

Wellbeing Budget 2022

A Secure Future

Budget at a Glance

19 May 2022

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Wellbeing
Budget 2022
A SECURE FUTURE

Te Kāwanatanga o Aotearoa
New Zealand Government

Wellbeing Budget 2022: A Secure Future

Budget 2022 invests in a high-wage, low-emissions economy that provides economic security in good times and bad.

Building a secure future through \$4.7 billion of new capital investment

Largest ever investment in health to reset our system and deliver better services nationwide, starting with a two-year health budget

Investing in a secure future with \$2.9 billion of climate investments for energy security and lower costs for New Zealanders

New multi-year funding approaches in Justice and Natural Resources to control costs, plan ahead and deliver better outcomes for New Zealanders

\$1 billion cost of living package to support low- and middle-income Kiwis as war in Ukraine and COVID-19 supply chain issues push up prices

Wellbeing Budget 2022: Overview

Cost of living package

Targeted cost of living support for low- and middle-income Kiwis, including a **\$350 payment** for those who earned less than \$70,000 last tax year and don't get the Winter Energy Payment, a further two-month extension of the **fuel excise duty reduction**, and **half price public transport fares**.

Reforming the health system

Transforming the health system to deliver better services nationwide and achieve better outcomes for all New Zealanders, including **\$11.1 billion** to **fix the deficits** and **set the system up for success**.

Climate Emergency Response

Investing **\$2.9 billion** from the **Climate Emergency Response Fund** to tackle climate change and create a more secure economy by focusing on **immediate decarbonisation** and **energy security**.

Supporting business growth

Building a **supportive and flexible business environment** with a new small business growth fund, regional development funding, targeted tourism support, and growth and innovation plans for local industry.

Supporting Māori and Pacific aspirations

Furthering **Māori and Pacific wellbeing and aspirations** through investment in education, training, business development and health system reform.

Addressing Cost of Living

Against the backdrop of high global inflation, as COVID-19 supply chain pressures are exacerbated by rising oil prices due to the invasion of Ukraine, the Government moved quickly in March to cut fuel excise duties and halve public transport fares.

Budget 2022 includes a further \$1 billion of targeted support for low- and middle-income Kiwi households through a cost of living payment and extensions of fuel duty cuts, as well as initiatives to tackle underlying drivers of the cost of living.

Cost of living payment

\$814m

A total payment of \$350 in three monthly instalments starting 1 August to **support an estimated 2.1 million Kiwis** who earned less than \$70,000 last tax year and are not eligible for the Winter Energy Payment. The payment is around \$27 per week for the three months.

operating

Fuel duty reduction extended

\$235m

To support Kiwis at the pump, the Government is **extending the temporary reduction in fuel excise duties and road user charges** for a further two months.

operating

Reducing the cost of public transport

\$130m

Budget 2022 **extends** the nationwide 50 percent **reduction in public transport fares** for a further two months, and introduces a new ongoing 50 percent fare discount for Community Services cardholders.

operating

\$2m

capital

Extending Warmer Kiwi Homes

\$73m

Extending the Warmer Kiwi Homes programme until June 2024 means that more low-income homeowners can access grants to **cut energy bills** and **reduce emissions**.

operating

Tackling long-term drivers of food prices

\$11m

Urgent Budget night legislation will progress a key recommendation from the Commerce Commission's review of the grocery sector by **removing barriers to new retailers entering the market**.

operating

These short-term measures are in addition to broader economic supports for individuals and families and whānau, including the Winter Energy Payment, the significant lift in main benefit rates and student allowances, and increases to the Family Tax Credit, childcare allowances and superannuation.

Reforming the Health System

Budget 2022 represents a significant investment in building a health system that works for all New Zealanders. Our new health system, led by Health New Zealand and Te Mana Hauora Māori, will be set up to succeed.

Setting up our health system for success

\$11.1b
operating

Our health system exists to support Kiwis when they need care, no matter who they are or where they live. To deliver better services nationwide and achieve better outcomes, we are getting ahead of the curve and funding the system for success. A more streamlined and less bureaucratic health system will mean a greater focus on care and make sure it has the workforce to succeed.

Supporting mental wellbeing

\$202m
operating

Investing in mental wellbeing through funding for: **specialist mental health and addiction services**, continuing and expanding support for primary and intermediate **school-aged children**, and continuing an important pilot developing better tailored support for our young people.

