

Budget 2020

This afternoon in the midst of the Covid-19 crisis and on our first day at Level 2 Grant Robertson presented the Coalition Government's third budget. This is the second "Wellbeing Budget" with the subtitle of "Building Together". Mr Robertson went on to describe Budget 2020 as being all about getting people back to work, a "Jobs Budget".

Budget 2020 establishing the \$50 billion Covid-19 Response and Recovery Fund. This fund builds on top of the initial \$12.1 billion package, and the \$12 billion New Zealand Upgrade Programme that the government announced in January.

Economic and Fiscal Outlook

Mr Robertson advised that prior to Covid-19 that New Zealand's real GDP and fiscal position were both strong, and that the strong position now means we are much better placed than many other countries to cushion the blow of Covid-19 on the economy and New Zealanders.

The IMF expects a decline in global economic activity not seen in peacetime since the Great Depression of the 1930s, with annual global growth expected to fall to -3.0 per cent in 2020. Treasury's forecasts and alternative scenarios indicate there will be a sharp fall in economic activity and a substantial rise in unemployment.

New Zealand's real GDP growth rate is forecast to decline from 2.8 per cent in the year ending June 2019 to -4.6% in the year ending June 2020, driven by a quarterly decline in GDP of over 20 per cent in the June 2020 quarter. Annual average GDP growth is forecast to return to positive from the year ending September 2021 onwards.

Unemployment is forecast to increase significantly, rising to 8.3% in the year ending June 2020, before peaking at 9.8% in September 2020 and then recovering thereafter.

OBEGAL deficits will average 9.3% of GDP between 2020 and 2022. It is hoped the deficit reduce to 1.3% of GDP by 2024.

Net core Crown debt is forecast to be 30.2% at the end of this financial year, and to reach 53.6% of GDP by the 2023 fiscal year before stabilising.

Mr Robertson told us that running operating deficits and allowing net core Crown debt to increase in the short term is necessary and that Budget 2020's level of investment in the short term will support the economy recovering to where New Zealand can return to a more sustainable fiscal position.

Child Poverty Report

The Government's goal remains for New Zealand to be the best place in the world to be a child. Mr Robertson advised us that Budget 2020 confirms that this focus remains core to the government's agenda.

Covid-19 Respond, Recover and Rebuild

Mr Robertson reported that the government's purpose is to see people back at work, to clear the pathway back for communities and sectors most affected by Covid-19.

The Covid-19 Response and Recovery Fund will be used to support New Zealanders through each stage of the impact of the virus, both in the immediate future and the longer term.

Already committed from the Fund is the \$13.9 billion previously announced in funding for the Wage Subsidy

Scheme, the essential workers leave scheme, SME support measures, the Business Finance Guarantee Scheme, additional packages to support the health response, and resources for those in need.

Budget 2020 now includes a further \$15.9 billion on areas intended to kick-start the economic recovery, create jobs, ensure the security of our most vulnerable, and lay the groundwork to rebuild.

Business Support

Mr Robertson reminded us that the Government has already provided support for businesses which included the Wage Subsidy Scheme, changes in the tax system, low and interest free loans, along with supportive legislative and regulatory changes. Budget 2020 provides a \$4 billion Business Support package to help keep people in work and to assist businesses for recovery and growth.

Sectors identified as particularly effected by Covid-19 are tourism, hospitality and retail.

Budget 2020 provides a targeted further eight week extension of the Wage Subsidy Scheme focused on businesses who have suffered a 50% reduction in turnover over the 30 days prior to application compared to last year. It will follow on directly from the end of the first twelve week scheme and has an estimated cost of up to \$3.2 billion.

Beyond the Wage Subsidy, the Business Support package increases support for research and development by launching a \$150 million short-term temporary loan scheme to incentivise businesses to continue Covid-19 at risk R&D programmes. The loans will provide one-off finance and will be administered by Callaghan Innovation.

Budget 2020 also provides \$216 million additional to New Zealand Trade and Enterprise to expand the scope and intensity of support provided to exporting firms. This includes increasing activity for New Zealand firms in priority markets and expanding the digital services available for firms.

\$10 million is being set aside to support small businesses to improve their e-commerce service offerings, and incentives/grants to encourage e-commerce adoption.

Budget 2020 also provides further support for business advice, the e-invoicing project, Business Connect and the Better For Business programme.

Infrastructure

Mr Robertson told us that Investment in new infrastructure projects will help support the longer-term economic recovery from Covid-19. Already announced in January was the Governments \$12 billion New Zealand Upgrade Programme. Budget 2020 establishes an initial \$3 billion contingency for additional infrastructure investment. Which projects to be funded will be decided in the coming weeks and months. There will be a particular focus on regional infrastructure projects identified through the Provincial Growth Fund, and on projects that advance Government's other goals. There will be increased partnerships with local government and the private sector.

