

# BUDGET 2020-21

## CONTINUING THE COVID-19 ECONOMIC RESPONSE PLAN

### LIFELINE



**SUPPORTING  
LIVELIHOODS**

### RECOVERY



**KICK-STARTING  
GROWTH**

### TRANSFORMATION



**MOVING TO A SMARTER,  
GREENER ECONOMY**



# Outline

- **Overview**
- **Economic Outlook**
  - Visitor Arrivals
- **Fiscal Update**
  - Medium-term Fiscal Framework
  - Medium-term Fiscal Strategy
  - Fiscal Rules
- **Budget Balance**
- **Government Expenditure**
- **Government Debt**
- **Economic Response Plan**

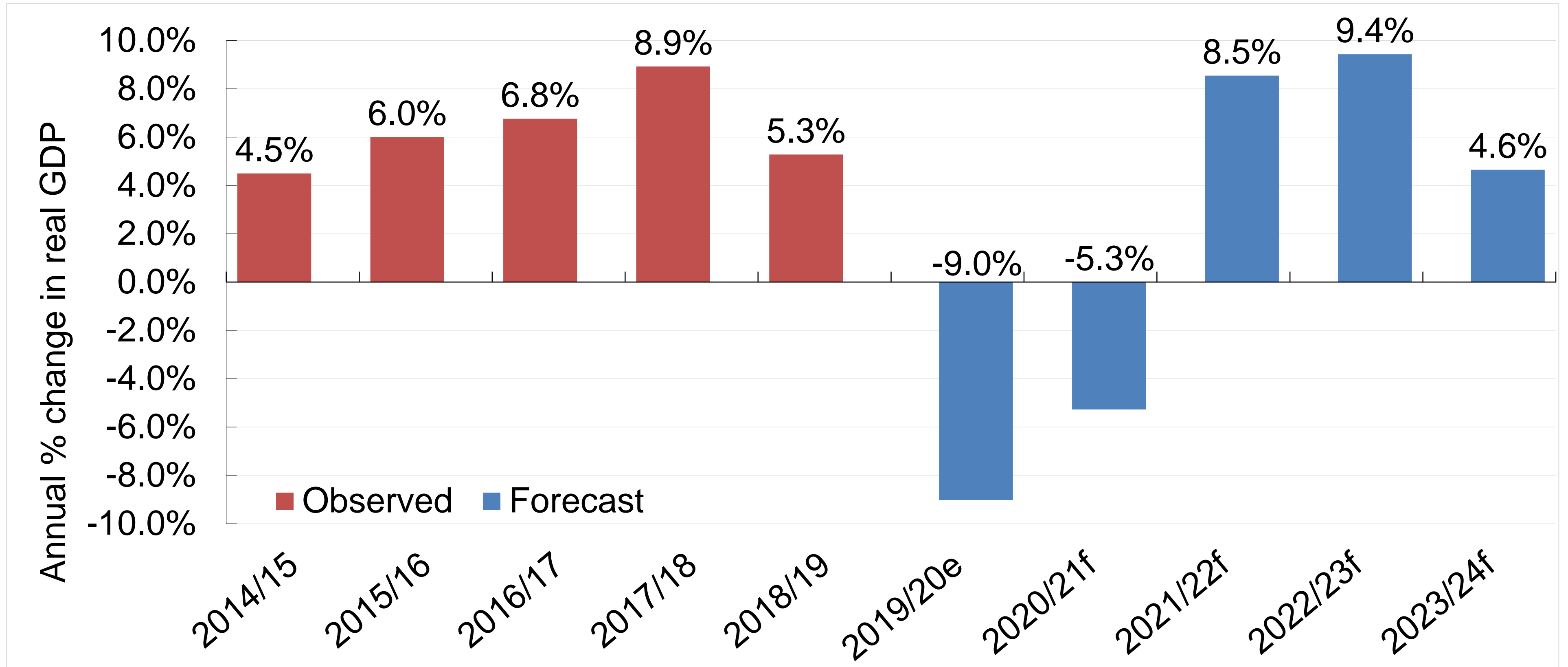


# Overview

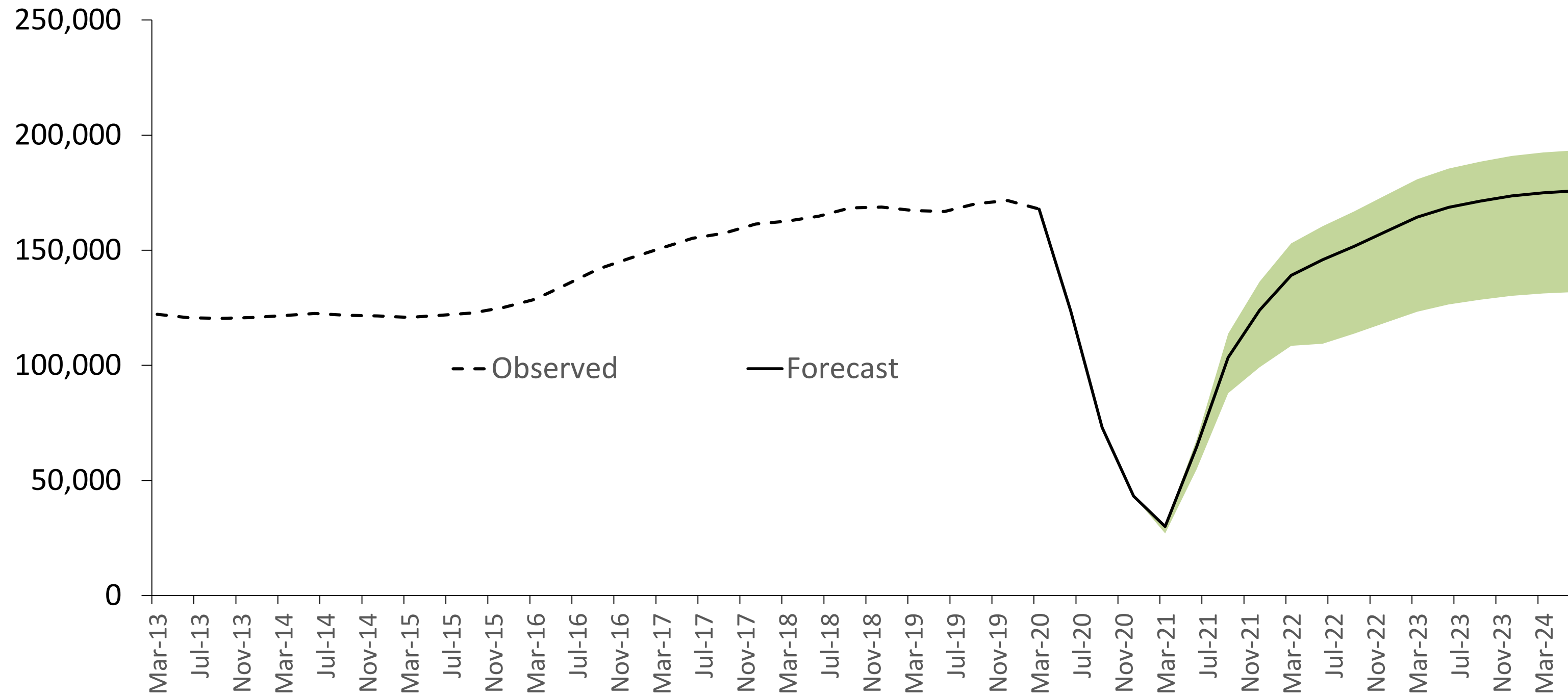
- **Significant economic shock due to COVID-19 Pandemic**
  - Estimated economic contraction of 9.0% of GDP in 2019/20
  - Forecast further contraction of 5.3% of GDP in 2020/21
- **Government's responses:**
  - Temporary departure from the Fiscal Rules
  - Constraints on Operating Expenditure
  - Debt funding to support the Economic Response
  - Economic Response Plan
- **GDP is forecast to start improving in 2021 with return of tourists**
  - Return to Fiscal Surplus in 2023/24



