

A small red triangle graphic.

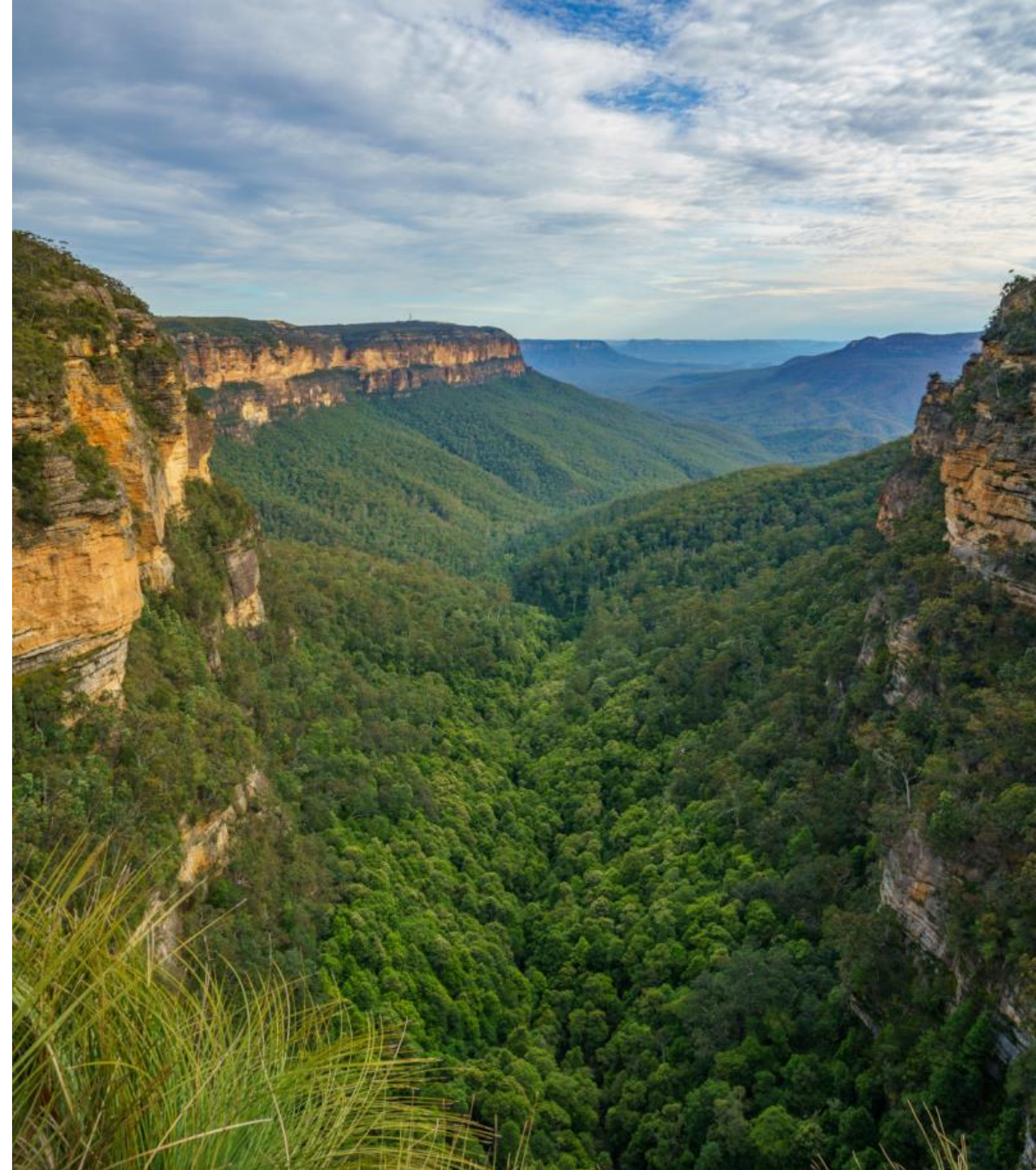
2024-25 NSW Budget - debt investor update

Supporting economic development and wellbeing of communities

June 2024

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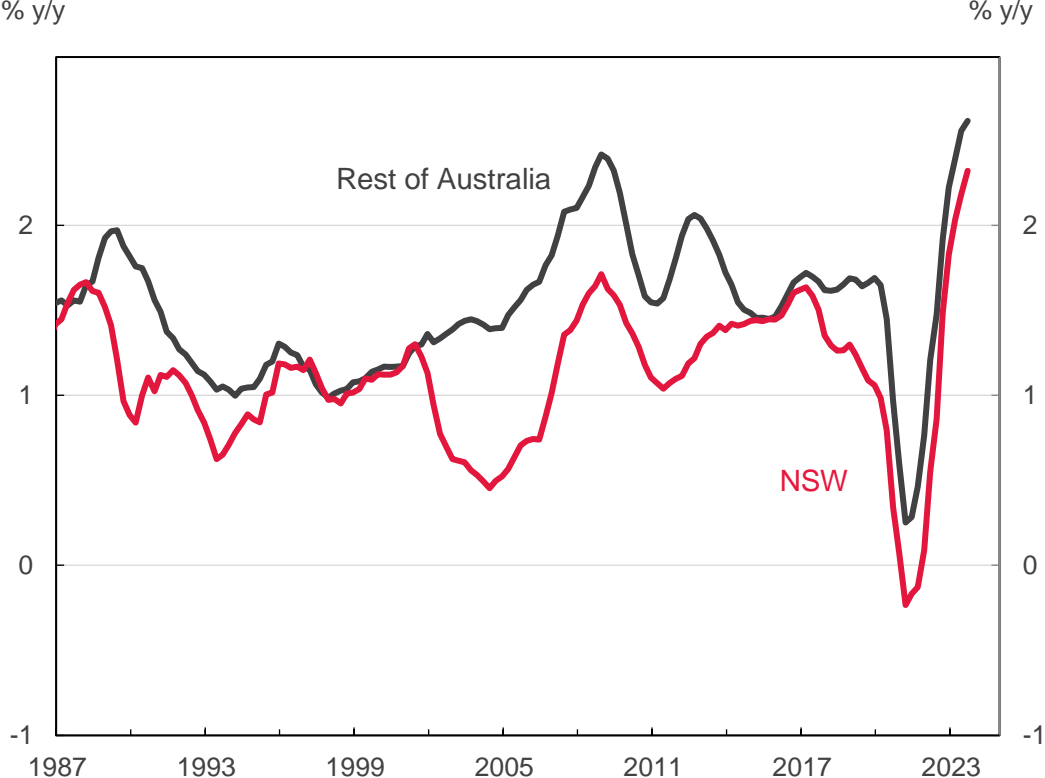
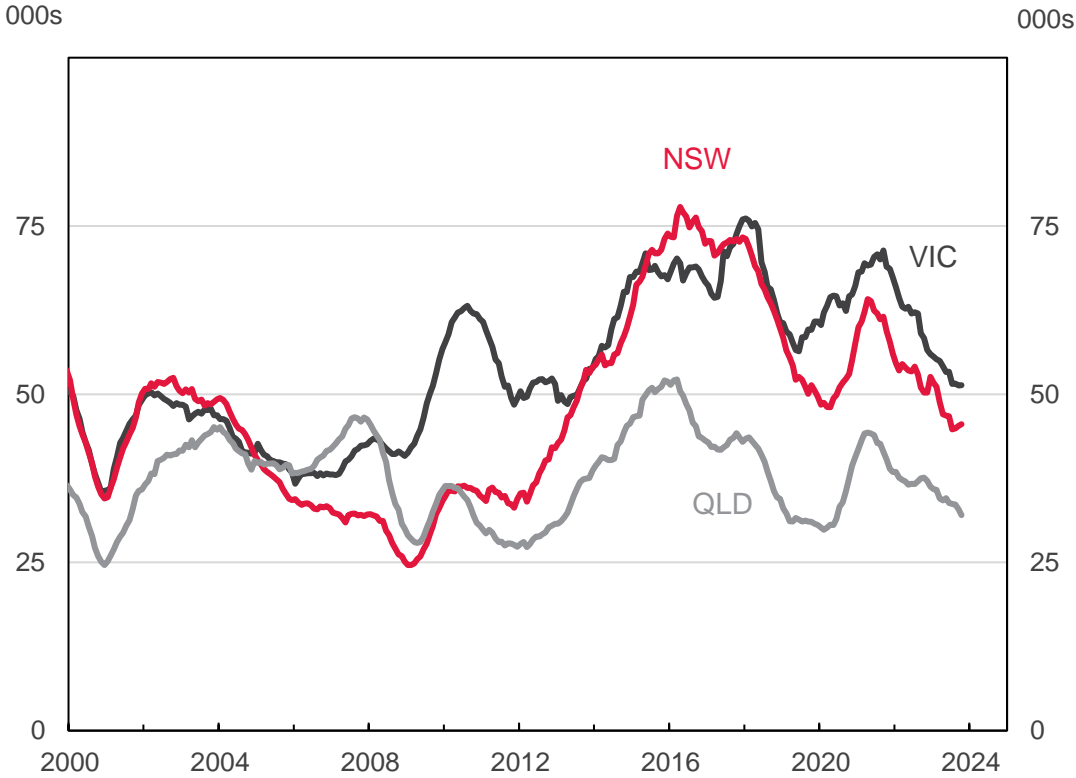


Section 1 – Economic Outlook

High interest rates are weighing on housing construction at a time when housing demand is rising rapidly

