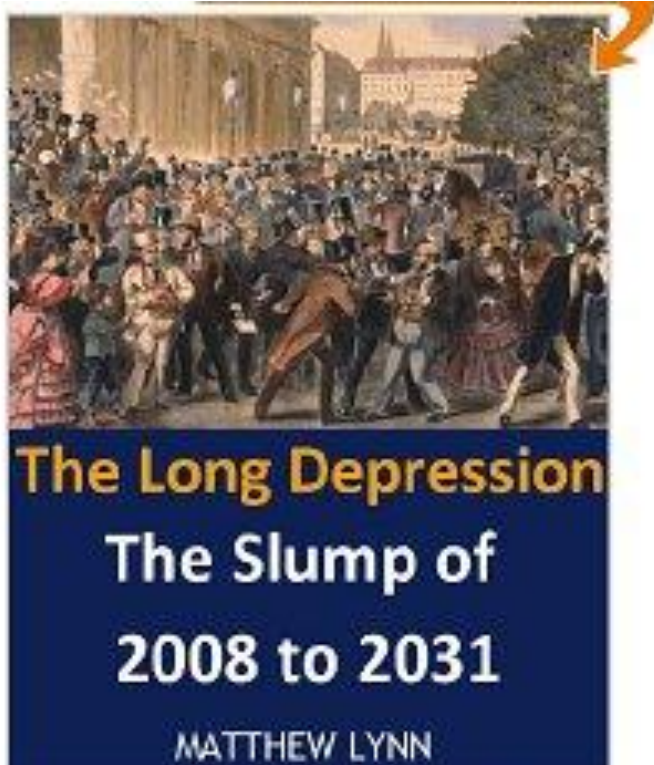


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Budget 2012: Is the budget relaxed
about child poverty? Susan St John

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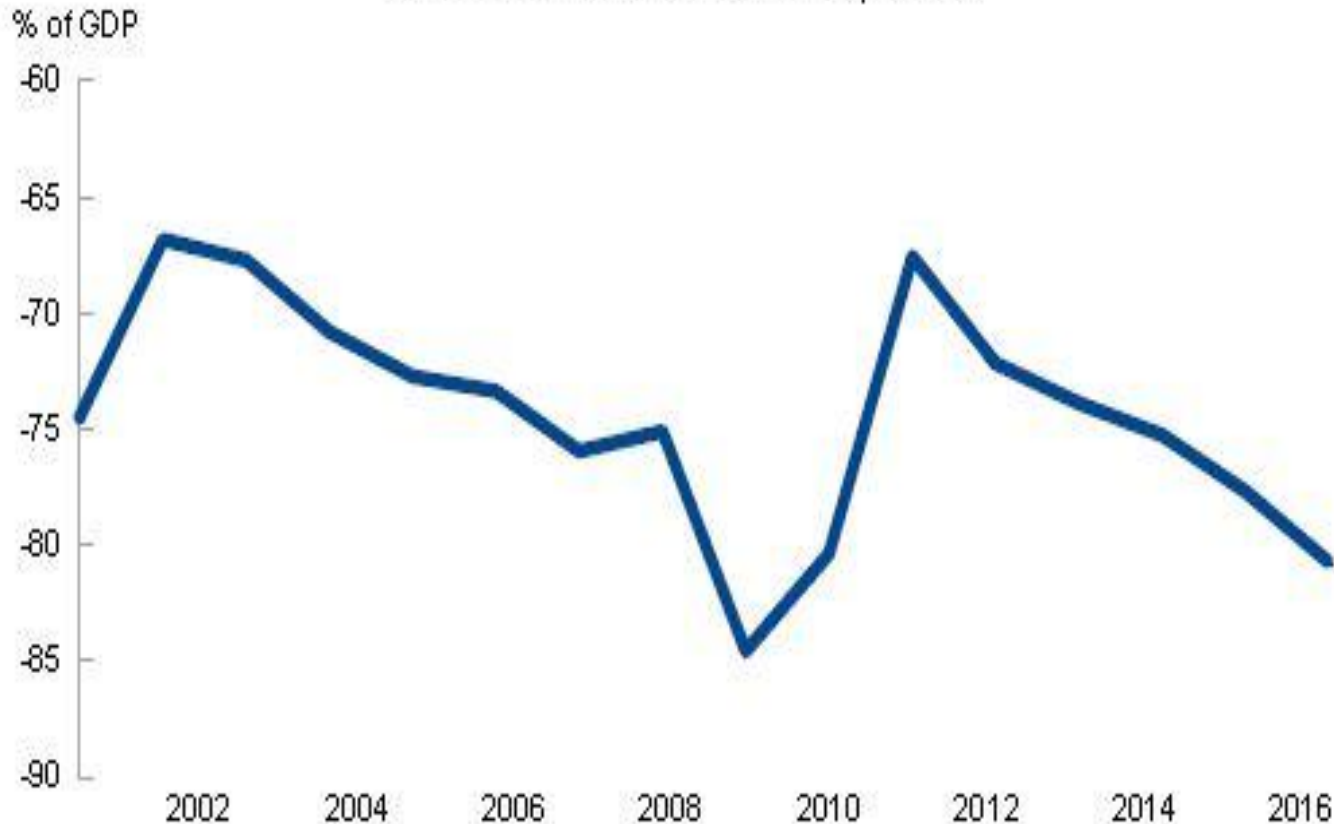


