



## Improvement in 2008-09 NSW Budget result

October 29, 2009

NSW Premier Nathan Rees and Treasurer Eric Roozendaal today announced the final audited NSW Budget result for 2008-09.

It shows a lower-than-expected deficit of \$897 million – which is a better than anticipated result.

“We have got through the global financial crisis together and we are turning the corner,” Premier Nathan Rees said.

“The NSW Government has maintained the state’s AAA credit rating while delivering a record infrastructure stimulus program of \$62.9 billion over the next four years.”

In the June State Budget, NSW Treasury forecast a \$1.34 billion deficit for the 2008-09 financial year.

The final audited result – *NSW Report on State Finances 2008-09* – tabled in the NSW Parliament today, shows the actual deficit for 2008-09 was \$440 million less than projected.

About half of the improvement is due to a change in the timing of Commonwealth Government grants.

Due to this timing, however, NSW will receive \$208 million less in grants in 2009-10- which impacts on the projections for that financial year.

**Taking aside the Commonwealth grants brought forward, the NSW 2008-09 Budget deficit was \$1.1 billion.**

**This was partly due to increased stamp duty because of an improvement in the NSW housing sector.**

Further, the monthly financial statements for NSW have been released by NSW Treasury for the months of July, August and September 2009.

The cumulative figure for the first three months of the 2009-10 financial year shows a deficit of \$15 million. The monthly figures are cyclical and can change quickly between months.

“The green shoots of the NSW economic recovery are starting to grow,” Mr Roozendaal said.

“It has been a tough period – but the NSW Government’s investment in infrastructure in 2009-10 is \$18 billion, 31.4 per cent higher than last year.

“Over the next four years we will invest \$62.9 billion in the biggest infrastructure building program in NSW history, supporting up to 160,000 jobs a year.”

Key facts underlying the improved 2008-09 Budget result include:

- The revised timing of Commonwealth grants resulted in an additional \$208 million in 2008-09. Minus these grants, the 2008-09 NSW Budget deficit was \$232 million lower than expected. NSW has no control over the changed timing arrangements;
- A stronger than expected NSW property market contributed \$90 million above forecast in stamp duties;
- Overall tax receipts were \$144 million higher than projected;
- The stronger Australian dollar and lower international prices meant mining royalties were \$155 million below the forecast of \$1.4 billion;
- Employee expenses were \$22.1 billion;
- NSW net financial liabilities were reduced by \$2 billion to \$48.2 billion; this reduction was due to an increase in the applicable discount rate
- Payroll tax revenue was \$8 million less than projected – but we did not see a loss of jobs. Employers retained workers but reduced their hours.

The NSW Government cut payroll tax in January 2009 to 5.75 per cent and will cut payroll tax again on January 1, 2010 to 5.65 per cent. More than 90 per cent of NSW businesses did not pay any payroll tax in 2008-09.

“The NSW economy remains delicate. However, the impact of the property figures is reassuring and reaffirms we are beginning to see the green shoots of economic recovery starting to take hold” Mr Roozendaal said.

The table below summarises the audited results for key Budget aggregates in 2008-09, compared with the estimates in the 2009-10 Budget papers:

<b>Aggregate</b>	<b>Revised Budget \$million</b>	<b>Actual Result \$million</b>	<b>Variation \$million</b>
<b>Budget result</b>	-1,337	-897	440
<b>Net lending (borrowing)</b>	-3,510	-3,275	235
<b>Capital Expenditure – General Government</b>	5,289	5,293	4
<b>Net debt</b>	8,087	8,108	21
<b>Net Financial Liabilities</b>	50,261	48,211	-2,050

The next set of State Government financial data will be released in December with the Mid-Year Review.

The 2010-11 Budget will be delivered in early June 2010.

Mr Roozendaal said the NSW economy was also performing strongly on recent economic indicators.

“The NSW Government delivered a solid Budget which took our State off negative outlook, reaffirming our AAA credit rating,” Mr Roozendaal said.

“This is the largest building program in the history of NSW – and the largest of any other state – supporting up to 160,000 jobs a year.

“Thanks in part to our infrastructure investment, NSW’s unemployment rate is 5.6 per cent, the second-lowest rate among states, and below the national average.

“NSW retail sales have also grown by 9.5 per cent since the worst days of the global financial crisis.

“That’s a full 2 per cent higher than the next best state, Victoria; 3.8 per cent higher than Queensland; and 6.3 per cent higher than Western Australia,” Mr Roozendaal said.

The Report on State Finances for 2008-09 will be available at [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au)