Building approvals are at low levels, limiting additions to housing supply

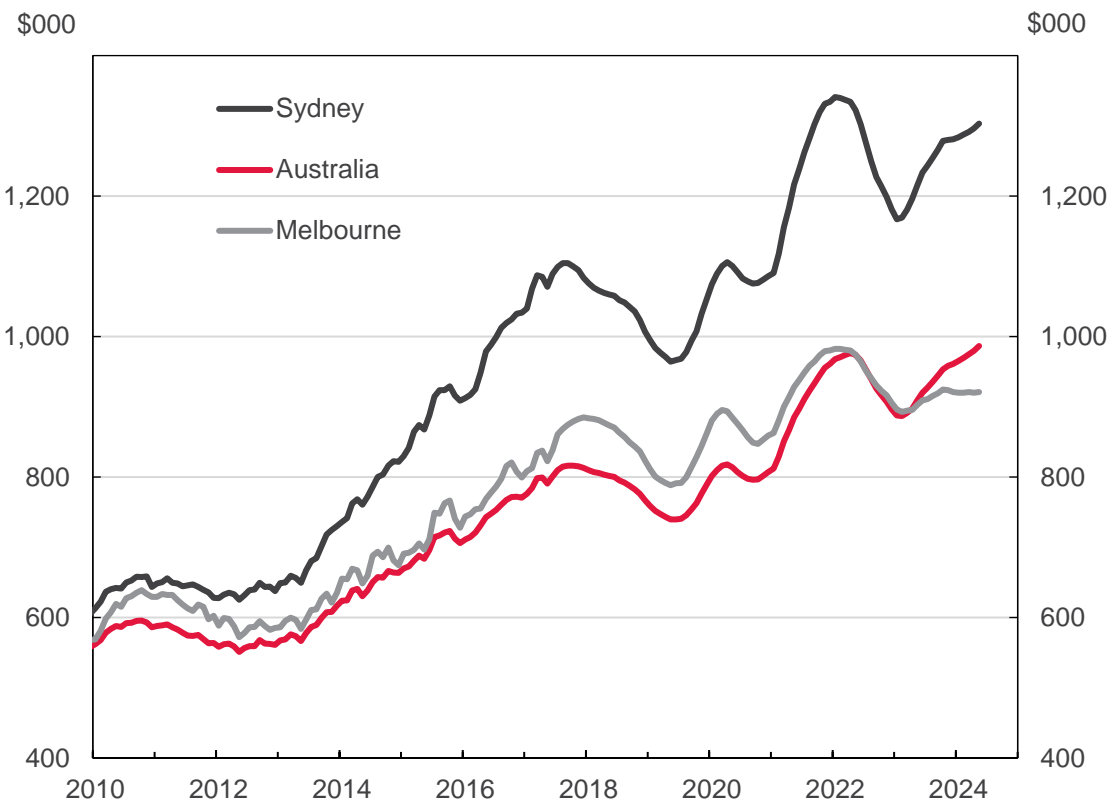
Population has grown at a record pace



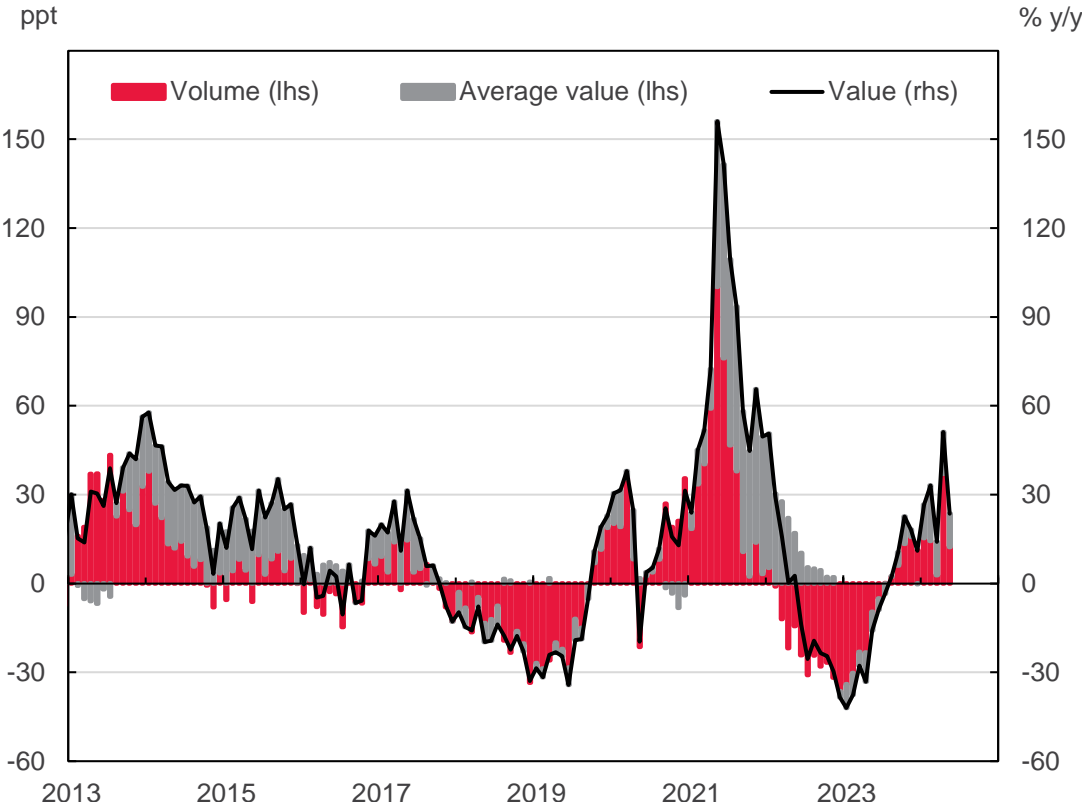
Source: Australian Bureau of Statistics

The housing imbalance has led to rising house prices and NSW stamp duty receipts

House prices have grown by more than expected over the past year



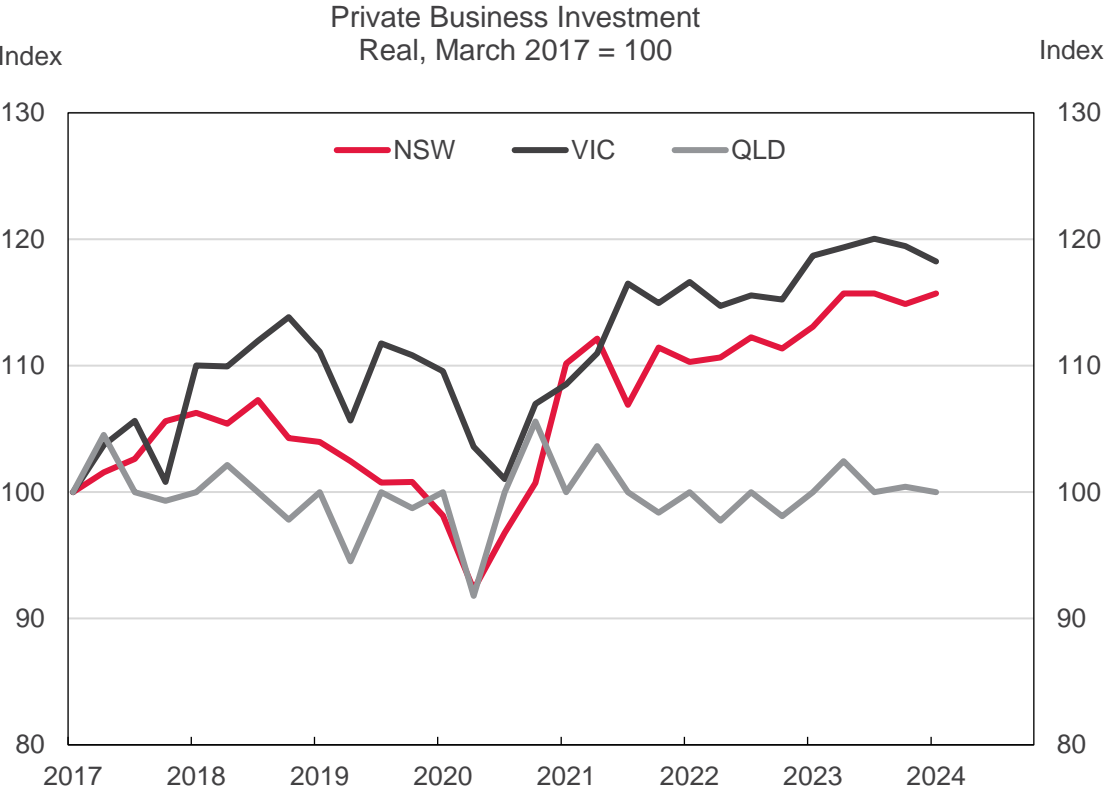
NSW Transfer duty receipts have grown solidly, despite housing turnover remaining low



