

The State of Western Australia

**Introduction**

- Western Australia (WA) is 2.5 million square kilometres in size, and one third of the Australian land mass.
- Western Australia's population is estimated at around 2.8 million, which accounts for approximately 11% of Australia's population of 26 million.
- Western Australia's capital city Perth has a population of approximately 2.2 million.

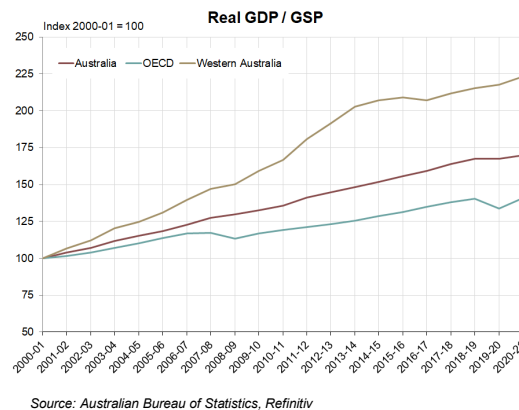
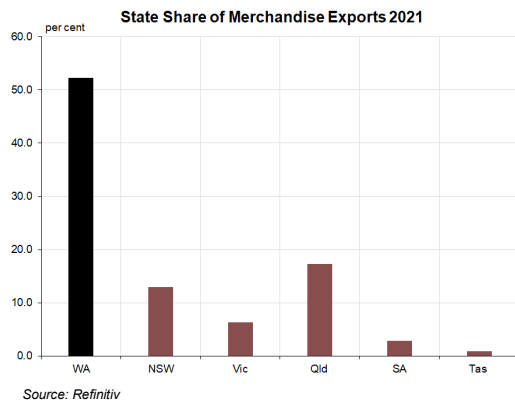


**Economy**

- A high-income, export orientated economy.
- Western Australia is one of the most productive and diversified mineral and petroleum regions in the world, with more than 50 mineral and petroleum products being produced in commercial quantities worth A\$230 billion in 2021.
- In 2021, iron ore was the State's most valuable resource, followed by liquefied natural gas (LNG), gold, crude oil and condensate, alumina and bauxite, nickel, lithium, and base metals (copper, lead and zinc).
- The State's economy expanded 2.6% in 2020-21, with 3.5% growth forecast for 2021-22.

**The Export Powerhouse of the Australian Economy**

Western Australia produced 52% of the nation's merchandise exports in 2021.



Western Australia's economic growth has averaged 4.0% over the past 25 years.

Key Economic Indicators	Western Australia	Australia
Real GDP / GDP growth 10-year average	3.0%	2.3%
Real GDP / GDP growth 2020-21	2.6%	1.5%
Nominal GDP / GDP 2020-21	A\$361.8 billion	A\$2,067.0 billion
Per Capita Nominal GDP / GDP 2020-21	A\$135,479	A\$80,461
Business Capital Investment 2021	A\$43.1 billion	A\$228.5 billion
Seasonally Adjusted Unemployment Rate June 2022	3.4%	3.5%
Seasonally Adjusted Labour Participation Rate June 2022	69.3%	66.8%
Goods exports value 2021	A\$240 billion	A\$460 billion

