

# 2016–17 STATE BUDGET

Budget Paper 1

## Budget Overview



Government of  
South Australia



# 2016–17 Budget Papers

**Budget Paper 1** Budget Overview

**Budget Paper 2** Budget Speech

**Budget Paper 3** Budget Statement

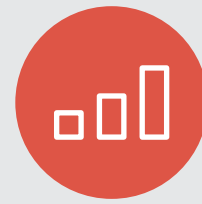
**Budget Paper 4** Agency Statements – Volumes 1, 2, 3, 4

**Budget Paper 5** Budget Measures Statement

## Acknowledgements

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**\$948**  
MILLION

**Promoting jobs,  
investment and  
stimulating growth**

# Budget at a glance

For South Australia to attract more businesses and grow existing industries it is important we demonstrate our capacity to effectively manage our finances.

First and foremost, this budget proves our credibility as responsible fiscal managers delivering our 8th budget surplus while forecasting surpluses across the forward estimates.

Last year's budget abolished \$670 million of taxes. This year, the budget builds on those reforms by providing \$109 million in incentives to businesses to employ more people.

Government can not do all the heavy lifting so we are supporting our businesses and creating the environment to transform South Australia into a modern, high technology and globally competitive economy - which will create more jobs for South Australians.

We are also protecting existing jobs in our traditional industries - be it supporting steel-making in Whyalla or backing our auto-component supply chain.

It is vitally important that we grasp every opportunity associated with the Future Submarines and expanding defence sector. That is why we are investing \$500 million to upgrade our schools to prepare our children for the jobs of the future.

This budget also continues to build South Australia with a record \$12.1 billion investment in state infrastructure creating more local jobs now and putting the building blocks in place for future growth.

The budget also provides more than \$1 billion in extra funding for health, community services and law and order initiatives.

Despite employment growing by 6 000 in trend terms since our previous budget, the state's unemployment rate remains unacceptably high.

In the short term we will face further challenges with the closure of Holden, one of the state's largest employers.

Our fiscal responsibility and surpluses exist to provide a buffer to the economic headwinds we are now facing.

We're vigorously pursuing bold reforms and innovations such as unlocking investment capital, transitioning to a low carbon economy and thoroughly exploring potential economic opportunities such as nuclear.

This budget provides the path to addressing the state's unemployment problem by growing our modern industries.

We are continuing our plan to make South Australia the best place to do business.

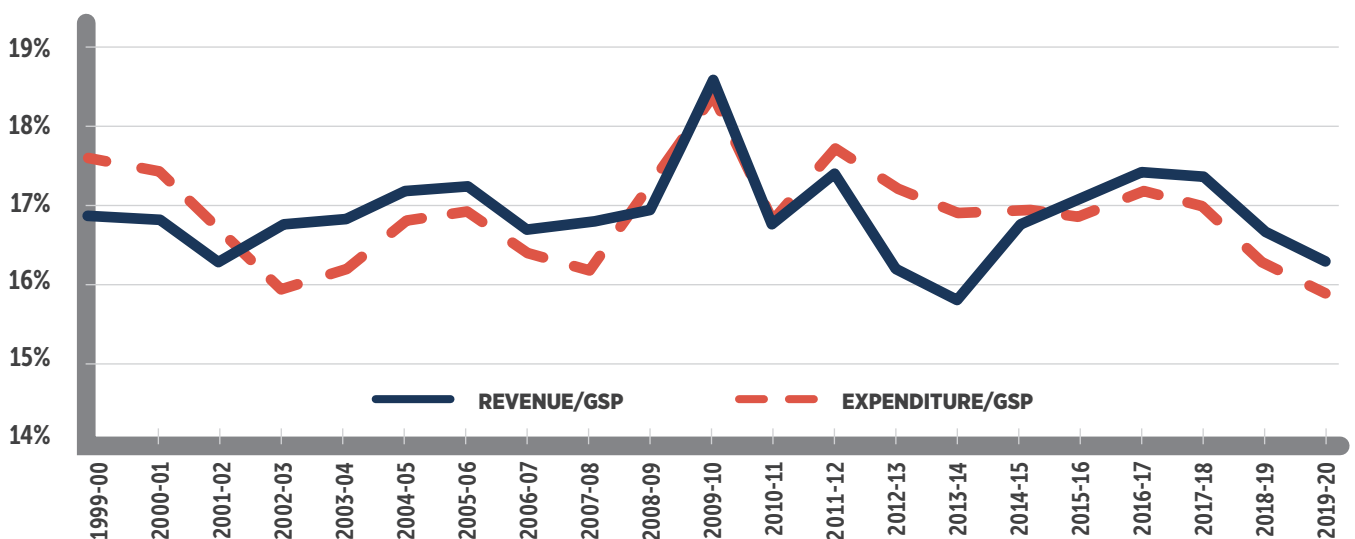
# State budget outlook

## Key general government sector budget indicators

We have achieved the predicted surplus in 2015-16 and are continuing to deliver surpluses across the forward estimates.

