
Statement of Responsibility

On the basis of the economic and fiscal information available to it, the Treasury has used its best professional judgement in supplying the Treasurer and the Minister of Finance with this Economic and Fiscal Update. The Update incorporates the fiscal and economic implications both of Government decisions and circumstances as at 11 October 1999 that were communicated to me, and of other economic and fiscal information available to the Treasury in accordance with the provisions of the Fiscal Responsibility Act 1994.

Dr Alan Bollard
Secretary to the Treasury
14 October 1999

This Economic and Fiscal Update has been prepared in accordance with the Fiscal Responsibility Act 1994. The Treasurer accepts overall responsibility for the integrity of the disclosures contained in this Update, and the consistency and completeness of the Update information in accordance with the requirements of the Fiscal Responsibility Act 1994.

To enable the Treasury to prepare this Update, we have ensured that the Secretary to the Treasury has been advised of all Government decisions and other circumstances as at 11 October 1999 of which we were aware and that had material economic or fiscal implications.

Hon Bill English
Treasurer
14 October 1999

Rt Hon Sir William F Birch
Minister of Finance
14 October 1999

Statement by Treasurer Hon Bill English

The Pre-election Economic and Fiscal Update, published under the Fiscal Responsibility Act, is an opportunity for public scrutiny of the government's books and its record in economic management. It is a key component in the framework the government has developed to ensure it is accountable to New Zealanders for its policy and spending decisions.

In my first four months as Treasurer I have been reminded again and again that New Zealanders expect government to do what it does as well as it possibly can. They expect clarity and transparency. They expect sensible policy decisions and they expect us to stand up and be accountable for them.

That is the purpose of the 1999 PREFU. In part the final report card on a decade of hard work, it also sets out a positive forecast for the new century.

We should be pleased with that outlook. The economy is set for solid growth while the fiscal position is robust enough to allow for tax cuts and further investment in areas of need.

Despite a contraction in the June quarter, the economy is set for a solid and sustainable expansion with average annual growth of around 3%. Although more modest than in the previous business cycle, these levels of growth are evidence that the Government's economic framework has served us well even under the test of the Asian crisis and two severe droughts.

The fiscal outlook is good. A steady hand on spending and good revenue flows see the operating balance improving steadily over the period, to reach \$2.3 billion by 2003.

Debt, although stable in dollar terms, falls from 21.8% of GDP to 17.8%.

Net worth grows steadily to almost \$11 billion.

For some these will just be numbers. For the Government they are numbers which make it possible for us to deliver tax cuts — \$400 million to middle income earners from next April — at the same as we invest more in the services New Zealanders value.

Since the Budget, the Government has announced a 2000/01 health funding package, providing an extra \$175 million a year for new and existing services and an extra \$85 million to allow for population growth.

Education spending has increased as high school and tertiary rolls grow. Alongside the extra money for the Bright Future package tertiary scholarships, this is a significant investment in ensuring that young New Zealanders have the skills with which to meet the challenges of, and benefit from, the opportunities provided by the knowledge economy.

The sound fiscal outlook will make further investment in health and education possible. But it also provides a solid basis from which to prepare for the medium and longer term challenges posed by the ageing population.

Ensuring security and stability in the long term, ensuring that New Zealanders can continue to enjoy a high standard of publicly funded services, requires continued good fiscal and economic management. This set of forecasts shows that we are on track.

Hon Bill English
Treasurer

14 October 1999