Investing in health infrastructure

\$1.3b
capital

Supporting delivery of **safe and appropriate healthcare** by providing facilities and infrastructure that can support current and future demand, **including priority capital projects** such as Whangārei Hospital, and starting the redevelopment of Nelson Hospital.

More medicines for more New Zealanders

\$191m
operating

A two-year funding boost for the Combined Pharmaceutical Budget managed by PHARMAC to **ensure that more medicines are available to more New Zealanders**.

Budget 2022 makes the first step towards a multi-year approach to health system funding, designed to support longer-term planning. It provides a two-year transitional funding package covering Budgets 2022 and 2023, with a shift to a permanent multi-year funding approach (covering three Budgets) from Budget 2024.

Climate Emergency Response

Funding from the Climate Emergency Response Fund will focus on immediate decarbonisation and move Aotearoa New Zealand towards greater energy independence, to boost our economic security, create high-wage jobs and set us up to meet our commitments.

Transport

Substantial investments to **decarbonise the transport sector** and cut transport costs for Kiwi households, including funding to deliver infrastructure to support mode shift, measures to increase public transport capacity and encourage uptake, and financial support for households to shift to low-emissions vehicles to cut everyday costs and reduce our economy's reliance on volatile global oil markets.

\$1.3b
operating
\$2m
capital

Energy and industry

Immediate industrial decarbonisation initiatives, as well as efforts to prepare for the **broader energy transition** as we move towards energy independence. This includes support for businesses to shift to cleaner energy to cut costs and reduce emissions, and market measures to support the transition to a highly renewable electricity system.

\$764m
operating
\$1m
capital

Agriculture

The package partners with farmers and growers to fund research and development of **agricultural emissions mitigations**, as well as funding for immediate decarbonisation efforts on farms through a programme to support existing producers and Māori entities to **implement low-emissions on-farm practices**.

\$380m
operating
\$1m
capital

Forestry

Support for measures to **establish native forests** at scale, and in the appropriate place, by developing long-term **carbon sinks** and **improving biodiversity**. Investments also increase the available woody biomass supply to **replace coal** and other carbon-intensive fuels and materials.

\$156m
operating
\$191m
capital

The Climate Emergency Response Fund is a multi-year fund covering focus areas including, but not limited to, those listed above, and which recycles expected proceeds from the Emissions Trading Scheme and therefore does not impact borrowings.

Supporting Business Growth

Budget 2022 invests in our immediate economic recovery, while also looking to the future. By supporting businesses and people to achieve their aspirations, fostering innovation, and transforming our key industries, we can transition to a high-wage, low-emissions economy that provides economic security in good times and bad.

Positioning our economy for long-term growth by investing in industry innovation and transformation **\$148m** operating

Supporting industries to innovate and profit from a more secure economy through **Industry Transformation Plans** in construction, advanced manufacturing, agritech, digital technologies, forestry and wood processing, food and beverage, and fisheries.

Investing in regional business support and tourism **\$116m** operating

Boosting the Regional Strategic Partnership Fund to **invest in local projects** tailored to particular regions, increasing broadband infrastructure in the worst-served regions for **greater productivity**, and working with the tourism industry to innovate and grow their sector in a changing world.

\$76m
capital

Developing a Business Growth Fund **\$1m** operating

The Government is establishing a Business Growth Fund to **improve access to capital** for small- to medium-sized enterprises. We are looking to partner with New Zealand's major banks to grow the scale and reach of the fund.

\$100m
capital

A locally-trained, skilled and productive workforce **\$316m** operating

Topping up and extending the **Apprenticeship Boost Initiative**, **Mana in Mahi** and the **Māori Trades and Training Fund** to lift economic inclusion and support employment opportunities for Kiwis by helping businesses take on apprentices.

Continuing capital and infrastructure investment **\$61.9b** over the next five years

Forecast Crown infrastructure investment over the next five years now totals \$61.9 billion. We are continuing to **lay strong foundations** and reduce New Zealand's infrastructure deficit by investing in projects like **Auckland Light Rail**, **water infrastructure**, and **rolling stock for rail**.

Supporting Māori and Pacific Aspirations

Budget 2022 lifts Māori income, skills and opportunities with over \$1 billion in investment to support better health, education and economic outcomes, and stronger cultural wellbeing. Budget 2022 also addresses key drivers of Pacific wellbeing.

