

A photograph of the Sydney Harbour Bridge at sunset. The bridge's steel structure is silhouetted against a bright orange and yellow sky. In the background, the Sydney city skyline is visible with various buildings and a palm tree on the right.

NSW Budget 2023-24 debt investor update

Fiscal discipline to balance the state's current and future needs

October 2023

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1. TCorp funding overview

NSW's financial markets partner since 1983

- TCorp has 2 core businesses:
 - We are the **state's central financing authority** with total term funding of \$158bn. Our core objectives are to minimise both borrowing costs and refinancing risks, along with diversifying the investor base
 - We are also the **state's investment manager** with \$107bn of assets under management and cumulative investment returns of \$42bn.
- We work in **partnership** with the NSW Government family.
- We help the NSW Government **deliver its fiscal strategy over the long term.**



TCorp's funding task is significantly lower

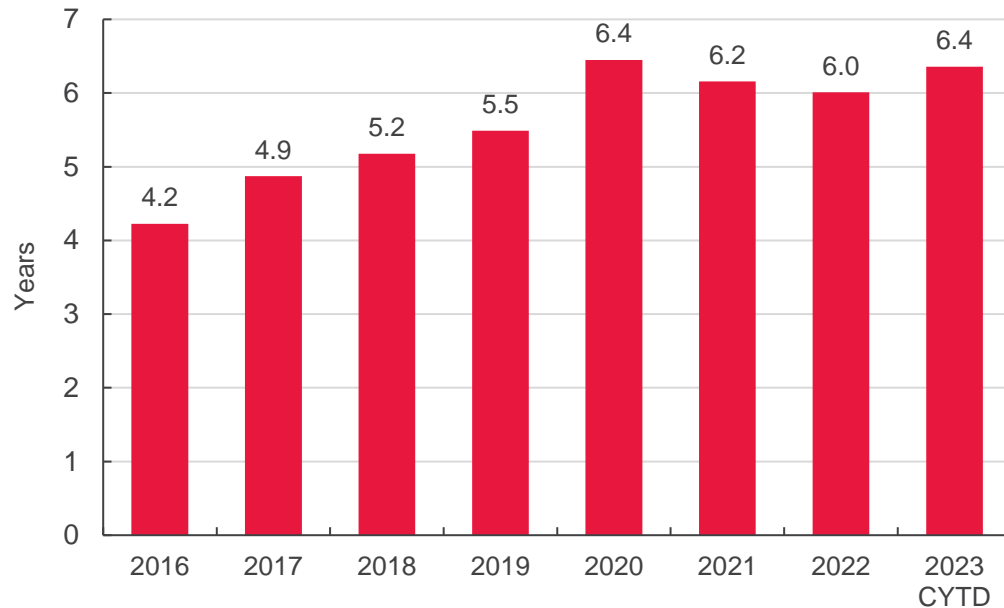
A\$bn	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast
New client loans	15.3	15.6	16.7	17.3
Term maturities	7.6	8.9	11.5	11.2
Funding requirement	22.9	24.5	28.2	28.5
<i>Change from Pre-election Budget Update (PEBU) forecast</i>	<i>-10.4</i>	<i>-3.0</i>	<i>-2.4</i>	

Source: TCorp, NSW Treasury, figures as at 30 September 2023

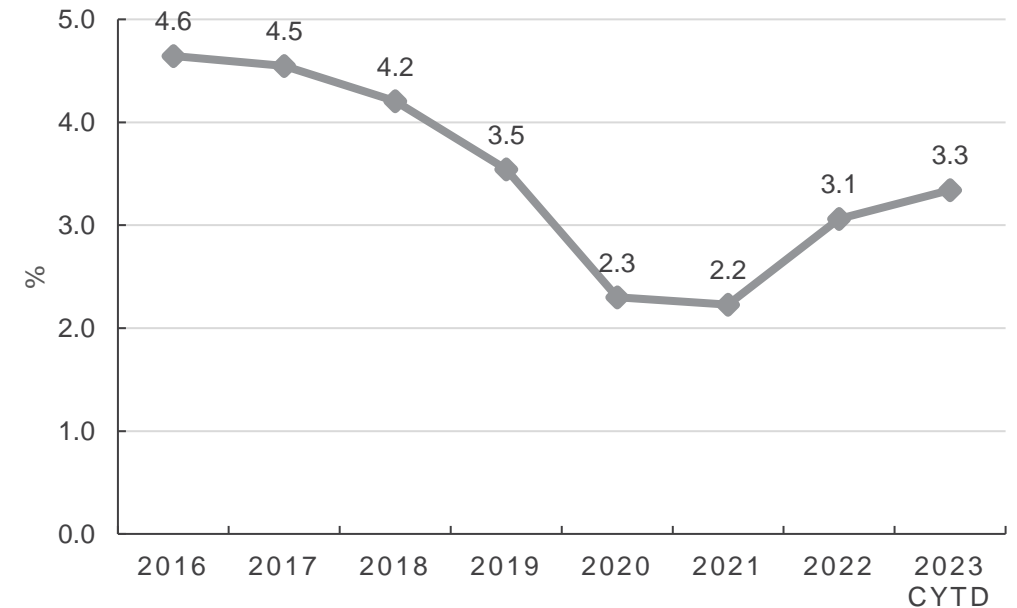


Despite rising interest rates, TCorp's borrowing costs remain well below historical levels

Weighted average life (WAL)



Weighted average yield (WAY)



