



The Hon Dominic Perrottet MP
Treasurer
New South Wales

2018-19 Half Yearly Budget Review
Tuesday 18 December 2018 - Sydney



NSW BUDGET 2018-19

HALF-YEARLY REVIEW

In 2011, NSW was underperforming on many fronts

“*[NSW is] leading the country in the wrong direction. The unemployment rate is higher than the national average, [and] our projected economic growth is the lowest of all mainland states.*”

NSW Business Chamber, 2009

1.4%

Low **jobs growth** in the 10-years prior to April 2011

2.1%

10-year average economic growth to June 2011

\$14.5b

Projected **debt** by 2014-15

6.5%

10-year average **expense growth** rate (2001-02 to 2010-11)

\$30b

Infrastructure **backlog**

\$2.4b

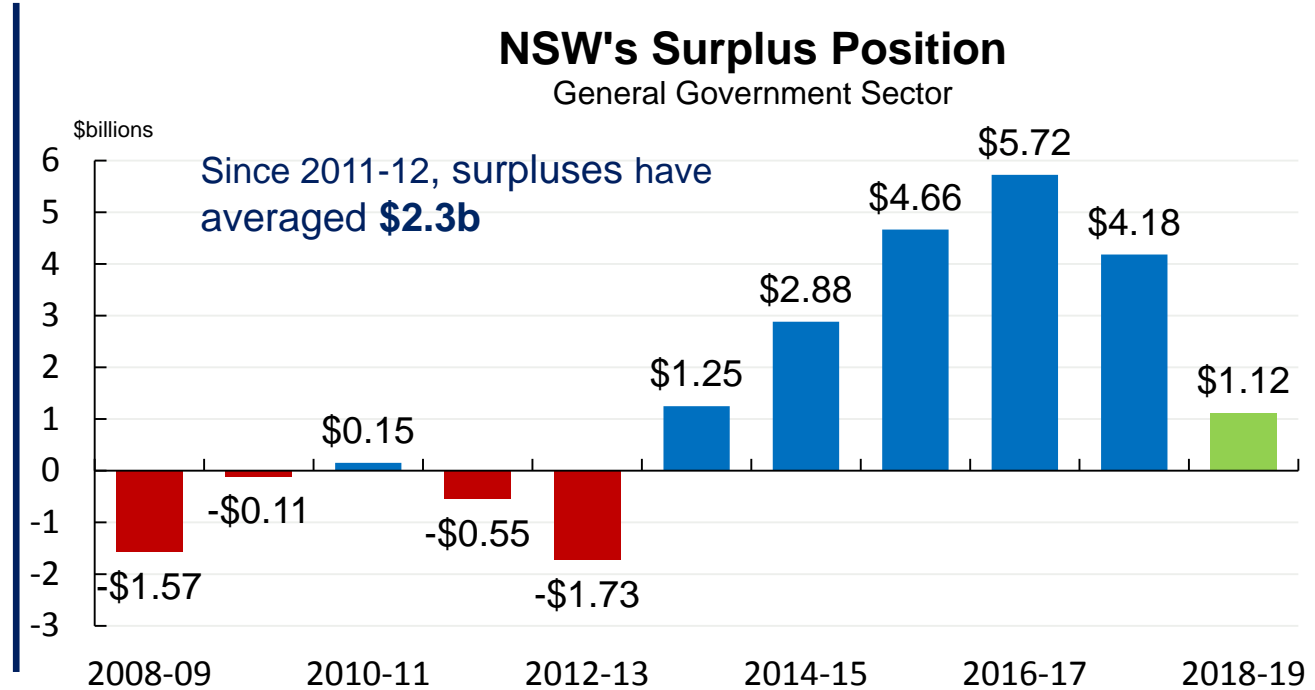
Projected **deficit** by 2014-15

A new approach to financial and economic management was needed

From 2011, the work of budget repair commenced

Repair Measures

- Fiscal Responsibility Act 2012
- Wages Policy
- Contestability
- Targeted savings measures