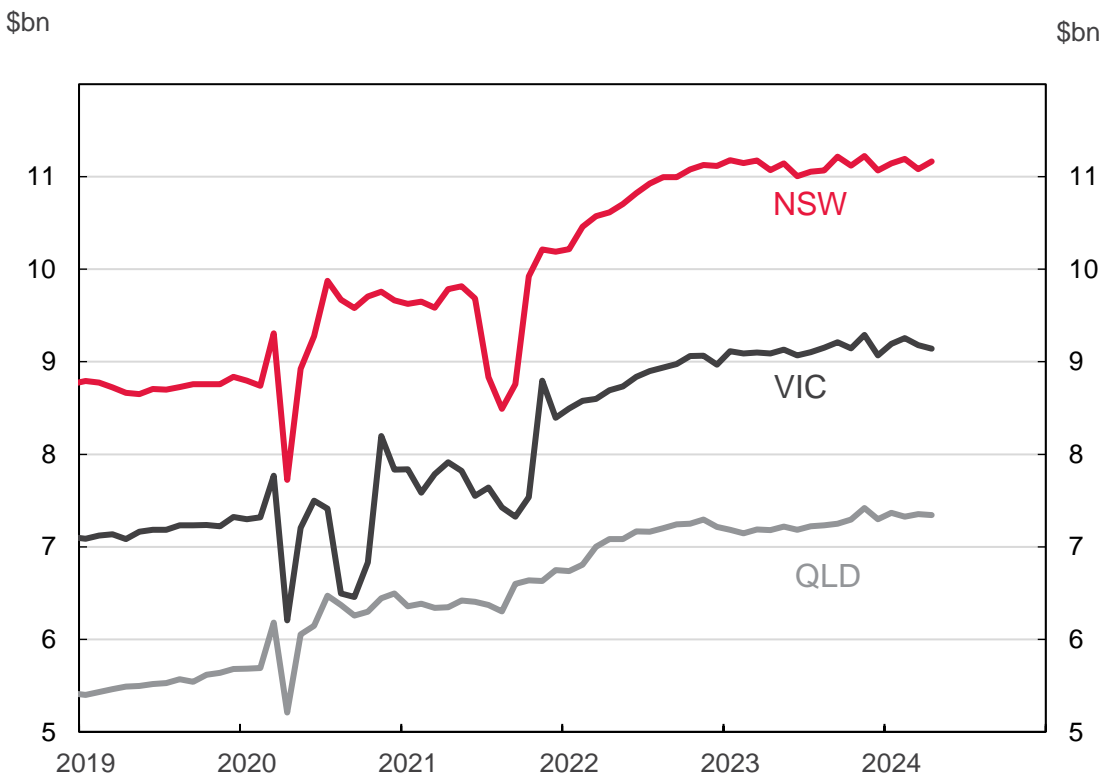
Source: Bloomberg; Revenue NSW

Businesses investment has been much more resilient than consumer spending

NSW capital investment has been strong, in both the private and public sectors



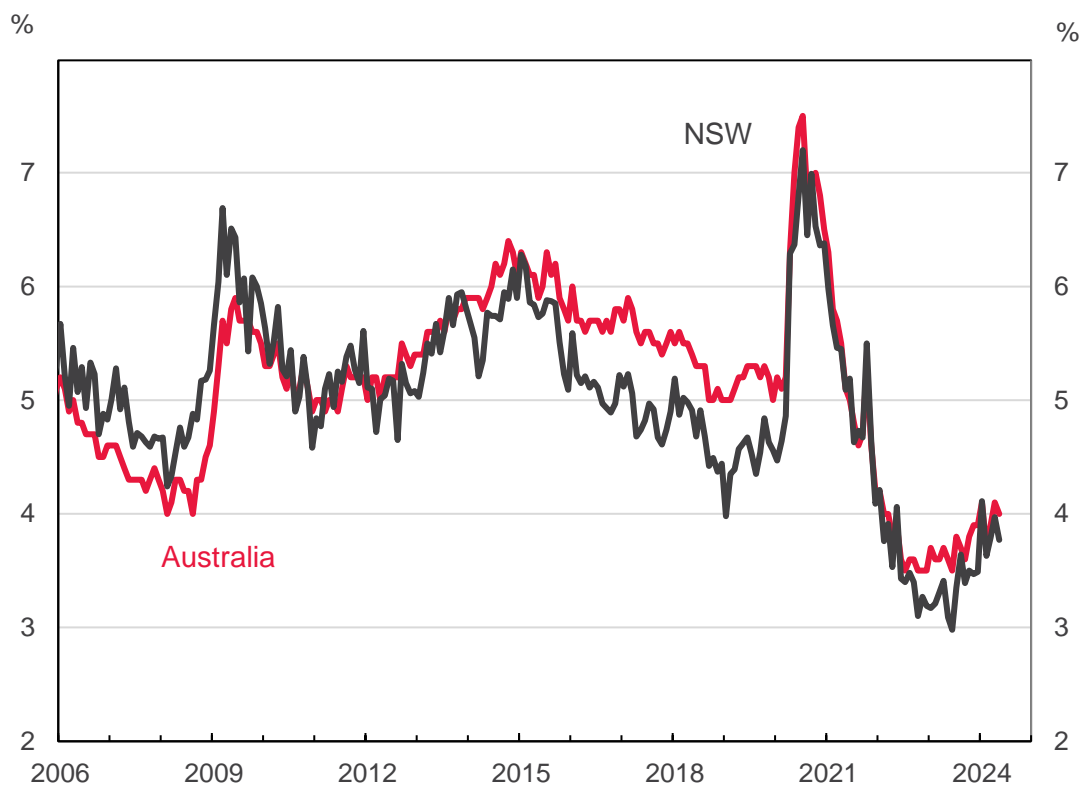
Retail turnover has been very weak as consumers cut back spending



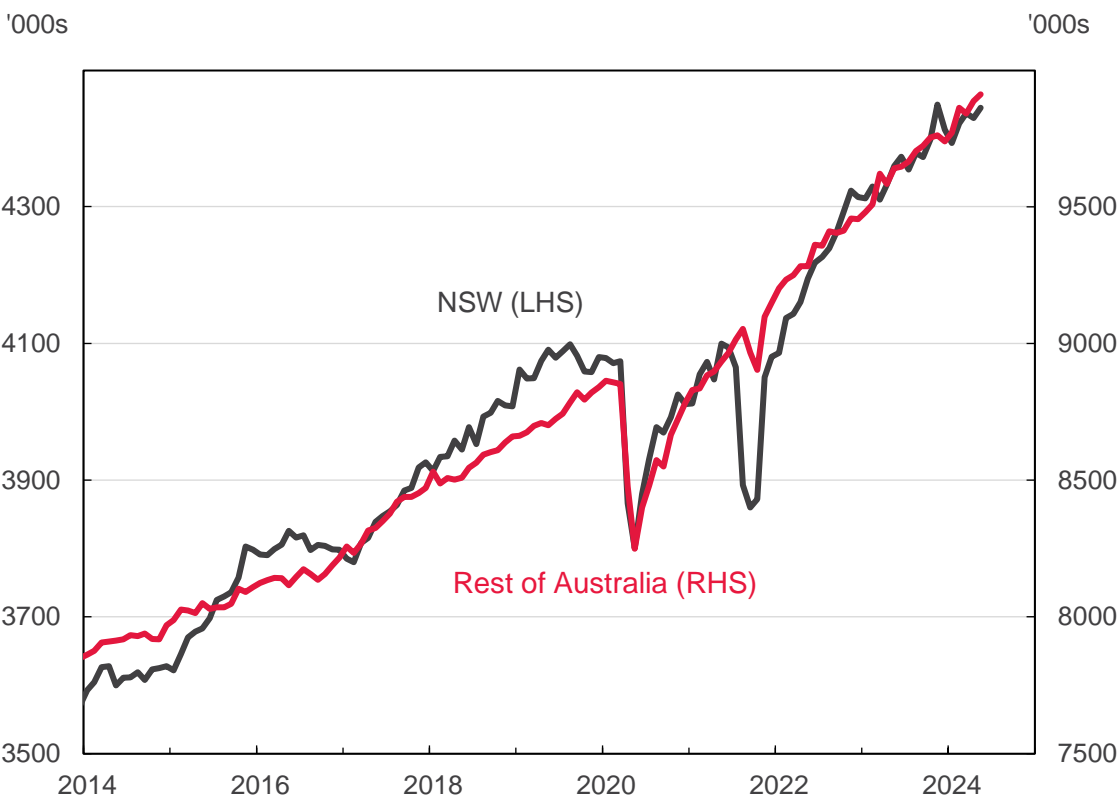
Source: Australian Bureau of Statistics

The labour market has been tight, but is gradually loosening

Unemployment has crept higher, but remains at a very low level



Employment has continued rising, but has not kept up with population growth



Source: Australian Bureau of Statistics

Inflation has been falling and wages growth looks to have peaked



Source: Australian Bureau of Statistics

New South Wales Treasury Corporation

Unclassified

Economic activity has slowed as monetary policy remains restrictive

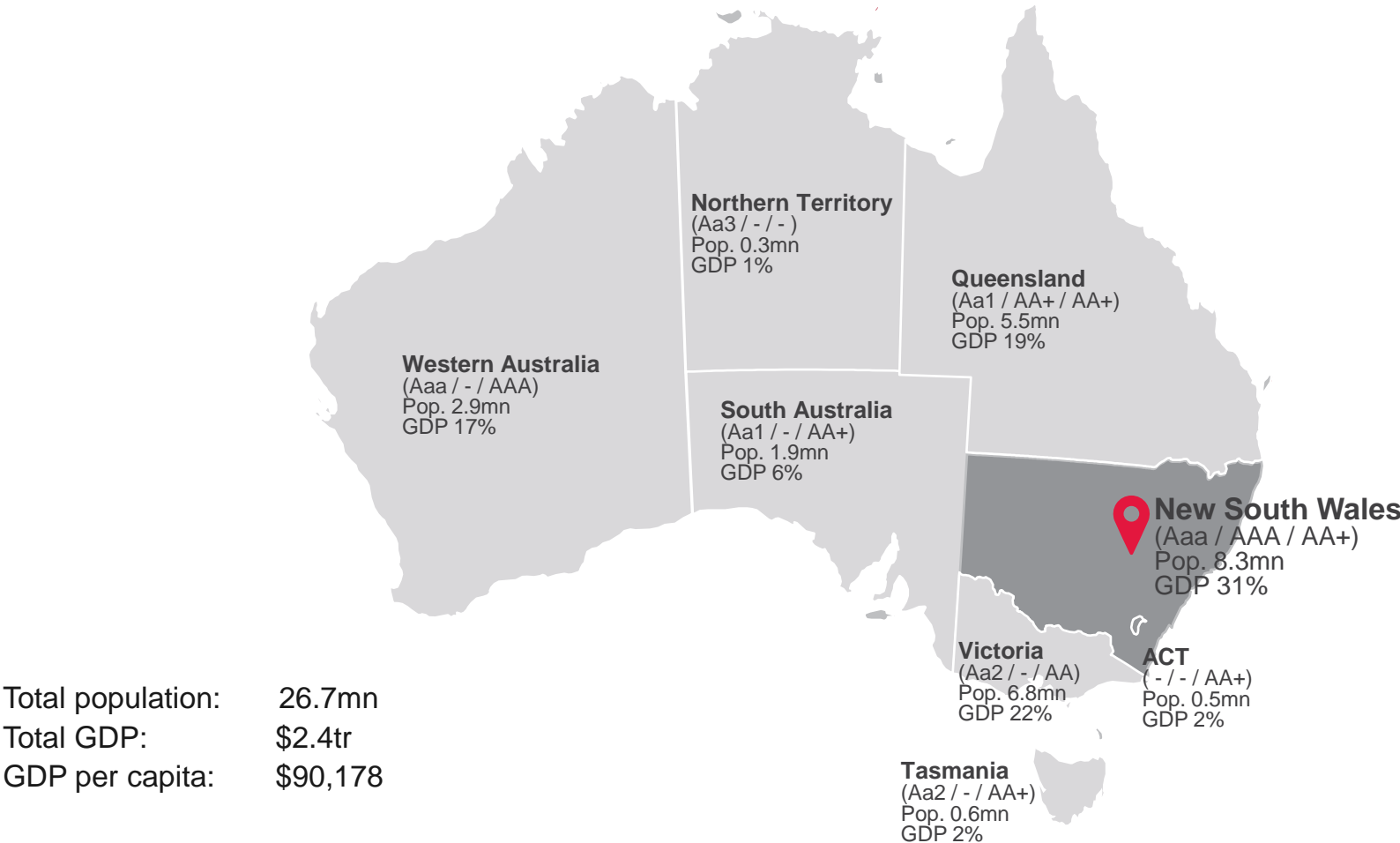
Performance and outlook

	2023-24 Forecast*	2024-25 Forecast*	2025-26 Forecast*	2026-27 Forecast*	2026-28 Forecast*
Real gross state product	1½	2 (1¼)	2	2¼ (2½)	2¼
Employment	2½ (1½)	1 (½)	1	1½	1½
Unemployment rate	4 (3¾)	4½	4½	4¼	4
Sydney consumer price index	4¼ (4½)	3 (3¼)	2¾	2½	2½
Wage price index	4	3¾	3½ (3¼)	3¼	3½
Population	2.1 (1.7)	1.2 (1.3)	1.2 (1.3)	1.1 (1.2)	1.1

*Forecasts rounded to nearest quarter point and are annual average per cent change. Half-Yearly Review forecasts in parentheses where different.
Source: 2024-25 NSW Budget

