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| National fiscal outlook |
| As at 2015–16 mid-year fiscal updates |
| Report no. 01/2016 |

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Foreword

This report provides an update to the national fiscal position based on the recently released Commonwealth and state government mid-year updates. It focusses on changes in the fiscal balance and net debt since the release of 2015–16 Commonwealth and state budgets.

The report focusses on the general government sector. The data underlying it are available from the PBO website. To allow for the most consistent comparison across jurisdictions, data are sourced from the Australian Bureau of Statistics (ABS) from 2002–03 to 2013–14 (the most recent ABS observation).

From 2014–15 to 2018–19 data are sourced from Commonwealth, state and territory budgets and mid-year updates. As Tasmania’s Revised Estimates Report for 2015–16 has not been released it has not been incorporated in the analysis.

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Phil Bowen PSM FCPA

Parliamentary Budget Office

3 February 2016

# National fiscal outlook

The national fiscal outlook has deteriorated significantly since the Commonwealth, state and territory governments[[1]](#footnote-1) delivered their 2015–16 budgets.

According to Commonwealth and state government 2015–16 mid-year updates[[2]](#footnote-2) the projected national fiscal deficit over the forward estimates has deteriorated by $34.1 billion (from a total of $88.0 billion at the time of the original 2015–16 budget projections to $122.1 billion) (Figure 1–1).

Figure –: National fiscal balance

|  | **2002-03** | **2003-04** | **2004-05** | **2005-06** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** | **2011-12** | **2012-13** | **2013-14** | **2014-15** | **2015-16** | **2016-17** | **2017-18** | **2018-19** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Fiscal balance (2015–16 budgets) | 6.4 | 6.8 | 11.7 | 16.7 | 17.6 | 21.3 | -29.3 | -53.1 | -53.3 | -45.8 | -22.0 | -34.4 | -39.4 | -33.0 | -23.4 | -9.2 | -3.2 |
| Fiscal balance (2015–16 mid-year updates) | 6.4 | 6.8 | 11.7 | 16.7 | 17.6 | 21.3 | -29.3 | -53.1 | -53.3 | -45.8 | -22.0 | -34.4 | -39.9 | -35.8 | -32.8 | -17.4 | -10.2 |

Source: ABS and Commonwealth and state budget papers

The deterioration in the projected fiscal outlook over the forward estimates is due to the downward revision of projected revenue by $46.4 billion along with an increase in net capital investment of $3.1 billion, partially offset by projected expenses falling by $15.4 billion.

Approximately 80 per cent of the deterioration in the national fiscal balance is due to a projected decrease of $27.3 billion in the fiscal balance of the Commonwealth (Figure 1–2). This reflects a reduction in projected Commonwealth revenue of $42.4 billion and an increase in net capital investment of $2.5 billion, partially offset by projected expenses falling by $17.7 billion.

The remaining deterioration in the national fiscal balance reflects a reduction in projected state revenue of $4.0 billion, and an increase in projected state expenses and net capital investment of $2.2 billion and $0.6 billion respectively.

Figure –: Fiscal balance by level of government – change between 2015–16 budgets and 2015–16 mid-year update

| Decorative | **2014-15** | **2015-16** | **2016-17** | **2017-18** | **2018-19** |
| --- | --- | --- | --- | --- | --- |
| Commonwealth | -0.5 | -2.8 | -9.3 | -8.2 | -7.0 |
| Total state | 1.4 | 1.1 | -4.3 | -1.7 | -1.9 |

Source: ABS and Commonwealth and state budget papers

National net debt is now projected to rise to $397.6 billion (20.8 per cent of GDP) in 2018–19 compared with $379.4 billion (19.6 per cent of GDP) at the time the 2015–16 budgets were delivered (Figure 1–3).

Figure –: National net debt

|  | **2002-03** | **2003-04** | **2004-05** | **2005-06** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** | **2011-12** | **2012-13** | **2013-14** | **2014-15** | **2015-16** | **2016-17** | **2017-18** | **2018-19** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Net debt (2015–16 budgets) | 17.0 | 2.2 | -16.4 | -48.7 | -73.5 | -80.7 | -39.9 | 36.7 | 84.9 | 164.8 | 187.9 | 240.0 | 288.2 | 326.0 | 363.9 | 376.2 | 379.4 |
| Net debt (2015–16 mid-year updates) | 17.0 | 2.2 | -16.4 | -48.7 | -73.5 | -80.7 | -39.9 | 36.7 | 84.9 | 164.8 | 187.9 | 240.0 | 273.8 | 308.4 | 359.0 | 383.6 | 397.6 |

Source: ABS and Commonwealth and state budget papers.