# Gross Domestic Product



# Tourist Arrivals – 12 month average



# Medium-term Fiscal Framework

## 1. Medium-term Fiscal Strategy

- Fiscal rules
- Reserve funds
- Expenditure profile

## 2. Medium-term Expenditure Ceilings

- Whole of Government
- Agency level

## 3. Medium-term Budget

- Agency business plans
- Appropriation Bill

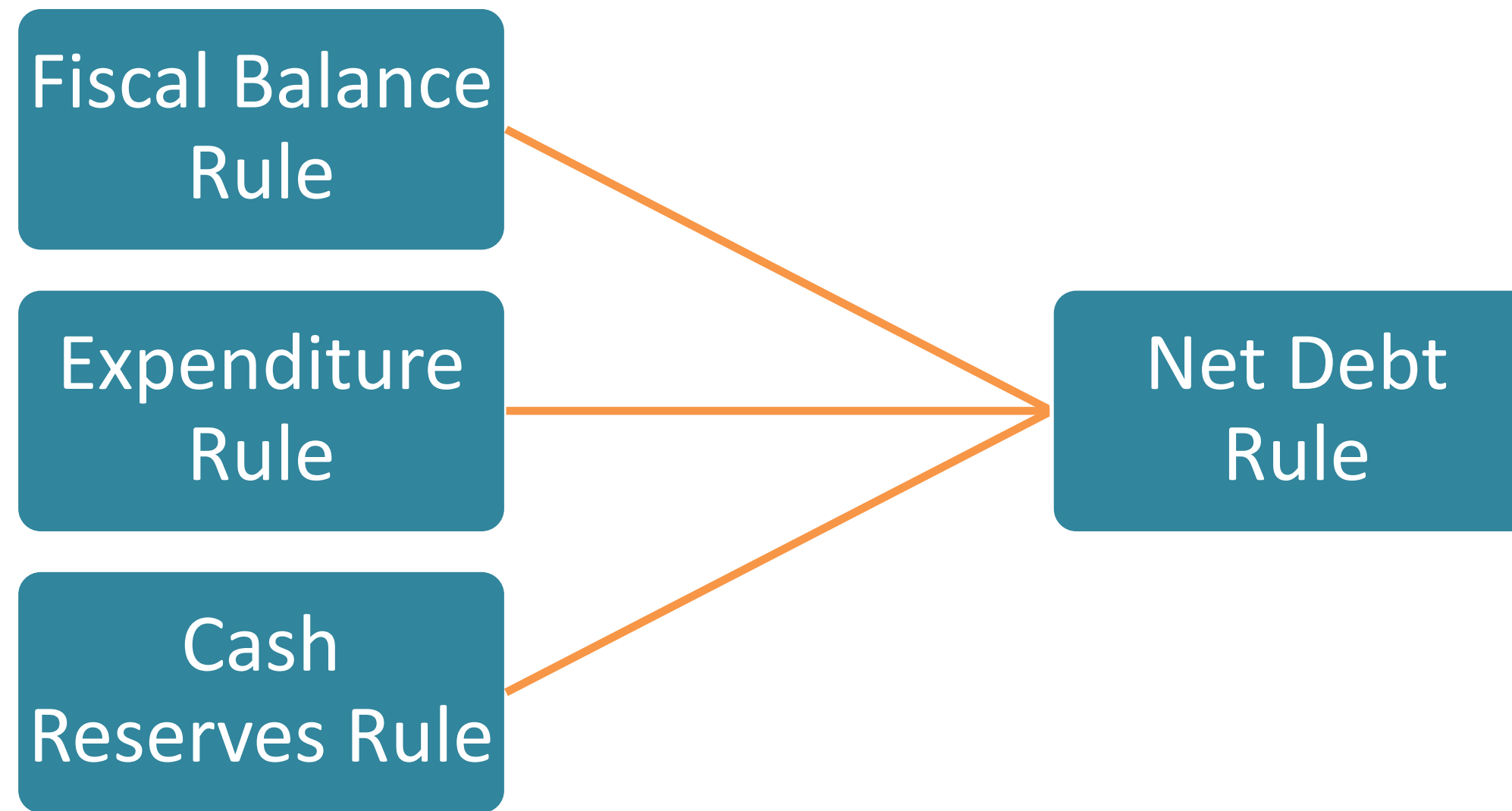




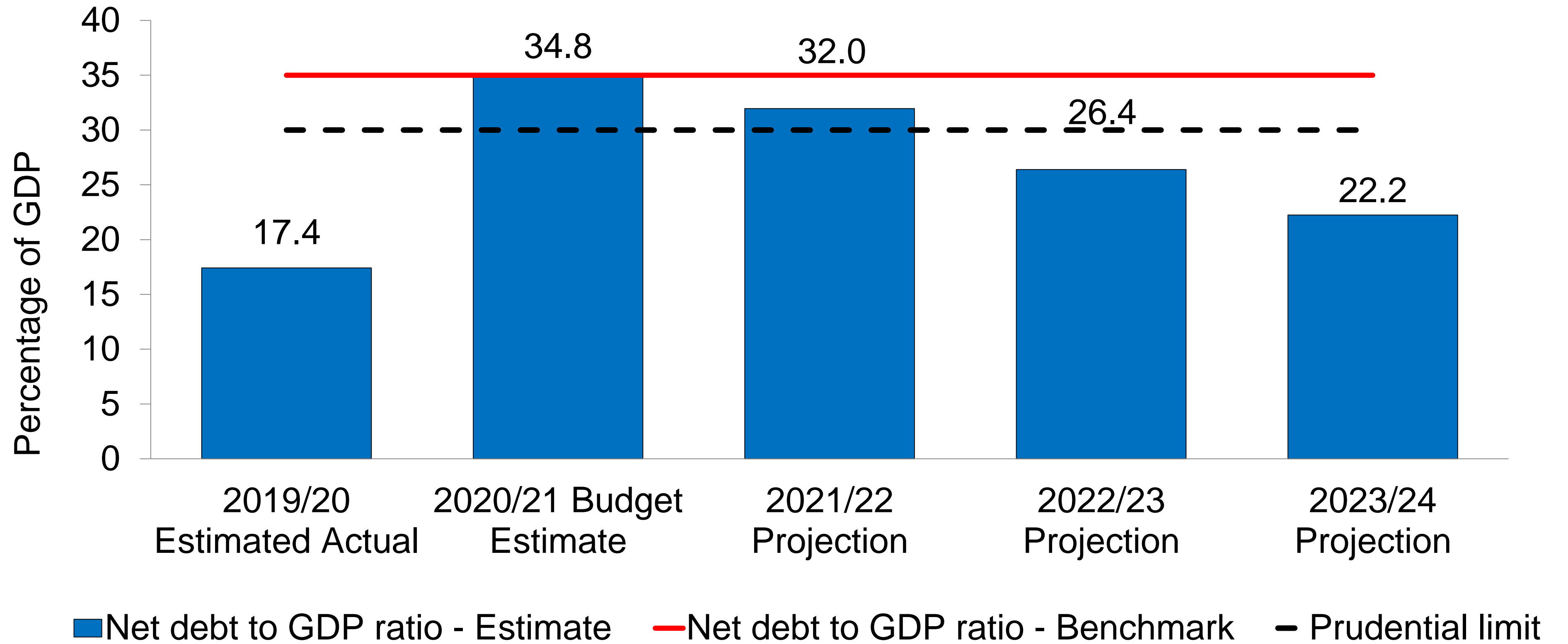
# Fiscal Rules

The Medium-term Fiscal Strategy (MTFS) includes 4 Fiscal Rules which guide the Government's budget.

Government has temporarily departed from the Fiscal Rules in order to respond to the economic shock of COVID-19, but continues to report against these benchmarks.

