



2025-26 NSW Budget - Debt Investor Update

Building a better New South Wales

July 2025

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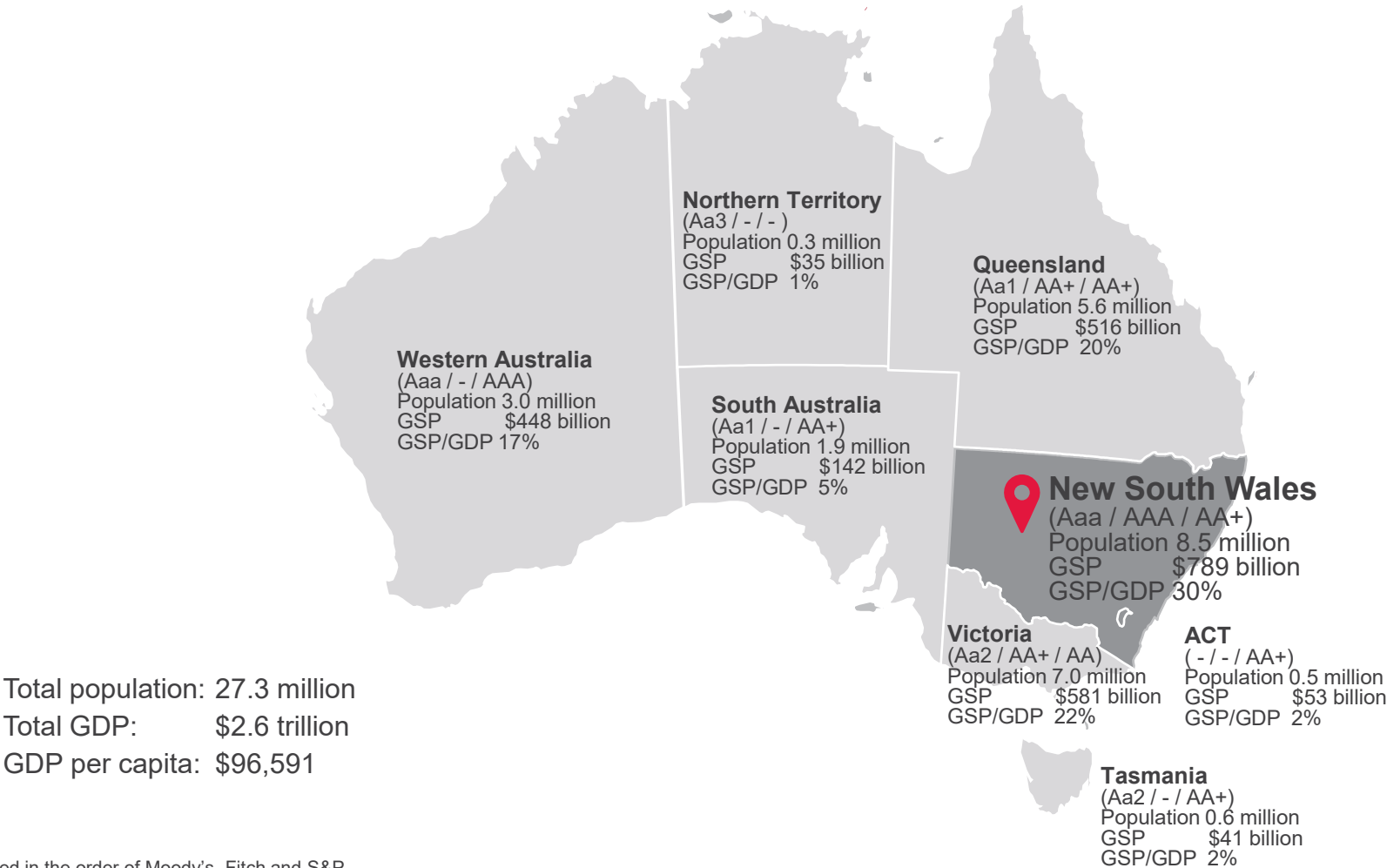




Section 1 – Economic Outlook

NSW has the largest economy and population in Australia

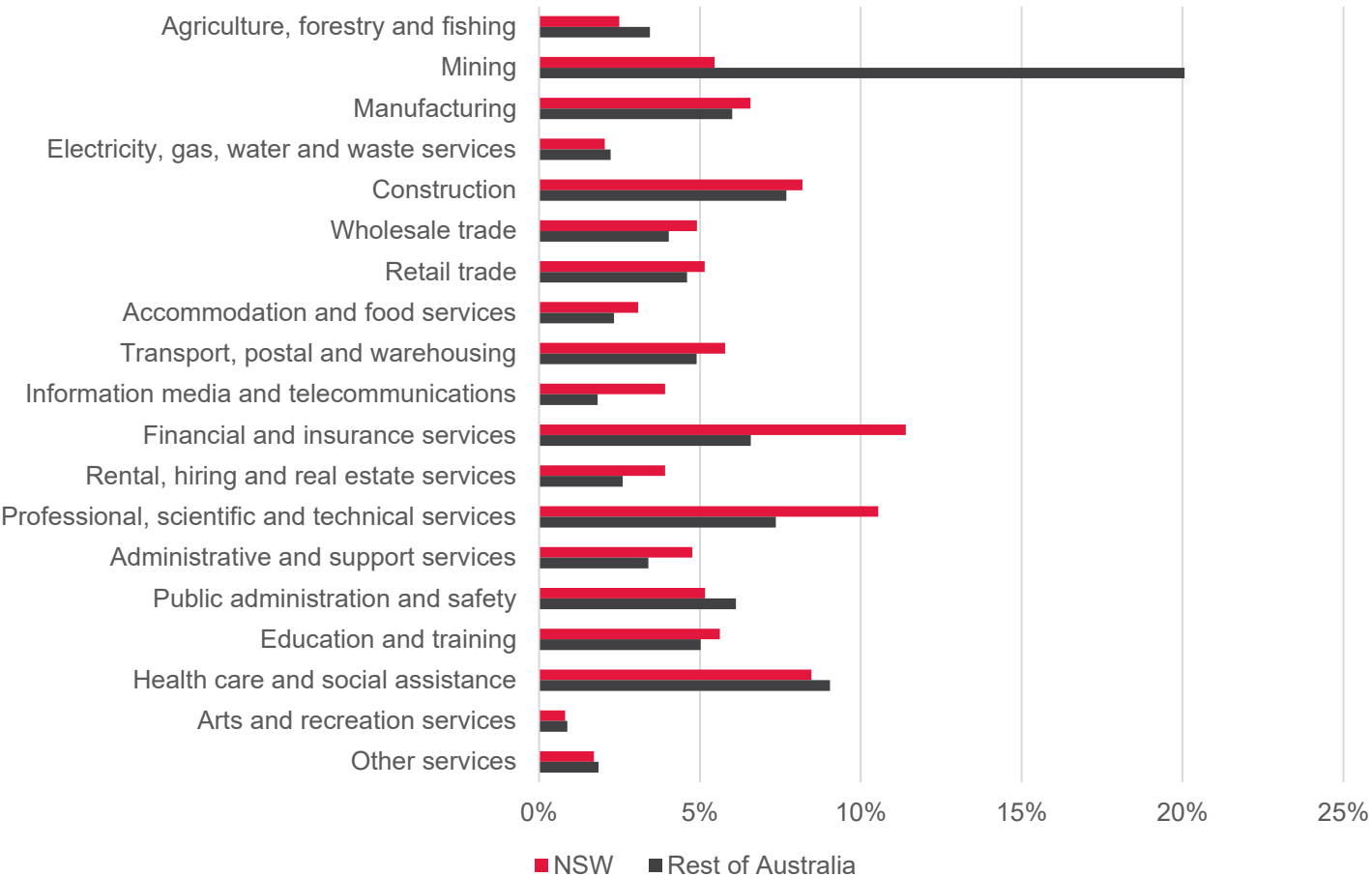
Population, Gross State Product and share of national GDP



Note: Credit ratings listed in the order of Moody's, Fitch and S&P.
Source: Australian Bureau of Statistics, at 30 June 2024
New South Wales Treasury Corporation

NSW economy benefits from being highly rated and diversified

Industry composition of NSW economy vs rest of Australia



Aaa (stable) – Moody’s
AAA (stable) – Fitch
AA+ (negative) – S&P



Representing around one third of national GDP



High concentration of services industries

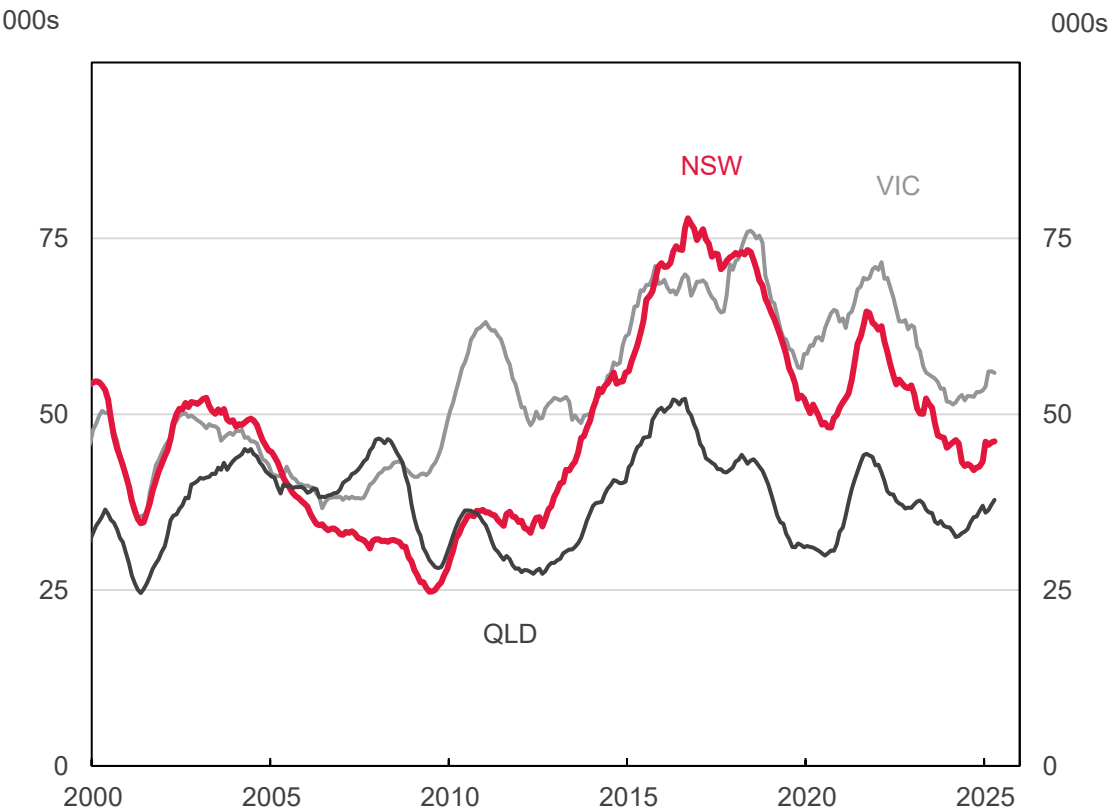


Low concentration of volatile primary production

Source: Australian National Accounts: State Accounts 2023-24, Australian Bureau of Statistics

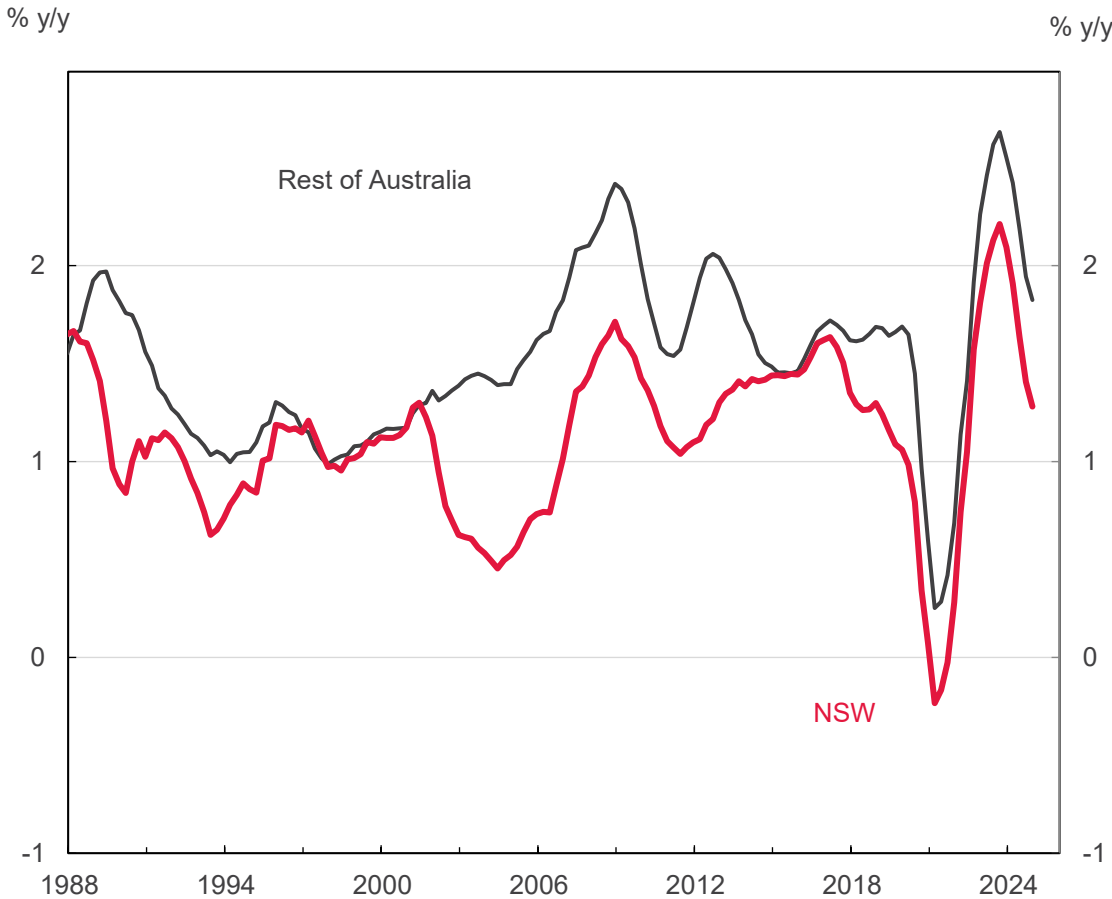
High interest rates weighed on housing construction but approvals are now beginning to rise

