Taxation revenue	161,620	-	-	(1,123)	160,497
Other sovereign revenue	4,116	11,772	-	(3,685)	12,203
Revenue from core Crown funding	-	54,024	186	(54,210)	-
Sales of goods and services	3,020	3,759	24,153	(1,781)	29,151
Interest revenue	5,203	5,670	94	(2,041)	8,926
Other revenue	2,844	3,338	890	(1,168)	5,904
Total revenue (excluding gains)	**176,803**	**78,563**	**25,323**	**(64,008)**	**216,681**
Expenses					
Transfer payments and subsidies	55,950	-	-	(1,609)	54,341
Personnel expenses	12,071	26,022	4,069	(60)	42,102
Other operating expenses	79,986	39,927	19,607	(59,152)	80,368
Interest expenses	13,502	3,672	894	(2,085)	15,983
Insurance expenses	-	10,010	13	-	10,023
Forecast for future new spending	7,783	-	-	-	7,783
Top-down operating expense adjustment	(650)	-	-	-	(650)
Total expenses (excluding losses)	**168,642**	**79,631**	**24,583**	**(62,906)**	**209,950**
Total gains/(losses) and other items	6,339	960	(341)	(146)	6,812
Operating balance	**14,500**	**(108)**	**399**	**(1,248)**	**13,543**
Expenses by functional classification					
Social security and welfare	*58,048*	*12,486*	*-*	*(3,588)*	*66,946*
Health	*34,294*	*30,403*	*-*	*(32,077)*	*32,620*
Education	*21,952*	*17,021*	*-*	*(15,261)*	*23,712*
Transport and communications	*5,591*	*6,085*	*11,627*	*(5,634)*	*17,669*
Other	*28,122*	*9,964*	*12,062*	*(4,261)*	*45,887*
Finance costs	*13,502*	*3,672*	*894*	*(2,085)*	*15,983*
Forecast for future new spending	*7,783*	*-*	*-*	*-*	*7,783*
Top-down operating expense adjustment	*(650)*	*-*	*-*	*-*	*(650)*
Total expenses (excluding losses)	***168,642***	***79,631***	***24,583***	***(62,906)***	***209,950***
Statement of Financial Position as at 30 June 2030					
Assets					
Cash and cash equivalents	21,591	6,432	1,559	(1,000)	28,582
Receivables	32,283	10,846	2,887	(2,604)	43,412
Other financial assets	203,583	128,606	2,918	(57,109)	277,998
Property, plant and equipment	69,459	179,832	70,603	-	319,894
Equity accounted investments	98,093	17,796	808	(96,973)	19,724
Intangible assets and goodwill	1,224	1,084	1,789	(172)	3,925
Inventory and other assets	4,445	2,356	1,766	(164)	8,403
Forecast for new capital spending	13,289	-	-	-	13,289
Top-down capital adjustment	(2,900)	-	-	-	(2,900)
Total assets	**441,067**	**346,952**	**82,330**	**(158,022)**	**712,327**
Liabilities					
Borrowings	302,637	91,458	19,963	(53,696)	360,362
Other liabilities	41,724	83,762	14,758	(10,682)	129,562
Total liabilities	**344,361**	**175,220**	**34,721**	**(64,378)**	**489,924**
Total assets less total liabilities	**96,706**	**171,732**	**47,609**	**(93,644)**	**222,403**
Net worth					
Taxpayers' funds	56,954	66,400	12,161	(101,979)	33,536
Reserves	39,752	105,332	25,357	8,818	179,259
Net worth attributable to minority interests	-	-	10,091	(483)	9,608
Total net worth	**96,706**	**171,732**	**47,609**	**(93,644)**	**222,403**

Forecast Statement of Segments (continued)

	Core Crown 2031 Forecast $m	Crown entities 2031 Forecast $m	State-owned Enterprises 2031 Forecast $m	Inter-segment eliminations 2031 Forecast $m	Total Crown 2031 Forecast $m
Statement of Financial Performance for the year ended 30 June 2031					
Revenue					
Taxation revenue	169,672	-	-	(1,221)	168,451
Other sovereign revenue	4,024	12,307	-	(3,909)	12,422
Revenue from core Crown funding	-	54,139	186	(54,325)	-
Sales of goods and services	3,035	3,868	24,729	(1,816)	29,816
Interest revenue	5,248	6,188	106	(2,143)	9,399
Other revenue	3,030	3,488	728	(1,212)	6,034
Total revenue (excluding gains)	**185,009**	**79,990**	**25,749**	**(64,626)**	**226,122**
Expenses					
Transfer payments and subsidies	58,197	-	-	(1,655)	56,542
Personnel expenses	12,128	26,101	4,156	(61)	42,324
Other operating expenses	80,188	40,061	19,783	(59,590)	80,442
Interest expenses	13,689	4,044	956	(2,189)	16,500
Insurance expenses	-	11,411	14	-	11,425
Forecast for future new spending	10,116	-	-	-	10,116
Top-down operating expense adjustment	(650)	-	-	-	(650)
Total expenses (excluding losses)	**173,668**	**81,617**	**24,909**	**(63,495)**	**216,699**
Total gains/(losses) and other items	6,809	986	(451)	(74)	7,270
Operating balance	**18,150**	**(641)**	**389**	**(1,205)**	**16,693**
Expenses by functional classification					
Social security and welfare	*60,286*	*13,964*	*-*	*(3,731)*	*70,519*
Health	*34,452*	*30,282*	*-*	*(32,282)*	*32,452*
Education	*22,019*	*17,048*	*-*	*(15,241)*	*23,826*
Transport and communications	*5,635*	*6,204*	*11,732*	*(5,822)*	*17,749*
Other	*28,121*	*10,075*	*12,221*	*(4,230)*	*46,187*
Finance costs	*13,689*	*4,044*	*956*	*(2,189)*	*16,500*
Forecast for future new spending	*10,116*	*-*	*-*	*-*	*10,116*
Top-down operating expense adjustment	*(650)*	*-*	*-*	*-*	*(650)*
Total expenses (excluding losses)	***173,668***	***81,617***	***24,909***	***(63,495)***	***216,699***
Statement of Financial Position as at 30 June 2031					
Assets					
Cash and cash equivalents	21,273	6,319	1,559	(1,000)	28,151
Receivables	33,230	10,407	2,924	(2,599)	43,962
Other financial assets	210,133	137,130	2,818	(58,033)	292,048
Property, plant and equipment	69,108	181,584	72,019	-	322,711
Equity accounted investments	100,002	17,794	879	(98,850)	19,825
Intangible assets and goodwill	1,163	1,112	1,828	(170)	3,933
Inventory and other assets	4,398	2,355	1,791	(164)	8,380
Forecast for new capital spending	18,557	-	-	-	18,557
Top-down capital adjustment	(3,000)	-	-	-	(3,000)
Total assets	**454,864**	**356,701**	**83,818**	**(160,816)**	**734,567**
Liabilities					
Borrowings	298,476	97,853	22,004	(54,579)	363,754
Other liabilities	41,481	86,058	14,655	(10,609)	131,585
Total liabilities	**339,957**	**183,911**	**36,659**	**(65,188)**	**495,339**
Total assets less total liabilities	**114,907**	**172,790**	**47,159**	**(95,628)**	**239,228**
Net worth					
Taxpayers' funds	75,104	67,456	11,688	(104,006)	50,242
Reserves	39,803	105,334	25,384	8,855	179,376
Net worth attributable to minority interests	-	-	10,087	(477)	9,610
Total net worth	**114,907**	**172,790**	**47,159**	**(95,628)**	**239,228**

Fiscal Indicator Analysis

The purpose of the following fiscal indicator analysis is to provide a link between the Forecast Financial Statements (pages 91 to 113) based on GAAP, and the key fiscal indicators used to measure performance against the fiscal objectives set out in the *Fiscal Strategy Report.*

The fiscal indicator analysis comprises five statements. These statements and their key purposes are described below:

Reconciliation between the Operating Balance, the Operating Balance before Gains and Losses and the Operating Balance before Gains and Losses excluding ACC revenue and expenses

OBEGAL represents core Crown revenue less core Crown expenses plus surpluses from State-owned Enterprises and Crown Entities but does not include certain gains or losses from Government reporting entities. OBEGAL can provide a more useful measure of underlying stewardship than the operating balance as short-term market fluctuations are not included in the calculation. In addition, OBEGALx removes the revenue and expenses of ACC which provides insights on how near-term fiscal policy decisions impact the financial performance of the Government.

Expenses by Functional Classification

This analysis is based on the Classification of Functions of Government as produced by the Organisation for Economic Co-operation and Development (OECD) and permits trends in government expenditure on particular functions to be examined over time.

Core Crown Residual Cash

The core Crown residual cash statement measures the core Crown cash surplus (or deficit), after operating and investing cash requirements are met, that is available for the Government to invest, repay debt, or, in the case of a deficit, fund in any given year. Also included is a breakdown of net capital expenditure activity.

Debt Indicators

The debt statement presents the calculation of both gross debt and net debt indicators.

Gross debt represents debt issued by the sovereign (core Crown) and includes Government stock held by the NZS Fund, ACC, and the Natural Hazards Commission. Gross debt excludes Reserve Bank settlement cash and Reserve Bank bills.

Net core Crown debt represents gross sovereign-issued debt less core Crown financial assets (excluding advances and financial assets held by the NZS Fund). Advances and financial assets held by the NZS Fund are excluded as these assets are less liquid and/or they are made for public policy reasons rather than for the purposes associated with government financing.

The Government's headline debt indicator is net core Crown debt.

Reconciliation Between the Financial Statements to Key Government Fiscal Indicators

This statement shows how key lines in the financial statements flow through to the key operating indicators used to measure performance.

