

FISCAL POLICIES - ELECTION 2020

CONTEXT

Due to the economic impact of COVID-19, both in increased government spending to support the economy and decreased tax revenue, the Government's books are projected to take a significant hit.

Treasury's pre-election economic and fiscal update (PREFU) projects core Crown net debt will peak at 56% of GDP in 2025/26. OBEGAL deficits will continue to the end of the projection period in 2033/34, with net debt falling to 48% of GDP by that time.

The economy is projected to shrink 0.5% in 2020/21, following a decline of 2% in 2019/20, before rebounding with growth peaking at 4.1% in 2023/24. Unemployment is projected to peak at 7.8% in 2021/22. (note: some statistics so far have been better than the PREFU forecasts - with the GDP decline in 2019/20 being 2% vs the 3.1% forecast and no rapid increase in unemployment as of yet).

NEW ZEALAND LABOUR PARTY

- Labour has released a [fiscal plan](#) that is largely consistent with Treasury's PREFU.
- The plan allows for \$2.625b of new operating spending each Budget, which equates to \$26.25b over the next four years.
- \$4.4b of this new operating expenditure will be used to fund specific election policies announced by Labour- the bulk of which are in health and education. Around \$10b-\$15b more will be needed for cost pressures in health and education.
- Labour's plan would use \$2b from the \$14.1b COVID Response and Recovery Fund (CRRF) for extending the Small Business Cashflow Scheme and other smaller programmes, leaving \$12.1b of the contingency unspent.
- Labour's fiscal plan, assuming the remaining CRRF is unspent, sees net core Crown debt peak at 53% of GDP in 2025/26

NEW ZEALAND NATIONAL PARTY

- National's [fiscal plan](#) prioritises debt reduction. However, several mistakes mean the party's debt track is worse than projected.
- National would reduce the new operating allowances to \$1.5b in 2021/22 and \$1.8b thereafter, allowing \$17b for new spending. By 2033/34, this means \$51b less is available for cost pressures and new spending, compared to the PREFU forecasts.
- National would implement \$10b of tax reductions and \$6b of new spending in the next four years.
- National would increase capital expenditure by having NZTA borrow \$1b a year for transport programmes (borrowing by Crown agencies is not counted within core Crown net debt). It would also stop contributions to the New Zealand Superannuation Fund.
- Lower operating expenditure would see the Government return to surplus in 2026/27 and, combined with lower capital investment, would see net Core Crown debt fall to 36% of GDP by 2033/34.

- National's fiscal plan was beset by a [series of accounting errors totalling \\$10b](#). \$4b of these were corrected with a higher debt target, \$4b would be made up by unspecified redirection of National Land Transport Programme funds, and \$2b was denied by the party.

GREEN PARTY OF AOTEAROA NEW ZEALAND.

- The Green Party has not released a fiscal plan, but has released costings of its major policies, including: [Wealth tax/Guaranteed Minimum Income](#), [Transport](#), and [Clean Energy](#).

ACT NEW ZEALAND

- ACT's [fiscal plan](#) prioritises debt reduction, promising \$76b less debt by 2033/34, with net debt standing at 31% of GDP.
- To achieve this, ACT would cut a broad swathe of spending, including programmes like Fees Free, the Winter Energy Payment, KiwiSaver subsidies and Best Start, as well as reversing increases to Working for Families and Best Start.
- ACT's plan was also found to have \$8.7b in [accounting errors](#).

NEW ZEALAND FIRST

- New Zealand First has not released a fiscal plan or detailed costings of its policies.