

## Mini-Budget – cementing the narrative, no more than that

The mini-Budget is less an economic document than a summary of what we already know about the government's intentions wrapped up in the rhetoric of a "turnaround".

In fact, the six press statements that Nicola Willis issued today fall far short of the Budget Policy Statement that is usually produced with the HYEPU. This would normally outline how much additional operating allowance the government intends to give itself for new initiatives in the year ahead.

Those allowances and the detail of the tax relief that National remains committed to will only emerge in May. It will be a very difficult five months from here to make the numbers fit together and still deliver the already barely credible forecast of a return to surplus in the 2026/27 fiscal year.

Tax relief is unlikely to perfectly mirror pre-election promises. However, there are some glimmers of what might be.

For example, the figures in the Treasury's Half Year Fiscal and Economic Update show tax revenue rising to just above 30% of GDP by 2027/28. That clearly won't happen as the government will have at least adjusted personal tax brackets to deliver tax relief. The tax take should be lower as a proportion of GDP than is forecast.

However, tax relief also requires more savings than the government has so far identified. Not unexpectedly, given the government is not yet a month old, the document remains short on detail of the cumulative \$5.4b of spending reductions forecast over the period to June 2028.

The largest single decision affecting the OBEGAL deficit outlook remains the removal of depreciation for commercial buildings, worth more than half a billion dollars annually. The document does document 21 areas where there are so-called "fiscal cliffs". Given the government's determination not to support industry decarbonisation, the domestic and international Screen Production Grants look particularly vulnerable.

Year-on-year, the forecast movements in core Crown expenses are relatively modest, peaking at \$1.6 in FY27. Likewise, mini-Budget revenue decisions have no impact before FY26, when the impact of decisions so far will peak at \$1.1b, the Treasury estimates. That will all definitely change when the May Budget is published. In the context of a \$300b-plus economy, the sums so far are material only to the extent that both spending cuts and revenue increases create a contractionary fiscal impulse in the Crown accounts for the next two fiscal years.

Over the five years covered by the HYEPU – this is the first time FY28 has been included – the cumulative improvement in the Crown accounts is \$7.9b. Again, a useful, but not especially large sum and really no more than a down payment on decisions yet to come, some of which the government must hope will stimulate growth by some means other than rampant immigration.

### Confirming direction of travel

What the mini-Budget does do is further cement the economic turnaround narrative that the new government initially struggled to present. Its first 10 days were full of distractions from NZ First leader Winston Peters's commitment to attacking the media, alarm from the left about the new administration's apparent enthusiasm for erasing or at least heavily winding back Maori policy gains, and own-goals such as rationalising a backdown on smoking eradication by saying the government needed cigarette excise revenues.

In the last week, however, Christopher Luxon and National Ministers have been more successful at laying the foundations for the "turnaround" story they want this government to be known for.

These include:

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## MINI-BUDGET EXTRA

- Canning the iRex Cook Strait ferries programme.
- Announcing a review of “troubling” information on Kainga Ora, led by Bill English.
- Repealing Fair Pay Agreements legislation.
- Repealing David Parker’s RMA reforms.
- Starting to undo the Te Pukenga mega-polytech.
- Putting a Crown observer in place at Te Whatu Ora, and
- Convening an expert panel to overhaul the primary school reading and maths curricula.

These have all gone some way to resetting the government’s image prior to Christmas as active and engaged on policies that rather than socially divisive initiatives or flat-footed reasoning.

The appointment of a senior fellow at the NZ Initiative to chair the curriculum review is particularly noteworthy.

Many of these decisions are either already unpopular or provoking suspicion from political opponents.

For example, the presumption on the left is that the Kainga Ora review is a cost-cutting exercise.

However, the rhetoric from Housing Minister Chris Bishop focuses on using English’s previous experience in the housing portfolio and his pioneering work on the “social investment” approach to deliver better public housing outcomes. There is likely to be more opportunity for non-state providers, reversing Labour’s preference for state provision.