Reconciliation Between the Operating Balance, OBEGAL and OBEGALx

for the years ending 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Operating Balance								
Total revenue	169,811	175,864	172,334	185,857	195,219	205,632	216,681	226,122
Total expenses	183,502	191,158	182,691	194,473	197,731	203,182	209,950	216,699
Total gains/(losses)	8,870	5,692	11,252	5,595	6,186	6,670	7,162	7,805
Net surplus from associates and joint ventures	214	71	274	265	252	220	127	70
Less Minority interests' share of operating balance	207	(353)	(33)	(207)	(449)	(438)	(477)	(605)
Operating balance	**(4,400)**	**(9,884)**	**1,136**	**(2,963)**	**3,477**	**8,902**	**13,543**	**16,693**
Reconciliation Between the Operating Balance, OBEGAL and OBEGALx								
Operating balance	**(4,400)**	**(9,884)**	**1,136**	**(2,963)**	**3,477**	**8,902**	**13,543**	**16,693**
Less items excluded from OBEGAL:								
Net gains/(losses) on financial instruments	9,272	5,692	13,232	5,654	6,186	6,670	7,162	7,805
Net gains/(losses) on non-financial instruments	(402)	-	(1,980)	(59)	-	-	-	-
Minority interests share of total gains/(losses)	489	(45)	349	(93)	(23)	(50)	(56)	(61)
Net surplus from associates and joint ventures	214	71	274	265	252	220	127	70
OBEGAL	**(13,973)**	**(15,602)**	**(10,739)**	**(8,730)**	**(2,938)**	**2,062**	**6,310**	**8,879**
ACC net revenue	(4,667)	(3,527)	(2,098)	(1,980)	(2,104)	(1,954)	(1,747)	(2,814)
OBEGALx	**(9,306)**	**(12,075)**	**(8,641)**	**(6,750)**	**(834)**	**4,016**	**8,057**	**11,693**

Expenses by Functional Classification

for the years ending 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Total Crown expenses								
By functional classification[1]								
Social security and welfare	57,635	59,475	58,038	61,236	63,616	64,982	66,946	70,519
Health	29,853	31,224	31,789	33,750	33,050	32,852	32,620	32,452
Education	22,308	22,949	22,851	23,771	23,778	23,668	23,712	23,826
Core government services	7,775	6,552	5,600	6,142	5,984	6,167	6,191	6,132
Law and order	7,309	7,946	7,634	8,465	8,268	8,083	8,144	8,208
Transport and communications	15,830	18,323	17,460	17,537	16,969	17,106	17,669	17,749
Economic and industrial services	16,153	15,886	12,812	15,704	14,314	14,819	15,060	15,331
Defence	3,226	3,507	3,484	3,835	3,814	3,856	3,892	3,904
Heritage, culture and recreation	3,381	3,368	3,527	3,528	3,495	3,546	3,568	3,599
Primary services	2,525	2,517	2,445	2,753	2,394	2,204	2,276	2,225
Housing and community development	4,507	4,728	4,034	4,266	3,915	3,874	3,785	3,786
Environmental protection	2,400	2,611	2,510	2,906	2,748	2,723	2,641	2,673
GSF pension expenses	83	86	70	54	56	55	54	53
Other	127	93	189	210	81	277	276	276
Finance costs	10,390	11,073	10,248	11,658	13,081	14,595	15,983	16,500
Forecast new operating spending	-	1,720	-	1,258	2,968	5,025	7,783	10,116
Top-down operating expense adjustment	-	(900)	-	(2,600)	(800)	(650)	(650)	(650)
Total Crown expenses excluding losses	**183,502**	**191,158**	**182,691**	**194,473**	**197,731**	**203,182**	**209,950**	**216,699**

Below is an analysis of core Crown expenses by functional classification. Core Crown expenses include expenses incurred by Ministers, Departments Offices of Parliament, the NZS Fund and the Reserve Bank, but not Crown entities and SOEs.

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Core Crown expenses								
By functional classification[1]								
Social security and welfare	47,503	50,161	50,224	53,391	55,098	56,384	58,048	60,286
Health	30,311	32,709	32,917	34,472	34,094	34,209	34,294	34,452
Education	20,895	21,454	21,206	22,187	22,069	21,948	21,952	22,019
Core government services	7,908	6,723	5,980	6,657	6,387	6,329	6,327	6,263
Law and order	6,734	7,342	7,077	7,762	7,486	7,340	7,369	7,404
Transport and communications	5,472	7,226	6,035	5,333	5,408	5,650	5,591	5,635
Economic and industrial services	3,514	3,235	3,012	3,768	3,043	3,233	3,265	3,294
Defence	3,271	3,552	3,525	3,878	3,858	3,900	3,936	3,948
Heritage, culture and recreation	1,457	1,416	1,439	1,442	1,412	1,396	1,365	1,357
Primary services	996	1,045	1,030	1,351	1,136	1,126	1,180	1,098
Housing and community development	2,150	2,396	1,958	2,289	1,908	1,852	1,749	1,795
Environmental protection	2,410	2,615	2,509	2,874	2,716	2,691	2,609	2,641
GSF pension expenses	65	49	61	46	48	47	46	45
Other	127	93	189	210	81	277	276	276
Finance costs	8,862	9,513	9,057	10,291	11,396	12,481	13,502	13,689
Forecast new operating spending	-	1,720	-	1,258	2,968	5,025	7,783	10,116
Top-down operating expense adjustment	-	(900)	-	(2,600)	(800)	(650)	(650)	(650)
Total core Crown expenses excluding losses	**141,675**	**150,349**	**146,219**	**154,609**	**158,308**	**163,238**	**168,642**	**173,668**

1. The classifications of the functions of the Government reflect current approved baselines. Forecast new operating spending is shown as a separate line item in the above analysis and will be allocated to functions of the Government once decisions are made in the future.

Core Crown Residual Cash

for the years ending 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Core Crown Residual Cash								
Core Crown Cash Flows from Operations								
Tax receipts	123,536	125,956	129,002	132,791	143,830	152,727	161,234	169,507
Other sovereign receipts	1,916	2,231	1,829	2,075	2,318	2,284	2,247	2,186
Interest receipts	3,329	2,296	2,982	1,574	900	1,707	2,106	2,050
Sale of goods and services and other receipts	3,704	4,105	4,173	3,956	4,133	4,359	4,409	4,507
Transfer payments and subsidies	(47,422)	(49,080)	(49,707)	(51,793)	(53,119)	(54,476)	(56,415)	(58,665)
Personnel and operating costs	(79,742)	(83,905)	(83,324)	(89,210)	(85,760)	(85,374)	(84,783)	(85,193)
Interest payments	(7,001)	(7,615)	(7,103)	(8,207)	(9,190)	(10,424)	(11,253)	(11,305)
Forecast for future new operating spending	-	(1,720)	-	(1,258)	(2,968)	(5,025)	(7,783)	(10,116)
Top-down operating expense adjustment	-	900	-	2,600	800	650	650	650
Net core Crown operating cash flows	**(1,680)**	**(6,832)**	**(2,148)**	**(7,472)**	**944**	**6,428**	**10,412**	**13,621**
Core Crown Capital Cash Flows								
Net purchase of physical assets	(3,669)	(4,323)	(3,951)	(4,550)	(4,244)	(3,638)	(2,815)	(2,748)
Net decrease/(increase) in advances	6,194	4,789	5,851	(3,107)	(2,267)	(2,257)	(1,995)	(178)
Net purchase of investments	(5,962)	(6,507)	(4,644)	(6,300)	(5,426)	(3,840)	(2,555)	(1,756)
Contribution (to)/from NZS Fund	(879)	-	-	(562)	(155)	(350)	(449)	(473)
Forecast for future new capital spending	-	(2,560)	-	(1,994)	(3,087)	(3,728)	(4,480)	(5,268)
Top-down capital adjustment	-	900	-	2,000	700	100	100	100
Net core Crown capital cash flows	**(4,316)**	**(7,701)**	**(2,744)**	**(14,513)**	**(14,479)**	**(13,713)**	**(12,194)**	**(10,323)**
Residual cash (deficit)/surplus	**(5,996)**	**(14,533)**	**(4,892)**	**(21,985)**	**(13,535)**	**(7,285)**	**(1,782)**	**3,298**
The residual cash (deficit)/surplus is funded or invested as follows:								
Debt Programme Cash Flows								
Market:								
Issue of government bonds	40,918	35,590	33,682	29,342	26,478	25,427	24,206	24,191
Repayment of government bonds	(20,191)	(18,127)	(18,899)	(22,003)	(15,070)	(16,551)	(22,573)	(30,022)
Net issue/(repayment) of short-term borrowing[1]	(4,518)	3,000	(2,541)	(2,500)	3,000	-	-	-
Total market debt cash flows	16,209	20,463	12,242	4,839	14,408	8,876	1,633	(5,831)
Non-market:								
Net issue/(repayment) of short-term borrowing	(80)	-	(60)	(60)	-	-	-	-
Total non-market debt cash flows	(80)	-	(60)	(60)	-	-	-	-
Total debt programme cash flows	**16,129**	**20,463**	**12,182**	**4,779**	**14,408**	**8,876**	**1,633**	**(5,831)**
Other Borrowing Cash Flows								
Net (repayment)/issue of other New Zealand dollar borrowing	(4,035)	4,128	(1,399)	11,544	2,658	(312)	(227)	(98)
Net (repayment)/issue of foreign currency borrowing	9,600	(3,823)	871	2,136	(2,751)	266	151	14
Total other borrowing cash flows	**5,565**	**305**	**(528)**	**13,680**	**(93)**	**(46)**	**(76)**	**(84)**
Investing Cash Flows								
Net sale/(purchase) of marketable securities and deposits	(8,822)	(6,316)	(3,735)	3,702	(807)	(1,558)	224	2,615
Net issues/(repayments) of circulating currency	175	91	1,110	(456)	98	99	100	101
Decrease/(increase) in cash	(7,051)	(10)	(4,137)	280	(71)	(86)	(99)	(99)
Total investing cash flows	**(15,698)**	**(6,235)**	**(6,762)**	**3,526**	**(780)**	**(1,545)**	**225**	**2,617**
Residual cash deficit/(surplus) funding/(investing)	**5,996**	**14,533**	**4,892**	**21,985**	**13,535**	**7,285**	**1,782**	**(3,298)**