**Economic context
Double dip?
L-shaped recovery?**

**Protracted slump?
2008-2015
Depression?**

NZ is seriously indebted as Current account gets worse

Net international investment position



Projected
growing
current account
deficit feeds
total overseas
indebtedness

Magical thinking around asset sales

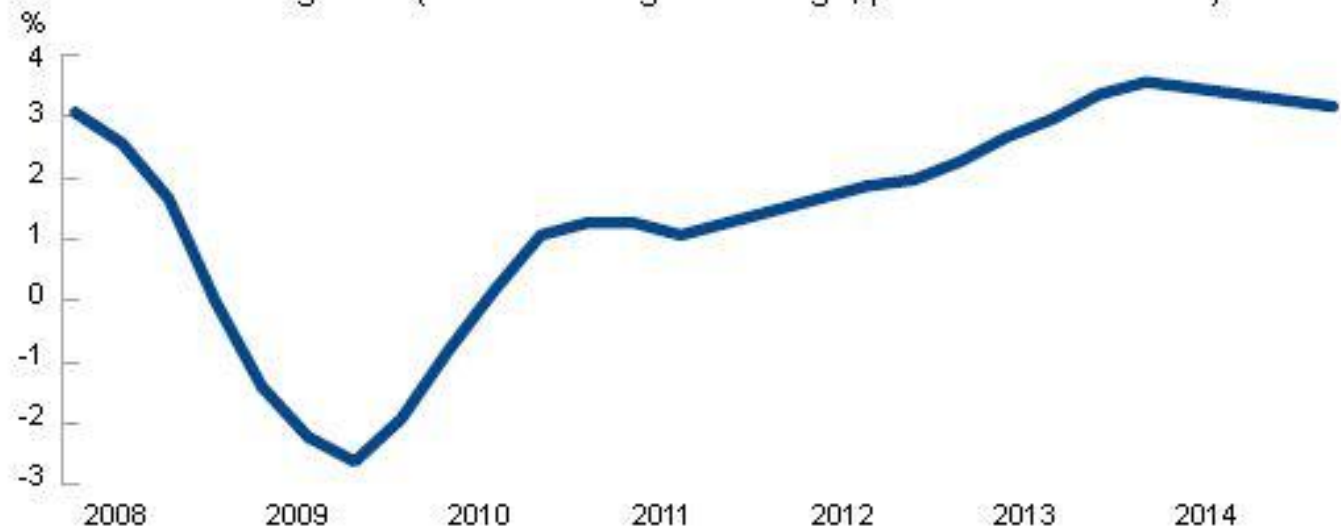
Makes operating balance worse \$325 million over 4 years

Saved by forecast gain on disposal of \$800 million

Growth projections seem very optimistic- been wrong before

GDP growth is forecast to increase to above 3 per cent...