Every dollar of the surplus is reinvested into infrastructure

The next step was to rebuild our infrastructure using asset recycling



3 metro projects, 5 motorways, 3 light rails, and an airport



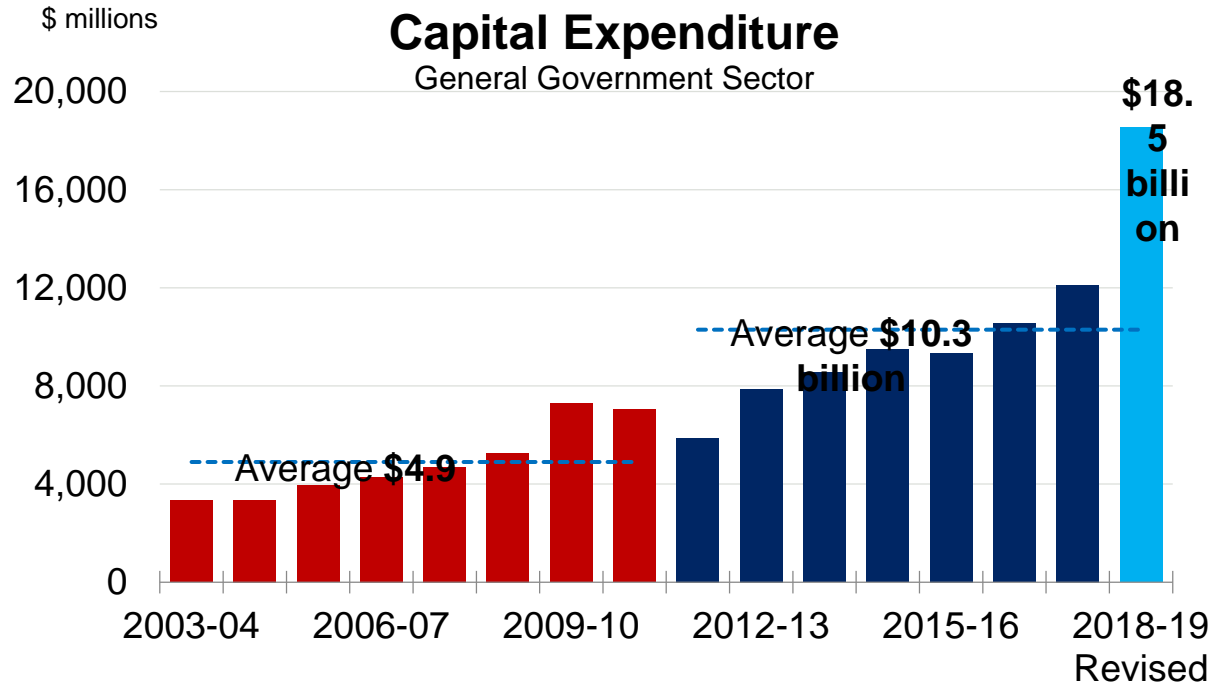
40 new and upgraded hospitals



170 new and upgraded schools

We're delivering record investment in health and education & skills infrastructure

Public investment has turbocharged our economy

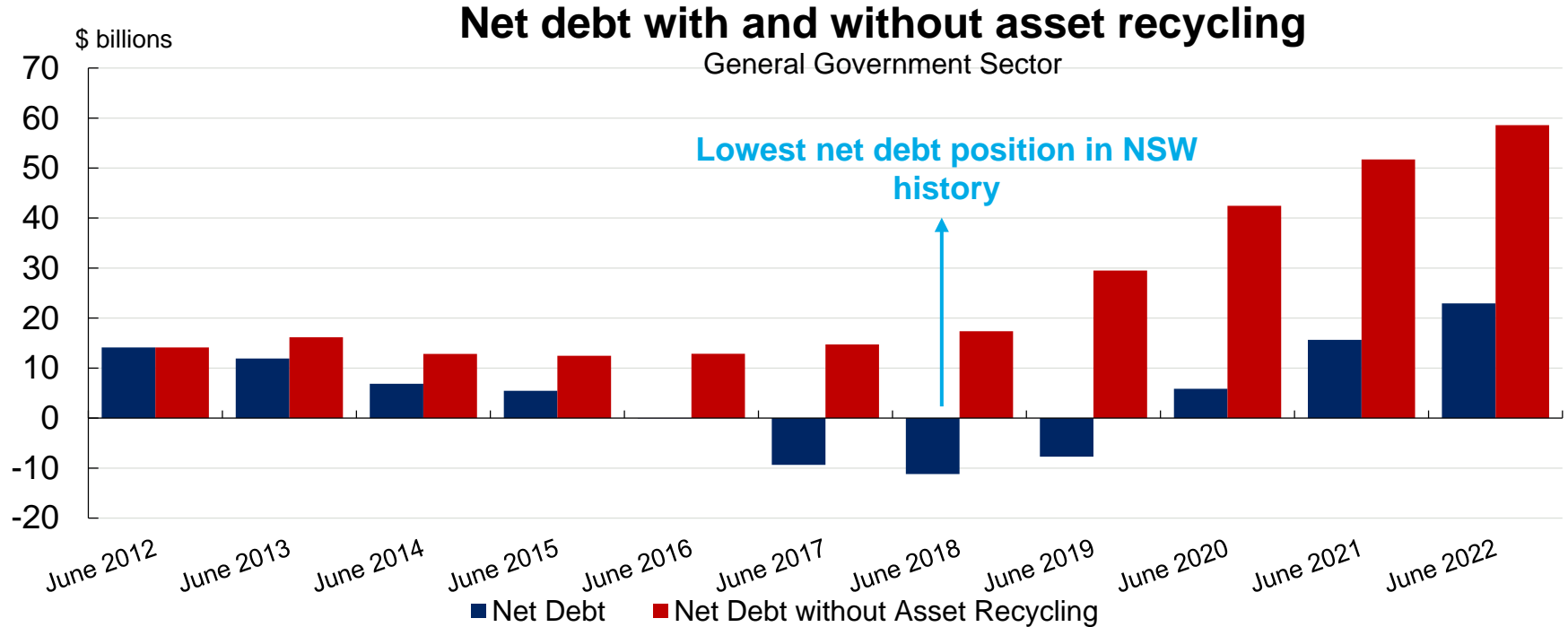


Record public sector capital investment...

