The Treasurer's Statement & Overview Economic & Fiscal Forecast Summary

Hon Winston Peters
Treasurer
14 May 1998

ISBN 0-478-11205-X

ISBN 0-478-11205-X

Typeset by The Treasury
Printed and bound by
GP Print
A Division of Blue Star Print Ltd
Wellington

Internet

This document will be made available on the New Zealand Treasury's Internet site. The URL for this site is **http://www.treasury.govt.nz**

Working For A Better Future

When National and New Zealand First signed the Coalition Agreement in 1996, we embarked on a three year policy programme aimed at addressing the economic and social issues facing New Zealand.

These are issues of economic soundness, fairness, equity, inclusion and consultation.

This Budget continues the progress made in the 1997 Budget.

Like last year's Budget, this document is about creating an environment in which all New Zealanders regardless of gender, race and socio-economic background can make a contribution to their country.

This Coalition Government has had to manage the economy with considerable care. And we have done that.

The downturn in Asia continues to represent a challenge to all of us, as has the current account deficit which has deteriorated over the past year.

Our careful management of the economy, coupled with an ongoing programme of micro-economic reform, has shown that our economy is capable of coping with such unforeseen developments overseas.

Our commitment to running fiscal surpluses and repaying Government debt has proven wise. This Government's decision to set aside $300 million will help bolster our operating surpluses and thereby maintain our economic and fiscal strategy.

As part of that prudent strategy, we have decided to commit ourselves to a net debt target of below 15% of GDP.

This Coalition Government has also not shied away from our social challenges.

We are committed to helping New Zealanders move from dependence on the state to independence. This Budget recognises that no-one wants to be dependent on the state.

For that reason, this Budget commits more money where it will have the biggest affect - more for Health, more for Education, more for Police and more to support the Coalition Government's employment strategies.

These are the areas that New Zealanders have demanded that we give attention to, and this Budget continues the work started in last years Budget - delivering on promises to spend more in the social area to ensure a brighter future for us all.

This Budget will see total education spending of $7 billion this financial year.

Micro-economic reform will continue where it is clearly in the best interests of New Zealanders.

Moves to make the ACC more competitive, to reduce power prices by splitting ECNZ into three SOEs and to separate electricity supply companies into line and energy businesses, the final abolition of tariffs on cars to coincide with the closure of local vehicle assembly, and the relaxing of parallel importing controls to ensure the cheapest prices possible on imported products, are all announced in this Budget. They will bring significant benefits for the New Zealand consumer.

This Budget continues the programme started last year. It has one main objective - a better future for all New Zealanders - regardless of race, creed or economic circumstance.

A sound economy is the basis on which to build our future, But it is not, by itself, enough. We need sounder social policies, which emphasise a return to an active part in society by those on a benefit, not further entrenchment in the welfare cycle.

For us and our children to be successful, we must have access to

- safety
- high quality education
- quality public health care
- an economy of opportunity and growth, and
- The confidence and the support to succeed.

This Budget is a further concrete step towards these goals.

It is firm, fair and visionary - and opens the door for all New Zealanders to succeed.

Hon Winston Peters
Treasurer

1998 Budget Overview

Introduction

The 1998 Budget reflects the second year of the National-New Zealand First Government's three-year programme to address the issues facing New Zealand. It builds consistently on the steps taken in this Government's first year of office.

The past year has not been without its challenges. This Budget was put together during a significant downturn in Asia's economic fortunes.

A sound economic framework with credible fiscal and monetary policies and support for a competitive business environment are features that have helped New Zealand to combat these challenges. Consequently, this Government is able to present forecasts of continuing low inflation, fiscal surpluses and steady growth.

The 1998 Budget delivers:

- prudent fiscal management
- economic initiatives to enhance growth
- a comprehensive social policy programme.

Prudent Fiscal Management

This Budget re-emphasises the Government's policy of running fiscal surpluses and repaying government debt. In light of the uncertainty surrounding recent external developments, this Government has acted prudently to strengthen its fiscal credibility by:

- setting aside $300 million of available resources under the $5 billion Coalition Agreement limit to bolster operating surpluses
- reassessing and updating its debt targets as progress is made towards them. As the current goal of net debt of 20% of GDP is forecast to be met by 2000/01, this Government has looked beyond the next three years and revised its net debt target to below 15% of GDP. On current projections this new target should be met within the next five years.

Economic Initiatives to Enhance Growth

Over the past year the Government has embarked on significant microeconomic reforms that have delivered benefits to New Zealand. These include the recently announced electricity reforms.

