



2016 BUDGET

Budget at a Glance

Investing in a Growing Economy

Hon Bill English, Minister of Finance

26 May 2016

Embargo: Contents not for communication in any form before 2:00pm on Thursday 26 May 2016.

New Zealand Government

budget.govt.nz

Investing in a Growing Economy

The outlook for the economy is positive and the Crown's books are in good shape.



Real GDP growth of 2.8 per cent on average over the next five years.



Rising surpluses and net debt falls to 19.3 per cent of GDP in 2020/21.



Over 200,000 more jobs over the last three years and another 170,000 expected by 2020.



The average wage is expected to rise to \$63,000 a year by 2020.

New spending in Budget 2016

- Net new operating spending in Budget 2016 averages \$1.6 billion a year.
- Net new capital expenditure in Budget 2016 totals \$1.4 billion. Additional investment funded by capital reprioritisation takes the total new capital spend in Budget 2016 to \$2.6 billion.

The Government's fiscal priorities



Maintaining rising surpluses to reduce debt in dollar terms.



Reducing net debt to around 20 per cent of GDP by 2020.



If economic and fiscal conditions allow, beginning to reduce income taxes.



Using any further fiscal headroom to reduce debt faster.

Innovative New Zealand

A \$761 million package to help further diversify the economy, and support more jobs and higher wages for New Zealanders in the decade ahead.



Science and innovation

\$411 million investment in science and innovation, taking the Government's annual science investment to \$1.6 billion by 2020.



Tertiary education

\$257 million for tertiary education and apprenticeship programmes, to develop the skilled workforce needed for a 21st century economy.



Regional economic development

\$94 million for regional economic development with initiatives to unlock business opportunities and benefit regional communities.

Budget 2016 also supports New Zealand businesses with \$187 million for a SME-friendly tax package to ensure the tax system fits in with how small businesses operate not the other way around.



INNOVATIVE
NEW ZEALAND

Public Infrastructure

A \$2.1 billion package to support a stronger, more productive economy and deliver better public services.



New schools and classrooms

\$883 million additional investment in school property with nine new schools, 480 new classrooms, two school expansions, and rebuilding of three schools and a kura.



Delivering our future tax system

\$857 million for Inland Revenue's new tax administration system, replacing one that is a quarter of a century old.



Regional roads

\$115 million for roading projects in Gisborne, Marlborough and Taranaki.



Investing in our rail network

\$190 million for KiwiRail as part of the two-year package announced last year.



Regional tourism infrastructure

\$37 million to upgrade and extend the New Zealand Cycle Trail and for community smaller-scale infrastructure projects.



National biocontainment laboratory

\$19 million for the construction of a high-security national biocontainment laboratory.

Social Investment

Social Investment is about improving the lives of our most vulnerable people by intervening early and tailoring public services to their needs.

In 2012, the Prime Minister set the public service 10 challenging targets. Since then, significant progress has been made:

- More than 40,000 fewer children live in a benefit-dependent household.
- The proportion of 18-year olds who achieve a NCEA Level 2 qualification has increased from 74 per cent to over 84 per cent.
- And total crime has dropped by 16 per cent, with youth crime down by almost 40 per cent.

Budget 2016 continues this approach with a \$652 million Social Investment package.



Vulnerable children

\$200 million to support vulnerable children – part of a \$348 million reform of the child care and protection system.



Educational achievement

\$43 million for schools targeted to children most at risk of not achieving.



Welfare dependence

\$50 million to reduce long-term welfare dependence.



Youth service

\$61 million to extend the Youth Service to 18 and 19-year olds.



Whānau Ora

\$40 million to support around 2,500 additional whānau and families.



Prisoner reintegration

\$20 million to support offenders leaving prison and returning to a community.

Health

A \$2.2 billion package to ensure all New Zealanders and their families have access to quality healthcare when they need it.



District health boards

\$1.6 billion for district health boards.



Pharmaceuticals

\$124 million to provide access to new medicines.



