BUILDING THE FUTURE:

NATIONAL'S BUDGET RESPONSIBILITY RULES

While in Government, National has prioritised a return to balanced budgets, so we can reduce debt as a share of the economy and keep taxes low for every New Zealander.

In a more volatile international environment, which has prolonged New Zealand's economic recovery, that has required responsible economic and fiscal management, including a total of $50 billion in savings achieved across the last three Budgets.

That approach is working. The forecast return to surplus was brought forward a year in Budget 2026, while a targeted response to the global fuel shock was funded from within existing allowances. The Government's ongoing programme of savings has also enabled greater investment in frontline services, like health, education, and law and order.

But the job isn't done. The books have now been in deficit for seven years running. Getting back to surplus isn't an optional extra, it's essential to New Zealand's international economic credibility. Prior to Budget 2026, both Fitch and Moody's moved their outlook on New Zealand's sovereign credit rating to negative. At the same time, the cost of government debt has risen worldwide. Long-term bond yields in the United States are at their highest levels since 2007, and since 1998 in the United Kingdom.

For New Zealand, the rising cost of borrowing matters more here than in many other countries, because we do not have a large domestic savings pool to absorb our own government debt. Higher levels of debt, and a higher cost of servicing our debt, is ultimately a risk to our financial resilience and national security.

Against that backdrop, New Zealand must focus on remaining competitive and attractive to capital markets. Keeping debt down and getting back to surplus is the best option we have of achieving that objective and ensuring the cost of borrowing continues to be affordable for households, businesses, and the government.

Three fiscal rules

For those reasons, credible and consistent fiscal policy is paramount.

That's why a re-elected National Government will maintain three fiscal rules:

- Prioritising a return to surplus in 2028/29, and maintaining a surplus over time, sufficient to see the debt curve bend down.
- Bending debt down below 40 per cent of GDP, and maintaining debt below 40 per cent over time.
- Keeping taxes low by right-sizing government, with core Crown expenditure as a share of the economy declining towards 30 per cent of GDP.

Getting back to surplus

Running a consistent operating surplus is critical to New Zealand's economic credibility. An operating surplus means day-to-day expenditure is funded from the revenue we have available, instead of additional borrowing.

A re-elected National Government will prioritise returning the books to surplus by 2028/29, and maintain a surplus over time, so that debt as a share of the economy continues to decline.

National will get back to surplus by prioritising spending restraint, not by introducing new taxes on hard-working New Zealanders. Where revenue comes in ahead of forecast, as it did at Budget 2026, that upside will contribute to reducing the deficit.

Equally, National will not over-react to forecast changes in the other direction: a downside surprise will not trigger sharp cuts to frontline services.

Bending debt down

National will keep government debt at prudent levels so New Zealand can absorb the shocks that inevitably come. As of BEFU 26, net core Crown debt is forecast to peak at 46.1 per cent of GDP in 2027/28 and then fall to 44.4 per cent by the end of the forecast period.

A re-elected National Government will keep it on that downward trajectory towards 40 per cent of GDP, and then maintain debt below 40 per cent of GDP over time.

This matters more for New Zealand than for most countries. We are a small, commodity-exporting economy, exposed to natural disasters and reliant on offshore lenders.

Historically New Zealand has had lower government debt than comparable countries as insurance against that exposure. That buffer was eroded considerably under the last Labour Government.

Rebuilding it is what allows a future government to respond to the next earthquake, pandemic, or global shock without a fiscal crisis. In a more volatile world, where government bond yields have risen significantly in recent years, maintaining low levels of debt also protects New Zealand against the prospect of international financial shocks.

Keeping taxes low by right-sizing government

A re-elected National Government means an ongoing commitment to keep taxes low for working New Zealanders, which means a greater role for Kiwis to determine their own future on their own terms.

The only affordable way to achieve that is an ongoing focus on fiscal discipline, where frontline services are prioritised over back office expenditure and the overall size of government as a proportion of the economy continues to fall.

When Labour took power in 2017, core Crown expenditure was around 28 per cent of GDP. By the time they left office in late 2023, this had risen to 34 per cent of GDP, driving large deficits and a steady stream of new taxes.

To keep taxes low and return to surplus, National is on a mission to right-size government, by restoring government spending as a share of the economy to historic norms, at 30 per cent of GDP over time.

To achieve that, National will maintain tight operating allowances, and support additional expenditure for frontline services through an ongoing programme of reprioritisation and reductions in lower-priority expenditure.

Investing in the infrastructure New Zealand needs

Fiscal discipline is not an argument against investment. National will continue to invest in the roads, hospitals, schools and defence capability the country needs.

Capital investment is lumpy by nature, so new spending will be offset where possible by capital savings and better use of assets the Crown already owns, and every project will be tested against a clear value-for-money framework. Capital spending adds to debt, so it must be disciplined by the same rules: if it is not, debt never turns down.

Consistent surpluses are also critical to National's mission of investing in infrastructure. By achieving a consistent surplus over time, governments have room to invest in infrastructure, funded through borrowing, while continuing to bend the debt curve down. The only way to reduce debt sustainably over time while continuing to run an operating deficit would be to underinvest in capital assets, like roads, schools, and hospitals.