- Supporting around 73,000 jobs per year since 2011-12
- Helping public investment to continue to be a **source of strength** for the economy
- Underlying public investment contributes around ½ a percent point to **economic growth** in 2017-18
- Drives** business investment and confidence

NSW today is being completely transformed

Our debt levels would be significantly higher without recycling assets



The asset recycling strategy keeps net debt low and funds valuable infrastructure

Today's result is a reaffirmation of our financial strength

Budget

Budget surplus
\$1.4b
2018-19 projection

Capital expenditure
\$87.2b
Over 4 years

Net debt
\$2.6b

Unemployment rate
4.9%

Credit rating
Triple-A
Moody's and S&P



HYR

Budget surplus
\$1.1b
Revised 2018-19 projection

Capital expenditure
\$89.7b
Record capital expenditure

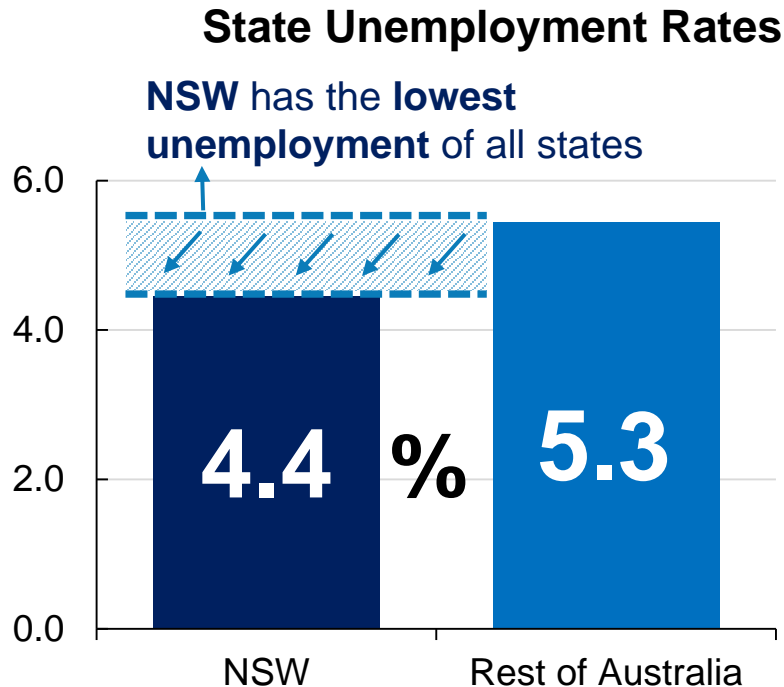
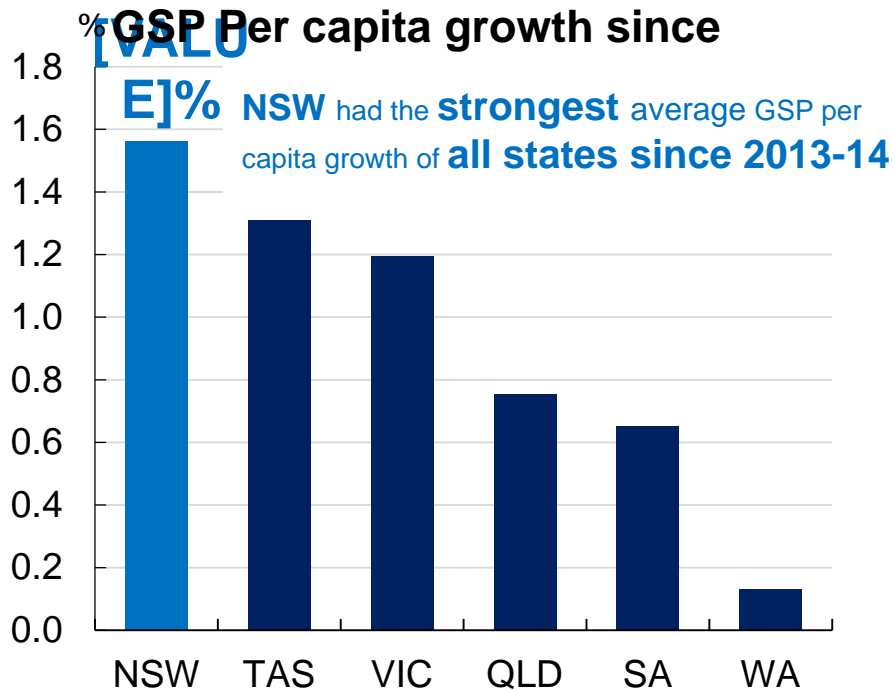
Net debt
-\$7.7b
Negative net debt

