# 1. BUDGET OVERVIEW

1. Building a better New South Wales

The people of New South Wales are doing it tough.

Household budgets are under pressure. Inflation has continued to ease over the past year but remains high. Growth in the price of essentials continues to outstrip discretionary items. Inflation, increasing mortgage repayments and tax bracket creep are all straining household budgets.

Western Sydney has been particularly hard hit. Since April 2022, the cost of servicing a median new mortgage for dwellings in Western Sydney rose by 55.0 per cent. Across the rest of New South Wales, many households are also being forced to make difficult choices.

Since coming into office, the Government has made difficult choices to repair the NSW Budget. This includes stabilising the State’s debt trajectory with the suspension of NSW Generations Fund (NGF) contributions in 2023-24, reform of the Transport Asset Holding Entity (TAHE), and more than $13 billion in budget improvement and reprioritisation measures.

In the 2024-25 Budget, the Government continues to deal with the consequences of record public debt. At June 2023, general government gross debt was $132.9 billion or 17.1 per cent of gross state product (GSP). This is more than 500 per cent higher than the level reached during the Global Financial Crisis in 2009-10.

Since the 2023-24 Half-Yearly Review, the distribution of Goods and Services Tax (GST) to New South Wales has been impacted by revised relativities from the Commonwealth Grants Commission (CGC), with an estimated $11.9 billion impact over four years to 2027-28 (see Box 1.2). This is the latest challenge facing a State that has been hit hard by bushfires, floods and the COVID-19 pandemic, leaving families with significant uncertainty in a cost‑of-living crisis.

A calm and measured response is required.

The Government’s fiscal strategy prioritises stabilising the State’s gross debt trajectory to keep interest expenses manageable and support the State’s operating position.

This Budget introduces a new contributions framework for the NGF. The Government will contribute to the Fund only when it can responsibly do so. This means the $16.3 billion in contributions previously budgeted to go into the NGF will be suspended and redirected towards infrastructure investment and essential services (see Box 1.1). This has allowed the Government to limit the fiscal impact of changed GST relativities on the State’s health, education, police and transport services.

While debt and interest expenses remain broadly in line with the 2023-24 Half-Yearly Review, the Government has needed to take a more deliberate approach to stabilising its operating position.

The State’s budget deficit of $9.7 billion in 2023-24 will more than halve in 2024-25 before gradually reducing to a deficit of $1.5 billion in 2027-28.

The GST decision, just weeks out from this Budget, reallocated significant amounts of GST funding to other States. Funding that would have otherwise been directed towards the Government’s aim of investing in essential services while stabilising the State Budget.

By keeping the State’s debt trajectory broadly in line with the 2023-24 Half-Yearly Review, the Government has been able to invest in housing and repairing essential services without placing undue pressure on the State’s interest expenses. The stabilisation of the State’s debt trajectory is being achieved without privatisation or unfair wage constraint.

The 2024-25 Budget invests an additional $555.5 million to speed up the planning system and construct more housing enabling infrastructure. It also includes $200 million for the Faster Assessments program to incentivise councils to meet and exceed their targets by providing grants for infrastructure that supports housing.

The Building Homes for NSW package will unlock 30,000 new homes, including up to 21,000 new market and affordable homes, as well as 8,400 social homes including priority homes for victim-survivors of domestic and family violence. A further 33,500 homes will be repaired. At a time of the greatest housing crisis in a generation, this investment can’t wait.

The 2024-25 Budget continues to invest in our health system. New hospitals across New South Wales will receive $274.7 million of investment to ensure health services are equipped to meet the needs of the population as costs rise and new hospitals come online.

This Budget invests $245.6 million over four years to 2027-28 on programs aimed at reducing the rate of violence against women and children and enhancing support for domestic, family and sexual violence victim-survivors.

To continue building for the future, the 2024-25 Budget will deliver $119.4 billion in infrastructure investment over the next four years to 2027-28. New initiatives include funding for houses and hospitals and $2.1 billion set aside for Parramatta Light Rail Stage 2. The Government’s overall approach to the infrastructure program is to prioritise essential infrastructure including new and upgraded schools and hospitals and to focus effort on delivery of the considerable program already underway.

