

THE LONG GAME

Considered choices.
Lasting impact.

Budget 2026 highlights how considered choices are being applied in practice – through targeted spending and disciplined investment to support New Zealand's future.

Budget 2026
At a glance

HEADLINE INITIATIVES

PUBLIC SERVICE CUTS

\$2.4b saved through merging government agencies, greater AI use, and a reduction of nearly 9,000 public servant roles

FINANCIAL SERVICES LEVY

Prudential levy introduced for financial services industry to recover \$209m over four years

HOUSING GROWTH FUND

\$400m fund to introduce a new financial incentive for councils to encourage housing growth

GAS TRANSITION LOANS SCHEME

Up to \$1.2b in Government-guaranteed loans to businesses to eliminate or reduce dependency on gas

FUEL CRISIS RESPONSE

Includes \$150m funding allocated for strategic fuel reserves, \$50 per week increase to In-Work Tax Credit, and \$450m contingency funding

CHARITIES TAX

Cap on donation tax credits set at \$33.33k per year

R&D TAX

Administrative improvements and extension of regime to oil, gas and mining, but reducing eligibility of software development for credit

FIF TAX

Foreign investment fund (FIF) de minimis increased to \$100k with expanded availability of revenue account method for unlisted shares to all taxpayers

KEY FUNDING INITIATIVES

\$6.25b

HEALTH

Boost to health operating spending, funding for the Health Digital Investment Plan, and improved cyber security

\$3.5b

DEFENCE

New defence funding, including \$1.5b for military drone systems, critical ship maintenance, and naval upgrades

\$1.3b

LAW & ORDER

Additional funding for police and prison officers, police stations and court upgrades, and digital police systems

\$1.2b

RAIL

To support Kiwirail's planned network upgrades and metropolitan rail renewals

\$2.2b

ROADS

Including \$1.8b funding to extend Waikato Expressway and \$400m for state highway resilience upgrades

\$3.1b

GOVT SUPER FUND

Contributions to NZ Superannuation Fund boosted to account for ageing population and inflation

\$680m

HOSPITALS

For new and upgraded hospitals in Whangārei, Auckland, Tauranga, Hawke's Bay, and Palmerston North

\$559m

SCHOOL PROPERTY

Funding for 10 new schools, additional classrooms, and school maintenance

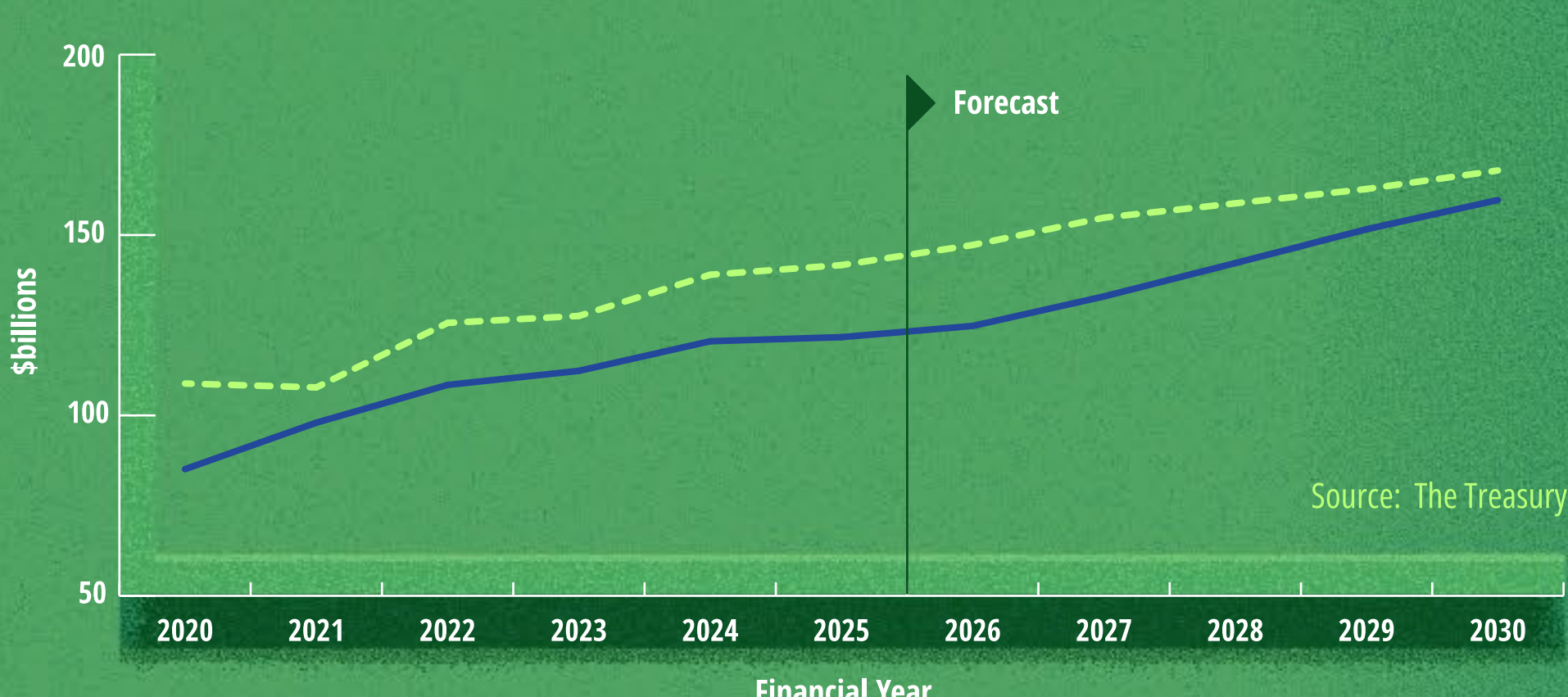
\$294m

RESOURCE MANAGEMENT

To support the rollout of new national planning and environmental management system

FISCAL OUTLOOK

Core Crown tax revenue and core Crown expenses



Budget 2026 continued to tighten the spending constraints of the past two years. This tightening has resulted in a projected return to OBEGALx surplus by 2029, bought forward by one year.

45.6%

Net debt as % of GDP 2026/27

\$11.4b

Deficit forecast 2026/27

\$5.7b

Net additional capital spending 2026/27

\$10.2b

Finance costs 2026/27

\$1.96b

Additional operating spending 2026/27

BUDGET 2026

ECONOMIC LANDSCAPE

All figures are year to June 2027

5.0%

NOMINAL GDP

Nominal GDP is expected to grow 5.0% this year, downgraded from the 5.4% forecast in Dec 2025. This implies a smaller tax base than previously expected.

2.3%

REAL GDP

After a weak 2026 financial year, economic growth is expected to accelerate, albeit slower than the previously forecasted 2.9%, with a real GDP growth rate of 2.3% in the 2027 financial year.

5.0%

UNEMPLOYMENT

Unemployment is expected to have peaked at 5.5% in the 2026 financial year, with unemployment expected to decrease to 5.0% over the next year.

1.6%

INFLATION

Inflation is forecast to drop significantly to 1.6% this year, a decrease from the previous forecast of 2.2% set in Dec 2025 due to the economy-cooling effects of the fuel crisis.

1.3%

BUSINESS INVESTMENT

Forecast business investment growth is 1.3% this financial year, down from 5.7% previously forecast, as economic conditions continue to dampen confidence despite Budget 2025's flagship Investment Boost policy.