	2015-16 ESTIMATED RESULT	2016-17 BUDGET	2017-18 ESTIMATE	2018-19 ESTIMATE	2019-20 ESTIMATE
<b>Operating statement</b>					
Net operating balance (\$m)	258	254	415	464	466
Net lending (\$m)	3	-2 436	- 310	44	52
<b>Revenue and expenses</b>					
Revenue real growth (%)	3.7	3.8	1.3	-2.1	-0.3
Expenses real growth (%)	1.0	3.9	0.5	-2.4	-0.3
<b>Balance sheet</b>					
Net debt (\$m)	4 071	6 246	6 561	6 541	6 536
Net debt to revenue (%)	23.5	34.2	34.7	34.5	33.7

### General government revenue and expenditure as a percentage of Gross State Product



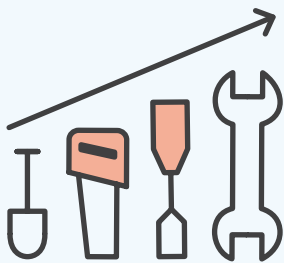


**\$244**  
MILLION

**To grow and support local jobs**

# Growing jobs

The government is supporting businesses to grow and employ more South Australians. We are introducing measures that make it easier for businesses to employ new staff and we are continuing our support for small businesses.



## Jobs

**\$109**  
MILLION

### Job creation grant scheme

Between 1 July 2016 and 30 June 2018

**\$10 000**

Grant for businesses with taxable payrolls below \$5 million for each additional new worker.

**\$4 000**

Grant for small businesses and start-ups for each additional new worker.

Expected to provide grants for **14 000** full time equivalent positions.

### Extending tax relief

#### Extend small business payroll tax rebate

**\$40** MILLION

Providing up to **\$9 800** each year for employers with taxable payrolls less than or equal to **\$1.2 million**.

About **2 300 businesses** to benefit.

#### Extend and expand off the plan stamp duty concession

**\$7.7** MILLION

Now available across the entire state for contracts entered into until 30 June 2017.

Maximum concession of **\$15 500**.

Expected to benefit **800 purchasers**.

#### Industry participation advocate

**\$1.4** MILLION

For the Office of the Industry Advocate to expand assistance for local businesses to build their tendering skills, creating local jobs and ensuring local content is used on projects.

### SA Made campaign

**\$2** MILLION

For an awareness campaign so South Australians can identify, support and buy SA made products.

### Supporting our regions facing economic restructuring

#### Supporting Whyalla

**\$50** MILLION

Funding to support a new owner of the Whyalla steelworks.

**\$9.6** MILLION

Interest-free loan scheme to support small businesses experiencing cash-flow challenges as a result of Arrium entering administration.

#### Supporting the northern suburbs

**\$24.2** MILLION

A range of initiatives have been announced aimed at job creation, innovation, business and industry growth and community programs in northern Adelaide.

EXAMPLE

### Supporting local jobs

From 1 July 2016, a small business in SA that employs an additional two FTE's and has a total wages bill of \$1 million, could be eligible for almost \$40 000 in government incentives over two years.



# Building a globally connected and competitive economy

We are continuing to invest in attracting new industries to South Australia and growing our tourism sector as well as supporting entrepreneurs and new businesses establish their presence in South Australia.



## \$135 MILLION

To grow investment in future industries

## Innovation

Commitment to spend

AT LEAST **\$20** MILLION

on innovation initiatives each year.

Budget includes an additional \$29.8 million including

**\$10** MILLION

Grants to assist companies at the pre-seed and seed stage of development to grow.

**\$7.5** MILLION

Support for the University of South Australia's Future Industries Institute to encourage innovation and new industry and assist start up enterprises.

**\$4.7** MILLION

Gig City project to create an ultra-high speed broadband innovation network.