1. Short-term borrowing consists of Treasury Bills and may include Euro Commercial Paper.

Core Crown Residual Cash – Breakdown of Net Capital Expenditure Activity

for the years ending 30 June

	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m	5-year Total $m
Education	2,000	1,891	1,462	1,204	1,354	**7,911**
Defence	895	1,013	1,136	683	557	**4,284**
Corrections	464	317	241	159	152	**1,333**
Justice	259	254	185	189	110	**997**
Social Development	71	71	71	71	71	**355**
Police[1]	(54)	99	99	99	99	**342**
Primary Industries	179	155	61	45	45	**485**
Foreign Affairs	132	128	50	59	62	**431**
Internal Affairs	54	44	44	44	44	**230**
Parliamentary Service	143	10	7	4	-	**164**
Other	407	262	282	258	254	**1,463**
Net purchase of physical assets	**4,550**	**4,244**	**3,638**	**2,815**	**2,748**	**17,995**
Kāinga Ora	1,682	1,372	1,727	1,377	1	**6,159**
New Zealand Transport Agency	1,159	536	274	414	58	**2,441**
Small Business Cashflow Loan Scheme	(126)	(7)	(3)	(2)	(1)	**(139)**
Student Loans	420	378	319	274	239	**1,630**
Other	(28)	(12)	(60)	(68)	(119)	**(287)**
Net advances	**3,107**	**2,267**	**2,257**	**1,995**	**178**	**9,804**
Health Sector	2,325	881	668	460	417	**4,751**
New Zealand Transport Agency	2,226	2,406	1,782	1,487	1,261	**9,162**
KiwiRail	864	514	298	237	-	**1,913**
Housing Acceleration Fund	268	221	99	52	5	**645**
Ferry Holdings	324	513	454	213	-	**1,504**
Other	293	891	539	106	73	**1,902**
Net investments	**6,300**	**5,426**	**3,840**	**2,555**	**1,756**	**19,877**
Future new capital spending	1,994	3,087	3,728	4,480	5,268	**18,557**
Top-down capital adjustment	(2,000)	(700)	(100)	(100)	(100)	**(3,000)**
Contribution from/(to) NZS Fund	562	155	350	449	473	**1,989**
Net capital spending	**14,513**	**14,479**	**13,713**	**12,194**	**10,323**	**65,222**

1. Includes the transfer of Next Generation Critical Communications assets and liabilities in the 2026/27 year.

Debt Indicators

as at 30 June

	2025 Actual $m	2026 Previous Budget $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Net core Crown Debt:								
Core Crown borrowings[1]	238,967	266,686	256,837	272,785	288,827	299,254	302,637	298,476
Core Crown unsettled purchases of securities[2]	467	5,213	507	421	1,792	1,098	762	608
Less NZS Fund borrowings[3]	(2,715)	(6,311)	(4,415)	(4,350)	(5,721)	(5,047)	(4,736)	(4,579)
Borrowings included in net core Crown debt	**236,719**	**265,588**	**252,929**	**268,856**	**284,898**	**295,305**	**298,663**	**294,505**
Core Crown financial assets[4]	(173,536)	(184,348)	(187,077)	(192,446)	(204,634)	(215,444)	(225,174)	(231,406)
Core Crown unsettled sales of securities[2]	(2,245)	(4,233)	(5,103)	(2,688)	(2,713)	(2,738)	(2,767)	(2,797)
Less NZS Fund financial assets	86,922	93,933	98,023	105,097	112,594	118,619	125,540	133,102
Less core Crown advances	34,311	29,248	27,931	30,812	32,810	34,792	36,501	36,365
Financial assets included in net core Crown debt	**(54,548)**	**(65,400)**	**(66,226)**	**(59,225)**	**(61,943)**	**(64,771)**	**(65,900)**	**(64,736)**
Net core Crown debt	**182,171**	**200,188**	**186,703**	**209,631**	**222,955**	**230,534**	**232,763**	**229,769**
Net debt:								
Net core Crown debt (as above)	182,171	200,188	186,703	209,631	222,955	230,534	232,763	229,769
Crown entity borrowings[5]	61,850	67,883	66,849	72,601	78,403	84,540	91,458	97,853
Remove Kiwi Group borrowings[6]	(36,784)	(40,315)	(40,921)	(44,922)	(49,701)	(55,196)	(61,333)	(67,436)
Add core Crown advances	(34,311)	(29,248)	(27,931)	(30,812)	(32,810)	(34,792)	(36,501)	(36,365)
Net debt (excl. NZS Fund)	**172,926**	**198,508**	**184,700**	**206,498**	**218,847**	**225,086**	**226,387**	**223,821**
NZS Fund borrowings[3]	2,715	6,311	4,415	4,350	5,721	5,047	4,736	4,579
NZS Fund financial assets	(86,922)	(93,933)	(98,023)	(105,097)	(112,594)	(118,619)	(125,540)	(133,102)
Net debt	**88,719**	**110,886**	**91,092**	**105,751**	**111,974**	**111,514**	**105,583**	**95,298**
Gross Debt:								
Core Crown borrowings	238,967	266,686	256,837	272,785	288,827	299,254	302,637	298,476
Core Crown unsettled purchases of securities[2]	467	5,213	507	421	1,792	1,098	762	608
Less NZS Fund borrowings[3]	(2,715)	(6,311)	(4,415)	(4,350)	(5,721)	(5,047)	(4,736)	(4,579)
Less Reserve Bank settlement cash[7] and Reserve Bank bills	(33,031)	(26,772)	(25,481)	(25,431)	(25,486)	(25,486)	(25,486)	(25,486)
Gross Debt	**203,688**	**238,816**	**227,448**	**243,425**	**259,412**	**269,819**	**273,177**	**269,019**

Notes on borrowings

1. Core Crown borrowings represent the total debt obligations of the consolidated core Crown segment. This includes any government stock held by ACC and includes settlement deposits with the Reserve Bank.
2. Unsettled sales and purchases of securities are classified in the Statement of Financial Position as receivables and accounts payable, respectively.
3. The NZS Fund borrowings adjustment also reflects any government stock held by NZS Fund.
4. Core Crown financial assets includes any asset that is cash, deposits, share investments, advances, other marketable securities or a right to exchange a financial asset or liability on favourable terms (derivatives in gain).
5. Crown entity borrowings represents the total debt obligations of the consolidated Crown entities. This includes debt issued by Crown entities, such as Kāinga Ora.
6. Kiwi Group borrowings includes Kiwi Group customer deposits as disclosed in Note 16: Borrowings and other 3rd party derivative balances.
7. Includes Reserve Bank's New Zealand dollar transactional banking services for other Central Banks and the International Monetary Fund.

Reconciliation Between the Financial Statements and Key Government Fiscal Indicators

Financial Results	2025 Actual $m	2026 Unaudited Actual $m	2027 Forecast $m	2028 Forecast $m	2029 Forecast $m	2030 Forecast $m	2031 Forecast $m
Core Crown taxation revenue...	121,698	125,884	137,185	144,493	153,156	161,620	169,672
...combined with other core Crown revenue...	12,713	12,765	13,285	13,940	14,601	15,183	15,337
...funds core Crown expenses...	(141,675)	(146,219)	(154,609)	(158,308)	(163,238)	(168,642)	(173,668)
...and with SOE and CE[1] excluding ACC results...	(2,042)	(1,071)	(2,611)	(959)	(503)	(104)	352
...this results in an operating balance before gains and losses excluding ACC **(OBEGALx)**...	(9,306)	(8,641)	(6,750)	(834)	4,016	8,057	11,693
...adding back ACC revenue and expenses...	(4,667)	(2,098)	(1,980)	(2,104)	(1,954)	(1,747)	(2,814)
...this results in an operating balance before gains and losses **(OBEGAL)**...	(13,973)	(10,739)	(8,730)	(2,938)	2,062	6,310	8,879
...with gains/losses leading to an **operating surplus/(deficit)...**	(4,400)	1,136	(2,963)	3,477	8,902	13,543	16,693
...with income in SOEs, CEs[1] and the NZS Fund retained...	(2,326)	(7,379)	(1,505)	(3,675)	(4,729)	(5,711)	(5,662)
...and some items do not impact cash	5,046	4,095	(3,004)	1,142	2,255	2,580	2,590
This leads to an operating residual cash surplus/(deficit)...	**(1,680)**	**(2,148)**	**(7,472)**	**944**	**6,428**	**10,412**	**13,621**
...used to make contributions (to)/from the NZS Fund...	(879)	-	(562)	(155)	(350)	(449)	(473)
...and to use for capital expenditure...	(3,669)	(3,951)	(4,550)	(4,244)	(3,638)	(2,815)	(2,748)
...and to make advances	6,194	5,851	(3,107)	(2,267)	(2,257)	(1,995)	(178)
...and to purchase investments	(5,962)	(4,644)	(6,300)	(5,426)	(3,840)	(2,555)	(1,756)
Adjusting for forecast adjustments (top-down/new spending)...	-	-	6	(2,387)	(3,628)	(4,380)	(5,168)
...results in a **borrowing requirement (cash (deficit)/surplus)**	**(5,996)**	**(4,892)**	**(21,985)**	**(13,535)**	**(7,285)**	**(1,782)**	**3,298**
Opening net core Crown debt...	175,464	182,171	186,703	209,631	222,955	230,534	232,763
...when combined with the residual cash (surplus)/deficit...	5,996	4,892	21,985	13,535	7,285	1,782	(3,298)
...and other fair value movements in financial assets and financial liabilities...	711	(360)	943	(211)	294	447	304
...results in a closing **net core Crown debt...**	**182,171**	**186,703**	**209,631**	**222,955**	**230,534**	**232,763**	**229,769**
...which as a % of GDP is	**41.9%**	**41.0%**	**43.7%**	**43.9%**	**43.3%**	**41.8%**	**39.5%**