Duration increased at a time of lower interest rates

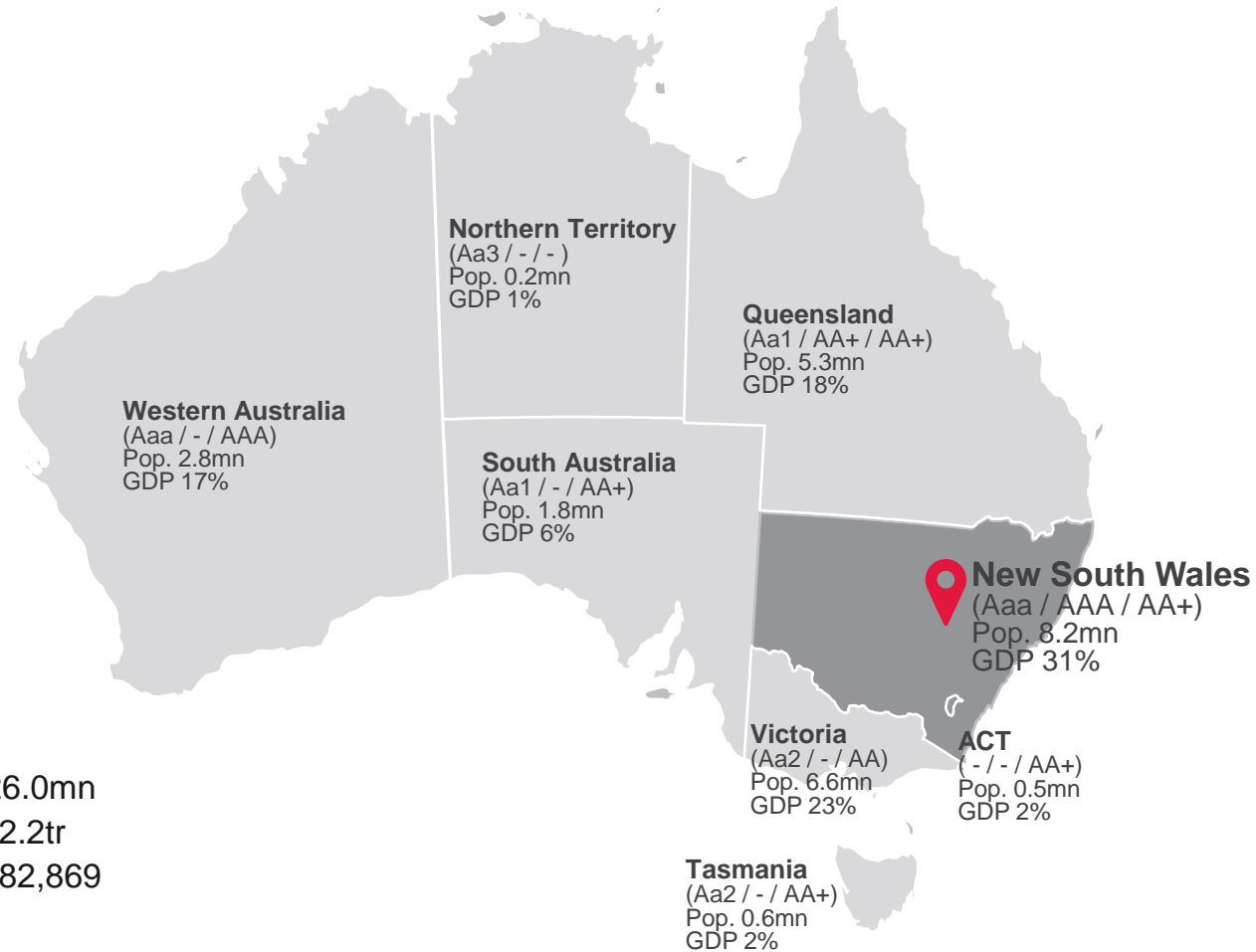
NSW's average borrowing costs, while increasing with interest rates, remain well below historical levels



2. New South Wales – a snapshot

NSW has the largest economy and population in Australia

Population and GDP



Total population: 26.0mn
Total GDP: \$2.2tr
GDP per capita: \$82,869

Source: Australian Bureau of Statistics, at 30 June 2022
Note: Credit ratings listed in the order of Moody's, Fitch and S&P
New South Wales Treasury Corporation

Economic activity sustained by a strong labour market and population growth

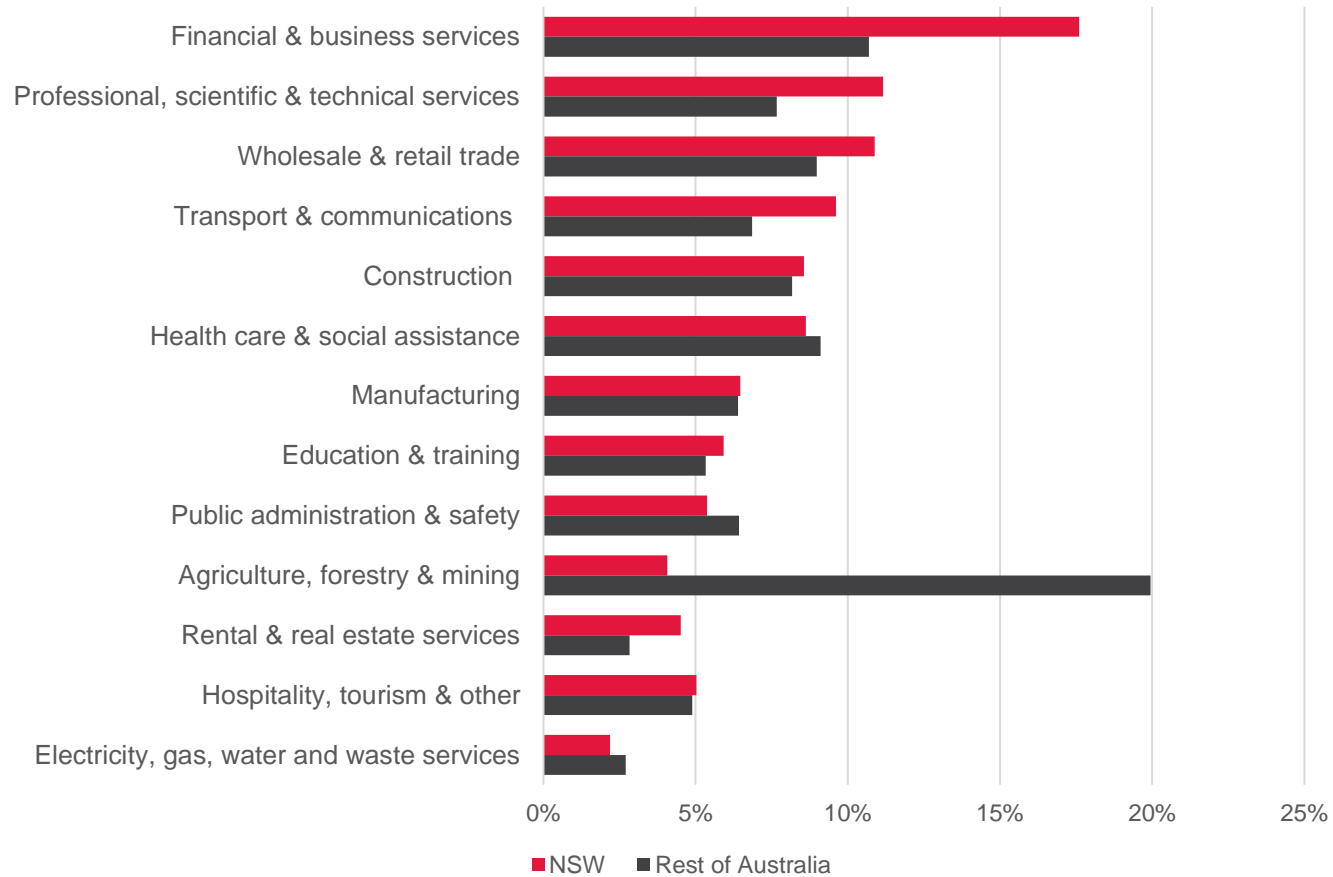
Performance and outlook

	Current National Rate	2022-23 Outcome	2023-24 Forecast*	2024-25 Forecast*	2025-26 Forecast*	2026-27 Forecast*
Real gross state product	2.1%	3¾*	1¼	1¼	2	2¼
Unemployment rate	3.6%	3.1	3¾	4¾	4½	4¼
Sydney consumer price index	Headline/Core 6.0% / 5.9%	7.1	4¾	3	2¾	2½
Wage price index	3.6%	3.3	4	3¾	3¼	3¼
Population	-	1.8*	1.4	1.3	1.2	1.2

