

Getting it done for the people of NSW



It's been a tough six months for people in NSW, with the drought continuing to hurt rural and regional communities and an unprecedented start to the bushfire season ravaging the State. These are issues which no amount of money can fully prevent, but they demonstrate why maintaining a strong fiscal position is so important, enabling our Government to provide vital support in times of extreme hardship.

Since the June Budget we have allocated \$208 million to help our rural communities, including \$165.8 million for critical water initiatives. We've also allocated \$170 million for infrastructure projects in the regions to help stimulate local economies. This brings the funding to approximately \$2 billion already committed to drought relief.

The Government has allocated millions of dollars to help people rebuild their communities after bushfires destroyed property and claimed lives. With many fires still burning and the hottest months still to come, our strong budget position will allow us to provide further funding if required.

Our State's finances remain firmly in surplus. Our net debt position at June 2019 was the lowest of any state and we have been able to continue making record investments in schools, hospitals and transport to improve outcomes for the people of NSW.

In fact, we have continued to build on the record \$93 billion infrastructure program announced in the Budget, with additional commitments bringing the new total to \$97.3 billion.

We have a pipeline of projects on the horizon and continue to build game-changing infrastructure across NSW, from the new bridge spanning the Clyde River at Batemans Bay in the south to the upgraded Pacific Highway in the north.

Our first Metro line is open with more to come, and in the coming days light rail will roll through the heart of Sydney's CBD for the first time in nearly 60 years.

This public investment in infrastructure is helping to support thousands of jobs and adding half a percentage point to economic growth, on average, over the next two years.

Our robust financial position has made it possible to weather two years of transfer duty write downs in the midst of a substantial adjustment in the housing market,

which appears to have improved markedly in the six months since the Budget.

As a result, this Half-Yearly Review has forecast transfer duty revenue of \$7.5 billion in 2019-20, up from \$6.9 billion.

Higher transfer duty forecasts have been tempered by a downward revision in forecast GST revenue of \$352 million in 2019-20 and \$730 million across the forward estimates, as consumer demand remains subdued, along with a reduction in forecast mining royalties off the back of lower commodity prices.

Our State's financial position remains strong with a surplus of \$702 million now forecast in 2019-20 (down by \$314 million since the Budget) and average surpluses of \$1.9 billion across the next four years (up from \$1.7 billion).

The variations in key revenue streams further highlight the need for reform and the NSW Government has made strong progress on initiatives announced in June.

Both the NSW Productivity Commission and Federal Financial Relations Review teams have already released discussion papers.

Last month the State's Chief Economist Stephen Walters released the NSW 2040 Economic Blueprint.

And just last week the Government launched a revitalised trade and investment strategy for our State —Global NSW— to encourage investment, exports and promote our State across the world and attract more business to NSW.

As we work towards economic reform, we will continue to build a better NSW, create opportunities for people to get ahead, raise their families and ensure future generations enjoy a better standard of living.

As the Half-Yearly Review shows, we are not wasting a moment getting it done.

Dominic Perrottet
NSW Treasurer

12 December 2019

OUR ECONOMY REMAINS RESILIENT

The State's economy remains in good shape despite the challenges posed by the ongoing drought, recent volatility in the housing market and soft growth in household consumption. The economy is forecast to grow by 1¾ per cent in 2019-20 and 2½ per cent in 2021-22. The NSW Government continues its record of sound financial management and is on track to deliver average surpluses of \$1.9 billion over the four years to 2022-23. We have maintained the State's triple-A credit rating, while the NSW Generations Fund has outperformed expectations with a June 2019 balance of \$10.9 billion.



After an initial investment of **\$10 BILLION**, the NGF is valued at **\$10.9 BILLION** as at 30 June,



and is projected to grow to more than **\$30 BILLION** over the next decade



LEADING THE REFORM AGENDA

The Government is laying the groundwork for economic and productivity reform. Since the Budget, the Government has continued to progress a number of reform priorities:

- The NSW Productivity Commission's discussion paper, *Kickstarting the Productivity Conversation*, identifies the key policy levers the State should consider to support productivity growth and improve the wellbeing of NSW residents.
- The *NSW 2040 Economic Blueprint* charts a course for the State's continued economic success in a changing world, with recommendations to help keep our economy strong and adaptable.
- The NSW Review of Federal Financial Relations is driving a national conversation on how state and Commonwealth governments can address growing demands on government services and infrastructure, eroding revenue sources and complex and prescriptive Commonwealth funding arrangements.