Unemployment rate
4.4%
Unemployment lowest of all States

Credit rating
Triple-A
Reaffirmed by Moody's and S&P

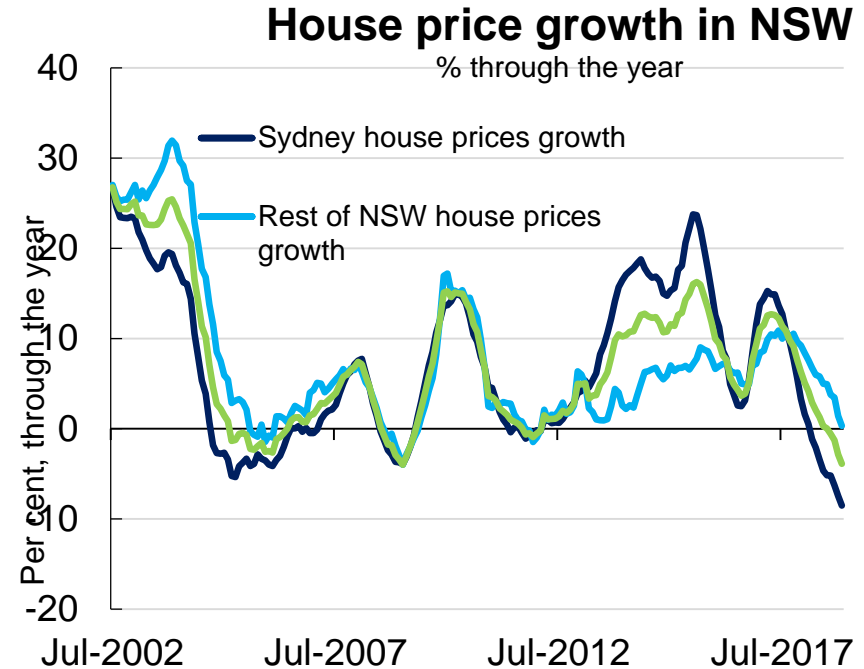
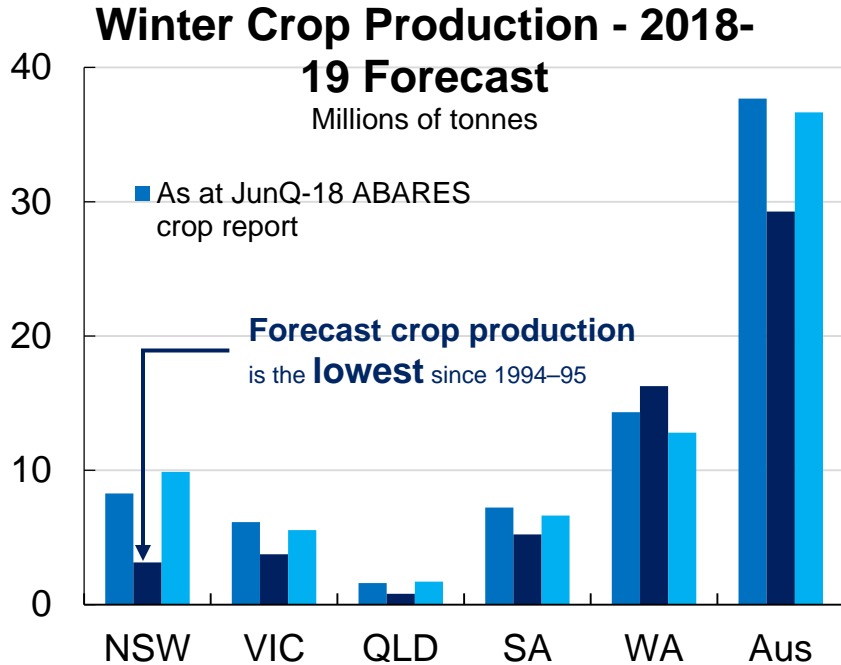
The fundamentals of the NSW economy and Budget remain strong

Economic fundamentals remain strong with continued employment growth



But the NSW economy is facing new headwinds

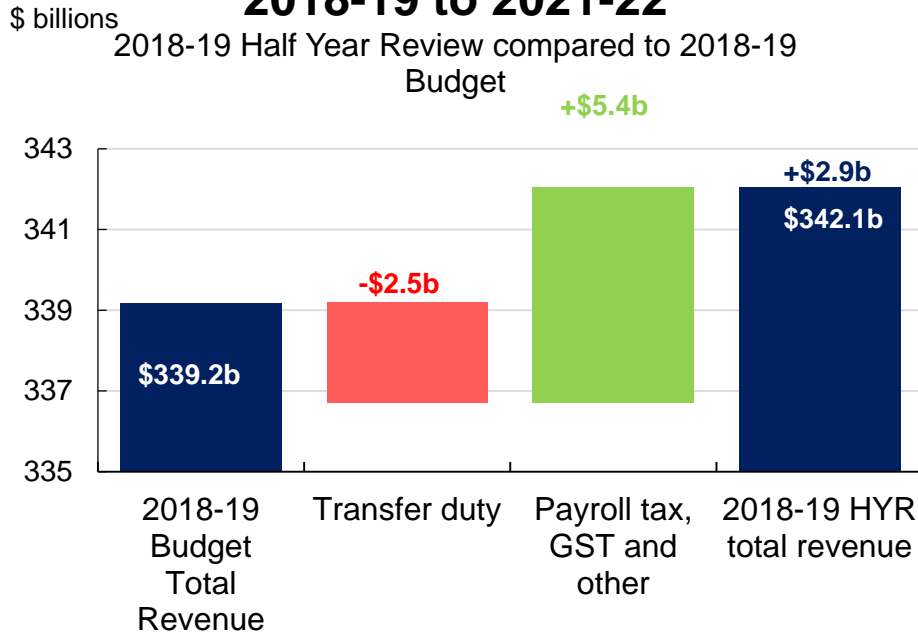
Drought impact and cooling property market are weighing on growth