1. State-owned enterprises (SOEs) and Crown entities (CEs).

5

Core Crown Expense Tables

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Social security and welfare	42,860	41,514	44,589	47,503	50,224	53,391	55,098	56,384	58,048	60,286
Health	27,781	28,489	29,999	30,311	32,917	34,472	34,094	34,209	34,294	34,452
Education	18,023	18,403	20,223	20,895	21,206	22,187	22,069	21,948	21,952	22,019
Core government services	5,720	6,806	8,468	7,908	5,980	6,657	6,387	6,329	6,327	6,263
Law and order	5,444	6,165	6,527	6,734	7,077	7,762	7,486	7,340	7,369	7,404
Transport and communications	4,657	5,472	5,487	5,472	6,035	5,333	5,408	5,650	5,591	5,635
Economic and industrial services	8,078	3,690	4,010	3,514	3,012	3,768	3,043	3,233	3,265	3,294
Defence	2,832	2,886	3,163	3,271	3,525	3,878	3,858	3,900	3,936	3,948
Heritage, culture and recreation	1,468	1,537	1,504	1,457	1,439	1,442	1,412	1,396	1,365	1,357
Primary services	949	1,156	1,062	996	1,030	1,351	1,136	1,126	1,180	1,098
Housing and community development	2,033	2,312	2,512	2,150	1,958	2,289	1,908	1,852	1,749	1,795
Environmental protection	2,549	2,381	2,297	2,410	2,509	2,874	2,716	2,691	2,609	2,641
GSF pension expenses	94	61	69	65	61	46	48	47	46	45
Other	269	133	145	127	189	210	81	277	276	276
Finance costs	2,884	6,569	8,943	8,862	9,057	10,291	11,396	12,481	13,502	13,689
Forecast new operating spending	..	..	..	..	..	1,258	2,968	5,025	7,783	10,116
Top-down operating expense adjustment	..	..	..	..	..	(2,600)	(800)	(650)	(650)	(650)
Core Crown expenses	**125,641**	**127,574**	**138,998**	**141,675**	**146,219**	**154,609**	**158,308**	**163,238**	**168,642**	**173,668**

The classifications of the functions of the Government reflect current approved baselines. Forecast new operating spending is shown as a separate line item in the above analysis and will be allocated to functions of the Government once decisions are made in future Budgets.

Source: The Treasury

Table 5.1 – Social security and welfare expenses

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Welfare benefits (see below)[1,2]	39,187	37,576	40,294	43,525	46,166	48,757	50,599	51,848	53,800	55,980
Departmental expenses	2,747	2,782	3,013	2,782	2,934	3,313	3,219	3,136	2,807	2,796
Social rehabilitation and compensation	358	386	415	447	481	516	555	597	642	690
Flexi-wage subsidy	59	52	25	27	..	..	..	..	..	..
Other non-departmental expenses[1,2]	509	718	842	722	643	805	725	803	799	820
Social security and welfare expenses	**42,860**	**41,514**	**44,589**	**47,503**	**50,224**	**53,391**	**55,098**	**56,384**	**58,048**	**60,286**

1. The '2023 Actual' has been restated to include expenses previously classified as other benefits within the welfare benefit expenses table below.
2. The '2025 Actual' has been restated to exclude expenses previously classified as other benefits within the welfare benefit expenses table below.

Source: The Treasury

Table 5.2 – Welfare benefit expenses

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
New Zealand Superannuation	17,764	19,517	21,574	23,191	24,721	26,480	28,321	29,706	31,237	32,888
Jobseeker Support and Emergency Benefit	3,330	3,473	4,062	4,641	4,926	5,031	5,011	4,904	5,001	5,109
Supported Living Payment	2,047	2,311	2,530	2,668	2,826	3,006	3,190	3,286	3,434	3,581
Sole Parent Support	1,704	1,917	2,097	2,255	2,386	2,438	2,392	2,234	2,240	2,284
Family Tax Credit	2,017	2,151	2,297	2,434	2,438	2,574	2,603	2,676	2,633	2,680
Other Working for Families tax credits	519	476	448	561	620	843	610	579	561	546
Accommodation Assistance	2,386	2,349	2,411	2,232	2,306	2,233	2,330	2,221	2,247	2,283
Income-Related Rents	1,323	1,322	1,517	1,752	1,963	1,896	1,881	1,873	1,946	2,019
Disability Assistance	412	431	464	492	518	531	538	538	545	558
Winter Energy Payment	513	519	537	562	582	595	604	613	624	635
Best start	308	321	336	346	339	286	275	281	274	279
Orphan's/Unsupported Child's Benefit	313	350	384	402	416	433	447	453	460	465
Hardship Assistance	497	673	667	755	810	803	737	738	773	815
Paid Parental Leave	603	608	647	709	726	760	800	840	885	930
Childcare Assistance	132	139	165	167	160	164	173	176	180	184
FamilyBoost tax credit	..	..	..	51	137	168	166	163	159	154
Veteran's Pension	134	132	132	132	132	133	134	134	134	135
Emergency Housing Assistance[1]	..	..	..	74	40	42	57	64	65	68
Wage Subsidy Scheme	4,689	..	1	..	..	..	..	..	..	..
Cost of living payment	..	600	..	..	..	..	..	..	..	..
Covid leave support	471	273	13	..	..	..	..	..	..	..
Other benefits[2,3]	25	14	12	101	120	341	330	369	402	367
Benefit expenses	**39,187**	**37,576**	**40,294**	**43,525**	**46,166**	**48,757**	**50,599**	**51,848**	**53,800**	**55,980**

1. Previously included within Accommodation Assistance.
2. The '2023 Actual' has been restated to reclassify expenses from other benefits to other non-departmental expenses within the social security and welfare expenses table above.
3. The '2025 Actual' has been restated to reclassify expenses from other non-departmental expenses to other benefits within the social security and welfare expenses table above.

Source: The Treasury

Beneficiary numbers[1] (Thousands)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
New Zealand Superannuation	848	870	899	928	959	992	1,026	1,057	1,086	1,112
Jobseeker Support and Emergency Benefit	193	177	194	217	227	225	217	214	212	212
Supported living payment	98	103	105	108	111	114	117	120	122	125
Sole parent support	70	73	76	79	81	80	76	73	71	71
Accommodation Supplement	353	347	358	377	381	355	350	349	351	353

1. Actual numbers have been reclassified so may differ from previous published Economic and Fiscal Update numbers.

Source: Ministry of Social Development

Table 5.3 – Health expenses

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Departmental outputs	386	222	265	222	212	227	218	216	225	225
Purchasing of health services[1,5]	17,727	21,363	23,712	24,320	26,591	27,361	27,167	27,177	27,103	27,107
National disability support services[4]	1,870	2,062	2,340	2,425	2,487	3,073	2,793	2,794	2,788	2,788
National Pharmaceuticals Purchasing[2]	1,085	1,186	1,806	1,690	1,760	1,807	1,808	1,808	1,808	1,808
Other non-departmental outputs[4]	770	583	612	619	594	657	659	688	731	763
Health payments to ACC	896	952	1,010	1,026	1,221	1,312	1,411	1,517	1,631	1,753
National health response to COVID-19[3]	4,965	2,112	247	..	..	..	..	..	..	..
Other expenses	82	9	7	9	52	35	38	9	8	8
Health expenses	**27,781**	**28,489**	**29,999**	**30,311**	**32,917**	**34,472**	**34,094**	**34,209**	**34,294**	**34,452**

1. Reforms to the NZ health system took place from 1 July 2022 with the regional DHB systems replaced by a national health system.
2. Previously included in purchasing of health services.
3. This line includes spending in relation to vaccines, managed isolation and quarantine as well as other COVID-19 response costs.
4. The '2025 Actual' has been restated to reclassify expenses from national disability support services to other non-departmental outputs.
5. From 2026/27 onwards, funding to Health New Zealand for capital charge costs are excluded as it is now exempt from the regime. This change is fiscally neutral to the Crown as this reduction in expense also results in a reduction to revenue. It does not reflect a change in the funding the health system has available for health infrastructure development or service delivery.

Source: The Treasury

Table 5.4 – Education expenses

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Early childhood education	2,247	2,355	2,710	3,074	3,018	3,104	3,164	3,222	3,256	3,280
Primary and secondary schools (see below)	8,478	8,616	9,741	9,950	10,223	11,214	11,274	11,093	11,065	11,046
Tertiary funding (see below)	4,804	4,663	5,014	5,171	5,293	5,386	5,326	5,244	5,268	5,299
Departmental expenses	1,962	2,188	2,513	2,576	2,550	2,389	2,254	2,337	2,311	2,342
COVID-19 apprentice support	255	141	90	48	20	26	26	26	26	26
Other education expenses[1]	277	440	155	76	102	68	25	26	26	26
Education expenses	**18,023**	**18,403**	**20,223**	**20,895**	**21,206**	**22,187**	**22,069**	**21,948**	**21,952**	**22,019**

1. Includes training incentive allowance.

Source: The Treasury

Number of places provided[1]	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Early childhood education	220,742	224,217	228,596	228,759	232,619	236,292	240,553	243,875	245,987	247,764

1. Full-time equivalent based on 1,000 funded child hours per calendar year.
Historical place numbers have been revised so may differ from previous published Economic and Fiscal Update numbers.
The '2026 Unaudited Actual' figures are based on the calendar year and are a combination of actual and forecast place numbers.