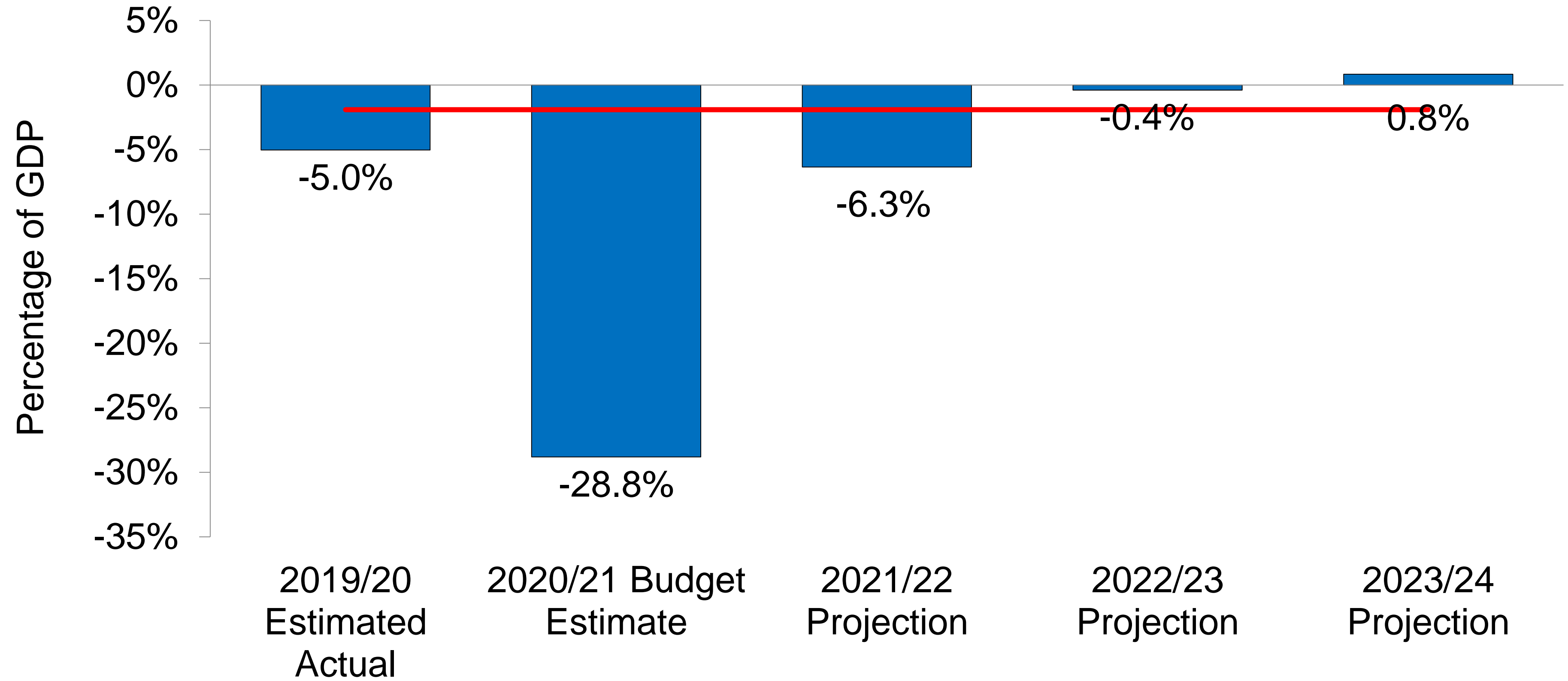


# Fiscal Rules – Net Debt

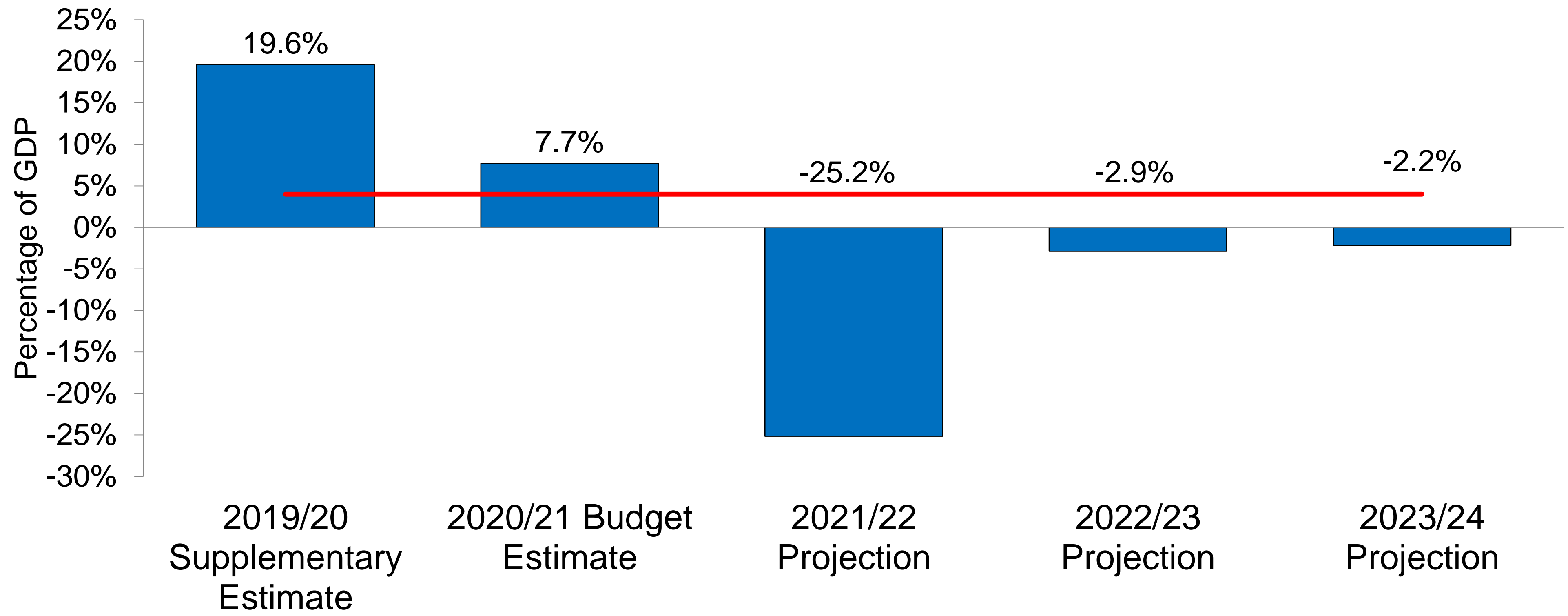




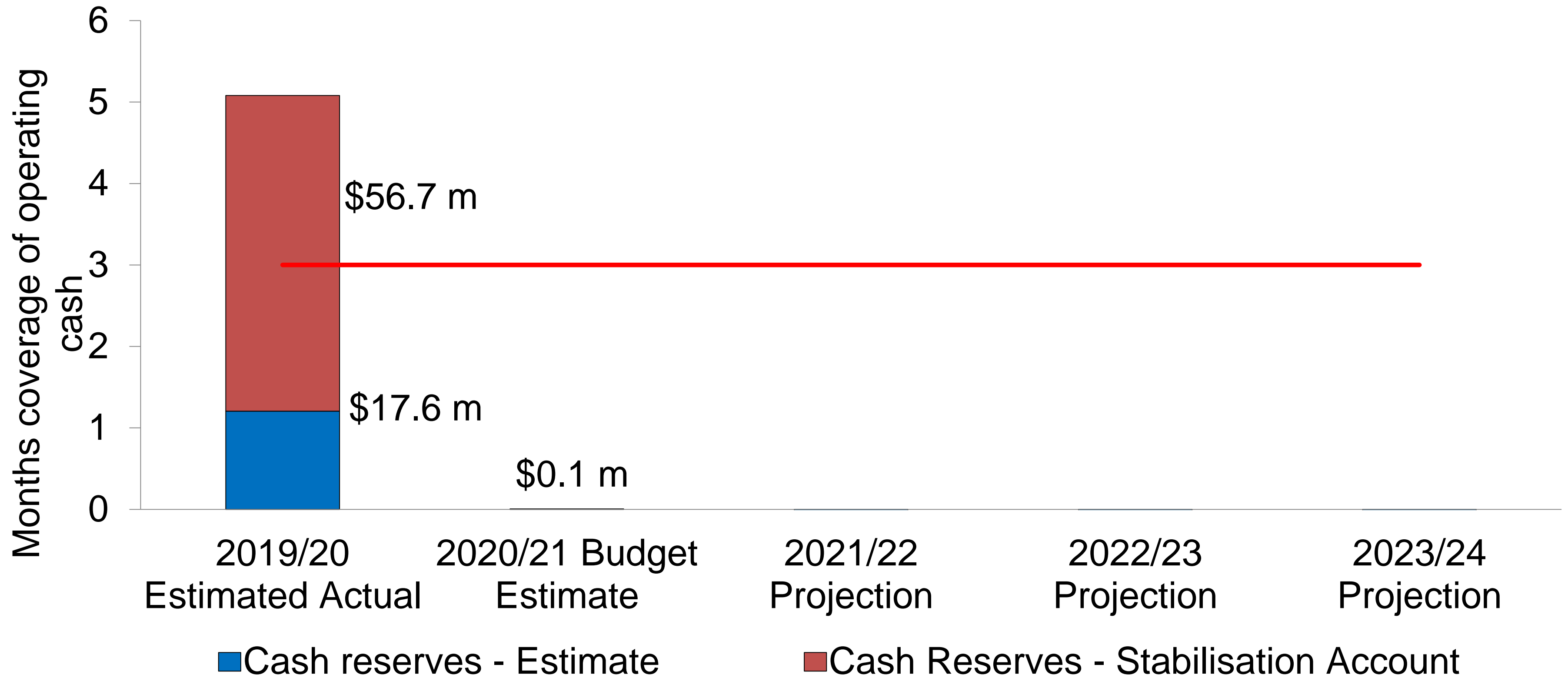
# Fiscal Rule – Fiscal Balance



# Fiscal Rule – Expenditure Growth



# Fiscal Rule – Cash Reserves

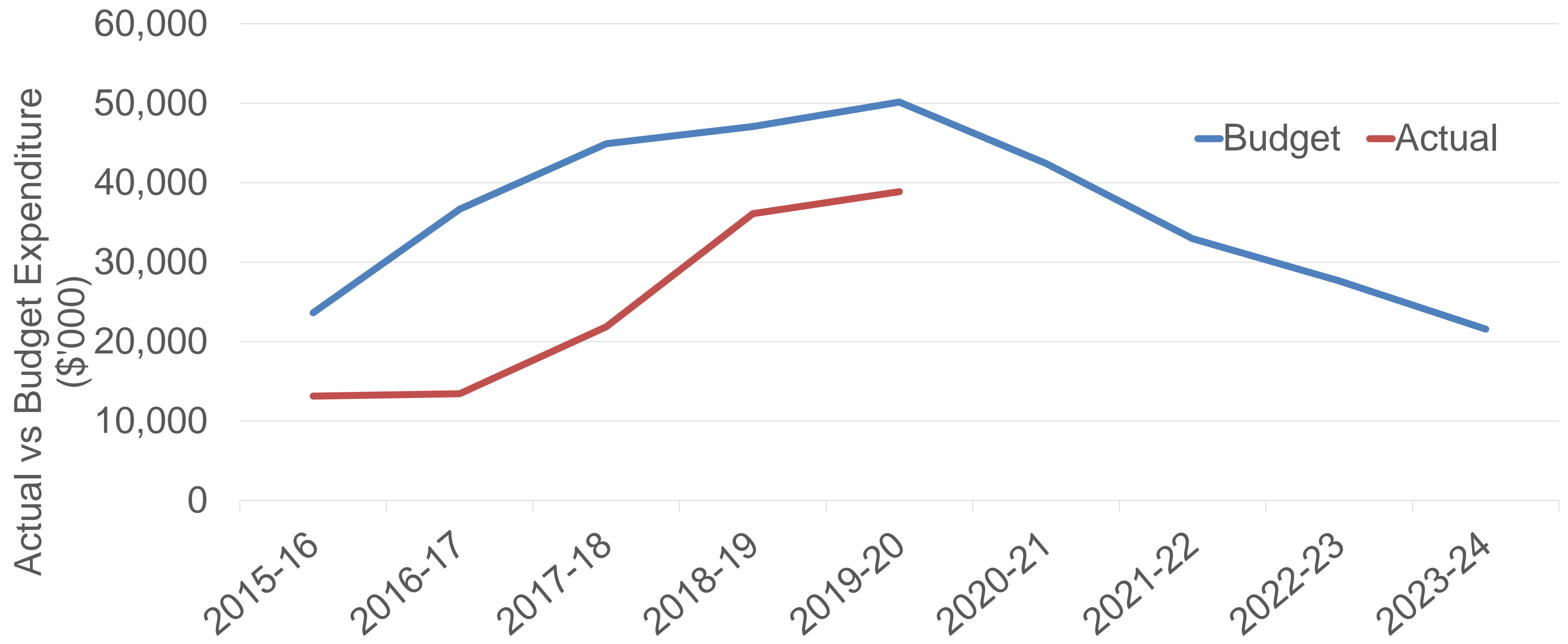


# Key Financials – Performance and Position

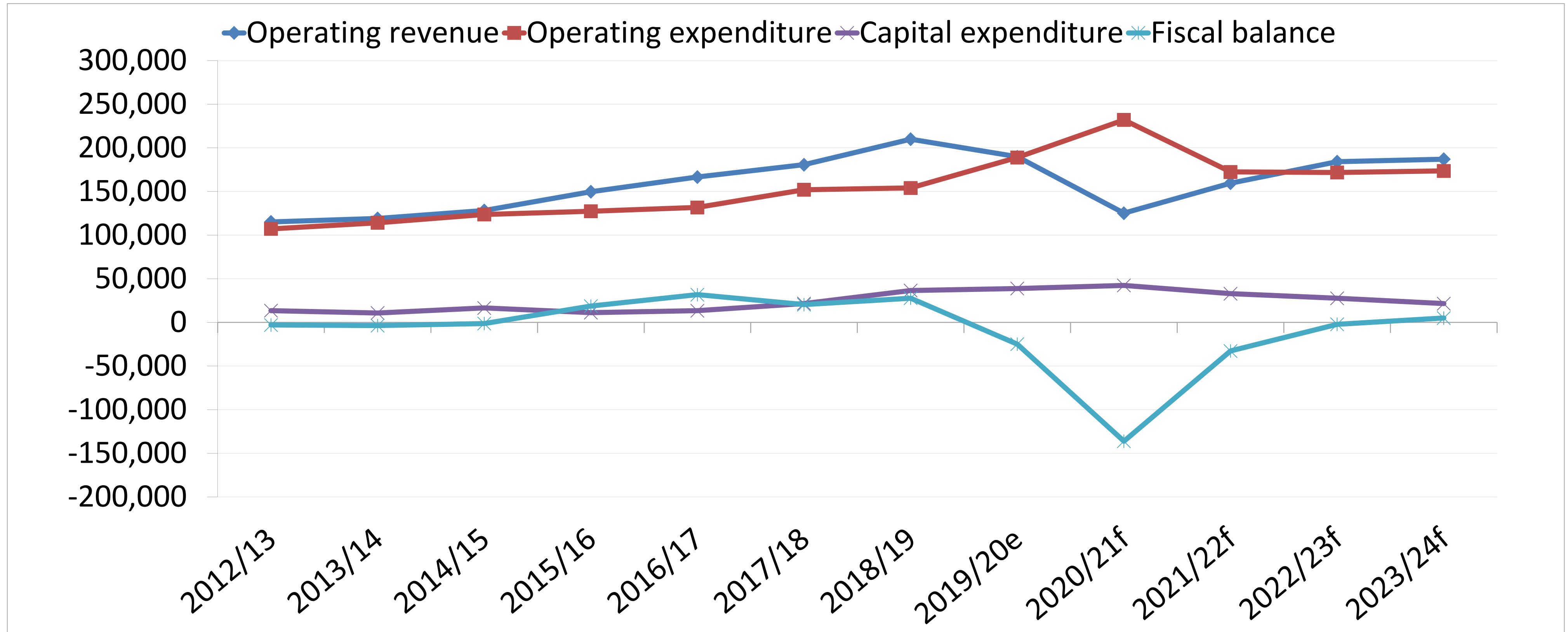
	2019/20 Estimated Actual	2020/21 Budget Estimate	2021/22 Projection	2022/23 Projection	2023/24 Projection
<b>Statement of Financial Performance</b>					
Total Operating Revenue (\$m)	189.8	125.2	159.5	184.2	187
Total Operating Expenditure (\$m)	189.0	232.0	172.4	171.8	173.6
<b>Operating Balance (\$m)</b>	<b>0.8</b>	<b>-106.8</b>	<b>-12.9</b>	<b>12.3</b>	<b>13.4</b>
Capital Expenditure (\$m)	38.9	42.4	33.0	27.6	21.6
<b>Fiscal Balance surplus/deficit (\$m)</b>	<b>-25.0</b>	<b>-136.1</b>	<b>-32.7</b>	<b>-2.2</b>	<b>5.0</b>
Percentage of GDP (%)	-5.0	-28.8	-6.3	-0.4	0.8