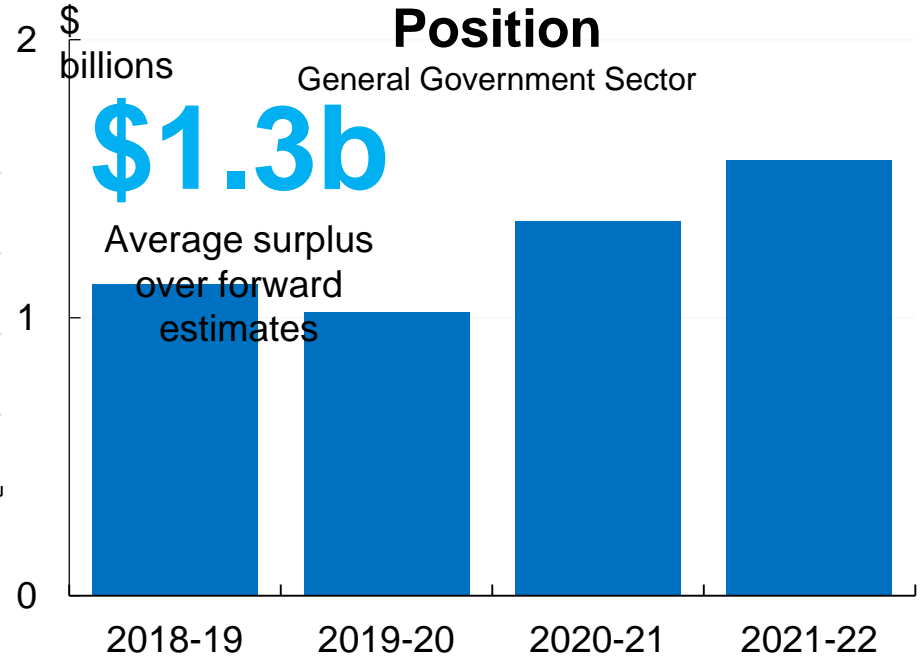
Cyclical factors have seen growth moderate

Transfer Duty has softened but other revenues have kicked in

Changes to forecast revenue for 2018-19 to 2021-22



NSW's Surplus Position



Transfer duty write-downs have been offset by other revenues, and we continue to deliver surpluses

Our strong financial position has enabled us to invest where it matters

\$6.4 billion
to NSW schools
over the next 10
years



\$500 million
Emergency
Drought Relief
Package



1,500 more
police for
safer
communities



\$643
million to
better support
and protect
NSW
firefighters



Significant investments in frontline services that make a difference both in metro and regional areas

We're using our budget to help with your budget

First we had...

<p>Active Kids \$100 per child</p> 	<p>Toll Relief Over 140,000 motorists eligible</p> 	<p>Service NSW</p> <ul style="list-style-type: none">• One stop shop• One click energy• CTP Refunds 	<p>FHB Relief Up to \$34,360</p> 	<p>Easy to do Business</p> 	<p>Payroll Tax Higher thresholds</p> 
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...and in addition we now we also have

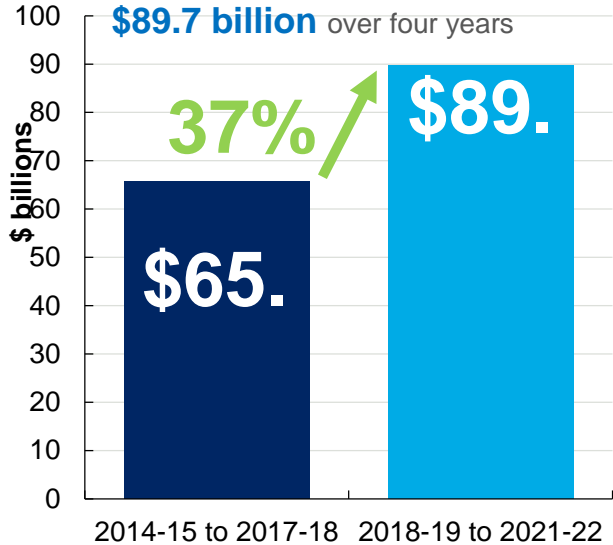
<p>Creative Kids \$100 per child</p> 	<p>More Toll Relief Over 300,000 motorists eligible</p> 	<p>Service NSW in the regions</p> 	<p>Indexing Transfer Duty \$185 million over 4 years</p> 	<p>Business Licence Renewals</p> 	<p>Payroll tax Easier administration</p> 
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Our infrastructure agenda continues to reach record highs