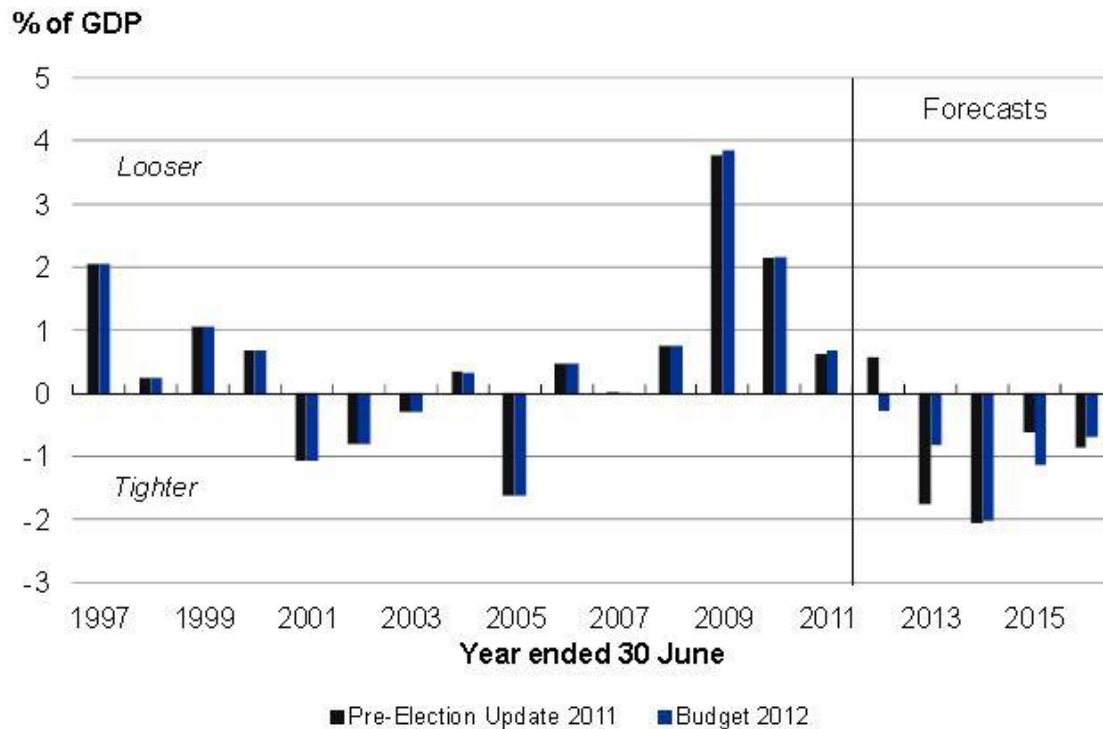
Real GDP growth (annual average % change, production measures)



...and will outpace growth in many of our trading partners for the next few years.