Investing in Māori health and wellbeing

\$580m

Alongside the significant health investment, Budget 2022 includes funding to support **hauora Māori health services**, and support for **Whānau Ora** Commissioning Agencies.

operating

Māori adaptation to climate change

\$162m

Enabling an equitable transition to a high-wage, low-emissions economy by investing in **Māori climate action**, an **equitable transitions programme** and the **Takutai Moana Financial Assistance Scheme**.

operating

\$5m

capital

Māori economy and employment

\$155m

Supporting job opportunities for Māori by continuing the Cadetships Programme, and encouraging public sector **procurement opportunities for Māori businesses**.

operating

Protecting language, culture and identity

\$249m

Supporting the teaching and learning of te reo in schools through **Māori language education** funding, along with investing to develop a **thriving Māori media sector** and **empowering Pacific communities** to tell their stories of the Dawn Raids.

operating

\$105m

capital

Supporting Pacific health services

\$76m

Funding to **support Pacific health providers** to develop capability, improve infrastructure and prepare for system reform, along with a **targeted diabetes prevention and management programme**.

operating

Investing in Pacific education and employment

\$47m

Supporting Pacific employment and education opportunities with investment in **Pacific Science Technology Engineering Arts Maths futures** and **Tupu Aotearoa**.

operating

Intergenerational Wellbeing

Investments in Budget 2022 will continue to improve intergenerational wellbeing by addressing climate change, the housing crisis, and child poverty. Budget 2022 also focusses on improving wellbeing outcomes for New Zealanders who live with disabilities and providing more equitable access to social services.

Improving housing outcomes

\$1.8b

operating

Continuing to address challenges to housing access and affordability through funding for **public and transitional housing**, progressing the **Homelessness Action Plan**, and the **Affordable Housing Fund**.

Sustaining and transforming the disability system

\$943m

operating

Supporting the disability system by addressing pressures to enable providers to meet demand, **establishing a new Ministry for Disabled People**, and investing in the regional-based rollout of the **Enabling Good Lives** approach.

Improving access to dental treatment

\$126m

operating

Improving **adequacy and accessibility of necessary dental treatment** for people on income support and low-income families and whānau by increasing the support available to \$1,000 annually per person.

Investing in education from childhood through tertiary

\$2.0b

operating

Investing in improved education for our children by supporting the **education workforce**, including strengthening **Māori and Pacific language teaching**, support for the **tertiary education** sector to meet demand, and implementing the **Equity Index**.

Child support pass-on to boost sole-parent income

\$334m

operating

Changing child support so that sole-parent beneficiaries will receive those payments as income, **increasing the incomes of many sole-parent beneficiaries and their families and whānau**.

In addition to these specific investments, transitioning to multi-year funding approaches, such as establishing the Climate Emergency Response Fund, will help to better address long-term and complex issues through greater funding certainty and ability to manage costs.

Wellbeing Objectives

Wellbeing objective	Budget 2022 contribution
<p>Just Transition Supporting the transition to a climate-resilient, sustainable, and low-emissions economy.</p>	<p>Achieving a just transition means boosting our energy independence by shifting towards a low-carbon economy in a way that supports workers, businesses and communities. We have established a new Climate Emergency Response Fund and are investing in the decarbonisation of process heat and public transport, reducing agricultural emissions, increasing carbon storage and supporting the shift to low-emission vehicles to reduce our reliance on volatile global oil and energy markets.</p>
<p>Physical and Mental Wellbeing Supporting improved health outcomes for all New Zealanders and minimising COVID-19 and protecting our communities.</p>	<p>Good physical and mental health, and timely access to care and support are fundamental to New Zealanders' long-term wellbeing. This Wellbeing Budget invests in transforming the national health system, including establishing a new public health agency, increasing the availability of specialist mental health and addiction services, investing in primary and community care, particularly for Māori and Pacific peoples, and investing in disability support services.</p>
<p>Future of Work Enabling all New Zealanders and New Zealand businesses to benefit from new technologies and lift productivity and wages through innovation.</p>	<p>COVID-19 has turbo-charged the already shifting nature of how we work. Enabling all New Zealanders to benefit from the changing nature of work requires an investment in expanding access to training and technology infrastructure. This Wellbeing Budget invests in industry transformation plans in agriculture, construction, manufacturing and digital technologies. It also invests in rural connectivity, innovation in tourism and regional economic development, as well as support for the digital economy and SMEs. An extension of support for apprenticeships will help to build a skilled workforce.</p>
<p>Māori and Pacific Peoples Lifting Māori and Pacific Peoples' incomes, skills and opportunities, including through access to affordable, safe and stable housing.</p>	<p>The ability for many Māori and Pacific peoples to have mana āheinga (the capability to decide on their aspirations and realise them) and build mana whanake (the power to grow sustainable, intergenerational prosperity) is impeded when health, education, housing and social welfare systems do not address multifaceted, intergenerational disadvantage. This is why we are using this Wellbeing Budget to invest heavily in Māori and Pacific education, language, training and employment, as well as Māori media and homes, skills and business support for Pacific Peoples.</p>
<p>Child Wellbeing Reducing child poverty and improving child wellbeing, including through access to affordable, safe and stable housing.</p>	<p>Investing in a good start in life for our children is one of the most important ways we can ensure the wellbeing of New Zealanders. This Wellbeing Budget includes investments that will support children and their families, including changing child support so that sole-parent beneficiaries will receive those payments as income rather than it going to the government, increased support for dental treatments for low-income New Zealanders, programmes to prevent family and sexual violence, and supports for child and family wellbeing in the family justice system.</p>