*These initiatives build on the government's \$53.6 million existing commitments including the Premier's Research and Industry Fund and Bio-Innovation SA Industry Development grants*

## SA Venture Capital Fund

**\$50** MILLION

Fund to partner with private sector financiers to support innovation and help build high-growth companies.



## Tourism, marketing and major events

**\$35** MILLION

Additional funding to encourage visitors to South Australia and attract major events.

## Economic investment fund

**\$20** MILLION

To continue to attract businesses to the state.

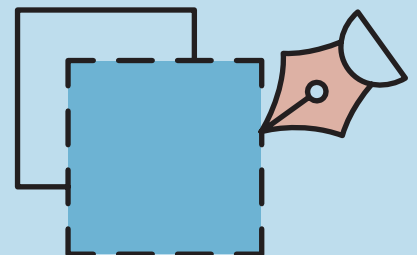
## Connection

**\$3.6** MILLION

Engage with the community and develop an informed response to the Final Report of the Nuclear Fuel Cycle Royal Commission.

**\$1.9** MILLION

Fund biosecurity measures which will enable access to high-value domestic and international markets.



## Planning reforms

**\$24.8** MILLION

Investment will be made to reform the state's planning system. ePlanning will facilitate faster approvals, consistent planning rules and ready access to information.

# Infrastructure

The government will continue to rebuild and expand the state’s strategic economic and social infrastructure to accommodate future needs.

Government investment expenditure remains at historically high levels, reflecting continued significant investment in transport, health, and education infrastructure. This includes the redevelopment of many metropolitan and country hospitals, significant investment in roads and public transport, major upgrading to school infrastructure and the building of 1000 homes in 1000 days.



**\$12.1**  
BILLION

**Total infrastructure spend**

## Government funded infrastructure projects

Investment over 4 years

**\$3.2 BILLION**  
Health facilities (Including NRAH).

**\$2 BILLION**  
Road projects.

**\$783 MILLION**  
Public transport.

**\$442 MILLION**  
Education facilities in addition to \$250 million low interest loan facility for non-government schools.

**\$222 MILLION**  
Adelaide Festival Centre Precinct and Her Majesty’s Theatre.

**\$1.6 BILLION**  
Water infrastructure.

**\$588 MILLION**  
Residential housing including 1000 houses in 1000 days.

AT LEAST **\$1.5**  
BILLION

Spend per year on infrastructure in the general government sector.



## Average jobs per annum from government infrastructure spending

- 2000** Road and Rail
- 1800** Construction
- 900** Water Supply
- 700** Residential Housing
- 400** Health

## New projects

Infrastructure funded in this year’s budget which builds on the government’s significant infrastructure spending includes:

**\$250 MILLION**  
For advanced science labs in schools.

**\$50 MILLION**  
To extend tram network to the Old Royal Adelaide Hospital site.

**\$35.2 MILLION**  
To redevelop Her Majesty’s Theatre.

## Road and rail projects

**\$985 MILLION** For Northern Connector.

**\$896 MILLION** Torrens Road to River Torrens South Road upgrade.

**\$620 MILLION** For the North-South Corridor Darlington upgrade.

**\$358 MILLION** For the Goodwood and Torrens Rail Junction upgrade. Including \$110 million spent to date.

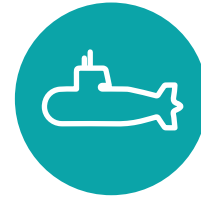
**\$160 MILLION** For the O-Bahn extension to the city.

**\$153 MILLION** For the Adelaide to Salisbury rail line electrification.

# Defence opportunities

South Australia’s reputation as a hub for naval shipbuilding continues to grow with the Federal Government’s recent commitments for local manufacturing. Following completion of the air warfare destroyers, work will commence on the first of the offshore patrol vessels in South Australia from 2018 with the Future Frigates program to commence in 2020. The Federal Government has also announced the construction of 12 submarines to be built at Techport Australia. Construction of the first submarines will commence in 2022.

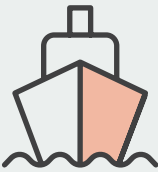
It is important that South Australia invests to build its advanced manufacturing industry and these defence projects will provide an opportunity for a range of associated industries.



## \$19 MILLION

To leverage opportunities to build our defence sector

## \$5 MILLION



### For the extension of the wharf at the Techport Common User Facility

Funded by an investment from ASC AWD Shipbuilder Pty Ltd.

### State Defence Industry

## \$2.3 MILLION

To deliver programs and services that maintain and develop the state’s defence industry.