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| 1. Building Better Communities   The Government is prioritising investment in essential services and addressing the most critical challenges facing the people of New South Wales, including housing, homelessness, rental housing pressures, and the planning system.  The 2024-25 Budget provides $5.1 billion to build social homes, including 8,400 social homes, of which 6,200 will be new homes and 2,200 are replacement homes (with priority homes for victim-survivors of domestic and family violence). This program also invests $1 billion to repair 33,500 existing social homes.  The Government will provide $655.1 million for key worker and rental housing, including:   * $450.0 million for a Key Worker Build to Rent Program to be delivered by Landcom across metropolitan areas of the State * $200.1 million for key health worker accommodation across rural and regional areas of the State.   This Budget provides $555.5 million to speed up the planning system and construct more housing enabling infrastructure, including:   * $253.7 million to bolster the State’s planning system, including to assess more development applications and deliver additional State-led rezonings * $246.7 million for enabling infrastructure, conservation activities and land acquisitions to accelerate the delivery of more housing in Western Sydney and across the regions.   The 2024-25 Budget also invests in a better system for renters, including:   * $11.8 million to support the growing number of renters in apartments with an expanded Strata & Property Services Commissioner to regulate strata schemes * $8.4 million for the Rental Commissioner to develop and enforce renter protections.   This Budget also provides $527.6 million for emergency housing and homelessness support services, including:   * $260.0 million to provide homeless people and families who need safe shelter with crisis accommodation and support to move to more stable housing * $250.0 million for funding to support people at risk of homelessness, including those leaving correctional centres and mental health services. |

1. Economic outlook and position

Inflation has continued to ease over the past year, easing pressure on interest rates and helping to address cost-of-living pressures. However, inflation remains high with growth in the price of essentials continuing to outstrip discretionary items (Chart 1.1).

Elevated inflation, high interest rates and tax bracket creep have offset the strong growth in labour income over the last year, curbing household spending. This has seen domestic economic growth slow sharply on a per capita basis (Chart 1.2).

Public demand is providing some offset for slower activity. Over the year to the March quarter 2024, public demand made a larger contribution to growth in state final demand than private demand. Additionally, despite weakness at the household level, the overall economy has been supported by strong population growth through ongoing international migration.

Businesses have responded to continued growth in aggregate spending with solid investment growth and continued strong demand for labour, driving up employment. Nevertheless, the unemployment rate has gradually increased from a low of 3.0 per cent in June 2023 to 3.8 per cent in May 2024, as international migration has also boosted the supply of labour.

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| 1. Sydney CPI by spending category   *Source: ABS and NSW Treasury* | 1. NSW real gross state product (GSP) per capita   *Source: ABS and NSW Treasury* |

### New South Wales outlook

Cost-of-living pressures remain sufficiently elevated to suggest the slowdown in economic activity, particularly on a per capita basis, will continue in the short term. Along with a gradual rise in unemployment and uncertainty over the timing of interest rate cuts, households are expected to remain cautious with their spending.

This weakness in activity is expected to see employment growth slow further, with job creation failing to keep pace with the growth in the supply of labour. Accordingly, the unemployment rate is forecast to continue to rise to a peak of 4½ per cent in mid-2025. By historical standards, this peak in the unemployment rate is relatively low. Alongside an elevated employment-to-population ratio this suggests labour market conditions will remain relatively tight for some time.

Inflation is forecast to maintain its path back toward the Reserve Bank of Australia’s (RBA) target supported by a continued easing in goods inflation and domestic demand. However, elevated labour costs in the near term are expected to underpin persistent higher services inflation. This is expected to keep inflation above its target range until 2025.

Momentum is anticipated to shift in 2024-25, as conditions allow the RBA to start lowering interest rates in the first half of 2025. This, as well as support to incomes from stage 3 income tax cuts, and falling inflation, will ease cost-of-living pressures for households and should provide a boost to consumption. Resilient labour demand will also support a recovery in activity. Overall, this outlook is consistent with a soft landing for the economy.

1. Financial position and outlook

Following the worst of the COVID-19 pandemic, the State faces another significant fiscal shock. This time, it is the reallocation of $11.9 billion in GST grant revenue away from New South Wales. This is compounded by further fiscal pressures, such as higher costs of workers’ compensation and higher depreciation expenses from the revaluation of non‑financial assets.