The Government remains committed to an ongoing programme of microeconomic reforms, which deliver initiatives that enhance growth. Key initiatives announced in the 1998 Budget include decisions to:

- negotiate with local government shareholders to divest the Crown's ownership interest in Auckland International Airport. The Government's priority is to ensure that all New Zealander's who want to buy shares will have the opportunity to do so. The Government has also started the process of divesting the Crown's ownership interests in the Coal Mining SOE, Solid Energy

- introduce competition in the delivery of the Employers' Account of the ACC scheme and insurance for the self-employed from 1 July 1999. Whether insured with ACC or with private insurers, the same regime of 24-hour, no-fault, comprehensive insurance cover will apply. This follows this Government's commitment to provide New Zealanders with affordable accident cover and a world-class rehabilitation scheme

- remove motor vehicle tariffs immediately. This decision should provide greater market certainty in the industry. The Government is also reviewing tariffs on all other goods, with the aim of eliminating tariffs well within APEC's 2010 deadline

- prepare for the inevitable removal of producer boards' statutory backing. The boards and industries have been asked to prepare their own individual proposals for deregulation. Each board is to report back to the Government with proposals by 15 November 1998

- remove the prohibition on parallel importing of goods that are protected by copyright. This will result in lower prices and increased choice for New Zealanders, as part of the Government's overall strategy to promote an open and internationally competitive economy.

There are also a number of other initiatives underway on which announcements will be made in the coming year. These include:

- the long-term direction of changes for managing and funding roading

- the review of legislation governing occupational regulation, as part of the Government's overall work on improving the quality of regulation.

Social Policy Programme

The 1998 Budget delivers a range of social policy initiatives, which create opportunities for all New Zealanders to support themselves and their families, with access to employment and quality education and health care.

This Government is looking to address the cycle of welfare dependency that has crippled too many families in the past. It will do so with policies that will reward the self-reliance of New Zealanders and meet their individual needs.

The 1998 Budget includes initiatives that will:

- progress the Government's employment and welfare strategies to help job seekers into work as quickly as possible

- assist children and young persons and strengthen families

- support self management and greater flexibility in education to advance the skills of students

- ensure better health outcomes and services for New Zealanders

- boost the numbers of front-line Police while introducing programmes to reduce re-offending.

Breaking welfare dependency

Focusing on work

($ million) GST inclusive	1998/99	1999/00	2000/01	Total
Employment strategy initiatives	8	8	8	24
Introduction of Community Wage	7	10	6	23
Expanding community work and training	18	0	0	18
Total	33	18	14	65

The employment strategy is about helping job seekers into employment as quickly as possible by:

- improving access to employment and income support services for job seekers. A new department, created by combining the New Zealand Employment Service (NZES), the Community Employment Group and Income Support, will start operation on 1 October 1998
- the replacement of the Unemployment Benefit with the Community Wage. This payment is made in return for job seekers making themselves available for community work, training or other organised activities and for actively seeking work. The community wage will begin on 1 October 1998
- expanding community work. Community work is work for the community or the environment. It will be used where it is the best option to assist job seekers into work, by helping develop their self-esteem, motivation and work discipline.

The Coalition Government has increased the total level of resources available for the employment strategy by transferring resources previously used for the training opportunities programme to give the new department greater flexibility to assist job seekers into work.

Benefit reform

($ million) GST inclusive	1998/99	1999/00	2000/01	Total
Expansion of child-care services	4	12	15	31
Increased access to case management and other existing and enhanced employment-related services for sole parent beneficiaries	8	16	21	45
Total	**12**	**28**	**36**	**76**

In order to help parents with school age children to enter the workforce, the Government will introduce a new income-tested childcare subsidy for eligible working parents to cover out-of-school care for children aged 5 to 13. Funding will also be provided to support the establishment of out-of-school care services and to meet extra demand for the existing childcare subsidy.

The Government will also help sole parent beneficiaries into work through:

- increased access to case management and other existing and enhanced employment services and training
- an interim income support programme to provide access to funding in the first six months of full-time employment in the event of lack of paid sick leave
- no increase in benefit debt repayments for the first three months for sole parents moving into work.

By encouraging more beneficiaries into the paid work force the Government expects to reduce forecast welfare benefit expenditure.

Services for children and young persons

($ million) GST inclusive	1998/99	1999/00	2000/01	Total
Care of children and young people	13	25	14	52

Improving outcomes for children and young people is a high priority for this Government. In this Budget, $52 million is being invested in a comprehensive range of services to children and young people. This money is in addition to the $33 million provided in the 1997 Budget.

The additional funding goes to:

- improving the timeliness and quality of front-line services, including timeliness of responses to notifications and resourcing of plans agreed with family/whanau or through Family Group Conferences or the courts
- extending the Social Workers in Schools programme into priority areas
- continuing the Family Services Centres.

Supporting self management and flexibility in education

($ million) GST inclusive	1998/99	1999/00	2000/01	Total
Adjustment to the formula for the Fully Funded Option	51	78	93	222
Increase in School Operations Grants and property operating expenses	12	24	24	60
Initiatives to assist disadvantaged students and enhancement of learning opportunities	6	13	21	40
Early Childhood Resourcing	6	6	6	18
Total	**75**	**121**	**144**	**340**

This Government is committed to a programme of excellence in education. This is being achieved by providing schools with the necessary teaching and property resources, while creating greater choice for students and encouraging greater participation at all levels.

The Government has already implemented a unified pay system for teachers, increased teacher numbers, and provided more classrooms to reflect demographic changes.