### Masterplan of Techport

## \$1 MILLION

For a masterplan design of Techport infrastructure at Osborne to prepare for future projects.

### Trade Exhibition

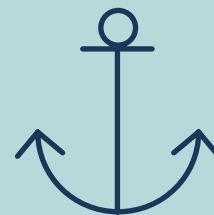
## \$420 000

For state representation at the EURONAVAL international maritime trade exhibition in France.

## \$4 MILLION

### Relationships with France

To build partnerships, and stronger cultural and economic relationships with France to enhance the benefits from the submarine contracts.



## \$6 MILLION

### Defence industry attraction fund

To secure new defence investment and jobs in South Australia and ensure the future submarine supply chain is based in South Australia.




# Investing in Science Technology Engineering Mathematics

Developing and upgrading school facilities will enable our children to gain key skills needed to work in our future industries, including high technology manufacturing. It will also provide support and stimulus to the construction sector in the short to medium term.



## \$500 MILLION

To upgrade school facilities and prepare our children for the jobs of the future



**Education**  
**\$250 MILLION**

Refurbish and redevelop contemporary science, technology, engineering and mathematics facilities in **139 public schools**.

77 Primary schools.

44 High schools.

18 R12 and area schools.



## \$250 MILLION

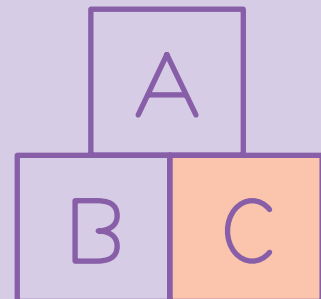
### Loan program

For the first time, private schools will have access to a loan facility at government borrowing rates to fund infrastructure that improves school learning facilities.



**\$10.6 MILLION**

To enable the modernisation of South Australian Certificate of Education operations to improve efficiency by moving more activities online.



## \$38.1 MILLION

For government funded preschools to lower the number of students per teacher.

# Adelaide, the vibrant city

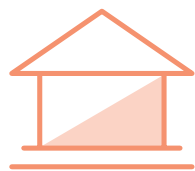
Our commitment to the arts ensures that there will be a range of quality cultural events throughout the year, providing a significant economic contribution to the state.



MORE  
THAN

**\$65**  
MILLION

**For art  
infrastructure  
and cultural  
programs**



**\$35.2**  
MILLION

## Redevelop Her Majesty's Theatre

Create a world-class venue that will attract more national and international shows, with a new entrance and foyer and an expansion to the auditorium of up to an additional 570 seats.

**\$15**  
MILLION

## Arts funding

To support the South Australian arts sector.

**Additional  
support for the  
OzAsia Festival**  
**\$3.1** MILLION



**\$1.4** MILLION

For a live music events start up fund. The fund will provide financial support to promoters to assist in the development of new music festivals.

**\$1** MILLION

Towards securing the Hans Heysen 'The Cedars' for public viewing in perpetuity.

**\$700 000**

Additional support for the 2017 Adelaide Festival of Arts.

## Revitalised laneways

**\$7.3** MILLION

\$14.6 million project - jointly funded with the Adelaide City Council. To revitalise laneways between the Adelaide Central Market and Riverbank Precinct.

## Investment fund

**\$1** MILLION

Additional support for South Australian Film Corporation to bid for more projects.

## Contemporary gallery

**\$500 000**

To develop a business case for a new contemporary gallery.

## Supporting entrepreneurs

**\$160 000**

In addition to existing funding of \$700 000 for Renew Adelaide to support entrepreneurs starting a new business.

# Taking action on the environment

The government is taking a leadership role in global climate change, including the commitment to achieve a Carbon Neutral Adelaide. This budget includes a range of items that improve the environment.

The waste and resource recovery sector currently employs about 5 000 people. These reforms and new investment will expand the sector, creating more than 350 jobs and maintain the state’s position as Australia’s leading recycler.

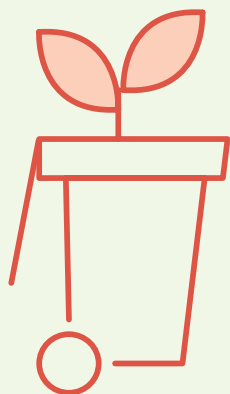


MORE THAN **\$98** MILLION

To protect, sustain and enhance our clean and green environment

## Solid waste levy

These measures will be funded from an increase to the solid waste levy. The levy will increase from \$62 per tonne at 1 July 2016 to \$103 by 2019-20. This levy compares favourably with the levy in New South Wales which is \$135.70 in 2016-17.