The Government continues to put the people of New South Wales and the essential services they rely on first. Rather than make large cuts to essential services, the Government is managing this fiscal shock over the medium to longer-term.

The Government remains committed the two key fiscal principles adopted in the 2023‑24 Budget:

* returning to a sustainable operating position
* stabilising and then maintaining a sustainable debt position.

This Budget focuses on the key areas of housing, health and cost-of-living pressures, while keeping the State’s debt trajectory broadly in line with the 2023-24 Half-Yearly Review by suspending NGF contributions to free up more funding to be spent on infrastructure and essential services.

The Government is also strengthening valuation approaches of non-financial assets and improving the management of the Treasury Managed Fund (TMF). See Chapter 6 Managing the State’s Assets and Liabilities for further information.

1. Key Budget aggregates for the general government sector

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| --- | --- | --- | --- | --- | --- | --- |
|  | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|  | Actual | Revised | Budget | Forward Estimates | | |
| Budget Result ($m) | (10,565) | (9,676) | (3,633) | (2,489) | (2,364) | (1,518) |
| Per cent of GSP | (1.4) | (1.2) | (0.4) | (0.3) | (0.3) | (0.2) |
|  |  |  |  |  |  |  |
| Net debt ($m) | 74,873 | 96,833 | 110,523 | 121,935 | 130,965 | 139,497 |
| Per cent of GSP | 9.6 | 11.9 | 12.8 | 13.5 | 13.9 | 14.2 |
|  |  |  |  |  |  |  |
| Gross debt ($m) | 132,914 | 155,516 | 166,885 | 178,889 | 188,505 | 199,883 |
| Per cent of GSP | 17.1 | 19.0 | 19.3 | 19.8 | 20.0 | 20.3 |
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### Fiscal position

The 2024-25 Budget projects a deficit of $3.6 billion in 2024-25, down from the $0.5 billion surplus projected in the 2023-24 Half-Yearly Review (see Chart 1.3). Changes to GST relativities, weaker payroll tax, and higher depreciation and interest costs have contributed materially to this deterioration, alongside essential new funding to alleviate cost-of-living pressures and rebuild essential services.

Across the forward estimates, deficits are projected to reduce (see Table 1.1). The Government is expected to return to a net cash operating surplus in 2024-25, for the first time in three years.

Since the 2023-24 Half-Yearly Review, total general government sector revenue is forecast to be $5.1 billion higher over the four years to 2026-27 as the reduction in GST and payroll tax revenue is netted out by improved stamp duty and land tax projections.

Total general government sector expenses are projected to increase from $120.5 billion in 2023‑24 to $129.1 billion in 2027-28, growing at an average rate of 1.7 per cent per year, well below the average expense growth from 2018-19 to 2022-23 of 9.7 per cent.

The 2024-25 Budget provides for a $119.4 billion public infrastructure investment over four years to 2027-28, including funding for new houses, schools and hospitals.

1. NSW Budget result: 2023-24 Half-Yearly Review compared to the 2024‑25 Budget

Over the period to June 2027, general government gross debt is projected to be broadly in line with the 2023-24 Half-Yearly Review as the Government redirects the suspended NGF contributions towards infrastructure investment and essential services (see Chapter 3 Fiscal Strategy and Outlook for more information).

The Government’s net debt as a percentage of GSP at June 2024 is broadly in line with the 2023-24 Half-Yearly Review at 11.9 per cent and is projected to increase to 14.2 per cent at June 2028.

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| 1. Commonwealth Grants Commission’s 2024 Update   Following the Commonwealth Grants Commission’s 2024 Update, a lower share of national GST pool will be distributed to New South Wales due to a lower GST relativity.  The relativity will fall from 0.92 in 2023-24 to 0.87 in 2024-25 represents the largest single-year fall in NSW’s share of the GST pool since the introduction of the GST. Part of this change reflects increased NSW fiscal capacity, driven by land tax and royalties revenue and lower expenditure and investment needs relative to other states and territories.   1. Historical GST relativities (2000-01 to 2024-25)[[1]](#footnote-2)   This places significant pressure on the recovery of the State’s fiscal position. As a result of the Commonwealth Grants Commission’s 2024 Update, the forecast for NSW GST payments was revised down by $11.9 billion over the four years to 2027-28.  Separately, the national GST pool has been revised upwards to reflect stronger dwelling investment.   1. Budget result impact of GST relativity change |

1. Budget priorities

Despite the challenges facing New South Wales, the Government is making the decision to protect household budgets and invest in essential services that cannot wait. As a result, this Budget is making substantial investment in areas such as housing, education, supporting those impacted by domestic and family violence (see Box 1.3), and rebuilding essential services.

