

The New Zealand Economy and Wellbeing

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Abstract

Where investment in society is withdrawn it leads to loss of opportunity for individuals, lowering of life expectancy in some sectors of society and poor quality of life for a sizable proportion of the population impacting growth and business confidence.

The Government goals and wellbeing objectives encompass “long term social, economic and cultural wellbeing for all New Zealanders”.

The Social Investment Agency (SIA) has been established, the prime purpose of which is to determine which investments in social wellbeing will deliver best outcomes in terms of cost savings. SIA is the hallmark policy of the National Government created by former prime minister Bill English in 2015 “saving taxpayers money in the long term”.

The Coalition Government agreement has reduced investment in society on the grounds of getting the governments books in order leaving New Zealand facing adverse market reactions, and negative consequences on growth. Over 2024 and 2025 to date the economy has been paused.

The lag created by disempowering people’s economic security and reducing investment by government in services has human costs.

Loss of consumer spending power has eroded business confidence leading to many business closures and reluctance to invest.

This paper examines the outcomes of expecting a return on social investment in terms of budget balancing “getting accounts back into good shape” in the short term by the contraction of services over the past 16 months (December 2023 to March 2025).

Background

Following the work of John Maynard Keynes in 1919 *The Economic Consequences of the Peace* took account of the crushing conditions the Versailles Peace Treaty placed on Germany and predicted that the impact on the population would lead to another European war. His works published after the Great Depression (1930 *A Treatise on Money* and 1936 *The General Theory of Employment, Interest and Money*) created a dynamic approach that converted economics into a study of the flow of incomes and expenditures. Keynesian economics advocates deficit spending on infrastructure projects to stimulate employment and stabilise wages during economic downturns, and raising taxes to cool the economy and prevent inflation ¹.

And what does New Zealand desperately need right now? Investment in infrastructure from Wellington pipes to major projects to upgrade hospitals, schools, new ferries and even the Cook Strait cable

¹ [Keynesian Economics: Concepts, Impact, and Critiques - Accounting Insights](#)

transmitting electricity between the North and South Islands. Investment avoided costs the country more in the long run.

Investment in New Zealand society has been withdrawn since the Coalition Government began. From the mini-Budget and the first 100 days business confidence has fallen and the living conditions of many New Zealanders have become much harsher.

From a Keynesian perspective inadequate overall demand can lead to periods of high unemployment – which is what we are currently seeing. At this point the task of increasing output should be on the government’s shoulders – instead we have seen every tactic to constrain and contract the economy undertaken from reduction in government services, stalling of government projects, and effective lowering of wages to the point of complete and retrospective removal of options for women workers to achieve pay equity by amendment of the Equal Pay Act, May 2025.

These deliberate moves on the part of a conservative government are in fact counterproductive in terms of real output and employment to the point New Zealanders are emigrating to find opportunity elsewhere (mainly Australia) and the wellbeing of those remaining in New Zealand is constantly compromised. Inflation has eaten into tax cuts (noting the cost of administration making them ineffective), Living Wage is proposed to be removed from government workers, there are now penalties for parents whose children have not attended school, including prosecution for non-payment of truancy fees for parents who wouldn’t be able to pay anyway. Quoting Simon Bridges, Chamber of Commerce “We want to see more than just austerity cuts”.

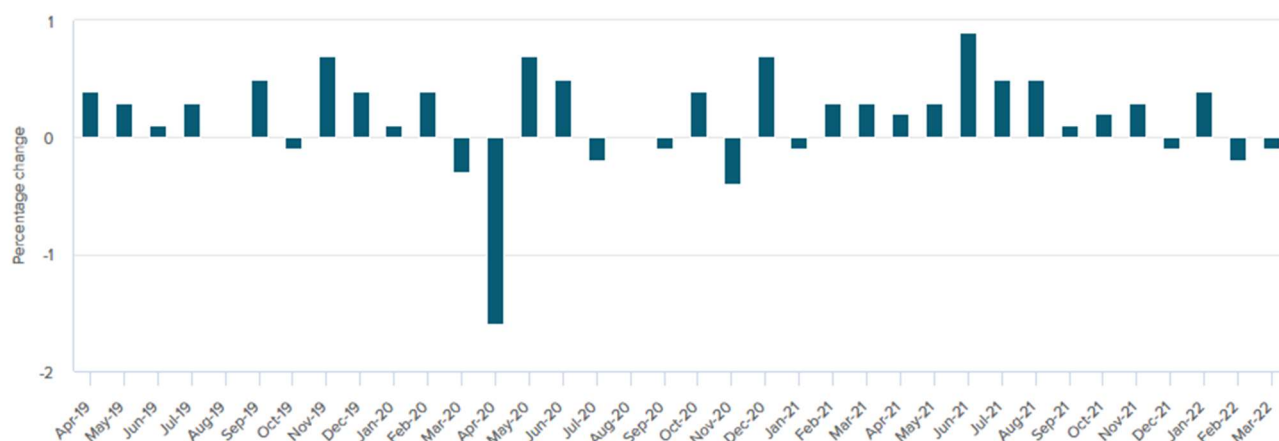
The prospect of long-term wellbeing is becoming further out-of-reach for too many New Zealanders following the principles of ‘getting the accounts back in good shape’ by this government. Neither balancing the books nor wellbeing are being achieved.

Employment observations

Seasonally adjusted filled jobs from April 2019 to March 2025 were reviewed². The graph below shows a sharp drop in the number of seasonally adjusted filled jobs, all industries during the COVID responses of April 2020 and November 2020. This was due to an unpredictable factor (a pandemic) affecting the New Zealand economy, during which the course taken by the then government to protect New Zealanders saved lives and the accompanying action of response budget supported workers and businesses, lessening the effect on the economy.

