QUEENSLAND

Queensland

OVERVIEW

Queensland is nearly five times the size of Japan, seven times the size of Great Britain, and two and a half times the size of Texas.

Queensland is Australia's second largest state by land area, covering more than 22 per cent of the continent. The economy is the third largest in Australia, after New South Wales and Victoria.

Queensland's natural wonder, the Great Barrier Reef, extends over some 2,000km, covering more than a quarter of the state's 7,400km of coastline. With a population of 4.79 million, more than 20 per cent of Australians live in Queensland. Around three million Queenslanders live in the state's south-east corner.

Queensland – Quick facts

Land area	1.73 million km^2
Queensland population (as at December 2016)	4.79 million
Brisbane population* (preliminary estimate as at 30 June 2016)	2.35 million
Language	English
Currency	Australian dollar (AUD)
Gross State Product (year ending 30 June 2016)	AUD316 billion (USD230 billion)
Gross State Product, annual growth rate (long-run trend)	4.3%
Flight time: Brisbane to Sydney	1.5 hours
Workforce** (May 2017)	2.38 million
Inflation rate (year ending 31 March 2017)	1.8%
Overseas tourism visitor nights (year ending March 2017)	34.7 million

Greater capital city statistical area ABS 3101.0.

*** Total number of people employed.*

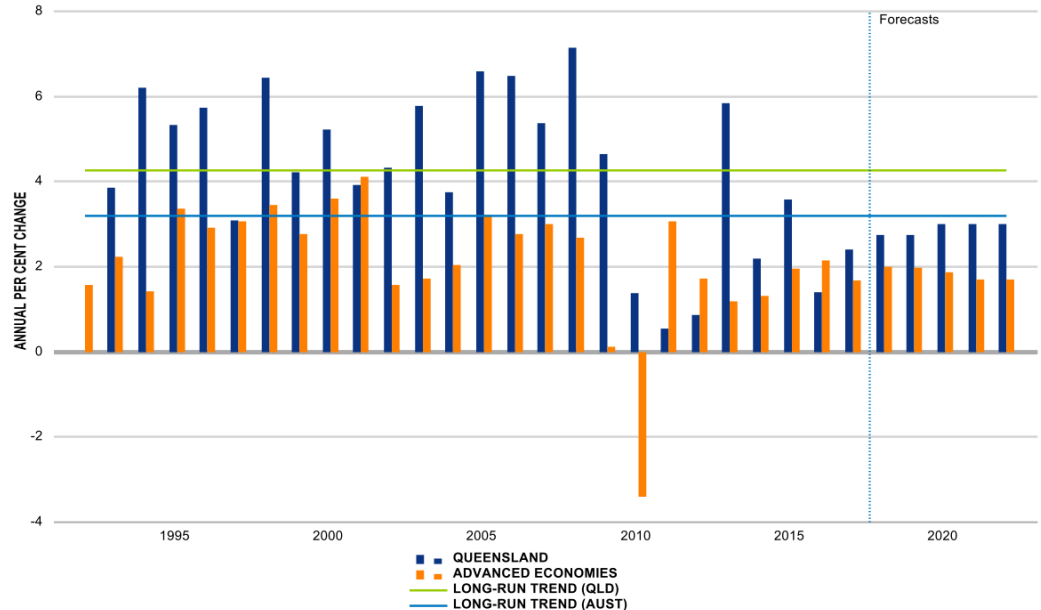*Data source: Tourism Research Australia, ABS, RBA, Queensland State Accounts.*

Queensland's economic standing

GROWTH

Queensland's economic growth compared to advanced economies[1]

Queensland's rate of economic growth has consistently outperformed the average of other advanced economies since the early '90s, a trend that is forecast to continue.

[1] Advanced economy data are in calendar year terms, while Queensland data is financial year terms. Advanced economy data is constant prices. QLD data is Chain volume measure (CVM), 2014-15 reference year.
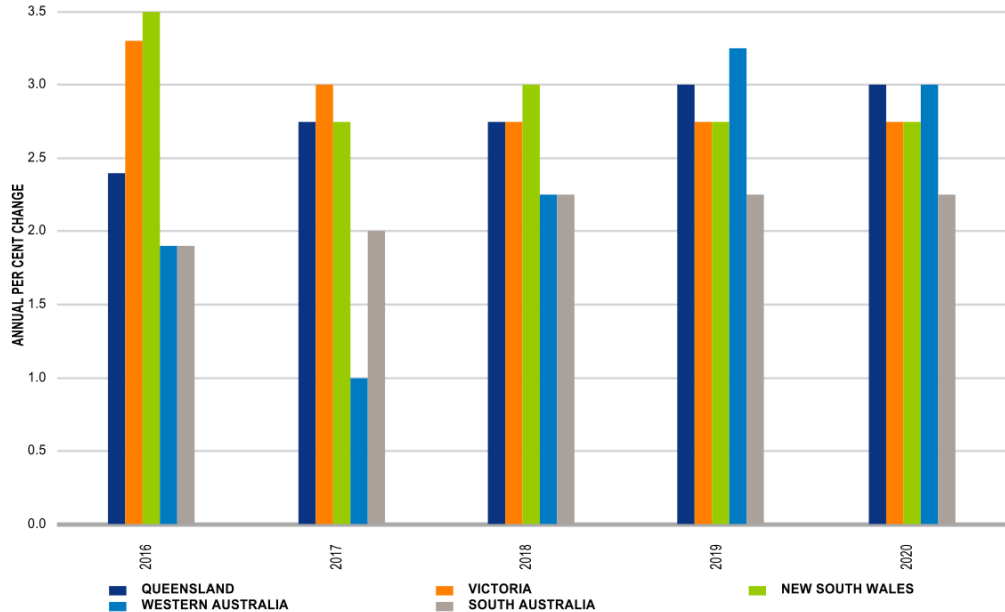
Data sources: IMF, Queensland State Accounts, Queensland Treasury