Source: The Ministry of Education

Table 5.5 – Primary and secondary schools

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Primary	4,122	4,116	4,656	4,794	4,959	..	..	..	..	..
Secondary	3,135	3,174	3,617	3,693	3,856	..	..	..	..	..
School transport	210	235	255	263	267	..	..	..	..	..
Professional development	129	128	129	130	108	..	..	..	..	..
Schooling improvement	20	23	34	24	26	..	..	..	..	..
School lunch programme	204	267	285	246	177	..	..	..	..	..
Learning support	658	673	765	800	830	552	590	618	628	636
Teachers, leaders and governance[1]	..	..	..	..	..	6,813	6,926	6,840	6,800	6,779
Access to education[1]	..	..	..	..	..	869	758	641	641	641
System stewardship and operational management[1]	..	..	..	..	..	2,980	3,000	2,994	2,996	2,990
Primary and secondary education expenses	**8,478**	**8,616**	**9,741**	**9,950**	**10,223**	**11,214**	**11,274**	**11,093**	**11,065**	**11,046**

1. The Ministry of Education have restructured their appropriations from 2026/27.

Source: The Treasury

Number of places provided[1]	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Primary	520,060	523,982	529,722	526,590	521,335	519,913	516,463	510,429	507,688	505,315
Secondary	297,309	303,706	315,903	322,805	325,050	324,094	321,776	320,874	318,967	316,324

1. These are snapshots as at 1 July for primary year levels (years 1 to 8) and 1 March for secondary year levels (years 9 to 13). These numbers exclude home schooling.
They are the number of full-time equivalent students enrolled in New Zealand schools, including State, State-integrated, Private-Fully Registered, Private-Provisionally Registered and other.

Source: The Ministry of Education

Table 5.6 – Tertiary funding

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Tuition	3,205	3,135	3,197	3,272	3,253	3,329	3,247	3,154	3,156	3,157
Other tertiary funding	755	729	688	649	636	629	578	570	570	570
Student allowances	556	525	526	574	641	704	715	699	689	689
Student loans	288	274	603	676	763	724	786	821	853	883
Tertiary education expenses	**4,804**	**4,663**	**5,014**	**5,171**	**5,293**	**5,386**	**5,326**	**5,244**	**5,268**	**5,299**

Source: The Treasury

Number of places provided[1]	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Actual delivered and estimated funded places	219,862	265,152	261,283	262,839	275,700	270,100	258,300	257,800	256,500	255,600

1. Tertiary places are the number of equivalent full time (EFT) students in: student achievement component; adult and community education; and youth guarantee programmes.
Place numbers are based on calendar years rather than fiscal years. Note that historical place numbers have been revised so may differ from previous published Economic and Fiscal Update numbers. The forecast number of places provided is based on the number of places that can be funded under the current funding and not a forecast based on demand. From 2023, places include Industry Training Funding.

Source: Tertiary Education Commission

Table 5.7 – Core government services expenses

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Departmental expenses	2,477	2,736	2,733	2,652	2,742	2,990	2,930	2,897	2,846	2,844
International Development Cooperation	827	971	1,202	953	956	1,151	982	982	982	982
Tax receivable write-down and impairments	662	1,453	2,393	1,872	1,170	1,375	1,384	1,390	1,400	1,410
Non-departmental expenses[1,2]	928	703	401	513	778	364	546	564	663	602
North Island weather events 2023	..	..	794	960	34	7	1	..	..	..
Science expenses	114	128	115	119	124	82	75	46	16	9
Indemnity and guarantee expenses	3	24	38	34	29	24	23	23	23	23
Shovel ready project funding	..	3	14	11	..	..	..	..	..	..
Other expenses[1,2]	709	788	778	794	147	664	446	427	397	393
Core government service expenses	**5,720**	**6,806**	**8,468**	**7,908**	**5,980**	**6,657**	**6,387**	**6,329**	**6,327**	**6,263**

1. The '2023 Actual' has been restated to update sub-classifications.
2. The '2025 Actual' has been restated to reclassify expenses from other non-departmental expenses to other expenses.

Source: The Treasury

Table 5.8 – Law and order expenses

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Police	2,206	2,476	2,630	2,716	2,827	2,923	2,698	2,640	2,640	2,633
Department of Corrections	1,645	1,798	1,952	2,077	2,221	2,395	2,415	2,437	2,457	2,504
Ministry of Justice	704	748	814	821	859	911	891	868	870	866
NZ Customs Service[1]	200	190	197	224	234	276	289	293	293	293
Other departments[1]	152	231	235	200	190	242	232	233	233	233
Departmental expenses	**4,907**	**5,443**	**5,828**	**6,038**	**6,331**	**6,747**	**6,525**	**6,471**	**6,493**	**6,529**
Non-departmental outputs	537	712	646	658	701	784	697	689	687	686
Other expenses	..	10	53	38	45	231	264	180	189	189
Law and order expenses	**5,444**	**6,165**	**6,527**	**6,734**	**7,077**	**7,762**	**7,486**	**7,340**	**7,369**	**7,404**

1. The '2023 Actual' has been restated to update sub-classifications.

Source: The Treasury

Table 5.9 – Transport and communication expenses

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Departmental outputs	82	124	105	87	86	89	74	73	72	72
Waka Kotahi NZ Transport Agency	2,782	2,212	3,311	3,991	3,959	3,921	3,869	4,532	4,929	5,269
Rail funding	310	567	745	758	624	501	368	249	209	4
Funding to support the aviation and transport industries	554	197	89	76	..	..	..	..	..	..
North Island weather events 2023	..	250	312	191	..	..	..	..	..	..
Funding to support Waka Kotahi NZ Transport Agency due to impact of COVID-19	128	18	19	62	..	..	..	..	..	..
Shovel ready project funding to Crown Infrastructure Partners	..	..	326	..	..	..	..	..	..	..
Funding National Land Transport Fund shortfall due to changes in fuel excise duty and road user charges[1, 2]	411	1,613	..	..	..	275	649	423	98	31
Other non-departmental expenses	200	395	317	231	206	184	147	119	119	119
Other expenses[2, 3]	190	96	263	76	1,160	363	301	254	164	140
Transport and communication expenses	**4,657**	**5,472**	**5,487**	**5,472**	**6,035**	**5,333**	**5,408**	**5,650**	**5,591**	**5,635**

1. Renamed from 'Transport temporary relief package'.
2. Largely reflects operating funding to Waka Kotahi NZ Transport Agency to account for the shortfall in revenue as a result of changes in fuel excise duty and road user charges.
3. The '2022 Actual' for other expenses include costs in relation to the Government's response to COVID-19.
4. Increase in 2026 largely reflects the divestment of the City Rail Link project.

Source: The Treasury

Table 5.10 – Economic and industrial services expenses

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Departmental outputs	626	695	762	727	821	891	818	802	781	785
Non-departmental outputs[1,2,4]	1,701	1,573	1,830	1,254	1,259	1,485	1,351	1,542	1,572	1,577
KiwiSaver (includes HomeStart grant)	964	997	1,014	1,020	470	494	516	541	565	589
Initial fair value write-down on the Small Business Cashflow Scheme loans	230	54	..	..	..	..	..	..	..	..
COVID-19 Resurgence Support payments	4,019	..	..	..	..	..	..	..	..	..
Shovel ready project to support energy projects	14	13	9	3	7	..	..	..	..	..
Shovel ready project funding to support regional projects	174	67	..	..	..	..	..	..	..	..
Worker redeployment package	6	1	1	..	..	..	..	..	..	..
Other expenses[3,4]	344	290	394	510	455	898	358	348	347	343
Economic and industrial services expenses	**8,078**	**3,690**	**4,010**	**3,514**	**3,012**	**3,768**	**3,043**	**3,233**	**3,265**	**3,294**

1. Non-departmental outputs include Provincial Growth Fund expenses.
2. Non-departmental outputs include employment initiatives previously presented separately.
3. The '2022 Actual' other expenses include costs in relation to the Government's response to COVID-19.
4. The '2025 Actual' has been restated to reclassify expenses from non-departmental outputs to other expenses.

Source: The Treasury

Table 5.11 – Defence expenses

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
New Zealand Defence Force expenses	2,672	2,754	3,033	3,074	3,364	3,611	3,594	3,649	3,686	3,699
Other expenses	160	132	130	197	161	267	264	251	250	249
Defence expenses	**2,832**	**2,886**	**3,163**	**3,271**	**3,525**	**3,878**	**3,858**	**3,900**	**3,936**	**3,948**

Source: The Treasury

Table 5.12 – Heritage, culture and recreation expenses

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Departmental outputs	374	449	473	463	515	517	505	483	469	461
Non-departmental outputs	809	837	871	872	790	775	780	780	778	778
Screen Production Grants	69	66	43	52	66	74	70	70	70	70
COVID-19 cultural sector response	73	70	36	..	..	..	..	..	..	..
Other expenses[1]	143	115	81	70	68	76	57	63	48	48
Heritage, culture and recreation expenses	**1,468**	**1,537**	**1,504**	**1,457**	**1,439**	**1,442**	**1,412**	**1,396**	**1,365**	**1,357**

1. The '2022 Actual' other expenses include costs in relation to the Government's response to COVID-19.

Source: The Treasury

Table 5.13 – Primary services expenses

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Departmental expenses	724	788	775	740	778	937	884	883	871	871
Non-departmental outputs	106	149	131	114	108	209	150	142	208	209
Other expenses[1]	119	219	156	142	144	205	102	101	101	18
Primary services expenses	**949**	**1,156**	**1,062**	**996**	**1,030**	**1,351**	**1,136**	**1,126**	**1,180**	**1,098**

1. From '2023 Actual' onwards other expenses include aquaculture settlements, expenses associated with sustainable food and fibre futures and the 2023 North Island weather events.

