

### Responsible Financial Management delivers Budget surplus.

The McGowan Labor Government has turned the State's finances around.

The McGowan Government's third Budget delivers a return to surplus in 2018-19, in just the second year of Government.

## STATE FINANCES AT A GLANCE

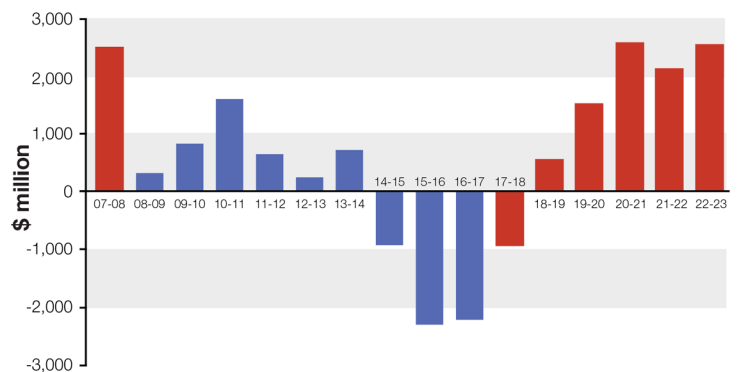


- Budget returns to general government **operating surplus of \$553 million** in 2018-19. WA's first surplus in five years, in just the second year of the McGowan Labor Government
- Massive turnaround from \$2.5 billion deficit in the final year of the Liberal National Government
- **\$1.5 billion forecast surplus in 2019-20**, rising to over \$2 billion from 2020-21 to 2022-23
- **Expense growth limited to just 1.3% per annum** over the four years to 2022-23, compared to 6.4% average growth under the previous Government
- Debt **\$4.1 billion lower than projected under the previous Government** by 2019-20, saving Western Australians \$508 million in wasted interest payments
- WA is the **only State forecasting net debt to decrease** over the forward estimates period
- Households to benefit from the Government's disciplined financial management, with the **lowest increase in household fees and charges in 13 years**

## BUDGET BACK IN SURPLUS

- The Government's continued financial discipline has underpinned a return to surplus in 2018-19 (\$553 million)
- Operating surpluses represent the difference between day-to-day revenue and expenses but do not include spending on asset investment
- Operating surpluses are required to fund investment in infrastructure and repay the mountain of debt left by the previous Liberal National Government
- Surpluses also provide a buffer against volatility in revenue

GENERAL GOVERNMENT NET OPERATING BALANCE

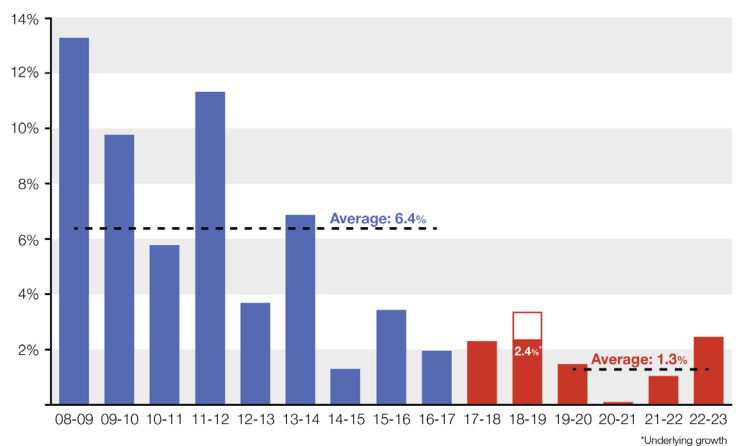


## EXPENDITURE MANAGEMENT

The McGowan Government's focus on reining in expenditure growth has been the key to its financial management and debt reduction.