NSW has the largest economy and population in Australia

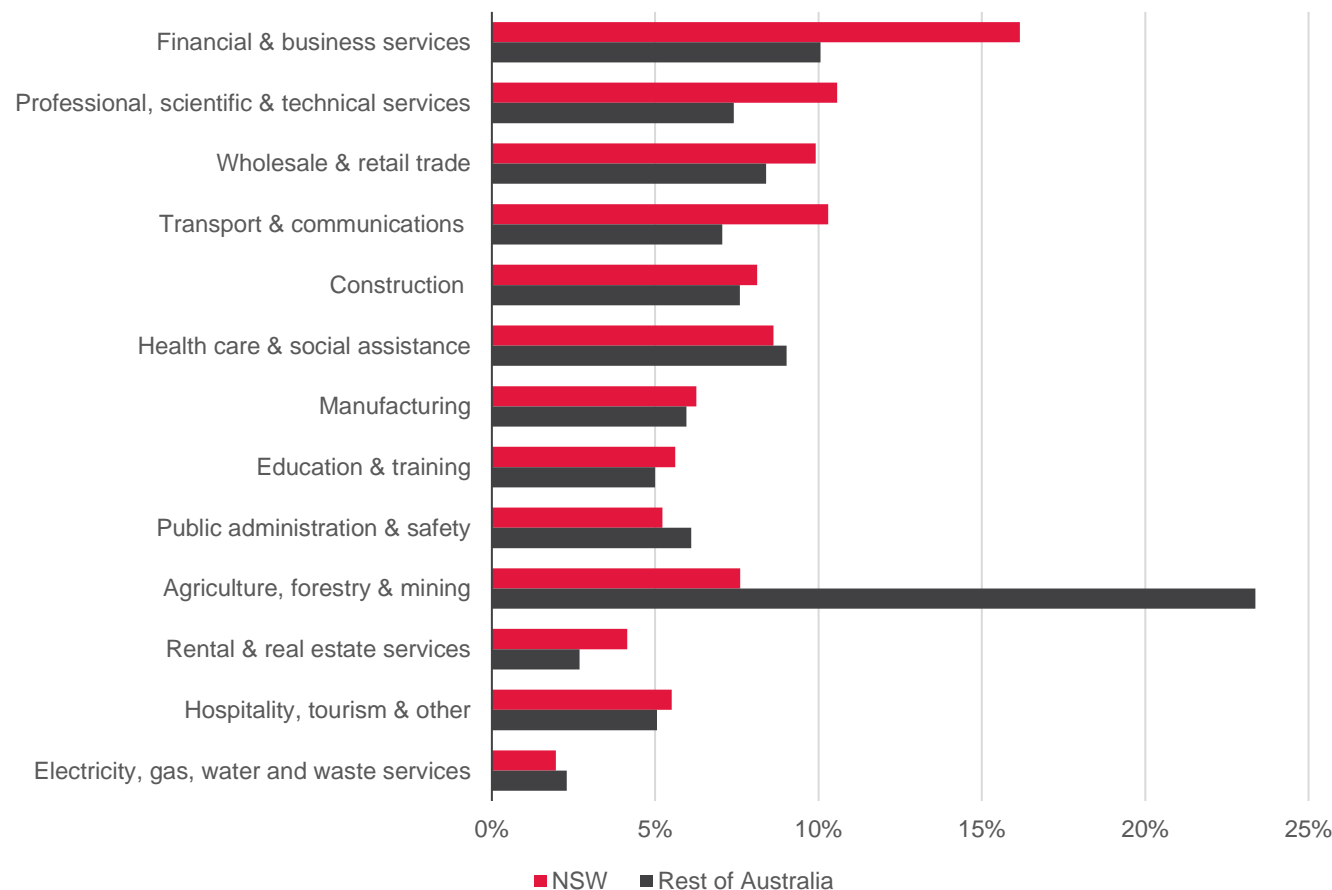
Population and GDP






Note: Credit ratings listed in the order of Moody's, Fitch and S&P.
Source: Australian Bureau of Statistics, at 30 June 2023

NSW is a highly diversified economy

Industry composition of NSW economy vs rest of Australia



The NSW economy

-  Represents around one third of national GDP
-  High concentration of services industries
-  Low concentration of volatile primary production

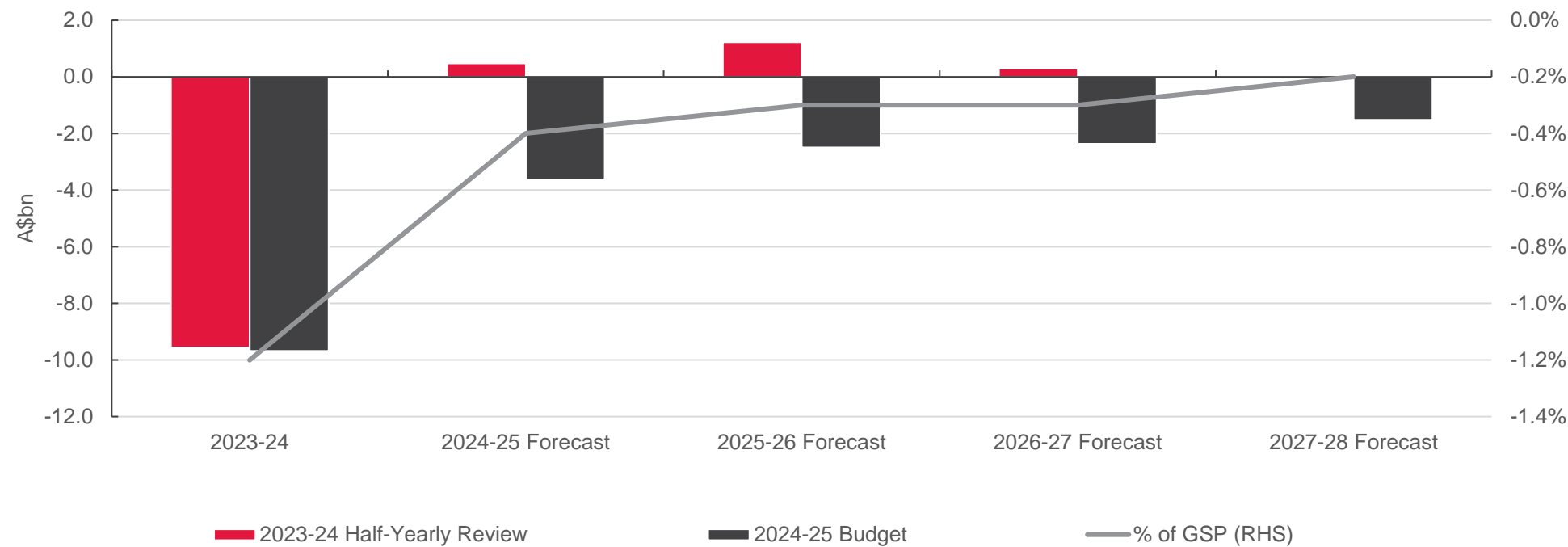
Source: Australian National Accounts: State Accounts 2022-23, Australian Bureau of Statistics



Section 2 – Fiscal Outlook

Softer revenue outlook, higher depreciation costs and new funding initiatives impacting the budget bottom line

The Government has prioritised cost-of-living measures and rebuilding essential services



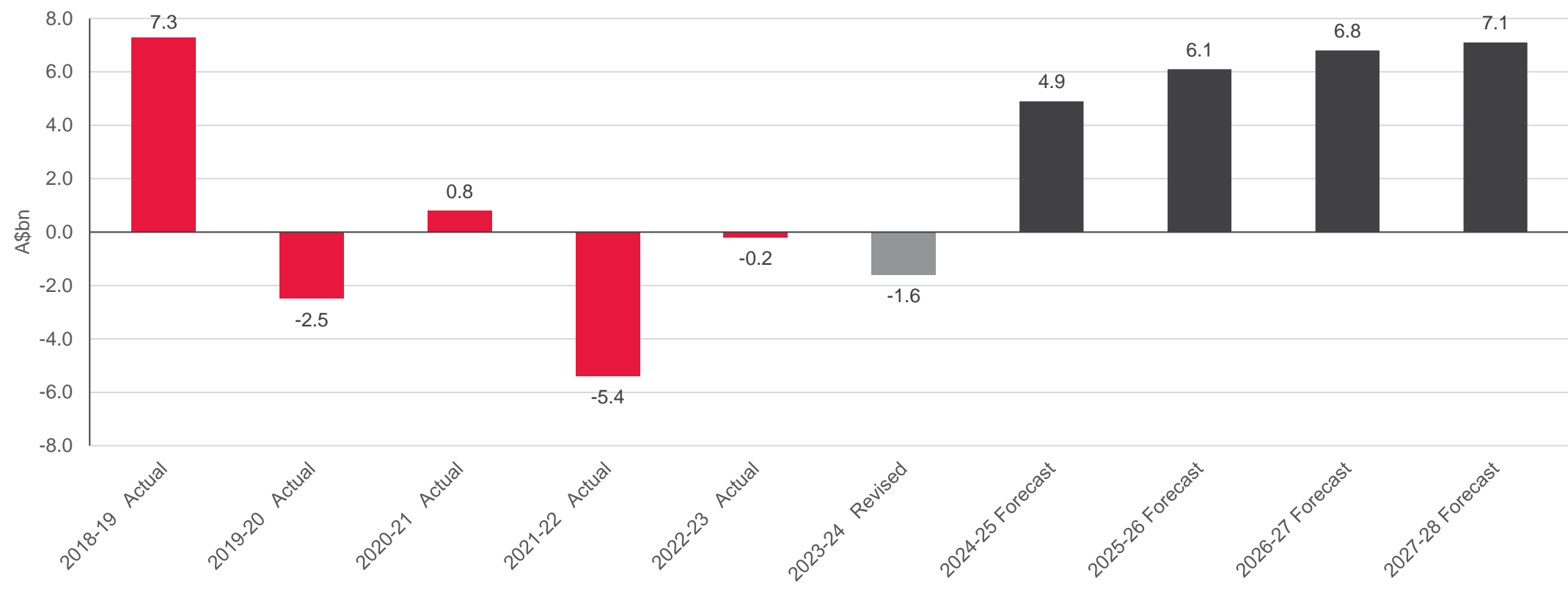
The Government remains committed to 2 key fiscal principals adopted at the 2023-24 Budget:

- Returning to a sustainable operating position
- Stabilising and then maintaining a sustainable debt position

