

Interstate debt comparisons

2022-23 Budget Papers

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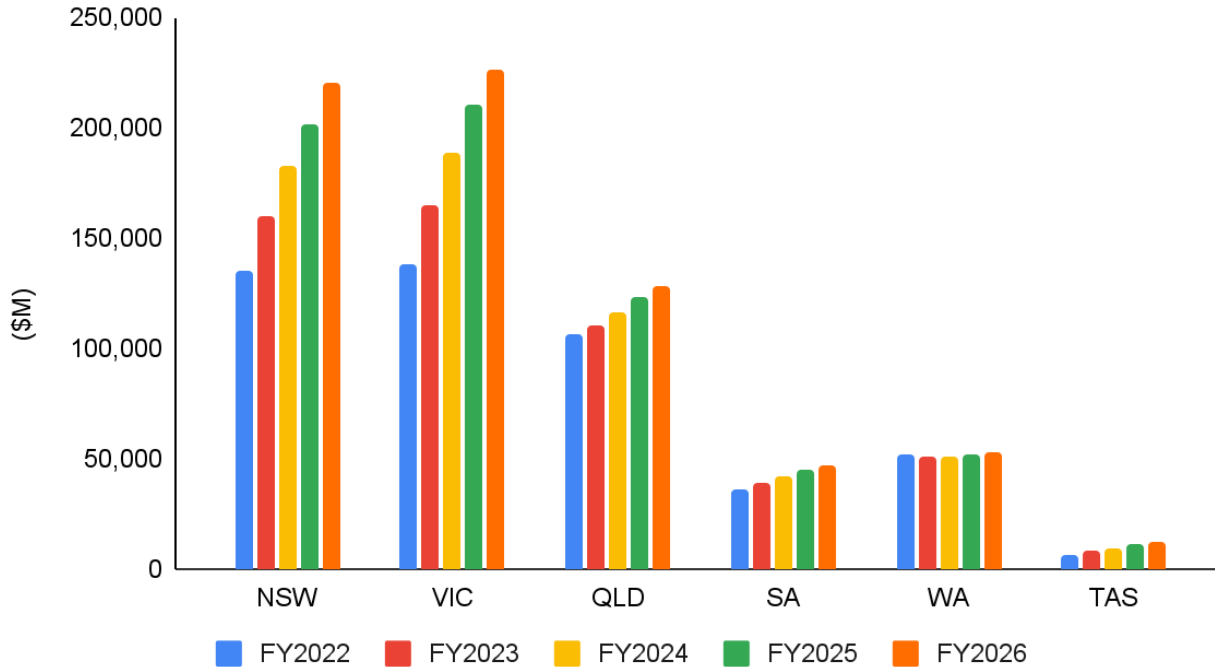
Key points: State debt ever increasing

- State governments have committed to surging debt levels, with total state debt across the six states set to reach \$688 billion (27% of GSP) by 2025-26 led by NSW (\$221 billion) and Victoria (\$226 billion).
 - For the general government sector (i.e. the departments of state and excluding government-owned corporations) the expected total is \$543 billion (22% of GSP) across six states and \$182 billion for NSW and \$202 billion for Victoria.
- By 2025-26, total public sector net debt across the six states will amount to \$506B (20% of total GSP).
 - For the general government sector, total net debt across the six states will amount to \$376B (15% of GSP).
- While QLD and SA were once the lead subjects of concern over debt, Victoria now exceeds both states on debt-to-GSP and debt per capita measures, and NSW is higher on most comparative measures, too.
- By 2025-26, general government interest expenses will cost the budgets of the six states over \$17 billion yearly, absorbing 5% of total revenues. In Victoria that proportion will be 7%. These increasing payments to bondholders will constrain the budgetary options of future governments, which will likely be forced to repair budgets through spending cuts or tax hikes later this decade.

A note on NSW's net debt target

- The NSW Treasurer is targeting net debt of 12% of GSP by 2031, compared with a previous target of 7%.
- The difference between a 12% and 7% target is approx. \$49 billion. The basis for the calculation is as follows:
 - Take the GSP estimate for 2025-26 in the latest budget (Table D1) of \$837,200 million
 - Grow it by 3% per annum until 2030-31 (noting NSW Treasury assumes nominal GSP growth rates of 3% in 2024-25 and 3.25% in 2025-26)
 - Use this estimate of nominal GSP in 2030-31 of \$970,554 million (i.e. nearly \$1,000 billion or \$1 trillion) to work out what 7% and 12% targets equate to in \$ terms - i.e. \$67.9 billion and \$116.5 billion, respectively
 - subtract one of these figures from the other to give you a \$48.5 billion difference in 2030-31.
- The additional net debt of \$49 billion implies additional interest expenses for the general government sector in 2030-31 of approx. \$2-2.5 billion, assuming the average interest rate on government debt increases to 4-5%.

