

**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

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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

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