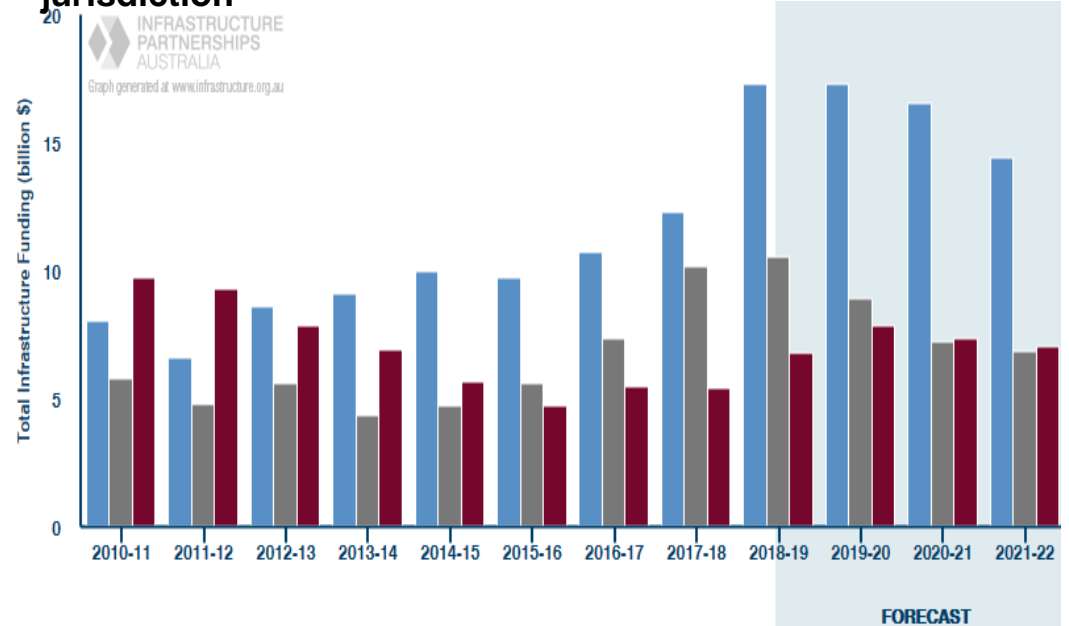
Capital Expenditure

Non-Financial Public Sector

Record infrastructure spend of **\$89.7 billion** over four years

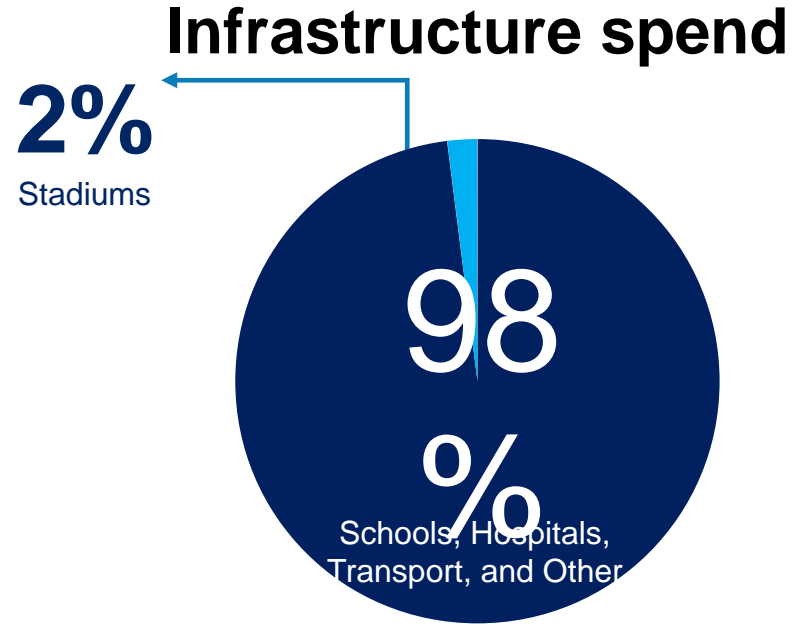
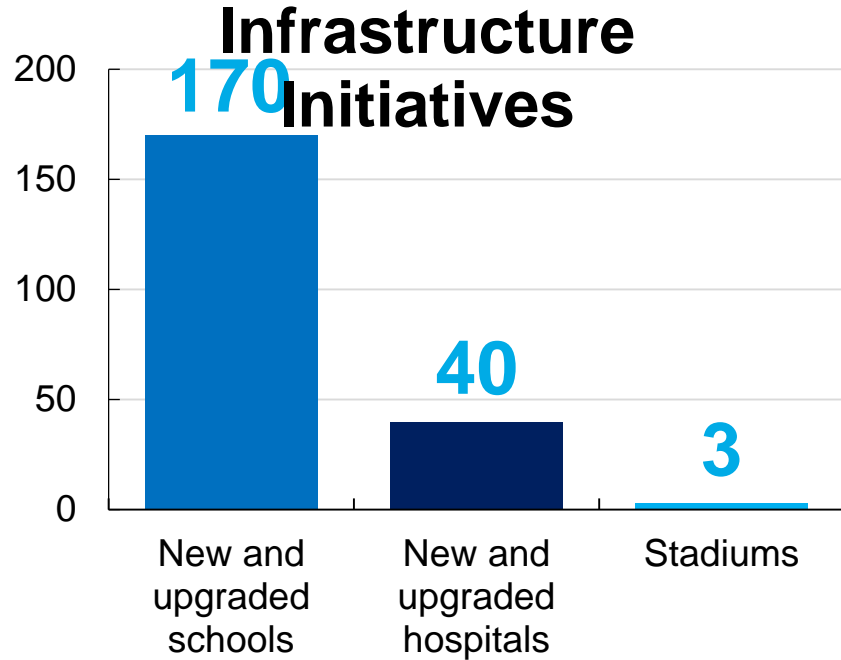