Likewise, the ferries decision has been widely interpreted as the government being content to let the current aging fleet continue to operate, at increasing risk both to supply chains and passenger safety.

That is not the case. Nicola Willis has said there “will be new ferries”, but what sort, who pays for the wharf infrastructure upgrades to service them, and who will finance that work are all open questions.

The current government will be far more willing to consider partnerships with private and community providers.

## Economy weak, but not apocalyptic

Meanwhile, the Treasury continues to paint a picture of an under-performing economy, but which continues to deliver:

- Above-inflation wage growth over the next four years.
- Very high labour force participation rates by OECD standards despite very high net immigration.

- Core Crown debt falling back to below 20% of GDP.
- An improving current account deficit, falling back to around 3.5% of GDP over the forecast period.
- Inflation falling to 2%, albeit a little slower than previously forecast, in part because the economy is now forecast to grow slightly faster than in the PREFU – just three months ago.

To be sure, there are downsides:

- Unemployment rises close to 5.5% over the period and could get to 6% if the outlook turns out to be weaker than anticipated.
- The NZ dollar is expected to be substantially weaker by 2028 than it is now, with the TWI falling from 70.9 at June 2023 to 67.7 by June 2028.
- High net migration may be holding up growth rates, but GDP per capita is falling. This is why, even with growth, conditions feel somewhere between underwhelming and recessionary for the next couple of years.
- Consumption growth is either negative or almost non-existent in the next 18 months, although 2.2% consumption growth is forecast for FY26.
- The presumption that net migration adds 50,000 a year to population on average looks heroic vs current far higher levels. If higher, it could prove inflationary despite helping to ease labour shortages, which are not as bad as they were, but persist, according to the Treasury.
- Higher inward migration is offsetting a reversal in covid-era productivity improvements, which the Treasury thinks now may not have been permanent.

## Early international engagement

Adding to efforts to create a sense of momentum are the government’s early international engagements.

As Foreign Minister, Winston Peters was in Fiji last weekend on his first offshore foray.

And early in the week, Trade Minister Todd McClay left for meetings in Singapore and India. The government’s fixation on a trade deal with India may prove frustrating. India-watchers suggest that the Indian government – wooed already by far larger and more enticing possible trade partners – regards NZ’s approach as too transactional. A senior, non-trade mission might have been a smarter move.

Luxon’s one day trip to Australia was significant for what he chose to emphasise for first meeting with Anthony Albanese: to be a good and reliable security partner. That implies more defence spending. 🇳🇿

## Busy to Christmas, as promised

The 54th Parliament first sat on Dec 5 with the swearing in of the MPs present and the election of Gerry Brownlee as Speaker.

On Dec 6 was the Speech from the Throne outlining the government's programme.

Barbara Kuriger was appointed Deputy Speaker. Maureen Pugh and Greg O'Connor were appointed Assistant Speakers.

The government decided to reinstate all business from the last Parliament. This means all bills, petitions and other select committee business were not expunged. Leader of the House Chris Bishop said this did not mean the government would be proceeding with all bills and other business and over the coming weeks and months ministers and select committees would be deciding what would be removed and what would continue.

All bills currently before select committees are to be reported back by March 29. It was also agreed that changes to bills would now be known as Amendment Papers, not Supplementary Order Papers.

Parliament began the debate in reply to the Speech from the Throne, but adjourned the debate to proceed with other business.

Teana Tuiono was appointed Assistant Speaker.

Select committee positions were allocated to parties. Coalition parties hold a majority on most of the committees, with some balanced between government and opposition members.

**See full Select Committee membership on page 4.**

The House went into urgency on Dec 12 to pass three repeal bills.