# Capital Expenditure

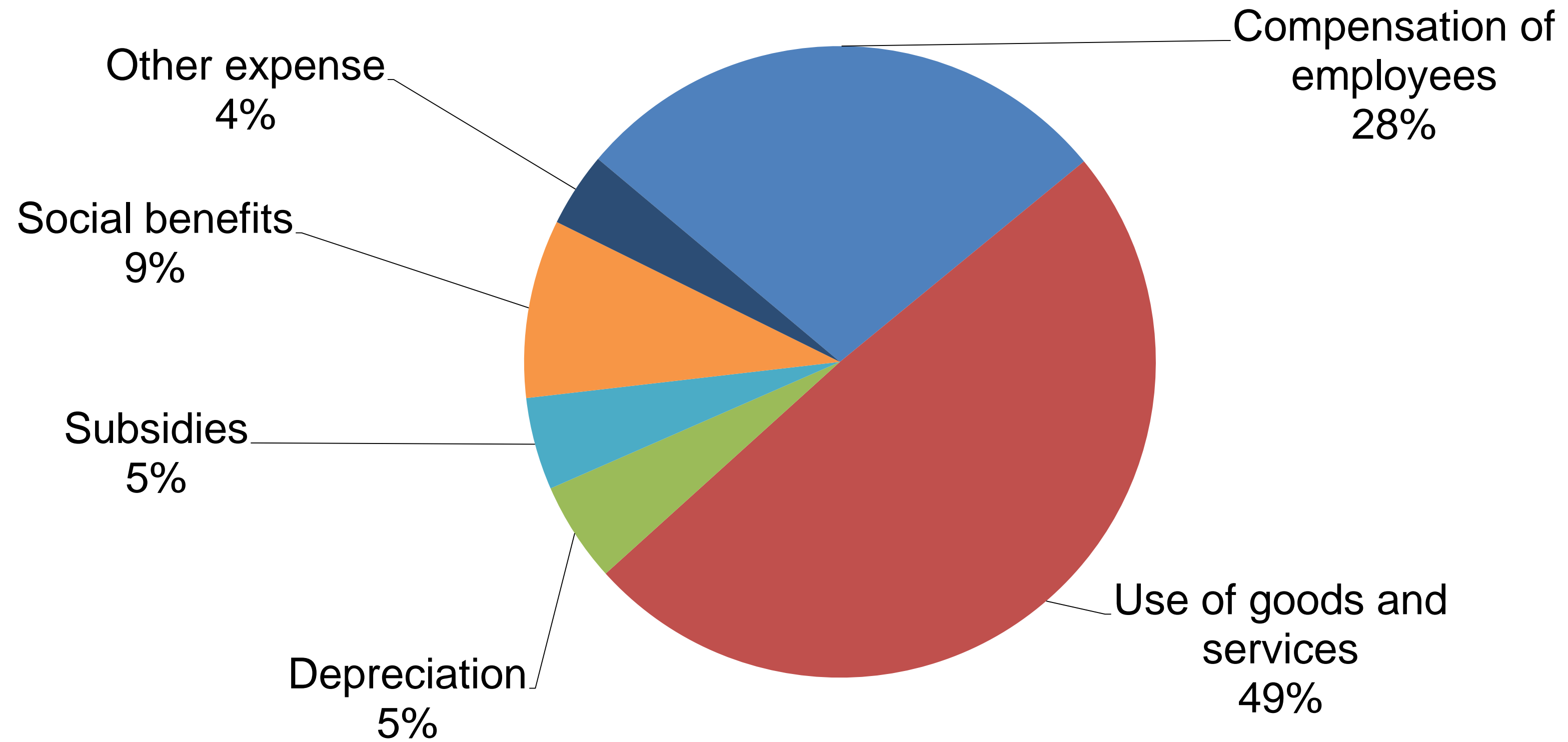


# Fiscal Outlook

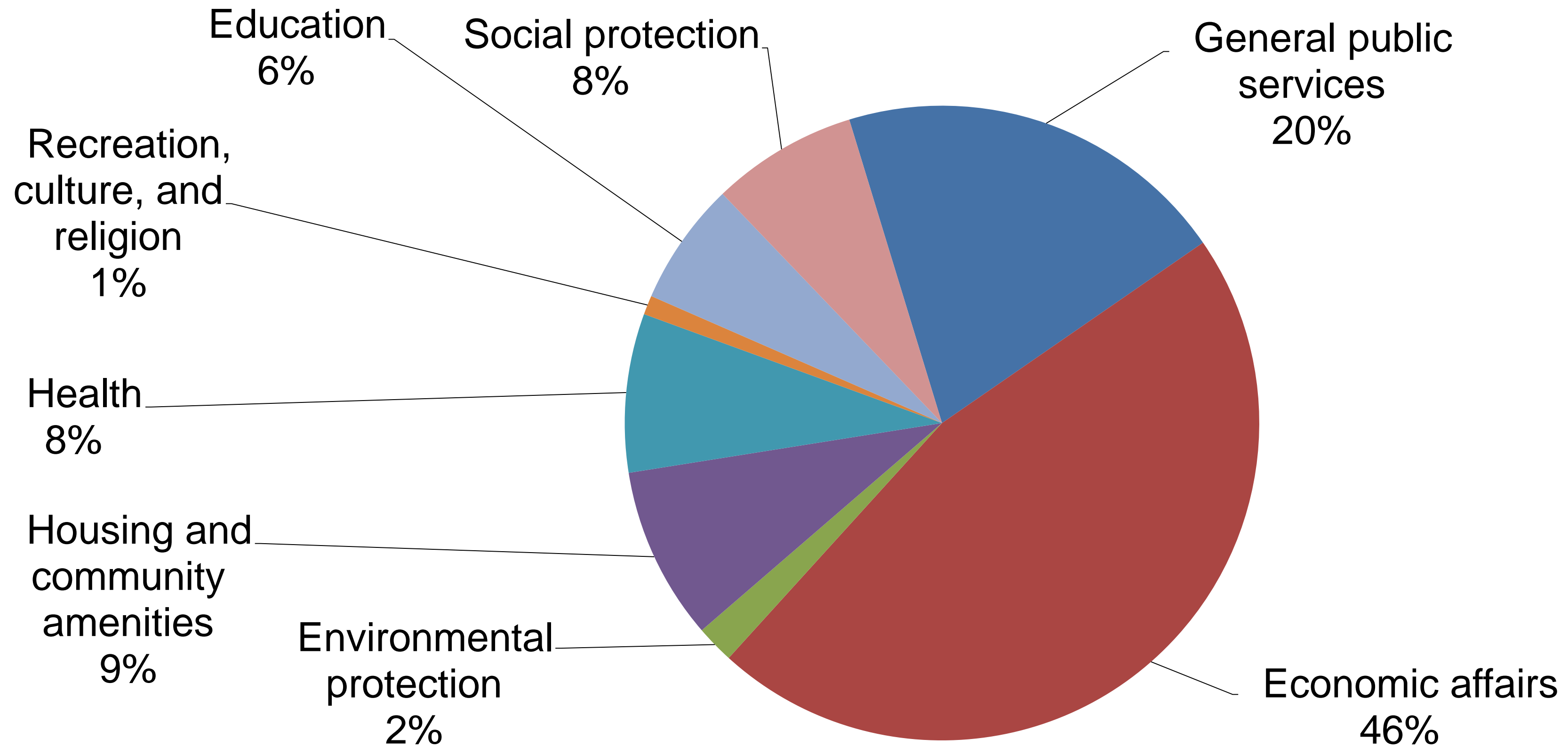