The 1998 Budget includes initiatives that will:

- increase the opportunity for schools to more easily meet the needs of their students and local communities through greater self-management. To ensure that no school is financially disadvantaged by adopting the Fully Funded Option, the formula for determining the level of resourcing will be adjusted from the third term of this school year
- increase in School Operations Grants by 2% in 1998/99
- provide an additional $180 million for the school accommodation capital works programme for 1998/99. Approximately $380 million is now planned to be spent on school accommodation over the next year.

Tertiary education is currently funded on the basis of a fixed proportion of costs and a fixed number of student places. From 1999 the Government will provide all students in approved courses a government subsidy to help pay for the cost of tuition, regardless of where they study. From 2000, all students in approved courses in State and private institutions will be treated equally. The combination of additional public spending and cost efficiencies should keep overall fees at or below current levels.

Better health

($ million) GST inclusive	1998/99	1999/00	2000/01	Total
Improving services, managing demand and other adjustments	174	171	171	516
Additional elective services and backlog reduction	94	94	85	273
Removal of income and asset testing	47	63	63	173
Extra mental health funding and intellectual disability care	19	21	21	61
Health Sponsorship Council smokefree initiatives	1	3	3	7
Total	**335**	**352**	**343**	**1,030**

Improving the health and wellbeing of New Zealanders is a key objective of the Government. The additional spending on health of $1.030 billion over three years confirmed in the 1998 Budget means that total spending on public health services will top $6 billion in 1998/99 for the first time. This increased funding will:

- provide about a further 30,000 elective procedures a year which will increase people's access to elective surgery. This means that more people will be able to be treated, thresholds for treatment will be reduced and a greater level of need will be addressed
- remove income and asset testing for older people in long-stay public hospital care and asset testing for older people in long-stay private hospital care from 1 October 1998
- promote the *Smokefree* message as part of an overall strategy including the increase in the tobacco excise to discourage smoking and reduce smoking-related illness, and help prevent the 4,500 deaths attributed to smoking each year. The tobacco excise will increase by 50 cents for a packet of 20 cigarettes, or equivalent.

In addition, the Government is making changes to the public hospital sector that further implement health initiatives in the Coalition Agreement. From 1 July 1998, CHEs will become not-for-profit companies. Any money remaining after all costs are covered will be retained by CHEs for capital expenditure or reinvestment in service provision. To reflect these changes, legislation will be introduced to change the name of CHEs to Hospital and Health Services.

Law and order

($ million) GST inclusive	1998/99	1999/00	2000/01	Total
Increase in Police numbers and resources	63	70	61	194
Improved prison security systems and prison programmes	12	24	27	63
Total	**75**	**94**	**88**	**257**

The Government has instituted a two-pronged approach to reducing crime in the community. This strategy comprises increasing resources for front-line policing and introducing new programmes in prisons to reduce the incidence of re-offending.

Since the formation of the Coalition Government, 286 Police have been added to total Police numbers. This Budget sees additional resources for the Police to employ an additional 114 Police officers in 1998/99 and a further 100 Police officers in 1999/2000. This represents full achievement of the 500 new positions identified in the Coalition Agreement. These extra Police will:

- boost the number of front-line Police personnel to improve officer safety and general policing services
- increase the specialist targeting of organised crime and gang activities
- enhance services aimed at increasing road safety.

The Government believes that another key to a successful law and order policy is the introduction of programmes to reduce re-offending. This year's Budget will enable the Department of Corrections to introduce new programmes in prisons to reduce re-offending and find more effective methods of operating. These programmes will aim to improve inmates' education and skill levels, thereby enhancing their opportunities on release.

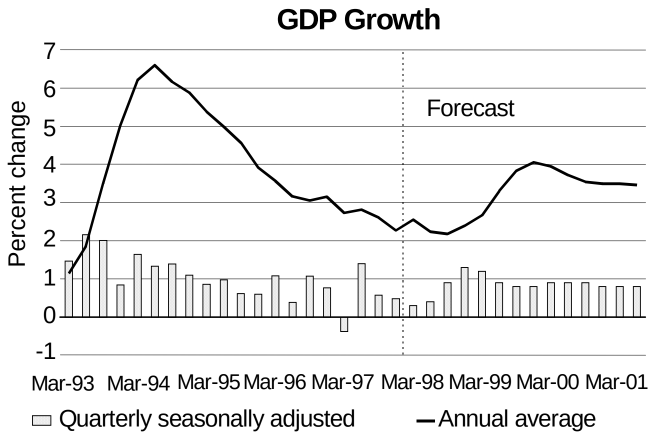
The Government has also acted to improve security systems in prisons, with a $22.5 million capital programme spread over the next two years.

Economic and Fiscal Forecast Summary

Overview

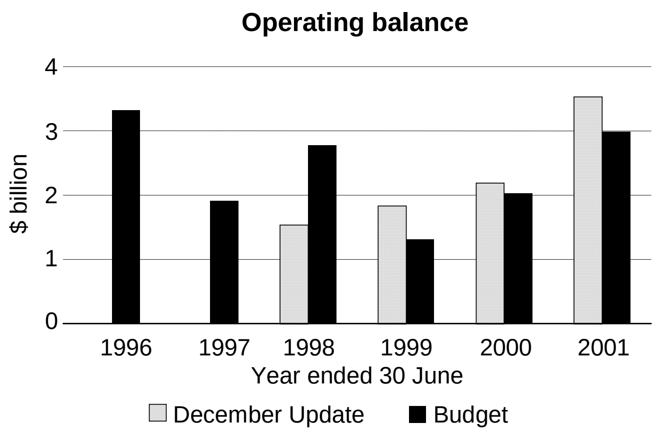
- Growth in the economy is forecast to weaken over the first half of 1998 as the economy slows, owing to the downturn in Asia and higher short-term interest rates.