Building approvals are improving from recent low levels



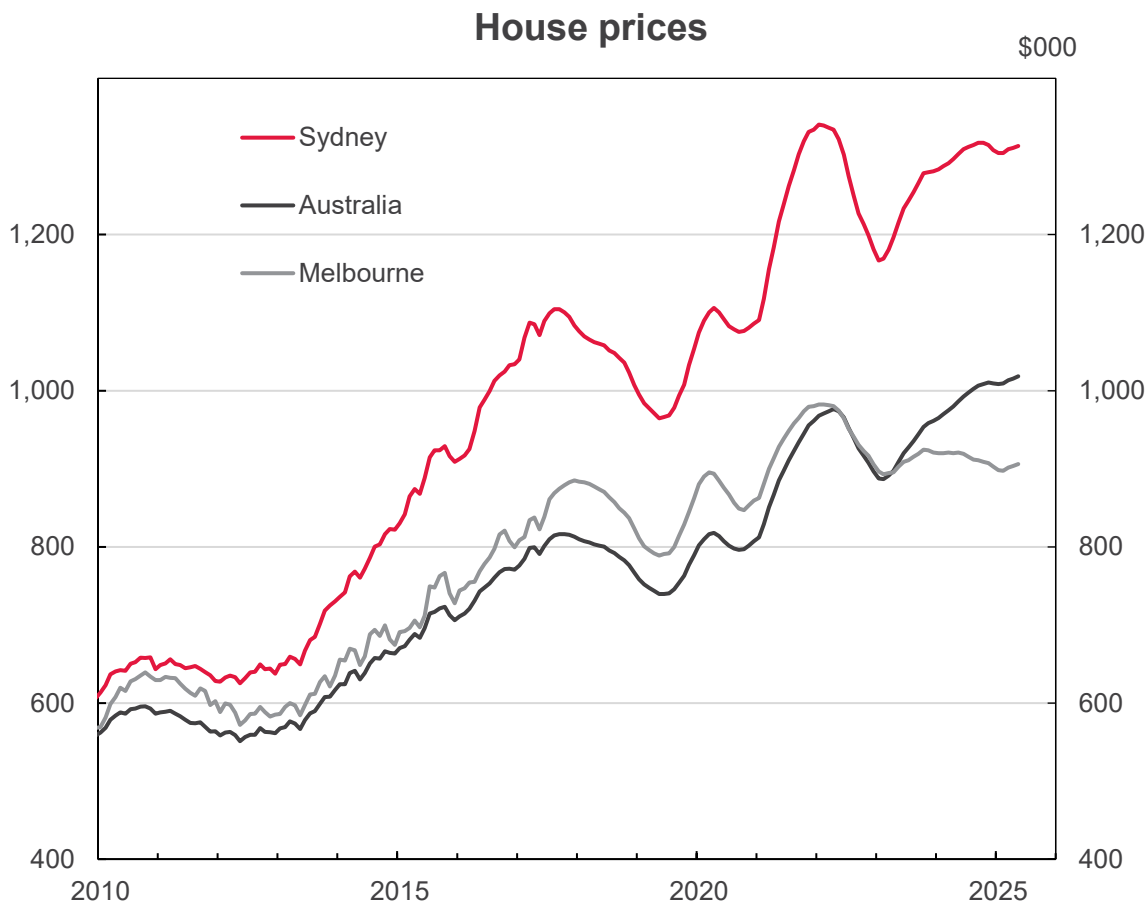
Source: Australian Bureau of Statistics

Strong population growth has slowed from its peak



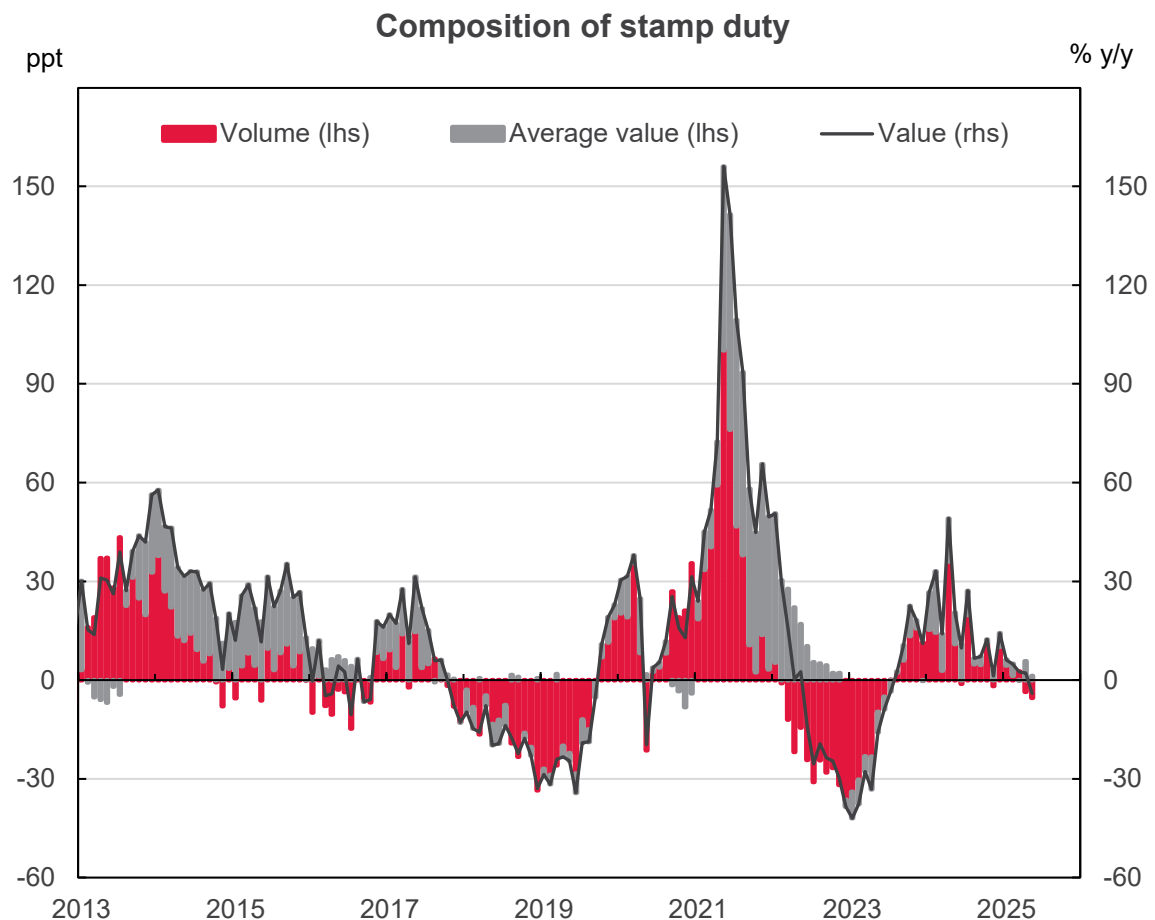
After a period of strong growth, NSW stamp duty receipts have plateaued over the past year

House prices stabilised in late 2024 after a strong rebound



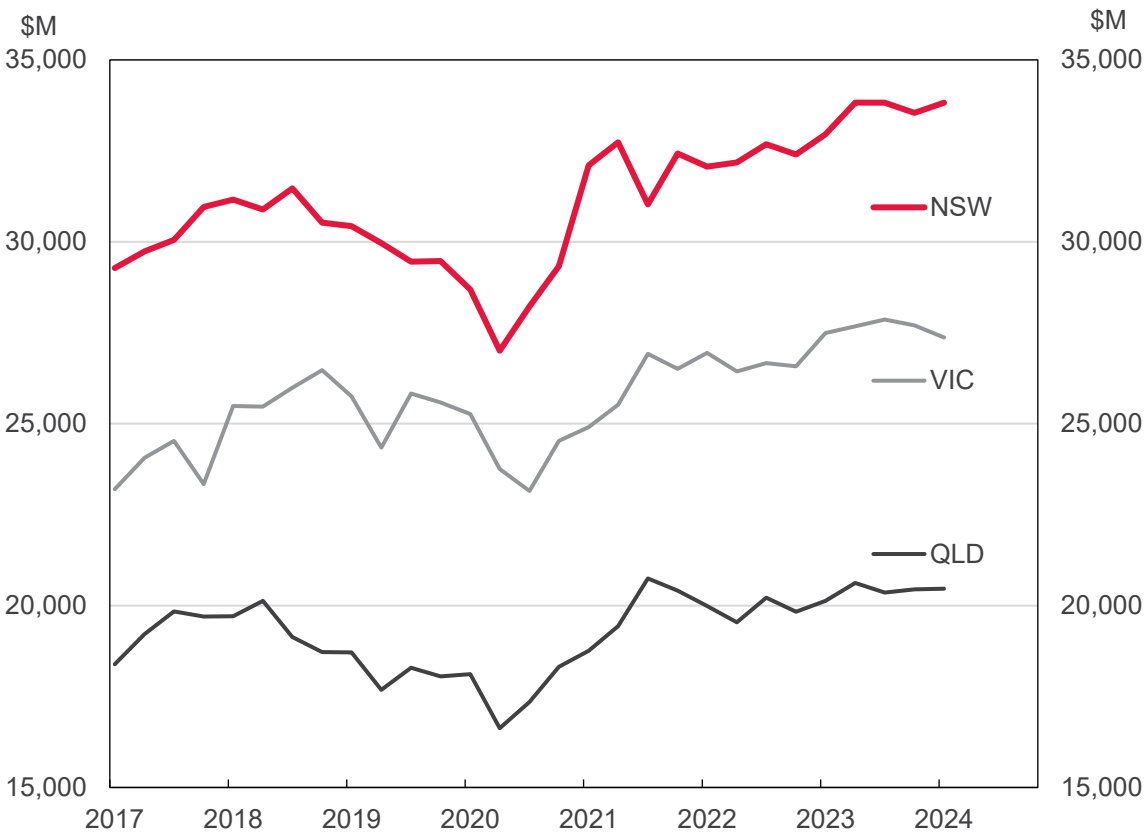
Source: Australian Bureau of Statistics; Revenue NSW
New South Wales Treasury Corporation

House prices and turnover have been stable over the past year



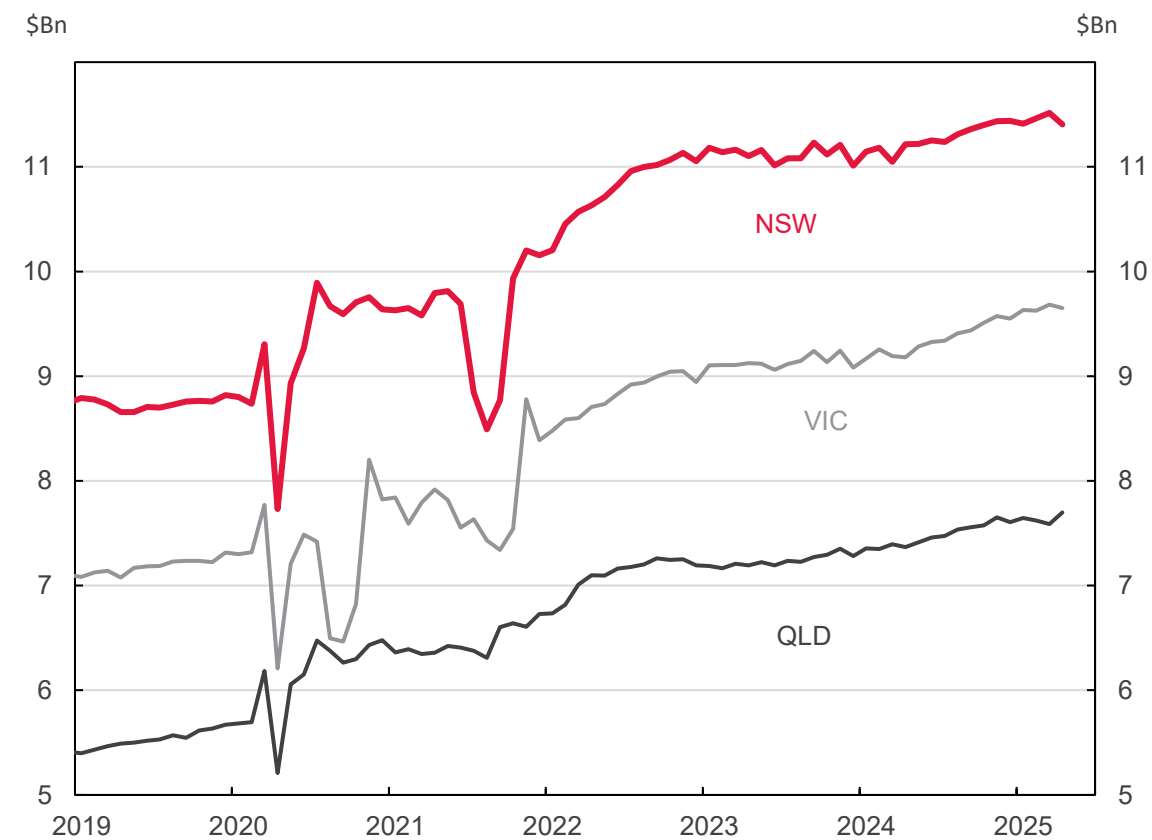
NSW business investment continued to edge higher despite flat consumer spending

NSW private-sector capital investment has continued to grow over recent years



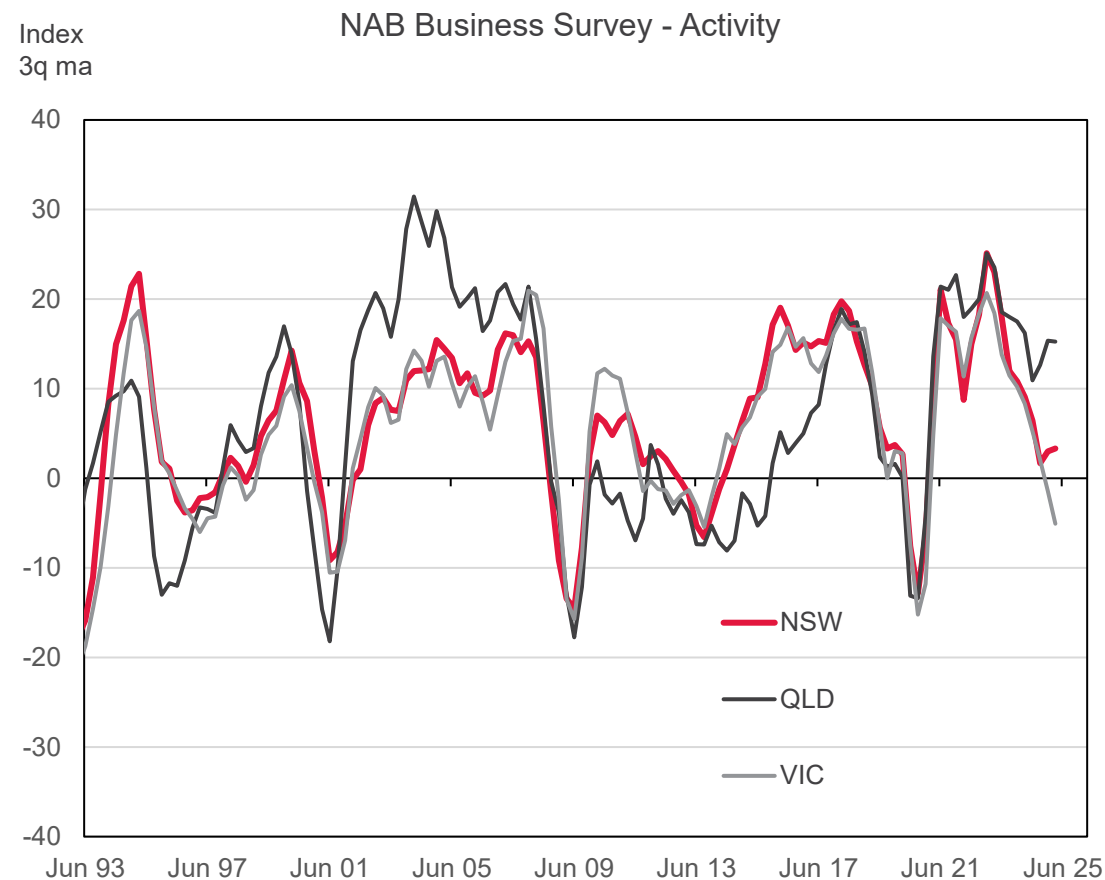
Source: Australian Bureau of Statistics

Retail turnover has grown only modestly despite improving household disposable income growth



Easier monetary policy should support business and consumer sentiment

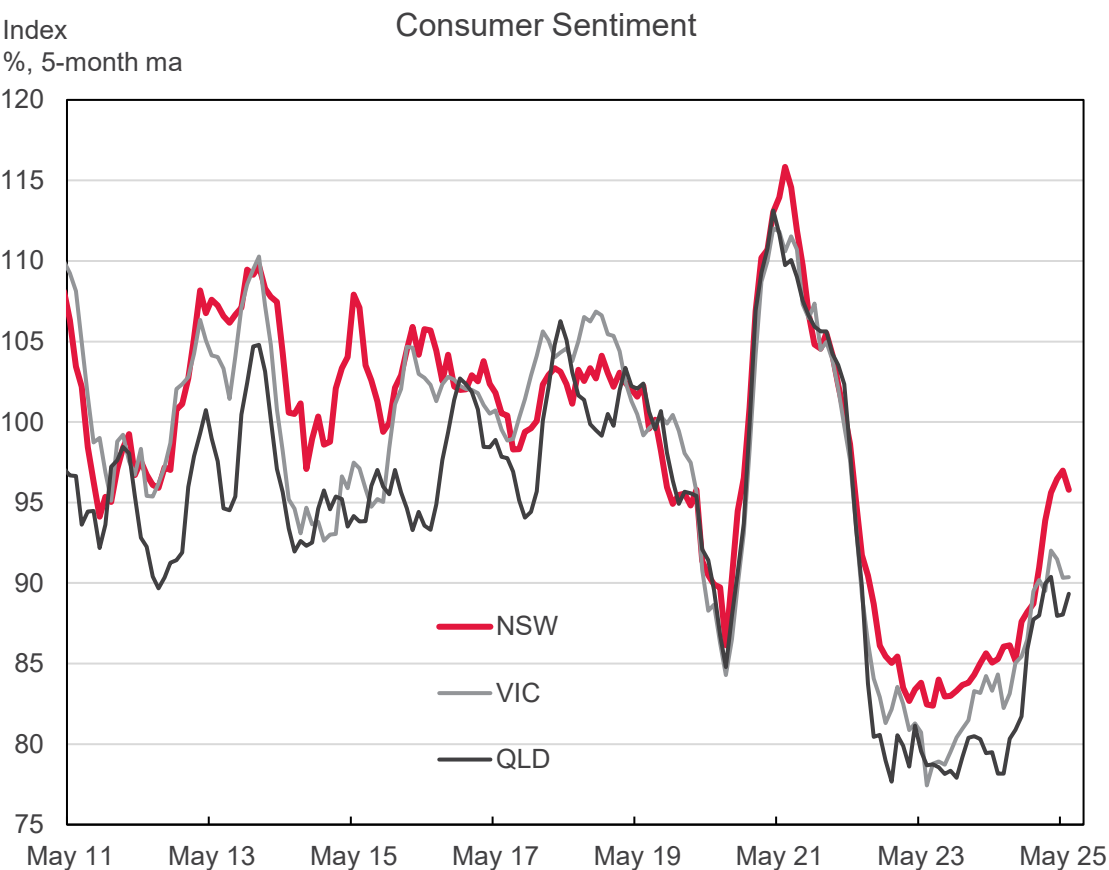
NSW firms report slower, though still expanding, activity



