

Four charts that show why
Nicola Willis's austerity
programme failed to deliver
her desired fiscal surplus

Macro balances

- Aggregate demand and supply must always balance
- Start from the textbook macro identity

$$C + I + G + X - M \equiv Y$$

Aggregate demand for output = Supply of domestic output

- Which can be dissected and rearranged to give

$$(T - G) + (S - I) + (M - X) = 0$$

Taxes net
of
transfers

Government
Consumption
and
Investment

Private
sector
gross
saving

Private
gross fixed
capital
formation

Imports of
goods and services,
Including outflow of
interest and profits

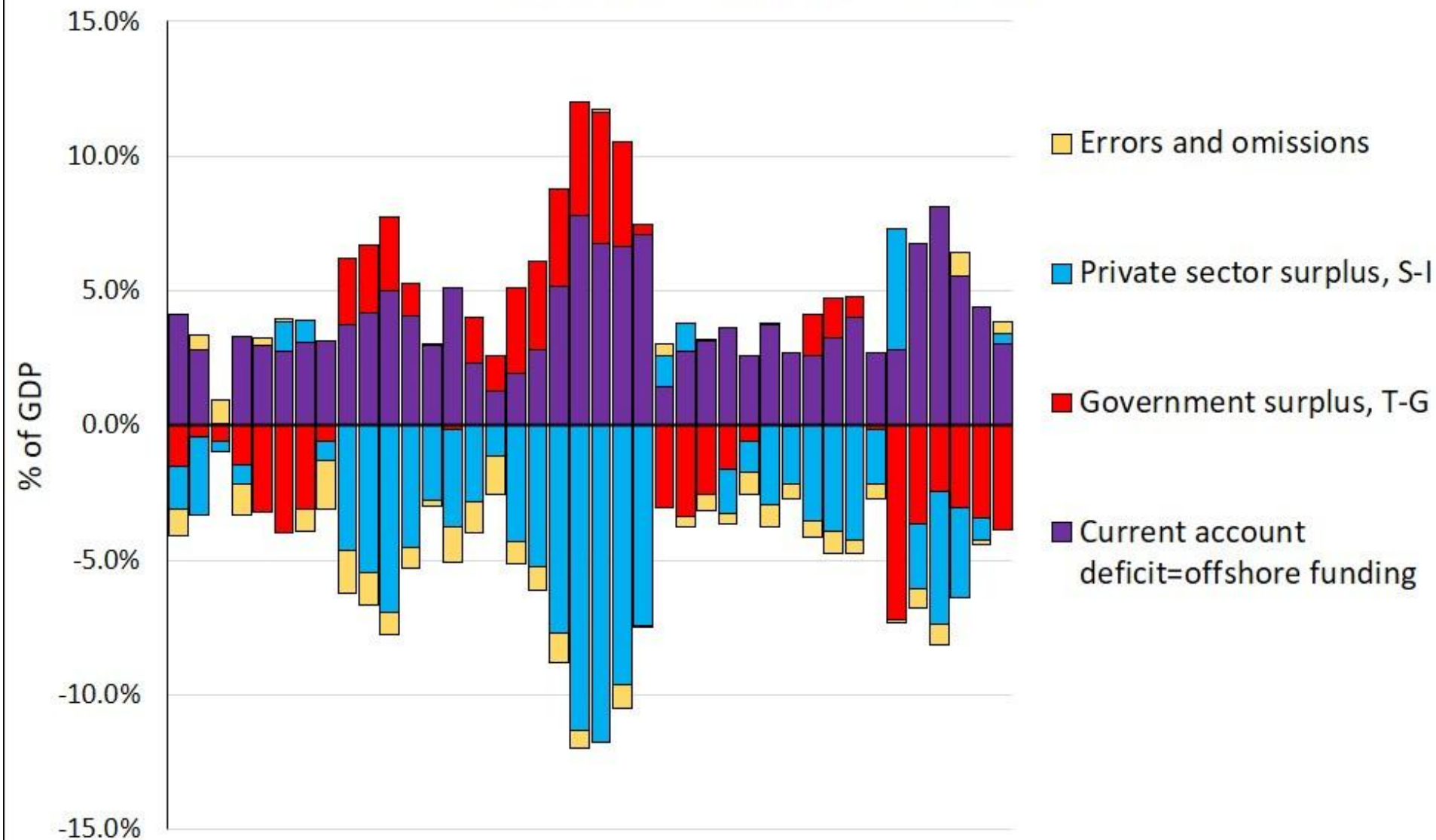
Exports of
goods and
services

$$\begin{array}{l} \text{FISCAL SURPLUS} \quad + \quad \text{PRIVATE SECTOR SURPLUS} \quad + \quad \text{BALANCE OF PAYMENTS} \quad = \quad 0 \\ \hline \text{-----TOTAL NATIONAL SAVINGS-----} \quad | \quad \text{CURRENT ACCOUNT DEFICIT} \end{array}$$

