

# Grant Robertson: No 'accounting trick' to Government debt measure

By Grant Robertson

13 Apr, 2023 07:57 PM 4 mins to read



Finance Minister Grant Robertson defends the Government's Covid borrowing and debt position. Photo / RNZ/Samuel Rillstone

## By Finance Minister Grant Robertson

Paul Glass' [opinion piece](#) on April 10 draws a misleading picture of government spending and debt position as New Zealand emerged from the shadow of the 1-in-100-year economic shock from the Covid-19 pandemic.

The Government has always taken the stewardship of our country's finances very seriously. Prior to the pandemic, the Government's operating balance in 2019 was in surplus (\$2.4 billion) while debt had fallen below 20 per cent of GDP, at 19.2 per cent. Despite Mr Glass' assertion, the creation of the Provincial Growth Fund, which was the result of coalition talks in 2017 between Labour and NZ First, did not result in higher debt levels.

The Covid pandemic drastically changed the economic and fiscal landscape, not just for New Zealand but for the world. Like most other countries we moved to protect our people and our economy from an uncertain but potentially highly damaging impact, including forecasts of double-digit unemployment.

The Government did indeed need to borrow money to keep New Zealanders safe and businesses afloat.

The Covid Response and Recovery Fund (CRRF) was designed to respond to the immediate impacts of the pandemic as well as the likelihood of challenges further out as households and businesses recovered from the ongoing ripples of the pandemic. Through the fund some \$26b was spent supporting businesses to keep staff on through the Wage Subsidy Scheme, \$13b supporting businesses with low-interest loans, \$10b for the health sector to be able to respond to Covid, \$5b for business and science and innovation support, \$4.7b to support people in housing, \$2.85b to support the education sector, and \$1.85b to support the transport sector.

When the CRRF was closed in 2022, something Mr Glass seems not to know, the remaining balance of \$3.2b was reprioritised in Budget 2022 and the Government decided to redirect some of the money to support New Zealanders doing it tough in the face of cost of living pressures.

## Read More

- [Kate MacNamara: The caches of unspent Covid money paying ...](#)
- [Kate MacNamara: Government's Covid PR spin machine, ...](#)
- [\\$70m from Covid fund fuels Three Waters spend up - ...](#)

I stand by the decisions we made during Covid. Was everything perfect? Of course not, but New Zealand has emerged stronger both socially and economically than many other countries. We have the lowest excess mortality rate across the period of the pandemic and we have unemployment at historic lows. New Zealand was one of very few countries in the world that had its credit rating upgraded during the pandemic due to our careful fiscal management and strong position.

There has of course been an impact on our debt levels, but we continue to have one of the lower levels of public debt in the world, something you would not realise if you only read Mr Glass's article.

In 2022, we adopted a new net debt measure that brought us closer in line with international norms and improved the comparability of New Zealand's fiscal position with other countries. We also introduced a debt ceiling of 30 per cent of GDP. I utterly reject Mr Glass's claim that this is an "accounting trick". It is in fact now a measure that is broadly comparable and compatible with the rest of the world.

The IMF's general government net debt indicator, which is similar to New Zealand's net debt measure, forecasts New Zealand's debt at 23.1 per cent of GDP in 2024, compared to 30.2 per cent in Canada, 37.4 per cent in Australia, 65.1 per cent in the UK, and 101.6 per cent in the US. This illustrates that New Zealand's debt levels are low compared to the countries we compare ourselves with.

In December's Half Year Economic and Fiscal Update, Treasury forecast net debt to peak at 21.4 per cent of GDP in the 2023/24 year before falling to 14.1 per cent by 2026/27. Even with the recent extreme weather events, economists expect the Government's debt levels to remain comfortably below the 30 per cent mark when the Treasury updates its forecasts in the Budget next month.

As we move into a challenging global economic environment it is important we get the balance right between supporting Kiwis right now with the cost of living, flooding and cyclone events and returning government spending to a more sustainable footing. Indeed, government spending is forecast to fall as a proportion of the economy and return to the normal long-run average of 30 per cent of GDP, similar to what the National Party did in response to the GFC.

It is about getting the balance right, which I believe we have done in challenging and difficult times.

- **Grant Robertson is the Minister of Finance**