The govt again went into Urgency on Dec 19 to

- pass through all remaining stages of:
  - the Secondary Legislation Confirmation Bill (No 2); and Add
  - the Employment Relations (Trial Periods) Amendment Bill; and
- the introduction and passing through all stages of:
  - the Resource Management (Natural and Built Environment and Spatial Planning Repeal and Interim Fast-track Consenting) Bill; and
  - the Taxation Principles Reporting Act Repeal Bill.

available on The Hugo Group website, [www.thehugogroup.com](http://www.thehugogroup.com)

## Bills introduced

**Fair Pay Agreements Act Repeal Bill** - Introduced on Dec 12. The bill repeals the Fair Pay Agreements legislation. Passed through all stages with National, Act and NZ First in support.

**Land Transport (Clean Vehicle Discount Scheme Repeal) Amendment Bill** - Introduced on Dec 12. An omnibus bill that amends the Land Transport Act, the Land Transport Management Act and various regulations, to end the Clean Vehicle Discount Scheme by Dec 31 2023. Passed through all stages under Urgency with National, Act and NZ First in support.

**Local Government (Facilitation of Remote Participation) Amendment Bill** - Member's bill in the name of Cushla Tangaere-Manuel drawn from the ballot on Dec 7. It seeks to amend the Local Government Act to permanently allow local authority members to participate in local authority meetings remotely and be counted towards quorum for those meetings.


**Privacy Amendment Bill** - Introduced on Sept 6. The bill requires an agency (public or private) to notify an individual when it collects personal information about the individual indirectly (i.e., from a source other than from the individual concerned).

**Reserve Bank of New Zealand (Economic Objective) Amendment Bill** - Introduced on Dec 12. This bill amends the Reserve Bank of New Zealand Act to remove the maximum sustainable employment objective from the economic objectives in the Act and provide the Reserve Bank with a single economic objective of achieving and maintaining price stability. Passed through all stages under Urgency supported by National, Act and NZ First.

**Resource Management (Natural and Built Environment and Spatial Planning Repeal and Interim Fast-track Consenting) Bill** - Introduced under Urgency on Dec 19. The bill repeals the Natural and Built Environment Act and the Spatial Planning Act. It retains the current fast-track consenting process with the government saying it was working on a new version of this. The bill also pushes back when new freshwater planning instruments must be notified by three years to Dec 31 2027. The government indicated it was working on changes to the current national standards concerning freshwater.

**Taxation Principles Reporting Act Repeal Bill** - Introduced on Dec 19 under Urgency. The bill repeals the Taxation Principles Reporting Act passed in 2023.

## Bills in progress

**Employment Relations (Trial Periods) Amendment Bill** - Introduced on Aug 31. A member's bill in the name of James McDowall. It amends the Employment Relations Act to enable businesses that have 20 or more employees to include a 90-day trial period in a new employee's employment agreement. Adopted by the government following the election. 

• Italics denote update from previous edition of Hugovision

• A full compendium of the legislation before the House is

## SELECT COMMITTEE MEMBERSHIP

### Economic Development, Science & Innovation

#### National 2, ACT 1, NZ First 1, Labour 3, Green 1

Parmjeet Parmar / ACT (chair), Dan Bidois / National, Dr Vanessa Weenink / National, Willie Jackson / Labour, Reuben Davidson / Labour, Helen White / Labour, Scott Willis / Green, Tanya Unkovich / NZ First

### Education and Workforce

#### National 4, ACT 1, Labour 3, Green 1

Katie Nimon / National (chair), Carl Bates / National, Mike Butterick / National, Grant McCallum / National, Jan Tinetti / Labour, Phil Twyford / Labour, Camilla Belich / Labour, Teanau Tuiono / Green, Parmjeet Parmar / ACT

### Environment

#### National 4, ACT 1, Labour 2, Green 2

David MacLeod / National (chair), Mike Butterick / National, Hamish Campbell / National, Katie Nimon / National, Rachel Brooking / Labour, Megan Woods / Labour, Lan Pham / Green, Darleen Tana / Green, Simon Court / ACT