² [Employment indicators: March 2022 | Stats NZ](#)

Percentage change in the number of seasonally adjusted filled jobs, all industries, monthly, April 2019–March 2022



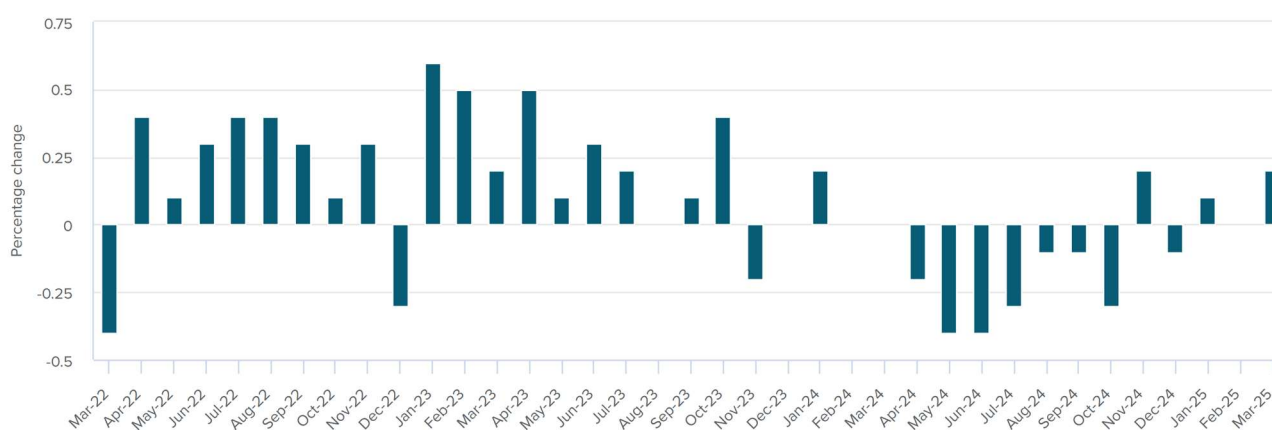
Stats NZ

The budget deficit allow government support during COVID is now being used as the justification for contracting the economy, when in fact the New Zealand economy made one of the best recoveries in the world. Supported by the fact that only three countries NZ, Taiwan and Finland saw life expectancy increase during the COVID-19 pandemic over 2020 and 2021³.

From March 2022 to December 2024⁴ a different story emerges with a prolonged downturn below the line in 2024. The downturn coincides with the Coalition Government decisions. This is unlike the pandemic, which was unpredictable, this reflects the implementation of planned austerity measures. Note also that inflationary pressures, the cost-of-living crisis that emerged from the end-of-2022 doesn't produce a prolonged 'below the line' in 2023 as that seen in 2024.

There were other choices that could have been taken, such as to retain the prior investment of expertise and service provided to communities by those public servants whose jobs have been taken away. The reduction of services and the loss to the individuals of future earnings and options shows.

Percentage change in the number of seasonally adjusted filled jobs, all industries, monthly, March 2022–March 2025



Stats NZ

³ <https://www.rnz.co.nz/national/programmes/ninetoon/audio/2018845934/how-covid-has-changed-our-demography>

⁴ [Employment indicators: March 2025 | Stats NZ](#)

The following figures compare March 2022 actual values with March 2021 for the number of filled jobs by industry and by region.

March 2021 – March 2022	
Filled jobs changes by industry	Filled jobs changes by region
<ul style="list-style-type: none"> professional, scientific, and technical services – up 8.3 percent (14,477 jobs) construction – up 7.0 percent (13,225 jobs) health care and social assistance – up 4.0 percent (10,132 jobs) retail trade – up 3.7 percent (7,559 jobs) public administration and safety – up 4.6 percent (6,727 jobs). 	<ul style="list-style-type: none"> Auckland – up 3.4 percent (25,339 jobs) Canterbury – up 2.9 percent (8,530 jobs) Waikato – up 3.6 percent (7,613 jobs) Wellington – up 2.6 percent (6,488 jobs) Bay of Plenty – up 2.5 percent (3,485 jobs).

Table 1 March 2022 actual values compared with March 2021 (source Stats NZ)

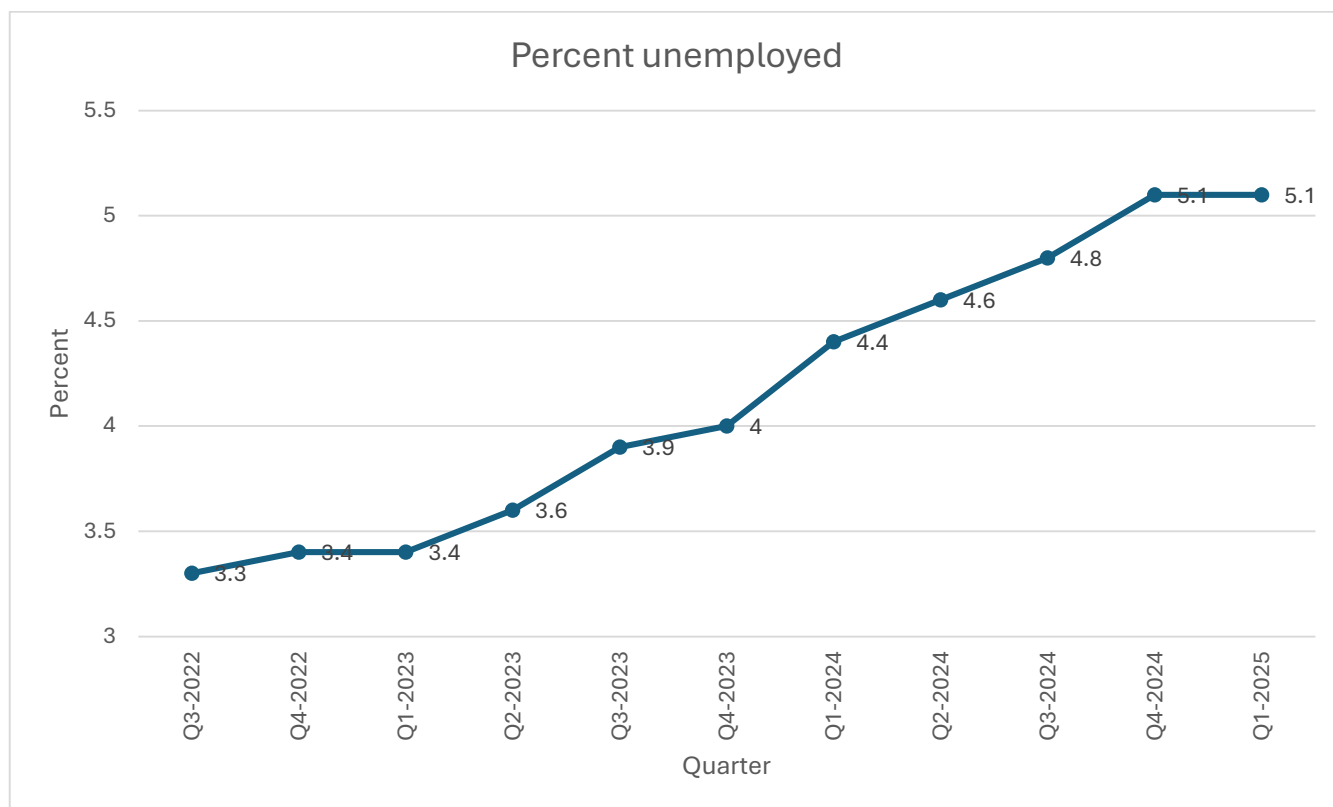
The picture for the number of filled jobs by industry and region changes downwards in the last 12 months, from March 2024 to March 2025.