Note: 2016-17 is an estimate as at June. 2017-18 onwards are forecasts / projections.

Queensland's economic growth compared to other states'[1]

Queensland is forecast to be one of the strongest growing states in Australia over the next few years.

ANNUAL PER CENT CHANGE

Legend:
- QUEENSLAND
- WESTERN AUSTRALIA
- VICTORIA
- SOUTH AUSTRALIA
- NEW SOUTH WALES

[1] Growth is in real terms

Data sources: Various state budgets and mid-year reviews

Australian states' economic output by sector[1]

Similar to Australia, Queensland has a diverse economy with no single sector making up more than 12 per cent of output.
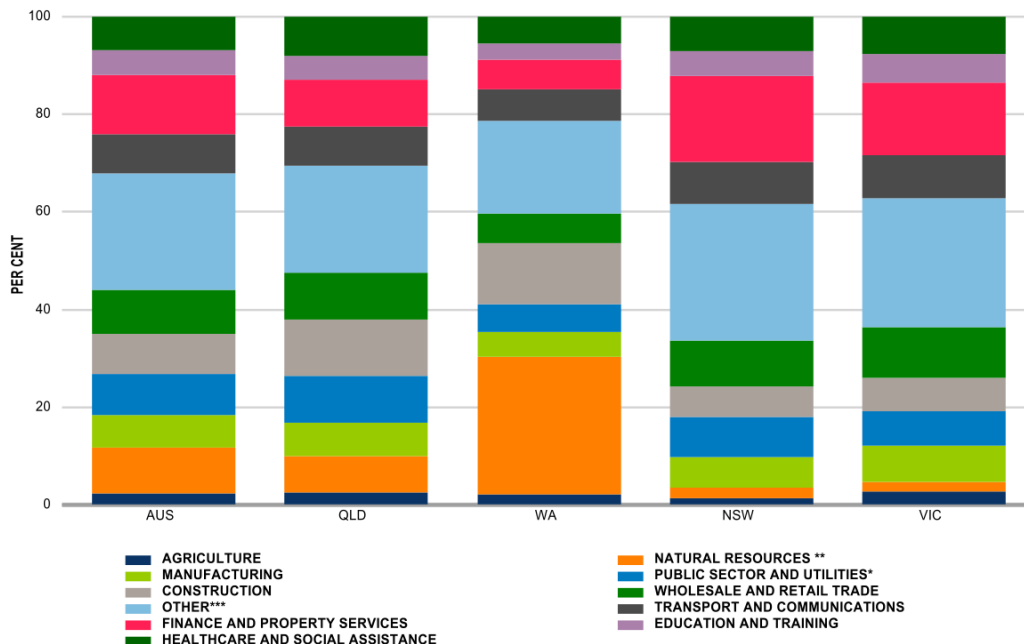
[1]2015-16, Gross Value Added, chain volume measure (CVM), 2014-15 reference year.

* Public sector and utilities includes: public administration and safety; and electricity, gas, water, waste services.

**Natural resources includes the extraction of naturally occurring mineral solids, such as coal and ores; liquid minerals, such as crude petroleum; and gases, such as natural gas.

***Other includes: dwellings; professional, scientific and technical services, accommodation and food services; other services; administrative and support services; arts and recreation.