### Finance and Expenditure

#### National 4, ACT 1, NZ First 1, Labour 3, Green 1, Māori 1

Stuart Smith / National (chair), Scott Simpson / National, Catherine Wedd / National, David MacLeod / National, Grant Robertson / Labour, Barbara Edmonds / Labour, Deborah Russell / Labour, Chlöe Swarbrick / Green, Todd Stephenson / ACT, Jamie Arbuckle / NZ First, Rawiri Waititi / Te Pāti Māori

### Foreign Affairs, Defence and Trade

#### National 3, ACT 1, NZ First x, Labour 2, Green 1

Tim van de Molen / National (chair), Tim Costley / National, Dana Kirkpatrick / National, Peeni Henare / Labour, Damien O'Connor / Labour, Golriz Ghahraman / Green, Laura Trask / ACT

### Governance and Administration

#### National 3, NZ First 1, Labour 2, Green 1

Rachel Boyack / Labour (chair), Cameron Brewer / National, Tim Costley / National, Tom Rutherford / National, Lemauga Lydia Sosene / Labour, Fa'anānā Efeso Collins / Green, Andy Foster / NZ First

### Health

#### National 3, ACT 1, NZ First 1, Labour 2, Green 1, Māori 1

Sam Uffindell / National (chair), Hamish Campbell / National, Carlos Cheung / National, Ayesha Verrall / Labour, Ingrid Leary / Labour, Hūhana Lyndon / Green, Cameron Luxton / ACT, Jenny Marcroft / NZ

First, Debbie Ngarewa-Packer / Te Pāti Māori

### Justice

#### National 4, ACT 1, NZ First 1, Labour 3, Green 1, Māori 1

James Meager / National (chair), Cameron Brewer / National, Paulo Garcia / National, Rima Nakhle / National, Duncan Webb / Labour, Ginny Andersen / Labour, Rino Tirikatene / Labour, Tamatha Paul / Green, Todd Stephenson / ACT, Jamie Arbuckle / NZ First, Tākuta Ferris / Te Pāti Māori

### Māori Affairs

#### National 4, Labour 2, Green 1, Māori 1

Dan Bidois / National (chair), Greg Fleming / National, Dana Kirkpatrick / National, Rima Nakhle / National, Adrian Rurawhe / Labour, Kelvin Davis / Labour, Marama Davidson / Green, Hana-Rawhiti Maipi-Clarke / Te Pāti Māori,

### Petitions

#### National 2, Labour 1, Green 1

Greg O'Connor / Labour (chair), Greg Fleming / National, Carl Bates / National, Kahurangi Carter / Green

### Primary Production

#### National 3, ACT 1, Labour 2, Green 1

Mark Cameron / ACT (chair), Miles Anderson / National, Suze Redmayne / National, Catherine Wedd / National, Jo Luxton / Labour, Cushla Tangaere-Manuel / Labour, Steve Abel / Green

### Regulations Review

#### National 3, Labour 2

Duncan Webb / Labour (chair), Joseph Mooney / National, James Meager / National, Ryan Hamilton / National, Jenny Salesa / Labour

### Social Services and Community

#### National 3, ACT 1, NZ First 1, Labour 2, Green 1, Māori 1

Joseph Mooney / National (chair), Paulo Garcia / National, Maureen Pugh / National, Carmel Sepuloni / Labour, Willow-Jean Prime / Labour, Ricardo Menéndez March / Green, Laura Trask / ACT, Tanya Unkovich / NZ First, Takutai Tarsh Kemp / Te Pāti Māori

### Transport and Infrastructure

#### National 2, ACT 1, NZ First 1, Labour 2, Green 1, Māori 1

Andy Foster / NZ First (chair), Grant McCallum / National, Tom Rutherford / National, Tangi Utikere / Labour, Arena Williams / Labour, Julie Anne Genter / Green, Cameron Luxton / ACT, Mariameno Kapa-Kingi / Te Pāti Māori