March 2024 – March 2025	
Filled jobs changes by industry	Filled jobs changes by region
<ul style="list-style-type: none"> construction – down 6.1 percent (12,606 jobs) administrative and support services – down 5.7 percent (6,284 jobs) professional, scientific, and technical services – down 3.1 percent (5,887 jobs) manufacturing – down 2.2 percent (5,198 jobs) health care and social assistance – up 1.7 percent (4,800 jobs). 	<ul style="list-style-type: none"> Auckland – down 2.0 percent (16,733 jobs) Wellington – down 2.1 percent (5,543 jobs) Manawatū-Whanganui – down 1.6 percent (1,871 jobs) Waikato – down 0.7 percent (1,672 jobs) Hawke's Bay – down 1.4 percent (1,192 jobs). <p>No figures supplied for Canterbury</p>

Table 2 March 2024 actual values compared with March 2025 (source Stats NZ)

April 2025 – all industries down 0.1 percent (2,246 jobs) to 2.35m filled jobs [Employment indicators: April 2025 | Stats NZ](#)

The unemployment rate reflects conditions of the labour market and economy overall. It has increased since lowest value of 3.3 % for the September 2022 Quarter, prior to the world-wide inflation. From the end-of 2022 inflation began to impact New Zealand employment rates as the monetary correction of increasing the OCR (Official Cash Rate) was applied. Unemployment has increased to 5.1% currently.



2024/2025 review:

The Unemployment Rate for the March 2024 Quarter was 4.3 %, the seasonally adjusted number of people unemployed rising to 134,000 (up 10,000) over the quarter.

The Unemployment Rate for the March 2025 Quarter⁵ was 5.1%, no change from the previous quarter, and 156,000 people unemployed.

An overall increase of 16 percent more people unemployed across the 2024/2025 year .

Employed but underpaid

Minister Nicola Willis has proposed to scrap the requirement to pay the Living Wage to government contracted cleaners, catering staff and security guards. The Labour Government introduced the requirement in 2021. Since then, as a result cleaners, security guards and catering staff have their lives transformed.

If the proposal goes ahead, there's no guarantee of a Living Wage when current procurement contracts expire. It's a pathway to hardship for hardworking New Zealanders.

Lost opportunity for revenue

Despite slower economic growth and mounting debt, Willis reaffirmed the government's commitment to reaching surplus by 2029. She ruled out any new taxes, including a previously signalled tax on charities, and signalled only "modest" cost of living and business support measures and most public sector budgets are frozen.

The reporting that households should feel limited impact and the only effect would be expected to be in Wellington where government spending was a significant part of economic activity is not supported by the figures above where the impact is clearly not just in Wellington, but nationwide.

⁵ [Unemployment rate | Stats NZ](#)

The impact is being felt across New Zealand by households and businesses and is being exacerbated by difficulty for families to access tax reduction packages and welfare support due to the complexity of eligibility criteria. Family boost - [Fewer than 50 families to get National's full tax package, says CTU | RNZ News](#)

Salvation Army State of the Nation 2025 published February 2025 reporting on the 2024 year.

Child poverty increased in the year to June 2023 (most recent data available from government). The impact of rising rents [the landlord interest deductibility not being passed on to tenants] and mortgage costs and income poverty after housing costs contributed to the increase in child poverty.

Income inequality has increased. Hardship is the same as in 2018 when the baseline measures for child poverty began. There is no improvement and none expected judging by the recent government announcement that the 4 page child poverty reporting for the Budgets of 2024 and 2025 will no longer be required. What you don't measure you don't have to worry about.

During 2024 the number of children in material hardship rose to 232,800, an increase of 10,300 more children in poverty. Half of all of these tamariki in material hardship are living in benefit households. Unemployment has been rising due to increases in OCR, slashing of jobs in the public sector and the effects of the downturn overseas impacting New Zealand, leading to more citizens needing benefits. However, during 2024 Work and Income tightened eligibility for hardship grant assistance just as the number of families needing assistance rose.

There are around 1.18 million children under the age of 18 in New Zealand. It is estimated that 161,000 (14 percent) show early risk factors meaning they are at high risk of harm and poor life outcomes. The cost of the loss of their future potential and constraints on their lives that may arise can be measured in dollar terms. The dollar value of this long-term risk should be factored in as a counterweight to any 'balancing the books' option of reduction in benefits and access to benefits. Increasing benefits and social support is likely to be the better long-term option.

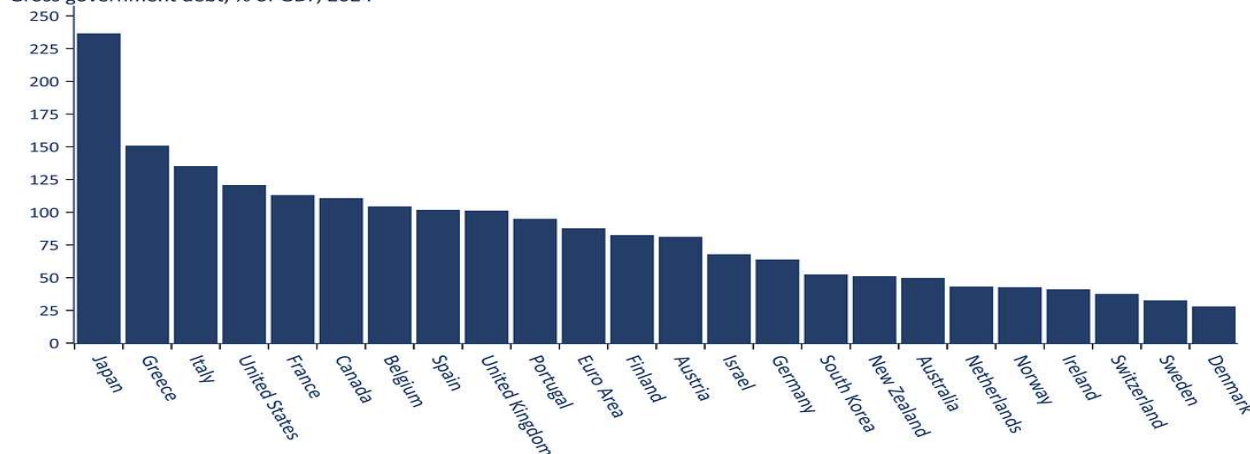
Other perspectives

The narrative that New Zealand is in deep trouble and must balance its books is not supported when we compare New Zealand's debt with those of other advanced economies. David Skilling email 28/4/25 notes:-