Economic and Fiscal Outlook

Economic outlook

New Zealand's economic recovery from COVID-19 has been one of the best in the world and is better than following the Global Financial Crisis, putting us in a strong position to invest for the future. We are one of only twelve countries with at least two Triple-A credit ratings, real GDP in the year ended December 2021 was up 5.6 percent compared to 2020, and unemployment is at a record low of 3.2 percent.

The war in Ukraine has added considerable uncertainty to the near-term outlook and has resulted in higher commodity prices, including oil prices. This comes at a time when the cost of living has already been pushed up by global supply chain issues due to ongoing international COVID-19 responses and high demand due to the strong domestic economy.

The unemployment rate remains at a low level, with growth in wages to support cost of living pressures. From 2023, wages are forecast to outpace inflation again.

Real GDP in the year ended December 2021 was **up 5.6 percent** compared to 2020

The unemployment rate is at a **record-low 3.2 percent** in Q1-2022

Introducing new fiscal rules

We are refreshing our fiscal rules in Budget 2022 to ensure fiscal discipline, while continuing to manage long-term challenges. We have also adopted a new net debt indicator that better reflects New Zealand's fiscal position and improves international comparability.

Adopting an OBEGAL[^] target as the main fiscal rule...

The OBEGAL target requires a return to surplus in 2024/25, with an aim to maintain an average surplus of 0 percent to 2 percent of GDP thereafter.

...combined with a net debt ceiling of 30 percent of GDP*

The ceiling ensures a buffer for economic shocks while providing room for infrastructure investment.

[^] OBEGAL – Operating balance before gains and losses.

* For more information on the new net debt measure, refer to the Fiscal Strategy Report.

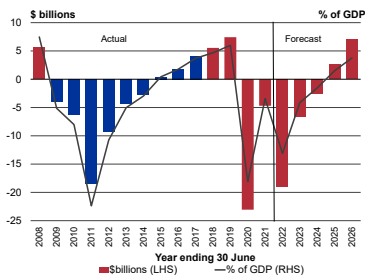
Economic and Fiscal Outlook

Fiscal outlook

Our economic management of the COVID-19 crisis focussed on protecting lives and livelihoods. This has resulted in a strong economic recovery that has contributed to a strong fiscal position.

OBEGAL is forecast to hit surplus by 2024/25, meaning five years of deficits averaging 3.2 percent of GDP, compared to the six deficits run by the previous Government averaging 3.6 percent of GDP. Net debt will remain below other countries that we compare ourselves against.

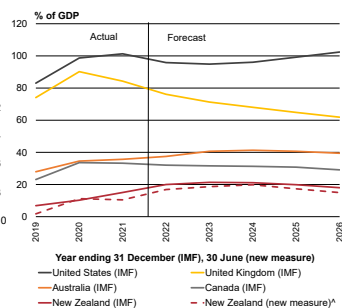
OBEGAL*



Source: The Treasury

* OBEGAL – Operating balance before gains and losses
 ^ New measure – New Zealand’s new net debt measure

International comparison of net debt



Sources: International Monetary Fund (World Economic Outlook Database, April 2022), the Treasury

Budget allowances

\$billions	Budget 2022	Budget 2023	Budget 2024	Budget 2025
Operating allowances at Budget 2022 (per year)	5.9	4.5	3.0	3.0
Multi-Year Capital Allowance (total)	4.7	← 5.1 →		

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