



State of the Finances

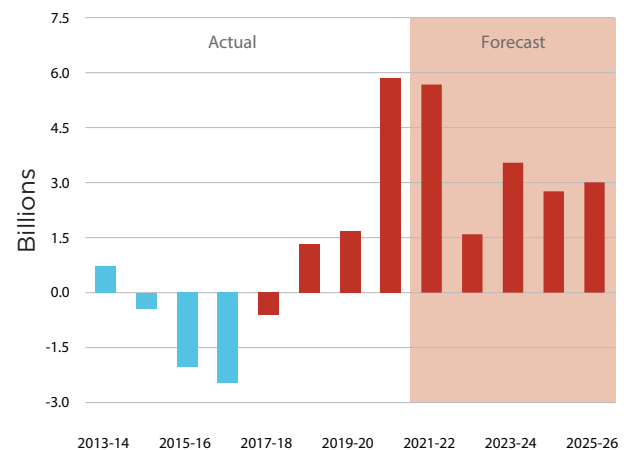
At a glance

- The State Budget confirms Western Australia's economy and finances are leading the nation.
- The State's finances remain in a strong and stable position because of WA's safe handling of the pandemic, achieving the soft landing as planned, and keeping WA's economy open and strong.
- A strong operating surplus of \$5.7 billion is expected in 2021-22 and a \$1.6 billion surplus in 2022-23.
- Net debt to decline for a third straight year to be less than \$30 billion for the first time since 2015 and almost \$14 billion lower than projected when Labor came into Government.
- This has been achieved, despite committing over \$11.2 billion to COVID-19 response measures and a record \$33.9 billion Asset Investment Program.
- This Budget continues WA's responsible financial management, while helping Western Australians with the cost of living, responding to climate change and investing in our future to keep our economy powering ahead.
- Budget management is in stark contrast to the record deficits under Liberals and Nationals.

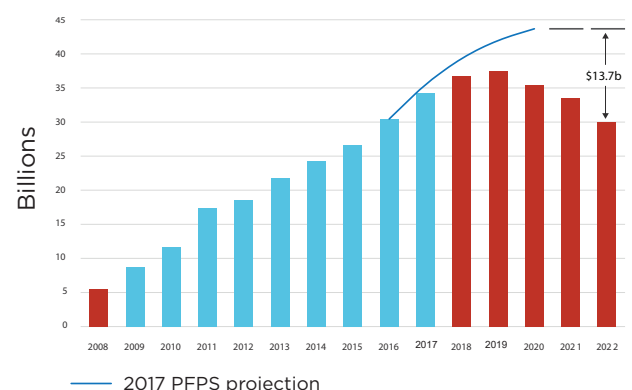
Operating Balance and Net Debt

- WA's strong economy and the uninterrupted operation of the resources sector has boosted the State's fiscal position.
 - A \$5.7 billion operating surplus is now expected for 2021-22, with an operating surplus of \$1.6 billion forecast in 2022-23.
 - Operating surpluses are forecast across the entire forward estimates period, based on conservative iron ore price forecasts.
- It is important to note that these surpluses are not 'left over' cash. They are used to fund the State's record \$33.9 billion investment in infrastructure to build WA's roads and rail, hospitals and schools.
- Net debt is expected to decline for a third consecutive year to \$29.9 billion at 30 June 2022, which is \$2.7 billion lower than forecast in the 2021-22 Mid-year Review and almost \$14 billion lower than projected under the previous Liberal-National Government. This has saved Western Australians \$2.5 billion in wasteful interest payments.
- Paying down debt reduces Western Australia's exposure to rising interest rates. The McGowan Government's strong surplus has also provided the capacity to make an early repayment of \$1.2 billion in debt, saving an estimated \$132 million in interest costs over the next four years.

