



MEDIA STATEMENT

2008-09 PRE-ELECTION BUDGET UPDATE FOR THE AUSTRALIAN CAPITAL TERRITORY

The ACT Treasury today released the *2008-09 Pre-Election Budget Update* (PEBU) for the Australian Capital Territory.

The Update has been prepared by the Department of Treasury in accordance with the requirements of the *Financial Management Act 1996*.

The Update is intended to provide the ACT community with the latest financial position and economic outlook for the Territory before the election, to assist with an assessment of the Government's performance against its financial policy objectives and strategy.

The update is current as at 14 September 2008, it takes into account any developments that have occurred since the publication of the 2008-09 Budget in May 2008, and all known decisions of the Government up to the beginning of the Caretaker period.

The Update shows that despite a slight levelling of the ACT Economy, a general government sector net operating surplus is still forecast across the Budget and forward estimates.

The Net Operating Balance for 2008-09 and across the forward estimates has declined slightly since the publication of the Budget. This is a result of a realisation of a number of risks as highlighted at the time of the 2008-09 Budget (most notably, softening in the property market and investment returns). Relative to the size of the budget, however, the change in Net Operating Balance across the Budget and forward estimates period is marginal, at around 0.1 per cent.

The balance sheet has strengthened further since the 2008-09 Budget, as measured by key indicators such as net debt, net financial liabilities and net worth.

The Territory's 'AAA' credit rating was reaffirmed by Standard & Poor's on 10 September 2008.

In summary, the financial position remains consistent with the financial policy objectives and fiscal strategy as published in the 2008-09 Budget Papers.

The main variations to the budget estimates relate to:

- a reduction in forecast taxation revenue (namely, conveyance revenue);

- a reduction in dividend returns and income tax from Government Business Enterprises (mainly attributable to continued water restrictions); and
- a decrease in investment earnings on the Territory's superannuation investments.

These factors are offset by a decrease in superannuation expenses in 2008-09 and increases in Goods and Services Tax (GST) revenue, resulting from further increases in the size of the GST Pool and the relative size of the ACT's population.

Since the release of the Budget, interest rates, higher prices and the impact of the Commonwealth Budget have all combined to place downward pressure on the rate of economic growth in 2007-08 and 2008-09.

The ACT economy, however, remains solid. While the rate of growth is forecast to be below its long term average, this is following the extraordinary growth of more than 10 per cent in 2006-07. The economic activity is forecast to remain at a high level.

Employment growth in 2008-09 is forecast to be flat as a result of reduced Commonwealth demand for labour, as well as the lagged effect of slower economic growth in 2007-08.

Despite the flat employment growth, unemployment is still expected to remain at low levels.

The Pre-Election Budget Update will be released on the Internet at 1pm today on the Treasury website (www.treasury.act.gov.au) and can also be found later this afternoon at www.legislation.act.gov.au, under notifiable instruments.