Disability support

\$169 million for disability support services.



Elective surgery

\$96 million to increase surgeries by 4,000 a year.



Primary healthcare

\$73 million including extra support for free GP visits and prescriptions for under 13s.



Bowel cancer screening

\$39 million to roll out a national screening programme.



Ambulance services

\$15 million to support air and road ambulance services.



Support for pregnant women

\$12 million to expand an alcohol and drug support programme.



Mental health

\$12 million to improve early access to mental health services.



Increased tobacco excise

A 10 per cent increase on 1 January each year from 2017-2020.

Education



Early childhood

\$397 million to meet growing demand for early childhood education by providing places for around 14,000 more children.

School property

\$883 million to deliver 480 new classrooms, nine new schools and two school expansions.

High needs

\$42 million for students with high and special educational needs.

Justice sector



Corrections

\$356 million to reduce reoffending and meet recent growth in the prison system.

Police

\$299 million, including \$49 million from a Budget 2015 contingency, primarily to meet wage increases.

Justice and courts

\$208 million to address family violence and ensure the justice system better caters for victims of crime.

Housing



Healthy homes

\$36 million to ensure more families live in warmer, drier and healthier homes.

Social and emergency housing

\$258 million, including for 750 additional social housing places and 3,000 emergency housing places a year.

Auckland housing

\$100 million to free up underutilised Crown land in Auckland.

Environment



Emissions Trading Scheme

Phasing out the Emissions Trading Scheme one-for-two subsidy.

Freshwater improvement

\$100 million over ten years to clean up degraded lakes, rivers and streams.

Pest control and invasive weeds

\$21 million for targeted pest control and \$16 million to eradicate invasive wilding pines.

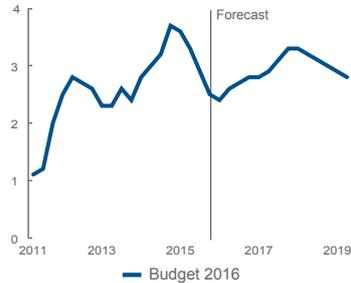
ECONOMIC AND FISCAL OUTLOOK

The outlook for the economy is positive

The Treasury forecasts economic growth of around 2.8 per cent over the next five years. This is expected to reduce the unemployment rate to below 5 per cent in 2018. Inflation is currently low but is forecast to reach 2 per cent in 2017.

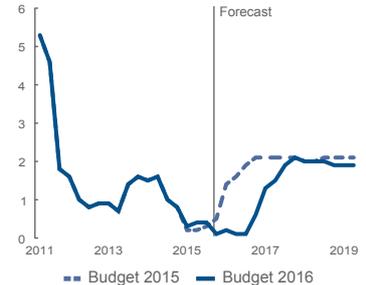
Economic growth (real GDP)

Annual average % change



CPI inflation

Annual % change



Global trading conditions remain challenging

The outlook for trading partner growth has deteriorated and export commodity prices, particularly for dairy products, remain soft.

Trading partner growth forecast

% change



Year ended 30 June

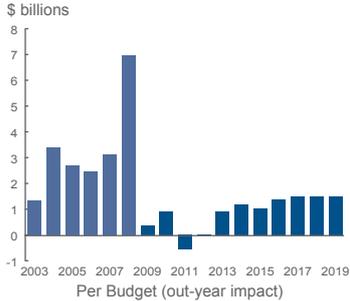
■ 2015 ■ 2016 ■ 2017

Source: The Treasury

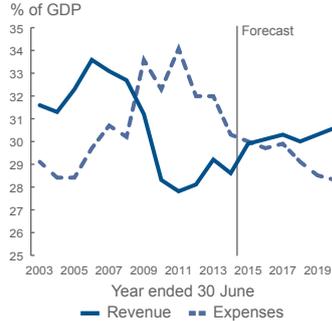
Operating allowances remain moderate

Net new operating spending in Budget 2016 averages \$1.6 billion a year. Spending continues to be much smaller than under the previous Government, whose eighth and ninth Budgets, for example, contained an average of \$4.3 billion a year of new operating initiatives. Core Crown expenses are forecast to fall to 29.7 per cent of GDP this year and stay under 30 per cent thereafter.