* Forecasts rounded to nearest quarter point and are annual average per cent change
Source: NSW Budget 2023-24

NSW is a highly diversified economy

Industry composition of NSW economy vs rest of Australia



The NSW economy



Represents almost one third of national GDP



High concentration of services industries

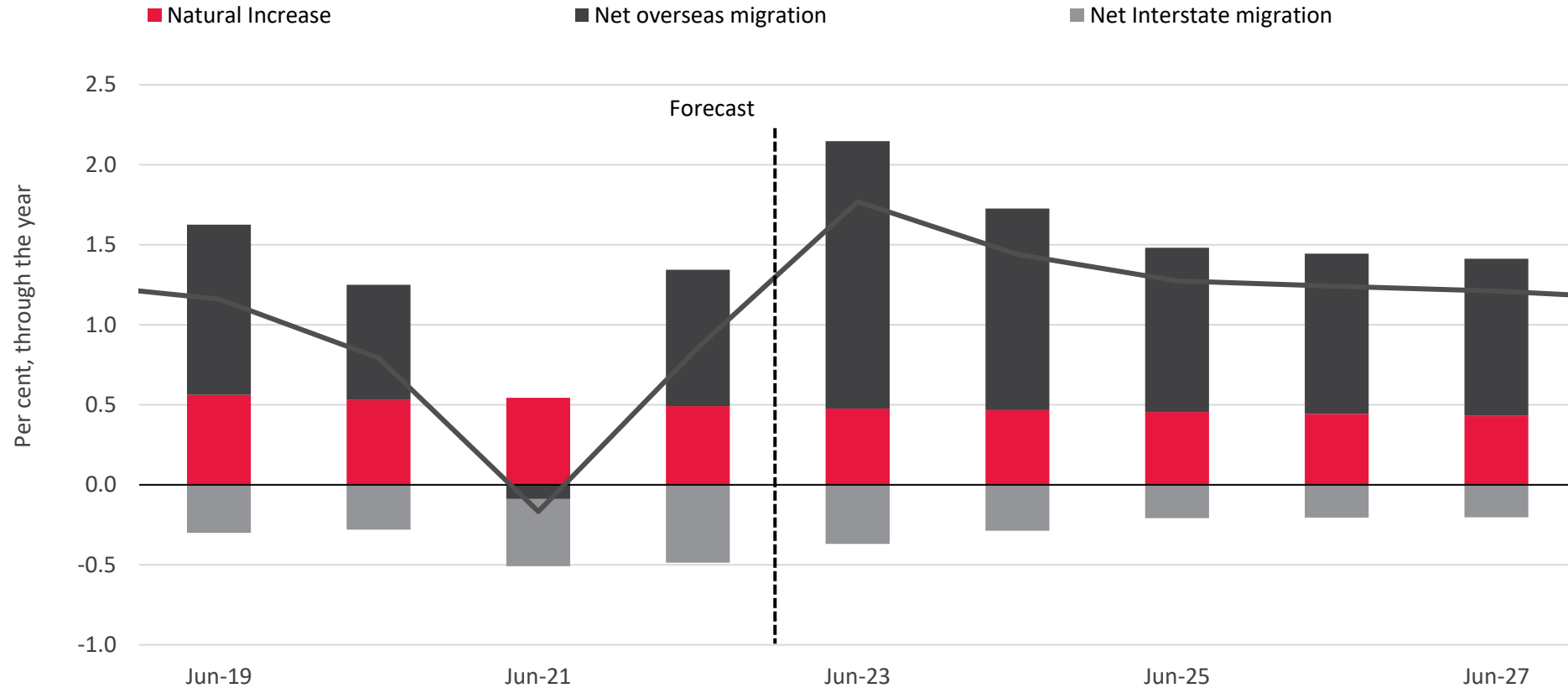


Low concentration of volatile primary production

Source: Australian National Accounts: State Accounts 2021-22, Australian Bureau of Statistics