The projected increase in national net debt over the forward estimates is mainly due to the cumulative impact of higher projected Commonwealth budget deficits over the period. This is partially offset by lower consolidated state debt primarily driven by the proceeds from the long-term leasing of assets in New South Wales (Figure 1–4).

Figure –: Net debt by level of government – change between 2015–16 budgets and
2015–16 mid-year updates

| Decorative | **2014-15** | **2015-16** | **2016-17** | **2017-18** | **2018-19** |
| --- | --- | --- | --- | --- | --- |
| Commonwealth | -11.5 | -7.0 | 3.2 | 12.7 | 21.1 |
| Total state | -2.9 | -10.6 | -8.0 | -5.3 | -2.9 |

Source: ABS and Commonwealth and state budget papers

## Risks to the outlook

The national fiscal projections outlined above are subject to several risks. While population growth estimates were downgraded in the Commonwealth government’s 2015–16 Mid‑Year Economic and Fiscal Outlook (MYEFO), which resulted in a downgrade to potential economic growth over the forward estimates and beyond, risks still remain as to whether assumed labour productivity growth will achieve its long‑term average growth rate of 1.5 per cent annually.

Uncertainty around global economic growth could continue to weigh on Australia’s key commodity prices and the terms of trade. In its January 2016 update, the International Monetary Fund again downgraded its outlook for global growth over the next two years.

The Commonwealth government’s 2015–16 MYEFO projections assume that all current policy initiatives will be implemented, including the measures carried forward from the
2014–15 Budget. The PBO estimates that if these measures remain unlegislated they would reduce the annual fiscal balance over the forward estimates by $9.2 billion and over the ten years to 2025–26 by $36.5 billion.

In the 2014–15 Budget, the Commonwealth reduced the growth in public hospital funding by indexing its contribution by the Consumer Price Index and population growth from 1 July 2017. In the forward estimates this reduced contribution has largely been incorporated into state budgets. However, this change will start to have an increasing impact on state budgets beyond the forward estimates.

Commonwealth funding of public hospitals has grown by 4.1 per cent per annum in real terms over the past decade and is projected to decline to 1.5 per cent per annum in real terms over the period 2017–18 to 2025–26. This reduced growth rate is projected to result in Commonwealth funding for public hospitals being $7.3 billion lower in 2025–26 than if hospital funding had grown at its historical growth rate. This will intensify the recent trend which has seen state governments increase their share of total hospital funding.

# Commonwealth fiscal outlook

## Commonwealth fiscal balance

Relative to the 2015–16 Budget, the Commonwealth’s projected fiscal deficit over the forward estimates has increased by $27.3 billion (from $68.9 billion to $96.1 billion), driven primarily by a significant decline in projected revenue, which is partially offset by a reduction in projected expenses (Figure 2–1)[[3]](#footnote-3).

In the 2015–16 MYEFO, the Commonwealth revised revenue projections down by a total of $42.4 billion (from $1,806.2 billion to $1,763.8 billion) over the forward estimates. The revision primarily reflects falls in commodity prices, a weaker outlook for incomes growth (due in part to lower projected population growth) and weaker equity markets impacting capital gains tax revenue.

The 2015–16 MYEFO revised expenses down by a total of $17.7 billion over the forward estimates (from $1,858.4 billion to $1,840.7 billion). The downward revision to expenses is primarily driven by lower than expected average payment rates and recipient numbers across a number of expense programs, partially offset by an increase in Public Debt Interest payments.

The 2015–16 MYEFO revised net capital investment up by a total of $2.5 billion over the forward estimates (from $16.7 billion to $19.3 billion). This was largely due to increases in defence net capital investment as a result of foreign exchange movements.