More broadly, small advanced economies tend to sustain low levels of public debt. This is partly on a recognition of their greater exposure to external shocks, and is enabled by generally strong political institutions. This fiscal discipline provides additional fiscal space for strategic investment as well as to buffer future economic and geopolitical shocks, another source of small economy competitive advantage in the emerging world. Several large economies with public debt > 100% of GDP (US, UK, France, and others) will face growing financing challenges.

Small advanced economies tend to have lower levels of government debt

Gross government debt, % of GDP, 2024



Source: Macrobond; IMF; Landfall Strategy Group.

New Zealand is not in this basket, New Zealand has head space. Policy decisions should enhance wellbeing across the population and this is not evidenced. Instead the austerity measures being applied are counterproductively pausing the economy.

Austerity measures

The Coalition Government's structural changes of December 2023 were made on the grounds of restoring fiscal discipline to government spending. Fair Pay Agreements were repealed, the use of 90 Day trial periods of employment were extended, only moderate increases to the minimum wage each year (a net real reduction), all work on the Income Insurance Scheme stopped, investment in major infrastructure such as IREX ferries, Lake Onslow hydro scheme were stopped, the bright-line test for a two year period was returned (applying from 1 July 2024).

The mini-Budget of December 2023⁶ found \$7.5b (billion) in savings by stopping: clean car discount scheme saving \$50m, Labour's planned 20 hours early childhood education saving \$1.181b over four years, ended Let's Get Wellington Moving saving \$525m, ended Labour's half price fares for under 25's saving \$262m, took \$500m of uncommitted funding from Climate Emergency Response Fund – returing it to operating and capital allowances for manifesto commitments, indexation of main benefits to CPI (rather than average wage) saving \$676m over 4 years and removing Commercial Buildings Depreciation saving \$2.311b over 4 years.

All of the above is contractionary and Treasury warned of a slowing economy, slowing spending and lowering business revenue leading to a reduction in the Government's tax take.

The key public message for the government structural changes in 2024 was the Coalition government is still 'committed to getting the books back in order'. The impact of successive changes to productivity growth was reported to have contributed to lower forecasts for nominal GDP and tax revenue. The forecast for nominal GDP was a cumulative \$19.8b LOWER between 2025 and 2028 June years.

A smaller nominal economy reduces the tax base and is a key factor in lower forecasts of tax revenue. Migration is slowing faster than expected and increasing numbers of skilled and productive New Zealanders are leaving for overseas.

⁶ [Treasury Report T2023/2030: Mini Budget Scope and Decisions - December 2023 - The Treasury - Mini Budget 2023 Information Release](#)

The government direction for the first quarter 2025 was 'Going for Growth' to make people better off, create more opportunities for business, unlock investment in New Zealand and help afford world class health and education.

Going for Growth included new procurement rules making it easier for businesses to win government contracts (collectively worth more than \$50b a year) by reducing barriers small and medium size businesses face in bidding for government contracts. To achieve this 24 of 71 application rules were scrapped including dispensing with requirements for government agencies to build new non-residential government builds to a 5 star rating, purchase of battery electric or hybrid electric vehicles, purchase of office supplies that produce low amounts of waste and/or are recyclable, and pay the living wage in contracts for cleaning, catering and security guard services. The consequences of introducing lower standards and using wage reduction measures to heighten competitive tendering have been shown to have very poor outcomes for society and owners of the services.

A new 'economic benefit' test was also introduced which required government agencies to consider the wider benefits to New Zealand of awarding contracts to New Zealand firms when making procurement decisions. Questions arise as to how this fits with the government push for foreign investment and overseas contracts.

In summary, from December 2023 the New Zealand economy has contracted and will continue to with skilled people going overseas, house prices dropping, difficulty in leveraging investment/commitment to infrastructure projects to support public transport, rail, ferries, social housing, support for the disabled, connection with communities, reduced public health services, primary care and hospital facilities, disengaging the breadth of society by recalling DIA (Diversity, Equity and Inclusion) policies in government department and by employers in general.

The rhetoric around the Government's fiscal position continues to push a message that unpopular cuts are necessary due to COVID-related debt and the ongoing cost to service it.

Meanwhile Treasury reports in the Te Ara Mokopuna Consultation 2025⁷ that during the COVID-19 pandemic there was significant uncertainty and policy makers tended to err on the side of caution providing ongoing support to mitigate the impacts of COVID-19 (Table 2.1 estimated \$66 billion of fiscal costs over the 2020 – 2026 fiscal years). In making this decision upside surprises to the economy were expected to be less costly and easier to manage than downside ones. The positive outcome of this was that the New Zealand economy recovered much more quickly than Treasury and other forecasters anticipated.

IMF

*IMF report 2024*⁸

New Zealand has a strong economy, with persistence of pandemic era shocks due to the second lock-down period in 2021/2022 with a full re-opening later than the rest of the world.

NZ will remain vulnerable to foreign supply and demand shocks. Key challenges include meeting NZ ambitious baseline obligations – its 2030 Nationally Determined Contribution (NDC) to reduce net greenhouse gas emissions to 50 percent below gross 2005 levels by 2030.

⁷ [Te Ara Mokopuna 2025: Consultation on the draft content of the Treasury's Long-term Insights Briefing: Sustainable and resilient fiscal policy through economic shocks and cycles - April 2025](#)

⁸ <https://www.imf.org/en/News/Articles/2025/03/11/cs-031125-new-zealand-staff-concluding-statement-of-the-2025-article-iv-mission>

The inflation rate has been brought under control by Reserve Bank and the GDP per capita is rising. New Zealand IMF Country Report No. 24/133[1]

Author's comment: Budget 2024 rides the tide of an upturn in the economy. GDP per capita is increasing. The Reserve Bank has signalled the recession has ended.

