



HD New Zealand forecasts 2014-15 surplus in budget that bears striking difference to Australia's

BY By New Zealand correspondent Dominique Schwartz

WC 905 words

PD 17 May 2014

SN Australian Broadcasting Corporation (ABC) News

SC ABCNEW

LA English

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It is hard to imagine the contained New Zealand finance minister bopping in his office ahead of delivering the nation's budget, as Joe Hockey apparently did.

But the Australian Treasurer's dance song Best Day of My Life would have been more appropriate for his New Zealand counterpart Bill English, who has served up one of the rarest of economic dishes: a forecast budget surplus of \$NZ372 **million** (\$340 **million**) in 2014-15, after a \$NZ2.4 **billion** (\$2.2 **billion**) deficit this financial year.

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Also on the menu were election year sweeteners including extended parental leave, and free doctor's visits and prescriptions for children up to 13 years old.

By contrast, Federal Treasurer Joe Hockey delivered a hard-to-swallow \$50 **billion** deficit accompanied by a collection of bitter pills, among them, co-payments for GP visits and cuts to welfare, family benefits and the public service.

"I don't think it's a tale of two different economies, I think it's a tale of two different policy choices," PricewaterhouseCoopers (PwC) New Zealand partner and corporate tax leader Geof Nightingale said.

"The fundamentals of each country are quite similar. Australia's forecasting economic growth of 2.5 to 3 per cent. New Zealand is much the same.

"Australia is forecasting to get unemployment down to about 4 per cent, New Zealand's much the same.

"I think the difference really is that Australia's policy pain has come last Tuesday night. Ours came a few years ago and we're enjoying a modest relief from budget pain."

Mr Nightingale says Australian politicians have ridden the mineral boom and failed to address the country's deficits.

"What's happened is corporate tax revenue has fallen off but structural spending has increased and so the deficit got wider," he said.

"I think Joe Hockey's budget on Tuesday night was the first step in trying to bring it back into balance."

New Zealand prime minister John Key says his government has kept spending at about the same levels for five or six years as the country claws its way back from the global financial crisis and the Christchurch earthquakes.

The partial **sale** of state-owned energy assets and high global prices for New Zealand's **dairy** exports have helped bring the budget back into the black.

"We'll be racking up \$NZ7.5 **billion** worth of surpluses in the next three or four years; Australia will have amassed about \$100 **billion** in debt," Mr Key said.

Mr Key says the Australian economy is still reasonably robust and is not in crisis, but he warns the economy could face a crisis of confidence.

Kiwis living in Australia moving back home

Certainly, a growing number of New Zealanders living in Australia are choosing to return to the greener pastures of home, and fewer are crossing the Tasman in the first place.

Prior to his National Party taking office, Mr Key says 3,000 Kiwis each month packed up and moved to Australia. He says that number is now 350 and falling.

"So what people are responding to is that they see a strong growing economy in New Zealand," he said.

Business is also making the move, according to Johnny Weiss, the founder of the Trans-Tasman **Business** Circle, which hosted a lunch in Auckland this week where the NZ prime minister delivered his post-budget address.

"We've seen quite a bit of relocation of Australian **business** to New Zealand," Mr Weiss said.

"As New Zealand maintains a competitive edge [regarding] pricing, costing and scalability it will be a very attractive place.

"**Business** confidence is much stronger here than in Australia, so companies that want to move quickly find in New Zealand very good talent and quick decision making."

But the Key government has failed to make any quick or hard decision on lifting the age at which workers can retire and access their superannuation, according to PwC's Mr Nightingale.

"Australia leads us heavily here. You already means test your pension, you're now stretching out eligibility to 70 and you have enormous superannuation funding. New Zealand still has to grasp that nettle and face that reality," Mr Nightingale said.

He says there is also no direct provision in the New Zealand budget to pay down net government debt, which is expected to peak at \$NZ66 **billion** (\$57 **billion**) in 2016-17, or 26 per cent of gross domestic product (GDP).

"The net debt gets smaller as a percentage of GDP [only] as the economy grows past it.

"I think if there were bigger surpluses in later years that should first go to debt repayment. We need to rebuild the balance sheet in case there's another Christchurch, in case there's another global financial crisis, in case something happens with demand in **China**."

Australia is another of New Zealand's major trading partners, accounting for 40 per cent of all Kiwi exports.

So no matter how much Mr Key enjoys talking up New Zealand's rockstar economy at the expense of Australia, he knows his nation's fortunes will rise or fall along with those across the Tasman.

And he says he sees no storm clouds on the horizon. At least none that he is admitting to before the September 20 election.

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RE nz : New Zealand | austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

IPD Budget

PUB Australian Broadcasting Corporation

AN Document ABCNEW0020140517ea5h000gp