Source: NAB

New South Wales Treasury Corporation

NSW households remain less pessimistic than their counterparts in QLD and VIC

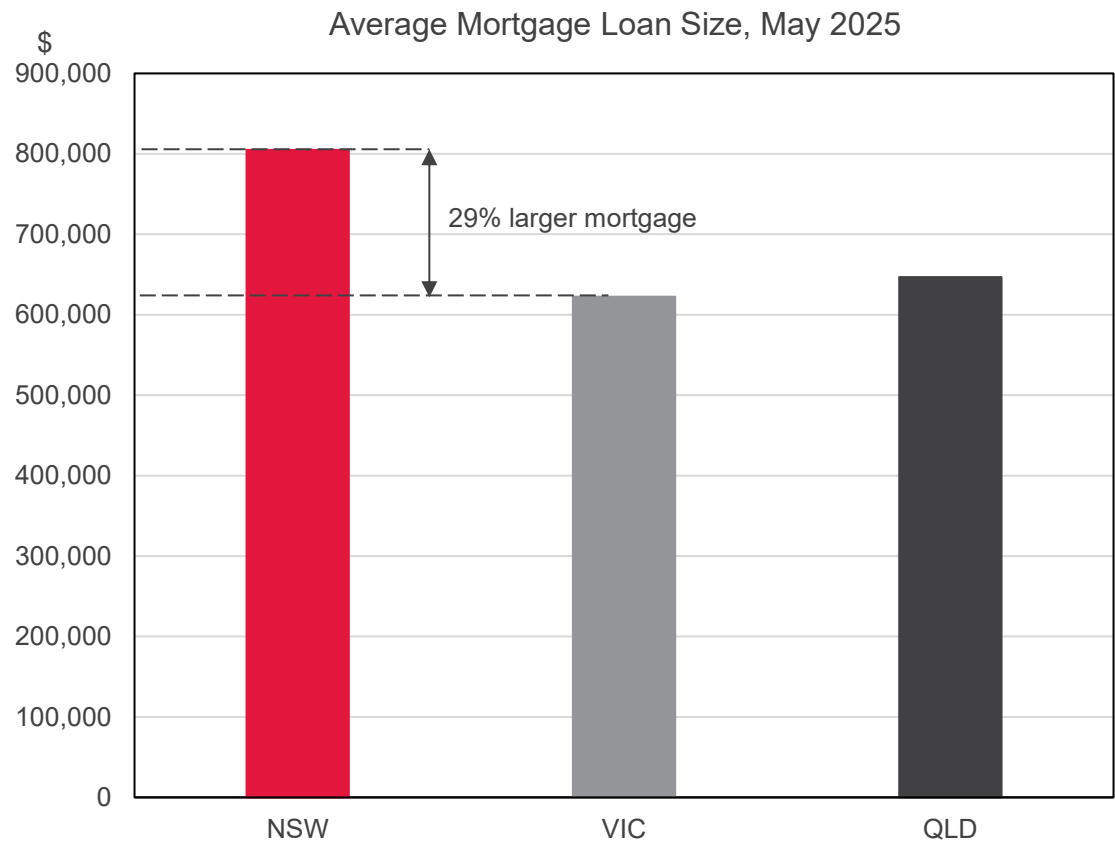


Source: Westpac

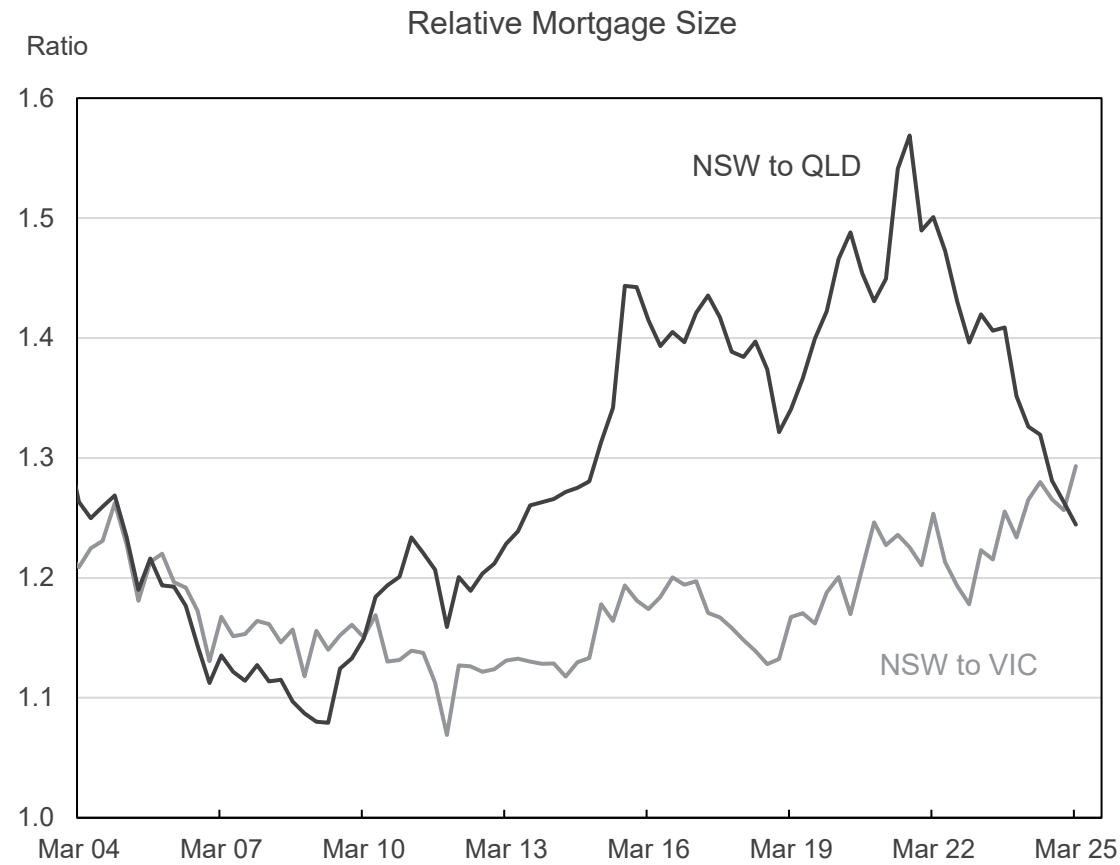
Unclassified

Lower interest rates have a bigger impact on NSW households given their large mortgages

NSW households have much larger mortgages than households in VIC or QLD



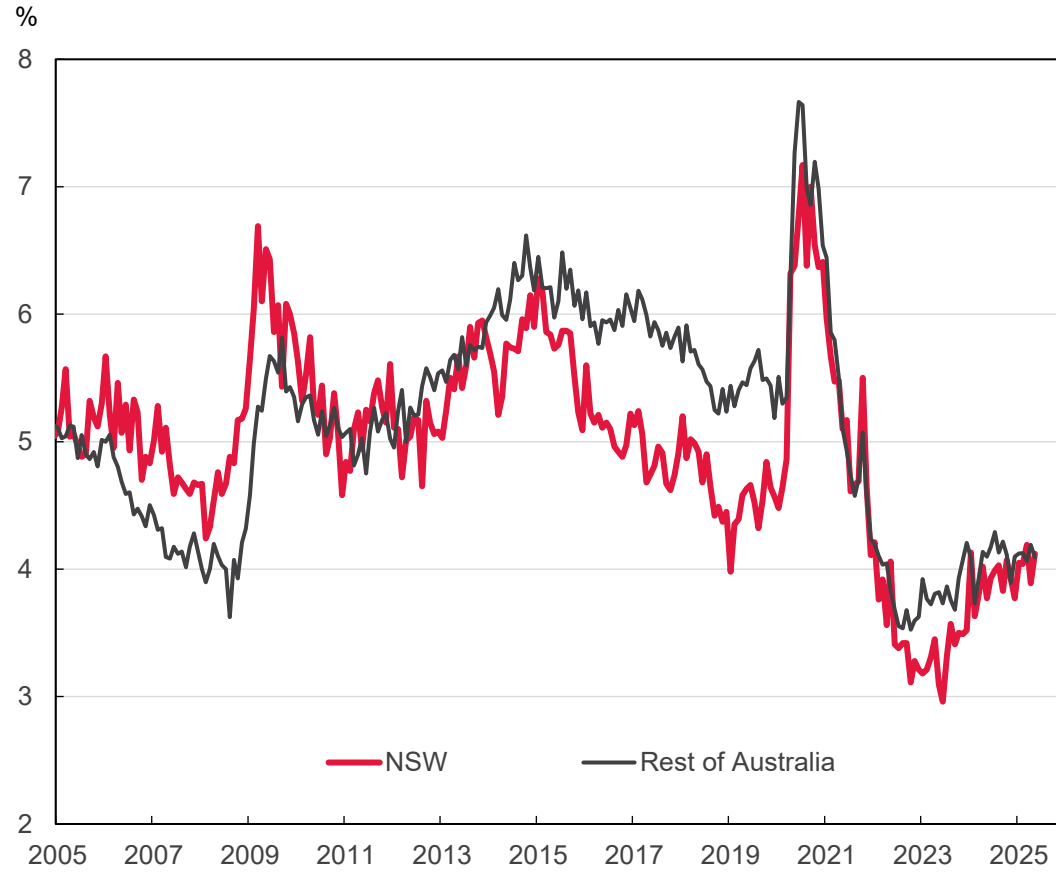
NSW mortgages grew disproportionately quickly during the COVID pandemic



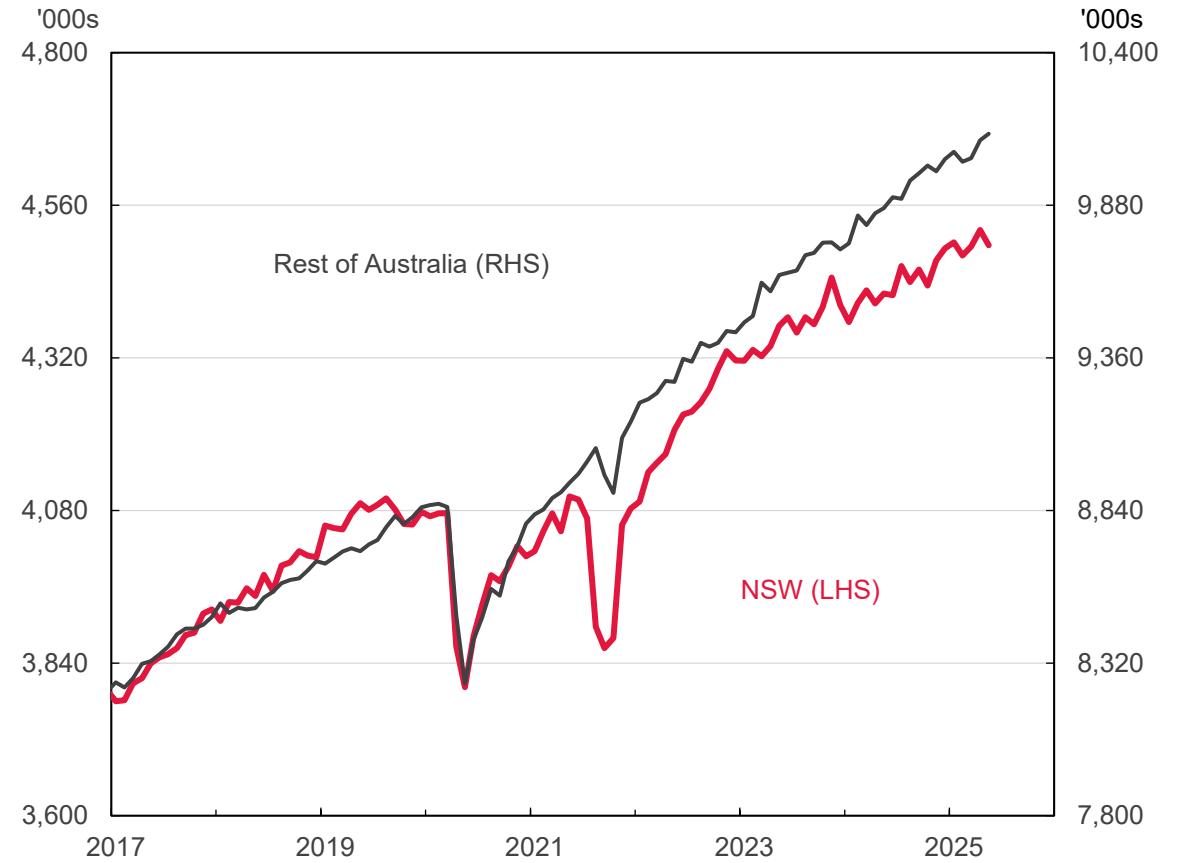
Source: Australian Bureau of Statistics

The labour market has been tight, but is gradually loosening

The unemployment rate stabilised around 4% over the past year



Employment has continued rising in line with relative population growth

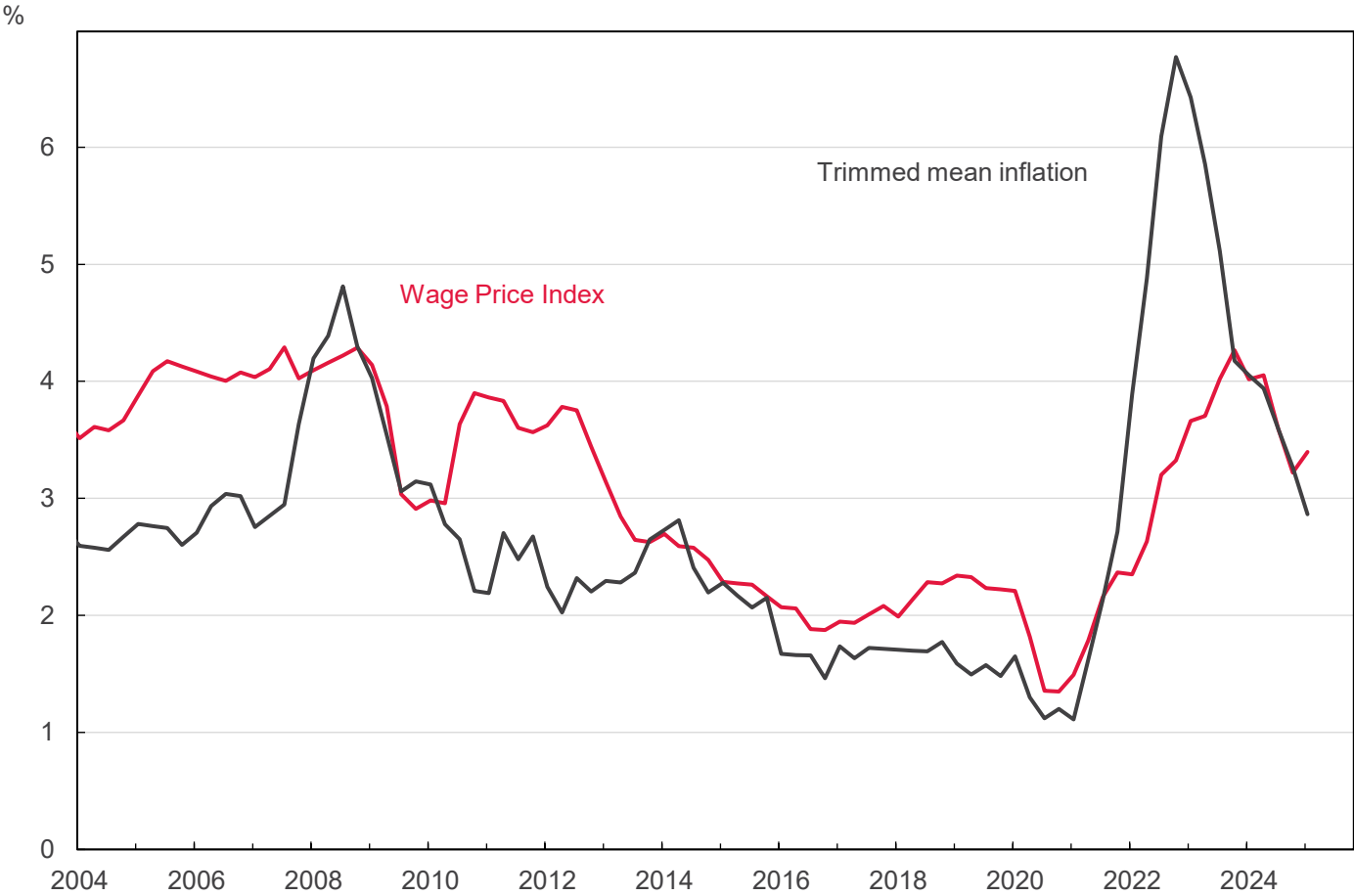


Source: Australian Bureau of Statistics

New South Wales Treasury Corporation

Unclassified

Inflation has been falling as has wages growth



Source: Australian Bureau of Statistics

Easing cost of living pressures and lower interest rates are expected to support growth and maintain low unemployment