See Chapter 5 Expenditure or Appendix A5 Measures Statement for a detailed list of the Government’s investment decisions.

### Building A Better New South Wales

The building better schools and hospitals program will deliver $22.9 billion in funding for healthcare and education capital projects over the next four years.

#### Education

The Government is delivering the largest ever investment in public preschools by establishing 100 public preschools. The first preschool at Gulyangarri Public School is set to open later this year.

The 2024-25 Budget invests $8.9 billion in the Rebuilding Public Education Program, including funding to build five new schools (in addition to the Government’s record 45 in the pipeline) and seven additional upgrades on top of the 73 in progress.

#### Health

The NSW Government is investing $480.7 million to ease pressure on emergency department wait times, through funding for urgent care services and enhanced discharge services.

Maternal and child health has been boosted, with the $130.9 million Family Start Package, alongside further investment in mental health care, First Nations women and Local Health Districts.

The Building Better Hospitals Package invests $265.0 million for an upgrade of Port Macquarie Hospital and $395.3 million to deliver ongoing hospital developments at Eurobodalla, Ryde, Temora, Mental Health Complex at Westmead, Liverpool, Moree, Nepean, Cessnock and Shellharbour.

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| 1. Investing to reduce domestic and family violence   Domestic, family and sexual violence (DFSV) is serious and widespread. It has severe and long-term effects on victim-survivors, their families, and the broader community.  This Budget provides $245.6 million over four years for a coordinated, multi-pronged response that seeks to disrupt the cycle of DFV early and permanently, while optimising crisis response services to support victim-survivors.  The 2024-25 Budget includes the following support in this area:   * $48.1 million to secure funding for specialist workers who support children accompanying their mothers to refuges, expanding their presence from 20 to 30 refuges across New South Wales * $48.0 million to roll out the Staying Home Leaving Violence program state-wide and to expand the Integrated Domestic and Family Violence Service * $45.0 million to improve bail laws and justice system responses to domestic violence * $38.3 million to implement NSW’s first dedicated Domestic, Family and Sexual Violence Primary Prevention Strategy, which will fund a range of initiatives to address the drivers of gendered violence * $29.6 million for the Women’s Domestic Violence Court Advocacy Service to provide support for victim-survivors requiring support to navigate the justice system * $10.0 million to support Men’s Behaviour Change Programs to enable men to recognise their violent behaviour and develop strategies to prevent the use of violence * $13.6 million for research into perpetrators and effective interventions, workforce training on the implementation of a newly developed risk assessment framework, and expanding Domestic Violence NSW, which is the peak body for specialist services in New South Wales.   Of the 6,200 net new social homes that will be built as part of the “Building Homes for NSW” program, at least 50 percent will be prioritised for victim-survivors of domestic and family-violence. |

### Caring for Our Communities

#### Delivering essential services

This Budget continues to rebuild public services by supporting essential workers, addressing critical staff vacancies, collaborating with the State’s workforce and delivering long-term wage growth.

The Government has already delivered professional rates of pay for paramedics in recognition of the move towards university qualification and increased registration requirements, plus expansion of the scope of paramedicine.

Building on the Government’s 4.5 per cent wage offer in 2023-24, the 2024-25 Budget provides for a 10.5 per cent wage increase over three years to benefit NSW public sector workers (inclusive of superannuation). It is an offer that provides real wage increases, and is designed to attract, reward and retain essential workers.