IMF comments

New Zealand would benefit from a more efficient, equitable, and sustainable tax system. New Zealand already has one of the most efficient goods and services tax systems globally. However, tax policy reforms are needed to promote investment, and productivity growth, increase the progressivity of income tax, and mobilize additional revenue in response to long-term fiscal challenges. To achieve these objectives, reforms should combine comprehensive capital gains tax, land value tax, and changes to corporate income tax.

Labor productivity growth has been slow for decades. Slow productivity growth has contributed to a rapid increase in unit labour costs, undermining New Zealand's competitiveness. Public investment in R&D, new infrastructure, and maintenance of the existing public capital stock are critical. A more predictable infrastructure pipeline would encourage construction companies to expand implementation capacity.

*IMF Report 2025*⁹

The New Zealand economy faltered in 2024 amid tight financial conditions, as inflation successfully returned to target and the current account deficit narrowed. Real GDP is estimated to have contracted by 0.5 percent y/y in 2024, as investment fell heavily. Personal income tax cuts in 2024 have somewhat mitigated a decline in consumer demand, although household spending has been curtailed by a second consecutive year of declining real disposable income per capita. Lower capacity utilization and rising unemployment indicates some slack, consistent with the output gap turning negative in 2024. A recovery in external demand, improved terms of trade, and a slowdown in imports have helped narrow the current account deficit, which however remains high with a large structural component. New Zealand's external position in 2024 is assessed as weaker than implied by medium-term fundamentals and desirable policies.

Author's comment: We went from riding the tide in an upturn in the economy in 2023, to faltering amid tight financial conditions in 2024.

Wellbeing objectives/intentions

The Government's wellbeing objectives were announced in the Budget Policy Statement 2025¹⁰, as achieving them is the most important contribution the Government can make to the long-term social, economic, environmental and cultural wellbeing of New Zealanders. ("Budget Policy Statement").

Section 26KB of the Public Finance Act requires the Government to explain, in the fiscal strategy report, how wellbeing objectives have guided the Government's Budget decisions.

⁹

https://www.bing.com/search?pglt=43&q=IMF+Country+Report+No.+24%2F123&cvid=fcf5f9f4f30c4b8ca49e406110687ae0&gs_lcrp=EgZjaHJybWUyBggAEUUYOTIGCAEQABhAMgYIAhAAGEAyBggDEAAYQDIGCAQQABhAMgYIBRAAGEAyBggGEAAYQDIGCAcQABhAMgYICBAAGEDSAQgxMzQ0ajBqMagCALACAA&FORM=ANNTA1&PC=EDGEDB

¹⁰ [Budget Policy Statement 2025 - 17 December 2025](#)

As stated in the Budget Policy Statement, the Government's overarching goals for its term of office are to:

- "Build a stronger, more productive economy that lifts real incomes and increases opportunities for New Zealanders." ("Goals and priorities - Budget 2025 - 22 May 2025")
- Deliver more efficient, effective and responsive public services to all who need and use them, to restore law and order and improve health outcomes and educational achievement. ("Goals and priorities - Budget 2025 - 22 May 2025")
- "Get the government's books back in order and restore discipline to public spending." ("Goals and priorities - Budget 2025 - 22 May 2025")

These goals are also the Government's wellbeing objectives, *as meeting these objectives is the most important contribution the Government can make to the long-term social, economic, environmental and cultural wellbeing of New Zealanders.* ("Budget Policy Statement 2024 | The Treasury New Zealand")¹¹

Social Investment Agency (SIA) is formed

The principle of the SIA is to identify a bespoke approach to address the complexity of living circumstances that certain sectors of society face. This approach was first heralded under the National Government in 2014. The same philosophy is being applied in this term of office.

In 2024 Social Investment Minister Nicola Willis announced Government's investment of \$70b a year into social services wasn't achieving the desired outcome so a different approach to look beyond the good intentions of policy making was needed. The philosophy of SIA introduced by Bill English in 2015¹² would be applied again, using hard evidence to invest in what works, a return to data driven social welfare interventions.

The SIA was established on 1 July 2024 as a central agency to lead, develop and implement a social investment approach (\$51m). The purpose of the SIA would be to identify, fund and scale system-level interventions that will have the greatest positive, long-term impact on people.

"The Social Investment approach has enormous potential but, without the necessary foundations, could become a unicorn, a mythical creation to solve deep-seated issues through the power of data, devolution, and accountability. Data and evidence will be critical in supporting this, but success will be highly dependent on truly understanding the needs of those communities, and the solutions, from their perspective and in their context.

Bill English's original Social Investment model built the data foundations to identify the people who require the greatest investment and which social services they engage with most. It did not, however, go on to define the outcomes and interventions that matter the most for those people and who is best to deliver them." KPMG New Zealand, Tax and Advisory re Budget 2024¹³

The Government announced a Social Investment approach on Thursday 15 May 2025 to invest in services delivering measurable improvements in the lives of those needing government help

- A new social investment fund, into which contracts with government agencies buying social services from NGOs (\$7b current spend) will be transferred into the Social Services Investment Fund.

¹¹ [Budget Policy Statement 2024 | The Treasury New Zealand](#)

¹² [Speech to the Treasury Guest Lecture Series on Social Investment | Beehive.govt.nz](#)

¹³ <https://www.deloitte.com/nz/en/Industries/government-public/perspectives/social-investment-in-action.html>

- Aim to simplify partnership with social service providers to get better social service delivery by investing small amounts in the right places to deliver greater impact.
- \$20m is assigned for initiatives to help parents in the first 2000 days of a child's life
- \$25m to prevent children ending up in state care (Crown's response to Royal Commission of Inquiry into Historical Abuse in State Care).
- Early moves such as reprioritising Oranga Tamariki contracts and overhauling Whānau Ora commissioning have caused some friction from agencies who have lost service contracts.

The disadvantage is that the Social Investment Fund will close services and expertise currently offered within government departments and by many agencies across New Zealand leading to loss of capability and reduction in or complete loss of services to some sectors. Leading to unaddressed need, which adds a cost on the books as does reduction of lifetime income prospects for many NZ women following the passing of the Equal Pay Act Amendment bill in May 2025.

This approach on top of austerity measures creates a further lag while new policies are formed. This does nothing for wellbeing while people are continuing to be affected by contractionary changes.