Source: The Treasury

Table 5.14 – Housing and community development expenses

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Departmental outputs	255	259	286	279	286	263	255	252	252	252
Community services	438	477	396	436	435	437	409	408	408	408
Housing Acceleration Fund	22	30	78	157	173	254	265	243	117	71
Transitional housing[1]	324	318	360	354	329	361	328	301	314	301
Water infrastructure	239	301	319	94	71	92	5	5	5	5
Shovel ready project funding to support housing projects	35	39	46	58	17	12	..	..	..	..
Warm up New Zealand	62	34	1	76	82	101	..	..	..	..
Other non-departmental expenses	601	681	869	658	548	476	456	487	495	595
Other expenses[2]	57	173	157	38	17	293	190	156	158	163
Housing and community development expenses	**2,033**	**2,312**	**2,512**	**2,150**	**1,958**	**2,289**	**1,908**	**1,852**	**1,749**	**1,795**

1. Previously included in other non-departmental expenses.
2. Includes housing subsidies previously presented separately.

Source: The Treasury

Table 5.15 – Environmental protection expenses

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
NZ Emissions Trading Scheme[1]	1,540	1,215	894	1,111	1,325	1,261	1,335	1,400	1,449	1,477
Departmental outputs	690	776	845	787	780	966	868	808	797	794
Non-departmental outputs	170	165	354	406	265	546	494	472	351	358
Clean car discount	128	203	116	..	..	..	..	..	..	..
Accelerating energy efficiency and fuel switching	..	2	42	90	77	64	..	..	..	..
Other expenses[1]	21	20	46	16	62	37	19	11	12	12
Environmental protection expenses	**2,549**	**2,381**	**2,297**	**2,410**	**2,509**	**2,874**	**2,716**	**2,691**	**2,609**	**2,641**

1. '2022 Actual' and '2023 Actual' were restated to update sub-classifications.

Source: The Treasury

Table 5.16 – Finance costs

($millions)	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
Interest on financial liabilities	2,796	6,154	8,329	8,291	8,698	9,940	11,002	12,064	13,081	13,279
Interest unwind on provisions	88	415	614	571	359	351	394	417	421	410
Finance costs expenses	**2,884**	**6,569**	**8,943**	**8,862**	**9,057**	**10,291**	**11,396**	**12,481**	**13,502**	**13,689**

Source: The Treasury

Glossary of Terms

Accruals basis of accounting

An accounting basis where revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled.

Appropriations

Appropriations are legal authorities granted by Parliament to the Crown, an Office of Parliament or a parliamentary agency to use public resources. Most appropriations are set out in Appropriation Acts.

Baselines

The level of funding approved for any given area of spending (eg, Vote Education).

Consumers Price Index (CPI)

Stats NZ's official index to measure the rate of change in prices of goods and services purchased by households. Core or underlying inflation measures exclude or give little weight to extreme or irregular price movements.

Contingent assets

Revenue that the Crown will realise if a particular uncertain event occurs, or a present asset is unable to be measured with sufficient reliability to be recorded in the financial statements (unquantified contingent assets). Contingent assets typically comprise suspensory or concessional loans with specific events that trigger repayment to the Crown and IRD pending assessments (where there is a proposed adjustment to a tax assessment).

Contingent liabilities

Costs that the Crown will have to face if a particular uncertain event occurs, or present liabilities that are unable to be measured with sufficient reliability to be recorded in the financial statements (unquantified contingent liabilities). Contingent liabilities typically comprise guarantees and indemnities, legal disputes and claims, and uncalled capital.

Core Crown

A reporting segment consisting of the Crown, departments, Offices of Parliament, parliamentary agencies, the NZ Super Fund and the Reserve Bank. For a list of all entities included in this segment, refer to the Government Reporting Entity (pages 87 to 90).

Core Crown expenses

The day-to-day expenditure (eg, public servants' salaries, welfare benefit payments, finance costs and maintaining national defence etc) that does not include capital expenditure on the construction or purchase of physical assets for the core Crown. This is an accrual measure of expenses and includes items such as depreciation on physical assets.

Core Crown residual cash

The level of money the Government has available to repay debt or, alternatively, needs to borrow in any given year. Core Crown residual cash is alternatively termed "Cash available/(shortfall to be funded)". Core Crown residual cash is equal to net core Crown cash flow from operations excluding NZS Fund activity less core Crown capital payments (eg, purchase of assets, loans to others).

Core Crown revenue

Consists primarily of tax revenue collected by the Government but also includes investment revenue, sales of goods and services, and other revenue of the core Crown. This is an accrual measure of revenue.

Current account (balance of payments)

The current account records the value of New Zealand's transactions with the rest of the world in goods, services, income and transfers. The current account balance is the sum of all current account credits less all current account debits. When the sum of debits is greater than the sum of credits there is a current account deficit. The current account balance is commonly expressed as a percentage of nominal GDP.

Cyclically adjusted balance (CAB) and structural balance

The Treasury's cyclically adjusted balance (CAB) and structural balance indicators aim to reveal underlying trends in the fiscal position. The cyclically adjusted versions of OBEGAL and OBEGALx remove fluctuations in expenses and tax revenue that happen automatically over the economic cycle. The structural versions also remove significant expenses or revenue associated with one-off events.

Demographic changes

Changes to the structure of the population such as the age, gender or ethnic composition.

Domestic bond programme

The amount and timing of government bonds expected to be issued or redeemed by the Treasury.

Financial assets

Any asset that is cash, an equity instrument of another entity (shares), a contractual right to receive cash or shares (taxes receivable and ACC levies) or a right to exchange a financial asset or liability on favourable terms (derivatives in gain).

Financial liabilities

Any liability that is a contractual obligation to pay cash (government stock, accounts payable) or an obligation to exchange a financial asset or liability on unfavourable terms (derivatives in loss).

Fiscal balance and total fiscal impulse (TFI)

The fiscal balance is a measure of the contribution of fiscal policy to aggregate demand. It is core Crown and Crown entities residual cash adjusted for some expenditure items that do not directly affect domestic demand. The total fiscal impulse (TFI) is a measure of the change in the contribution of fiscal policy to aggregate demand relative to the previous year. It is the change in the fiscal balance as a percentage of nominal potential GDP, with the sign reversed so that positive values indicate fiscal policy is adding support to demand relative to the previous year.

Fiscal drag

The additional personal income tax generated as an individual's average tax rate increases as their nominal income increases.

Forecast new capital spending

An amount provided in the forecasts to represent the balance sheet impact of capital initiatives expected to be introduced over the forecast period.

Forecast new operating spending

An amount included in the forecasts to provide for the operating balance (revenue and expenditure) impact of policy initiatives, changes to demographics and other forecasting changes expected to occur over the forecast period.

Gains and losses

Gains and losses typically arise from the revaluation of assets and liabilities, such as investments in financial assets and long-term liabilities for ACC and GSF. These valuation changes are reported directly as a movement in net worth (eg, asset revaluation reserves) or indirectly through the Statement of Financial Performance.

GDP deflator

An index of changes in the general price level in the economy. It is calculated as the ratio of nominal GDP to real GDP.

Generally accepted accounting practice (GAAP)

GAAP refers to the rules and concepts used to prepare and present financial statements. GAAP is an independent set of standards and frameworks that govern the recognition, measurement and disclosure of financial elements, such as assets, liabilities, revenues and expenses.

Gross debt

Represents debt issued by sovereign (core Crown) and includes Government stock held by NZS Fund and ACC. It does not include debt issued by SOEs and Crown entities. Gross debt excludes Reserve Bank settlement cash and Reserve Bank bills.

Gross domestic product (GDP)

A measure of the total market value of all final goods and services produced in New Zealand (that is, excluding goods and services used up during the production process). Changes in GDP measure growth or contraction in economic activity or output. GDP can be measured on an expenditure, production or income basis and in either real (constant price) or nominal (current price) terms.

Gross national expenditure (GNE)

A measure of total expenditure on final goods and services by New Zealand residents.

Insurance liabilities

The gross obligation for the future cost of claims incurred prior to balance date represented in today's dollars (present value). The net liability is the gross liability less the asset reserves held to meet those claims.

Inter-segment eliminations

The amounts of transactions between different segments (core Crown, Crown entities and SOEs) that are eliminated to determine the total Crown results.

Labour Cost Index (LCI)

The LCI measures changes in labour costs for a constant quantity and quality of labour, including base wages, overtime, and non-wage labour-related costs such as annual leave and insurance.

Labour force participation rate

The percentage of the working-age population in work or actively looking for and available for work (the employed and unemployed).

Labour productivity

Output per unit of labour input (where labour inputs might be measured as hours worked or the number of people employed).

Loan-to-value ratio restrictions

A loan-to-value ratio (LVR) is the value of a home loan divided by the value of the mortgaged property. The Reserve Bank first introduced LVR restrictions in October 2013 in response to rapid house price growth, placing limits on how much banks are allowed to lend to high-LVR borrowers.

Marketable securities

Assets held with financial institutions. These assets are held for both cash flow and investment purposes. Examples are bonds, commercial papers and debentures.

Minority interest

Minority interest refers to shareholders of Government reporting entities outside the Crown. Current examples include those who hold shares in the mixed ownership companies.

