

Bulletin:

Western Australia Can Absorb Election-Driven Spending Uptick

June 19, 2025

This report does not constitute a rating action.

MELBOURNE (S&P Global Ratings) June 19, 2025--Western Australia's fiscal strength continues to set it apart from domestic peers. Solid operating surpluses, along with a debt burden half that of most east-coast states, enable it to manage billions in election promises and cost-of-living relief funded in today's annual budget.

The local economy is performing soundly. State final demand grew 3.4% in real terms in the year to March 2025, and the unemployment rate is 3.9%, a little better than the national average. Western Australia's population rose 2.4% in 2024, the fastest of any state in Australia.

An uptick in Western Australia's (AAA/Stable/A-1+) capacity to deliver infrastructure could expand its overall cash deficit beyond our previous projection for fiscal 2025 (ending June 30, 2025). The state looks set to deliver about A\$13.7 billion in capital investment for the year, or 13% more than it budgeted in May 2024.

While our base case assumes Western Australia's annual capital expenditure will decline to less than A\$9 billion by fiscal 2027 as the Metronet rail program winds down, the 'AAA' rating could come under pressure if the state unveils additional infrastructure projects that turn the larger cash deficit for fiscal 2025 into the norm. We base our fiscal metrics on the state's nonfinancial public sector, which consolidates the general government sector and most public corporations.

We continue to have a more optimistic view on commodity prices than Western Australia. We assume iron ore prices will flatten at about US\$90 per metric ton, while the state adopts a long-run average of US\$72 per metric ton. If our assumption proves correct, higher royalty receipts should help offset the cost of the re-elected Labor government's election commitments. These include two major hospital expansions, A\$700 million to support homebuyers and housing supply, a doubling of a strategic industries fund to A\$1 billion, and A\$337 million for a residential battery scheme.

We don't expect ongoing global trade conflict to materially affect Western Australia, which is the country's main region exporting minerals and petroleum. The U.S. is not a major export destination, and many of the state's key exports like gold and critical minerals appear to be exempted from tariffs announced in April 2025. However, downside risk may arise if geopolitical

Primary contact**Martin J Foo**

Melbourne
61-3-9631-2016
martin.foo
@spglobal.com

Secondary contact**Deriek Pijls**

Melbourne
61-396312066
deriek.pijls
@spglobal.com

Western Australia Can Absorb Election-Driven Spending Uptick

tensions precipitate a sharp slowdown in China, which accounts for about 57% of Western Australia's goods exports.

Our base case also assumes no substantive changes to Australia's fiscal equalization arrangements, which the federal government amended in 2018 in a way that boosted grant distributions to Western Australia. The federal Productivity Commission is reviewing these arrangements and is due to report by the end of 2026.

Our rating on Western Australia reflects its record of robust financial management, very high-income economy, and exceptional liquidity. These strengths help counterbalance risks associated with dependence on the resources sector.

Related Research

- [S&P Global Ratings' Metal Price Assumptions: Coal Down, Gold Up](#), May 16, 2025
- [State of Western Australia](#), March 4, 2025
- [Western Australian Treasury Corp.](#), March 4, 2025
- [Australia State Ratings At Risk As Fiscal Discipline Wanes](#), Feb. 3, 2025
- [Subnational Government Outlook 2025: Australian States Face Budgetary Backslide](#), Jan. 22, 2025
- [Institutional Framework Assessment: Australian States And Territories' Strong Fiscal Autonomy Is Double-Edged Sword](#), March 6, 2024

AUSTRALIA S&P Global Ratings Australia Pty Ltd holds Australian financial services license number 337565 under the Corporations Act 2001. S&P Global Ratings credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.