Figure –: Commonwealth fiscal balance

| Decorative | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Fiscal balance (2015–16 budgets) | 6.4 | 6.8 | 11.7 | 16.7 | 17.6 | 21.3 | -29.3 | -53.1 | -53.3 | -45.8 | -22.0 | -34.4 | -39.4 | -33.0 | -23.4 | -9.2 | -3.2 |
| Fiscal balance (2015–16 mid-year updates) | 6.4 | 6.8 | 11.7 | 16.7 | 17.6 | 21.3 | -29.3 | -53.1 | -53.3 | -45.8 | -22.0 | -34.4 | -39.9 | -35.8 | -32.8 | -17.4 | -10.2 |

Source: ABS and Commonwealth budget papers

## Commonwealth net debt

Commonwealth net debt is projected to increase to $346.6 billion (18.2 per cent of GDP) in 2018–19, compared with the 2015–16 Budget estimate of $325.4 billion (16.8 per cent of GDP) (Figure 2–2). The increase is mainly due to the cumulative impact of higher projected Commonwealth budget deficits over the forward estimates.

Net debt is projected to peak at 18.5 per cent of GDP in 2017–18, above the historical high of 18.1 per cent in 1995–96.

Figure –: Commonwealth net debt

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2002-03** | **2003-04** | **2004-05** | **2005-06** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** | **2011-12** | **2012-13** | **2013-14** | **2014-15** | **2015-16** | **2016-17** | **2017-18** | **2018-19** |
| Net debt (2015–16 budgets) | 27.3 | 19.5 | 8.5 | -12.9 | -41.5 | -54.2 | -21.7 | 42.0 | 84.1 | 148.6 | 154.0 | 202.8 | 250.2 | 285.8 | 313.4 | 323.7 | 325.4 |
| Net debt (2015–16 mid-year updates) | 27.3 | 19.5 | 8.5 | -12.9 | -41.5 | -54.2 | -21.7 | 42.0 | 84.1 | 148.6 | 154.0 | 202.8 | 238.7 | 278.8 | 316.5 | 336.4 | 346.6 |

Source: ABS and Commonwealth budget papers

# State fiscal outlook

## State fiscal balance

Relative to 2015–16 state budgets, the projected aggregate fiscal deficit over the forward estimates has increased by $6.8 billion (from $15.7 billion to $22.5 billion) (Figure 3–1).[[4]](#footnote-4) This deterioration is primarily driven by a decline in the projected fiscal balances of Western Australia, associated with a decrease in projected own-source taxation revenue, and New South Wales as a result of an increase in expenses and net capital investment.

Figure –: Aggregate state fiscal balances

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Decorative | **2002-03** | **2003-04** | **2004-05** | **2005-06** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** | **2011-12** | **2012-13** | **2013-14** | **2014-15** | **2015-16** | **2016-17** | **2017-18** | **2018-19** |
| Fiscal balance (2015–16 budgets) | 1.8 | 4.4 | 3.8 | 3.0 | 1.1 | -4.4 | -10.6 | -14.3 | -15.3 | -13.4 | -18.1 | -6.4 | -6.1 | -8.3 | -6.8 | -1.2 | 0.6 |
| Fiscal balance (2015–16 mid-year updates) | 1.8 | 4.4 | 3.8 | 3.0 | 1.1 | -4.4 | -10.6 | -14.3 | -15.3 | -13.4 | -18.1 | -6.4 | -2.4 | -7.2 | -11.1 | -2.9 | -1.3 |

Source: ABS and state budget papers

### Variation in fiscal balance projections by state

Relative to the 2015–16 budget, major decreases in state fiscal balances are projected in Western Australia and New South Wales (Figure 3–2 and Figure 3–3).

The projected decrease in Western Australia’s fiscal balance since its 2015–16 Budget was primarily driven by a decrease in own-source taxation revenue due to slowing employment and wages growth, a decline in property market activity, as well as further reductions in commodity price forecasts which impact mining royalties.

The projected decrease in the New South Wales’ fiscal balance since its budget was mainly driven by increased expenditure due to new policy initiatives and greater demand for existing government services, along with increased investment in infrastructure projects.

The projected decrease in Queensland’s fiscal balance is primarily driven by a decrease in payroll tax and royalty revenue, and an increase in expenses for new policy initiatives.

The projected decrease in South Australia’s fiscal balance is mainly due to an increase in net capital investment for the Northern Connector Road Project, and an increase in expenses for new policy initiatives.

The projected increase in Victoria’s fiscal balance is primarily due to an improvement in conveyance stamp duty and revenue from the sales of goods and services.