- The economy is forecast to grow by 2.7% in 1998/99, supported by a forecast acceleration in growth from the second half of 1998.



- Growth is projected to rise to 3.9% in 1999/2000. Firming monetary conditions from mid-1999 will see growth moderate to around 3.5% in 2000/01.

- Lower real growth and inflation mean that the nominal economy is forecast to be smaller than expected in the *December Update*. This flows through to lower tax revenue, particularly in 1998/99.



- The fiscal surplus of $1.3 billion in 1998/99 is around $500 million lower than in the *December Update*. Surpluses rise after 1998/99 as steady growth in revenue outpaces increases in expenses.

- There are uncertainties surrounding the timing and speed of the economic pick-up. In particular, there are risks around the timing of the expected recovery in Asia and vulnerability from a high current account deficit. However, operating surpluses and debt reduction are still expected to be maintained.

Economic Outlook

The Outlook for the First Half of 1998 is Weaker than Previously Forecast for Exports…

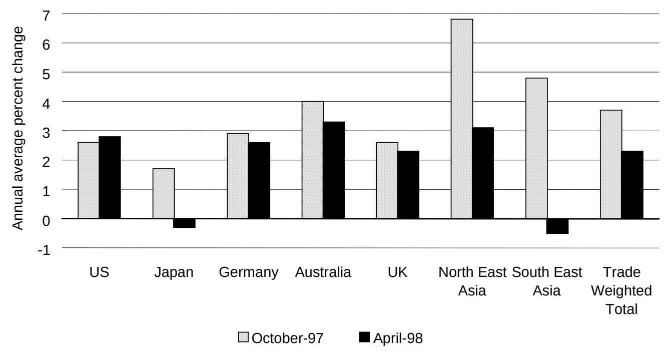
- During 1997 the economy continued to grow at a similar rate to the previous year, recording growth of 2.3% in the year to December. However, the pick-up in growth expected to occur in the second half of 1997 has been put on hold, in part by a shock to the international economy from the financial crisis in Asia.

- Forecasts for economic growth in Asia in 1998 have been revised down. Consequently, forecast growth for New Zealand's top 10 trading partners in 1998 has been lowered from 3.7% in October to 2.3% in April Consensus Forecasts.

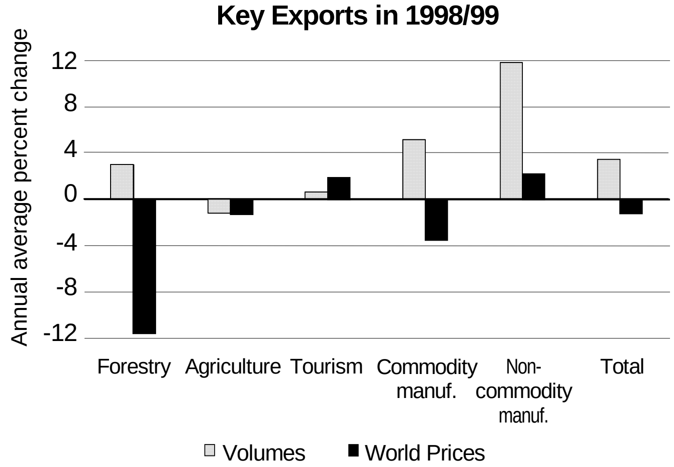
- The most significant effect of the Asian downturn is expected to come through lower export prices, although the lower exchange rate will cushion the effect on exporters.

- Growth in export volumes is also expected to weaken, particularly for tourism and log exports. The drought conditions experienced in early 1998 are expected to undermine agricultural exports in 1998/99.

Consensus Forecasts for World Growth in 1998



Forecast Growth for Volumes and Prices of Key Exports in 1998/99



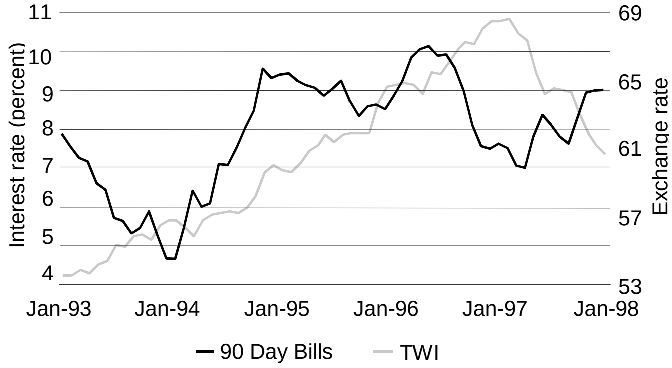
- Strong growth in Australia and the United States is expected to provide support for New Zealand's exports. Exports of non-commodity manufactures are forecast to continue growing at around double-digit rates through 1998/99. Other exporters have also indicated an ability to divert goods away from Asia.