For example, housing: [Third of emergency housing applications being rejected by MSD](#)

Where are the people that no longer qualify for emergency housing? MSD doesn't know, Kianga Ora doesn't know. But the number of persons in emergency accommodation has dropped and meets government targets. Figures have been requested by Murray Edridge, Wellington City Missioner at a meeting with Prime Minister Christopher Luxon. There were none given, just an assumption they had found accommodation in alternative places, with friends or relatives. Murray Edridge asked the Prime Minister not to continue saying that, these people are in fact completely without accommodation options and in dire straits often sleeping on the streets (personal communication with Murray Edridge).

Getting the accounts back into shape versus time shock

New Zealand's economic resilience post-COVID was outstanding. This was due to forward thinking initiatives.

The Coalition Government agreement has instead reduced investment in society on the grounds of getting the governments books in order is essential. Leaving New Zealand facing adverse market reactions, and negative consequences on growth. The economy has effectively been stopped.

The lag created by disempowering people's economic security and reducing investment by government in services has costs which have not been accounted for.

The reduction in investment increases the probability of social unrest and crime. This would be contrary to the government's stated aim of bring back law and order. The construction and expansion of prisons has already been undertaken. Is the cost of imprisoning a person at \$150,000 per annum preferred to the transfer of an income of \$15,000 per annum to those not working?

Quoting Cardinal Roger Mahony (1998): "Any society, any nation, is judged on the basis of how it treats its weakest members ; the last, the least, the littlest."

Impact of austerity measures on life expectancy and growth

Austerity measures in the UK have had small impact on growth and have led to an increase in public debt. The policies have also had far reaching impacts on the poorest people in the UK. The results of

austerity have been “hardly any growth in the UK”, “little reduction on public deficits, despite large spending cuts”, “higher national debts”, and “prolonged unemployment”¹⁴.

Cuts to public services and living standards across Britain from 2010 contributed to 335,000 excess deaths – twice as many as previously thought, according to new research. These austerity measures were introduced by the conservative government elected to office that year, partly in response to the banking crash of 2008.

Previous estimates had suggested that 152,000 people died prematurely between 2015 and 2019 due to austerity. The study conducted by researchers at the University of Glasgow and the Glasgow Centre for Population Health and published in the Journal of Epidemiology and Community Health, suggests this was an underestimate and suggests that austerity had a growing effect over time¹⁵.

The IMF reported in the IMF World Outlook 2024 that significant improvements of income distribution within countries and other dimensions of welfare such as life expectancy is needed¹⁶.

HOW'S BUSINESS?

The economic environment is not in fact pro-business. Below is a review of two recent business surveys the first undertaken by ACE NZ¹⁷.

- There is **reduced business** – structural changes plus investment announcements not translating into work coming into the market has led to businesses struggling.
- “The slow release of work is impacting hugely on the capacity and capability of NZ technical providers and the longer it takes to move, the longer it will take to recover” Executive Summary ACE NZ Business report March 2025
- Slowing down in private residential development, transport, vertical construction and water sector, and other areas including energy, IT, industrial and maintenance.
- Many firms are managing the impacts of slowdown of works with reduced spend, some have had to undertake restructures and have experienced significant staff losses. (Firms have lost >1,200 people in the past year)¹⁸.
- Firms continue to struggle and remain cautious about investment and hiring as there has been no commitment by government to infrastructure or social projects.
- Firms are recruiting significantly fewer graduates. This will have significant downstream impacts for the sector which is already struggling to retain skilled workers

There is huge uncertainty caused by:

- A lot of signalling but no flow through to work in market
- Inconsistent decision making and practices from the government

¹⁴ <https://theconversation.com/austerity-led-to-twice-as-many-excess-uk-deaths-as-previously-thought-heres-what-that-means-for-future-cuts-192033>

¹⁵ Walsh D, et al. J Epidemiol Community Health 2022;0:1–7. doi:10.1136/jech-2022-219645

¹⁶ <https://www.imf.org/en/Publications/WEO/Issues/2024/04/16/world-economic-outlook-april-2024>

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https://assets.nationbuilder.com/acenz/pages/4811/attachments/original/1743975611/Hows_Business_Survey_March_2025.pdf?1743975611

¹⁸ <https://www.bcicentral.com/construction-outlook-report/>

- Local government is chronically underfunded – not investing and spending
- Too much change in the regulatory environment introducing further uncertainty into the market.

Business needs the government to bring work into market as soon as possible to sustain delivery capacity, look at more efficient procurement, undertake regulatory reform, support skills development and retention, finance local government, invest in standards development, facilitate funding and financing, and more

Business wellbeing

A nationwide survey of more than 730 business leaders was undertaken in April 2025 by BDO New Zealand and reported in May 2025¹⁹. The report applies the World Health Organisation's internationally recognised WHO-5 Index, which measures wellbeing over the 2 week period prior to the survey.

The BDO Wellbeing index was launched in June 2022 and is conducted as a twice-yearly study to explore the key issues on the minds of New Zealand business leaders. Factors impacting business performance and wellbeing are analysed.

The conclusion from the April 2025 nationwide survey is that current wellbeing improves but the future looks more troubling. The April 2025 WHO index score of 64 heralded a two point increase from September 2024 for business leaders' perceptions of wellbeing. Business leaders feeling less mentally healthy in the last 6 months improved by 1 percent, with a considerable reduction in mental health concerns related to business finances.

Business leaders future outlook perspective was less positive with just 46 percent expecting to feel generally satisfied with life in six months' time. This is the least optimism expressed since the first survey in 2022, and a steep drop of 12 percent from the 58 percent recorded in September 2024

The May Index highlights 57 percent of business leaders felt positive about their overall business performance in the last two weeks – a 6 percent increase since the September 2024 survey. This increased optimism is reflected in the 66 percent of respondents expecting to feel positive about their overall business performance in six months' time, an increase of 6 percent from September 2024.

There has been a rebound in April 2025 with nearly half of New Zealand business leaders feeling positive about their current business financial performance, from the record low of only 35 percent of business feeling positive about their current business financial performance in September 2024, returning to levels last seen in October 2023.

New Zealand's business community has been hit hard in recent years by the Pandemic, natural disasters in the form of catastrophic weather events in 2023, and economic turmoil from worldwide events including war. A more favourable business landscape is emerging as interest rates and inflation have receded, and the Reserve Bank predicts an economic recovery during 2025.