Source: 2024-25 NSW Budget paper no.1, general government sector

Net cash operating balance

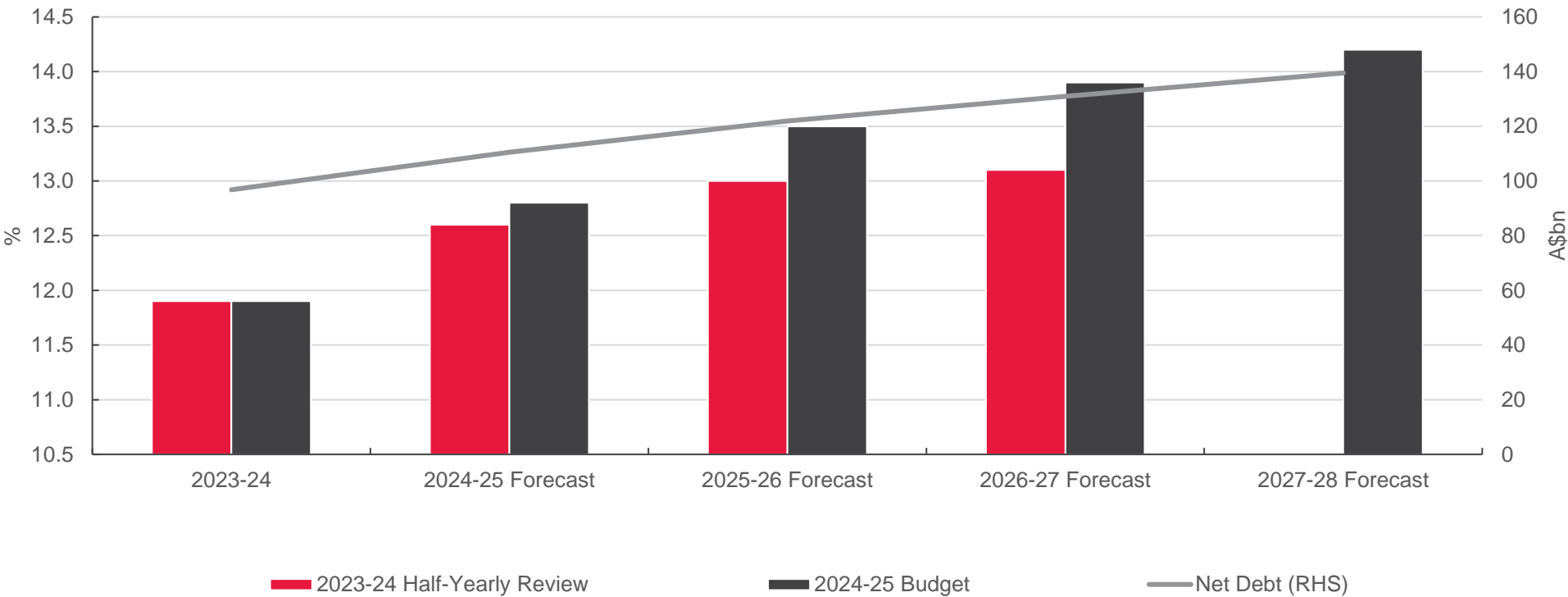
Projected return to a cash operating surplus in 2024-25, the first in 4 years



Source: 2024-25 NSW Budget paper no.1, general government sector

Net debt to GSP is forecast to grow broadly in line with most other states

Despite pressures from external sources, stabilisation of debt is critical to longer-term sustainability of the state

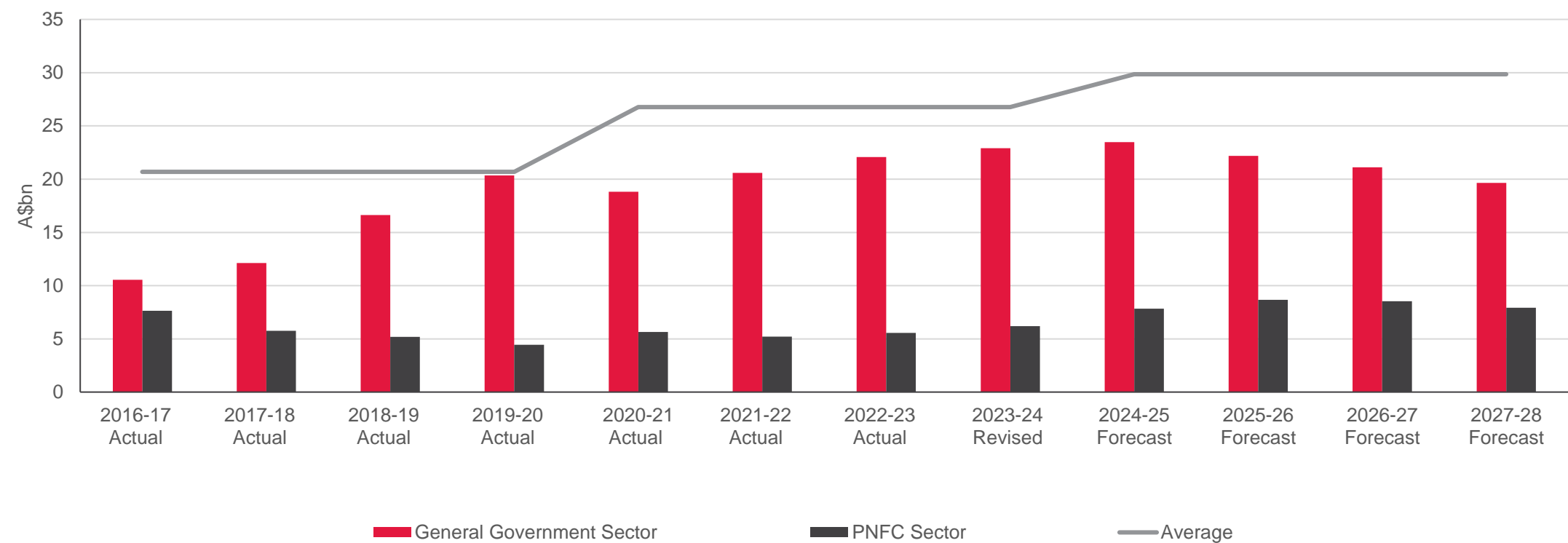


Net debt to gross state product (GSP) is projected to be 11.9% by June 2024, broadly in line with the 2023-24 Half-Yearly Review

Source: 2024-25 NSW Budget paper no.1, general government sector

Infrastructure program of \$119.4bn over 4 years

Capital expenditure programme is expected to moderate over the coming years as transport mega projects are completed



New funding for housing, education and transport has contributed to modest growth in the overall program

\$119.4bn Essential Infrastructure Plan

Program aligned to support the Government's objective of delivering more homes close to transport, schools, services and jobs

Social Housing

\$6.1bn



Transport

\$62.9bn



Hospitals and Health

\$13.4bn



Schools and Education

\$9.5bn



Water Entities

\$17.6bn



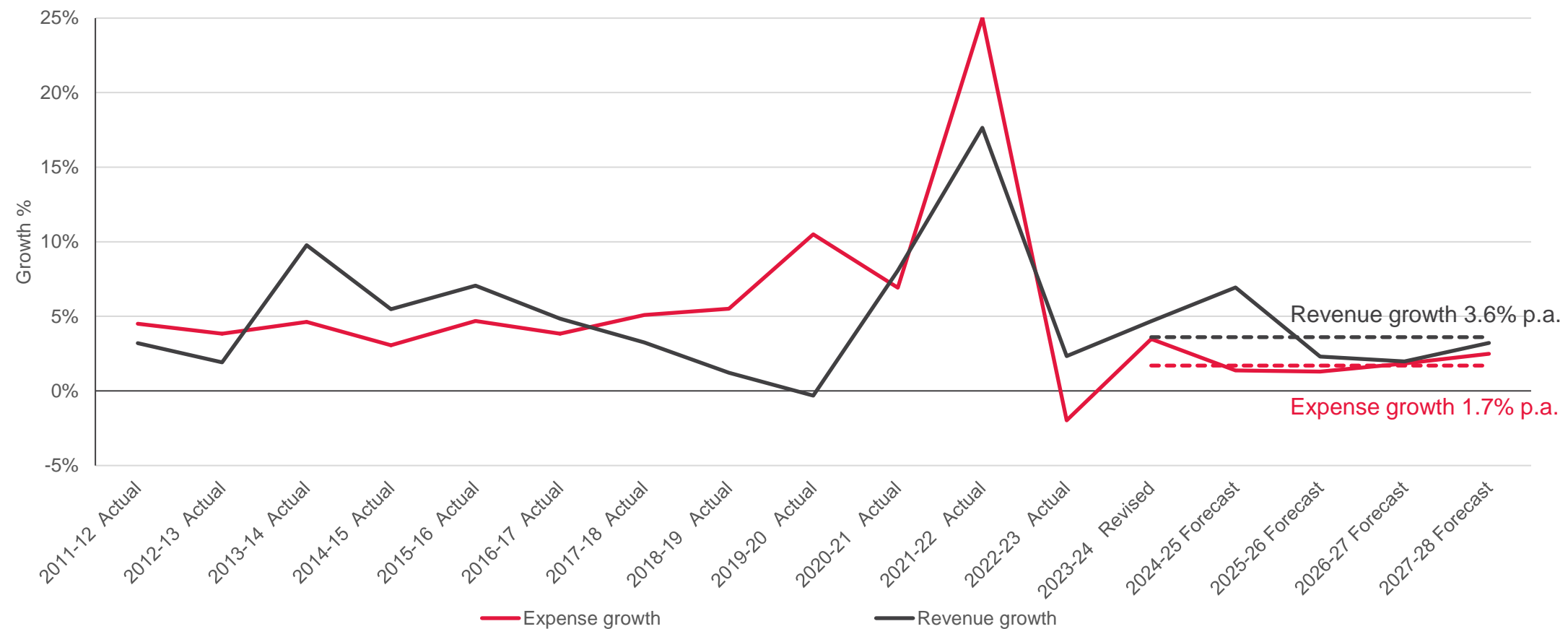
Planning

\$3.0bn



Expense growth is forecast to remain at sustainable levels

Expenses expected to grow at an average of 1.7% over the 4 years to 2027-28, below revenue growth of 3.6% p.a.