... and for the Domestic Sector

- The mix of monetary conditions has shifted further in favour of the tradeable sector. Together with an easing of monetary conditions, concern over the impact of the Asian downturn on New Zealand and the widening current account deficit has placed downward pressure on the exchange rate. To maintain monetary conditions near the Reserve Bank's desired level, 90-day interest rates have risen.

- Higher short-term interest rates will dampen domestic activity in the first half of 1998, particularly in the housing market.

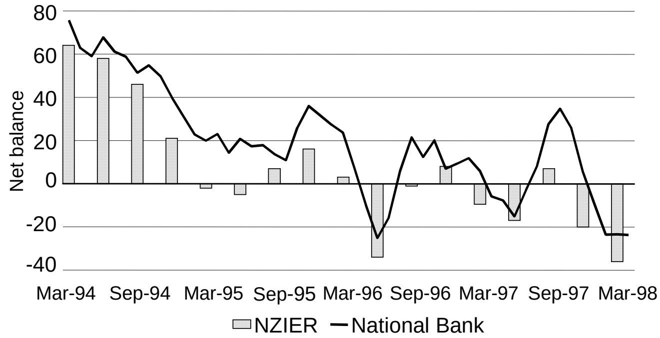
Interest and Exchange Rates



- Reflecting the deterioration in the near-term outlook, business and consumer confidence has fallen.

- Given the pessimism in the economy, firms are expected to delay their investment and employment plans. Weakening demand for labour is expected to see the unemployment rate rise to around 7% in mid-1998.

Business Confidence



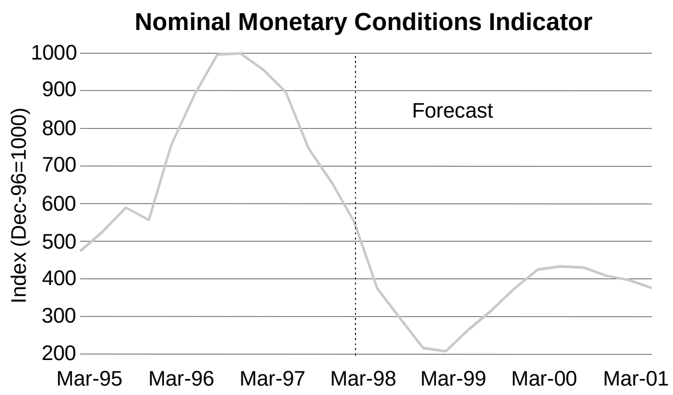
- Rising unemployment and a weaker housing market will dampen household spending. Instead, households will increase their savings.

- Forecast growth for the first half of 1998 is only around ½%. The economy is forecast to grow by 2.7% in 1998/99. Much of this growth is expected to come in the second half of the year.

A Pick-Up is Expected in the Second Half of 1998...

- Export growth is expected to strengthen from the second half of 1998 as firms begin to benefit from the lower exchange rate. In particular, exports of non-commodity manufactures are expected to accelerate as they face fewer supply constraints than the primary sector of the economy.

- Monetary conditions are forecast to ease further through 1998 as a slowing domestic economy and weak commodity prices help to dampen inflationary pressures.

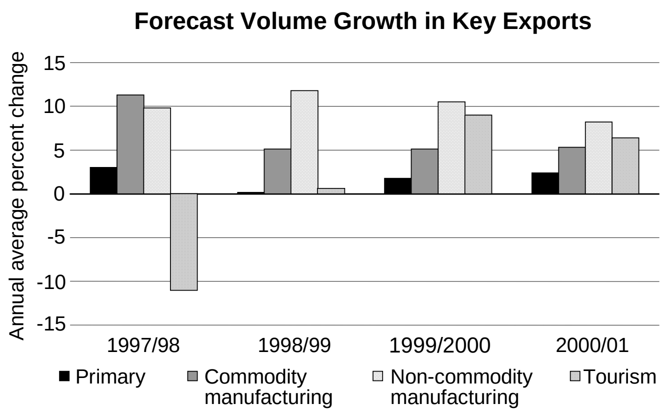


- Lower short-term interest rates, in conjunction with the tax reductions and the AMP demutualisation, are expected to provide a boost to domestic activity in the second half of 1998.

... and Gains Momentum Through 1999

- Exports of other goods and services are expected to pick up through 1999 as the lower exchange rate leaves exporters well placed for growth. The moderate recovery expected in Asia in 1999 should also provide a boost to export volumes and, more importantly, to commodity prices.

- Strengthening activity is forecast to lead to a pick-up in investment. Relative to previous slowdowns there is little spare capacity in the economy, so firms cannot postpone their investment plans very long.



- Employment growth is expected to pick up with a lag as activity rises, leading to a fall in unemployment. A stronger labour market will provide support to household consumption.

- Growth is expected to rise to 3.9% in 1999/2000. As the economy accelerates inflationary pressures are expected to build. To offset this, monetary conditions are forecast to firm from mid-1999. This is expected to cause growth to moderate to a more sustainable 3.5% in 2000/01.