Monetary conditions

Aggregate monetary conditions measure the degree to which short-term interest rates and the exchange rate either support or restrict economic growth.

Monetary policy

The Reserve Bank uses monetary policy to regulate monetary conditions in New Zealand. The Reserve Bank primarily uses the Official Cash Rate (OCR) to implement monetary policy decisions. However, additional monetary policy responses can be used as well, such as the Large Scale Asset Purchase (LSAP) programme and the Funding for Lending programme (FLP). These measures are all designed to maintain stability in the rate of CPI inflation within a defined target range.

Tightening monetary policy means raising interest rates (such as via the OCR) in order to moderate aggregate demand pressures and reduce inflationary pressures. Easing monetary policy has the reverse effect.

Multi-factor productivity

Multi-factor productivity (MFP) relates a change in output to several types of inputs, typically capital and labour. MFP is often measured residually, as the change in output that cannot be accounted for by the change in combined inputs.

National saving

National disposable income less private and public consumption spending. Income excludes gains and losses on capital. Gross saving includes depreciation.

Net core Crown debt

Net core Crown debt provides information about the sustainability of the Government's accounts and is used by some international rating agencies when determining the creditworthiness of a country. It represents debt issued by the sovereign (the core Crown) less core Crown financial assets (excluding advances and financial assets held by the NZS Fund). Advances and financial assets held by the NZS Fund are excluded as these assets are less liquid and/or they are made for public policy reasons rather than for the purposes associated with government financing.

Net debt

Net debt provides information about the sustainability of the Government's accounts. Net debt represents core Crown and Crown entity borrowings (excluding Kiwi Group Capital Limited) less core Crown financial assets (including advances). It includes the financial assets and borrowings of the NZS Fund.

Net international investment position (NIIP)

The net value of New Zealand's international assets and liabilities at a point in time.

Net Worth

Total assets less total liabilities. The change in net worth in any given year is largely driven by the operating balance and property, plant and equipment revaluations. Net worth provides a useful and comprehensive measure of how strong the Government's finances are, including its resilience to fiscal shocks such as natural disasters or significant deterioration in the global economy.

Net worth attributable to the Crown

Represents the Crown's share of total assets and liabilities and excludes minority interests' share of those assets and liabilities.

Operating balance

Represents OBEGAL (refer below) plus gains and less losses. The operating balance includes gains and losses not reported directly as a movement against net worth. The impact of gains and losses on the operating balance can be subject to short-term market volatility and revaluations of long-term liabilities.

Operating balance before gains and losses (OBEGAL)

Represents core Crown revenue less core Crown expenses plus surpluses from SOEs and Crown entities. OBEGAL can provide a more useful measure of underlying stewardship than the operating balance as short-term market fluctuations are not included in the calculation.

Operating balance before gains and losses excluding ACC revenue and expenses (OBEGALx)

Represents OBEGAL (refer above) excluding the revenue and expenses of ACC.

Output gap

The difference between actual and potential GDP (see potential output).

Outputs

Outputs are the goods and services commissioned by Ministers from public, non-governmental and private sector producers. Outputs may include the supply of policy advice, enforcement of regulations (such as speed limits in transport), provision of a range of services (in health, education, etc), negotiation and management of contracts and administration of benefits.

Potential output

The level of output an economy can sustain without an acceleration of inflation.

Productivity

The amount of output (eg, GDP) per unit of input.

Settlement cash

This is the amount of money deposited with the Reserve Bank by registered banks. It is a liquidity mechanism used to settle wholesale obligations between registered banks and provides the basis for settling most of the retail banking transactions that occur every working day between businesses and individuals.

Specific fiscal risks

All government decisions and other circumstances known to the Treasury where the fiscal implications may have a material effect on the fiscal and economic outlook, but are not certain enough on the outcome, timing or quantum to include in the forecasts.

System of National Accounts (SNA)

A set of macroeconomic accounts, developed by the international community, to facilitate international comparisons of national economic statistics. This differs from the GAAP framework that is used for reporting by the Government in New Zealand.

Taxpayer funds

The accumulation of past operating surpluses and deficits.

Tax receipts

Tax that has been paid from a taxpayer to the relevant collection agency. Also referred to as cash.

Tax revenue

The accrual, rather than the cash (tax receipts) measure of taxation. It is a measure of tax over a given period of time, regardless of whether or not it has actually been paid.

Terms of trade

The terms of trade measure the volume of imports that can be funded by a fixed volume of exports and are calculated as the ratio of the total export price index to the total import price index. New Zealand's headline terms of trade series is derived from export and import price indices from Stats NZ's quarterly overseas trade indices. The Treasury forecasts the terms of trade on an SNA basis, using implicit export and import price indices derived from quarterly national accounts data.

Top-down adjustment

An adjustment to expenditure forecasts to reflect the extent to which departments use appropriations (upper spending limits) when preparing their forecasts. As appropriations apply to the core Crown only, no adjustment is required to SOE or Crown entity forecasts. In addition to department forecasts, unallocated funding (contingencies) also attract a top-down adjustment where it is considered unlikely that all of the contingencies indicatively phased to a particular year are expected to be allocated and spent in that year.

Total borrowings

Represents the Government's total debt obligations to external parties and can be split into sovereign-guaranteed debt and non-sovereign-guaranteed debt. Non-sovereign-guaranteed debt represents the debt obligations of SOEs and Crown entities that are not guaranteed by the Crown.

Total Crown

Includes the core Crown (defined above) plus Crown entities, SOEs and other entities listed in Schedule 4 and 4a of the Public Finance Act 1989 (which are listed on pages 87 to 90). Also known as the Government Reporting Entity.

Trade Weighted Index (TWI)

A measure of movements in the NZ dollar against the currencies of our major trading partners. The TWI is based on 17 currencies, weighted according to each country's direct bilateral trade in goods and services with New Zealand. Together these countries account for more than 80% of New Zealand's foreign trade.

Underutilisation rate

The underutilisation rate is a broad measure of untapped labour market capacity. In addition to the unemployed, it includes part-time workers who want and are able to work longer hours (the under-employed), people who want a job and are available to work but not currently looking for a job (the available potential jobseeker), and people who are currently unavailable but are looking for a job and will be able to start working within the next month (the unavailable jobseeker).

Votes

When Parliament considers legislation relating to appropriations, the appropriations are grouped within 'Votes'. Generally, a 'Vote' will group similar or related appropriations together (eg, Vote Health includes all health-related appropriations administered by the Ministry of Health).

Year ended

Graphs and tables within this document use different expressions of the timeframe. While some tables may refer to the end of the tax year (31 March), others will refer to the end of the Government's financial year (30 June). For example, unless otherwise stated references to 2026/27 or 2027 will mean the year ended 30 June.