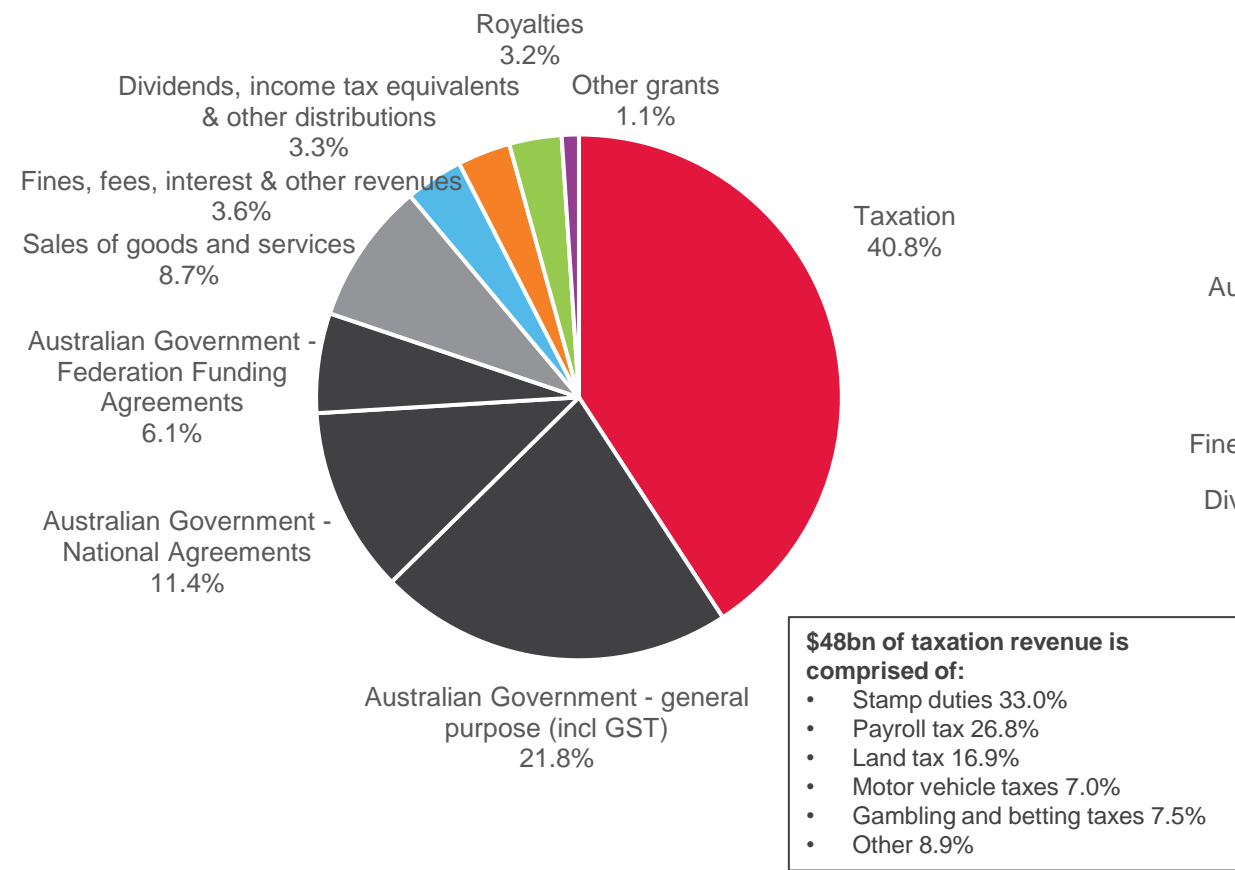


Section 3 – 2024-25 Budget Highlights

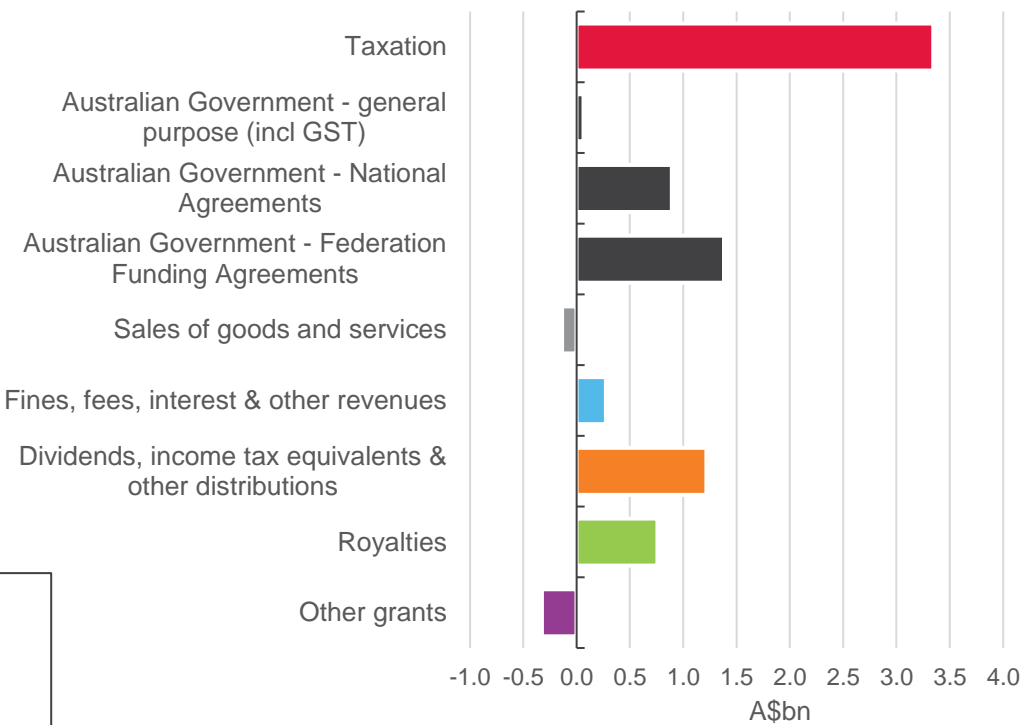
Revenue is projected to increase by 6.9% in 2024-25 to \$118.5bn

Higher transfer duty, land tax and federal funding arrangements is being offset by downward revisions to payroll tax, GST and lower dividends due to suspension of NGF contributions

Composition of 2024-25 revenue



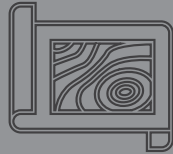
Revenue change from 2023-24 Half-Yearly Review



Source: NSW Budget 2024-25 Budget paper no.1, general government sector

Key revenue measures since the 2023-24 Half-Yearly Review

New revenue measures are forecast to improve revenue by \$436.8mn in 2024-25 and by \$2.4bn to 2027-28



Land tax \$1.5bn over 4 years

Land tax threshold to be set at
2024 land tax year values

Land tax threshold set at
\$1,075,000

Premium rate threshold set at
\$6,571,000



Foreign investor surcharges \$187.5mn over 4 years

Foreign owner land tax surcharge
from 4% to 5% from 1 January
2025

Foreign purchaser duty surcharge
from 8% to 9%



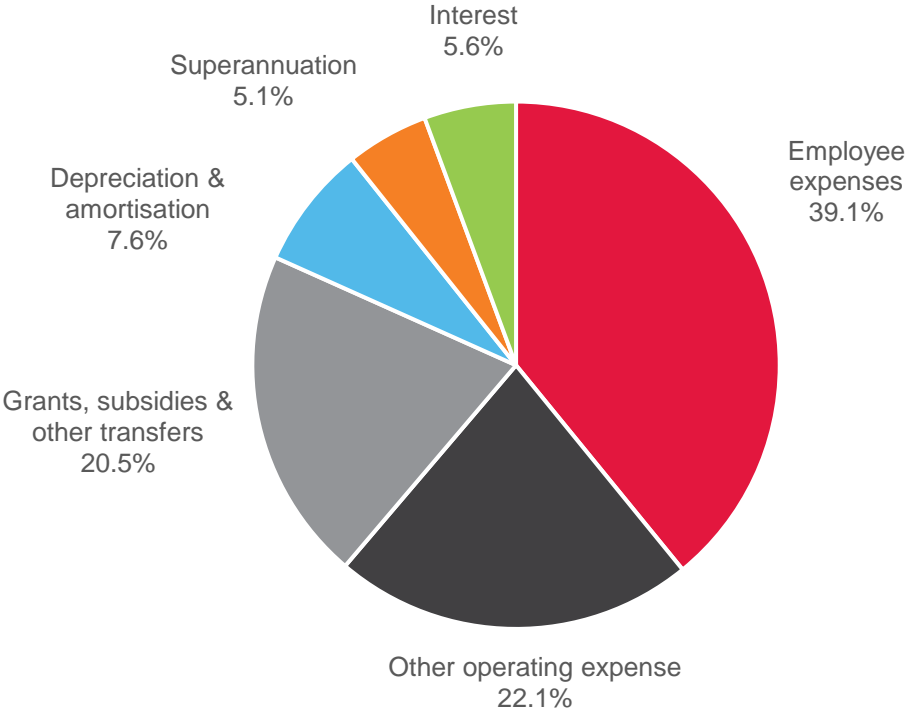
Private health insurers \$490mn over 4 years

Private health insurers to pay the
NSW gazetted single room rate to
public hospitals for private patients

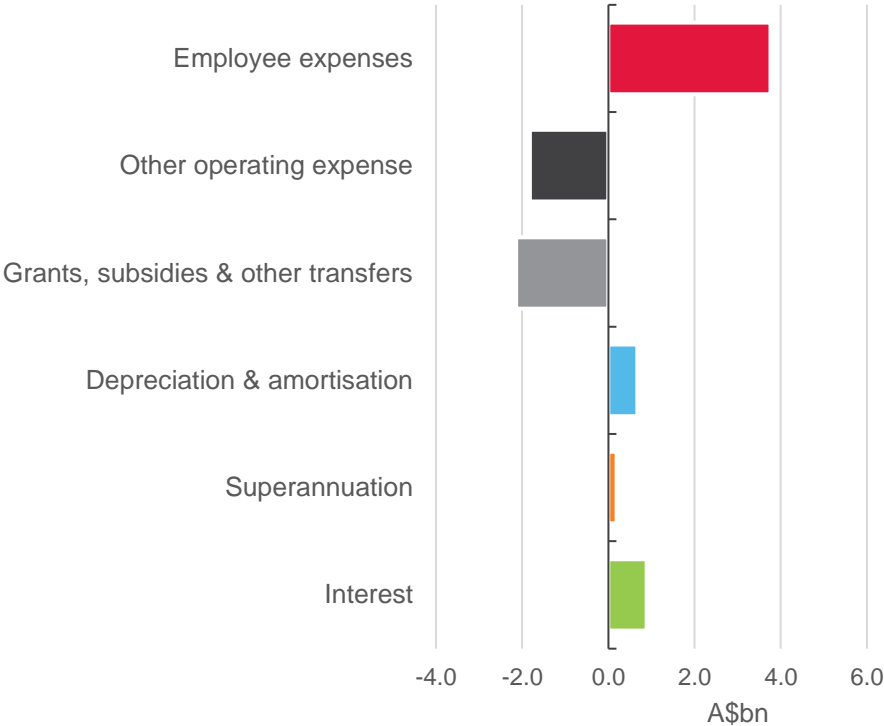
A 1.4% increase in expenditure to \$122.2bn is projected for 2024-25

New policy measures primary driver of growth in expenditure

Composition of 2024-25 expenses



Expenses change from 2023-24 Half-Yearly Review



Source: NSW Budget 2024-25 Budget paper no.1, general government sector

Key budget expenditure initiatives - Building Homes for NSW

Deliver up to 30,000 new homes, including up to 21,000 new market & affordable homes, and 8,400 social homes, with priority for victim-survivors of domestic and family violence



\$5.1bn

To deliver 8,400 new social housing

\$1.0bn

To repair 33,500 existing social homes

\$528mn

Emergency housing and homelessness support



\$655mn

Key worker and rental housing

\$8.4mn

For a more efficient renter's system



\$254mn

To bolster the state's planning system

\$200mn

Incentivising councils to meet housing targets

Significant investment to boost housing supply, social housing and support for renters



Section 4 – Funding Programme

Post the 2023-24 Budget, TCorp’s rating and outlook was affirmed by the major credit rating agencies

	Long term local currency	Long term foreign currency	Short term
Moody’s	Aaa (stable)	Aaa (stable)	Prime-1
Fitch	AAA (stable)	AAA (stable)	F1+
S&P Global	AA+ (stable)	AA+ (stable)	A-1+

“The rating is also supported by our views that the state will implement policies to maintain its strong financial health, in line with a historically sound management of its finances and the consequently strong assessment of the state’s governance and management.”