Performance and outlook

	2024-25 Forecast*	2025-26 Forecast*	2026-27 Forecast*	2027-28 Forecast*	2028-29 Forecast*
Real gross state product	1¾ (¾)	1¾ (2½)	2¼	2 (2¼)	2
Employment	2.0	1 (1½)	1¼ (1½)	1½	1¼
Unemployment rate	4 (4½)	4¼ (4½)	4¼	4	4
Sydney consumer price index	2½ (3)	3	2½	2½	2½
Wage price index	3¼ (3½)	3½ (3¼)	3 (3¼)	3 (3½)	3
Population	1.3	1.1 (1.3)	1.1 (1.2)	1.1 (1.2)	1.1

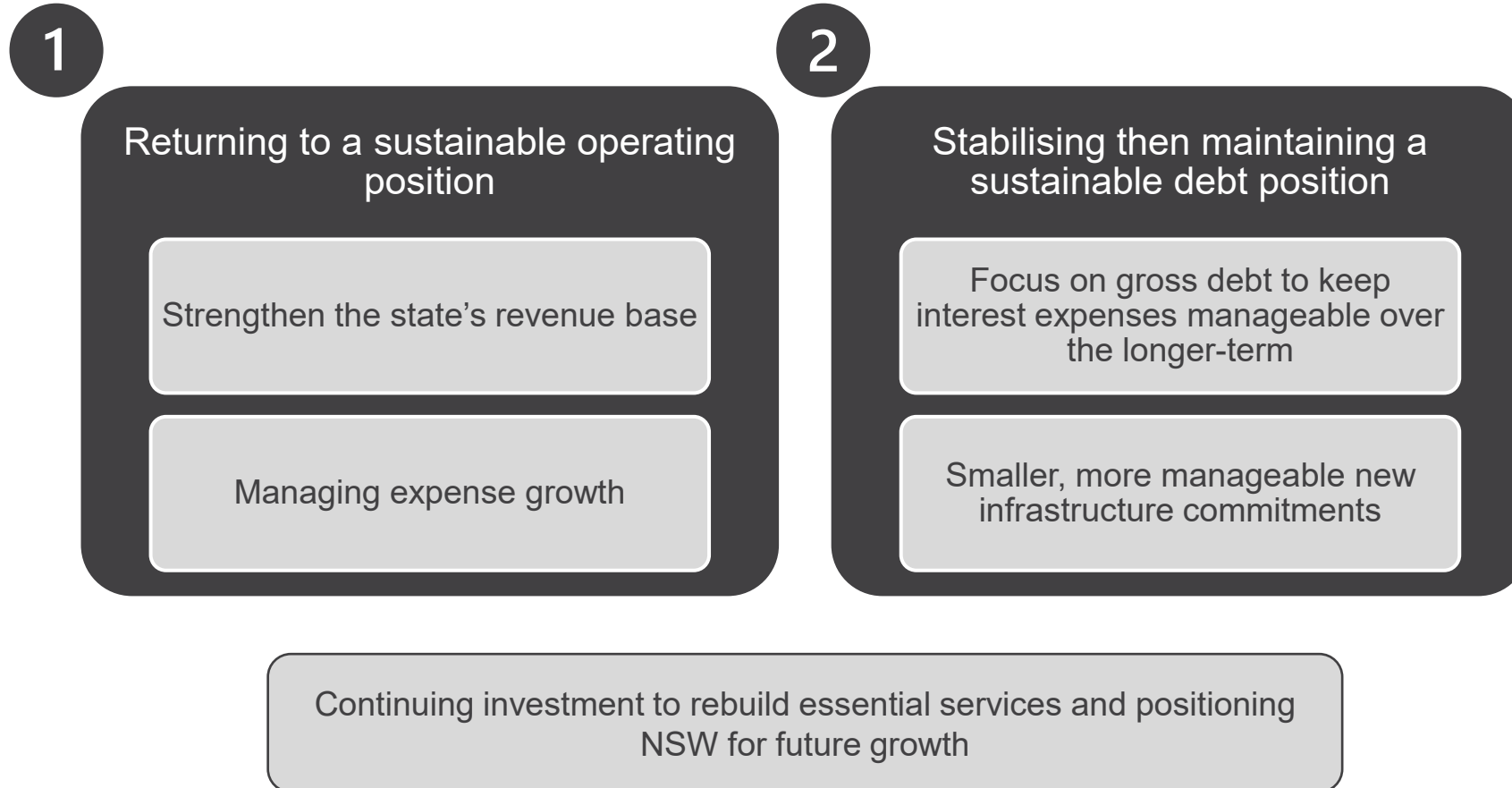
*Forecasts rounded to nearest quarter point and are annual average per cent change. 2024-25 Half-Yearly Review forecasts in parentheses where different
Source: NSW Budget 2025-26 budget paper no.1



Section 2 – Fiscal Outlook

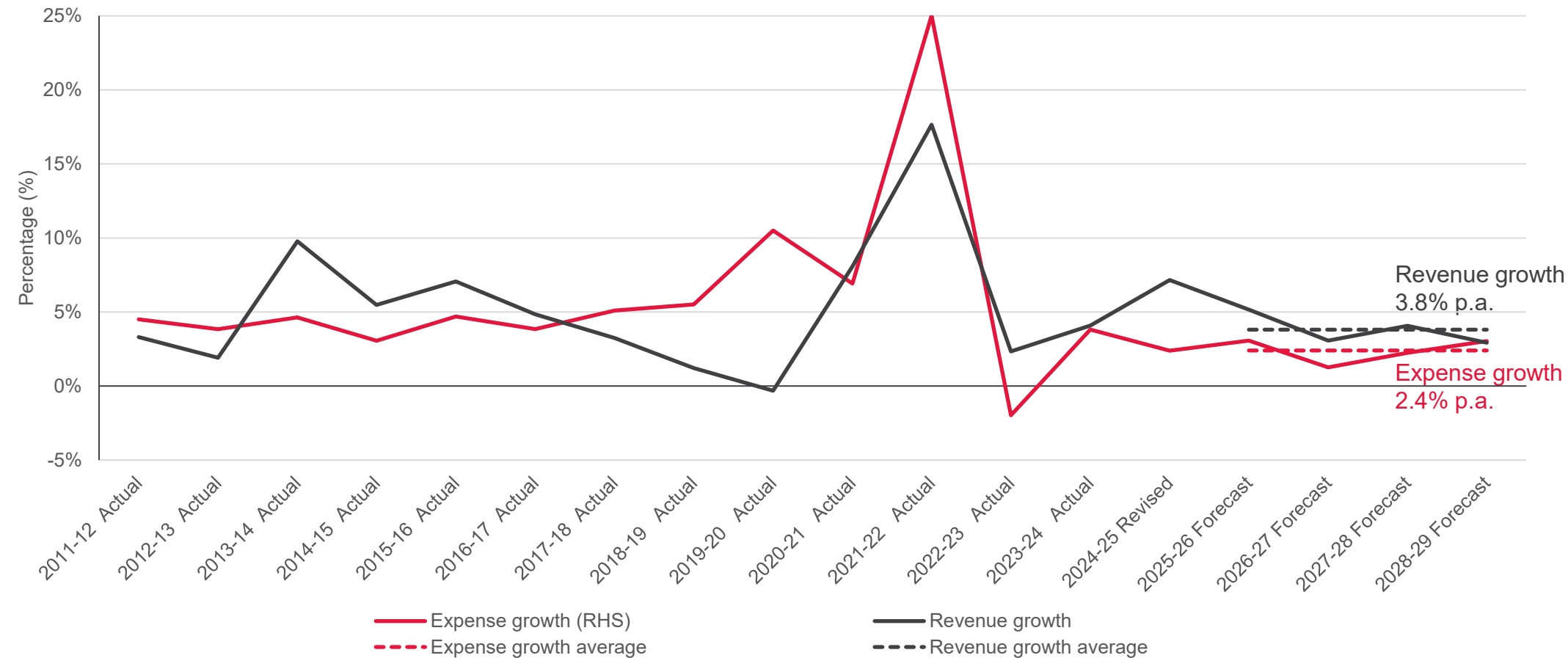
The NSW Government remains committed to their 2 key fiscal principles

NSW's Budget repair continues to take effect, improving economic resilience to ongoing risks and pressures



Returning to a sustainable operating position

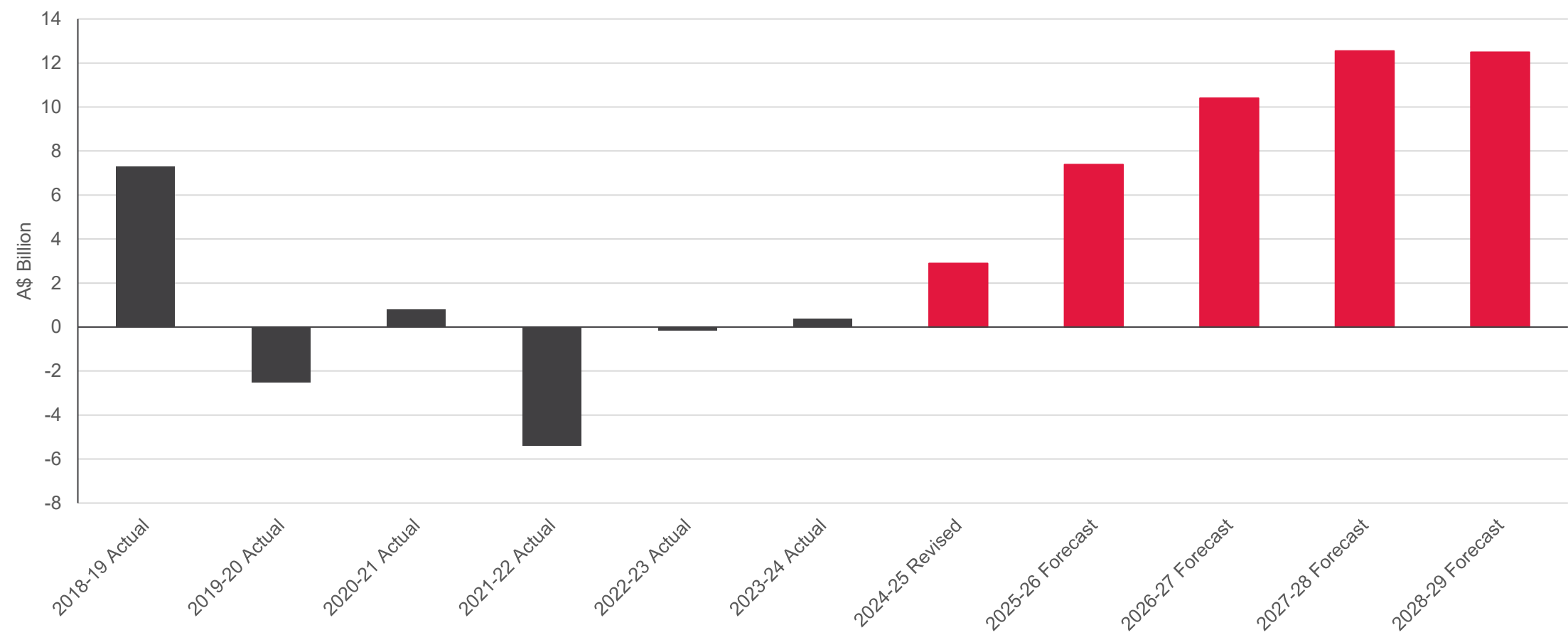
Managing expense growth is a primary lever for Budget repair



Source: NSW Budget 2025-26 budget paper no.1, budget statement, general government
New South Wales Treasury Corporation

Increasing cash operating balance reduces borrowing

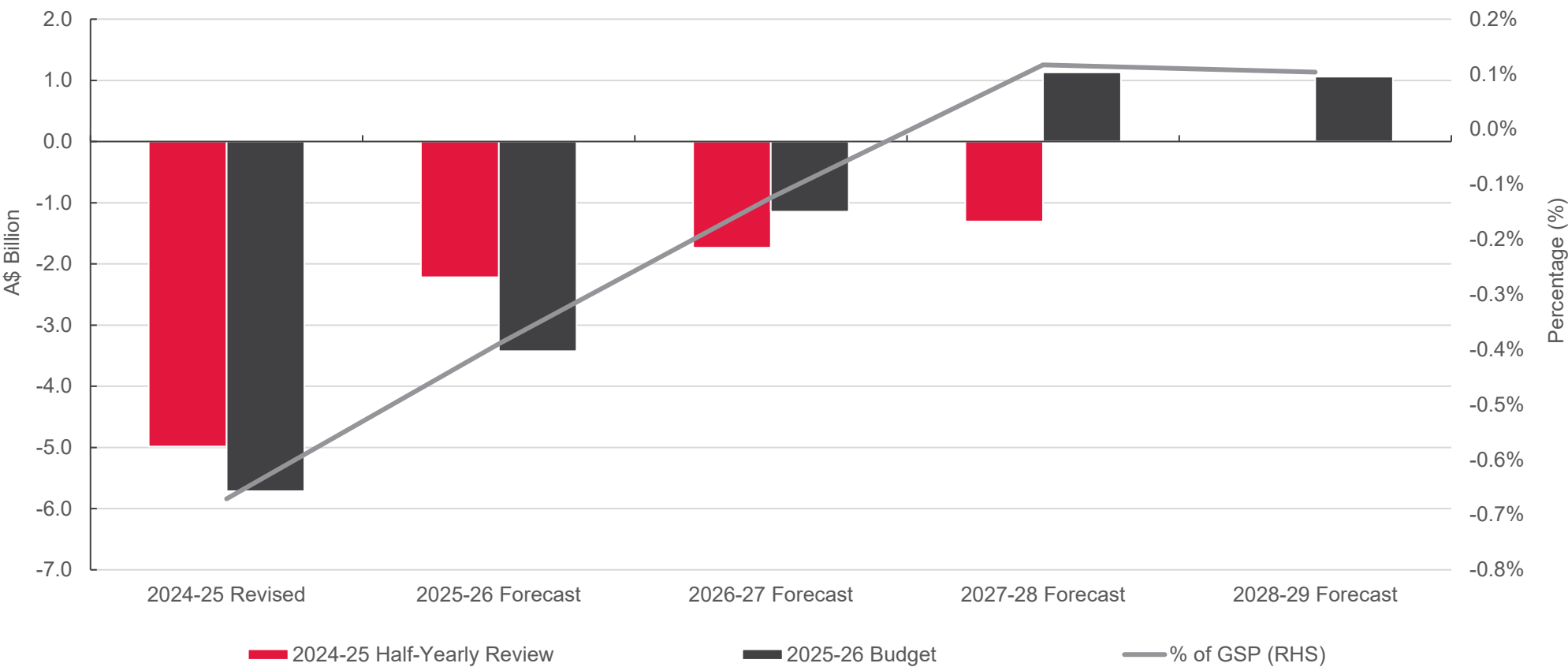
The Budget’s fiscal position is supported by lower expense growth compared to historical levels