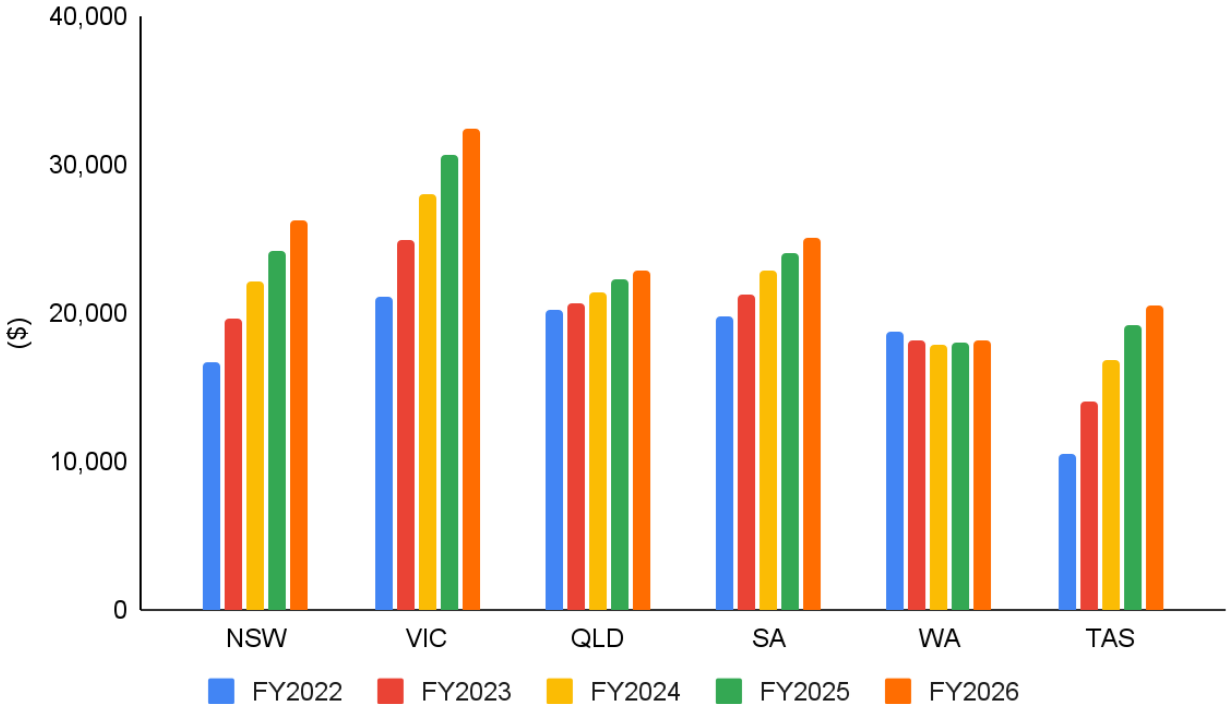
1. NON-FINANCIAL PUBLIC SECTOR - BORROWING/DEBT BY STATE



Victoria has the largest borrowing/debt level with \$139B in FY2022, followed by New South Wales with \$135B. By FY2026, Victoria will have \$226B and NSW \$221B of borrowing. From FY2022 to FY2026, total borrowing will increase 64% in NSW and 63% in Victoria, compared with 20% in QLD, 32% in SA, 2% in WA, and 99% in Tasmania (from a low base).

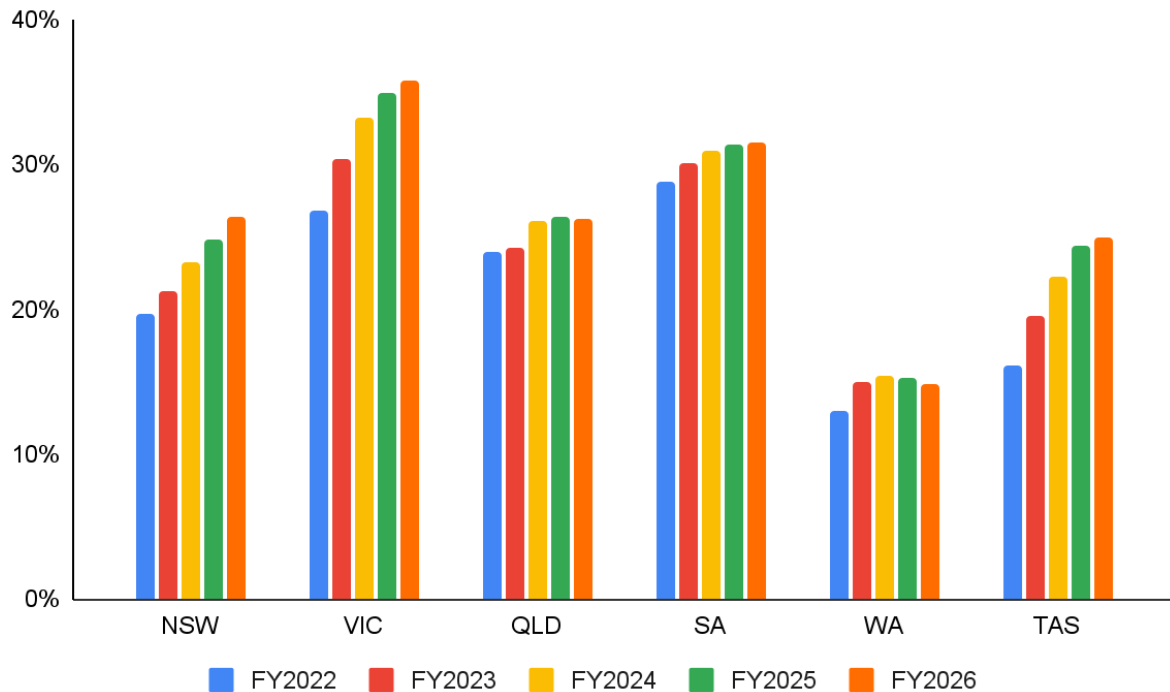
NB. FY stands for financial year. One billion (B) is equal to one thousand million. Non-financial public sector is the general government sector plus government-trading enterprises.

