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THE TREASURY

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work

# Pre-election Economic and Fiscal Update 2020

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# Executive Summary

	2019	2020	2021	2022	2023	2024
June years	Actual	Forecast <sup>1</sup>	Forecast	Forecast	Forecast	Forecast
Real production GDP (annual average % change)	2.8	-3.1	-0.5	3.6	3.9	4.1
Unemployment rate (June quarter)	4.0	4.0	7.7	7.6	6.6	5.3
CPI inflation (annual % change)	1.7	1.5	1.2	1.2	1.4	1.9
Current account (annual, % of GDP)	-3.4	-2.4	-5.1	-5.2	-4.1	-3.8
<b>Fiscal measures (\$billions)</b>						
Core Crown tax revenue	86.5	84.9	84.7	84.3	92.5	98.5
Core Crown expenses	87.0	108.8	119.5	109.9	111.7	116.1
Total Crown operating balance before gains and losses	7.4	-23.4	-31.7	-22.1	-14.2	-12.4
Core Crown residual cash	-0.7	-23.7	-41.0	-28.6	-22.3	-18.9
Net core Crown debt	57.7	83.4	130.2	160.1	182.2	201.1
as a percentage of GDP	19.0%	27.6%	43.0%	49.9%	53.5%	55.3%
Net worth	143.3	115.7	80.4	60.6	50.9	43.5

Note: 1 The fiscal measures for the 2020 fiscal year represent the unaudited actual results.

Sources: Stats NZ, the Treasury

- The COVID-19 pandemic continues to cause widespread economic and social disruption around the world. Infection rates are still rising in many parts of the world and the timeline for the development of a vaccine or effective treatment is still very uncertain. Community transmission re-emerged in New Zealand in August following a 102-day period during which there was no evidence of transmission, and the country returned to higher alert levels. These developments highlight the continued uncertainty about New Zealand's economic outlook.
- In addition to our main forecast, this *Update* provides three alternative forecast scenarios for the economy to reflect the continued uncertainties about the outlook. These scenarios include an earlier recovery in exports of services than assumed in our main forecast, an extended period of border controls and a resurgence in community transmission. The scenarios help illustrate the nature of the economic challenges ahead and the potential range of outcomes against which the public finances can be assessed.
- When the country moved down to Alert Level 1 in June, spending picked up, providing a boost to the domestic economy; however, a return to higher alert levels following the re-emergence of community transmission in Auckland in mid-August has slowed the pace of economic recovery, and the country's borders look likely to remain closed to travellers for an extended period of time.