Source: Australian Bureau of Statistics

### Key 2022-23 Budget Assumptions

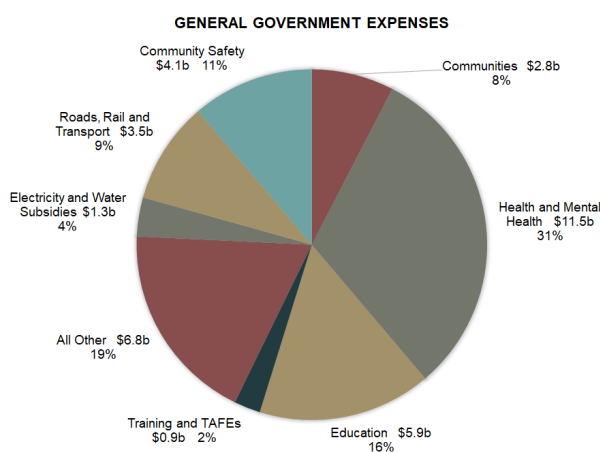
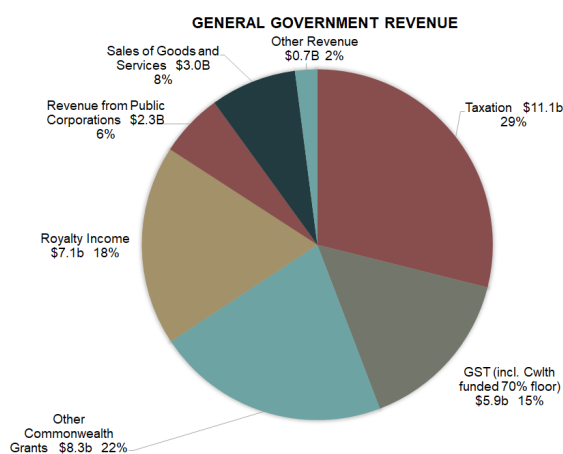
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Estimated Actual	Budget Year	Outyear	Outyear	Outyear
Real Gross State Product growth (%) <sup>(a)</sup>	2.6	3.75	2	1.0	1.5	1.5
Real State Final Demand growth (%) <sup>(a)</sup>	4.4	5.25	4	3	2.25	2.5
Employment growth (%)	1.8	5	2	1.25	1.25	1.25
Unemployment rate (%) <sup>(b)</sup>	6.1	4	3.75	3.75	3.75	3.75
Wage Price Index growth (%)	1.5	2	2.75	3	3	3
Perth Consumer Price Index growth (%) <sup>(c)</sup>	1.6	4	2.75	2.5	2.5	2.5
Iron ore price, \$US/t, CFR <sup>(b)(d)</sup>	154.5	139.5	77.5	66	66	66
Iron ore volumes (million tonnes)	839	853	855	863	865	865
Crude oil price (\$US per barrel) <sup>(b)</sup>	54.6	88	97.7	88.1	82.6	79
Exchange rate (US cents) <sup>(b)</sup>	74.7	73.5	75.1	73.1	70.6	68.2
Population growth (%)	0.9	0.9	1.2	1.4	1.5	1.5
Interest rate assumptions (%) <sup>(b)</sup>						
– Public Bank Account interest earnings	0.5	0.6	1.2	1.6	1.6	1.6
– Consolidated Account borrowings	2.4	2.3	2.5	2.7	2.6	2.5

Footnotes

- (a) Based on 2020-21 annual State Accounts data, updated with the latest State Final Demand and Balance of Payments data for the December quarter 2021.
- (b) Data expressed as annual average during the financial year.
- (c) The CPI growth rates in 2021-22 and 2022-23 are based on the total index excluding the electricity sub index.
- (d) The benchmark (62% Fe) iron ore price delivered to north China inclusive of cost and freight (CFR).

### Key 2022-23 Budget Aggregates

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Estimated Actual	Budget Year	Outyear	Outyear	Outyear
<b>GENERAL GOVERNMENT SECTOR</b>						
<b>Net Operating Balance (\$m)</b>	<b>5,838</b>	<b>5,676</b>	<b>1,592</b>	<b>3,541</b>	<b>2,760</b>	<b>3,007</b>
Revenue (\$m)	40,151	41,890	38,428	38,578	38,443	39,145
Revenue Growth (%)	24.8	4.3	-8.3	0.4	-0.4	1.8
Expenses (\$m)	34,313	36,214	36,836	35,036	35,683	36,138
Expense Growth (%)	12.5	5.5	1.7	-4.9	1.8	1.3
<b>TOTAL PUBLIC SECTOR</b>						
<b>Net Debt at 30 June (\$m)</b>	<b>33,482</b>	<b>29,949</b>	<b>31,105</b>	<b>32,222</b>	<b>33,933</b>	<b>33,928</b>
Net Debt as a Share of GSP (%)	9.3	7.5	9.1	9.7	9.9	9.5
Asset Investment Program (\$m)	5,816	6,980	8,880	8,867	8,754	7,444
Cash Surplus/Deficit (\$m)	2,454	3,811	-1,027	-761	-1,334	249



*The Australian Commonwealth and the States*

**Commonwealth Government**

Allocated powers under the Australian constitution over matters of national interest including defence, external affairs, international trade and commerce, currency and banking.

