

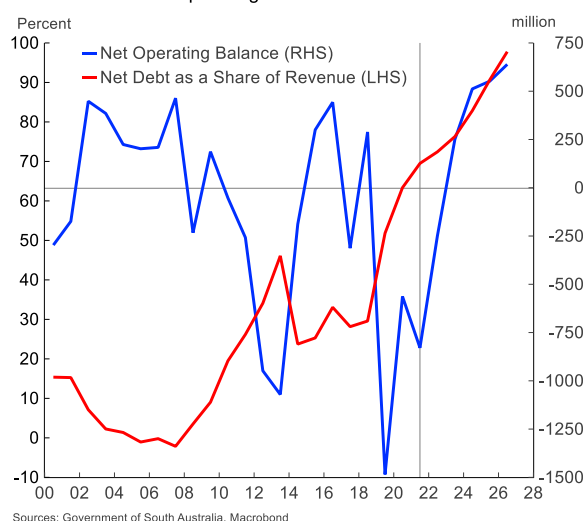
Monday, 19 June 2023

# 2023-24 South Australia Budget

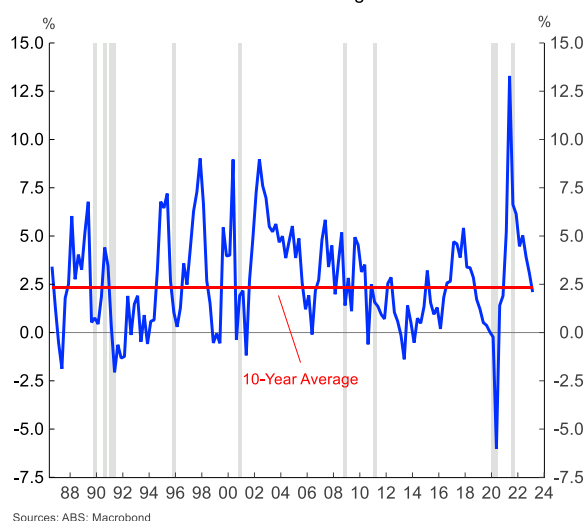
## State Governments Continue To Spend

- The 2023-24 South Australia State Budget showed a deterioration in the net operating balance (NOB) of \$707 million across the four years to 2025-26.
- The NOB is expected to be a deficit of around \$250 million in 2022-23, compared with the previously forecast surplus of about \$200 million. In future years, the net operating balance is expected to be back in surplus, albeit smaller than previously anticipated.
- Importantly, the Government is expecting a windfall of around \$2.2 billion over the four years to 2025-25, mainly due to higher Commonwealth payments including GST payments and other grants.
- This windfall was insufficient to cover the additional \$2.9 billion in new measures over the four years to 2023-24. In 2023-24 alone, the Government expects to spend close to an additional \$1 billion (or 0.8% of 2021-22 Gross State Product).
- New measures announced include electricity rebates for certain households and small businesses along with other cost-of-living support measures, support for first-home buyers and a boost to investment in health.
- South Australia's Budget continues the trend we have seen recently where state governments are looking to use windfalls to provide cost-of-living support.
- **As we have been saying, additional spending by governments makes the Reserve Bank's (RBA) job harder.** This is consistent with our updated view that the RBA will need to increase the cash rate to at least 4.60% to help ensure inflation returns to its target.

South Australia 2023-24 Budget  
Net operating balance and Net debt



South Australia State Final Demand  
Annual % Change



## **Key Budget Measures**

### ***The cost-of-living package***

The centrepiece of the Government's cost of living package is around \$250 million in energy rebates for certain households and small businesses. This includes:

- Rebates of up to \$500 on 2023-24 electricity bills for eligible households, including existing energy concession recipients plus Family Tax Benefit and Carer Allowance recipients. Around 420k households expected to benefit.
- Rebate of up to \$650 on 2023-24 electricity bills for around 86k small businesses.

Other cost-of-living support includes indexation of concessions, such as medical, heating and cooling concessions; increased carer payments; and cheaper hospital car parking and free public transport for public hospital workers.

### ***Support for first-home buyers***

The Government announced new as well as expanded support for first-home buyers. Key measures include:

- Nil stamp duty for new dwellings valued up to \$650k purchased by first-home buyers. The concession is available at less concessional rates for new properties valued up to \$700k.
- HomeStart will enable eligible first-home buyers to build a new home apply for a loan with as little as a 2% deposit.
- A fast-tracked approval process for eligible first-home buyers to expedite the planning approval process.

### ***Supporting housing supply and renters' rights***

Housing measures to support the supply of housing include:

- Increased land release with 25k new blocks across Adelaide.
- Increased public housing by investing in 564 new homes and halting the sale of 580 public housing properties.
- Investing in 1,200 more social and affordable homes, including 700 affordable homes as part of the Housing Accord with the Federal Government.
- Increasing the threshold for six-week bonds from \$250 to \$800 per week; banning rent bidding where prospective tenants are encouraged to offer above the advertised price; and expanding eligibility for the private rental assistance program.

### ***Small business support***

The Government has committed an additional \$6.5 million over four years for South Australia's small business strategy. This will be used for programs/grants to increase the skills, capability and capacity of small business owners and support them to create jobs and build the economy.

### ***Investment in Health***

The Government announced \$2.3 billion in additional spending over five years from 2022-23. This includes funding for:

- Health infrastructure including the new women's and children's hospital.
- Staffing in major metropolitan hospitals on the weekends.

- Creation of the State Health Control Centre that will provide patient flow management and coordination of critical health resources.

### ***Infrastructure and capital spending***

The Government has maintained its \$21 billion infrastructure pipeline, which includes:

- \$9.9 billion for roads and public transport.
- \$2.9 billion for health infrastructure.
- \$2.5 billion for water infrastructure.

### **The fiscal outlook – net operating balance and net debt**

The 2023-24 South Australia State Budget showed a deterioration in the net operating balance (NOB) of \$707 million across the four years to 2025-26 when compared to the mid-year budget update (published on 16 December 2022).

- The NOB is expected to be a deficit of around \$250 million in 2022-23, compared with the previously forecast surplus of about \$200 million.
- In future years, the net operating balance is expected to be back in surplus, albeit smaller than previously anticipated.

Net debt as a share of state government revenue or Gross State Product (GSP) is expected to reach a record high by 2026-27 – close to 100% of revenue and 17% of GSP.

- This is a key metric that is closely monitored by the rating agencies.

### **The economic outlook**

The South Australian economy grew by 5.1% in 2021-22, driven by household and public consumption, as well as private new business investment.

- The economy is expected to slow sharply and grow by 1% in 2023-34 on the back moderating household spending and declines in investment.
- This will see unemployment increase and employment growth slow. Adelaide's inflation rate expected to be within the RBA's 2-3% target band in 2025-26.

Industries contributing to growth include agriculture, forestry and fishing, construction, professional and scientific services, and manufacturing.

- South Australia has recorded a third consecutive year of very strong winter grain crop production, culminating in an estimated record crop for 2022-23.
- The Australian Bureau of Agricultural and Resource Economics and Sciences estimates South Australia's winter crop production to be 12.6 million tonnes in 2022-23. This is a record high and 50% higher than 2021-22.

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