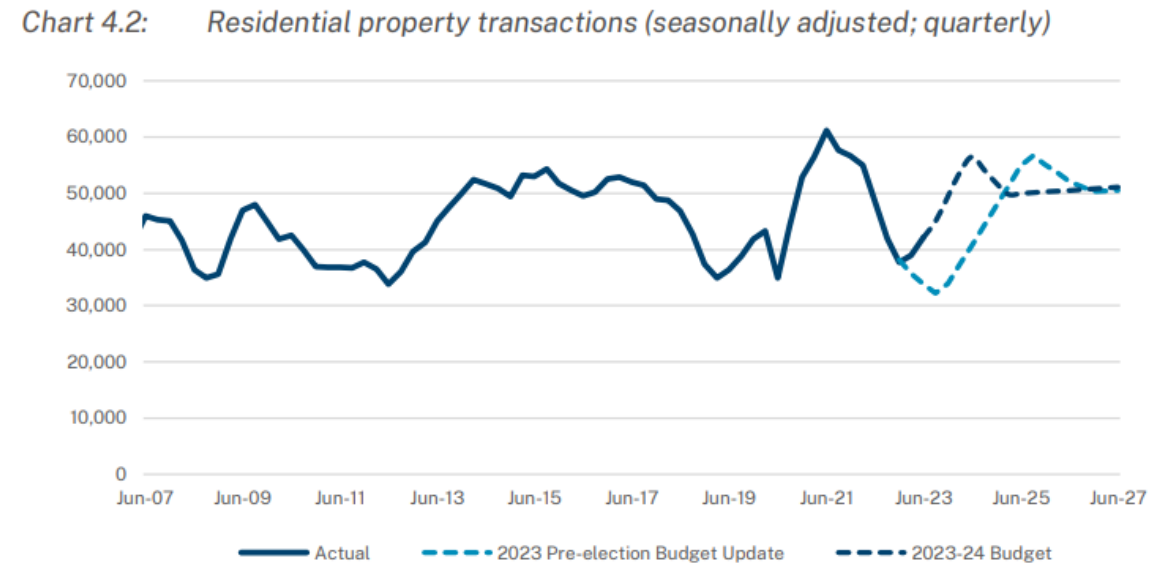
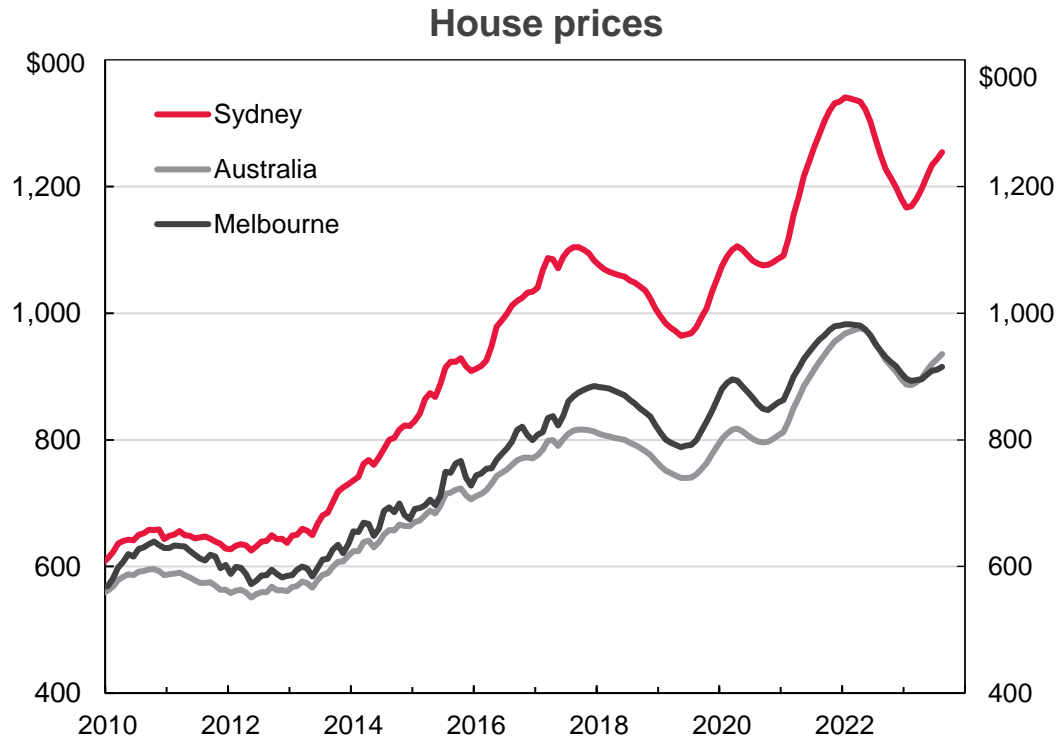
NSW attracts high levels of overseas migration

Population growth



Source: Australian Bureau of Statistics , NSW Treasury

Housing market has been much stronger than expected



Source: NSW Treasury



3. NSW Budget 2023-24

Prioritising essential services and support for families

The NSW Government has adopted 2 key fiscal principles

1

Returning to and then maintaining a sustainable operating position



2

Stabilising and then maintaining a sustainable debt position



Support for essential workers and a new approach to engage the public sector workforce



Relief to household budgets to ensure equitable access to essential services

Stabilising the state's fiscal position

Ensuring that recent deficits do not become entrenched and debt levels remain sustainable

\$13bn – Comprehensive Expenditure Review

- \$6.4bn in budget improvements i.e. labour hire, consultants, advertising, travel costs across government, legal expenses etc.
- \$6.6bn in reprioritisation and reprofiling i.e. Restart, Regional Growth Funds, Snowy Hydro Legacy Fund, Future Economy Fund etc.

\$17.6bn – Revenue Uplifts

- Transfer duty +\$9.5bn
- Land tax +\$4.9bn
- Payroll tax +\$2.8bn

\$4.3bn – Transition of TAHE

- From a statutory State-Owned Corporation to a non-commercial public non-financial corporation
- \$4.3bn savings in net debt

\$2.5bn – Infrastructure Management

- Descope or delay of infrastructure projects
- Great Western Highway Duplication
- Ultimo Powerhouse Museum

Note: There are \$42bn of avoided expenditures in the years beyond the Budget and forward estimates period due to descopeing of projects including Fast Rail Program, Wyangala Dam Wall Raising and New Dungowan Dam and pipeline augmentation