Figure –: Fiscal balance by state – change between 2015–16 budget and
2015–16 mid-year updates

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Decorative | **Cth** | **NSW** | **VIC** | **QLD** | **WA** | **SA** | **ACT** | **NT** |
| **2015-16** | -2.8 | 0.7 | 0.5 | 0.0 | -0.5 | 0.4 | 0.0 | 0.0 |
| **2016-17** | -9.3 | -1.1 | 0.0 | -0.7 | -2.0 | -0.3 | -0.2 | 0.0 |
| **2017-18** | -8.2 | -0.2 | 0.7 | -0.2 | -1.8 | -0.2 | 0.1 | 0.0 |
| **2018-19** | -7.0 | -0.6 | 0.1 | 0.1 | -1.4 | -0.1 | 0.0 | 0.0 |

Source: ABS and state budget papers

Figure –: Fiscal balances for all states and territories

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **New South Wales**

|  |  |  |
| --- | --- | --- |
|  | Fiscal balance (2015–16 Budget) | Fiscal balance (2015–16 mid-year update) |
| 2002-03 | 0.5 | 0.5 |
| 2003-04 | 0 | 0 |
| 2004-05 | -0.2 | -0.2 |
| 2005-06 | -0.6 | -0.6 |
| 2006-07 | -1 | -1 |
| 2007-08 | -1.6 | -1.6 |
| 2008-09 | -2.8 | -2.8 |
| 2009-10 | -2.6 | -2.6 |
| 2010-11 | -2.9 | -2.9 |
| 2011-12 | -2 | -2 |
| 2012-13 | -3.6 | -3.6 |
| 2013-14 | -1.2 | -1.2 |
| 2014-15 | -1.2 | -0.1 |
| 2015-16 | -1.8 | -1.1 |
| 2016-17 | -0.2 | -1.3 |
| 2017-18 | 0 | -0.2 |
| 2018-19 | -2.7 | -3.3 |

 | **Victoria**

|  |  |  |
| --- | --- | --- |
|  | Fiscal balance (2015–16 Budget) | Fiscal balance (2015–16 mid-year update) |
| 2002-03 | 0.70 | 0.70 |
| 2003-04 | 0.30 | 0.30 |
| 2004-05 | 0.40 | 0.40 |
| 2005-06 | -0.50 | -0.50 |
| 2006-07 | 0.70 | 0.70 |
| 2007-08 | 0.50 | 0.50 |
| 2008-09 | -1.50 | -1.50 |
| 2009-10 | -2.40 | -2.40 |
| 2010-11 | -2.20 | -2.20 |
| 2011-12 | -2.10 | -2.10 |
| 2012-13 | -2.70 | -2.70 |
| 2013-14 | 1.1 | 1.10 |
| 2014-15 | 1 | 0.90 |
| 2015-16 | -0.2 | 0.30 |
| 2016-17 | -0.1 | -0.10 |
| 2017-18 | 0.3 | 1.00 |
| 2018-19 | 2.1 | 2.10 |

 |
| **Queensland**

|  |  |  |
| --- | --- | --- |
|  | Fiscal balance (2015–16 Budget) | Fiscal balance (2015–16 mid-year update) |
| 2002-03 | -0.1 | -0.1 |
| 2003-04 | 2.8 | 2.8 |
| 2004-05 | 2.9 | 2.9 |
| 2005-06 | 2.5 | 2.5 |
| 2006-07 | -0.2 | -0.2 |
| 2007-08 | -5.2 | -5.2 |
| 2008-09 | -4.4 | -4.4 |
| 2009-10 | -6.6 | -6.6 |
| 2010-11 | -7.1 | -7.1 |
| 2011-12 | -5.6 | -5.6 |
| 2012-13 | -7.7 | -7.7 |
| 2013-14 | 0.0 | -2.6 |
| 2014-15 | -0.9 | -0.6 |
| 2015-16 | -1.2 | -1.1 |
| 2016-17 | -1.0 | -1.7 |
| 2017-18 | -0.9 | -1.1 |
| 2018-19 | -1.1 | -1.1 |