For the first time since the survey began business growth had been reported as one of the top five issues for business leaders. This suggests that the success of businesses in navigating the challenging business environment over recent years can be amplified into opportunities they might capitalise on while achieving the goal of sustainable growth.

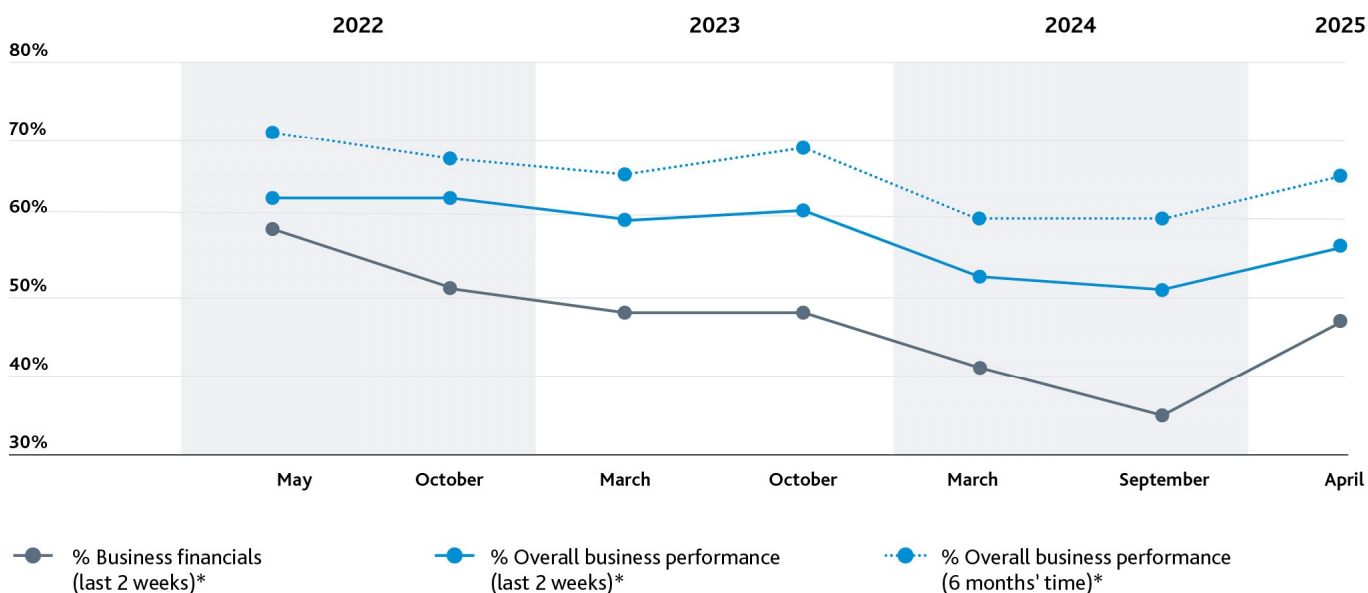
However, some sectors particularly the construction sector, are continuing to struggle. The ongoing cost-of-living challenges impact companies and consumers alike. Consumer confidence is improving but is subdued with households exercising caution in spending as the [April 2025 ANZ-Roy Morgan Consumer Confidence report](#) notes. This behaviour presents an ongoing challenge for the retail sector.

¹⁹ [BDO Business Wellbeing Index | May 2025 - BDO](#)

In addition to this the unheralded changes in US including tariffs must be navigated. Transformation from a position of confidence to actual business growth will take some time yet.

BUSINESS PERFORMANCE SENTIMENT

% Business leaders feeling positive (all or most of the time)



Government support – Foreign investment with the recent New Zealand Infrastructure Investment Summit highlighted Government willingness to welcome foreign investment in local infrastructure. The Government desire to reduce red tape (introduction of the Regulatory Standards Bill) to make business easier is not reflected in the BDO wellbeing index as compliance and regulatory issues are not a priority concern for business leaders.

Although business leaders are feeling more positive about their financials and overall business performance their WHO-5 wellbeing score has not rebounded as strongly. The need for business leaders to address the leading drivers of negative wellbeing is crucial for ongoing business success.

The same is true for the whole economy and better surveys of wellbeing are needed that will look directly at the position the employed, the unemployed, children and all sectors of society.

SUMMARY

The sudden impact upon economies around the world of the COVID-19 pandemic is not the major contributor to the present malaise of economic growth. The underlying problem lies with after-effects, loss of business confidence for investment following the Global Financial Crisis 2008/2009 and in New Zealand the recent (since December 2023) implementation of conservative austerity measures to combat the post-COVID inflationary effects.

Where investment in society is withdrawn it leads to loss of opportunity for individuals, lowering of life expectancy in some sectors of society and poor quality of life for a sizable proportion of the population. (reference) Which in turn impacts on growth and business confidence. (reference to research in UK)

Increasing government revenue should not be by regressive taxation such as road tolls or beneficiary sanctions or lowering taxes in small increments for middle- and low-income earners, but by broadening the tax base as suggested in the April 2023 Treasury and Inland Revenue research reports.

Analyses that include the social impact of policy decisions and the loss of quality of life and opportunity for the individuals affected are due.

Services funded by government to support living standards are essential to support economic activity and allow communities and businesses to flourish.

Long term fiscal pressures are not just population aging but the aging of our key community resources and losing the capability to manage and expand these services to cater for population increase and the challenges these critical criteria will be exposed to. For example: Climate Change, civil unrest, wars, changing trade circumstances, disease and not just communicable disease and non-communicable diseases affecting humans but Foot and Mouth Disease (FMD), Mycoplasma Bovis, Pseudomonas syringae to name a few. FMD being the biggest worry for New Zealand.

Despite the government's austerity measure in the past 18 months New Zealand's debt has ratcheted up as a percentage of GDP, which presses on our vulnerabilities of high natural hazard risk, small size and reliance on commodity exports, and high overseas borrowing. The return from the debt if invested in essential function or gains made by improvements for our country to be its best in today's world and into the future don't seem to be factored in. The losses in terms of delays in utilisation of business capability, downturn in health, wellbeing and democracy for our population doesn't seem to be factored in. There are too many New Zealanders already relying on food parcels, not just beneficiaries but working families and some middle income families as the net widens for punitive measures.