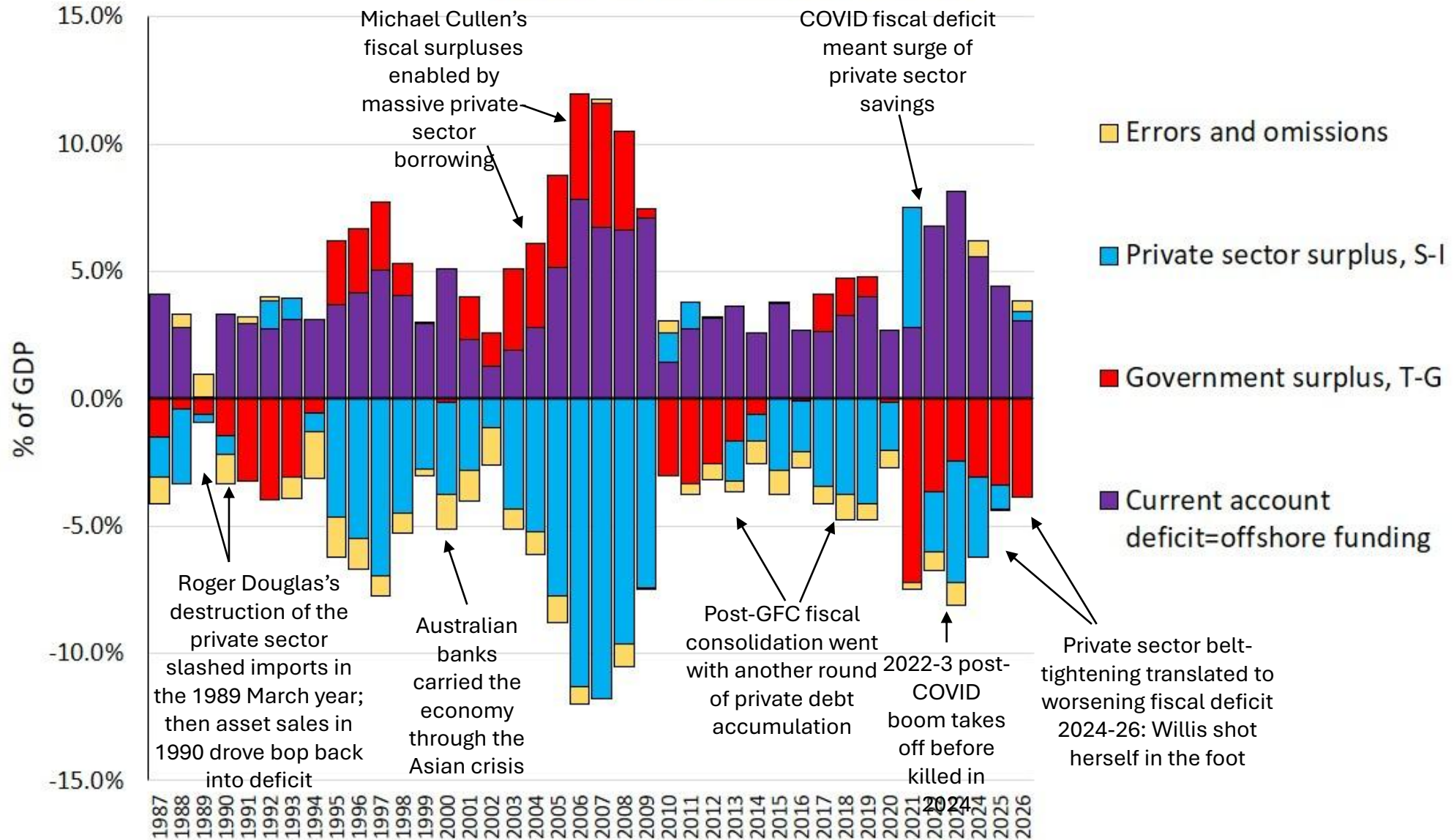
$$(T - G) + (S - I) + (M - X) = 0$$

- For government to run a surplus $(T - G) > 0$, there must be a matching imbalance somewhere else:
 - Either a private-sector deficit $(S - I) < 0$
 - Or a bop current account surplus $(M - X) < 0$
 - Or both
- Pushing for a “budget responsibility” fiscal surplus means private sector borrowing unless the bop current account is in surplus
- New Zealand runs persistent current account deficits $(M - X) > 0$, so either Government or the local private sector must be in deficit

