

The Treasury

Budget 2020 Information Release

July 2020

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
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- [5] 6(d) - to prevent endangerment of the safety of any person
- [9] 6(e)(iv) - to prevent serious damage to the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the stability, control, and adjustment of prices of goods and services, rents, and other costs, and rates of wages, salaries, and other incomes
- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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- [29] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [42] 18(d) - information is already publicly available or will be publicly available soon.

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Reference: T2019/3468 MC-1-5-2 (Fiscal strategy)

Date: 31 October 2019

To: Minister of Finance (Hon Grant Robertson)

Deadline: 4 November 2019
(if any)

Briefing for Cabinet 4 November 2019

You are taking two items to Cabinet on 4 November: 1) the fiscal strategy for the Budget Policy Statement 2020, and 2) the Between Budget Contingency. This Aide Memoire provides talking points for these two items, and notes for possible questions on these topics.

Talking points

1. The fiscal strategy

- [33]

[33]

Potential questions

1. The fiscal strategy

What do Treasury's preliminary HYEFU fiscal forecasts show?

Table 1 – Key fiscal indicators

Year ended 30 June	Actual		Forecast			
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
\$ billion						
Total Crown OBEGAL	7.5	(0.4)	(0.6)	0.8	3.2	5.2
Core Crown residual cash	(0.7)	(4.3)	(6.5)	(4.5)	(0.9)	2.2
Net core Crown debt	57.7	61.5	68.1	72.5	73.0	70.5
Total Crown operating balance	(2.3)	(0.9)	3.1	5.0	7.8	10.2
% of GDP						
Total Crown OBEGAL	2.5%	(0.1%)	(0.2%)	0.2%	0.9%	1.4%
Core Crown residual cash	(0.2%)	(1.4%)	(2.0%)	(1.3%)	(0.3%)	0.6%
Net core Crown debt	19.2%	19.5%	20.6%	20.9%	20.1%	18.5%
Total Crown operating balance	(0.8%)	(0.3%)	0.9%	1.4%	2.1%	2.7%

How would the proposed capital investment package impact the fiscal outlook?

- Higher capital spending will increase the forecast level of net core Crown debt.
- The impact of higher capital spending on net debt will largely be determined by the timing of the specific projects we invest in, rather than whether projects are allocated through the capital package or the MYCA.
- The overall proposed increase in capital spending of \$12 billion will likely increase net debt to around 22.5% of GDP in 2021/22.

- Higher operating expenditure will be required alongside increased capital spending to support the delivery of those initiatives. These pressures on operating expenditure are uncertain and will depend on the specific capital projects ultimately decided on.

Why not increase operating allowances [33]

- **Permanently reduce fiscal headroom.** Changes to operating allowances, [33] risk permanently entrenching a weaker fiscal position (as opposed to largely one-off capital spending). Taking action in this space now would reduce the options open to the Government in future should economic conditions continue to decline.

[33]

When will the capital investment package be announced?

- The capital package will be announced when the BPS is released on 11 December 2019. This announcement will include the total amounts that will be allocated to different portfolios and some specific initiatives that will be implemented. A number of announcements about specific initiatives will then be made after the release of the BPS and before Budget 2020.
- The increase in the MYCA will be announced when the BPS is released.

Why not have a larger fiscal package?

- A larger capital investment package would further reduce fiscal headroom, limiting our options in future, and risk exacerbating capacity constraints in the economy.

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Renee Philip, Manager, Macroeconomic and Fiscal Policy, [39]