Moody’s, October 2023

“The affirmation reflects Fitch’s view that the robust NSW economy will continue to support sustained revenue growth, despite current risks to the global economy and a low-growth outlook.”

Fitch Ratings, October 2023

“Our ratings are supported by NSW’s wealthy and diversified economy, excellent financial management, and exceptional liquidity.”

S&P Global, November 2023

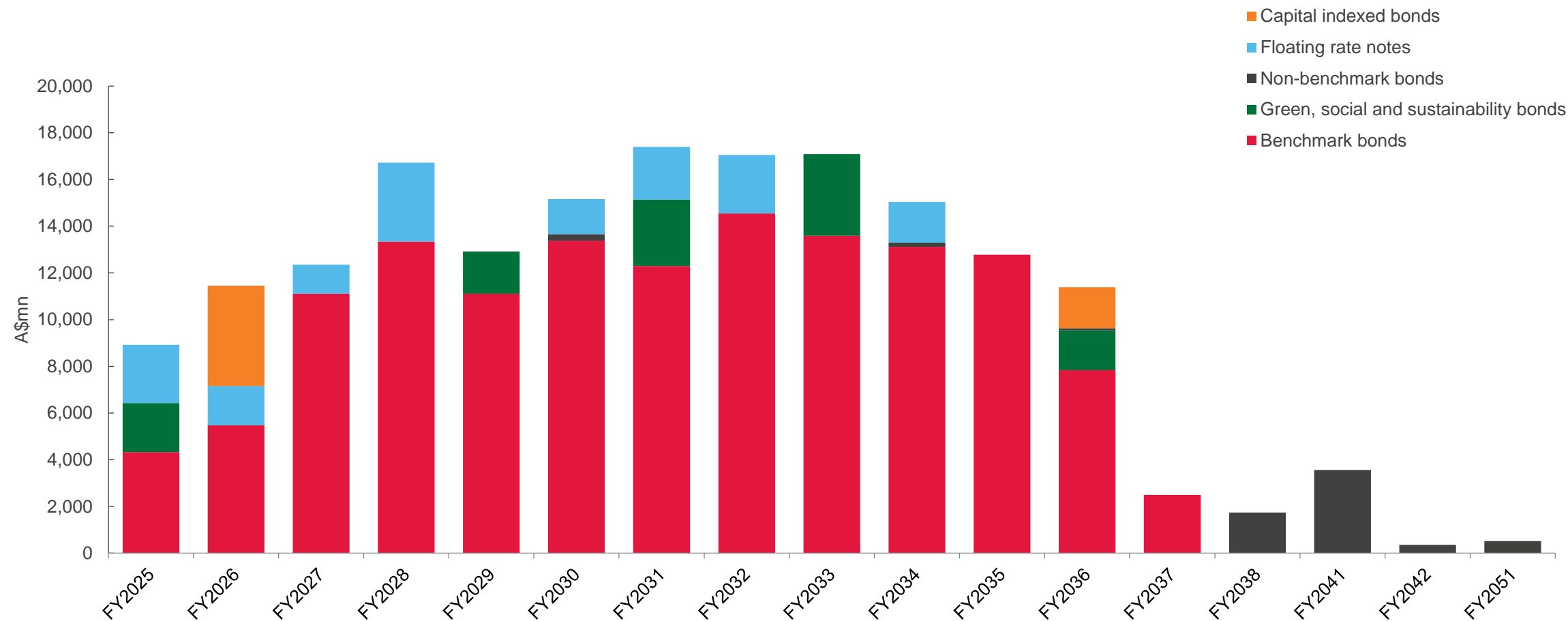
TCorp's funding requirement has moderated since the 2023-24 Half-Yearly Review

A\$bn	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast
New client loans	13.4	15.2	13.9	14.0
Term maturities	8.9	11.5	12.4	16.7
Funding requirement	22.3	26.7	26.3	30.7
<i>Change from 2023-24 Half-Yearly Review</i>	<i>-2.2</i>	<i>-1.8</i>	<i>-3.9</i>	

Source: TCorp, NSW Treasury, figures as at 18 June 2024

TCorp maturity profile

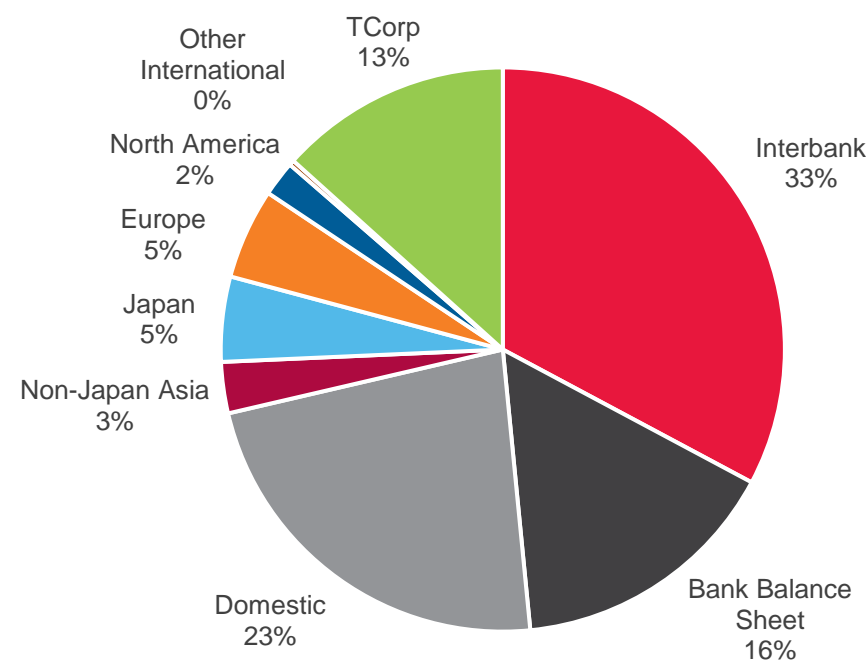
Investors benefit from a liquid and diversified product offering



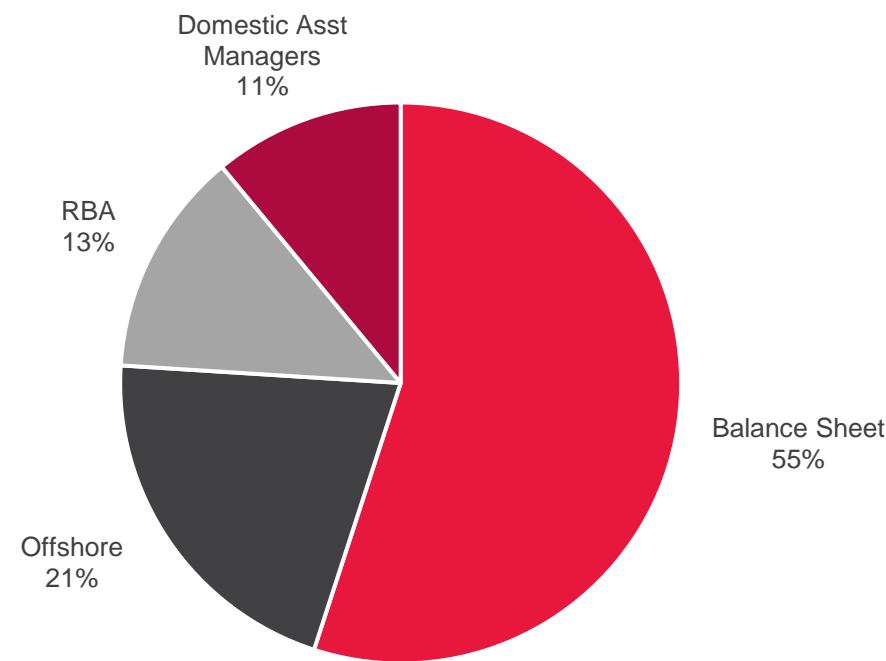
Source: TCorp as at 21 June 2024

Composition of TCorp's investors

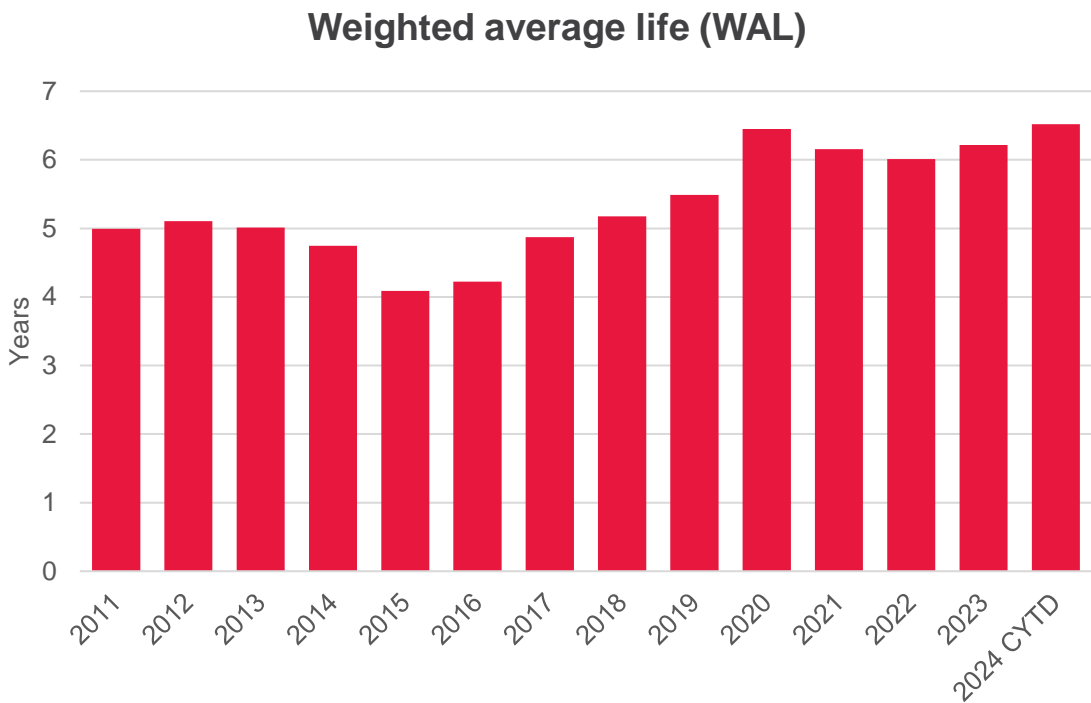
Over A\$790bn in panel bank reported secondary market turnover 2020-2024 FYTD