- The transition to Outcome Budgeting is moving funding discussions away from a conversation about incremental spends and traditional outputs (like a new school) and towards the end outcome that people care about (like lifting the education results for all children and young people).



NSW GENERATIONS FUND

Our sovereign wealth fund, the NSW Generations Fund (NGF), continues to grow.

Seeded with an initial investment of \$10 billion in late 2018, the NGF was valued at \$10.9 billion at 30 June 2019 and is projected to grow to more than \$30 billion over the next decade. This initiative will help lower the debt burden for future generations. Since the Budget, the Government has directed nearly \$300 million of windfall tax revenue into the NGF.



99.9% of NSW remains affected by drought



The Government has committed approximately **\$2 BILLION** in drought support



\$2 BILLION IN DROUGHT RELIEF FOR AFFECTED COMMUNITIES

The drought has now affected 99.9 per cent of NSW. Keeping the Budget in surplus has ensured we have the capacity to provide critical support to farmers and regional communities affected by the drought.



Credit: NSW Rural Fire Service

Since the Budget, the NSW Government has announced additional measures worth \$208 million to deliver critical support to drought affected communities and farmers. These measures take the total support over the duration of the drought to approximately \$2 billion, including:

- **\$165.8 million** for critical water programs to secure water supplies for regional NSW communities.
- **\$36 million** to continue drought transport subsidy payments.
- **\$5 million** to implement the Fish Rescue Management Program.
- **\$1.2 million** to cover interest forgone to extend the Drought Assistance Fund.

SUPPORTING OUR COMMUNITIES AFFECTED BY BUSHFIRES

Recent bushfires have had a devastating effect on many NSW communities. The NSW Government is directing key resources to support the community, including:

- **\$48.2 million** in joint funding with the Commonwealth to provide recovery grants of up to \$15,000 each to farmers and small businesses, improve access to mental health services, and support community organisations and local governments in providing bushfire recovery services.
- **\$25.0 million** allocated to facilitate the clean-up of homes and properties damaged and destroyed by recent fires.
- **\$1.4 million** for volunteer-based organisation BlazeAid, to assist with repairing fencing damaged by bushfires.

And to make sure our communities are better protected, the NSW Rural Fire Service will be receiving a record \$541 million in 2019-20.



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for critical water programs and initiatives



Bushfire recovery grants of up to

\$15,000

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and small businesses



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RECORD INFRASTRUCTURE SPENDING

The NSW Government's infrastructure spending has hit a record \$97.3 billion, an increase of \$4.3 billion since the 2019-20 Budget. This record investment includes:

- **\$10.2 billion** for hospitals and health facilities.
- **\$7.3 billion** for schools and skills infrastructure.
- **\$4.0 billion** for justice and emergency services infrastructure.
- **\$57.5 billion** for public transport and roads.

The infrastructure commitments continue. The Government is delivering Sydney Metro West, Australia's biggest single public transport project and redeveloping the Sydney Fish Market, reinvigorating the Pyrmont precinct and making it one of Australia's leading tourist destinations. The Government has also announced the Western Harbour Tunnel and Warringah Freeway Upgrade to help relieve congestion for commuters crossing Sydney Harbour.



TAX RELIEF FOR BUSINESS

We're saving around 40,000 businesses up to \$13,625 off their tax bill by providing payroll tax relief through progressively increasing the payroll tax threshold to \$1 million in 2021-22. On 1 July 2019, the threshold increased to \$900,000 and will increase again to \$950,000 from 1 July 2020. These changes mean around 3,000 additional businesses will pay no payroll tax at all in 2019-20, saving up to \$8,175. This will rise to around 5,000 businesses by 2021-22.

Legislative changes also took effect on 1 July 2019 to provide for annual payments for businesses with annual payroll tax liability up to \$20,000, pre-set monthly payments for businesses with liability up to \$150,000 and an extra week for all businesses to submit their annual reconciliation. We are now providing a 50 per cent reduction in penalties to encourage early compliance for first-time payroll tax payers.



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Tax savings of up to

\$13,625 PER YEAR

by 2021-22 for businesses in NSW



As we work towards economic reform we will continue to build a better NSW, create opportunities for people to get ahead, raise their families and ensure future generations enjoy a better standard of living".

– Dominic Perrottet
NSW Treasurer



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