

**Barton Deakin Brief: 2018-19 NSW Budget Half-Yearly Review****18 December 2018**

Today, the New South Wales (NSW) Treasurer, the Hon Dominic Perrottet MP, released the 2018-19 NSW Budget Half-Yearly Review. The review provides an update to the State's economic and fiscal position since the 2018-19 NSW State Budget delivered on 20 June 2018.

This Barton Deakin Brief summarises the key elements of the NSW Budget Half-Yearly Review.

**Budgetary Overview**

The revised budget result forecasts a \$1.1 billion surplus in 2018-19 compared to a forecast surplus of \$1.4 billion at the time of the 2018-19 Budget. The Review additionally forecasts surpluses over the next 4 years to 2021-22 as averaging \$1.3 billion per year instead of \$2 billion.

Since the Budget, revenue for 2018-19 is forecast to be \$661.8 million higher. This is primarily due to forecast increases in payroll tax, GST, royalties and the one-off increase in transfer duty from the WestConnex transaction. Expenditure in 2018-19 is forecast to be \$967.7 million higher than earlier estimated, largely driven by the Government's Emergency Drought Relief Package and further investment in public transport.

Overall, despite revenue being revised up by \$2.9 billion over the four years to 2021-22, a decline in transfer duties caused by the weakening housing market conditions is responsible for the lower revised surpluses.

The NSW Government's asset recycling strategy has substantially funded the Government's record \$89.7 billion infrastructure program. The \$9.3 billion sale of a 51% stake in WestConnex has reduced the State's immediate borrowing requirements and has reduced its net debt to negative \$7.7 billion, a \$10.3 billion improvement. The government sees this strategy as crucial to maintaining its debt at a level consistent with a triple-A credit rating and continuing to fund its infrastructure program.

The State's rising net worth is forecast to grow over the budget and forward estimates. New South Wales' net worth is projected to be \$276.0 billion at June 2019, the highest of all States and Territories, and projected to reach \$314.7 billion by June 2022.

**Economic Outlook**

The NSW Budget Half Yearly Review forecasts strong economic indicators. The economy grew by 2.6 per cent in 2017-18 and is expected to grow by 2.75 per cent for 2018-19. The State's participation rate is at a record high of 65.2 per cent with unemployment the lowest of any state at 4.4 per cent compared to an average of 5.3 per cent for the rest of Australia.

**Major Policy Initiatives***National Schools Reform Agreement (Gonski 2.0)*

The NSW Government is investing \$467.7 million across 2019-20 to 2021-22 (\$6.4 billion over 10 years



to 2027) for its contribution to the National Education Schools Reform, to ensure needs-based funding for schools across the state.

#### *NSW Generation Fund*

The NSW Generations Fund, established to guard against intergenerational budgetary pressures, has been increased from the \$3.0 billion announced in the Budget to \$10.0 billion, primarily driven by the WestConnex transaction. This raises TreasuryCorp's funds under management to over \$100 billion.

#### *Emergency Drought Relief Package*

As part of the Government's \$500 million Emergency Drought Relief Package, \$239.0 million in 2018-19 will be available to help people to manage the effects of the drought.

#### *Police Resourcing*

An additional 1,500 police, costing \$281.1 million over three years to 2021-22, will be recruited to support enhanced protection and preventative capabilities across New South Wales.

#### *Child Safety Funding Package*

An additional \$80.1 million from 2018-19 to 2021-22 will be funded to boost the NSW Government's response to the Royal Commission into Institutional Responses to Child Sexual Abuse.

#### *Restart NSW*

Since the 2018-19 Budget, the NSW Government has committed \$763.0 million from Restart NSW to deliver critical infrastructure projects across New South Wales, with a further \$23.7 billion in commitments and \$9.4 billion in reservations.

Barton Deakin's Brief on the New South Wales Government's 2018-19 State Budget can be read [here](#).

### **Further information**

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NSW Government's Half-Yearly Budget Review, [here](#).

NSW Government's 2018-19 Half-Yearly Review Fact Sheet, [here](#).

NSW Government's 2018-19 Budget Speech, [here](#).

NSW Government's 2018-19 Budget Overview, [here](#).

NSW Government's 2018-19 Regional Overview, [here](#).

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