General Government Operating Balance



Total Public Sector Net Debt

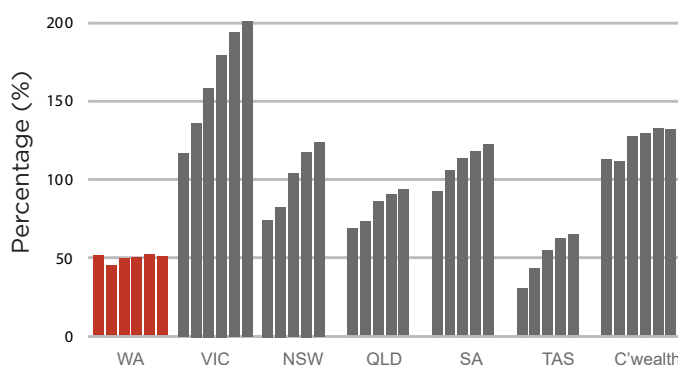


- Net debt as a share of Gross State Product is forecast to remain low, peaking at just 9.9% in 2024-25 before declining from 2025-26.
- Western Australia now has a stable net debt to revenue ratio of around 50% across the forward estimates period. This compares with NSW and Victoria reaching projected ratios of 123.7% and 200.5% respectively, due to the impact of large operating deficits. The Commonwealth's general government net debt to revenue ratio is projected to increase from 75.7% prior to the pandemic to 132% by 2025-26.

General Government Operating Balance
2020-21 to 2025-26



Net Debt to Revenue Ratio
2020-21 to 2025-26



Key Budget Initiatives

- The 2022-23 Budget uses the State's strong fiscal capacity to provide:
 - cost of living support for households with a \$400 electricity credit for every WA household;
 - a record \$2.5 billion investment in the State's health and mental health systems, including a \$252 million package of measures to ease pressure on hospital emergency departments;
 - an additional \$1.6 billion to respond to COVID-19 (taking the State's total investment to more than \$11.2 billion), including equipping our frontline services, supporting businesses and households;
 - \$1.3 billion investment to strengthen and diversify the economy and create jobs, including an \$80 million boost to the Investment Attraction Fund, \$70 million to support tourism, a \$50 million boost to the Industrial Land Development Fund, and \$41.2 million to support the recovery of the international education sector;
 - a further \$652 million for climate action and environment initiatives, including an extra \$500m for the Climate Action Fund (taking the total to \$1.25 billion) and \$59.3 million to accelerate the take-up of electric vehicles;
 - a further \$450 million to support safe and thriving communities, including additional investments in child protection, prevention of family violence, support for people with disabilities and helping our youth thrive;
 - a \$400 million boost to the Digital Capability Fund to ensure key agency service delivery keeps pace with public expectations and to enhance cyber security; and
 - \$350 million for a new Remote Communities Fund to provide for the regularisation and upgrade of water and electricity services and new and refurbished housing in remote Aboriginal communities.

- The 2022-23 Budget also delivers record infrastructure investment of \$33.9 billion over the next four years, including investments in roads, rail and other transport projects, hospitals and schools, ports (including a substantial \$350 million expansion of Geraldton Port), and community based infrastructure. This includes a record \$12 billion investment in regional projects.
- More details on these initiatives and other features of the Budget are available in the 2022-23 Budget Paper No. 3: Economic and Fiscal

Where the money comes from and where it goes

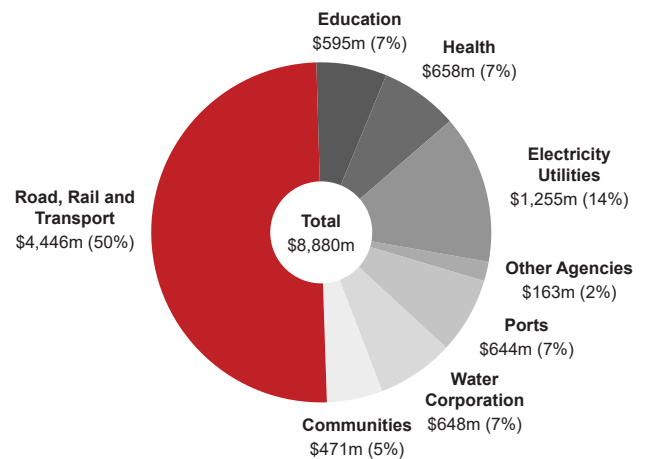
Revenue

- General government revenue is estimated to total \$38.4 billion in 2022-23.
- A stronger economy has translated through to higher revenue collections including increased taxation revenue from the strong labour and housing markets and higher royalties due to elevated commodity prices and the uninterrupted operation of the resources sector throughout the pandemic.
- Revenue is expected to contract by 8.3% in 2022-23, which largely reflects the conservative iron ore prices forecasts in the Budget, which is necessary given this highly volatile revenue source.