 | **Western Australia**

|  |  |  |
| --- | --- | --- |
|  | Fiscal balance (2015–16 Budget) | Fiscal balance (2015–16 mid-year update) |
| 2002-03 | 0.1 | 0.1 |
| 2003-04 | 0.6 | 0.6 |
| 2004-05 | 0.9 | 0.9 |
| 2005-06 | 1.8 | 1.8 |
| 2006-07 | 1.5 | 1.5 |
| 2007-08 | 1.3 | 1.3 |
| 2008-09 | -0.8 | -0.8 |
| 2009-10 | -1.1 | -1.1 |
| 2010-11 | -0.3 | -0.3 |
| 2011-12 | -1.6 | -1.6 |
| 2012-13 | -1.9 | -1.9 |
| 2013-14 | -1.1 | -1.1 |
| 2014-15 | -3.1 | -1.8 |
| 2015-16 | -3.6 | -4.2 |
| 2016-17 | -2.1 | -4.0 |
| 2017-18 | -0.5 | -2.2 |
| 2018-19 | 1.7 | 0.4 |

 |
| **South Australia**

|  |  |  |
| --- | --- | --- |
|  | Fiscal balance (2015–16 Budget) | Fiscal balance (2015–16 mid-year update) |
| 2002-03 | 0.4 | 0.4 |
| 2003-04 | 0.5 | 0.5 |
| 2004-05 | 0.1 | 0.1 |
| 2005-06 | -0.1 | -0.1 |
| 2006-07 | 0.0 | 0.0 |
| 2007-08 | 0.2 | 0.2 |
| 2008-09 | -0.9 | -0.9 |
| 2009-10 | -1.1 | -1.1 |
| 2010-11 | -1.4 | -1.4 |
| 2011-12 | -1.1 | -1.1 |
| 2012-13 | -1.0 | -1.0 |
| 2013-14 | 0.0 | -1.7 |
| 2014-15 | -0.2 | -0.1 |
| 2015-16 | 0.0 | 0.4 |
| 2016-17 | -2.6 | -2.9 |
| 2017-18 | 0.4 | 0.2 |
| 2018-19 | 0.6 | 0.5 |

 | **Tasmania**[[5]](#footnote-5)

|  |  |  |
| --- | --- | --- |
|  | Fiscal balance (2015–16 Budget) | Fiscal balance (2015–16 mid-year update) |
| 2002-03 | 0.2 | 0.2 |
| 2003-04 | 0.3 | 0.3 |
| 2004-05 | 0.1 | 0.1 |
| 2005-06 | 0.0 | 0.0 |
| 2006-07 | 0.0 | 0.0 |
| 2007-08 | 0.1 | 0.1 |
| 2008-09 | -0.1 | -0.1 |
| 2009-10 | -0.3 | -0.3 |
| 2010-11 | -0.4 | -0.4 |
| 2011-12 | -0.3 | -0.3 |
| 2012-13 | -0.2 | -0.2 |
| 2013-14 | -0.2 | -0.2 |
| 2014-15 | -0.4 | 0.0 |
| 2015-16 | -0.2 | -0.2 |
| 2016-17 | -0.1 | -0.1 |
| 2017-18 | 0.0 | 0.0 |
| 2018-19 | 0.1 | 0.1 |

 |
| **Australian Capital Territory**

|  |  |  |
| --- | --- | --- |
|  | Fiscal balance (2015–16 Budget) | Fiscal balance (2015–16 mid-year update) |
| 2002-03 | 0.1 | 0.1 |
| 2003-04 | -0.1 | -0.1 |
| 2004-05 | -0.3 | -0.3 |
| 2005-06 | -0.1 | -0.1 |
| 2006-07 | 0.0 | 0.0 |
| 2007-08 | 0.1 | 0.1 |
| 2008-09 | -0.2 | -0.2 |
| 2009-10 | -0.2 | -0.2 |
| 2010-11 | -0.3 | -0.3 |
| 2011-12 | -0.3 | -0.3 |
| 2012-13 | -0.8 | -0.8 |
| 2013-14 | -0.6 | -0.6 |
| 2014-15 | -1.3 | -1.0 |
| 2015-16 | -1.2 | -1.2 |
| 2016-17 | -0.7 | -0.9 |
| 2017-18 | -0.5 | -0.5 |
| 2018-19 | -0.1 | -0.1 |

