

The Treasury's Economic Outlook Presentation to Audit NZ Central Government Update

Key Messages

- High net migration inflows, elevated tourist arrivals and low interest rates are supporting growth in construction, private consumption and service exports, underpinning an acceleration in GDP growth over the year ahead.
- Spare capacity in the economy is steadily absorbed, with inflation returning to 2% in mid-2018 as inflationary pressures build and the unemployment rate falling to its long run rate of 4.25% in 2019. Interest rates are expected to begin lifting from late 2018.
- The operating balance before gains and losses is expected to remain broadly in balance in 2016/17 (including Kaikōura earthquake impact), followed by rising surpluses.

Table 1 – Summary of the Treasury's main economic and fiscal forecasts

	2016	2017	2018	2019	2020	2021
	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Economic (June years, %)						
GDP (production measure) ¹	2.8	3.6	3.5	2.9	2.4	2.3
Unemployment rate ²	5.0	4.8	4.6	4.2	4.3	4.3
CPI inflation ³	0.4	1.5	2.0	2.1	2.0	2.1
Current account balance ⁴	-2.9	-3.0	-3.8	-4.1	-4.4	-4.4
Fiscal (June years, % of GDP)						
Total Crown OBEGAL ⁵	0.7	0.2	1.2	1.8	2.2	2.7
Net core Crown debt ⁶	24.6	24.3	23.8	22.2	20.3	18.8
Net worth attributable to the Crown	35.5	35.1	35.5	36.6	38.4	40.7

Notes:

1. Real production GDP, annual average percentage change.
2. Percent of the labour force, June quarter, seasonally adjusted.
3. Consumer Price Index (CPI), annual percentage change.
4. Annual balances as % of GDP.
5. Total Crown operating balance before gains and losses (OBEGAL).
6. Net core Crown debt excluding the NZS Fund and advances.

Sources: Statistics New Zealand, the Treasury

Further Information

- The economic and fiscal outlook presented today was based on the *Half Year Economic and Fiscal Update 2016*
<http://www.treasury.govt.nz/budget/forecasts/hyefu2016>
- The *Budget Economic and Fiscal Update 2017* will be available on 25 May 2017
- The Government's fiscal strategy is outlined in the *Budget Policy Statement 2017*
<http://www.treasury.govt.nz/budget/2017/bps>
- Treasury publishes regular analysis on the economy and developments between forecasts in the Monthly Economic Indicators
<http://www.treasury.govt.nz/economy/mei>