



Cabinet

CAB Min (09) 12/9

Minute of Decision

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Setting a Fiscal Strategy

Portfolio: Finance

On 6 April 2009, Cabinet:

- 1 **noted** the statements in the 2009 Budget Policy Statement regarding the unacceptability of persistent operating deficits and increasing gross debt-to-Gross Domestic Product (GDP);
- 2 **noted** that setting fiscal plans involves balancing a range of factors, including an improvement in the medium-term fiscal position, steering the economy through the recession, positioning New Zealand for recovery and delivering on priorities and commitments over time;
- 3 **noted** the need to agree to these fiscal plans now so they can be factored into Budget forecasts;
- 4 **agreed** to the following changes to fiscal plans so that gross debt-to-GDP peaks at around 45 per cent over the medium-term;
 - 4.1 revise the operating allowance to a maximum of \$1.1 billion from 2010/11, growing by the rate of inflation;
 - 4.2 suspend contributions to the New Zealand Superannuation Fund for the period until the operating balance returns to surplus;
 - 4.3 make a contribution to the New Zealand Superannuation Fund in 2009/10 of \$250 million, with the aim being that this is directed into New Zealand based investments;
 - 4.4 consider on an annual basis whether to make any further contributions to the New Zealand Superannuation Fund;
 - 4.5 delay the second and third tranches of the planned tax cuts in 2010 and 2011;

- 5 **noted** that the complete fiscal strategy, including revised long-term fiscal objectives, an increased focus on the balance sheet and risks, and long-term fiscal projections, will be presented in the 2009 Fiscal Strategy Report to be published at the time of the 2009 Budget.

Secretary of the Cabinet

Reference: CAB (09) 164