## Environment management

**\$15.8** MILLION

To deal with site contamination issues arising from orphan sites and implement waste management reform and enhanced compliance in the waste and resources recovery sector.

**\$26.4** MILLION

## Green industries

For a range of local government waste and resource recovery grants as well as grants for the waste sector to facilitate infrastructure investment and innovation.

## Carbon Neutral Adelaide

**\$11.9** MILLION

Partner with the Adelaide City Council to leverage private sector investment in renewable energy and storage, building energy efficiency and electric vehicles infrastructure. Funding provided to also establish Carbon Neutral Adelaide as a key node of Climate Knowledge and Innovation Community Australia.

## Low carbon transport

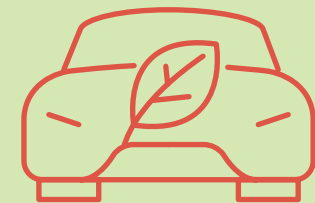
**\$10** MILLION

To provide improved infrastructure to promote low carbon forms of transport, increasing cycling and public transport journeys.

**\$34.3** MILLION

## Riverine Recovery

Delivering phase two of the Riverine Recovery project to improve the health of the River Murray.



## Greening our fleet

We are replacing around 30% of the state government fleet vehicles with low or zero emission vehicles within three years.

# Supporting our health system



**\$527**  
MILLION

**To support our health system**

The number of patients that present and are treated in our health system continues to rise. In 2015-16, it is forecast more than 11 400 additional inpatients will be treated in our hospitals and more than 13 600 additional South Australians will present to our Emergency Departments compared to 2014-15, representing around a three per cent increase in 12 months.

The 2014-15 Commonwealth budget cut funding to the state’s health budget totalling \$1.25 billion between 2016-17 and 2019-20.

The State Government has continued to argue that the previous funding arrangements should be re-instated in full with the Commonwealth being a full partner in meeting the nation’s growing health costs.

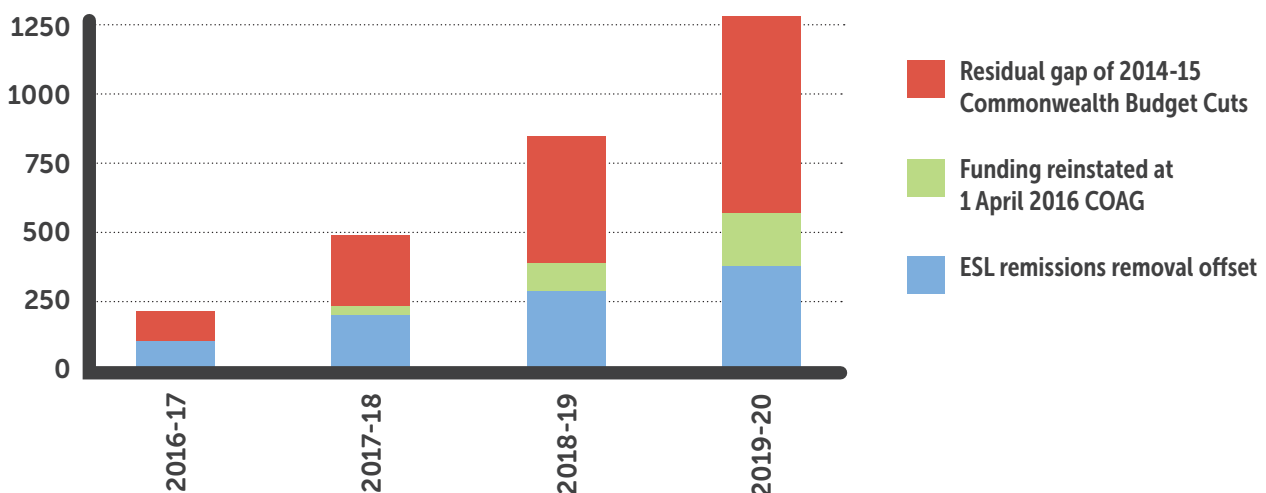
In April 2016, the Commonwealth Government returned about 18% of the cuts to healthcare over 2017-18 to 2019-20.

Even with the removal of ESL remissions and the extra health funding provided by the Commonwealth Government, the ongoing impacts of the remaining Commonwealth cuts cannot be absorbed through increased efficiency of the health system.

The reductions to health services required by the Commonwealth funding cuts are not acceptable. The State will provide additional funding to maintain services in the state health system.