\$7.7bn – NSW Generations Fund

- \$7.7bn reduction in gross debt from suspending contributions in 2023-24 only

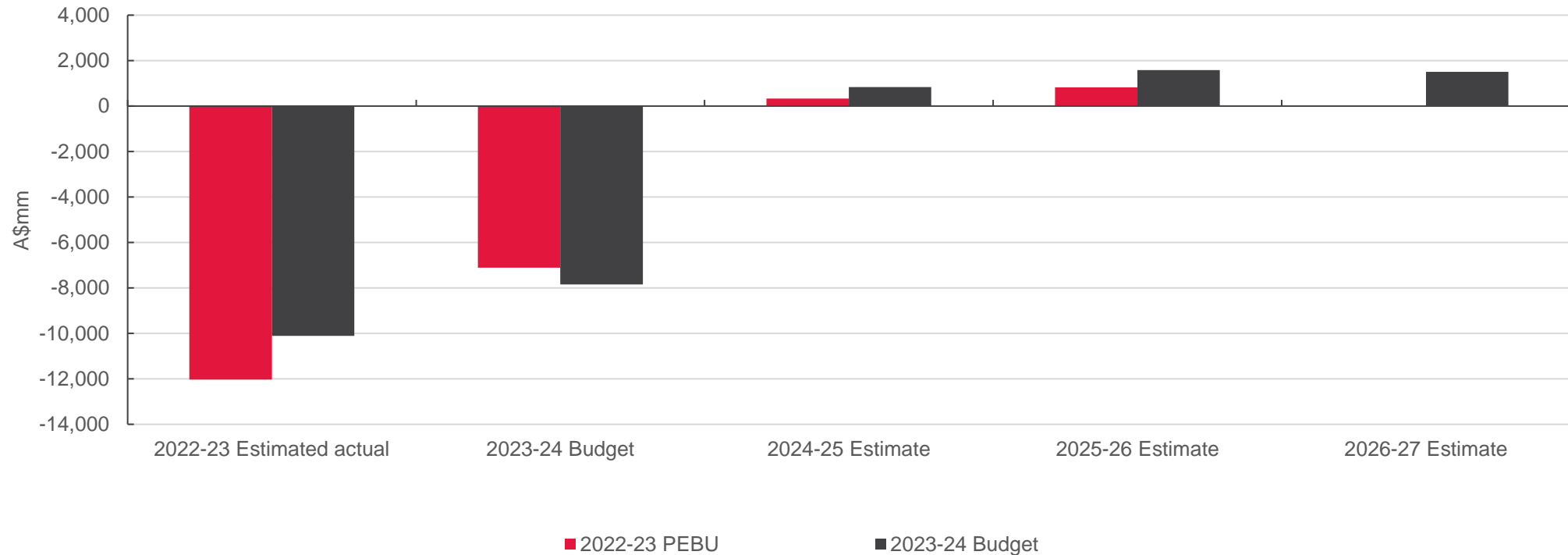
\$2.7bn – Royalty Uplifts

- Royalty increases to raise \$2.7bn to support essential services spending from 1 July 2024 (to 30 June 2028)

Figures presented above are to 2026-27 unless otherwise stated.

Budget result forecast to return to surplus by 2024-25

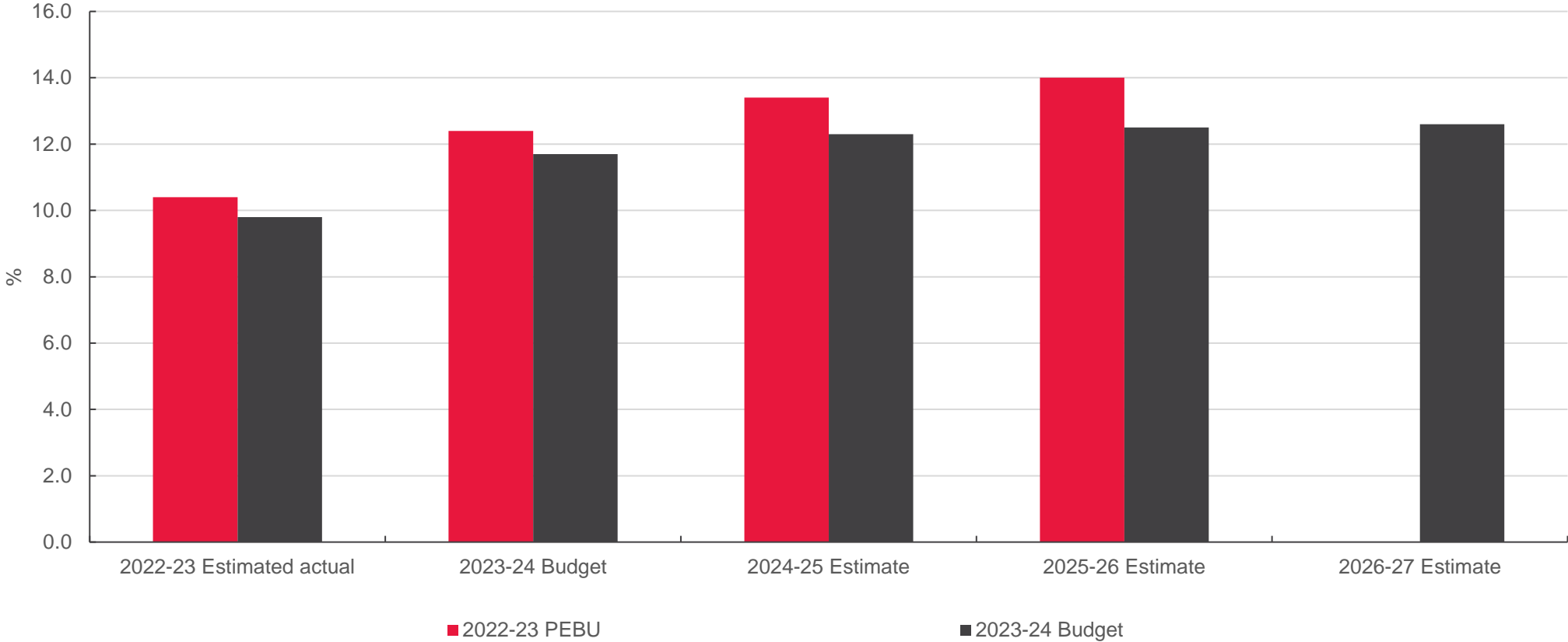
Transitioning NSW to more responsible and transparent financial management



The Budget provides for the delivery of the Government's election commitments, targeted cost of living relief and bolstering essential services

Net debt to GSP forecast to stabilise around 12.6% by June 2027

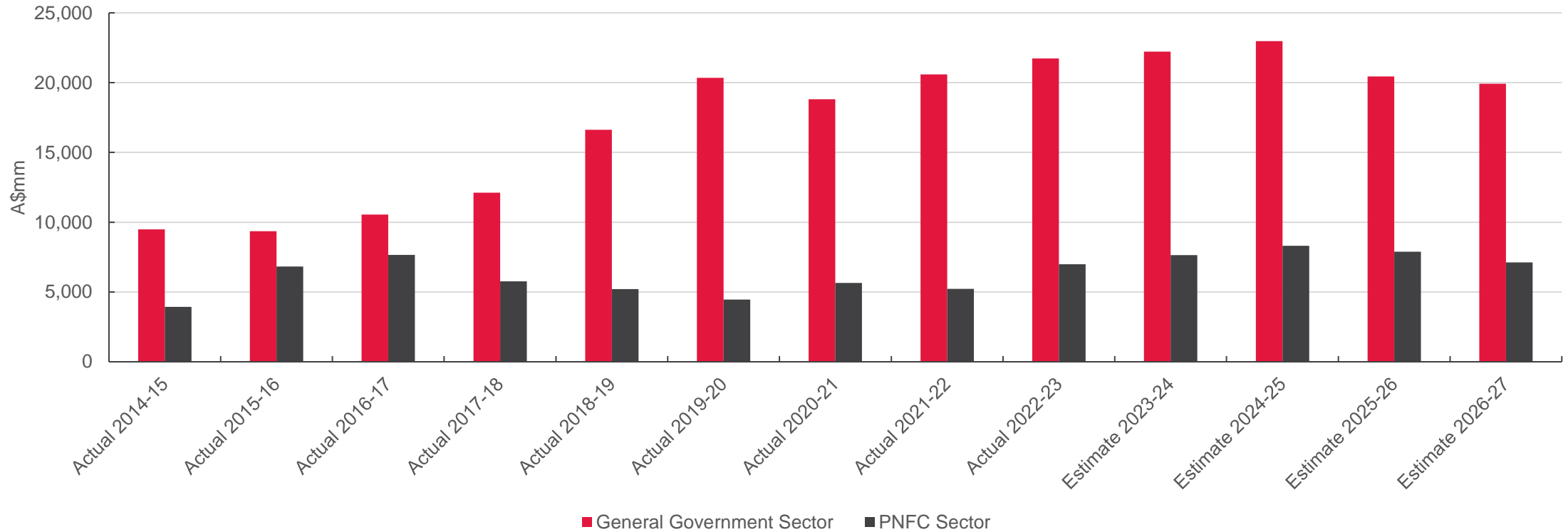
A responsible gross debt trajectory will ensure interest expenses remain manageable