Expenses

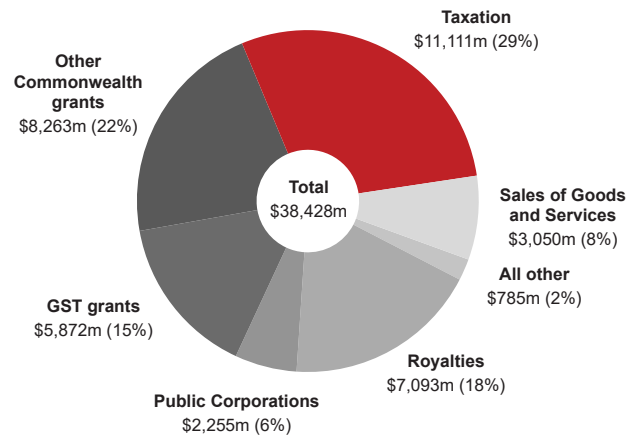
- Expenses are forecast to total \$36.8 billion in 2022-23, with health and mental health, education and training, and community safety accounting for

2022-23 Asset Investment Program



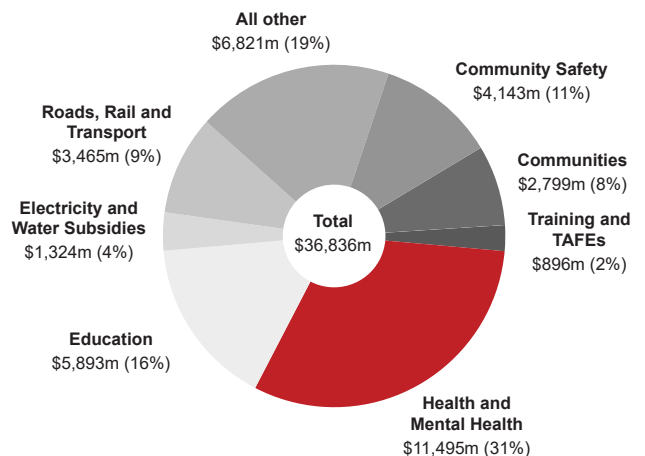
2022-23 Revenue

General Government Sector



2022-23 Expenditure

General Government Sector



Interjurisdictional Comparison

- Western Australia is expected to generate 63% of its revenue from direct State sources in 2022-23 (such as payroll tax, mining royalties, and fees and charges). Just 37% of State revenue will be provided by the Commonwealth. This is the lowest proportion of funding from the Commonwealth of any State.

2022-23 General Government Revenue

	WA	NSW	VIC	QLD	SA	TAS
Commonwealth	14,135	40,973	40,351	33,733	13,125	5,094
Own-Source	24,293	58,589	41,630	33,799	9,922	2,679
Total	38,428	99,562	81,980	67,531	23,046	7,773
Commonwealth (%)	37%	41%	49%	50%	57%	66%
Own-Source (%)	63%	59%	51%	50%	43%	34%

Contribution to the Federation

- Western Australia provides the largest net revenue contribution to the Federation. Keeping the State's economy strong is vital to the country.
- Using the latest available data, Western Australia is estimated to have contributed \$30.8 billion to the Federation (or an average of \$11,541 per person) in 2020-21, more than fourteen times the contribution per capita of New South Wales, the only other net contributor. All other States were net recipients.

Contribution to the Federation (2020-21)

	WA	NSW	VIC	QLD	SA	TAS	NT
Total contribution (\$m)	30,840	6,641	-9,714	-16,116	-4,179	-3,596	-3876
Per capita contribution (\$)	11,541	813	-1,458	-3,102	-2,359	-6,647	-15,736

More details on these initiatives and other features of the Budget are available in the 2022-23 Budget Paper No. 3: Economic and Fiscal Outlook available at ourstatebudget.wa.gov.au.