Operating allowances



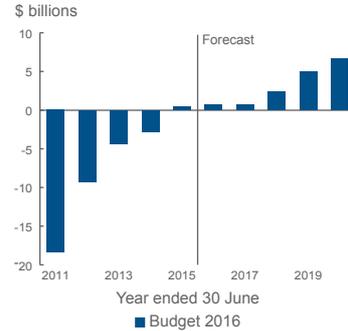
Core Crown revenue and expenses



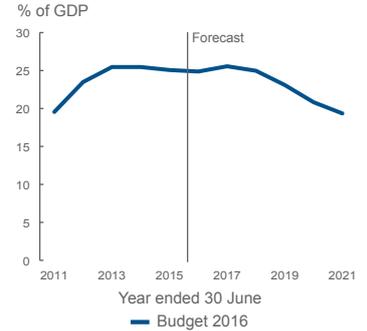
The fiscal outlook is improving

Modest operating balance before gains and losses (OBEGAL) surpluses are expected in 2015/16 and 2016/17, increasing to a forecast \$2.5 billion the following year, and \$6.7 billion in 2019/20. Net core Crown debt is expected to fall to 19.3 per cent by 2020/21.

Total Crown OBEGAL



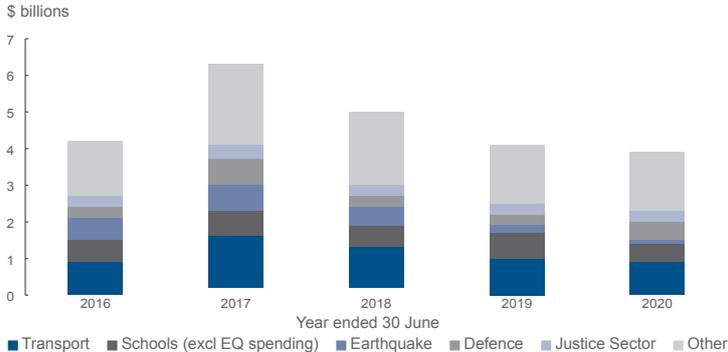
Net Core Crown Debt



Significant capital investment

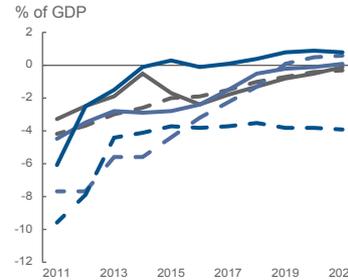
Net new capital expenditure in Budget 2016 totals \$1.4 billion. Additional investment funded by capital reprioritisation takes the total new capital spend in Budget 2016 to \$2.6 billion. More than \$23 billion is forecast to be spent on capital across all parts of the Crown over the next five years.

Total capital spending

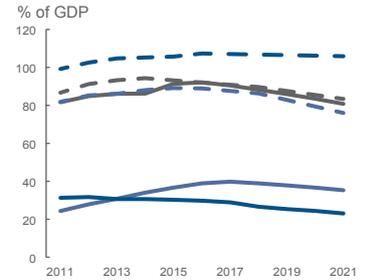


New Zealand's fiscal performance is among the strongest in the developed world

General Government Fiscal Balance



General Government Gross Debt



Source: International Monetary Fund Fiscal Monitor April 2016

These are internationally comparable definitions and differ slightly from fiscal indicators generally used in New Zealand.

Who pays income tax... and how much?