**Commonwealth Taxation Powers**

Taxes levied under national legislation include personal income tax, corporate tax, excise and customs duties, royalties on offshore natural resources and the Goods and Services Tax (GST). All revenue (net of administration costs) from the GST is allocated to the states.

**State Governments**

State governments retain power and responsibility over all matters not delegated to the Commonwealth under the constitution. These include education, public health, police and justice system, roads, railways, ports, electricity and water supply etc.

**State Taxation Powers**

The States impose and have full constitutional control over payroll taxes, stamp duties, land taxes, gambling taxes and royalties on onshore natural resources.

*The Australian Commonwealth and the States - Vertical and Horizontal Imbalances and Equalisation Methods - A Tightly Linked Fiscal Relationship*

**Vertical Imbalance**

The Commonwealth and the States and Territories have a tight fiscal relationship – however, there is an imbalance between revenues and spending requirements:

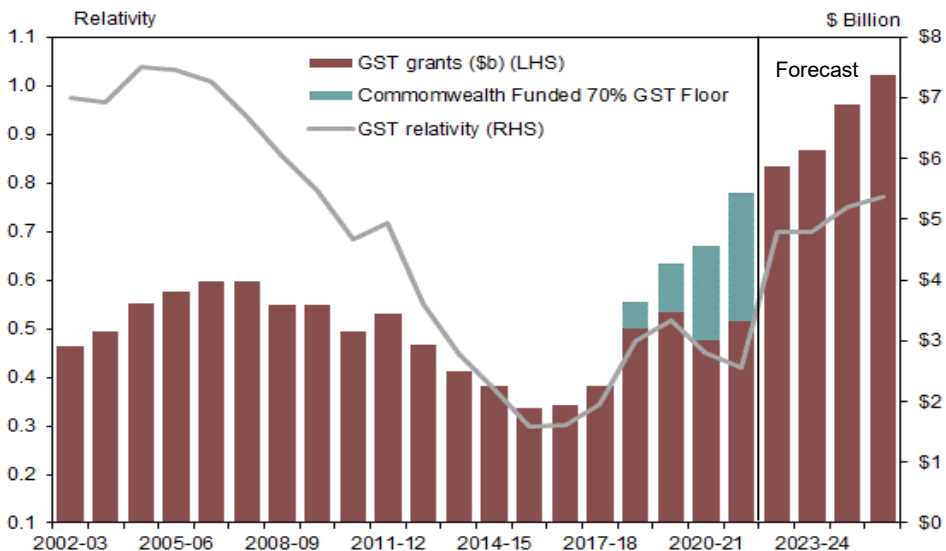
- The Commonwealth Government collects the majority of total government revenue, and the States and Territories oversee approximately half of total government spending.
- The Commonwealth therefore provides the State and Territory Governments with a large portion of their revenues via grants, which come largely in two forms – GST and Specific Purpose Grants.

**Horizontal Imbalance**

The Commonwealth also works to smooth revenue imbalances between the States and Territories through the Horizontal Fiscal Equalisation (HFE) framework which:

- Endeavours to equalise the fiscal capacity of each State and Territory to provide a consistent level of services to residents of each through the relative distribution of GST.
- Is set out in the Intergovernmental Agreement on Federal Financial Relations. GST revenue sharing relativities are updated annually while the methods used for calculating the relativities are reviewed every five years.

**Western Australia is a Strong Net Contributor to the Commonwealth** - The Commonwealth Government assesses the fiscal capacity of each Australian state to determine a re-distribution of GST revenue to strengthen the capacity of those States with weaker fiscal capacity. The graph below represents Western Australia’s share of GST revenue, including Commonwealth top-ups to bring the GST relativity to 70%, and the percentage of GST returned to Western Australia. The GST relativity floor rises to 75% from 2024-25.