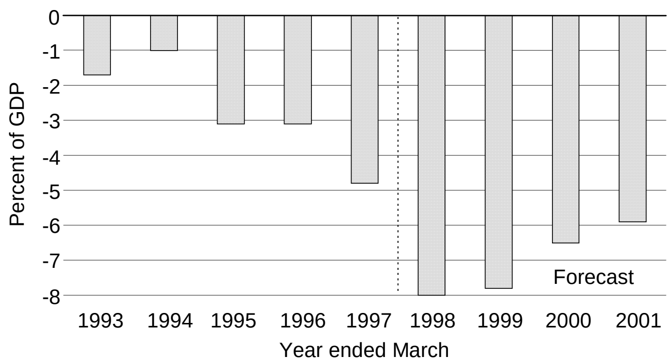
The Current Account Deficit Remains Large

- The current account deficit is estimated to peak at 8% of GDP in the year to March 1998. It is expected to remain around these levels in the year to March 1999, when the second ANZAC frigate is scheduled to arrive.

- From 1998/99 the deficit is expected to fall gradually to below 6% of GDP in 2000/01. The improvement is expected to arise from a gradual improvement in the trade balance. However, strengthening exports will be partly offset by stronger imports as the domestic economy picks up.

- The international investment income deficit is expected to narrow slightly over the forecast period. Returns on foreign investments in New Zealand are expected to remain steady as a percentage of GDP, while inflows to New Zealand residents from their offshore investments are expected to gradually recover.

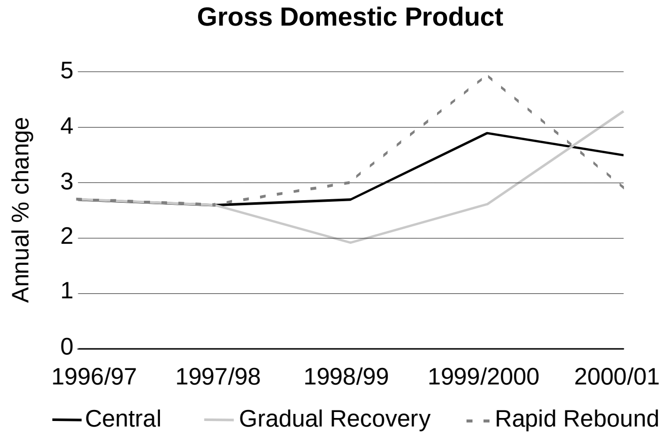
Current Account Balance

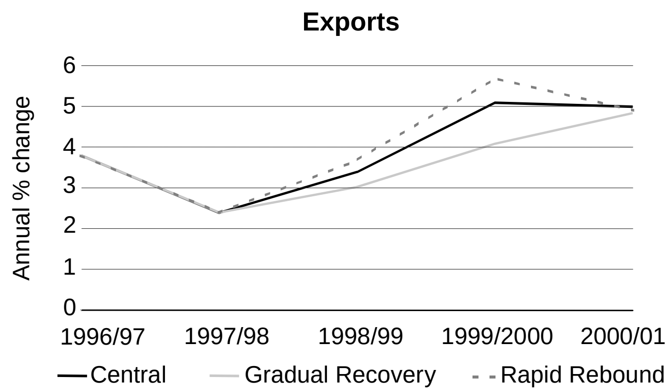


There are Uncertainties Around the Timing and Speed of the Pick-Up

- Weak business and consumer sentiment creates uncertainty around the timing and the speed of the pick-up. In addition, the international environment could turn out differently from expected. Therefore, the profile of growth from the second half of 1998 may turn out differently from that projected in the Central Forecasts.

- The economy could pick up later and perhaps more slowly than assumed in the Central Forecasts, owing to weaker export growth. Growth would then be around 1 percentage point lower in both the 1998/99 and 1999/2000 years. Growth in investment, employment and consumption would also be weaker than projected in the Central Forecasts. Monetary conditions would ease further, leading to stronger growth in 2000/01.



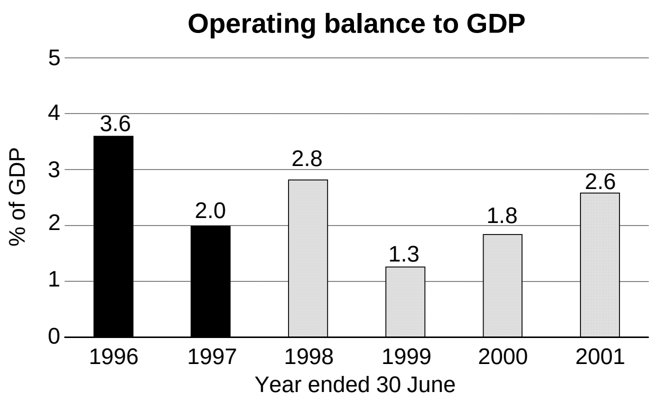


- The economy could instead pick up more rapidly. The export sector may respond more quickly to the depreciation of the exchange rate. Or the domestic sector could pick up more sharply given the combination of a projected monetary easing and tax reductions. In this case, growth would be stronger in both 1998/99 and 1999/2000, relative to the Central Forecast, but slower in 2000/01 as monetary conditions have to tighten more sharply to offset stronger inflationary pressures.

