

Budget 2022 summary

19 May 2022



Budget 2022: A secure future

As expected, the cost of living and impacts of increasing inflation were high on the agenda in this year's Budget.

Key highlights and initiatives



Business growth fund

The Government plans to invest \$100 million over the coming year to establish a business growth fund. The fund will acquire minority shareholdings in small and medium-sized businesses that want extra funds to expand. As an active investor in small businesses, it will also provide wrap around support and networking opportunities, as well as access to growth capital.

If banks consider equity finance to be more appropriate than debt finance, they can refer businesses to this fund.

Minister for Small Business, Stuart Nash said the concept behind the business growth fund, which will see the Government invest in small businesses alongside banks, has been tried successfully in the UK, Canada, Ireland and Australia.



Housing

House price caps will be abolished for first home loans.

House price caps on first home grants have been increased in most major cities including Auckland, Hamilton, Tauranga, Wellington, Christchurch and Queenstown.

An affordable housing fund will be established to help those who can't access public housing. Housing Minister, Megan Woods says the \$350 million fund will leverage partnerships with investors, philanthropic organisations, developers, and the affordable housing sector to expand the range of housing options for people whose needs are not currently being met by the market.

The first stage of the fund would offer \$50m worth of grant funding to not-for-profit organisations to deliver affordable rental housing in Auckland, Tauranga, Rotorua, Napier/Hastings, Wellington and Nelson/Tasman



Health

With the establishment of Health NZ and the Māori Health Authority, the single biggest year-on-year boost to health spending has designated an extra \$13.2 billion over the next four years. Specific areas for these funds include:

- about half a billion to pay down DHB deficits as they are moved into the nationalised models
- \$76m over the next four years to boost the primary healthcare workforce by thousands
- new health commitments including a boost in funding for Pharmac, new paramedics, ambulances and emergency helicopters
- increased funding for community healthcare
- Increasing the level of MSD dental grants from \$300 per person to \$1,000



Transport

Fuel tax cuts of 25c per litre and half-price public transport which were introduced earlier this year in response to sky-rocketing fuel prices have been extended for a further two months, taking them through to August 2022. Discounts to diesel road user charges have also been extended for the same period



Cost of living payments

The headline grabbing announcement for this year's Budget is a one-off cost-of-living payment to be made to New Zealanders who earned an annual income last year of less than \$70,000. This will be a total tax-free payment of \$350 per person split between three monthly instalments, and paid automatically by IRD, starting in August. The Government believes about 2.1 million people will receive the cost-of-living payment.

To be eligible for this a person must:

- be over 18 years
- have earned less than \$70,001 in the 2021/22 tax year.
- not be receiving a main benefit like the jobseeker allowance or superannuation.
- not already be eligible to receive the winter energy payment (which is higher for an individual (\$450), or the same (\$700) for a couple).



Living costs

- 26,500 more insulation and heating retrofits will be provided for low-income homeowners through the extension of the Warmer Kiwi Homes programme.
- New legislation going through the House urgently intends to "remove barriers" to new retailers entering the grocery market. The Minister states that the new rules will stop supermarkets from blocking competition accessing land to open new stores.

Treasury predictions

Treasury release a range of economic predictions alongside the Budget every year. Most notable among this year's predictions are:

- Inflation is forecast to peak around 6.9% in the middle of this year before easing to 5.2% in 2023 and dropping to below 3% by 2026
- Unemployment dropping down to 3% in 2022, before slowly starting to grow again towards 4.8% by the end of 2025
- High wage growth through 2023, so much so that wages will once again grow faster than costs from early 2023. They have been growing slower since the September quarter last year. This statement is qualified by an expression of uncertainty about the ongoing worldwide inflationary pressures arising from the Russian invasion of Ukraine
- House prices are forecast to drop by 2.5% in 2023, after an estimated rise of 5.8% this year. The forecast then sees a 0% change in 2024, before it increases by 1.7% in 2025 and 1.9% in 2026