Source: Western Australian Department of Treasury

## Western Australian Treasury Corporation

### Overview

- Western Australian Treasury Corporation (WATC) was established as the central borrowing authority for the State of Western Australia by the Western Australian Treasury Corporation Act 1986.
- WATC borrows funds in domestic and overseas markets for lending to over 150 semi-government and local government authorities in Western Australia and provides advisory, investment and foreign exchange services to the Western Australian public sector. WATC had total of debt of A\$51.6 billion at 30 June 2022.
- All borrowings by WATC are guaranteed by the Treasurer on behalf of the State of Western Australia by virtue of section 13(1) of the Western Australian Treasury Corporation Act 1986.

Rating Agency	Long-Term	Short-Term
Standard & Poor's	AAA (Stable Outlook)	A-1+
Moody's Investors Service	Aa1 (Stable Outlook)	Prime-1

### Funding Programs

Domestic Benchmark Bonds	Domestic Floating Rate Notes	Domestic Commercial Paper	Euro Commercial Paper	Euro Medium Term Note
<ul style="list-style-type: none"> <li>• 12 Dealer Panel members.</li> <li>• 12 Maturities between 2022-2041.</li> </ul>	<ul style="list-style-type: none"> <li>• Dealt through Bond Dealer panel.</li> <li>• 5 Maturities between 2023-2027.</li> </ul>	<ul style="list-style-type: none"> <li>• Undertaken on a tap basis.</li> <li>• Requirements communicated to over 60 institutions.</li> </ul>	<ul style="list-style-type: none"> <li>• 8 Dealer Panel members.</li> <li>• US\$6 billion multicurrency.</li> <li>• Maturities 1-364 days.</li> </ul>	<ul style="list-style-type: none"> <li>• 13 Dealer Panel members.</li> <li>• US\$2.0 billion multicurrency.</li> <li>• Maturities 1 month - 30 years.</li> <li>• Reverse inquiry facility.</li> </ul>

#### Fixed Interest Market Making Panel

- ANZ Investment Bank
- Bank of America Merrill Lynch
- Citigroup Global Markets Australia Pty Ltd
- Commonwealth Bank of Australia
- Deutsche Capital Markets Australia Ltd
- J.P. Morgan Australia Ltd
- National Australia Bank Ltd
- Nomura International plc
- Royal Bank of Canada
- TD Securities
- UBS AG, Australia Branch
- Westpac Banking Corporation

#### Euro Commercial Paper Program Dealer Panel

- Bank of America Merrill Lynch International Limited
- Barclays Bank plc
- Citibank International plc
- Commonwealth Bank of Australia, Hong Kong Branch
- Credit Suisse Securities (Europe) Limited
- National Australia Bank Limited, Hong Kong Branch
- UBS Limited
- Westpac Banking Corporation, Singapore Branch

#### Euro Medium Term Note Program Dealer Panel

- Australia and New Zealand Banking Group Limited
- Citigroup Global Markets Limited
- Commonwealth Bank of Australia
- Daiwa Capital Markets Europe Limited
- Deutsche Bank AG, London Branch
- Merrill Lynch International
- Mizuho International plc
- National Australia Bank Limited
- Nomura International plc
- RBC Europe Limited
- SMBC Nikko Capital Markets Limited
- UBS AG, London Branch
- Westpac Banking Corporation