Mr Robertson also said that he fully expects that the Government will fund further infrastructure projects beyond Budget 2020's initial allocation, including in areas such as our Three Waters Programme.

Housing

Budget 2020's Housing package creates 8,000 additional public or transitional housing places over the next 4 to 5 years which will be financed by \$5 billion through the Kāinga Ora borrowing programme, and investment in Community and Transitional Housing providers.

Budget 2020 also provides \$670 million of support and services to tenants with the intention of improving affordability by increasing the supply of houses.

Environment Jobs Package

Budget 2020's \$1 billion Environmental Jobs package is intended to create thousands of jobs to support habitat protection, pest control and biodiversity on public lands. This is hopefully will address some of the long-standing sustainability and environmental challenges facing New Zealand. This investment includes a \$433 million in regional environmental projects which will include restoring wetlands, stabilising river banks and removing sediment.

A \$315 million package of pest eradication and pest control work is also included in Budget 2020.

Additionally Government is establishing a \$200 million Jobs for Nature Fund which will target job creation within the DOC estate.

Education, Training and Jobs

Budget 2020 includes \$1.6 billion in a Trades and Apprentices Package which will provide opportunities for individuals to receive trades training, and offer support for businesses to access free apprenticeships, retain their apprentices and for training within targeted critical industries. There is a specific \$50 million fund for Maori Apprentices and Trades Training. Also included are the establishment funding for Workforce Development Councils and Regional Skills Leadership groups along with support for The Ministry of Social Development to expand its employment services and core provision.

Budget 2020 also provides a further \$121 million into He Poutama Rangatahi to help resolve barriers to employment and training within some of the more challenged areas of New Zealand.

Adult and Community Education is also to receive \$16 million to help re-establish night classes.

Budget 2020 establishes a \$20 million hardship fund to support students through this difficult time.

Sector Recovery

Budget 2020 provides targeted support for sectors particularly impacted by Covid-19.

- Tourism. In addition to the extension to the wage subsidy scheme, \$400 million is provided for a Tourism Sector Recovery Plan.
- Māori Community. The Māori Covid-19 Recovery Package totals \$485 million. Of this \$137 million to boost to Whānau Ora and establishes funding for a Maori and Iwi Housing and Innovation Fund (Te Maihi O Te Whare Maori). \$20 million is allocated to a cadetship programme and career development.
- Pacific Communities. A \$195 million Pacific Recovery Package.
- Arts and Sports. The details of these packages will be announced in the coming days.
- Water Safety. \$62 million allocated over four years for the likes of Surf Livesaving New Zealand and the Coastguard.

Community Wellbeing

Mr Robertson recalled the \$25 per week increase in main benefits, the doubled Winter Energy Payment, emergency support via Civil Defence and a \$100 million of support to house the homeless, and then informed that Budget 2020 will:

- increase the Foster Care Allowance, Orphan's Benefit and the Unsupported Child's Benefit all by \$25 per week per child. There will also be further support that the Minister for Children will outline soon.
- The Free and Healthy School Lunch programme is to be expanded to 200,000 students from Term 4 at a cost of \$217 million.
- An additional \$32 million for foodbanks, food rescue and other community food services.
- A \$36 million fund to support community groups to respond directly to Covid-19 and its impacts, with a particular focus on those who are from Maori, Pacific, refugee and migrant communities.

Budget 2020 Core Services Package

Mr Robertson advised that the new spending packages previously planned on the Government's priorities as announced in the Budget Policy Statement have been re-assessed. Specifically mentioned by Mr Robertson were:

- **Health.** The total investment made through the core health package is \$5.6 billion in services and \$755 million in capital investment. This includes \$3.9 billion for DHB, an increase of \$160 million PHARMAC's budget, a further \$832.5 million for Disability Support Services, \$500 million to deal with Covid-19. Budget 2020 now provides \$37 million to sustain laboratory testing capacity and additional support for ambulance, aged care, disability, and hospice services.
- **Social sector.** As already mentioned Budget 2020 provides a funding boost to both governmental and non-governmental social services, to support New Zealanders' employment, housing, and wellbeing.
- **Education.** Budget 2020 invests nearly \$1 billion to support the core provision of education services. The School Property Investment package will invest \$115.1 million to help expand, maintain and enhance our schools.
- **Primary Industries.** The core package invests nearly \$500 million in initiatives that will ensure primary industries are supported and sustainable.
- **Justice sector.** Budget 2020 provides additional funding for new technology, court buildings and corrections.
- **Arts and Culture.** Budget 2020 includes the significant Preserving the Nations Memory Project that will build new facilities for our public records.
- **Defence and Foreign Affairs.** Includes an additional \$55.6 million for New Zealand to provide further Official Development Assistance particularly to our Pacific neighbours.
- **Transport.** Budget 2020 includes more than \$1 billion to improve transport across the country.