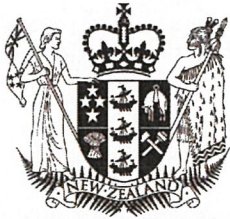


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TE TAI ŌHANGA  
THE TREASURY

# Budget Economic and Fiscal Update 2023

18 May 2023

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## **An introduction to the Budget 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, Investment Statement, Wellbeing Report, as well as the Long-term Insights Briefing required by the Public Service Act 2020.

The Budget Economic and Fiscal Update is part of the annual 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 inform decision-making.

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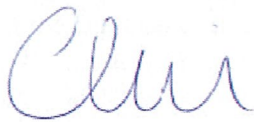
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## Statement of Responsibility

I make this statement in accordance with section 26W of the Public Finance Act 1989.

On the basis of the economic and fiscal information available to it, the Treasury has used its best professional judgement in preparing, and supplying the Minister of Finance with, this *Economic and Fiscal Update*. The *Update* incorporates the fiscal and economic implications of government decisions and other circumstances as at 27 April 2023 that were communicated to me by the Minister of Finance as required by the Public Finance Act 1989, and of other economic and fiscal information available to the Treasury as at 27 April 2023. This *Update* does not incorporate any decisions, circumstances or statements that the Minister of Finance has determined, in accordance with section 26V of the Public Finance Act 1989, should not be incorporated in this *Update*.



Caralee McLiesh  
Secretary to the Treasury

11 May 2023

To enable the Treasury to prepare this *Economic and Fiscal Update* I have ensured all government decisions and other circumstances as at 27 April 2023 of which I was aware and that had material economic or fiscal implications have been communicated to the Secretary to the Treasury, as required by the Public Finance Act 1989.

In accordance with section 26W of the Public Finance Act 1989, I accept responsibility for the integrity of the disclosures contained in the *Update*, responsibility for the consistency and completeness of the *Update* information with the requirements of Part 2 (Fiscal responsibility and wellbeing) of the Public Finance Act 1989 and responsibility for the omission from the *Update* under section 26V of the Public Finance Act 1989 of any decisions, circumstances or statements not incorporated in it.



Hon Grant Robertson  
Minister of Finance

11 May 2023

## Fiscal Resilience

Fiscal resilience is the ability of the Government's public finances to absorb a shock and to adapt settings for welfare, health, pension and other policies to maintain and improve wellbeing following a shock. It refers both to the Government's capacity to withstand or survive a shock such as a war, pandemic, global credit crunch or natural disaster, and also whether it can thrive in the aftermath. There are a number of fiscal indicators that help determine whether the Government's fiscal position is resilient, which are discussed in more detail in this section.

### Net Worth

Net worth is the difference between total Crown assets (what the Government owns) and total Crown liabilities (what the Government owes). This difference primarily consists of the accumulation of operating surpluses and deficits (referred to as taxpayers' funds) and revaluation uplifts in the physical assets.

Net worth is forecast to increase by \$22.8 billion over the forecast period, from \$174.3 billion to \$197.1 billion by 2026/27. The increase mainly reflects the forecast operating balance results (excluding minority interests), with net surpluses of \$22.1 billion expected over the forecast period. As a share of GDP, net worth is expected to fall across the forecast period, from 48.0% of GDP in 2021/22 to 40.7% of GDP by 2026/27 as the operating balance results are less than the growth in nominal GDP over the forecast period.

In the current year, net worth is expected to grow by \$4.6 billion from 2021/22, as the operating balance is expected to be a surplus of \$4.2 billion in this year (as explained on page 37). The operating balance is then expected to drop to a deficit of \$1.4 billion in 2023/24 and therefore net worth also declines by \$1.1 billion in that year. The operating balance is then expected to return to surplus for the remaining forecast years. As a result of these surpluses, taxpayers' funds grow across the forecast from \$5.5 billion in 2023/24 to \$24.7 billion in the last year of the forecast. Refer to Table 2.10 for a breakdown of net worth.

Property, plant and equipment (PPE) revaluations generally occur at 30 June each year and are not forecast beyond the current year. Overall, the PPE revaluation reserve is the largest contributor to the overall net worth balance.

**Table 2.10** – Breakdown of net worth

Year ending 30 June \$billions	2022 Actual	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast
Taxpayers' funds	2.7	6.9	5.5	8.1	14.9	24.7
PPE revaluation reserve	164.4	164.2	164.2	164.2	164.3	164.3
Other reserves	(0.1)	-	-	(0.2)	(0.2)	(0.1)
<b>Total net worth attributable to the Crown</b>	<b>167.0</b>	<b>171.1</b>	<b>169.7</b>	<b>172.1</b>	<b>179.0</b>	<b>188.9</b>
Net worth attributable to minority interest	7.3	7.9	8.2	8.3	8.2	8.2
<b>Total net worth</b>	<b>174.3</b>	<b>179.0</b>	<b>177.9</b>	<b>180.4</b>	<b>187.2</b>	<b>197.1</b>
As a % of GDP	48.0	45.4	42.9	41.3	40.6	40.7

Source: The Treasury