The zero budget is **contractionary**

Figure 2 – Core Crown fiscal impulse²

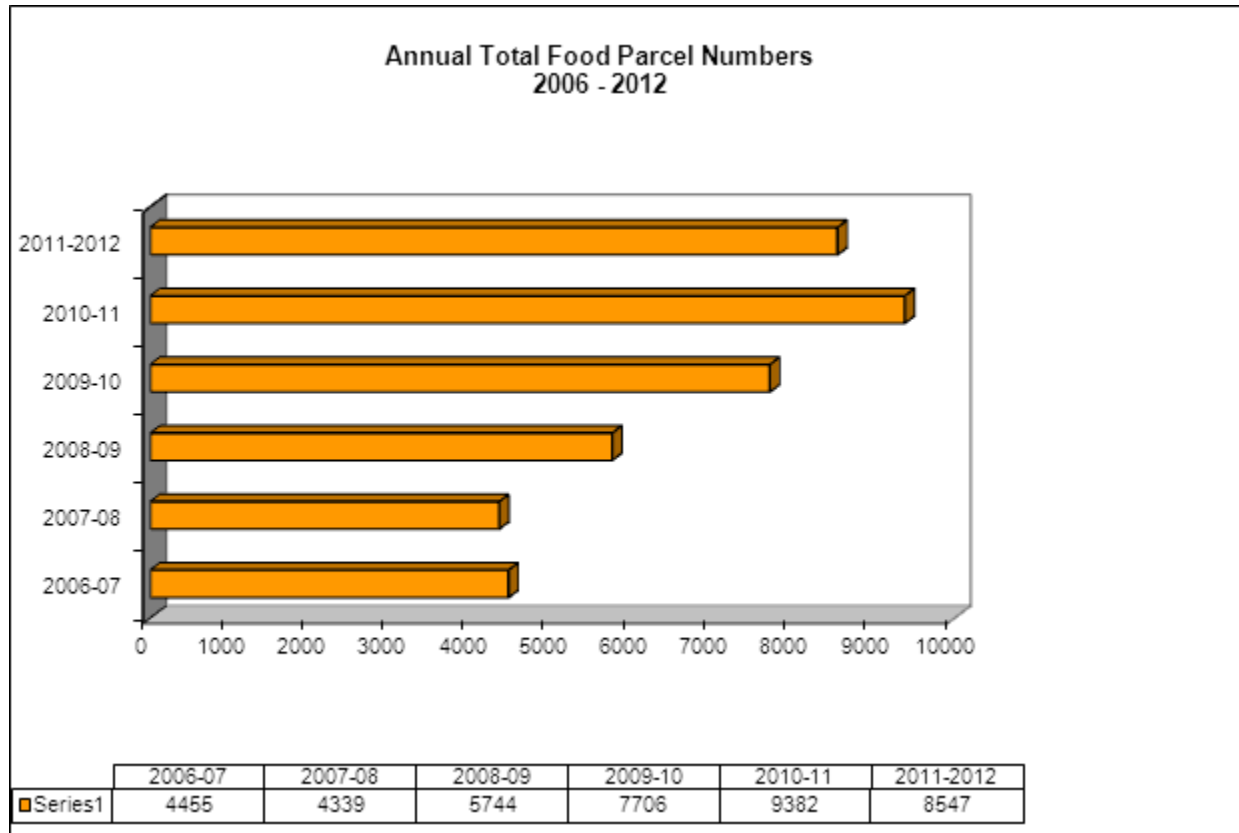


A social timebomb

Source: The Treasury

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Foodbanks: the barometer of distress



2010/12 data for
10 months only

December month
demand gravely
excessive

Diane Robertson says the demand is unprecedented

Government's four priorities

- responsibly manage the Government's finances
- build a more productive and competitive economy
- deliver better public services, within tight financial constraints, and
- support the rebuilding of Christchurch.

No words of understanding... like we hear in Australian budget speech

- “We understand the pressures Australians face, paying for electricity, housing, groceries, petrol or even a simple family outing.”

**We have a Fiscal black hole,
created by**

- **Wildly expensive tax cuts for high income earners**
- **Super for all at 65**
- **Failure to reign in housing**
- **Cure?**
 - Progressive chipping away at low and middle incomes to balance the books**

Eg Last years budget

- Progressive reduction in Working for Families
- Threshold was \$36,827 falls to \$35,000 by 2018 Abatement raised to 25%
- If family on \$36,827 gets \$1000 more as inflation catch up in gross income – they will lose \$280 this year in Working for Families.

“Budget changes raise revenue, increase fairness”



The changes include:

- Tightening the rules around the deductibility of costs relating to holiday homes, boats, and aircraft.
- Putting changes to livestock valuation rules
- **Removing three tax credits**
the income-under-\$9,880 tax credit,
the childcare and housekeeper tax credit,
and the tax credit for the active income of children, which will be replaced by a limited exemption.

What about

Raising the top tax rate to 39%

- Would raise \$870m ***every year***

Properly tax housing

How fair is Robbing Peter to pay Paul



Budget 2012 provides \$240.3 million for **tertiary education initiatives**, including higher funding rates for engineering and science degrees, higher rates for private providers, **a boost to the Performance-Based Research Fund** and 3,000 more fee-free Youth Guarantee places. This is **offset by better targeting of student allowances, an increase to the Student Loan repayment rate and repealing the Student Loan voluntary repayment bonus**

Investment approach to welfare reform?

All savings and revenue (\$millions)

Vote	2011/12	2012/13	2013/14	2014/15	2015/16	Total
Revenue measures	0.0	177.3	292.8	405.8	485.8	1,361.7
Student support package	240.3	66.4	73.9	70.7	65.3	516.6
Welfare package benefit savings	0.0	14.3	33.2	41.4	46.6	135.5
Housing	41.1	20.5	21.5	19.5	20.5	123.1
Spending funded from contingencies	107.7	191.0	166.1	114.9	192.1	771.8
Other reprioritisation/savings	314.3	287.2	223.1	418.8	238.7	1,482.1
Total savings and revenue	703.3	756.8	810.6	1,071.1	1,049.0	4,390.8

Lack of transparency

- How does saving \$135m in four years reconcile with Paula Bennett's claims of saving \$1 Billion?
- Show us the figures!
- Cost of welfare reform is huge- but little of it is investment

Budget 2012

A very poor effort from CPAG's point of view

So overall, inequality and poverty will continue to increase, with all the misery, injustice and, ultimately, huge cost to the whole society that entails.