Source: NSW Budget 2023-24, NSW Budget 2022-23 Pre-election Budget Update as at 8 March 2023, general government sector

Infrastructure programme of \$116.5bn

2014-15 to 2026-27 infrastructure programme spending for general government and public non-financial corporation (PNFC) sector

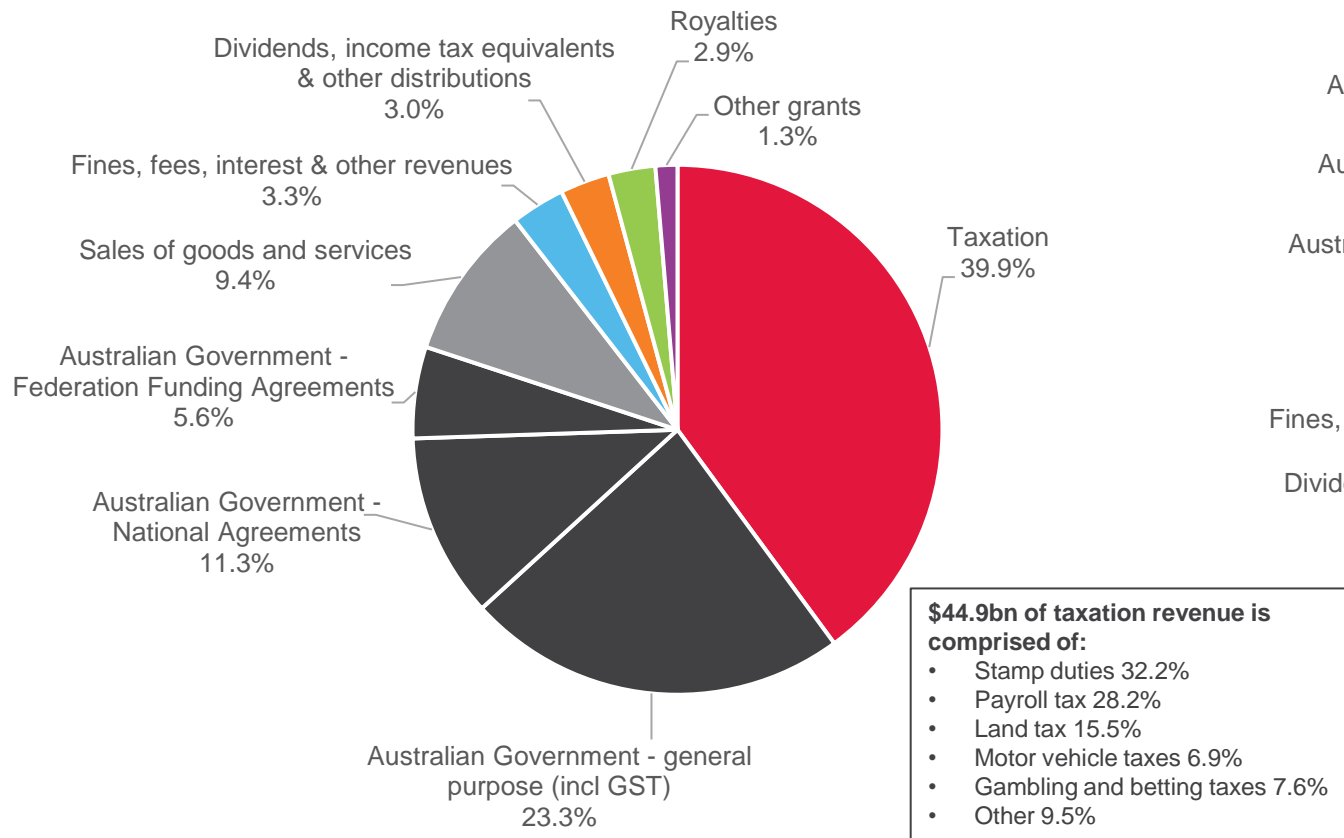


The NSW Government is targeting infrastructure spending of around 2% of GSP by 2026-27

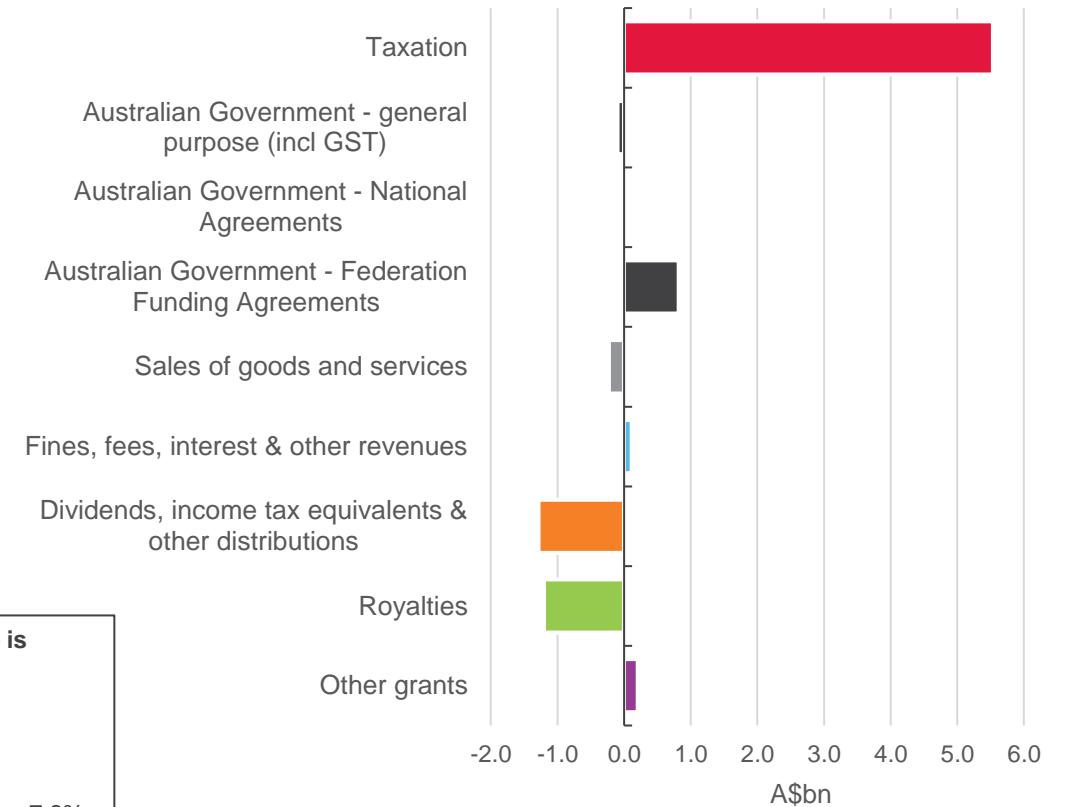
Revenue is projected to increase by 5.8% in 2023-24 to \$112.4bn