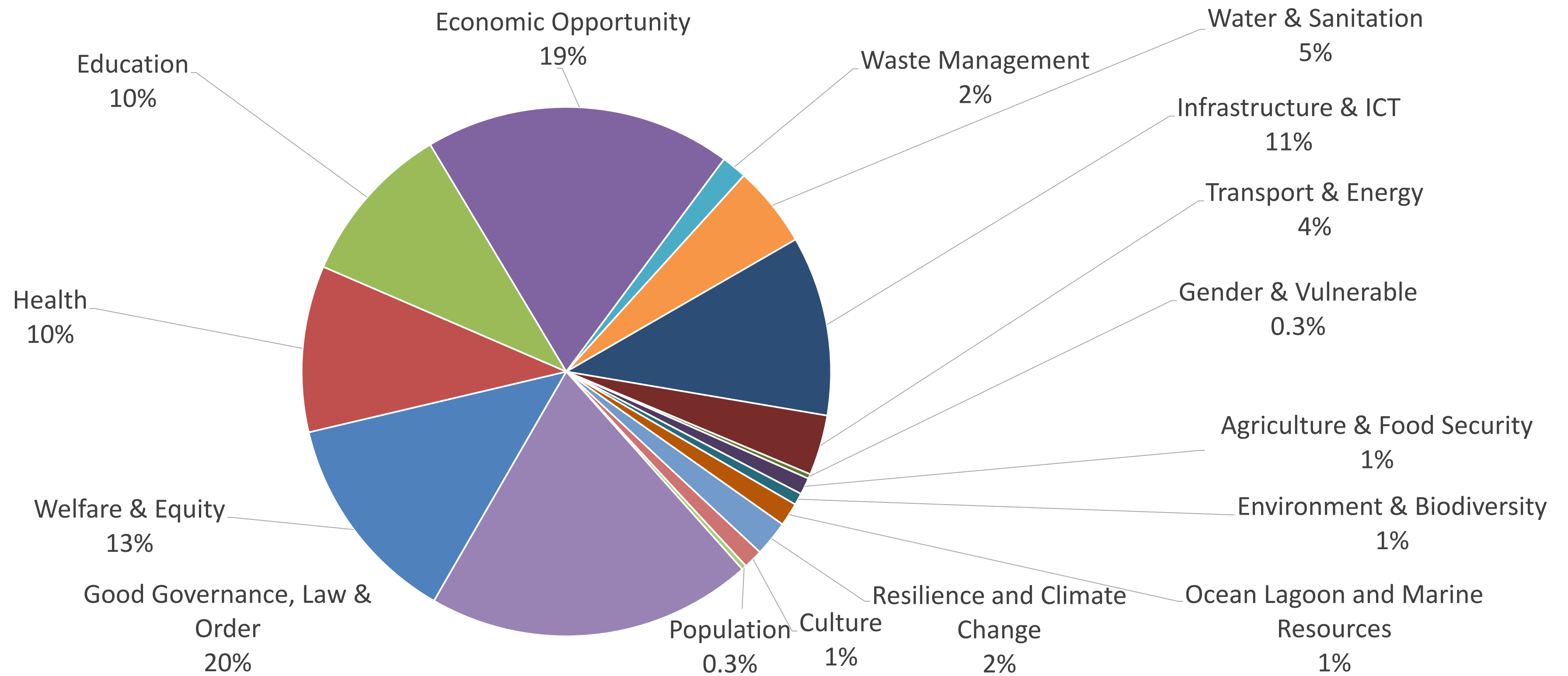
# Spending by Expenditure Type (GFS)