The government has been working to transform the health system to provide improved health outcomes and more efficient services. That remains an on-going task and this budget provides additional resources to enable that transformation to continue in a measured way.

**Cumulative impact of 2014-15 Commonwealth budget cuts to health budget (\$m)**



# Investing in our community

We are continuing to fund people with disabilities during the transition to the National Disability Insurance Scheme (NDIS), provide additional community wellbeing services, invest in our public transport system and improve sporting facilities throughout the state.



**\$336**  
MILLION

**\$144**

MILLION

**To support wellbeing in our community**

Including

**\$90.7** MILLION

In additional disability funding to support the transition to NDIS and provide additional disability services support.

**\$44.4** MILLION

Funding to improve Aboriginal health outcomes.

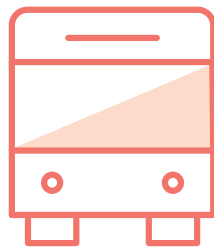
**\$8.7** MILLION

To continue the operation of the Community Mental Health Rehabilitation Service in Whyalla. This also includes \$150,000 for the development of an industry specific suicide prevention program within the Whyalla community.

**Pinery bushfire recovery**

**\$8.5** MILLION

To assist the community recover from the Pinery bushfire of November 2015.



**Transport**

**\$142** MILLION

**Additional funding to improve and encourage greater use of our public transport network.**

**\$50** MILLION

To extend the tram network along North Terrace to the Old Royal Adelaide Hospital site.

**\$48** MILLION

To upgrade the diesel railcar fleet.

**\$44.4** MILLION

Industry assistance package to the taxi and chauffeur vehicle industry for reforms to the sector.

**Problem gambling**

**\$1.5** MILLION

Additional funding to support and rehabilitate people affected by problem gambling. Funded from the introduction of a wagering tax.

**New and upgraded sporting facilities**

**\$40** MILLION

**\$10** MILLION to Football Federation of South Australia to develop high quality pitches and upgrade soccer facilities across the state.

**\$10** MILLION for grants to sporting clubs to provide facilities for female participation in sport.

**\$7.5** MILLION for a grant to the City of Charles Sturt to upgrade the St Clair Recreation facility.

**\$5** MILLION to the Port Pirie Regional Council for the Memorial Oval redevelopment.

**\$4.6** MILLION through provision of land at the former Ross Smith Secondary School to City of Port Adelaide Enfield to develop an indoor community, recreation and sport facility.

**\$2** MILLION grant to the City of Marion for the regional level BMX facility at O'Halloran Hill Recreation Reserve.

**\$500 000** Land tax exemptions for sporting and racing clubs.

# Protecting the community

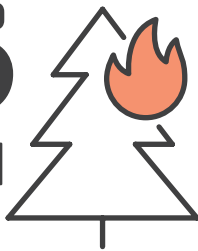
We are continuing to reform our justice system, improve our emergency services, provide additional resources to police as well as meet the growth in people in custody.



**\$169**  
MILLION

**Extra resources for police, the justice sector and emergency services**

**\$45**  
MILLION  
**Additional resources for our emergency services**



Including

**\$16.2** MILLION

Strengthening the capacity to respond to bushfires.

**\$9.3** MILLION

To improve fire truck safety equipment.

**\$6.2** MILLION

On CFS and SES volunteer training and support.

**\$5.5** MILLION

To establish the Flood Resilience SA Program to enhance flood response and incident management capabilities.

**\$2** MILLION

Zone Emergency Risk Management support.

## Safer communities

**\$65.8** MILLION

Additional prison beds including at Mobilong, Mount Gambier, and Port Augusta prisons.

**\$15.6** MILLION

To expand the use of the home detention program.

**\$9.9** MILLION

To increase the capacity of existing rehabilitation programs and to introduce new programs to assist in reducing the rate of reoffending.

## Screening reforms

**\$10.6** MILLION

A system will be implemented that continuously monitors screening assessments for people who work with children.



## Supporting police

**\$16.1** MILLION

To meet the government's commitment to recruit 313 additional police officers and support initiatives to ensure more sworn police officers provide front line services.

**\$1.3** MILLION

To introduce a national system for SA Police to share information on domestic violence orders within and across jurisdictions as part of the National Domestic Violence Order Scheme.

## Reforming our justice system

**\$4.5** MILLION

Reduce the time it takes for serious criminal matters to come to trial.