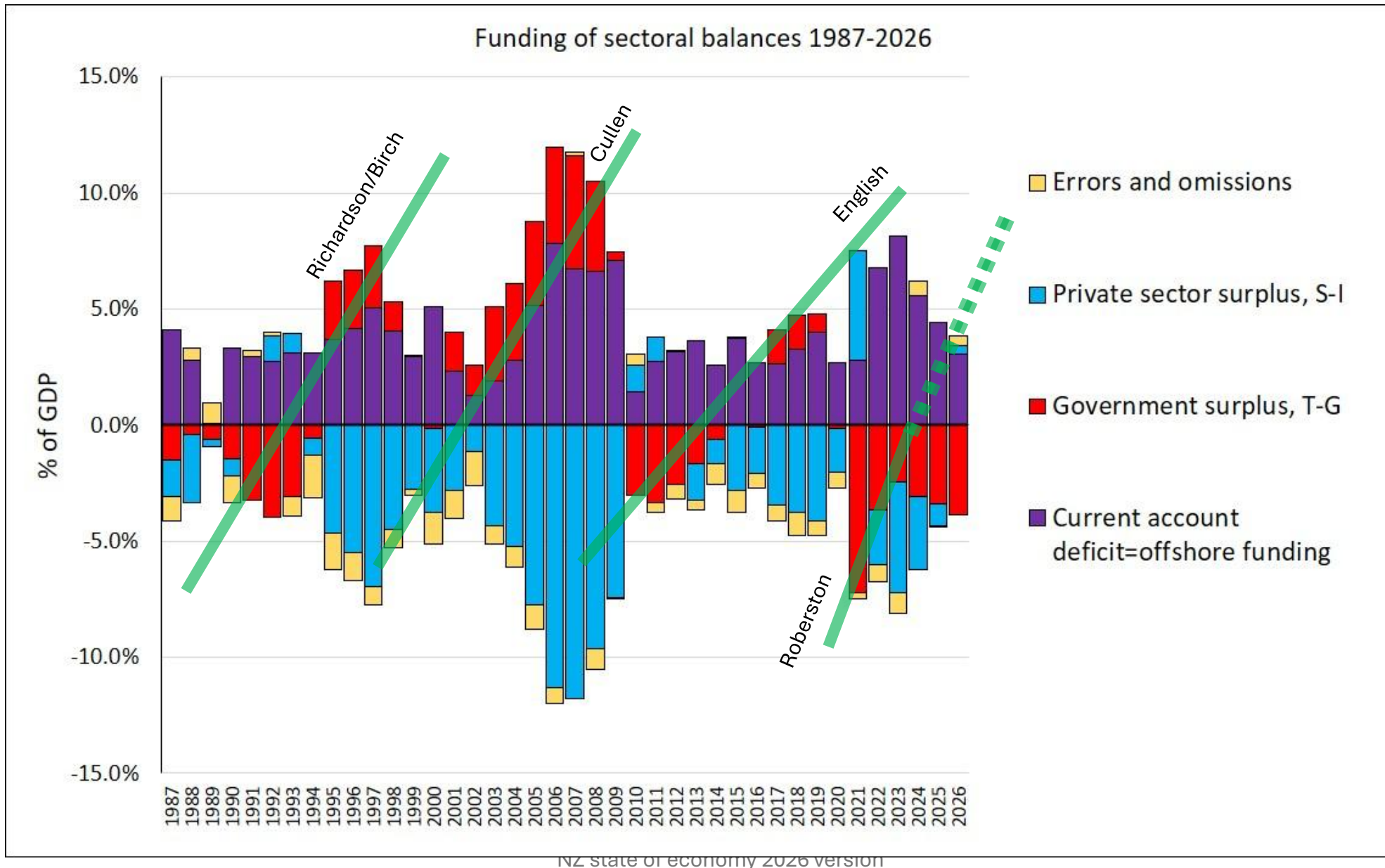
Funding of sectoral balances 1987-2026

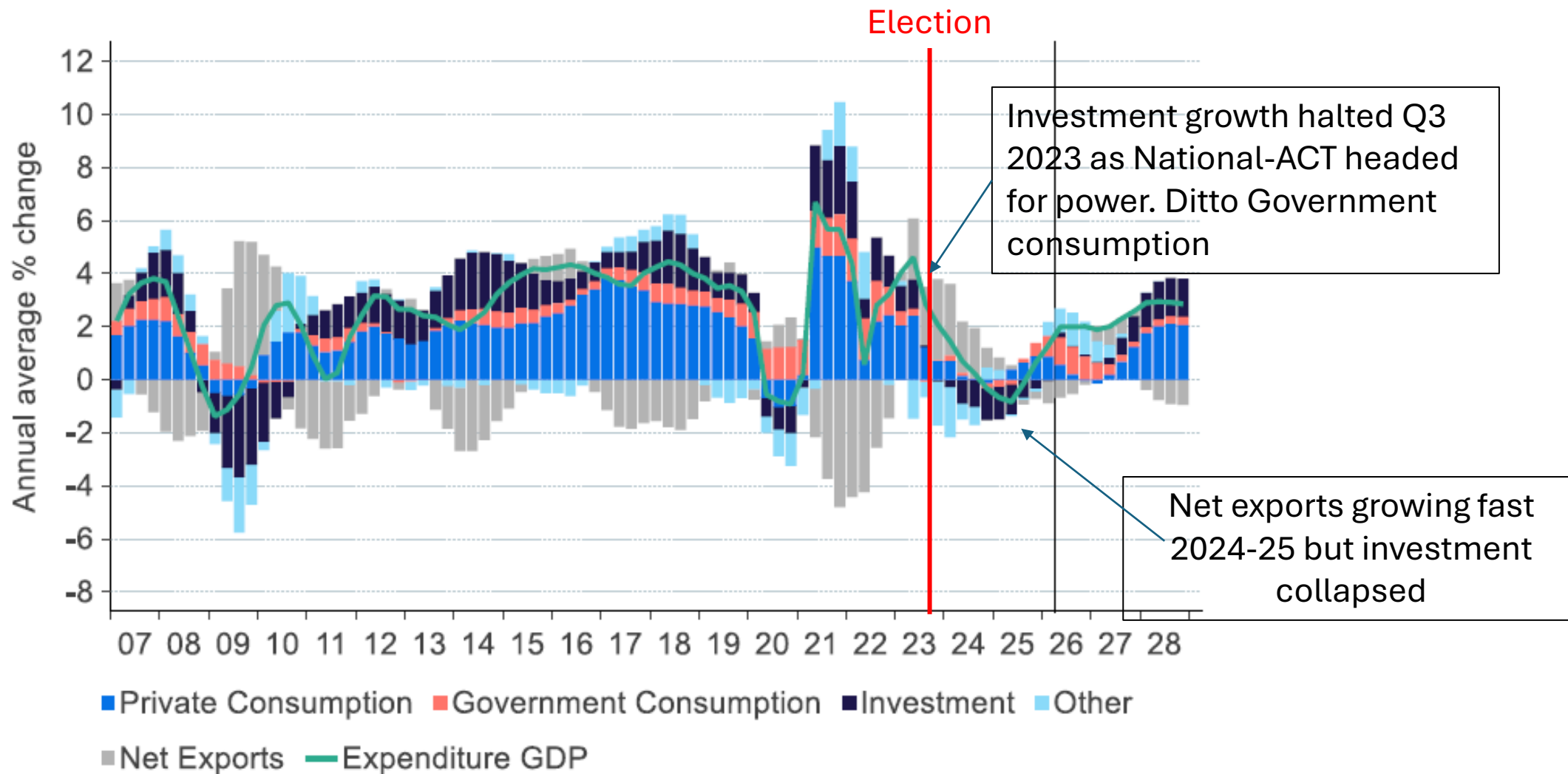


Funding of sectoral balances 1987-2026



Three and a half fiscal consolidations, and Nicola Willis's fail





Source: Stats NZ, Macrobond, ANZ Research

ANZ Quarterly Economic Outlook August 2026

<file:///C:/Users/Owner/Downloads/ANZ-QEO-20260813.pdf>