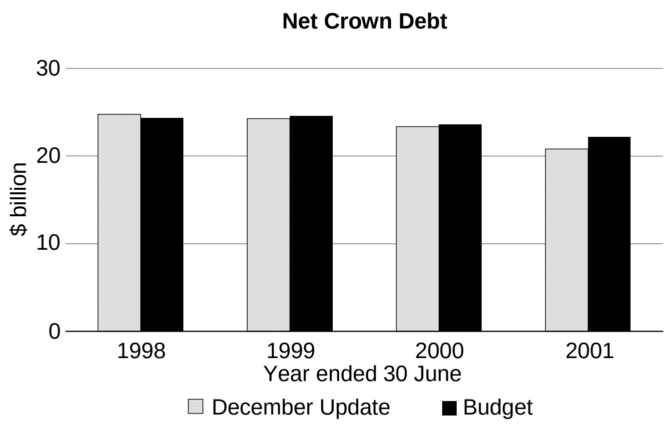
Fiscal Outlook

The Fiscal Outlook Remains Sound

- The fiscal forecasts show operating surpluses of 2.8% of GDP in 1997/98 falling to 1.3% in 1998/99, and then rising to 2.6% in 2000/01.
- The operating surplus decline in 1998/99 relative to 1997/98 reflects lower nominal economic growth, tax and tariff reductions, and the absence of one-off factors that boosted the 1997/98 surplus.



- Beyond 1998/99, the surplus rises as economic growth accelerates and revenue grows at a faster rate than total expenses.
- Net Crown debt falls over the forecast period, to around $22 billion by 2000/01 (19.2% of GDP).
- Net worth improves over the forecast period, reaching $16.7 billion by 2000/01.



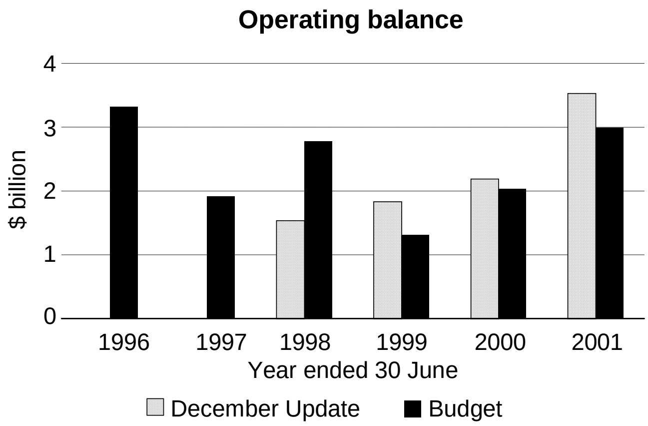
- However, these forecasts do not include the recognition of the ARCIC unfunded liability, which is due to occur at 30 June 1999. This will reduce net worth by around $8 billion. Net Crown debt will remain unchanged as the recognition has no cash impact.

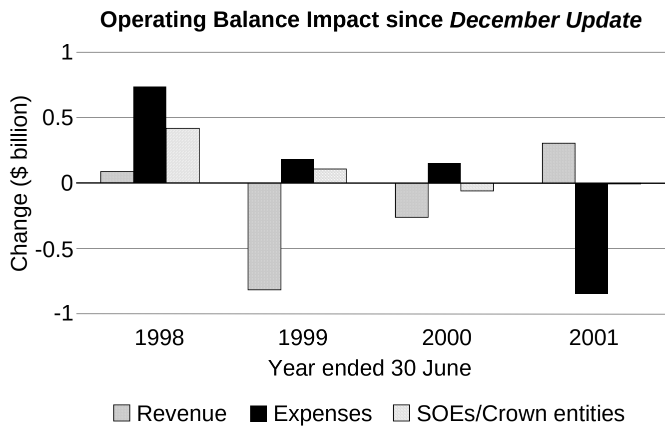
Surplus Track has Changed Since the *December Update*

- Lower short-term nominal economic growth and the removal of tariffs on motor vehicles together reduce tax revenue in 1998/99 and 1999/2000 by $850 million and $300 million respectively.

- Much of the downward revision in short-term growth falls on businesses, as subdued growth in domestic demand and continuing wage growth squeeze profits.

- As the economy picks up in 1999 and beyond, tax revenue rebounds to be $220 million higher than in the *December Update* for 2000/01.





- Compared with the *December Update,* the gross surpluses of Crown entities are significantly higher in 1997/98, largely owing to a higher-than-forecast surplus in ARCIC. In the outyears, SOE and Crown entity surpluses remain relatively unchanged.