Annual individual taxable income (\$)	Number of people		Tax paid	
	(000)	%	(\$m)	%
Zero	317	9	0	0
1 - 10,000	368	10	169	1
10,001 - 20,000	625	17	1,151	4
20,001 - 30,000	497	14	1,645	5
30,001 - 40,000	348	10	1,781	6
40,001 - 50,000	354	10	2,444	8
50,001 - 60,000	268	7	2,544	8
60,001 - 70,000	215	6	2,682	9
70,001 - 80,000	161	4	2,515	8
80,001 - 90,000	108	3	2,045	7
90,001 - 100,000	74	2	1,661	5
100,001 - 125,000	119	3	3,269	10
125,001 - 150,000	55	2	1,960	6
150,001+	96	3	7,339	24
All	3,605	100	31,205	100

Personal income tax scale

10.5c per \$1 on income up to \$14,000
17.5c per \$1 on income between \$14,001 and \$48,000
30c per \$1 on income between \$48,001 and \$70,000
33c per \$1 on income over \$70,000

How does a 1% point change affect tax?

Estimated effect on revenue in 2016/17 of a one-percentage point change in the growth of:	\$m
wages and salaries	320
taxable business profits	150
spending by households	185

What is the full-year cost of...? \$m

\$1 a week increase (in the hand) in NZ Super	37
\$1 a week increase (in the hand) in other benefits	15
\$1 billion increase in government debt	27

Revenue effect of changes to key tax rates, bases and thresholds for 2016/17:
www.treasury.govt.nz/government/revenue/estimatesrevenueeffects

This table includes tax on NZ Superannuation and major Social Welfare benefits, but excludes ACC levies, Working for Families and independent earner tax credits. Only individuals of working age are included, ie, 16 years and above.

Data are projected for the year ending March 2017. Access to the Household Economic Survey data was provided by Statistics New Zealand under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. The results presented here are the work of the Treasury, not Statistics New Zealand. Figures may not sum to total due to rounding.

Company tax rate

The company tax rate is 28%

GST rate

The GST rate is 15%

ISBN:
 978-0-947519-08-7 (online)
 978-0-947519-09-4 (print)

Permanent URL:
www.treasury.govt.nz/budget/2016/at-a-glance

Budget 2016 website URL:
www.budget.govt.nz/budget/2016/at-a-glance

Crown Balance Sheet – what we own and we owe

Assets 2016/17: \$291.6b

Liabilities 2016/17: \$199.2b

Liquid financial assets	\$68.5b	\$71.3b	Government bonds
Other fixed assets	\$37.6b	\$38.3b	Accident claims liability
State highways (incl. land)	\$33.0b	\$30.7b	State-owned enterprise borrowing
Other financial assets	\$28.4b	\$19.7b	Other borrowing
Housing stock	\$21.3b	\$12.3b	Accounts payable
Hospitals, schools and prisons	\$20.5b	\$10.8b	Retirement plan liabilities
Electricity fixed assets	\$18.7b	\$6.9b	Provisions
KiwiBank mortgages	\$17.8b	\$6.1b	Issued currency
Receivables	\$17.5b	\$1.0b	Earthquake insurance liability
Student loans	\$9.3b	\$2.1b	Other
Other	\$19.0b		

What we spend

Core Crown expenses 2016/17: \$77.4b



Social security and welfare includes Jobseeker Support and Emergency Benefit, Supported Living Payment and Sole Parent Support.

What we earn

Core Crown revenue 2016/17: \$78.5b



Other direct tax includes resident interest and dividend withholding taxes. Other indirect tax includes customs, excise and gaming duties.



This copyright work is licensed under the Creative Commons Attribution 4.0 International licence. In essence, you are free to copy, distribute and adapt the work, as long as you attribute the work to the Crown and abide by the other licence terms.

To view a copy of this licence, visit <http://creativecommons.org/licenses/by/4.0/>. Please note that no departmental or governmental emblem, logo or Coat of Arms may be used in any way which infringes any provision of the Flags, Emblems, and Names Protection Act 1981 or would infringe such provision if the relevant use occurred within New Zealand. Attribution to the Crown should be in written form and not by reproduction of any such emblem, logo or Coat of Arms.

Crown copyright ©