Improvements in the property market driving stronger transfer duty revenue

Composition of 2023-24 revenue



Revenue change for 2023-24: 2023-24 Budget to PEBU

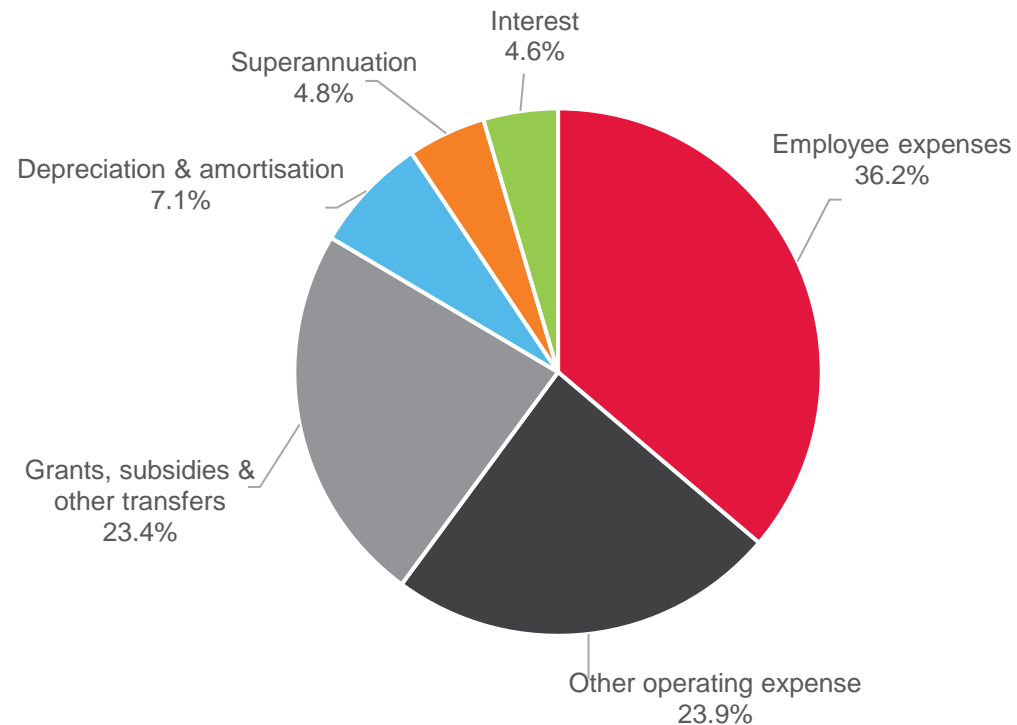


Source: NSW Budget 2023-24, NSW Budget 2022-23 Pre-election Budget Update as at 8 March 2023, general government sector

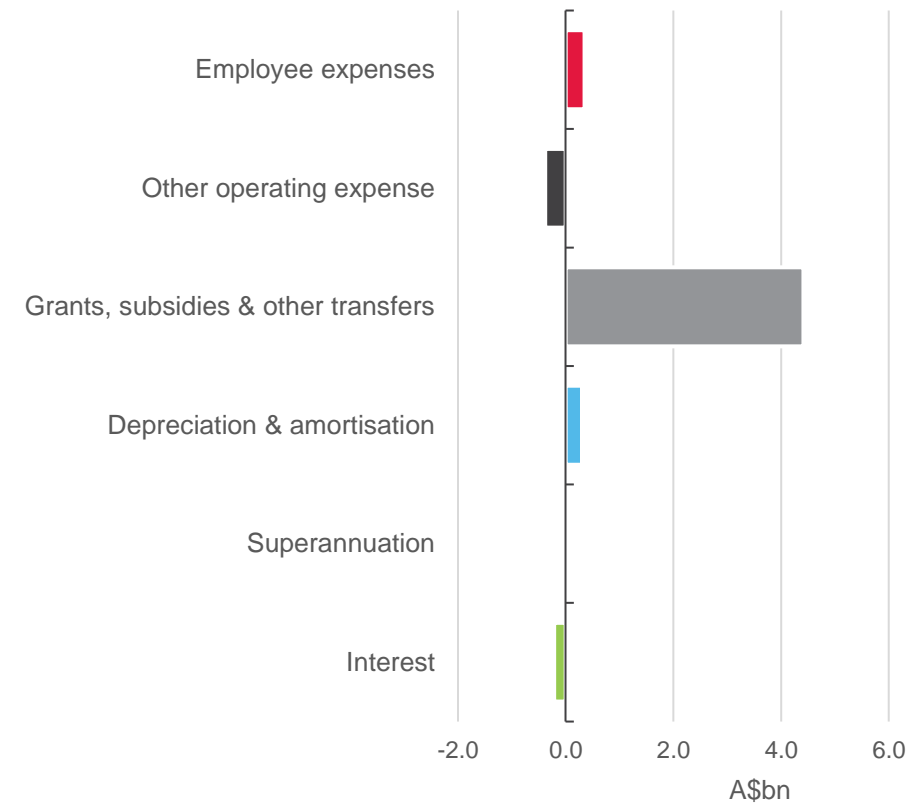
A 3.4% increase in expenditure to \$120.2bn is projected for 2023-24

New policy expense measures will be partly funded by reforms, savings and offsets

Composition of 2023-24 expenses



Expenses change for 2023-24: 2023-24 Budget to PEBU



Source: NSW Budget 2023-24, NSW Budget 2022-23 Pre-election Budget Update as at 8 March 2023, general government sector

Rebuilding essential services - health

Investing in more frontline workers and higher standards of health services

More frontline workers



2,312[^]

More nurses and midwives by 2025-26



12,000

Study subsidies for healthcare students



500

More rural and regional paramedics

Health infrastructure



600

New hospital beds across Western Sydney

\$13.8bn investment including:

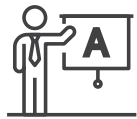
- Fairfield and Canterbury Hospital redevelopments
- Rouse Hill Hospital development
- Royal Prince Alfred Hospital redevelopment
- Bankstown Hospital Rebuild
- Albury Wodonga Regional Hospital redevelopment

All figures in this presentation are over 4 years to 2026-27 unless otherwise specified. [^]Includes 1,112 nurses and midwives made permanent.