 | **Northern Territory**

|  |  |  |
| --- | --- | --- |
|  | Fiscal balance (2015–16 Budget) | Fiscal balance (2015–16 mid-year update) |
| 2002-03 | -0.1 | -0.1 |
| 2003-04 | 0.0 | 0.0 |
| 2004-05 | -0.1 | -0.1 |
| 2005-06 | -0.1 | -0.1 |
| 2006-07 | 0.1 | 0.1 |
| 2007-08 | 0.2 | 0.2 |
| 2008-09 | 0.0 | 0.0 |
| 2009-10 | 0.0 | 0.0 |
| 2010-11 | -0.5 | -0.5 |
| 2011-12 | -0.5 | -0.5 |
| 2012-13 | -0.3 | -0.3 |
| 2013-14 | -0.1 | -0.1 |
| 2014-15 | 0.0 | 0.3 |
| 2015-16 | -0.2 | -0.2 |
| 2016-17 | -0.1 | -0.2 |
| 2017-18 | 0.0 | 0.0 |
| 2018-19 | 0.1 | 0.0 |

 |

Source: ABS and state budget papers

## State net debt

Aggregate state net debt is projected to decrease to $63.3 billion (3.3 per cent of GDP) in 2018–19, compared with the 2015–16 budget estimates of $66.3 billion (3.4 per cent of GDP) (Figure 3–4).

This result was primarily driven by projected improvements to New South Wales’ net debt due to the receipt of proceeds from the long-term lease of the state’s electricity transmission network.

Figure –: Total state net debt

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2002-03** | **2003-04** | **2004-05** | **2005-06** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** | **2011-12** | **2012-13** | **2013-14** | **2014-15** | **2015-16** | **2016-17** | **2017-18** | **2018-19** |
| Fiscal balance (2015–16 budgets) | -7.7 | -14.1 | -21.4 | -31.4 | -27.2 | -21.5 | -11.7 | 0.5 | 10.9 | 26.6 | 41.6 | 44.5 | 47.9 | 50.7 | 61.6 | 64.2 | 66.3 |
| Fiscal balance (2015–16 mid-year update) | -7.7 | -14.1 | -21.4 | -31.4 | -27.2 | -21.5 | -11.7 | 0.5 | 10.9 | 26.6 | 41.6 | 44.5 | 45.0 | 40.1 | 53.6 | 58.9 | 63.3 |

Source: ABS and state budget papers.

### Variation in net debt projections by state

Relative to 2015–16 budgets, the majority of the decrease in projected state net debt was driven by New South Wales, partially offset by an increase in net debt in Western Australia due to projected larger fiscal deficits (Figure 3–5).

The decrease in New South Wales’ projected net debt is due to the long-term lease of TransGrid (the state-owned electricity transmission network) for approximately $10 billion, the proceeds of which are held as cash on the New South Wales’ government balance sheet.

Figure –: Net debt by state – change between 2015–16 budget and
2015–16 mid-year updates

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Cth** | **NSW** | **Vic** | **Qld** | **WA** | **SA** | **ACT** | **NT** |
| **2015-16** | -7.0 | -8.1 | 0.0 | 0.2 | -0.9 | -0.7 | -0.4 | -0.7 |
| **2016-17** | 3.2 | -7.2 | -0.5 | 0.0 | 0.8 | -0.2 | -0.3 | -0.7 |
| **2017-18** | 12.7 | -6.7 | -0.6 | 0.5 | 2.7 | 0.0 | -0.4 | -0.7 |
| **2018-19** | 21.1 | -6.1 | -0.3 | 0.6 | 4.0 | 0.0 | -0.5 | -0.6 |

Source: ABS and state budget papers

[www.pbo.gov.au](http://www.pbo.gov.au/)

1. State and territory governments are hereafter referred to as ‘states’. State figures in this chapter also include local government. Figures in this chapter have been adjusted for transfers between levels of government. [↑](#footnote-ref-1)
2. As Tasmania’s Revised Estimates Report for 2015–16 has not been released it has not been incorporated in the analysis. [↑](#footnote-ref-2)
3. This chapter uses figures as published by the ABS and in Commonwealth budget papers which have not been adjusted for transfers between levels of government. [↑](#footnote-ref-3)
4. Figures in this chapter do not include local government. This chapter uses figures as published by the ABS and in state budget papers which have not been adjusted for transfers between levels of government. [↑](#footnote-ref-4)
5. As Tasmania’s Revised Estimates Report for 2015–16 has not been released it has not been incorporated in the analysis. [↑](#footnote-ref-5)