Source: NSW Budget 2025-26 budget paper no.1, general government sector

NSW Budget is forecast to return to surplus by 2027–28

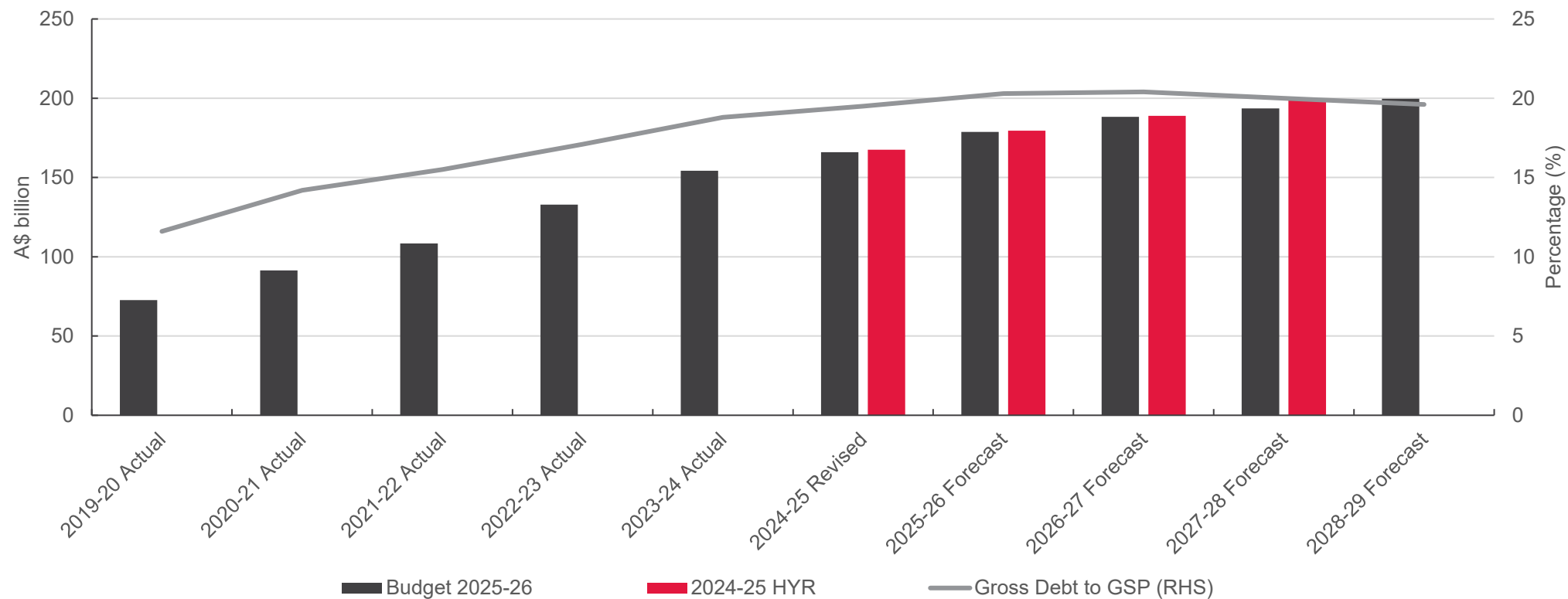
Improving operating position driving a return to forecast Budget surplus, though risks to the outlook remain



Source: NSW Budget 2025-26 budget paper no.1, general government sector

Stabilising then maintaining the state's gross debt level at around 20% of GSP

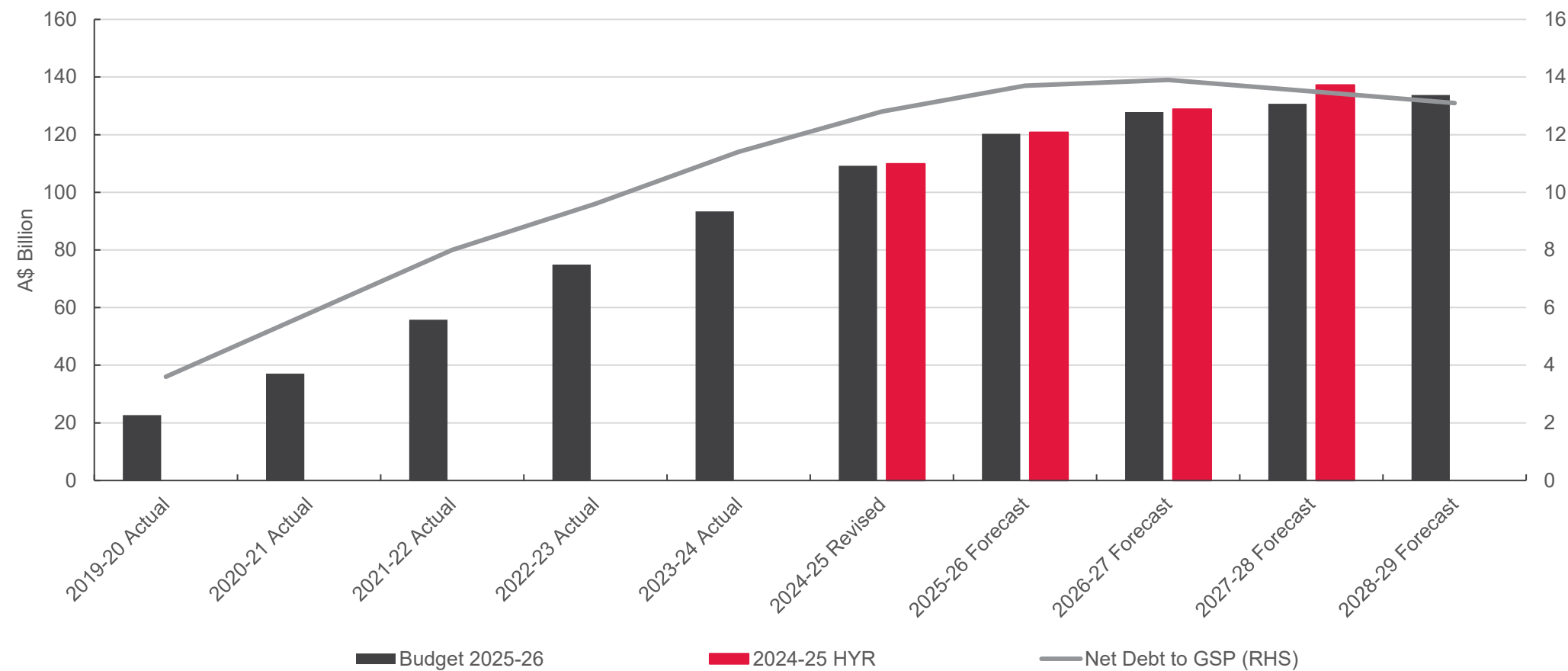
Despite pressures from external sources, stabilisation of debt is critical to the longer-term sustainability of the state



83.4% of the infrastructure program was debt funded in the 2020-21 Budget, versus 53.1% in the 2025-26 Budget

Net debt to GSP is forecast to peak at 13.9% in 2026-27 before declining

NSW has the second lowest net debt to GSP of the Australian states



Source: NSW Budget 2025-26 budget paper no.1, general government sector; NSW Treasury and other State and Territory Budgets

\$118.3bn Essential Infrastructure Plan

Forecast expenditure to 2028-29 prioritising schools, hospitals, housing, critical services such as water and energy

Social housing

\$4.1bn



Transport infrastructure

\$55.6bn



New and upgraded hospitals and health facilities

\$12.4bn



Education and skills infrastructure

\$11.0bn



Water entities

\$18.3bn



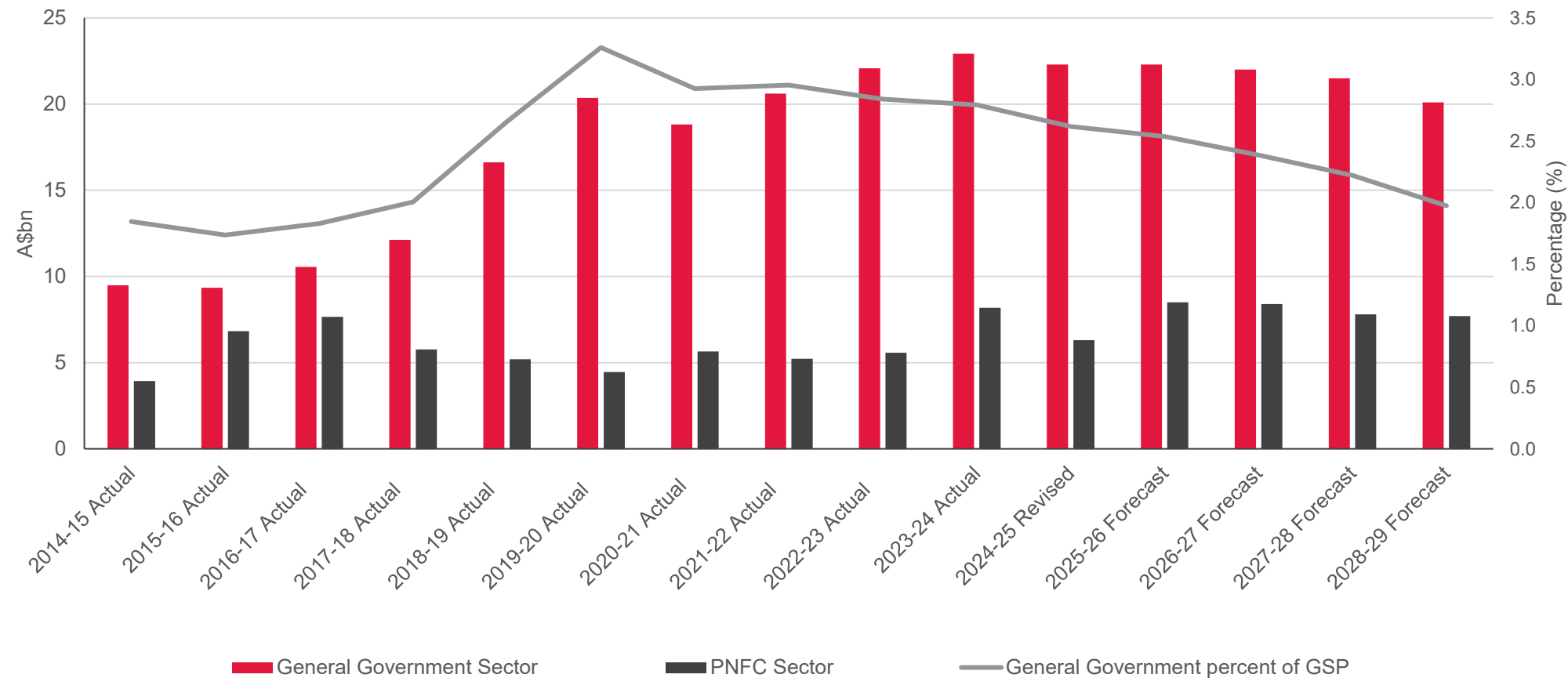
Climate change, energy, environment and water infrastructure

\$4.2bn



Investing in the drivers of future economic growth

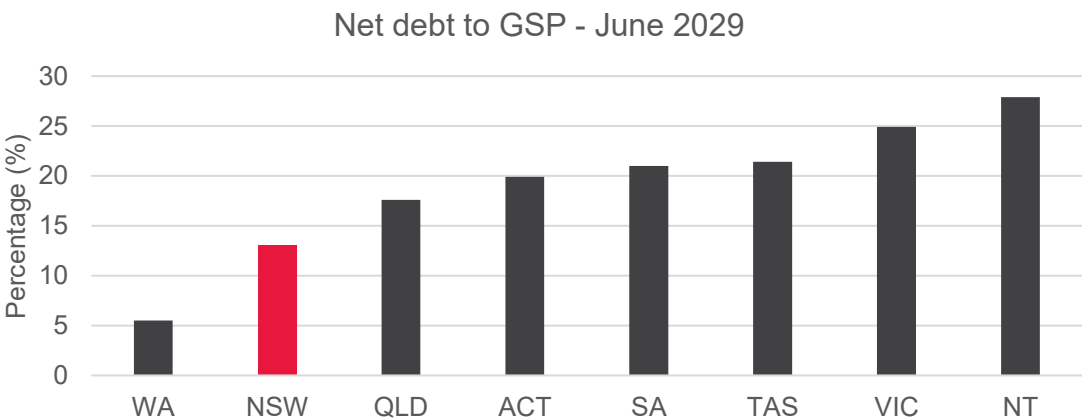
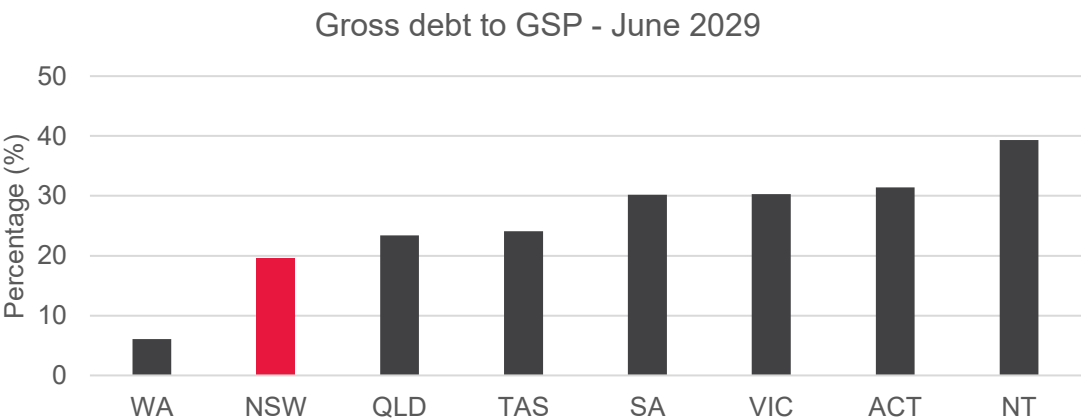
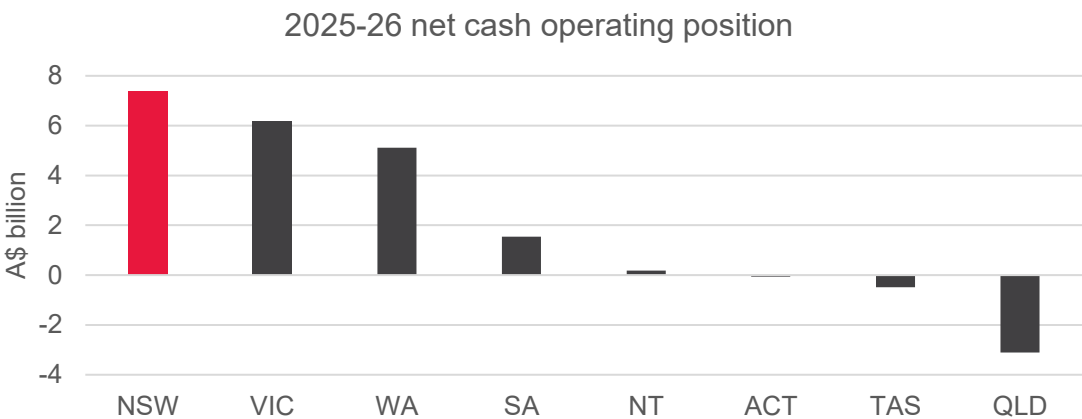
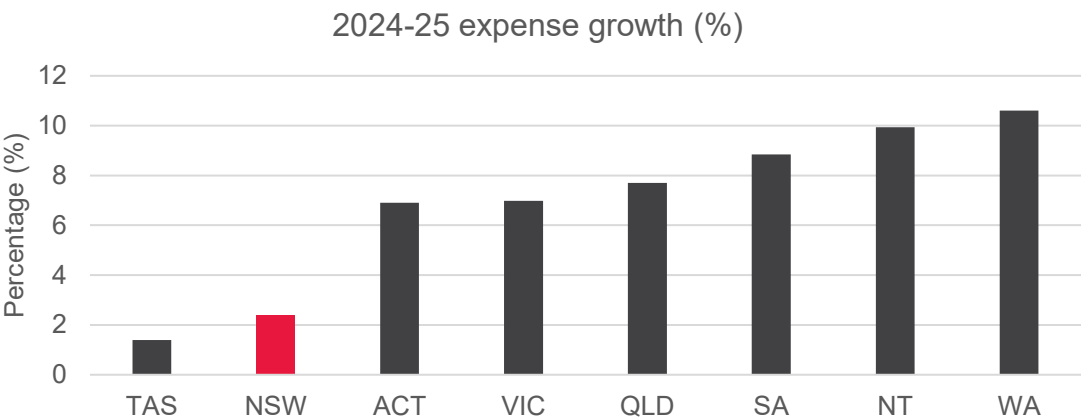
Infrastructure program reset to around 2% of GSP to support sustainable borrowing levels