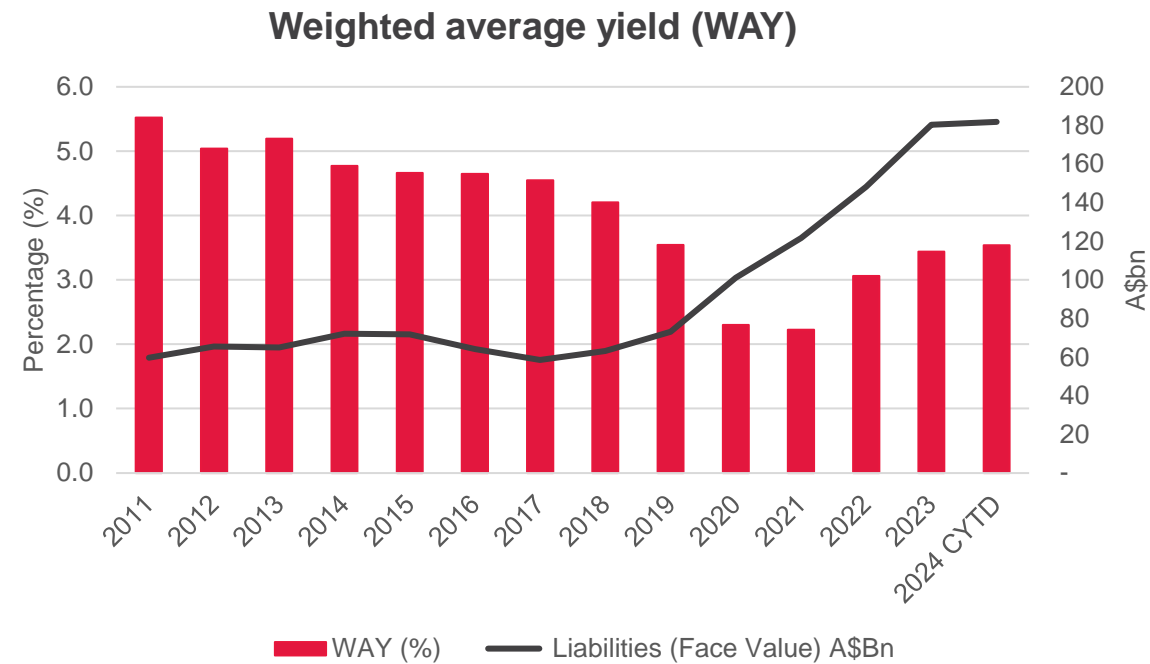
Holders of TCorp bonds as reported by ABS data



Despite rising interest rates, TCorp's borrowing costs remain well below historical levels



Duration increased at a time of lower interest rates



NSW's average borrowing costs, while increasing with interest rates, remain well below historical levels

Source: TCorp, numbers as at 31 December each year, 2024 CYTD as at 31 May 2024



Section 5 – Sustainability in NSW

NSW Sustainability Bond Programme overview

Mechanism for investors to contribute capital to accomplish environmental and social goals

Framework	NSW Sustainability Bond Framework – January 2022 (an update to the current version is in progress with no material changes)
External review	<ul style="list-style-type: none">• Second Party Opinion on current Framework provided by Sustainalytics• Independent annual assurance on outstanding GSS bonds and Annual Report from Sustainalytics
Green bonds	Issued in alignment with 2021 ICMA Green Bond Principles (GBP) Certification in compliance with Climate Bonds Standard V3.0
Social bonds	Issued in alignment with 2021 ICMA Social Bond Principles (SBP)
Sustainability bonds	Issued in alignment with 2021 ICMA Sustainability Bond Guidelines (SBG)
Components	GSS bonds issued in alignment with the four core components of the ICMA Principles: <ul style="list-style-type: none">• Use of proceeds• Process for project evaluation and selection• Management of proceeds• Reporting
Asset pool	<ul style="list-style-type: none">• Limited to expenditure on eligible projects and assets detailed in the Framework• Lookback period limited to 2 years• Only expenditure that has already occurred• Refinancing of assets via the SBP occurs only once
UN SDGs	Framework incorporates ICMA alignment mapping of GBP and SBP with UN SDGs
Annual report	Annually for all outstanding green, social or sustainability bonds
Website	https://tcorp.nsw.gov.au/home/tcorp-bonds/sustainability-bonds/

Sustainable Finance website

A centralised platform detailing how the NSW Government incorporated social and environmental factors into financial decisions

What it does

- Streamlines access to policies, programs and data related to the NSW Government's sustainable finance activities and outcomes

What it aims to achieve

- Improves transparency around how NSW responds to risks and opportunities posed by sustainability issues

What NSW information is available

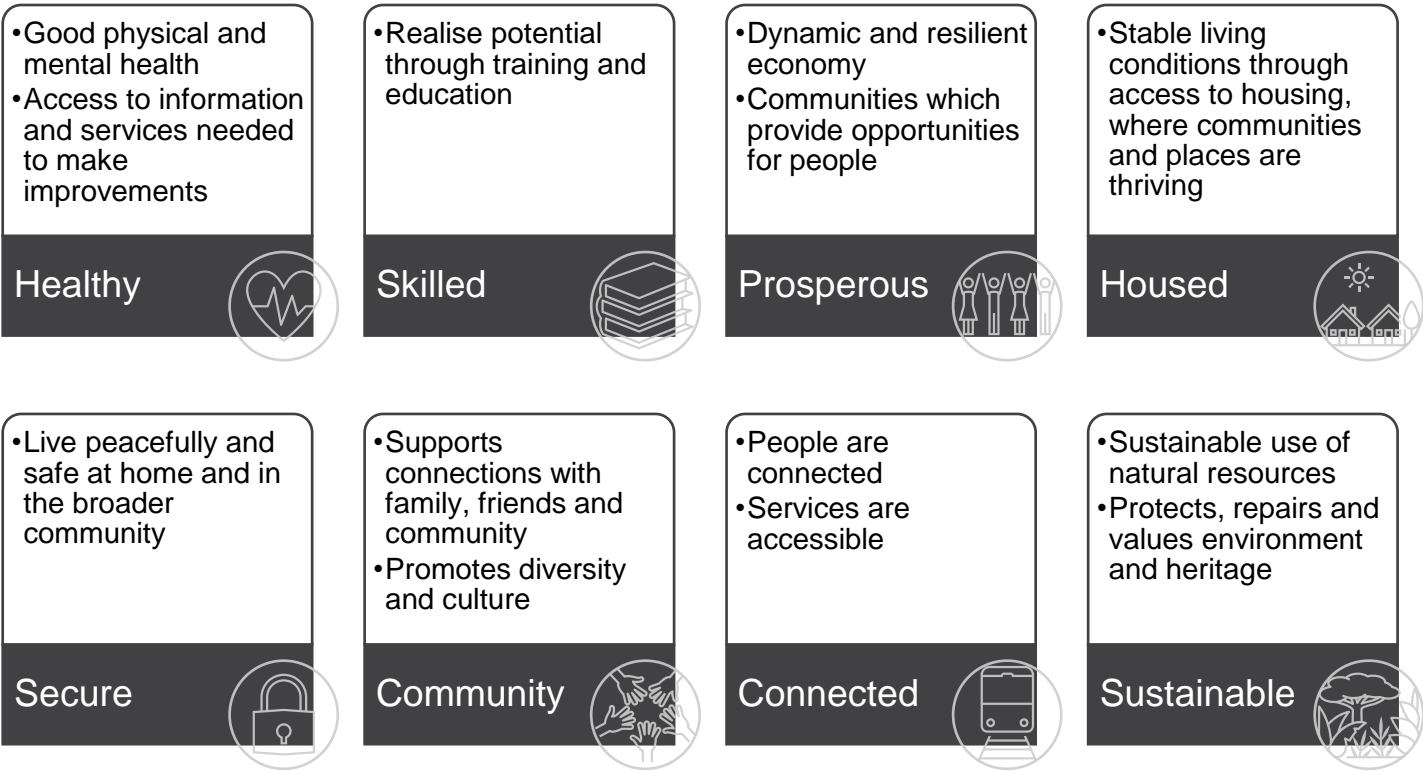
- Key policies and legislation, e.g. [Climate Change \(Net Zero Future\) Act 2023](#)
- Sustainable debt and investment initiatives, e.g. [NSW Sustainability Bond Programme](#)
- Sustainability data and metrics hub, e.g. [Net Zero Emissions Dashboard](#), [carbonZero Accelerator](#)

Sustainable Finance | NSW Government

<https://www.nsw.gov.au/departments-and-agencies/sustainable-finance>

Proposed NSW Performance and Wellbeing Framework

Reporting progress against clearly stated measures helps inform governments on progress in the areas society identifies as important



A complete framework will be presented in the 2025-26 Budget

See [here](#) for more information



Section 6 – TCorp Contacts

Funding and Balance Sheet contacts

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TCorp provides best-in-class investment management, financial management, solutions and advice to the New South Wales (NSW) public sector. With A\$110 billion of assets under management, TCorp is a top 10 Australian investment manager and is the central borrowing authority of the state of NSW, with a balance sheet of A\$173 billion. It is rated Aaa (Stable) by Moody's, AAA (Stable) by Fitch, and AA+ (Stable) by S&P.

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