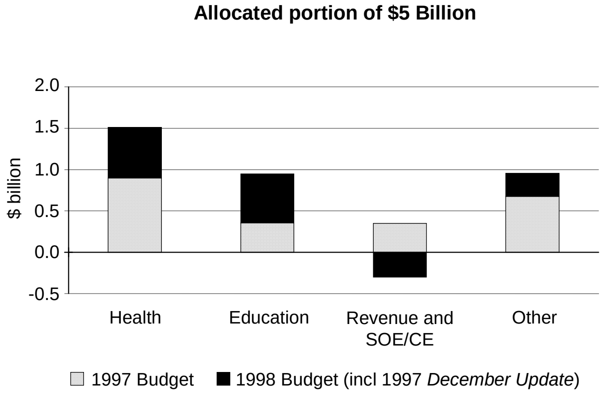
Expense Changes Significant in 1997/98 and 2000/01

- Compared with the *December Update*, expenses are around $750 million lower in 1997/98, $150 million lower in 1998/99 and 1999/2000 and $850 million higher in 2000/01.

- One-off factors, such as the downwards revision in the GSF unfunded pension liability and a lower-than-forecast Equiticorp settlement, reduce expenses in 1997/98.

- The Government's decision to reduce its spending intentions by $300 million within the $5 billion package bolsters the surplus in 1998/99 and 1999/2000.

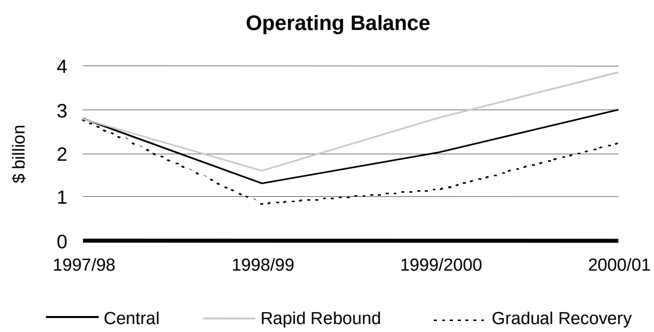
- In terms of the Government's three-year package, the net impact of policy decisions in the 1997 and 1998 Budgets is $3.5 billion. Policy decisions to date have included health, education, surcharge removal and law and order expenses.



- Policy decisions made have already been factored into the fiscal forecasts through the provision for future initiatives.

- As signalled in the *Budget Policy Statement*, a $900 million technical provision for new policy initiatives is included in 2000/01, which may consist of expense, revenue or SOE/Crown entity initiatives.

- The underlying fiscal position remains sound, even if the timing and speed of the economic pick-up were to differ from the Central Forecast. Ongoing operating surpluses, rising net worth and falling net Crown debt over the forecast period are still projected under alternative growth profiles.



Economic Outlook[1]

(Annual average % change, March years)	1996/97 Actual	1997/98 Estimate	1998/99 Projection	1999/00 Projection	2000/01 Projection
Private consumption	4.1	3.3	2.0	2.7	2.5
Private investment	3.7	(1.9)	3.9	12.2	6.6
Exports	3.8	2.4	3.4	5.1	5.0
Imports	6.9	4.7	2.2	4.3	4.9
GDP[2]	**2.7**	**2.6**	**2.7**	**3.9**	**3.5**
Unemployment rate (%)[3]	6.5	6.9	6.7	6.0	5.6
Nominal MCI[4]	961	712	274	346	418
90-day bill rate (%)[4]	9.0	8.0	8.0	8.8	9.1
CPIX inflation (%)[5]	2.0	2.0	1.6	1.7	1.5
Current account balance[6]	(4,522)	(7,834)	(8,026)	(7,029)	(6,757)
Ratio to GDP (%)[7]	(4.8)	(8.0)	(7.8)	(6.5)	(5.9)

Fiscal Outlook[1]

($ billion June years)	1996/97 Actual	1997/98 Estimate	1998/99 Projection	1999/00 Projection	2000/01 Projection
Total revenue	34.8	36.0	36.3	38.2	40.2
Ratio to GDP (%)[7]	36.2	36.5	34.9	34.8	34.8
Total expenses	33.0	34.3	35.8	37.1	38.3
Ratio to GDP (%)	34.3	34.7	34.5	33.8	33.1
Operating Balance	**1.9**	**2.8**	**1.3**	**2.0**	**3.0**
Ratio to GDP (%)	2.0	2.8	1.3	1.8	2.6
Net worth	7.5	10.4	11.7	13.7	16.7
Ratio to GDP (%)	7.8	10.5	11.3	12.5	14.5
Gross Crown debt	36.0	36.9	36.9	36.3	35.4
Ratio to GDP (%)	37.5	37.3	35.5	33.0	30.6
Net Crown debt	25.3	24.4	24.6	23.6	22.2
Ratio to GDP (%)	26.4	24.7	23.7	21.5	19.2

Notes:
1 Economic forecasts were finalised on 7 April 1998, fiscal projections on 4 May 1998.
2 Production based measure.
3 HLFS unemployment as a percentage of the labour force, seasonally adjusted, March quarter.
4 Average for year to March.
5 Annual percent change in the Consumers Price Index excluding credit services, March quarter.
6 $ billion.
7 All ratios are of nominal GDP on an expenditure basis, March years for the economic outlook, June years for the fiscal outlook.

Sources: Statistics New Zealand
The Treasury