Source: 2025-26 NSW Budget paper no.1 and Budget paper no.3
New South Wales Treasury Corporation

NSW peer analysis

NSW is performing strongly versus peers resulting from ongoing fiscal repair efforts



Source: NSW Treasury and other state and territory Budgets
Net cash operating position is revenue minus operating expenditures on a cash basis
New South Wales Treasury Corporation



Section 3 – 2025-26 Budget Highlights

Key 2025-26 Budget highlights

Over 45 projects worth approx. \$100bn are currently seeking approval, including developments in renewable energy, data centres, and logistics precincts

Update:

- The 2023-24 Budget Comprehensive Expenditure Review identified \$13.0bn in savings, reprioritisation and other budget improvement measures.
- To date:
 - More than \$11.0bn of these measures are complete or on track for completion
 - The remaining measures are underway or in planning



Investment Delivery Authority

Created to fast-track non-residential development proposals valued over \$1.0bn through planning and regulators



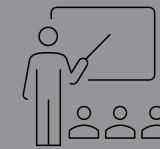
Pre-sale finance guarantee

Up to \$1bn for approved housing allowing finance to be secured earlier and construction to begin more quickly



\$1.2bn

Child protection package to begin rebuilding 'Out Of Home Care' (OOHC) targeting the state's most vulnerable children

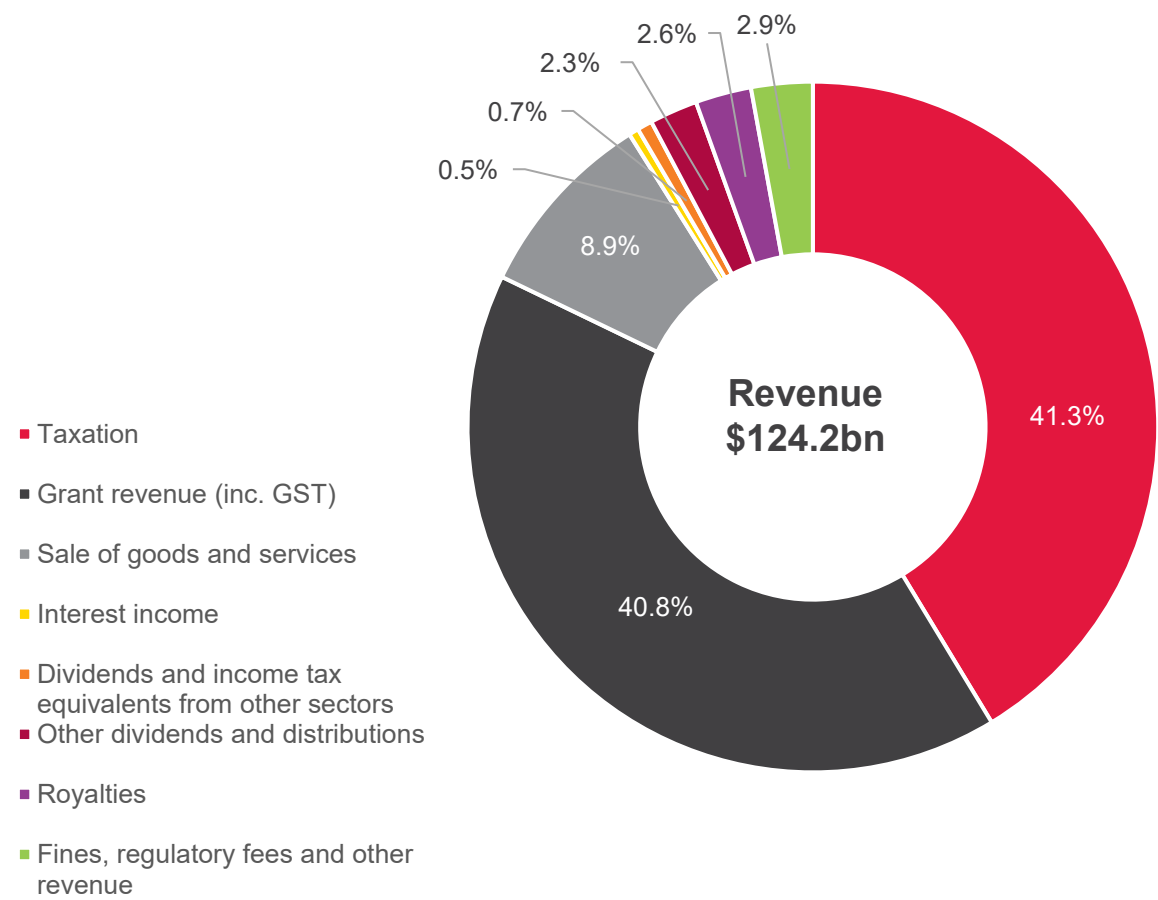


\$10.4bn

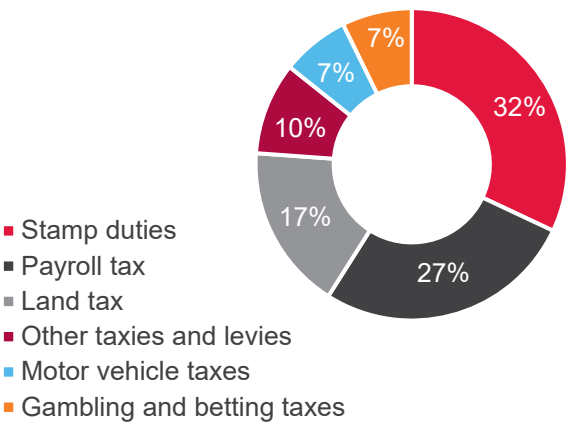
'Better and Fairer Schools' provides funding for NSW schools over the next 10 years (inc. \$4.8bn Federal funding)

Revenue is forecast to be \$124.2bn, a small upward revision to 2024-25 HYR

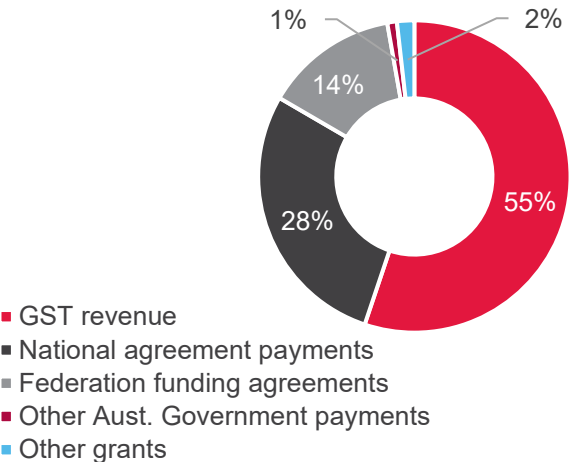
The improved revenue outlook since the 2024-25 HYR is primarily from a larger than forecast GST pool



Taxation revenue \$51.3bn - breakout



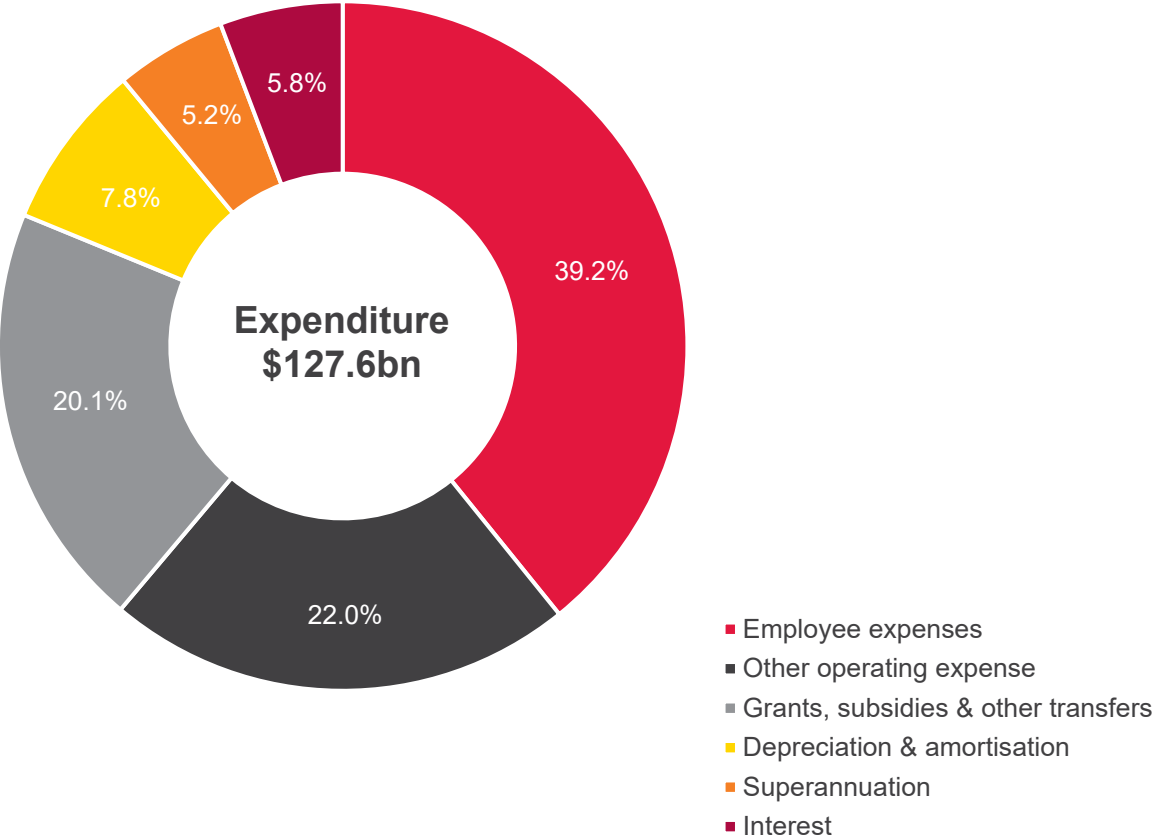
Grant revenue \$50.7bn - breakout



Source: NSW Budget 2025-26 budget paper no.1, general government sector

Net \$2bn increase in expenditure since the HYR is projected for 2025-26

New policy measures are the primary driver of expenditure growth, including public schools and out-of-home care (OOHC)



Source: NSW Budget 2025-26 budget paper no.1, general government sector



Section 4 – Funding Programme

NSW retains strong credit ratings

	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+ (neg)	AA+ (neg)	A-1+

“The state’s fiscal plans are supported by the underlying strength of the state’s large, diverse and growing economy, which alongside national economic resilience, supports sustained revenue growth and the state’s capacity to service its debt and interest obligations.”

Moody’s, June 2025

“The affirmation reflects NSW’s strong and diversified economy that will continue to drive sustained revenue growth to enable the state to build operating surpluses to support its rising debt”

Fitch Ratings, October 2024

“The budget for the Australian state of New South Wales (NSW) outlines plans to improve its operating trajectory similar to our base-case expectations. We consider the execution of the budget tantamount to validating our view of the state’s very strong financial management.”

S&P Global, June 2025

TCorp's funding requirement has moderated since the 2024-25 HYR

- Increased weighting to public issuance formats in the context of 50% syndication and 30% tender
- Benchmark bonds to provide the majority of term funding, including an extension of this curve
- A new fixed rate note issued off the Sustainability Bond Programme
- Continue to monitor non-AUD placement and benchmark issuance opportunities

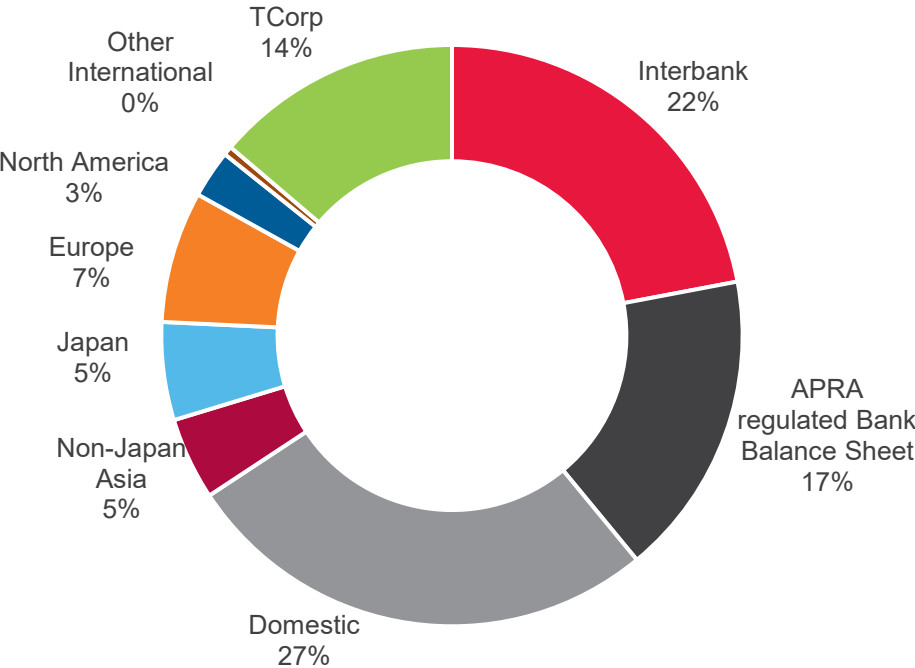
A\$bn	2025-26 Forecast	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast
New client loans	17.2	13.2	7.9	8.6
Term maturities	11.0	12.4	17.2	16.2
Less prefunding	-4.0			
Funding requirement	24.2 (+1.3)	25.6 (-0.4)	25.1 (-5.8)	24.8

Numbers in brackets represent changes from the FY25 Half-Yearly Review Funding Requirement published on 18 December 2024

Forecasts are expressed in capital value as at 24 June 2025, rounded to the nearest A\$100mn

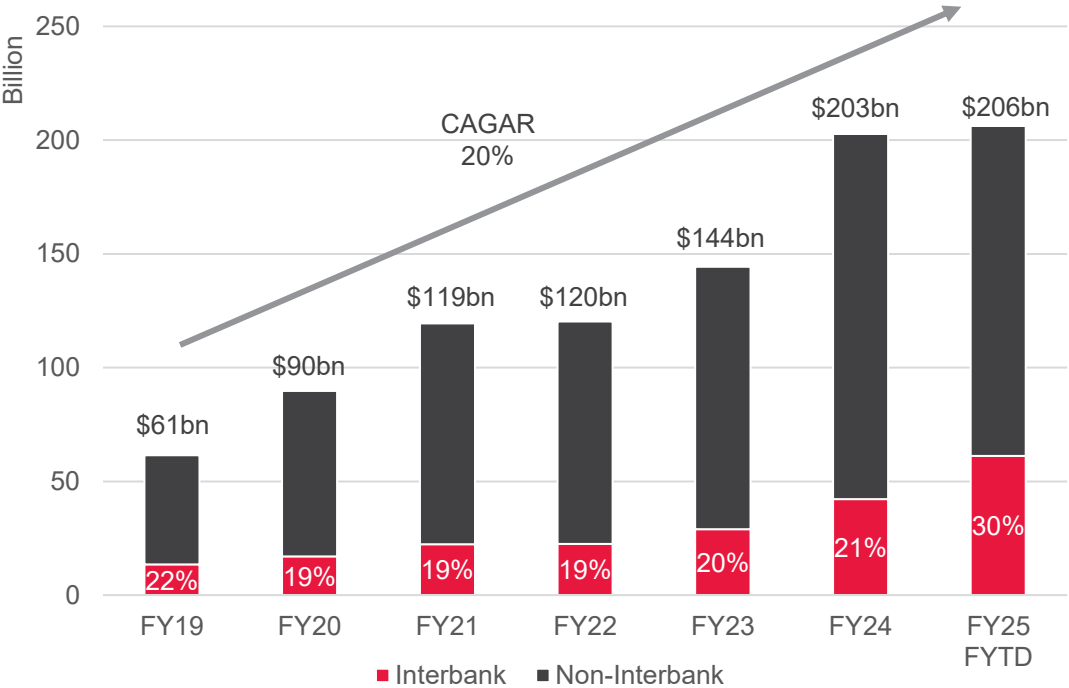
TCorp has a large and increasingly diversified investor base

Over A\$940bn in panel bank reported secondary market turnover 2020-2025 FYTD
(interbank weighted to 50%)



19% (~\$125bn) of Semis are held by foreign investors, versus 45% (~\$400bn) of ACGB