*Long-term Borrowing - Domestic*

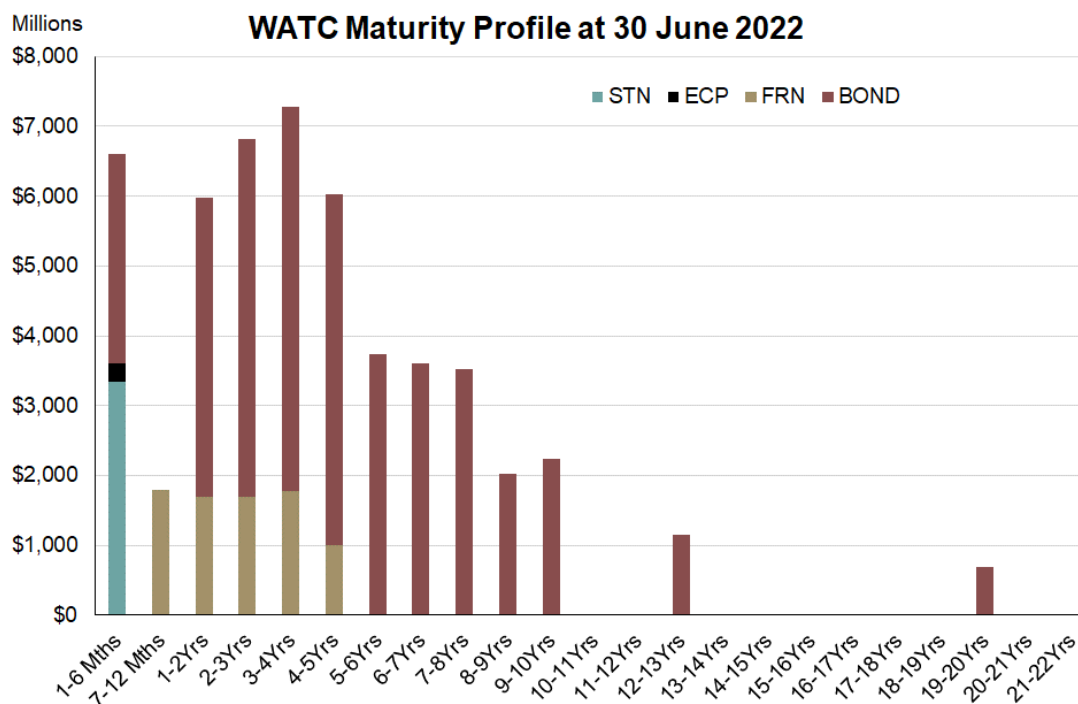
**BENCHMARK BOND LINES – 30 June 2022**

Coupon	Maturity	Amount on Issue
2.75%	20/10/22	A\$3.0 billion
6.00%	16/10/23	A\$4.3 billion
2.50%	23/07/24	A\$5.1 billion
5.00%	23/07/25	A\$5.5 billion
3.00%	21/10/26	A\$5.0 billion
3.00%	21/10/27	A\$3.7 billion
3.25%	20/07/28	A\$3.6 billion
2.75%	24/07/29	A\$3.5 billion
1.50%	22/10/30	A\$2.0 billion
1.75%	22/10/31	A\$2.2 billion
2.00%	24/10/34	A\$1.1 billion
2.25%	23/07/41	A\$0.7 billion
<b>Total Benchmark Bonds on Issue</b>		<b><u>A\$39.9 billion</u></b>

**FLOATING RATE NOTE LINES – 30 June 2022**

Coupon	Maturity	Amount on Issue
Variable	08/03/23	A\$1.8 billion
Variable	21/02/24	A\$1.7 billion
Variable	19/02/25	A\$1.7 billion
Variable	10/03/26	A\$1.8 billion
Variable	23/02/27	A\$1.0 billion
<b>Total Floating Rate Notes on Issue</b>		<b><u>A\$8.0 billion</u></b>

**TOTAL LONG-TERM DEBT ON ISSUE A\$47.8 billion**



## *Western Australia - A Good Value Proposition*

- **Good Credit Ratings** – AAA (Stable Outlook) from S&P and Aa1 (Stable Outlook) from Moody's.
- **An Export-Driven Economy** – underpinned by its diversified range of resources and strong export growth.
- **Sound Government Financial Management** – with continued vigilance on expense control, but still continuing to build the bigger picture with necessary asset investments.
- **WATC's Active Market Presence** – in domestic and overseas financial markets.
- **Good Liquidity** – with large volumes on issue, qualifying as Level 1 Assets by APRA under Basel III.

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