- Expenditure is expected to grow by just 1.3% per annum over the four years to 2022-23, compared to 6.4% under the Liberal National Government
- Successful savings measures have included voluntary targeted separations, the \$1,000 wages policy, machinery of government changes and freezing some non-salary expenditure
- Moreover, expenditure has been better targeted and prioritised to improve the quality of health care, education and community safety

GENERAL GOVERNMENT EXPENSE GROWTH

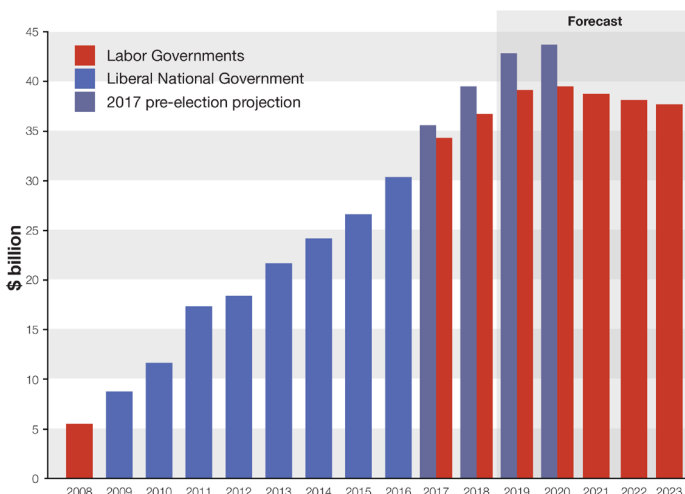


## PAYING DOWN THE LIBERAL NATIONAL DEBT MOUNTAIN

The Government is delivering on its promise to pay down the mountain of debt of the previous Government, sensibly over time like a household pays down a mortgage, rather than privatising Western Power.

- Debt is projected to be **\$4.1 billion lower in 2019-20 than projected under the previous Government** in the 2016-17 Pre-election Financial Projections Statement
- This will **save Western Australians an estimated \$508 million in interest payments**, which can be directed towards essential services
- Debt is forecast to decline from 2020-21. WA is the only State where debt is expected to decline

TOTAL PUBLIC SECTOR NET DEBT (INC AASB 16) AT 30 JUNE



## RECORD LOW INCREASE IN HOUSEHOLD FEES

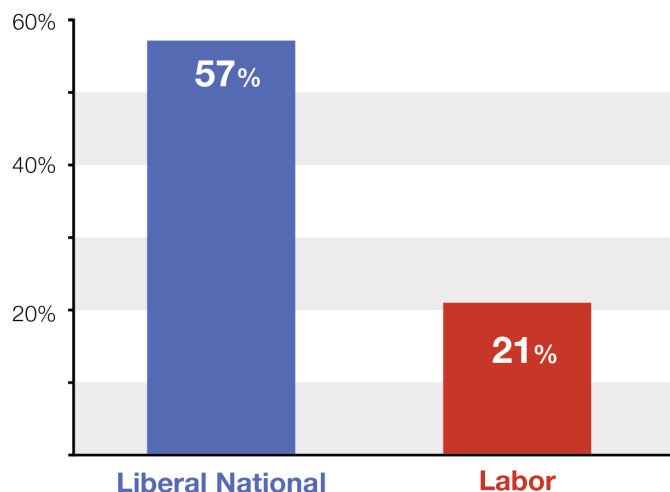
The McGowan Government recognised that households have been burdened with significant increases in household charges over the last decade, averaging 5.8% per annum over the two terms of the Liberal National Government.

- **This Budget delivers the lowest increase in household fees and charges in 13 years of 2% in 2019-20**

The McGowan Government ensured that households were the first to benefit from its responsible financial management.

- **Household electricity prices will rise by 1.75% in line with forecast inflation**

CUMULATIVE INCREASE IN ELECTRICITY PRICES FIRST THREE BUDGETS



## WESTERN AUSTRALIA'S GST

The GST distribution reforms secured by the McGowan Labor Government in 2018 guarantee that WA will never again receive below 70% of our population share of the GST pool.

A GST top-up prepayment of \$434 million in 2018-19 has been fully allocated to the Government's Debt Reduction Account.

- Despite the GST reform, WA **is not completely immune** from movements in GST funding
- The Commonwealth has cut its estimates of the national GST pool and lowered its projections of WA's population. These effectively reduce the expected overall size of the GST pie and reduce WA's projected share of the pie. These changes are not protected by the 70% floor guarantee
- In net terms, Western Australia's **GST and floor grants are \$921 million lower** than forecast in the Budget relative to the 2018-19 Mid year Review
- Nonetheless, in a clear vindication of the McGowan Labor Government's approach to **expenditure restraint**, even without the GST floor top up payments, **the Budget would still be in an operating surplus position across the entire forward estimates period**