General Government infrastructure spending by jurisdiction



NSW is significantly outperforming other states when it comes to capital investment

The facts on infrastructure investment matter



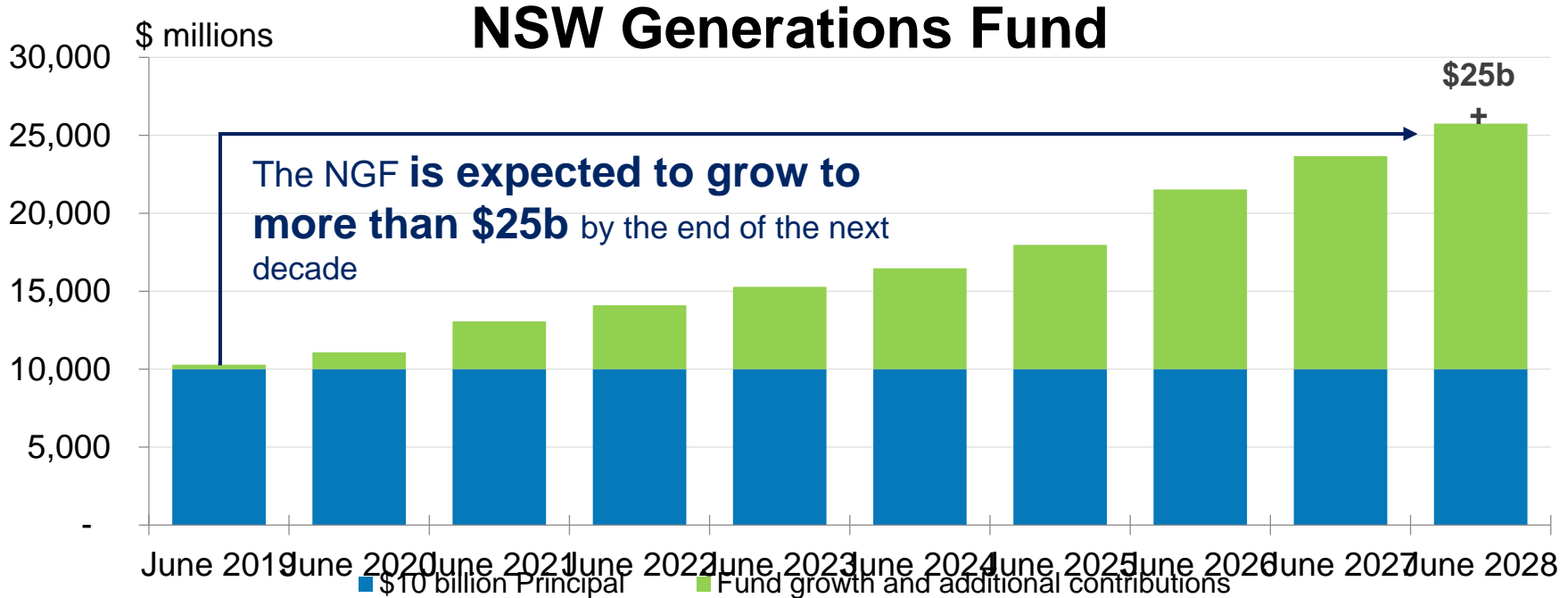
Our priorities are demonstrated by our investments - schools, hospitals and public transport