1. New South Wales public sector is projected to receive real wages growth to 2026‑27(a)

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| --- | --- | --- | --- | --- |
|  | 2023-24 | 2024-25 | 2025-26 | 2026-27 |
|  | Forecast | Forecast | Forecast | Forecast |
| Sydney consumer price index | 4¼ | 3 | 2¾ | 2½ |
| Public sector base wage offer (excluding superannuation) | 4 | 3.5(b)(c) | 3(c) | 3 |

1. Forecasts are rounded to the nearest quarter point and are annual average per cent change, unless otherwise indicated. Half-Yearly Review forecasts in parentheses where different.
2. Includes a 0.5 per cent increase to salary and salary related allowances available for workers who have not received structural adjustment in the past 12 months, subject to conditions.
3. The Government’s 10.5 per cent three-year wages offer includes the compulsory 0.5 per cent increase to superannuation in both 2024-25 and 2025-26.

In addition, a $1,000 cost-of-living adjustment is included to protect essential workers against any unexpected substantial increases in inflation.

In a constrained fiscal environment, supporting essential workers continues to be this Government’s priority, and a critical part of our effort to reduce workforce vacancies and re-build our essential services.

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| 1. Investing in disaster response and recovery   The NSW Government is investing $5.7 billion over four years to 2027-28, including Australian Government co-contributions, to continue natural disaster support and response programs.  This includes $3.3 billion for restoration works to repair local and state roads damaged in major flood events. Nearly 90 per cent of local road restoration costs are in Northern NSW, and approximately half of these costs relate to local roads around Armidale Regional Council, Lismore City Council, and Tweed Shire Council.  A further $2 billion has been allocated for other disaster relief and recovery programs funded through the Disaster Relief Account (DRA). This includes:   * $525.0 million for the Resilient Homes Program across the Northern Rivers and Central West, to support voluntary buybacks, and increase the flood resilience of existing homes * $282.7 million for the Regional Roads and Transport Recovery Package for priority local and state transport infrastructure resiliency works * $159.3 million from the Infrastructure Betterment Fund to rebuild and improve the resilience of state and local infrastructure to future natural disasters * $24.5 million for the Community Assets Program to repair and restore community infrastructure.   Other investments in this Budget for disaster recovery and support include:   * $116.7 million to repair critical water and sewerage infrastructure * $87.4 million for the Resilient Lands Program to unlock new home and land options in the Northern Rivers * $20.0 million to continue to deliver social housing across flood impacted locations in Northern NSW. |

#### Cost-of-living support

In 2024-25, the Government will provide around $8.7 billion to households to assist with growing cost-of-living pressures. The support measures include:

* introduction of the Bulk-Billing Support Initiative to protect the cost of seeing a GP, at a total cost of $188.8 million over four years
* the $60 weekly toll cap that began on 1 January 2024 will continue, with an investment of $561.0 million over two years
* the expanded energy social program, includes a $100.0 million increase in 2024-25, will support up to 1 million NSW households with energy bill relief, bringing the total program to $435.4 million in 2024-25. This is in addition to the Australian Government’s $300 energy bill relief payment
* concession and exemptions on property duty will continue to support more people to get their first home through the First Home Buyer Assistance Scheme
* up to $4,220 per year in fee relief is available to parents and carers of children aged 3‑5 years attending eligible preschool programs, with an estimated 200,000 enrolments eligible for fee relief in 2024.

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| 1. Reforming the State’s tolls   Tolls cost motorists in Sydney around $2.5 billion each year and escalate year on year putting family budgets for motorists under significant pressure. The Government is committed to making the toll network more equitable for all and reducing cost-of-living pressure. The Government has engaged experts Professor Allan Fels and Doctor David Cousins to conduct the Independent Toll Review to explore how best to reform this complex tolling system.  To demonstrate the Government’s commitment to toll reform, this Budget invests $16.6 million to support tolling reform initiatives arising from the Independent Toll Review.  As part of this investment, Government will establish a NSW motorway entity and introduce associated legislation for the purpose of driving tolling reform in New South Wales.  The Independent Toll Review is expected to release its Final Report in the third quarter this year, which the Government will respond to later in 2024. |

1. Relativities from 2000-01 to 2020-21 represent those under the original equalisation arrangements. In 2018, the Australian Parliament legislated a new way to distribute GST revenue among the states and territories. Relativities from 2021-22 to 2024-25 represent those under the transition period, which are a blend of the original and new arrangements. [↑](#footnote-ref-2)