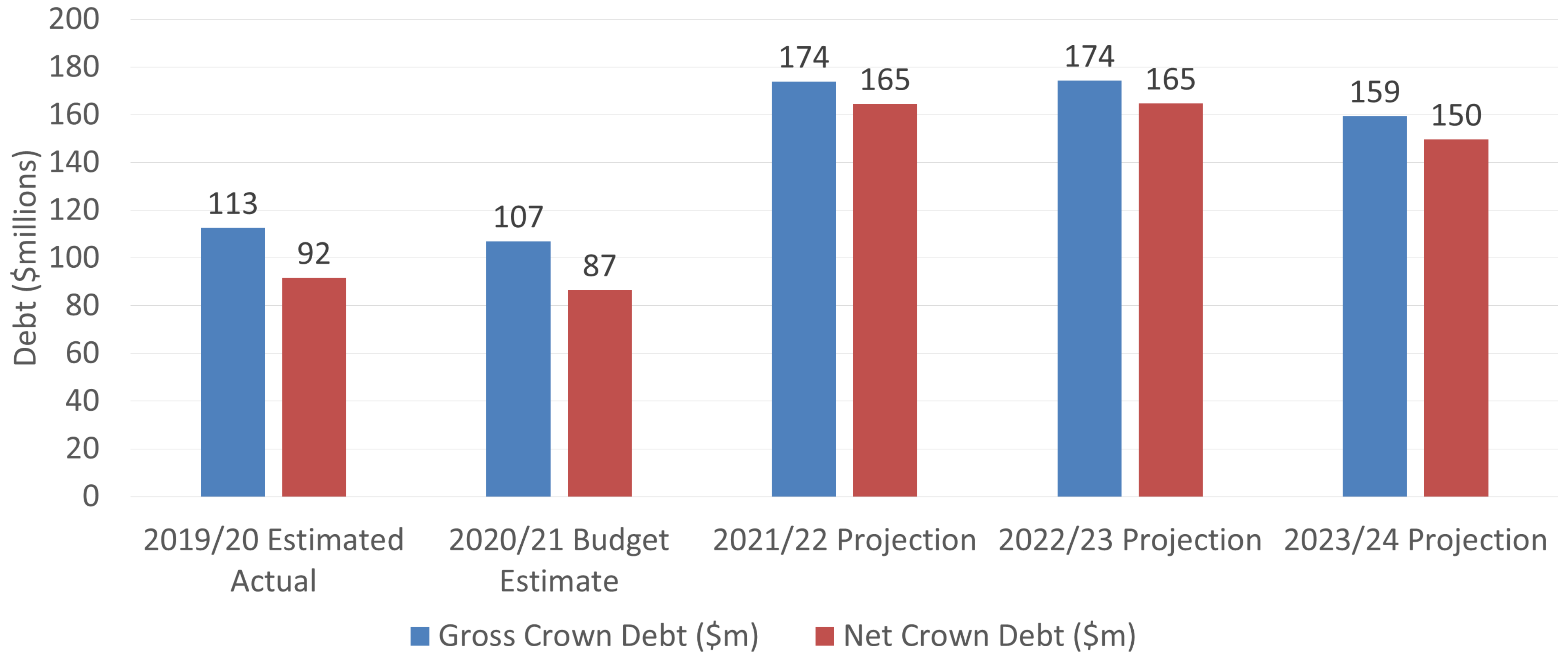
# Expenditure by Function of Government



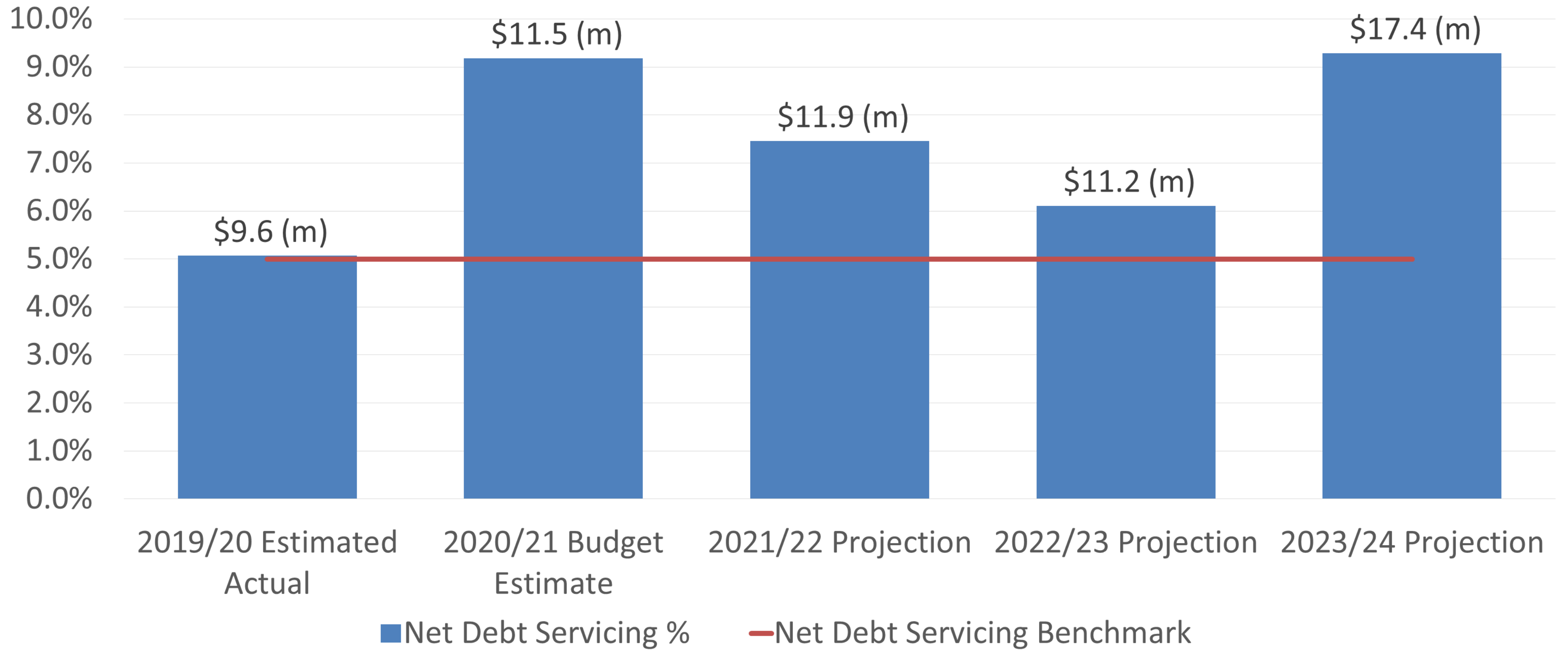
# Spending by NSDP Goal – Medium-term



# Medium-term Government Debt Levels



# Debt Servicing





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# ERP Phase II

- **Objective:**

- Increase investment to drive growth in the absence of tourism, while supporting health and maintaining economic activity

- **Budget:**

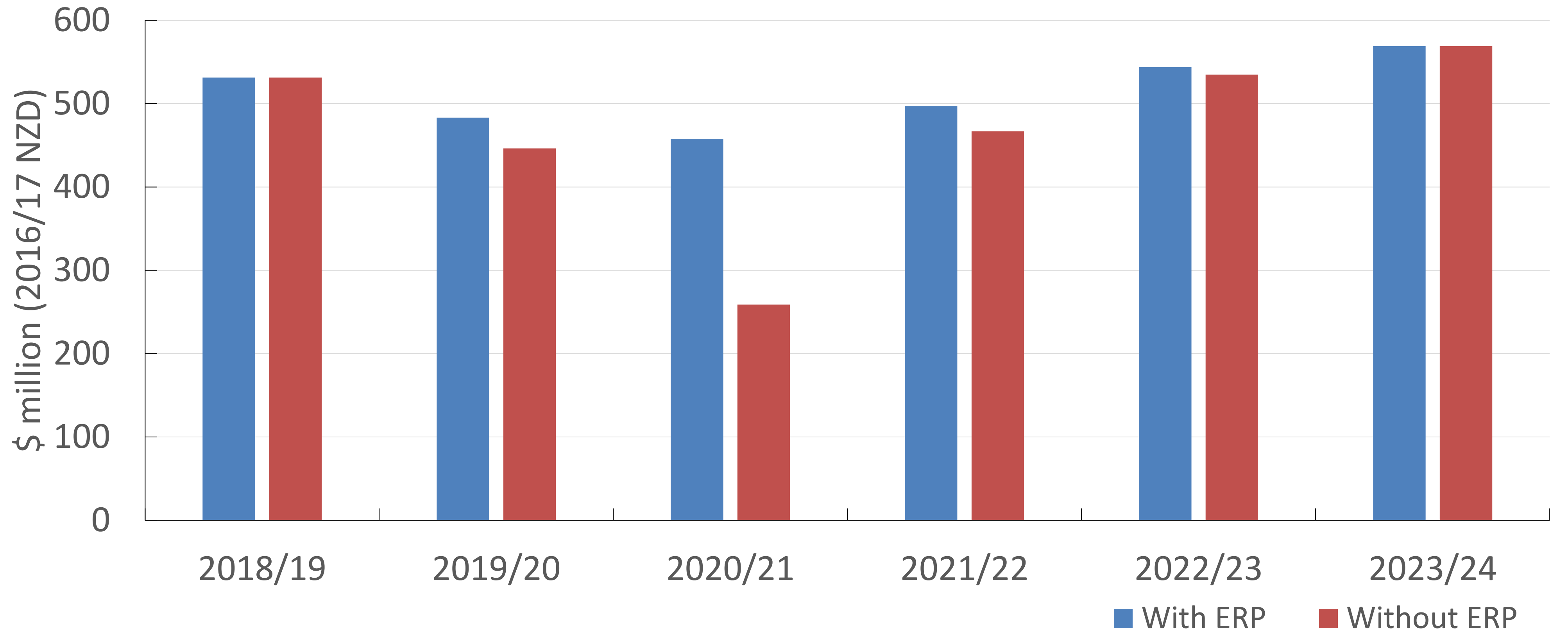
- \$76 million through direct and indirect budgetary measures
- Builds on \$61 million for ERP Phase I

- **Themes**

- Lifeline
- Recovery
- Transformation



# The impact of the ERP



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# Phase II: Lifeline Measures

- Wage Subsidy – ext phase I
- Interest Relief Scheme
- Business Continuity Credit Facility
- Sole Trader Cash Grants
- Unemployment Benefit – ext phase I
- Emergency Hardship Fund
- Superannuation Contributions reduction to 1%
- Increase in Tax Free Threshold
- Te Aponga Uira discounts





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# Phase II: Recovery Measures

- Training Subsidy
- Fees Free
- Accelerated Depreciation
- Business Growth Loan Program





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# Phase II: Transformation Measures

- SMART Economy Initiatives
- SMART AgriTech Scheme
- Green Economy Initiative



# Summary

- The 2020/21 Budget meets the Net Debt rule in all years of the medium-term forecast.
  - Government will not aim to meet the remaining fiscal rules until within the economic thresholds.
- Efficient debt management
- Active investment in critical physical and digital infrastructure
- Delivering an Economic Response Plan that supports households and businesses

