



THE GROWTH BUDGET

Lifting Economic Growth

BUDGET
2025

Hon Nicola Willis
Minister of Finance
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A responsible Budget to secure NZ's future

Budget 2025 secures New Zealand's economic and fiscal recovery and advances reforms to make New Zealanders better off in future.

"In recent years New Zealanders have battled a protracted period of high inflation, high interest rates and economic downturn. The cost of living has soared, and the government's books have taken a hammering, with unsustainable spending increases fuelling high levels of debt. Global events have added uncertainty to the mix.

"The coalition Government's strong fiscal and economic management has ensured recovery is now underway. In this Budget, the Treasury is forecasting growth will accelerate over the next four years, bringing 240,000 additional jobs, rising incomes, stable inflation, lower interest rates, a return to balanced government books, and an end to rising debt.

"New Zealanders are depending on this recovery, but we cannot take it for granted. Nor can we shirk responsibility for addressing the underlying issues our country faces.

"Budget 2025 responds to New Zealand's long-term challenges with initiatives to boost growth, investment and savings; targeted investments in the essential services and infrastructure New Zealanders rely on; and reforms to fix financial holes in the government's books."

Budget 2025 achieves this by:

- Establishing the **Investment Boost** tax incentive to encourage businesses to invest, grow and lift wages. The policy allows for 20 per cent of the cost of new assets to be deducted immediately from taxable income (on top of normal depreciation). It is expected to lift levels of business investment, with longer-run benefits including increasing the level of GDP by 1 per cent, capital stock by 1.6 per cent and wages by 1.5 per cent over the next 20 years, with at least half those benefits occurring over the next five years.
- Increasing the **KiwiSaver** balances of New Zealanders by phasing in an increase in default employer and employee contribution rates to 4 per cent; extending the

scheme to 16- and 17- year-olds; and making the scheme more fiscally sustainable by halving and better targeting the government contribution.

- Providing **Cost of Living Relief** by better targeting Working for Families support to deliver an average of \$14 extra a fortnight to 142,000 low to middle income families; delivering rates rebates for up to 66,000 SuperGold cardholders; extending prescription periods to deliver savings to patients on long-term medications and new funding for community-based food banks.
- Strengthening **Health** services through a \$7 billion operating funding uplift over the forecast period, including for services provided by Health NZ, targeted funding to support better GP and after-hours care and funding for additional cancer treatments and other medicines. In addition, \$1 billion in capital funding is provided for replacing and upgrading public health facilities including Nelson Hospital and the Wellington Emergency Department.
- Strengthening **Education** provision with \$1.5 billion over the forecast period to improve student achievement, including an historic investment in learning support with \$646 million of initiatives to ensure earlier identification of and better help for children with additional physical, learning and behavioural needs and over \$700 million to deliver new schools and classrooms.
- Improving **Law and Order** through \$1.1 billion additional investment over the forecast period to support frontline policing, initiatives to respond to child and youth offending, tackle organised crime, improve court timeliness and support stronger sentencing with funding for increased prison capacity, including the expansion of Christchurch Men's Prison through a Public Private Partnership.
- Building **Defence Force** and **Foreign Affairs** capability, with \$1.9 billion total operating and \$1.1 billion total capital investment that recognises the fast-changing geostrategic context and the critical role New Zealand plays in supporting peace and prosperity in the Pacific. A further \$1.6 billion total capital is pre-committed against Budget 2026 for further strengthening our Defence Force.
- A range of new **Social Investments**, including \$760 million total operating funding uplift for Disability support services, \$774 million to improve the redress system and strengthen the care system for abuse in state care, a new Social Investment Fund, measures to improve the integrity and fairness of the welfare system and the creation of a new flexible housing fund to deliver additional social and affordable housing places.
- \$6.8 billion of capital **Infrastructure** projects, including funding for rail, roads, health and education infrastructure.

“These high-impact investments have been made possible through the Government’s ongoing savings programme. The Budget redirects existing spending towards New Zealanders’ highest priorities, with \$21.4 billion operating savings made across the forecast period from 116 initiatives. These savings make the new investments in this year’s Budget possible. Without these savings, our new initiatives would have required funding from extra taxes, or yet more borrowing, both of which would put New Zealand’s economic recovery at risk.

“Significant Budget savings have resulted from fixing Labour’s flawed pay-equity regime and removing an assumption that the Government would fully-fund potential settlements involving non-Government employers.

“Taken together, these changes have increased the funding available for Budget 2025 by \$11 billion operating over the forecast period and an additional \$1.8 billion allocated for capital investment. This funding has been redirected to support investments in frontline health, education and other government services.

“The Government has kept funding in contingency to settle future pay equity claims that we anticipate will be raised by government employees. Other potential pay equity costs will be considered as part of the normal Budget process.

“Future pay-equity settlements will only be awarded where pay discrepancies are proven to be the result of sex-based discrimination.

“In addition to pay equity settlements, the Government will fund future pay rises for women-dominated public-sector workforces through the normal collective bargaining process.

“Budget 2025 strikes a careful balance - making the investments our country needs now while driving long-term reforms to safeguard the economic recovery and growth New Zealanders depend on. It is a responsible Budget that secures New Zealand’s future.”