We're rebuilding the Premier state



	Opened	2019	2020	2021	2022+
Schools	<p>Central Sydney Intensive English High School Relocation Cherrybrook Technology High School Killara Public School Marie Bashir Public School O'Connell St Public School St Clair High School Wentworth Point Public School</p>	<p>Artarmon Public School Upgrade Auburn North Public School Ballina Coast High School Dubbo Networked Specialist School Parramatta Public School Penrith Public School Queanbeyan High School</p>	<p>Epping Public School Monaro High School Newcastle East Public School Penshurst West Public School Ryde West Public School Tweed Heads South Public School Willoughby Girls High School</p>	<p>Alex Avenue New Public School Armidale Secondary College Catherine Fields New Public School Croydon Public School Harrington Park Public School Leppington new Primary School Warnervale Primary School Wentworthville Public School</p>	<p>Alexandria Park Community School Redevelopment Chatswood Education Precinct Bankstown North Public School Liverpool West Public School Picton High School Sydney Olympic Park High School</p>
Hospitals	<p>Blacktown & Mt Druitt Hospitals S1 Broken Hill Mental Health Unit Dubbo Base Hospital Stage 1&2 Grafton Base Hospital Stage 2 Liverpool Hospital Redevelopment Northern Beaches Hospital Royal North Shore Hospital</p>	<p>Bulli Hospital Aged Care Grafton Ambulatory Care Port Macq. Mental Health Expansion Nepean Hospital Car Park Shoalhaven Hospital Car Park Campbelltown Hospital Car Park Hornsby Hospital Car Park</p>	<p>Bankstown-Lidcombe ED Broken Hill Hospital and Dental Facility Dubbo Western Cancer Centre Gosford Hospital Redevelopment John Hunter Children's Hospital NICU Lismore Hospital Redevelopment St George Hospital Birthing Suite & Theatre Refurbishment Muswellbrook Hospital</p>	<p>Blacktown & Mt Druitt Hospitals S2 Coffs Harbour Hospital Expansion Cooma Hospital Redevelopment Dubbo Hospital Stage 3&4 Griffith Hospital Stage 1 Hornsby Hospital Stage 1&2 Manning Base Hospital</p>	<p>Campbelltown Hospital Stage 2 Goulburn Hospital Redevelopment Liverpool Health Precinct Nepean Hospital and Ambulatory Shellharbour Hospital Stage 1 Tweed Hospital and Ambulatory Wagga Wagga Base Hospital Westmead Hospital Stage 1</p>
Transport & Roads	<p>52 Stations Upgraded B-Line Buses New Waratah Series 2 Trains New Emerald Ferries South-West Rail Link WestConnex Stage 1A Wynyard Walk</p>	<p>Grafton Bridge Sydney Metro Northwest Newcastle Light Rail Sydney Airport East Precinct Roads CBD and Southeast Light Rail WestConnex Stage 1B Easing Sydney's Congestion, Pinch Points and Clearways Packages 1 and 2</p>	<p>M1 Widening Central Coast M4 Smart Motorway NorthConnex Pacific Highway Duplication WestConnex Stage 2 New England Highway, Scone Bypass Northern Beaches Hospital, Road Connectivity and Network Enhancements</p>	<p>M4 Smart Motorway Barton Highway Improvements Golden Highway Safety and Productivity Works Gunnedah Bridge Bolivia Hill Upgrade</p>	<p>F6 Sydney Gateway Sydney Metro City & Southwest North-South Rail Parramatta Light Rail Stage 1 WestConnex Stage 3 Berry to Bomaderry Upgrade New Intercity Fleet</p>
Culture, Precincts & Others	<p>ANZAC Memorial Barangaroo Precinct Darling Harbour & ICC Precinct Sydney Opera House Renewal Stg 1 Taronga Institute of Science and Learning The Calyx at the Royal Botanic Gardens Children's Wild Play Garden</p>	<p>Broken Hill Pipeline National Parks and Wildlife Services: Aviation Asset Replacement Wattamolla Visitor Precinct Western Sydney Stadium E.S. Marks Safety Upgrade</p>	<p>Australian Museum Captain Cook Landing Memorial Minnamurra Rainforest Centre Royal Coast Track Improvements Thredbo Valley Track Extension Campbells Cove Domain Upgrade</p>	<p>ANZ Stadium Light to Light Great Walk Murrumbidgee South Coast Walk Walsh Bay Arts Precinct Shoalhaven System Upgrade Bringelly Road Business Hub</p>	<p>Powerhouse Museum Sydney Fish Market Sydney Football Stadium Sydney Modern Taronga Western Plains Zoo Visitor Centre Western Sydney Airport Western Sydney Plant Centre</p>

We're keeping debt at sustainable levels into the future



...through the NSW Generations Fund

Key risks potentially lie ahead based on other approaches



Cancelling infrastructure projects



Reduced fiscal discipline



Stopping asset recycling



Economic growth stalls

Public investment drops

Job growth slides

Sovereign risk increases

Budget Deficits forecast

Business confidence drops

Higher taxes

Less schools & hospitals

Cuts to frontline services

Increased levels of debt

Policy deviation poses a clear and present danger to the finances of NSW

NSW is a better place today than it was 8 years ago



Fiscal

Strongest in decades

Budget Surplus 2018-19

\$1.1 billion



Budget Surplus 4-year

Average \$1.3 billion



Credit Rating

Triple A



Net Debt

Negative \$7.7 billion



Net Worth

Over quarter of a trillion



NSW Generations Fund

\$10.0 billion



Economy

Booming

GSP per capita Growth

Strongest state on average since 2013-14



Employment

Around 575,900 jobs since 2011



Unemployment Rate

Lowest of any state



Housing Supply

65,100 completions in 2017-18



Public Investment

\$89.7 billion capital program



Labour Participation Rate

At a record 65.2%



Delivery

Record investment

Reducing tax

Fairer and more affordable CTP



Making housing more affordable

Indexing transfer duty thresholds



Reducing the cost of living

Toll relief



Making communities safer

1500 additional police



Building infrastructure

\$89.7 billion capital program



Making it easier to do business

Lowering payroll tax threshold





Forecasting Conference
Outlook for markets, policy and politics
Wednesday 13 February 2019 - Sydney

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