2. NON-FINANCIAL PUBLIC SECTOR - BORROWING PER CAPITA



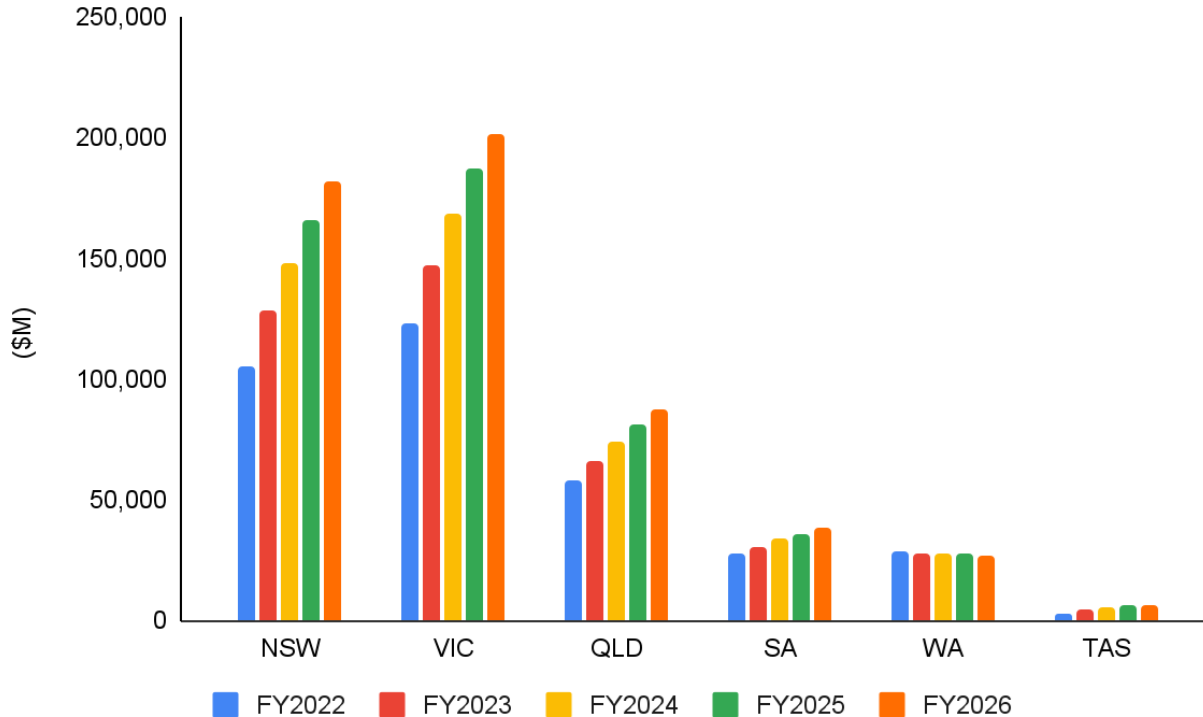
In FY2022, Victoria is above the rest of states in terms of borrowing per capita at approx. \$21,100. By FY2026, borrowing per capita will be \$32,400 in Victoria, compared with \$26,300 in NSW (2nd place) and \$25,100 in SA (3rd place). Borrowing per capita is forecast to increase in most of the states, excluding Western Australia.

3. NON-FINANCIAL PUBLIC SECTOR - BORROWING AS SHARE OF GSP



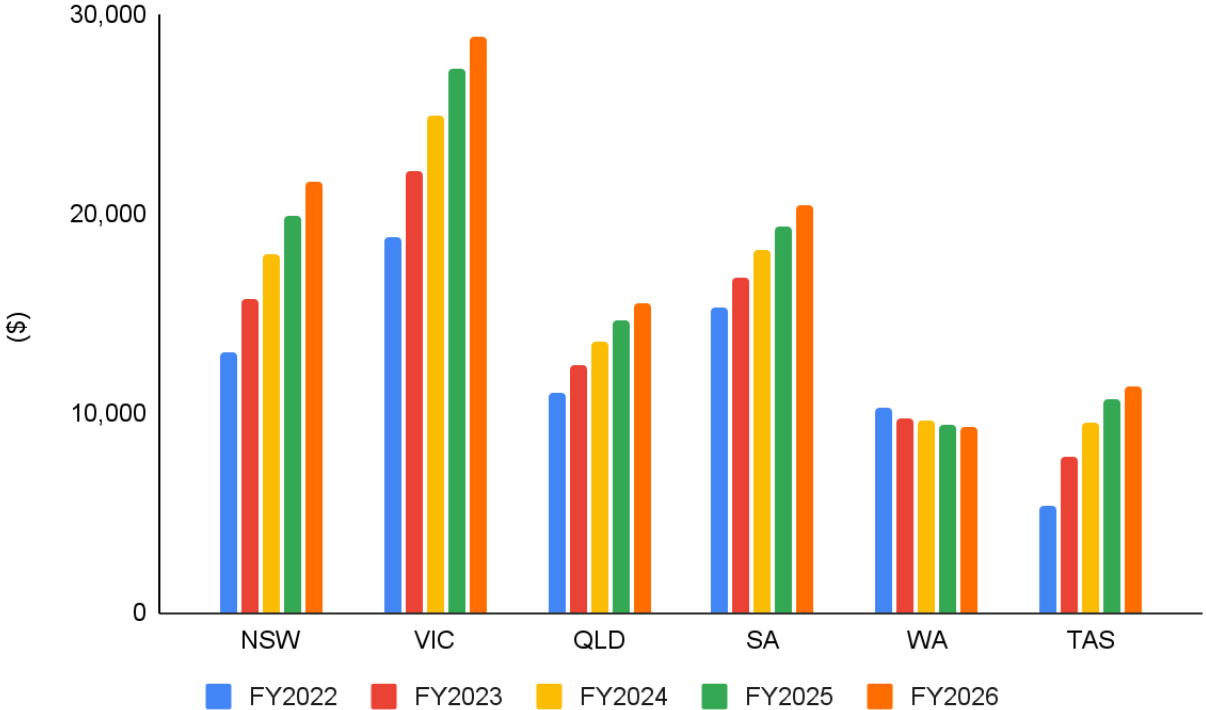
NSW, VIC and TAS will have substantial increases of borrowing/debt as % of GSP over the forward estimates. By FY2026, borrowing-to-GSP will equal approx. 36% in Victoria (1st place), 32% in SA (2nd place) and 26% in NSW (3rd place) and also 26% in QLD (4th place). Tasmania will reach 25% while WA will have the lowest at 15% of GSP.

