



Business investment is set to be sluggish over the next 18 months, as firms take advantage of improved labour supply conditions and shy away from committing to major capital expenditure given higher interest rates. However, our outlook for government consumption spending under the current Government is less downbeat.

There is considerable pressure on the fiscal accounts already as tax revenue runs below budget. Yet despite prior talk of spending restraint and reprioritisation, the government's Budget 2023 included increased spending and borrowing. As a result, we expect a 1.4% increase in government consumption during 2024.

A change of government following the October 2023 General Election could change the outlook. National are keener than Labour to reduce the size of government. This reduction will be difficult to achieve through reduced spending on health or infrastructure. Health sector shortages have received plenty of media attention recently.⁵ Significant pay equity settlements as well as the recently accepted Te Whatu Ora hospital nurses and midwives collective pay offer will also add to the health bill. Infrastructure priorities may shift with a change of government, but the overall fiscal commitment is unlikely to decline.

Therefore, the most obvious way for a National Government to cut costs is staffing



⁵ For example: [ambulance ramping at Waikato Emergency Department](#)