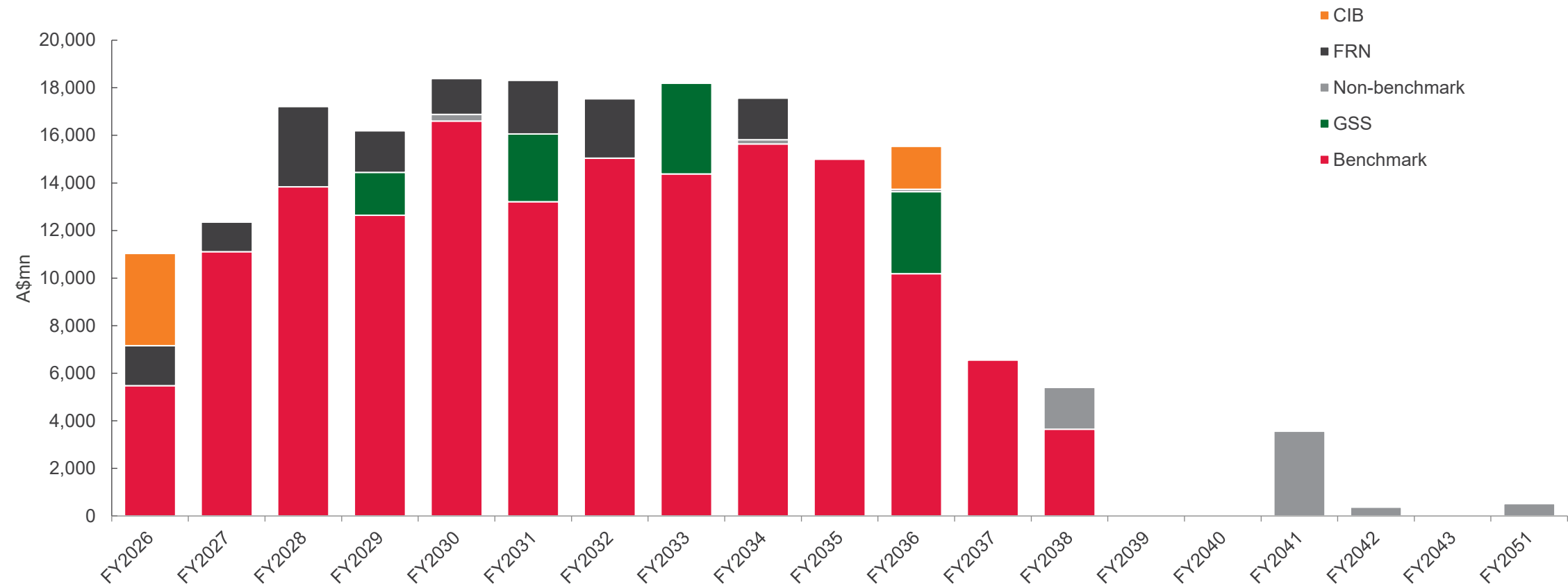
TCorp secondary market turnover
(interbank weighted to 50%)



Growing liquidity and attractive relative value continues to attract new TCorp investors

TCorp maturity profile

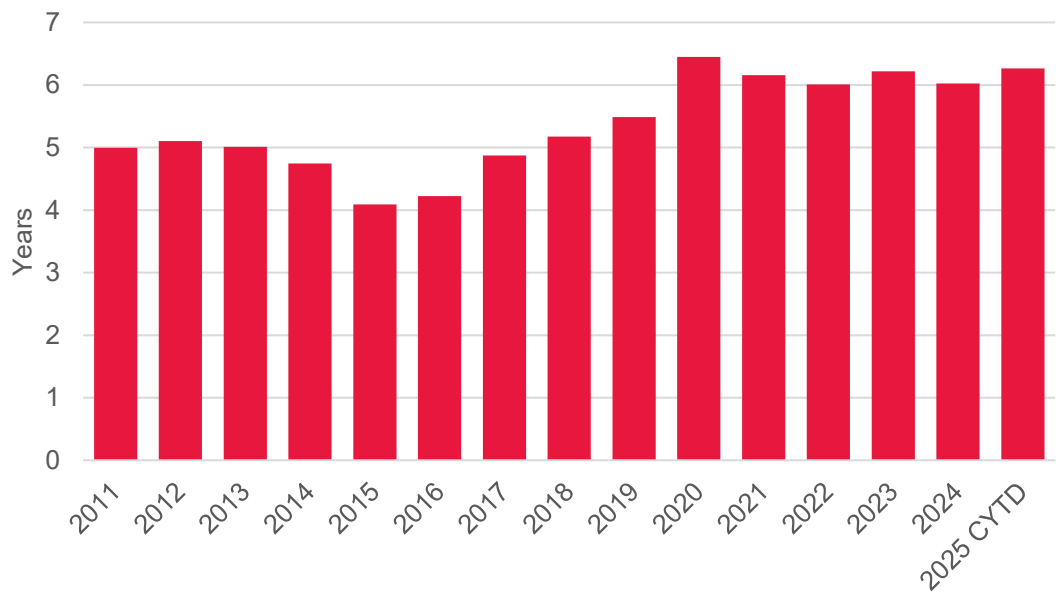
Investors benefit from a liquid and diversified product offering



Source: TCorp as at 30 June 2025

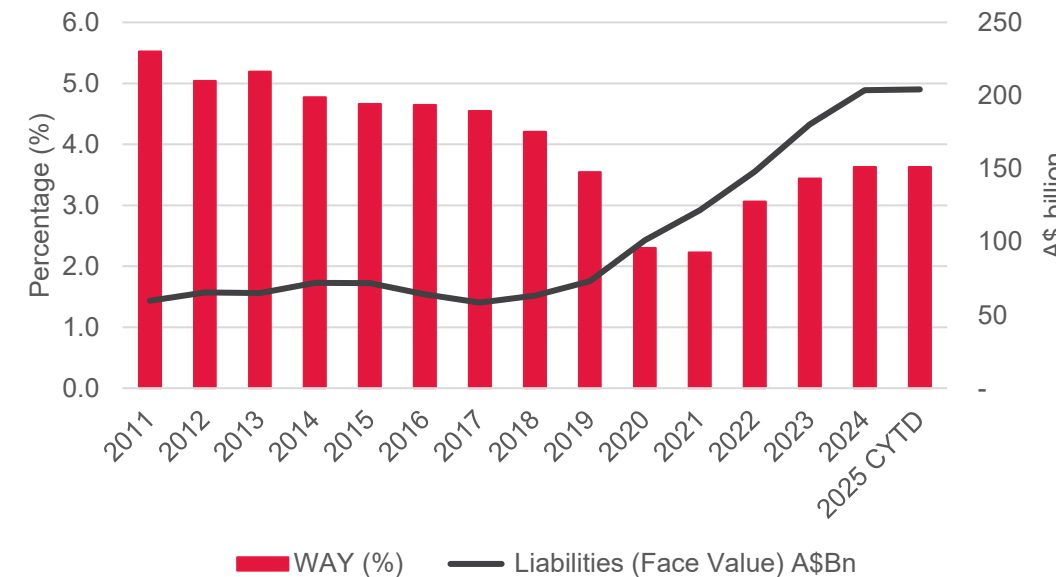
TCorp's borrowing costs remain below historical levels

Weighted average life (WAL)



Duration increased at a time of lower interest rates, however stabilised as interest rates were raised

Weighted average yield (WAY)



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



Section 5 – Sustainability in NSW

NSW Sustainability Bond Programme overview

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

Framework	NSW Sustainability Bond Framework – September 2024
External review	<ul style="list-style-type: none">• Second Party Opinion on current Framework provided by Sustainalytics• Independent limited assurance report by Sustainalytics on outstanding GSS bonds
Green bonds	Issued in alignment with 2021 ICMA Green Bond Principles (GBP) Certification in compliance with Climate Bonds Standard V4.2 at TCorp's discretion
Social bonds	Issued in alignment with 2023 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• 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 to UN SDGs
Annual report	Annual report covering the use of proceeds of all outstanding GSS bonds
Website	https://tcorp.nsw.gov.au/home/tcorp-bonds/sustainability-bonds/

Morningstar Sustainalytics, a globally-recognized provider of ESG research, ratings and data, evaluated the Framework and the alignment thereof with relevant industry standards and provided views on the robustness and credibility of the Framework. The SPO whether in whole or in part shall not be construed as part of any securities offering and shall not be considered as an offer or advertisement to buy a security, solicitation of votes or proxies, investment advice, expert opinion or negative assurance letter as defined by any applicable laws.

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

- Improve transparency around how NSW is responding to the 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>



Section 6 – TCorp Contacts

Funding and Balance Sheet contacts

Name	Position	Telephone	Email
Rob Kenna	General Manager, Financial Markets	+61 2 9325 9278	rob.kenna@tcorp.nsw.gov.au
Daniel Chandler	Head of Funding and Investor Relations	+61 2 9325 9288	daniel.chandler@tcorp.nsw.gov.au
Gavin Sinnott	Head of Balance Sheet	+61 2 9325 9279	gavin.sinnott@tcorp.nsw.gov.au
Matthew Squires	Senior Balance Sheet Trader	+61 2 9325 9280	matthew.squires@tcorp.nsw.gov.au
Yulia Batsman	Liquidity Manager	+61 2 9338 9144	yulia.batsman@tcorp.nsw.gov.au



7. Appendix



i. Who is TCorp?

NSW's financial markets partner since 1983

- TCorp supports the NSW Government through two key functions:
 - We are the **state's central financing authority** with a balance sheet of \$198bn.
 - We are also the **state's investment manager** with \$118bn of assets under management.
- We help the NSW Government **deliver its fiscal strategy over the long term.**

Source: TCorp as at 30 June 2025

New South Wales Treasury Corporation

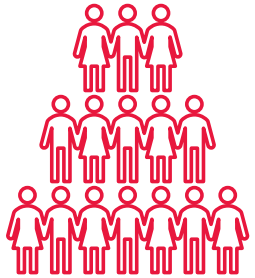
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Image sourced from Destination NSW

NSW Treasury Corporation (TCorp)

Maximising financial management outcomes for the benefit of NSW



CLIENTS
176
Across the NSW Government



FINANCIAL ASSETS
\$118bn
Assets managed on behalf of
NSW Government entities



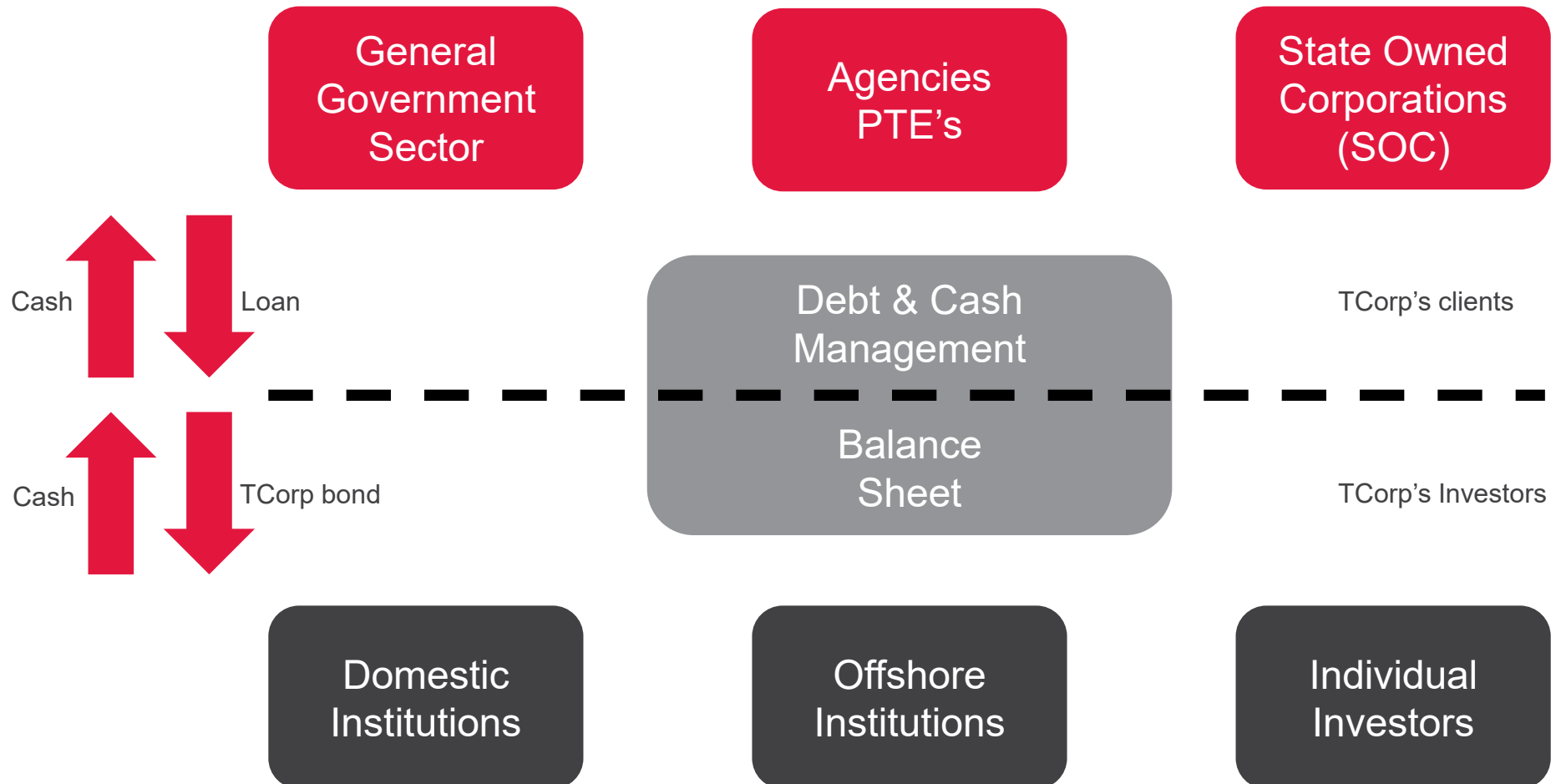
**WEIGHTED AVERAGE
LIFE**
6.3 years
WAL of liabilities up from 5 years
in 2017



FINANCIAL LIABILITIES
\$198bn
Debt managed by TCorp

TCorp as central borrowing authority

TCorp's guarantee in respect to securities issued is made by the Crown in Right of New South Wales

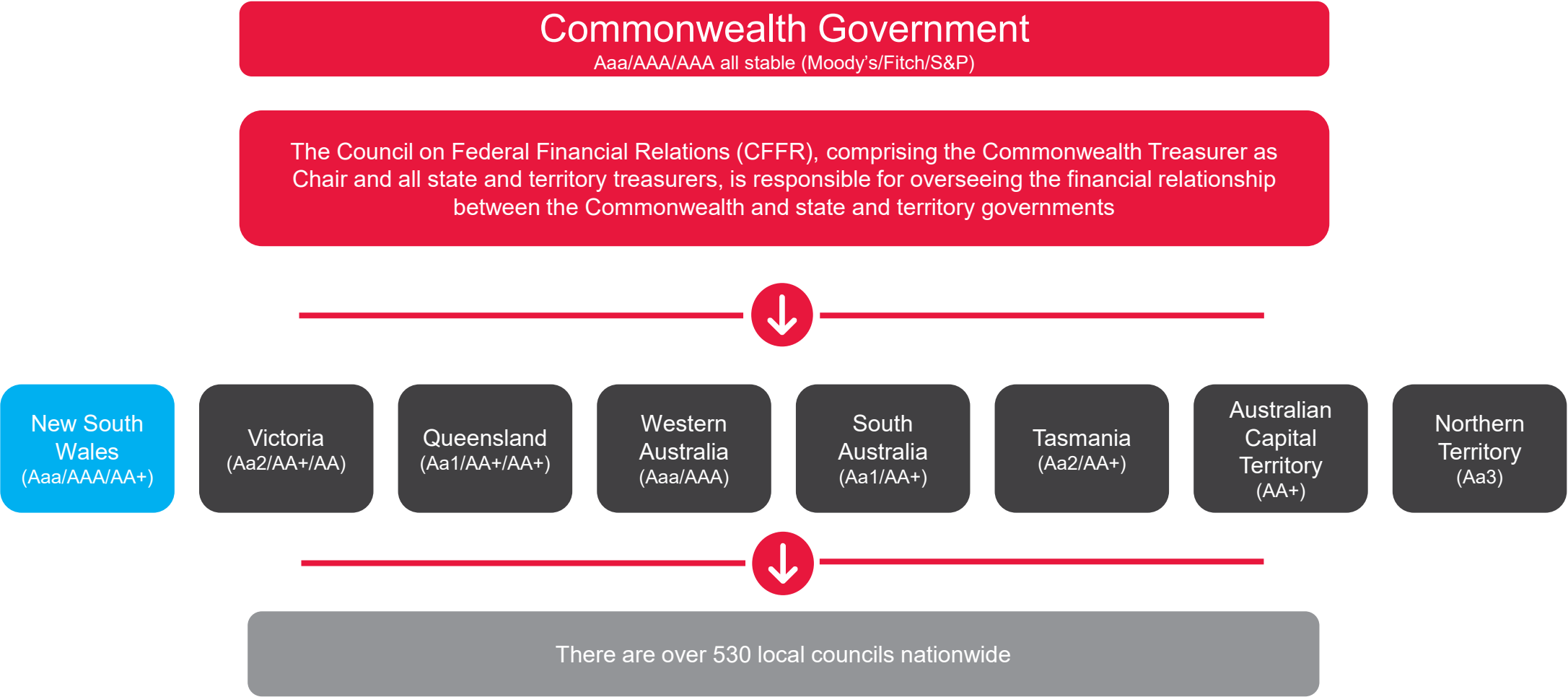




ii. The Federal System

The Federal System

The establishment of three levels of government in Australia was an outcome of Federation in 1901