4. GENERAL GOVERNMENT SECTOR - BORROWING BY STATE



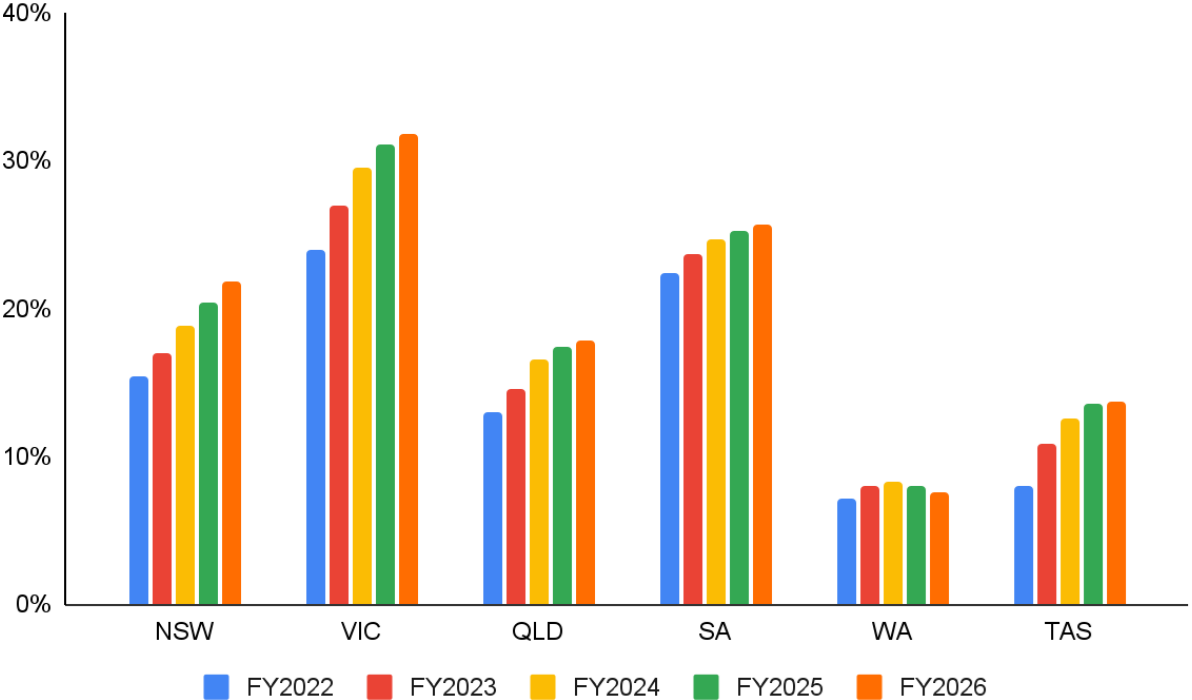
Victoria has the largest borrowing level with \$123B in FY2022 (i.e. 2021-22), followed by New South Wales with \$106B. By FY2026, Victoria will have \$202B and NSW \$182B of borrowing. From FY2022 to FY2026, total borrowing will increase 72% in NSW, 63% in Victoria, compared with 50% in QLD, 38% in SA, -5% in WA, and 120% in Tasmania.

5. GENERAL GOVERNMENT SECTOR - BORROWING PER CAPITA



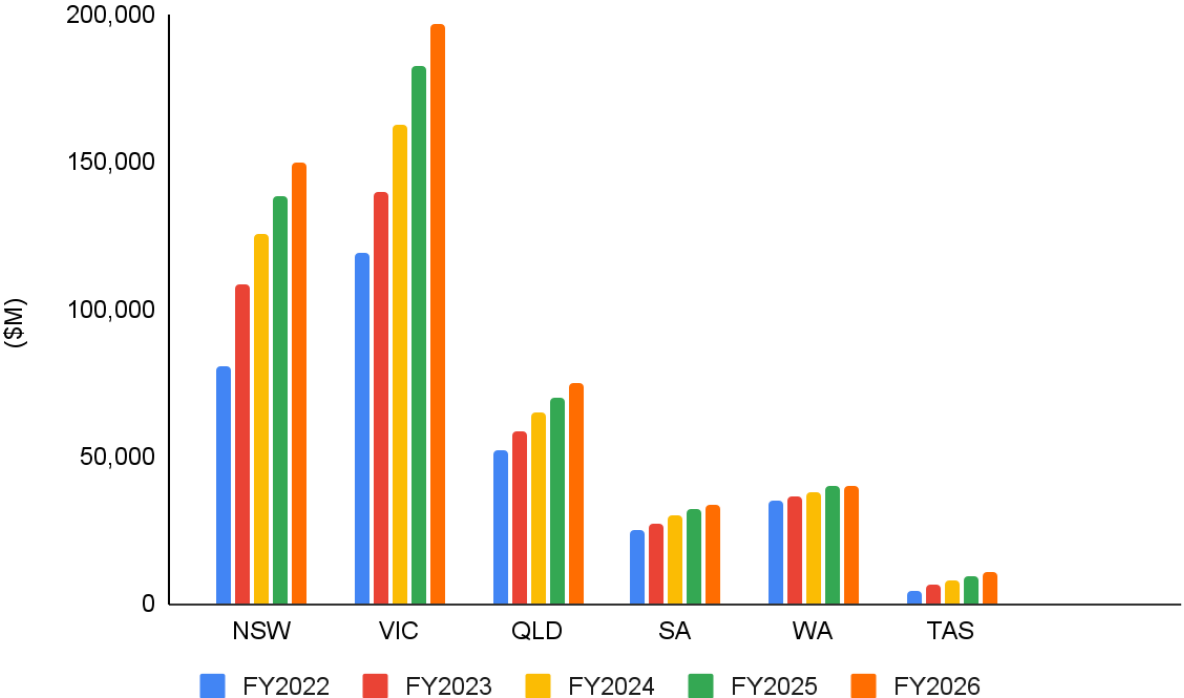
In FY2022, Victoria is above the rest of states in terms of borrowing per capita at approx. \$18,800. By FY2026, borrowing per capita will be \$28,900 in Victoria, compared with \$21,700 in NSW (2nd place) and \$20,400 in SA (3rd place). Borrowing per capita is forecast to increase in most of the states, excluding Western Australia.

