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Media Release by Under Treasurer

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## 2016-17 Pre-election Financial Projections Statement

Consistent with the requirements of the *Government Financial Responsibility Act 2000*, the State's Under Treasurer, Michael Barnes, has today released the 2016-17 *Pre-election Financial Projections Statement* (PFPS).

"The PFPS is an important accountability document that provides Treasury's latest assessment of the State's economic and fiscal outlook in the lead-up to the coming election", Mr Barnes said.

The economic forecasts contained in the PFPS are largely consistent with those in the 2016-17 Mid-year Review. The main difference is that the Western Australian economy (as measured by Gross State Product) is now forecast to grow by 0.5% in 2016-17, down from growth of 1% forecast in the Mid-year Review.

This downward revision primarily reflects a larger than expected fall in business investment in the September quarter 2016, and weaker mining investment expectations. Business investment is now forecast to fall by 32.5% in 2016-17, compared to a forecast fall of 28.25% in the Mid-year Review.

Relative to the Mid-year Review, the short-term fiscal outlook has improved, with the general government sector operating deficit for 2016-17 narrowing to \$3,028 million, down from \$3,388 million in the Mid-year Review (a \$360 million improvement).

This short-term improvement primarily reflects the impact of higher iron ore prices, which are now forecast to average \$US70.30 per tonne over 2016-17, up from \$US64.30 per tonne in the Mid-year Review.

However, the fiscal outlook over the forward estimates period (to 2019-20) has deteriorated since the Mid-year Review, with:

- general government sector operating deficits now forecast across the entire period (in contrast, the Mid-year Review forecast a general government operating surplus of \$521 million in 2019-20); and
- total public sector net debt at 30 June 2020 now forecast to reach \$41.1 billion, up from \$39.7 billion in the Mid-year Review.

The major reasons for this deterioration over the forward estimates period include:

- a downward revision to Western Australia's GST grants (down a total of \$1.2 billion since the Mid-year Review), primarily reflecting the lagged redistribution of the State's higher royalty income (due to the higher iron ore price noted above), the impact of slower population growth in Western Australia relative to other States, and a downward revision to the national GST pool in the Commonwealth's 2016-17 *Mid-Year Economic and Fiscal Outlook*;

- the signing by the Premier and Prime Minister on 31 January 2017 of an agreement to transition to a State-run National Disability Insurance Scheme in Western Australia, which increases net debt to 30 June 2020 by an estimated \$533 million;
- Cabinet decisions taken after the 28 November 2016 cut-off date for the Mid-year Review, which total \$202 million in net debt terms to 30 June 2020 (and are detailed in Appendix 3 of the PFPS); and
- items flagged as risks in the Mid-year Review which, in the Under Treasurer's opinion, are sufficiently certain and/or unavoidable under current policy settings to warrant inclusion in the PFPS forward estimates (these items total \$366 million in net debt terms to 30 June 2020, and are also detailed in Appendix 3).

“As pointed out in the PFPS, Western Australia is facing a significant debt challenge, and the incoming Government will need a clear and robust plan for addressing this challenge”, Mr Barnes said.

The PFPS is available on Treasury's website at [www.treasury.wa.gov.au](http://www.treasury.wa.gov.au). Any queries on the PFPS should be directed to [undertreasurer@treasury.wa.gov.au](mailto:undertreasurer@treasury.wa.gov.au).

Michael Barnes  
UNDER TREASURER  
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