# South Australia: the best place to do business

At the 2015-16 Budget the government announced the most comprehensive package of tax reforms in our state's history. By 1 July 2018, the government will have abolished 5 business taxes, providing a tax system that supports businesses to invest, grow and create jobs.



**\$740**  
MILLION

**In total tax relief  
announced in the  
last 2 years to support  
South Australian  
businesses**

## Tax reforms to support business growth and investment

Tax reforms announced in response to the State Tax Review removed taxes that constrained business investment and expansion. South Australia is now the lowest taxing state for commercial property transfers.

### Non-residential property stamp duty

Cut by 1/3 on 7 December 2015

Tax to be cut by a further 1/3 on 1 July 2017 and abolished on 1 July 2018.

Up to **6 000** non-residential property transactions expected to benefit each year.

### Abolished non-real stamp duty

From 18 June 2015

Providing relief on around **1 300** business non-real property transactions each year.

### Abolished share duty

From 18 June 2015

### Abolished stamp duty on genuine corporate reconstructions

From 18 June 2015

### Abolished the Save the River Murray Levy

From 1 July 2015

Saves businesses more than **\$182** each year.

## Building on business incentives to create local jobs



This year's budget builds on the tax reforms announced last year and promotes jobs for South Australians.

### Job creation grants

**\$109** MILLION

To businesses who employ more workers.

### Extend the small business payroll tax rebate for four years

**\$40** MILLION

For small businesses, reducing their payroll tax.

### Extend and expand the off the plan stamp duty concession

Encouraging the purchase of off the plan apartments supporting the building and construction sector.

## Wagering tax

A tax of 15% will be introduced on net wagering revenue from bets placed in South Australia irrespective of the location of the wagering operators from 1 July 2017. A tax-free threshold of \$150 000 net wagering revenue per year will apply for all operators. These reforms are estimated to generate around \$10 million per annum. \$500 000 per annum of this revenue will be used to help fund programs to address problem gambling.

# Regions

Regions are an integral part of the state's identity. Regional South Australia produces more than half of our merchandise exports.

Regional South Australia plays a crucial part in meeting key government economic objectives for premium food and wine and resources, energy and renewable assets.



**\$384**  
MILLION

**On new initiatives  
in regional areas**

**\$50**  
MILLION

**Funding to  
support the  
future owner  
of the Whyalla  
steelworks**

**Interest-free  
loan scheme**

**\$9.6** MILLION

To support small businesses experiencing cash-flow challenges as a result of Arrium entering administration.

**Airport  
upgrades**



**\$2.95** MILLION

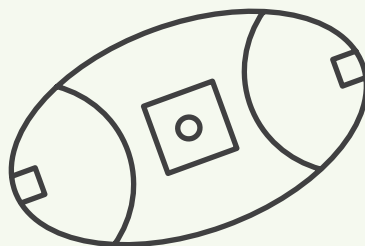
For the upgrade of the Mount Gambier airport.

**\$9** MILLION

For the upgrade of the Kangaroo Island Airport.

**\$20.4**  
MILLION

**Support the  
continuation of  
the Leigh Creek  
township**



**\$5**  
MILLION

**Port Pirie  
Memorial Oval  
redevelopment**



**\$106.5**  
MILLION

To refurbish and redevelop contemporary science, technology, engineering and mathematics facilities in regional schools.



# 2016-17 key regional projects



## Far North

**\$10.7 MILLION\***  
Closing the gap in  
Aboriginal health  
outcomes

\*APY Lands and other  
remote communities

**\$821 000**  
Yalata Anangu School

## Eyre Western

**\$50 MILLION**  
(including \$25 million  
in 2017-18)

Support of the  
future of the  
Whyalla steelworks

**\$9.6 MILLION**  
Port Bonython Jetty

**\$2.2 MILLION**  
Community Mental  
Health Rehabilitation  
Services

## Murray Mallee

**\$34 MILLION**  
South Australian  
Riverland Flood  
Plains Integrated  
Infrastructure  
Program

**\$15.3 MILLION**  
Riverine Recovery  
Project

## Yorke & Mid North

**\$20.4 MILLION**  
(including \$6.4 million  
in 2016-17)

Leigh Creek  
Township Future

**\$5 MILLION**  
Port Pirie Memorial  
Oval redevelopment

## Barossa Light Lower North

**\$8.5 MILLION**  
(including \$7 million  
in 2015-16)

Pinery Fires –  
Assistance for  
communities

**\$3.1 MILLION**  
Evanston Gardens  
Primary School

## Kangaroo Island

**\$9 MILLION** (including  
\$6.5 million in 2016-17)  
Kangaroo Island  
Airport

## Multiple regions

Firetruck safety systems for CFS  
(\$2.6 MILLION) and volunteer training  
and support for CFS and SES (\$1.5 MILLION)