6. GENERAL GOVERNMENT SECTOR - BORROWING AS SHARE OF GSP



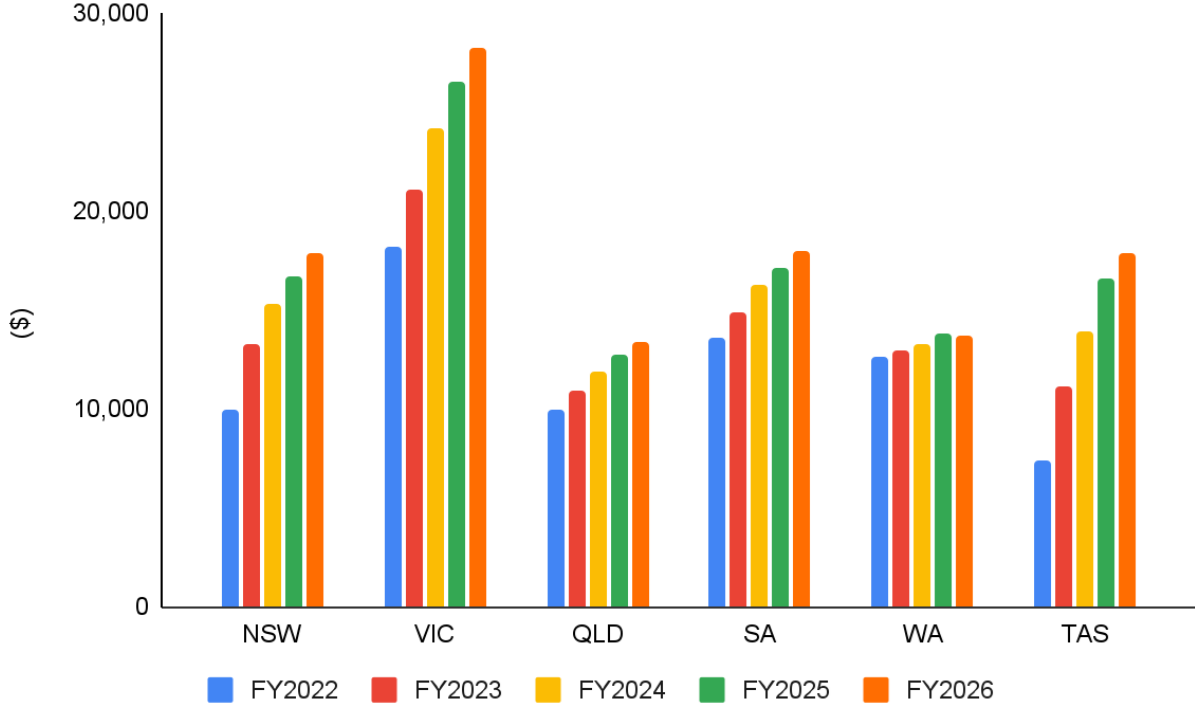
NSW, VIC and TAS will have a significant increase of borrowings as % of GSP over the forward estimates. By FY2026, borrowing-to-GSP will equal 32% in Victoria (1st place), 26% in SA (2nd place) and 22% in NSW (3rd place).