Time Series of Fiscal and Economic Indicators

Fiscal Indicators

Year ended 30 June	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Unaudited Actual	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast
$millions															
Revenue and expenses															
Core Crown tax revenue	75,644	80,224	86,468	85,102	97,983	108,458	112,358	120,566	121,698	125,884	137,185	144,493	153,156	161,620	169,672
Core Crown revenue	81,782	86,778	93,474	91,923	104,968	117,515	123,398	133,220	134,411	138,649	150,470	158,433	167,757	176,803	185,009
Total Crown revenue	103,422	109,973	119,142	116,003	129,335	141,627	153,011	167,347	169,811	172,334	185,857	195,219	205,632	216,681	226,122
Core Crown expenses	76,339	80,576	86,959	108,832	107,764	125,641	127,574	138,998	141,675	146,219	154,609	158,308	163,238	168,642	173,668
Total Crown expenses	99,007	104,014	111,376	138,916	133,722	150,956	161,822	180,061	183,502	182,691	194,473	197,731	203,182	209,950	216,699
Operating balance (excluding minority interests)	12,317	8,396	389	(30,040)	16,159	(16,932)	5,321	(8,365)	(4,400)	1,136	(2,963)	3,477	8,902	13,543	16,693
Fiscal strategy indicators															
OBEGAL (excluding ACC)	4,653	5,942	8,504	(20,902)	(2,559)	(8,664)	(7,199)	(8,773)	(9,306)	(8,641)	(6,750)	(834)	4,016	8,057	11,693
OBEGAL (excluding minority interests)	4,069	5,534	7,429	(23,057)	(4,560)	(9,691)	(9,446)	(12,854)	(13,973)	(10,739)	(8,730)	(2,938)	2,062	6,310	8,879
Core Crown residual cash	2,574	1,346	(710)	(23,692)	(13,767)	(27,043)	(25,648)	(19,302)	(5,996)	(4,892)	(21,985)	(13,535)	(7,285)	(1,782)	3,298
Net debt	16,249	11,219	5,432	35,710	35,921	61,850	71,367	82,197	88,719	91,092	105,751	111,974	111,514	105,583	95,298
Net debt (excl. NZS Fund)	51,548	50,763	50,822	79,930	95,188	117,115	136,268	158,255	172,926	184,700	206,498	218,847	225,086	226,387	223,821
Gross debt[1]	87,141	88,053	84,449	102,257	100,835	118,950	135,789	175,966	203,688	227,448	243,425	259,412	269,819	273,177	269,019
Net core Crown debt[2]	59,480	57,495	57,736	83,375	102,080	128,873	155,273	175,464	182,171	186,703	209,631	222,955	230,534	232,763	229,769
Statement of financial position															
Total assets	313,609	339,932	364,652	393,400	438,596	501,844	536,666	570,868	597,976	619,565	635,067	662,043	687,683	712,327	734,567
Total liabilities	197,137	204,295	221,313	277,457	281,403	327,525	345,194	379,819	408,848	431,851	438,512	461,971	478,562	489,924	495,339
Net worth	116,472	135,637	143,339	115,943	157,193	174,319	191,472	191,049	189,128	187,714	196,555	200,072	209,121	222,403	239,228
Net worth attributable to the Crown	110,532	129,644	136,949	110,320	151,469	167,036	183,514	181,818	179,260	177,203	186,521	190,074	199,158	212,795	229,618
Nominal expenditure GDP (revised)[3]	275,691	295,491	310,174	317,875	343,739	365,304	401,827	420,858	435,071	455,882	480,119	507,501	532,347	557,351	582,358
% GDP															
Revenue and expenses															
Core Crown tax revenue	27.4%	27.1%	27.9%	26.8%	28.5%	29.7%	28.0%	28.6%	28.0%	27.6%	28.6%	28.5%	28.8%	29.0%	29.1%
Core Crown revenue	29.7%	29.4%	30.1%	28.9%	30.5%	32.2%	30.7%	31.7%	30.9%	30.4%	31.3%	31.2%	31.5%	31.7%	31.8%
Total Crown revenue	37.5%	37.2%	38.4%	36.5%	37.6%	38.8%	38.1%	39.8%	39.0%	37.8%	38.7%	38.5%	38.6%	38.9%	38.8%
Core Crown expenses	27.7%	27.3%	28.0%	34.2%	31.4%	34.4%	31.7%	33.0%	32.6%	32.1%	32.2%	31.2%	30.7%	30.3%	29.8%
Total Crown expenses	35.9%	35.2%	35.9%	43.7%	38.9%	41.3%	40.3%	42.8%	42.2%	40.1%	40.5%	39.0%	38.2%	37.7%	37.2%
Operating balance (excluding minority interests)	4.5%	2.8%	0.1%	(9.5%)	4.7%	(4.6%)	1.3%	(2.0%)	(1.0%)	0.2%	(0.6%)	0.7%	1.7%	2.4%	2.9%
Fiscal strategy indicators															
OBEGAL (excluding ACC)	1.7%	2.0%	2.7%	(6.6%)	(0.7%)	(2.4%)	(1.8%)	(2.1%)	(2.1%)	(1.9%)	(1.4%)	(0.2%)	0.8%	1.4%	2.0%
OBEGAL (excluding minority interests)	1.5%	1.9%	2.4%	(7.3%)	(1.3%)	(2.7%)	(2.4%)	(3.1%)	(3.2%)	(2.4%)	(1.8%)	(0.6%)	0.4%	1.1%	1.5%
Core Crown residual cash	0.9%	0.5%	(0.2%)	(7.5%)	(4.0%)	(7.4%)	(6.4%)	(4.6%)	(1.4%)	(1.1%)	(4.6%)	(2.7%)	(1.4%)	(0.3%)	0.6%
Net debt	5.9%	3.8%	1.8%	11.2%	10.5%	16.9%	17.8%	19.5%	20.4%	20.0%	22.0%	22.1%	20.9%	18.9%	16.4%
Net debt (excl. NZS Fund)	18.7%	17.2%	16.4%	25.1%	27.7%	32.1%	33.9%	37.6%	39.7%	40.5%	43.0%	43.1%	42.3%	40.6%	38.4%
Gross debt[1]	31.6%	29.8%	27.2%	32.2%	29.3%	32.6%	33.8%	41.8%	46.8%	49.9%	50.7%	51.1%	50.7%	49.0%	46.2%
Net core Crown debt[2]	21.6%	19.5%	18.6%	26.2%	29.7%	35.3%	38.6%	41.7%	41.9%	41.0%	43.7%	43.9%	43.3%	41.8%	39.5%
Statement of financial position															
Total assets	113.8%	115.0%	117.6%	123.8%	127.6%	137.4%	133.6%	135.6%	137.4%	135.9%	132.3%	130.5%	129.2%	127.8%	126.1%
Total liabilities	71.5%	69.1%	71.4%	87.3%	81.9%	89.7%	85.9%	90.2%	94.0%	94.7%	91.3%	91.0%	89.9%	87.9%	85.1%
Net worth	42.2%	45.9%	46.2%	36.5%	45.7%	47.7%	47.7%	45.4%	43.5%	41.2%	40.9%	39.4%	39.3%	39.9%	41.1%
Net worth attributable to the Crown	40.1%	43.9%	44.2%	34.7%	44.1%	45.7%	45.7%	43.2%	41.2%	38.9%	38.8%	37.5%	37.4%	38.2%	39.4%

1. Excludes Reserve Bank settlement cash and bank bills.
2. Excludes advances.
3. Nominal expenditure GDP for 2026 is a forecast.

Economic Indicators

June Years	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Annual average % change	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Private consumption	6.2	4.7	4.1	-1.1	8.1	1.2	3.8	0.2	0.6	1.0	1.8	2.7	2.9	3.1	3.0
Public consumption	2.7	4.1	2.9	6.4	7.1	7.9	1.2	0.6	-0.8	4.7	1.1	0.4	0.2	0.2	0.3
TOTAL CONSUMPTION	5.4	4.5	3.8	0.6	7.8	2.8	3.2	0.3	0.3	1.9	1.6	2.2	2.3	2.4	2.3
Residential investment	4.2	-0.8	1.7	-4.4	16.5	-5.6	-0.8	-6.8	-12.1	-1.8	7.0	10.6	5.2	3.4	2.5
Business investment	1.7	11.7	4.6	-2.3	8.1	5.9	5.9	-2.5	-2.4	1.6	1.9	6.2	4.8	3.6	2.9
TOTAL INVESTMENT	2.3	8.3	3.9	-2.8	10.1	2.9	4.3	-3.4	-4.5	1.0	2.9	7.1	4.9	3.6	2.8
Stock change (contribution to growth)	0.4	0.2	-0.5	-0.4	0.2	1.0	-1.0	-0.2	0.0	0.3	0.0	0.2	0.0	0.0	0.0
GROSS NATIONAL EXPENDITURE	5.1	5.7	3.3	-0.6	8.5	4.0	2.4	-0.9	-1.0	2.4	2.1	3.3	2.9	2.7	2.4
Exports	0.9	4.0	3.3	-5.4	-10.8	-3.1	12.0	5.2	3.0	5.7	2.8	0.7	2.1	2.3	2.3
Imports	6.3	8.8	2.7	-5.7	-4.2	12.0	2.6	-1.3	2.0	6.1	0.0	2.4	2.8	2.6	2.3
EXPENDITURE ON GDP	3.6	4.5	3.5	-0.6	6.7	0.6	4.6	0.7	-0.8	2.1	2.6	3.0	2.7	2.6	2.4
GDP (production measure)	3.5	3.4	3.1	-0.8	6.3	0.5	4.0	1.1	-1.1	1.6	2.3	2.9	2.7	2.6	2.5
- annual % change	3.2	3.5	2.5	-9.7	17.8	0.5	3.0	0.1	-0.9	2.2	2.9	2.7	2.7	2.5	2.5
Real GDP per capita	1.3	1.4	1.5	-2.5	5.1	0.4	3.1	-1.4	-2.1	1.0	1.4	1.8	1.5	1.4	1.3
Nominal GDP (expenditure basis)	6.5	7.2	5.0	2.5	8.1	6.3	10.0	4.7	3.4	4.8	5.3	5.7	4.9	4.7	4.5
GDP deflator	2.8	2.6	1.5	3.1	1.3	5.6	5.2	4.0	4.2	2.6	2.7	2.7	2.2	2.0	2.0
Output gap (% deviation, June year average)	0.3	0.8	1.2	0.7	1.9	2.4	2.0	1.1	-1.8	-1.9	-1.5	-0.6	-0.2	0.1	0.0
Employment[1]	5.3	3.6	1.8	1.4	0.4	2.5	2.4	1.6	-1.0	0.3	1.6	2.3	1.9	1.6	1.4
Unemployment[1] (% June quarter s.a.)	4.9	4.6	4.1	4.1	4.0	3.3	3.7	4.7	5.2	5.6	5.2	4.7	4.4	4.3	4.3
Wages[1] (average ordinary-time hourly, ann % change)	2.5	2.8	4.0	2.9	4.0	6.3	6.9	5.0	4.5	2.8	3.1	3.2	3.3	3.5	3.5
CPI inflation[1] (ann % change)	1.7	1.5	1.7	1.5	3.3	7.3	6.0	3.3	2.7	4.1	1.9	2.0	2.1	2.1	2.0
Merchandise terms of trade (SNA basis)	4.3	4.7	-2.8	4.7	0.4	2.8	-7.0	-2.6	8.0	2.1	0.1	4.1	0.9	0.1	0.0
House prices (ann % change)	6.5	3.6	1.5	7.1	29.6	5.3	-9.0	1.5	-0.7	-0.4	0.6	2.4	3.7	4.1	4.8
Current account balance - $billion	-7.4	-11.1	-11.3	-5.1	-11.1	-29.2	-29.8	-23.2	-16.6	-18.0	-16.6	-13.9	-13.8	-14.1	-14.2
Current account balance - % of GDP	-2.7	-3.7	-3.6	-1.6	-3.2	-8.0	-7.4	-5.5	-3.8	-4.0	-3.5	-2.7	-2.6	-2.5	-2.4
TWI[1] (June quarter)	76.5	73.8	72.7	69.7	74.7	72.2	70.9	71.4	69.1	66.5	67.7	68.7	69.3	69.8	70.1
90-day bank bill rate[1] (June quarter)	2.0	2.0	1.7	0.3	0.3	2.2	5.6	5.6	3.4	2.6	3.5	3.7	3.8	3.8	3.6
10-year bond rate[1] (June quarter)	2.9	2.8	1.8	0.8	1.7	3.7	4.3	4.7	4.6	4.6	4.7	4.7	4.7	4.7	4.7

1. Indicator for the 2026 period is an actual.