Rebuilding essential services - education

Supporting teachers and investing in lifelong learning for every child in NSW

Supporting teachers



16,000

teachers and school support staff made permanent



250

more school counsellors



5+ hrs

to be saved per week by teachers on admin work



75%

of the Schooling Resource Standard funded by 2025

School infrastructure

\$9.8bn investment in schools, TAFEs and public pre-schools, particularly in high growth areas:

- \$3.5bn for 24 new and 51 upgraded primary and high schools in Western Sydney
- \$1.4bn for regional schools.

Early childhood education

- \$769mm for 100 government preschools co-located with primary schools
- \$60mm for new or upgraded preschools on non-government school sites

All figures in this presentation are over 4 years to 2026-27 unless otherwise specified.



4. Sustainability update

Progress towards net zero

New initiatives undertaken that complement existing commitments

Underway

Legislation of NSW's carbon emissions reduction targets

- Climate Change Bill introduced to parliament
- Cutting GHG emissions by at least 50% by 2030 and reaching net zero by 2050*
- legislating emissions reduction targets to provide certainty and opportunity to households, industry and investors

Underway

Establishment of a Net Zero Commission

- To develop the plan to net zero by 2050, monitor and review the plan and trajectory, including impacts on jobs and industry, as well as energy prices
- Reporting annually to ensure parliamentary transparency and accountability

2023-24 NSW Budget

\$1.8bn for Renewable Energy Zones and the Energy Security Corporation

- \$804mn to roll out critical transmission and energy storage solutions
- \$1bn to establish an Energy Security Corporation to drive investment in stable and affordable renewable energy

* 2030 reductions over 2005 levels, 2050 level consistent with Paris Agreement to limit increase in global average temperatures to 1.5 degrees

NSW Net Zero Emissions Dashboard

Presenting past and projected future greenhouse gas emissions for NSW

What is it?

- To provide important emissions data openly available in a dynamic and interactive way
- To present past and projected future emissions data to provide insights into trends and progress towards net zero targets
- Central location for NSW environmental data

Why was it developed?

- Developed in response to NSW Government's commitment to address climate change with the goal of promoting public accountability and transparency
- Dashboard vital to robust environmental decision making and research, including policy design, natural capital and job creation

How to use it

- Emissions are presented by financial year and by sector, using the sector definitions from the Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories
- Data packs available for download

The future

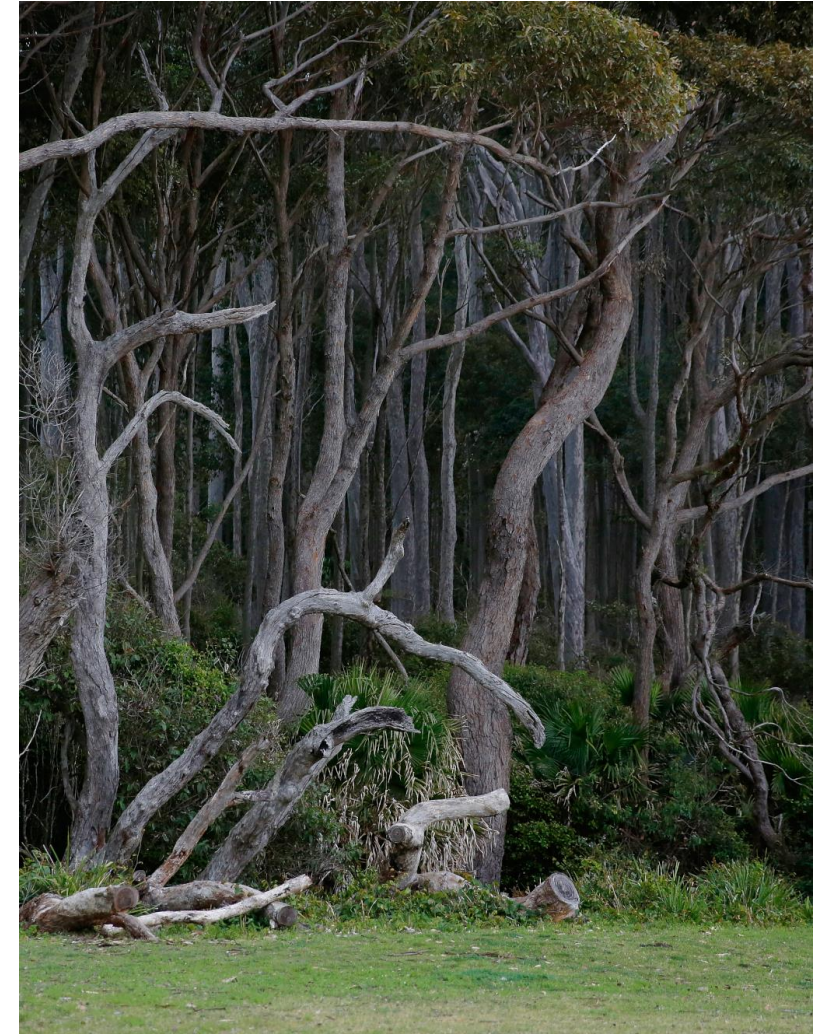
- Emission projections and historical inventories will be updated annually

[Net Zero Emissions Dashboard | SEED Portal \(nsw.gov.au\)](https://nsw.gov.au)

NSW Sustainability Bond Programme overview

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

Framework	NSW Sustainability Bond Framework – January 2022 (which may be updated periodically)
External review	<ul style="list-style-type: none">• Second Party Opinion on current framework provided by Sustainalytics• Assurance – annual, independent reasonable assurance on outstanding bonds and Annual Report from EY
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	Each bond is issued under the framework which covers the following components: <ul style="list-style-type: none">• Use of proceeds• Process for project evaluation and selection• Management of proceeds• Reporting• External review.
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/





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About New South Wales Treasury Corporation (TCorp)

TCorp provides best-in-class investment management, financial management, solutions and advice to the New South Wales (NSW) public sector. With A\$107 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\$158 billion. It is rated Aaa (Stable) by Moody's, AAA (Stable) by Fitch, and AA+ (Stable) by S&P.

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