CONCLUSION

Generally held argument is that increases in expenditure following a crisis or election of a left-of-centre government are difficult to wind back to manage fiscal risks. However, more social spending on health and welfare have driven much of the growth (Policy Quarterly Volume 21, Issue 3 – May 2025).

- The question is why does expenditure need to be wound back?
- The expected returns on the investment proposals including SIA are review systems that have not actually put anything concrete in terms of actual business activity into place.
- SIA will build the data foundations to identify the people who require the greatest investment and which social services they engage with most. ("Social investment - KPMG New Zealand") It does not go on to define the outcomes and interventions that matter the most for those people and who is best to deliver them.

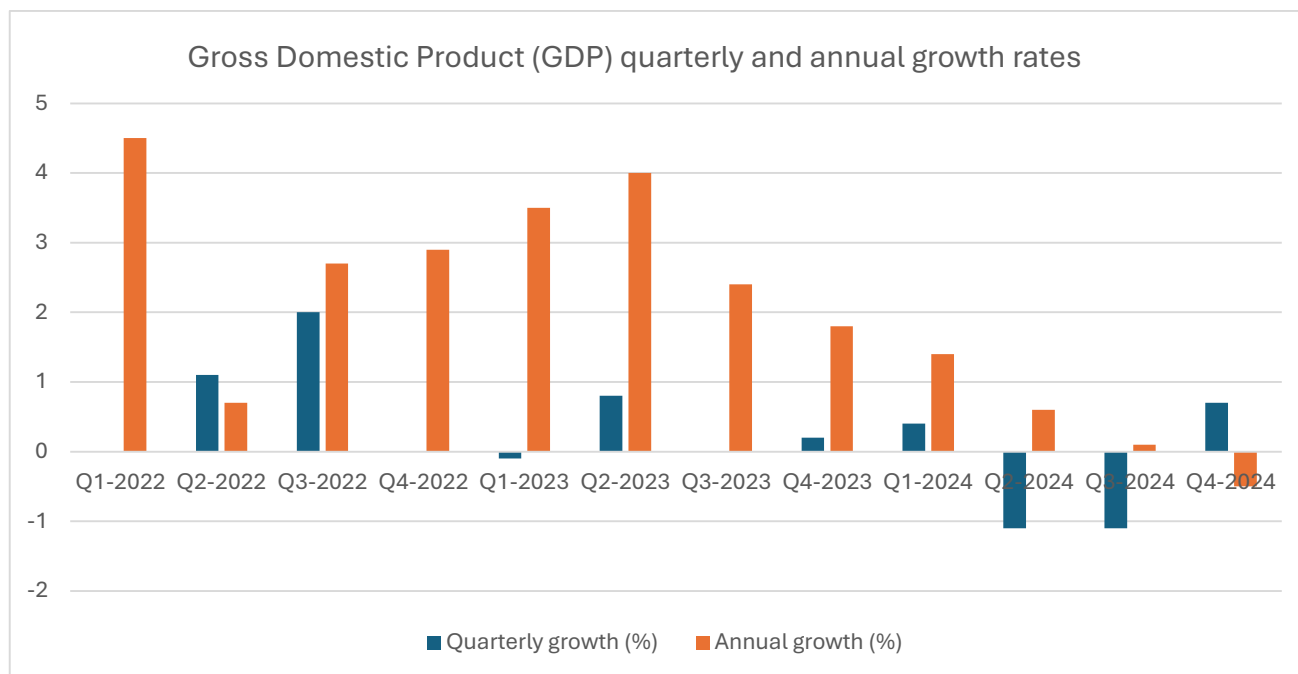
Authoritarian oversight through compliance packages is being rolled out. Systems that do exist in welfare have been constricted by raising the bar for applications to succeed e.g. veterans, 18 and 19 year olds reliant on family when many won't have family connections any longer, universal access removed for first child, families in work unlikely to qualify or face high rates of marginal tax by expanding work hours, higher student fees, reduction in options for study, restructure of technical institutes, devolving of Universities to name a few.

Similarly for businesses with for example the Water Services Bill based around a financial compliance package but no real support for funding of water systems at local level to deliver fresh water, stormwater and wastewater facilities.

There is no commitment by government in projects and removal of funding for many, leaving industry at a loss because of prior commitment to projects that have been closed.

Social services similarly poised in a state of uncertainty with either funding completely removed with no warning (closure of contracts) or reduced.

Despite the above cost cutting measures, and Reserve Bank lowering of the OCR the Treasury Fortnightly economic update 17 April 2025 reports higher-than-expected inflation, unemployment still rising. The Interim Financial Statements of the Government of New Zealand for the nine months ended 31 March 2025 (prepared by Treasury 8 May 2025) comparison against the prior year actuals gross debt as a percentage of GDP has risen to 48.3% against 41.3% for March 2024 prior year. And net worth as a percentage of GDP has dropped to 43.1%, against 46.9% in March 2024.



The position the nine months ended 31 March 2025 indicates is a possible downshift to a lower growth regime worsening prospects for living standards and poverty reduction.

Exactly as in the UK example examined by Dorsey 2022 and Walsh 2022, austerity measures have had little positive impact on growth and have led to an increase in public debt. Their research indicates this will have long term consequences in terms of premature deaths in some sectors of society, with a cumulative effect in this regard over time.

There is a push-pull between borrowing to build the infrastructure and fulfil the welfare objectives of society. If the focus is entirely on ‘balancing the books’ and only theorising on ways to invest to ‘save the taxpayer’ large numbers of people become distanced from society; those no longer entitled to accommodation allowance, or employment, or reasonable wages, placed in debt by fines they can’t pay e.g. truancy fines or in prison on ever-expanding ranges of charges and revolving door policies with few options to re-enter public life.

A drag on society is created and the opportunity to prosper in the limited lifespans we each have is diminished. Distrust in the establishment grows. The economy contracts with less activity and more constraint, and lower welfare outcomes for too many. Alongside of this the public good of investment in health, education, housing, environment, public access to amenities and infrastructure diminishes in the name of private property. Further shrinking the economy for the many while opening extractive options for foreign direct investment moving profits offshore, leading to greater wealth for the few.

Different decisions can be made to change course and bring about a brighter future for all New Zealanders. A more robust evaluation of wellbeing outcomes afforded by proposed monetary and fiscal solutions to address unexpected impacts on the economy such as the pandemic and natural disasters, and the challenges of inflation and investment need to be found. A leaf could be taken out of the BDO New Zealand book by applying WHO estimators to the general population to factor in wellbeing.