7. NON-FINANCIAL PUBLIC SECTOR - NET DEBT BY STATE



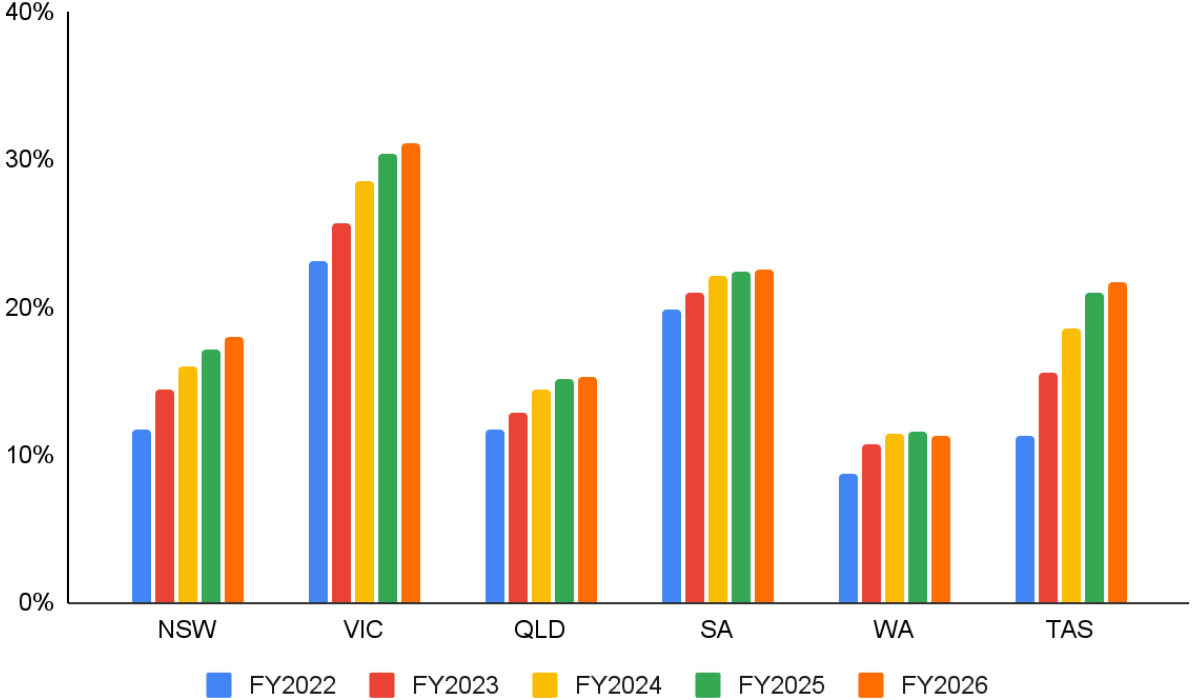
Victoria’s non-financial public sector will have the largest net debt for the period FY2022- FY2026, reaching \$197B by FY2026, compared with \$150B in NSW and \$75B in Queensland. All the states will experience growing levels of net debt.

8. NON-FINANCIAL PUBLIC SECTOR - NET DEBT PER CAPITA



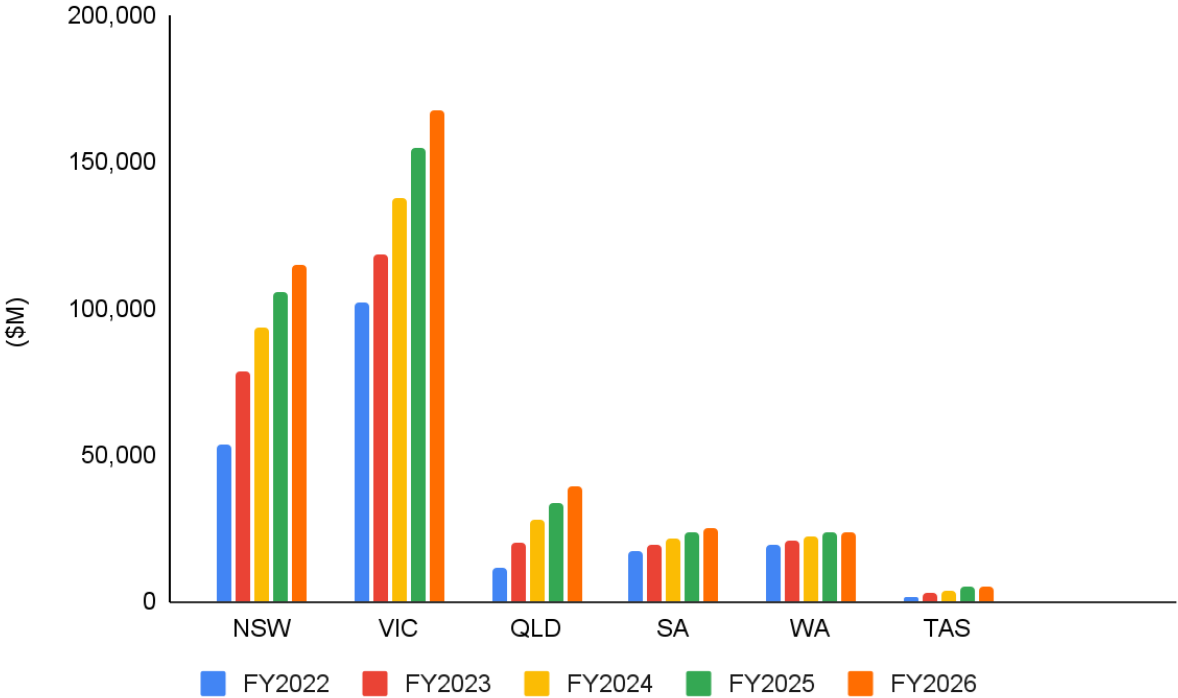
Victoria will face a period with the largest non-financial public sector net debt per capita in Australia with \$18,200 in FY2022 rising to \$28,200 by FY2026, compared with \$17,800 in NSW in FY2026.

