

# UPWARD BOUND

## Has Budget 2025 set Aotearoa’s economy on track?

Growth is a welcome theme for Budget 2025 – but navigating the fiscal and economic obstacles on the path ahead will be no easy journey.



### HEADLINE INITIATIVES

#### INVESTMENT BOOST

A business tax incentive for new productive assets with the ability to deduct 20% of the asset’s value from that year’s tax bill

#### INFRASTRUCTURE THIN CAP

Remove tax barriers for non-resident investments into New Zealand infrastructure (\$65m over four years)

#### NZ SUPER FUND

First withdrawals brought forward five years to 2028

#### KIWISAVER CONTRIBUTIONS

Default rate for employee and employer contributions rising to 4% by 2028

#### KIWISAVER GOVERNMENT CONTRIBUTION

Annual Government contribution halved to a maximum of \$260 with income cap of \$180k

#### HOUSING

Establishment of contestable social and affordable housing 'Flexible Fund' plus Crown lending facilities for community housing providers

#### SCIENCE & INNOVATION

Reprioritisation of funding towards economic growth including establishing a new gene technology regulator

#### DIGITAL SERVICES TAX

Tax scrapped costing the Government \$119.8m per year in planned revenue



### KEY FUNDING INITIATIVES

\$7bn

#### HEALTH

Operational funding boost to health budget

\$6.8bn

#### INFRASTRUCTURE

New capital spending for infrastructure projects, across rail, roads, health and education

\$4.2bn

#### DEFENCE

Additional funding to upgrade Defence Force

\$190m

#### SOCIAL INVESTMENT

To kick start new Social Investment Fund

\$185m

#### FOREIGN INVESTMENT

To attract foreign investment through Elevate venture capital fund and establishing Invest NZ

\$200m

#### ENERGY

Tagged contingency for Government co-investment in new gas fields

\$726m

#### LAW & ORDER

Additional funding towards frontline policing and reducing court delays

\$83.8m

#### EXPORT SUPPORT

To lift engagement in Asia, increase trade returns and double the value of exports

\$140m

#### TAX COMPLIANCE

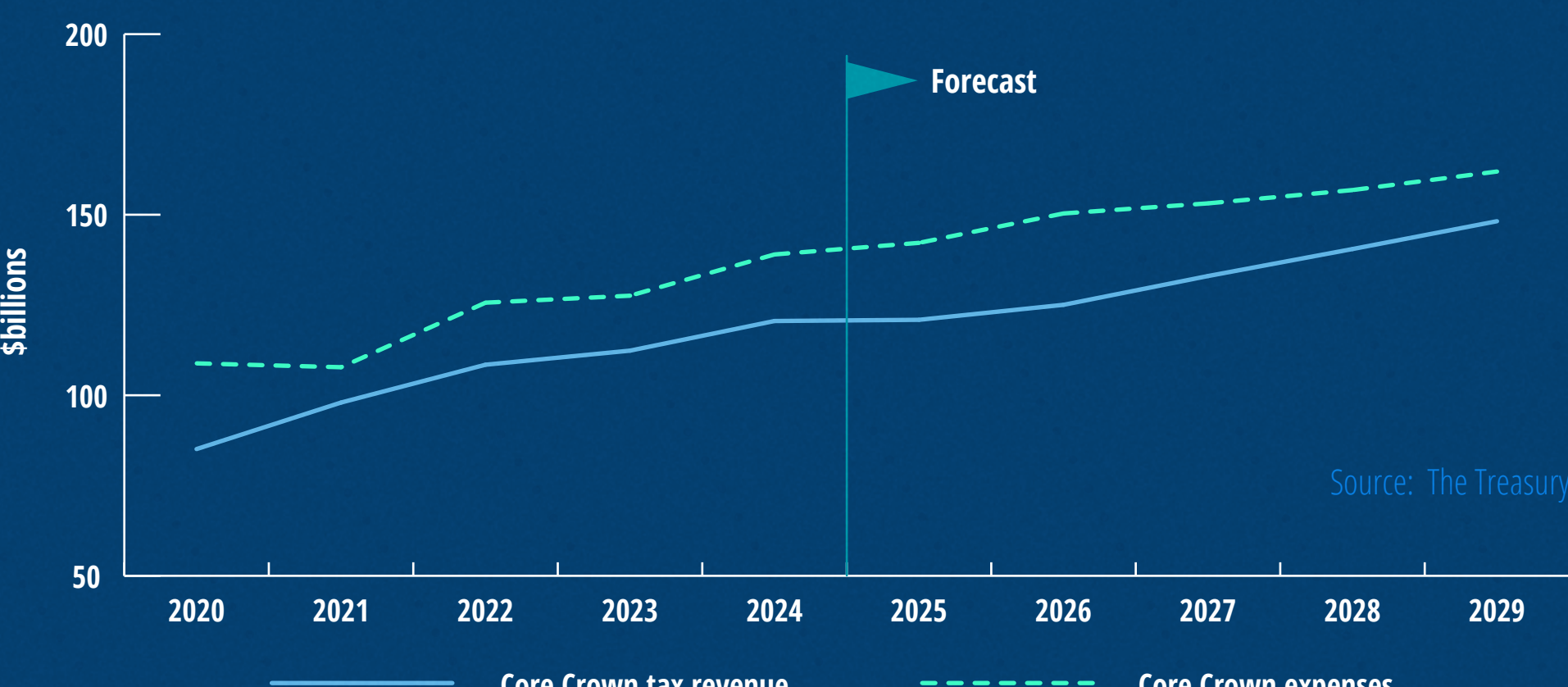
Additional funding to support Inland Revenue's tax compliance and debt management activities



### FISCAL OUTLOOK

Core Crown tax revenue and core Crown expenses

The recovery is underpinned by the expected growth in core Crown tax revenue outpacing the growth in core Crown expenses in the later years.



43.9%

Net debt as % of GDP 2025/26

\$15.6bn

Deficit forecast 2025/26

\$4bn

Net additional capital spending 2025/26

\$9.5bn

Finance costs 2025/26

\$1.3bn

Additional operating spending 2025/26



### ECONOMIC LANDSCAPE

All figures are year to June 2026

4.9%

#### NOMINAL GDP

Nominal GDP is expected to grow 4.9% compared to a forecast of 5.4% in December 2024. The implication of this is a smaller tax base than previously expected.

2.9%

#### REAL GDP

Real GDP growth is expected to be 2.9%, which is less than the 3.3% forecast in December 2024. Still, any growth is better than the contraction experienced over the past year.

5.0%

#### UNEMPLOYMENT

Unemployment will remain at an elevated level relative to what was forecast in December 2024.

2.1%

#### INFLATION

Inflation is forecasted to remain within the 1-3% target band.

2.6%

#### WAGES

Budget 2025 downgrades wage growth to only 2.6% for the 2026 financial year. However, wages are expected to grow faster than inflation.