Mobile Black Spot Program  
**\$1 MILLION**

Regional Development Fund  
**\$15 MILLION PER ANNUM**

Remote Areas Energy Supplies Scheme  
**\$17.8 MILLION**

Road Maintenance  
**\$64 MILLION**

## Adelaide Hills

**\$42.7 MILLION**  
Kangaroo Creek Dam  
Safety

**\$7.1 MILLION**  
Brukunga Mine

**\$6 MILLION**  
South East Freeway  
Mount Barker  
Intersection Upgrade

**\$1 MILLION**  
The Cedars

## Limestone Coast

**\$50.1 MILLION**  
South East Flows  
Restoration Project

**\$2.95 MILLION**  
Upgrade Mount  
Gambier airport  
(funded from the  
South East Forestry  
Partnerships Program)

**\$940 000**  
Sir Robert Helpmann  
Theatre upgrade

## \$14.9 MILLION\* Upgrading school facilities

- \$3.2 MILLION Limestone Coast
- \$2.5 MILLION Murray and Mallee
- \$2.3 MILLION Yorke and Mid North
- \$1.9 MILLION Eyre and Western
- \$1.5 MILLION Barossa, Light and Lower North
- \$1.3 MILLION Fleurieu and Kangaroo Island
- \$1.3 MILLION Adelaide Hills
- \$840 000 Far North

\*Actual spend profile by region in 2016-17 is indicative only.



# Economic Outlook

The South Australian economy has performed solidly in 2015-16. Since last year's budget, employment has grown by 6 000 (in trend terms) in South Australia and the unemployment rate has fallen to 6.9 per cent from 7.7 per cent.

The state's transition toward a new economy that is innovative and knowledge based is seeing employment growth in industries such as food, health, tourism and services outweigh employment declines in the state's traditional manufacturing and mining industries.

Reflecting recent employment trends, and the initiatives contained in this Budget to further boost jobs, employment is estimated to grow by  $\frac{1}{2}$  per cent in 2015-16 and by  $\frac{3}{4}$  per cent in 2016-17, rising to 1 per cent per annum from 2017-18 onwards.

National economic growth is forecast to be  $2\frac{1}{2}$  per cent in 2016-17 before rising to around the trend rate of growth of 3 per cent from 2017-18 onwards. The lower Australian dollar will continue to support growth in the trade exposed sectors, with historically low interest rates supporting consumer spending and a recovery in business investment.

In South Australia, Gross State Product (GSP) is forecast to increase by 2 per cent in real terms in 2016-17, before rising to growth of  $2\frac{1}{4}$  per cent from 2017-18 onwards.

Positive trends have been evident in improved consumer spending, and in the tourism and international education sectors.

The state will continue to face challenges over the next few years arising from the significant structural adjustment when car manufacturing ceases in 2017. However, jobs and economic activity will be created by the continuous shipbuilding program and the Government's strong capital works program.

## Key Economic Indicators – Australia and South Australia Real Growth Rates (Per Cent Per Annum)

	2014-15 ACTUAL	2015-16 ESTIMATED	2016-17 FORECAST	2017-18 PROJECTION	2018-19 PROJECTION	2019-20 PROJECTION
<b>Australia <sup>(a)</sup></b>						
Gross Domestic Product (GDP)	2.2	$2\frac{1}{2}$	$2\frac{1}{2}$	3	3	3
<b>South Australia</b>						
Gross State Product (GSP)	1.6	$1\frac{1}{2}$	2	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{1}{4}$
State Final Demand (SFD)	1.3	$1\frac{1}{2}$	2	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{1}{4}$
Employment	0.5	$\frac{1}{2}$	$\frac{3}{4}$	1	1	1
Adelaide Consumer Price Index (CPI)	1.6	$\frac{3}{4}$	$1\frac{3}{4}$	$2\frac{1}{4}$	$2\frac{1}{2}$	$2\frac{1}{2}$

(a) Australian forecasts from Pre-Election Economic and Fiscal Outlook, 2016.

2016-17 State Budget

**[www.statebudget.sa.gov.au](http://www.statebudget.sa.gov.au)**

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**Government of  
South Australia**