9. NON-FINANCIAL PUBLIC SECTOR - NET DEBT AS SHARE OF GSP



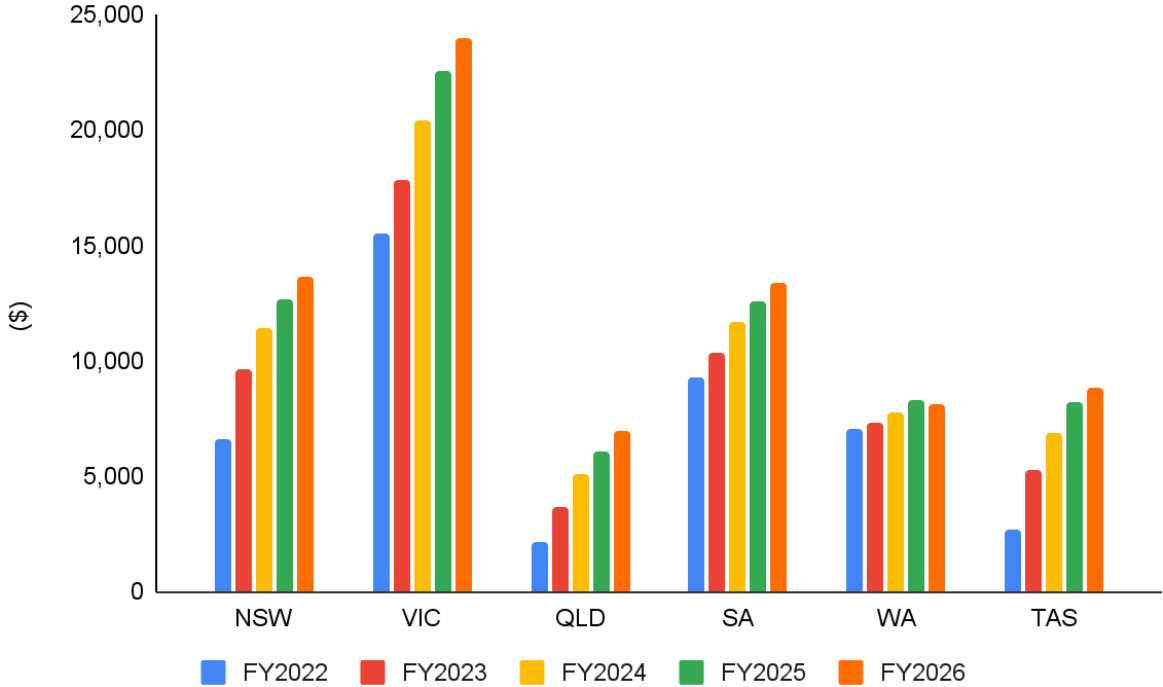
Non-financial public sector net debt as a share of GSP will increase in the states. Over FY2022 to FY2026, net debt as share of GSP will increase from 23% to 31% in Victoria, 12% to 18% in NSW, 12% to 15% in QLD, 20% to 23% in SA, 9% to 11% in WA, and 11% to 22% in Tasmania.

10. GENERAL GOVERNMENT SECTOR - NET DEBT BY STATE



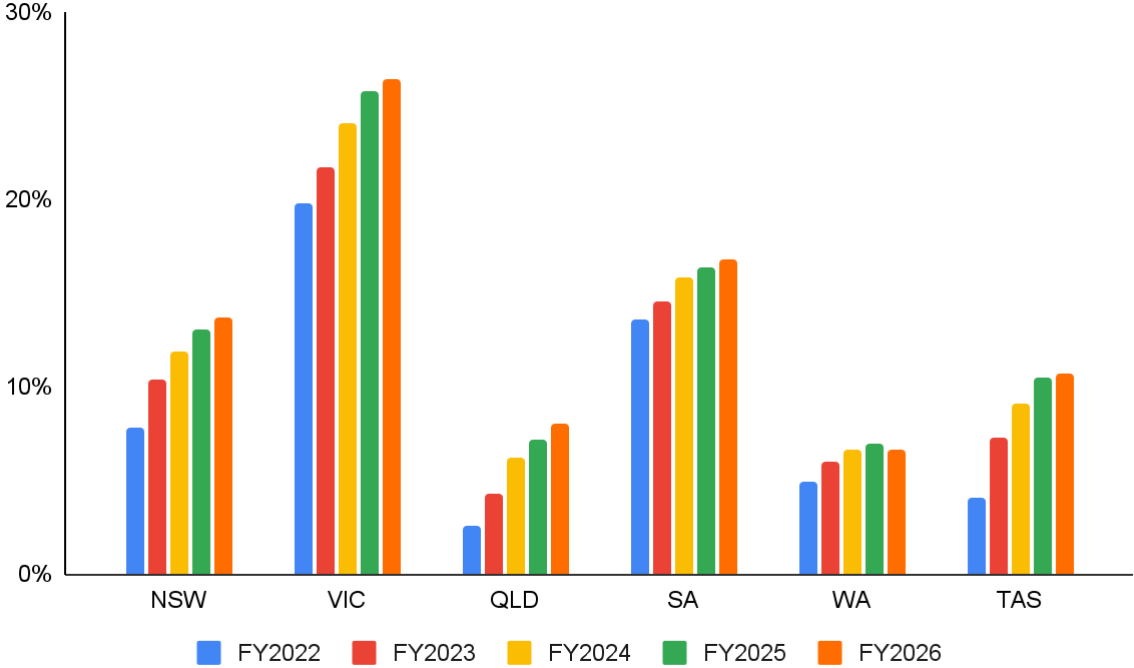
Victoria’s non-financial public sector will have the largest net debt for the period FY2022- FY2026, reaching \$168B by FY2026, compared with \$115B in NSW and \$39B in Queensland. All the states will experience growing levels of net debt.