Federal-state responsibilities

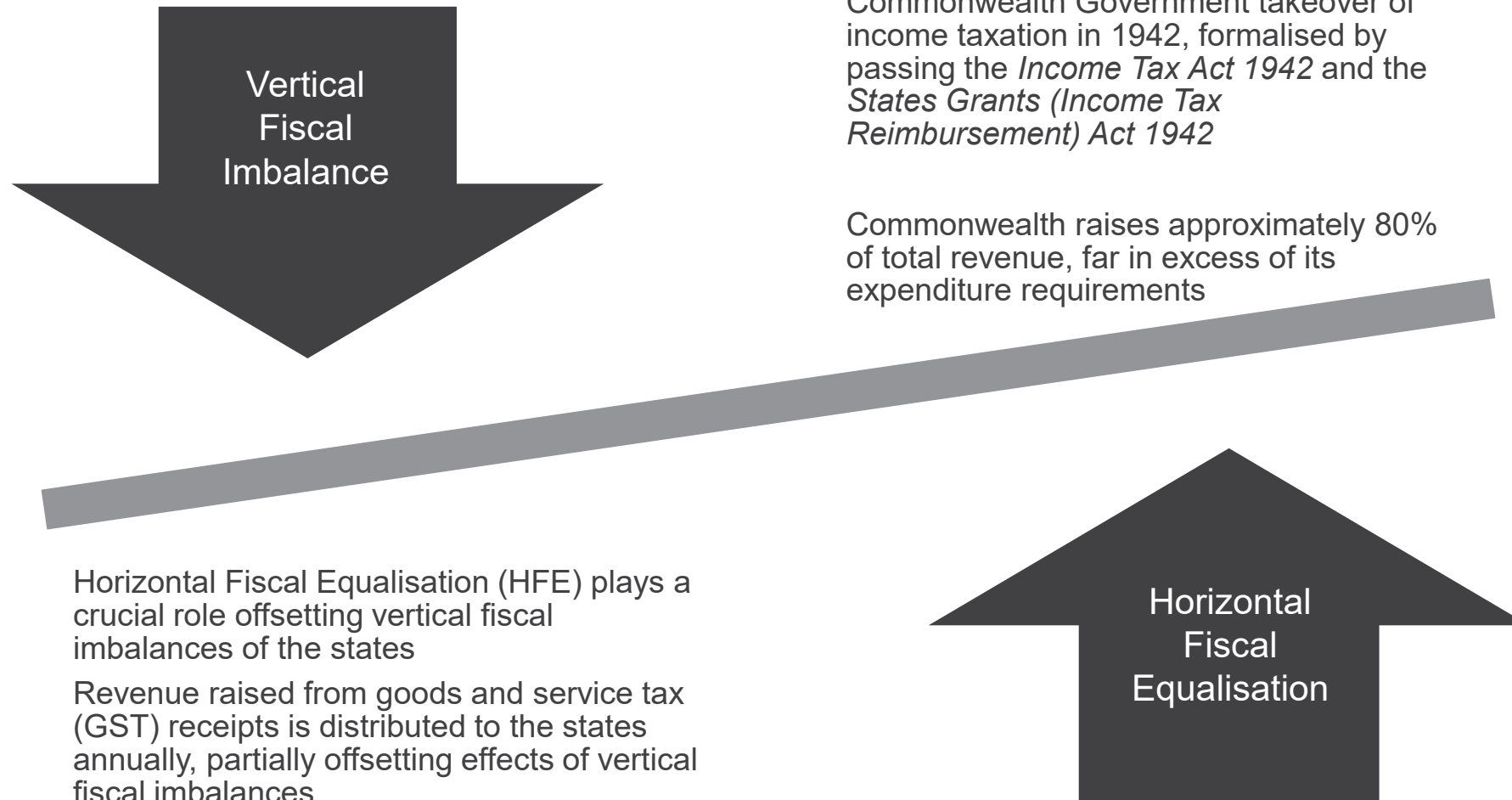
Under a federal system, powers are divided between the commonwealth and individual states

Level of government	Expenses	Revenue
<p>The Commonwealth Government is allocated exclusive powers under s51, s52, s86, s90, s114, s115 and s122 of the constitution for areas that affected the whole nation</p>	<p>Commonwealth Government responsibilities include, but are not limited to:</p> <ul style="list-style-type: none">• Trade and commerce• Postal and telecommunications• Foreign policy• Taxation• Currency• Immigration• Defence• Medicare	<ul style="list-style-type: none">• Personal income tax• Corporate tax• Royalties• Goods & services tax• Excise & custom duties
<p>State governments retain responsibility over all matters not exclusively delegated to the Commonwealth government under the constitution</p>	<p>State government responsibilities include, but are not limited to:</p> <ul style="list-style-type: none">• Education• Public health• Environment• Roads and railways• Public transport• Public works• Industrial relations• Electricity, gas and water supply• Police and justice• Mining and agriculture	<ul style="list-style-type: none">• Payroll tax• Stamp duties• Land tax• Gambling tax• Royalties, onshore natural resources
<p>Local councils, mandated by states to administer the needs of their local communities</p>	<p>Smaller legislative bodies make by-laws about local matters and provide services</p>	<ul style="list-style-type: none">• Council rates

Source: Parliamentary Education Office <https://peo.gov.au/understand-our-parliament/how-parliament-works/three-levels-of-government>

States face a high degree of Vertical Fiscal Imbalance

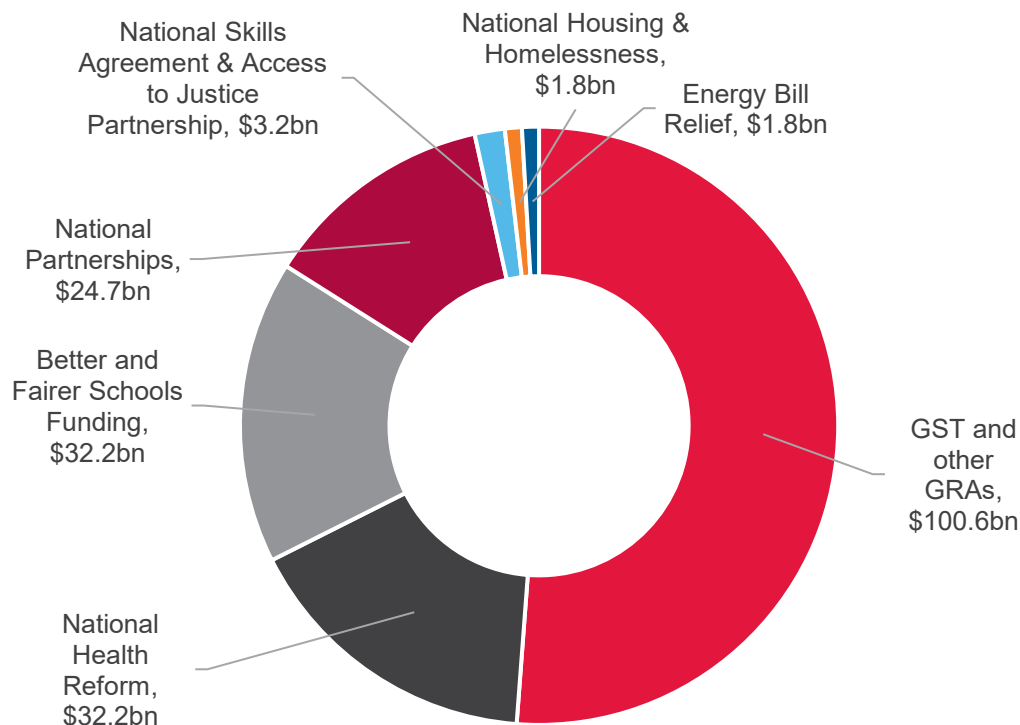
Vertical fiscal imbalance drives the need for fiscal transfers from the commonwealth to the states



Federal financial relations – where the states source revenue

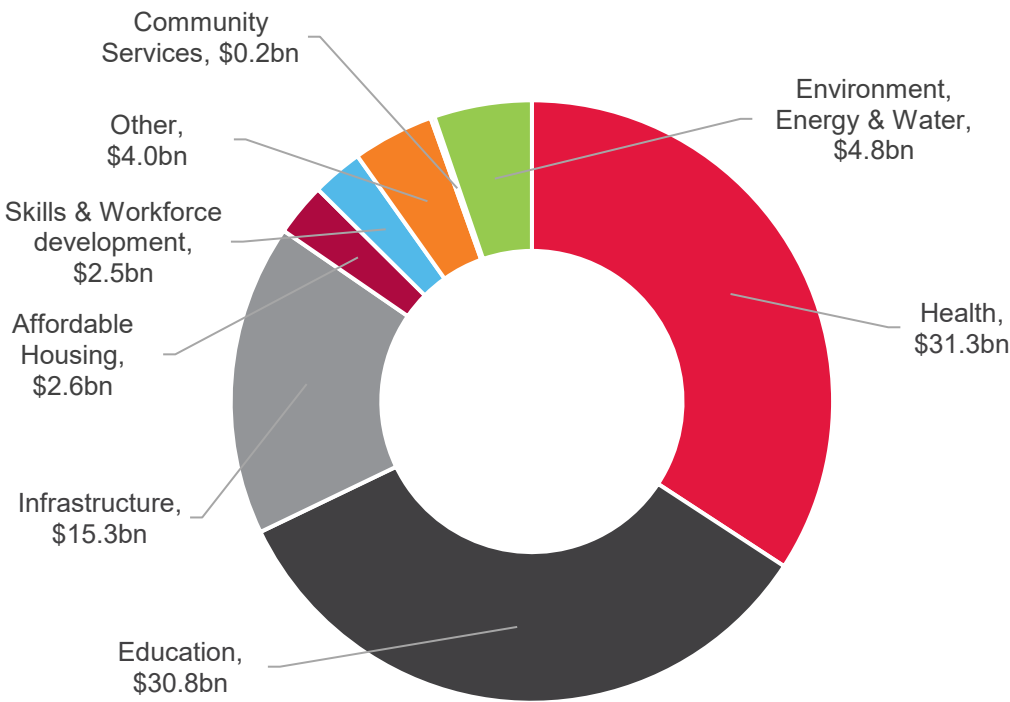
A key revenue component of state budgets are grants from the Commonwealth Government

Australian Government payments to states (A\$196.5bn, 2025-26)



GRA – General Revenue Assistance

Payments for specific purposes by sector (A\$91.5bn, 2025-26)



SPP's are tied grants for projects decided by the Commonwealth Government

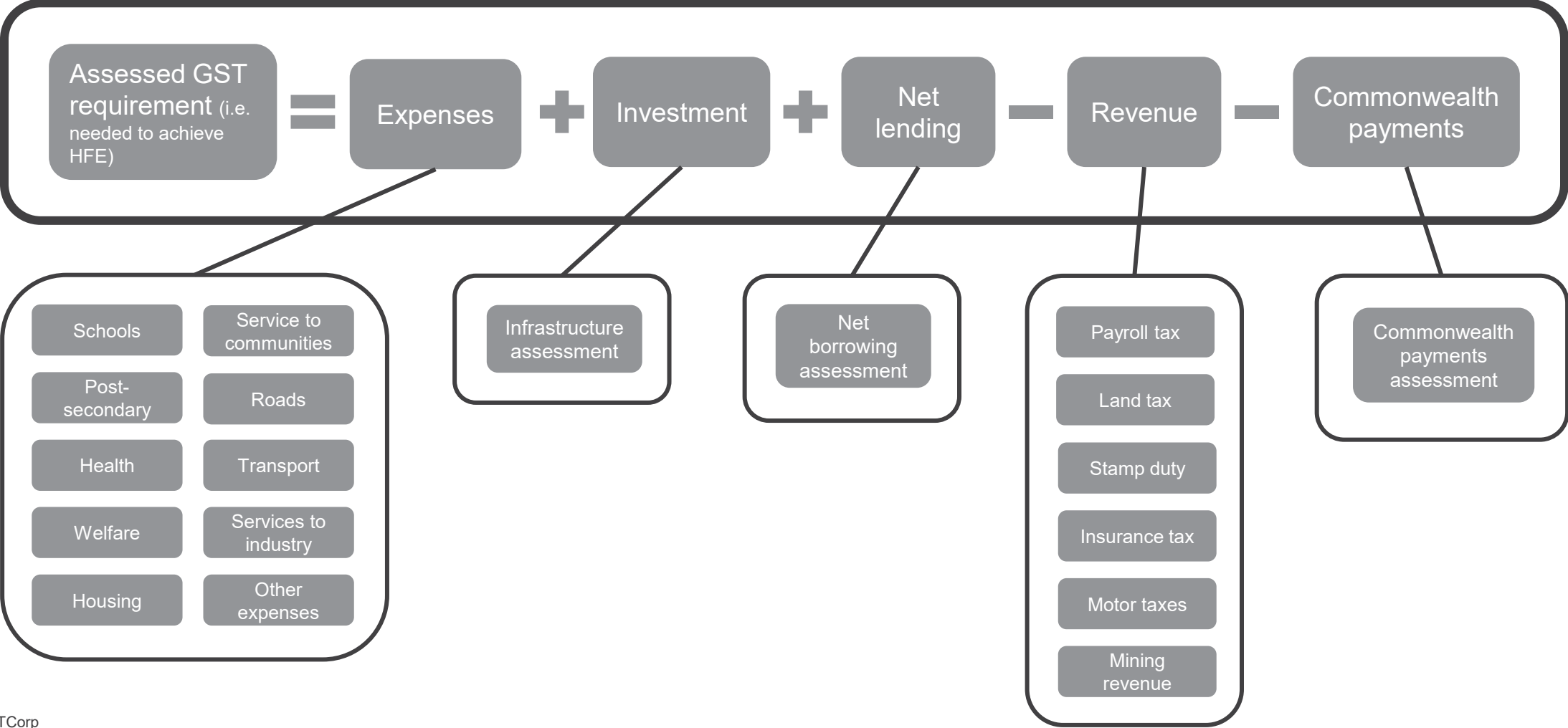
Source: Budget 2025-26 Federal Financial Relations [Budget Paper No. 3](#)



iii. GST formula

Quantifying horizontal fiscal equalisation

Apportions total actual expenses/revenues to states as if they were following national average policies



NSW is a donor state due to superior revenue raising ability

Adverse impact on NSW's relativity driven by royalties, land values and property sale adjustments

$$\begin{aligned} &\text{State GST payment} \\ &= \\ &\text{Total GST pool} \\ &\times \\ &\frac{\text{State population}}{\text{National population}} \\ &\times \\ &\textbf{State relativity} \end{aligned}$$

NSW GST relativity		
FY 2023-24	➡	FY 2025-26
0.92350		0.86034
NSW GST share		
FY 2023-24	➡	FY 2025-26
29.0%		26.8
NSW GST distribution		
FY 2023-24	➡	FY 2025-26
24.535bn		25.482bn

By FY 2026-27 the GST relativity floor will be set at the lower of NSW and Victoria who are the “standard states”

Source: [Commonwealth Grants Commission](#)



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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. TCorp is NSW's sovereign investment manager, responsible for A\$118 billion of assets under management and acts as the central borrowing authority of the state, with a balance sheet of A\$198 billion as at 30 June 2025. It is rated Aaa (Stable) by Moody's, AAA (Stable) by Fitch, and AA+ (Negative) by S&P.

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