11. GENERAL GOVERNMENT SECTOR - NET DEBT PER CAPITA



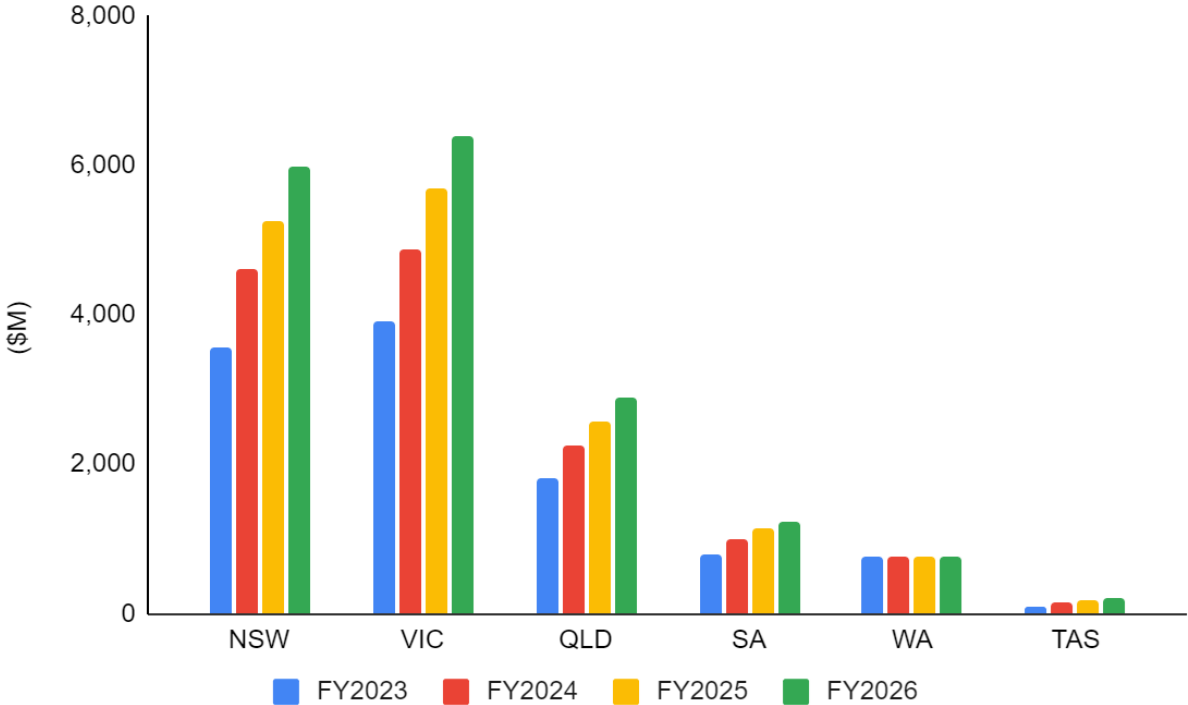
Victoria will face a period with the largest general government net debt per capita in Australia, rising from \$15,600 in FY2022 to \$24,000 in FY2026.

12. GENERAL GOVERNMENT SECTOR - NET DEBT AS SHARE OF GSP



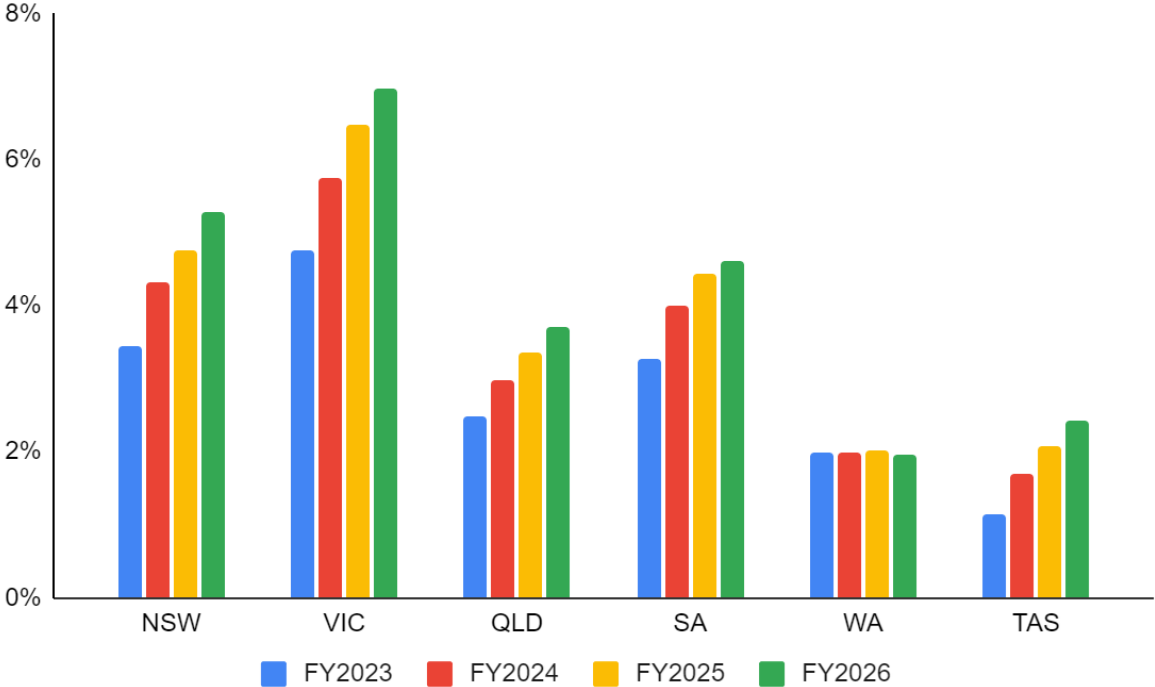
The net debt as a percentage of GSP will expand in all the states.

13. GENERAL GOVERNMENT INTEREST EXPENSES



Victoria has the largest interest expenses with nearly \$4B in FY2023, followed by New South Wales with \$3.6B. By FY2026, Victoria will have \$6.4B and NSW \$6.0B of interest expenses. From FY2022 to FY2026, total interest expenses will increase 67% in NSW and 64% in Victoria, compared with 58% in QLD, 56% in SA, 1% in WA, and 129% in Tasmania (from a low base).

14. GENERAL GOVERNMENT INTEREST EXPENSES AS % OF REVENUE



The interest expenses as a percentage of revenue will increase in all the states, except for WA. Victoria's interest expenses as a proportion of the revenue they absorb will increase to 7.0% in FY2026, up from 4.8% in FY2023.