Data source: ABS

Legend:
- AGRICULTURE
- MANUFACTURING
- CONSTRUCTION
- OTHER***
- FINANCE AND PROPERTY SERVICES
- HEALTHCARE AND SOCIAL ASSISTANCE
- NATURAL RESOURCES **
- PUBLIC SECTOR AND UTILITIES*
- WHOLESALE AND RETAIL TRADE
- TRANSPORT AND COMMUNICATIONS
- EDUCATION AND TRAINING

Contributions to growth in Queensland's Gross State Product[1]

Following an unprecedented resources investment boom, the Queensland economy continues its transition to more broad-based growth.
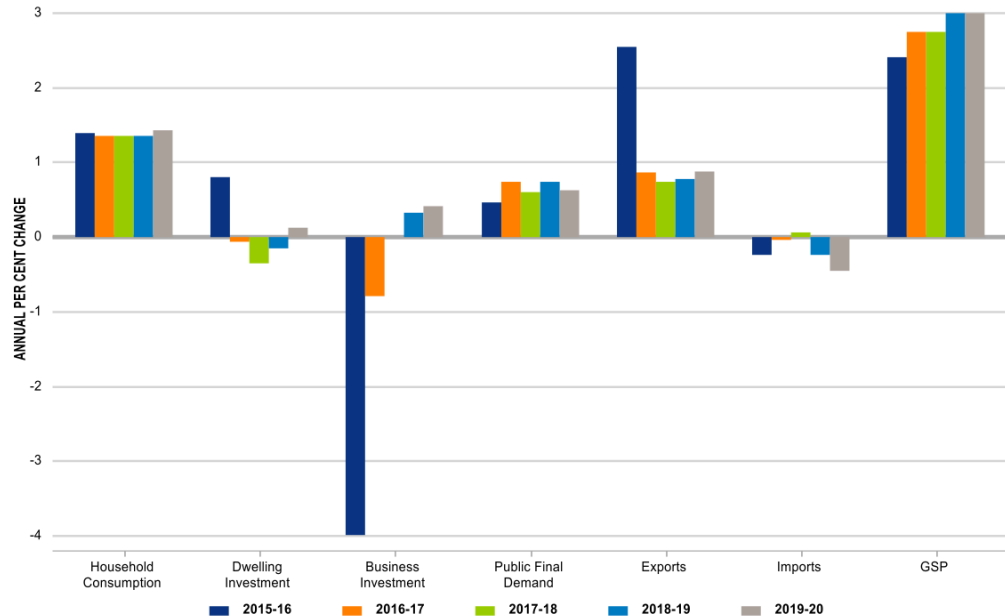
With LNG exports plateauing, an anticipated recovery in business investment and a solid contribution from public sector capital spending should support stronger domestic activity over the period ahead.

[1] *Chain volume measure (CVM), 2014-15 reference year.*

Data source: Queensland State Accounts, Queensland Treasury.

Note: 2016-17 is an estimate. 2017-18 onwards are forecasts / projections.

ANNUAL PER CENT CHANGE

Household Consumption | Dwelling Investment | Business Investment | Public Final Demand | Exports | Imports | GSP

■ 2015-16   ■ 2016-17   ■ 2017-18   ■ 2018-19   ■ 2019-20
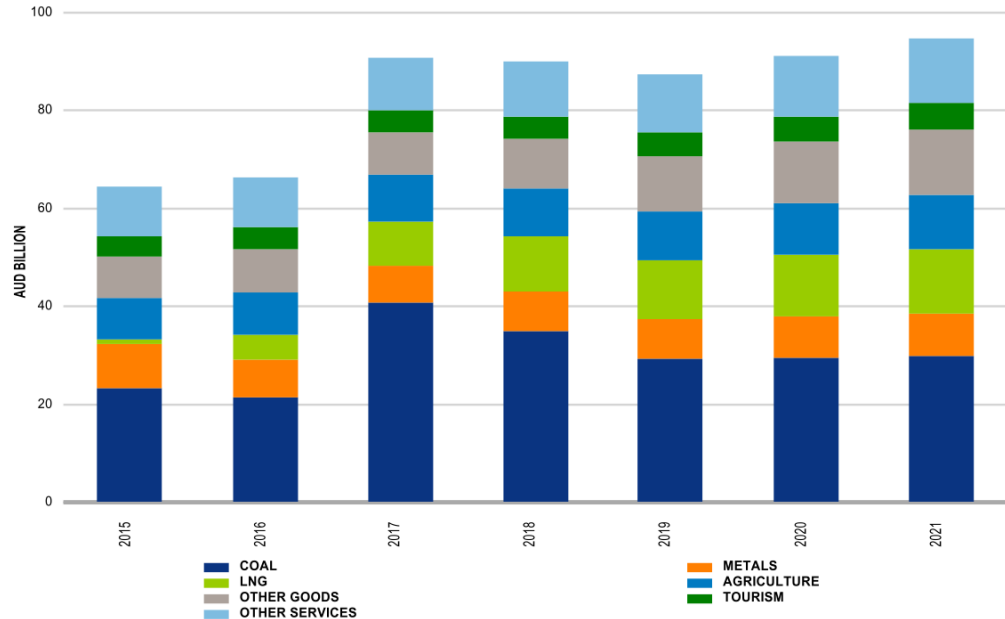
Economic drivers

EXPORTS

Queensland's total exports[1]

A spike in coal prices is set to drive an increase in coal exports in 2016-17 and 2017-18. LNG exports have increased significantly over the past few years as production has ramped up, however, are expected to plateau from 2018-19 as production reaches capacity.
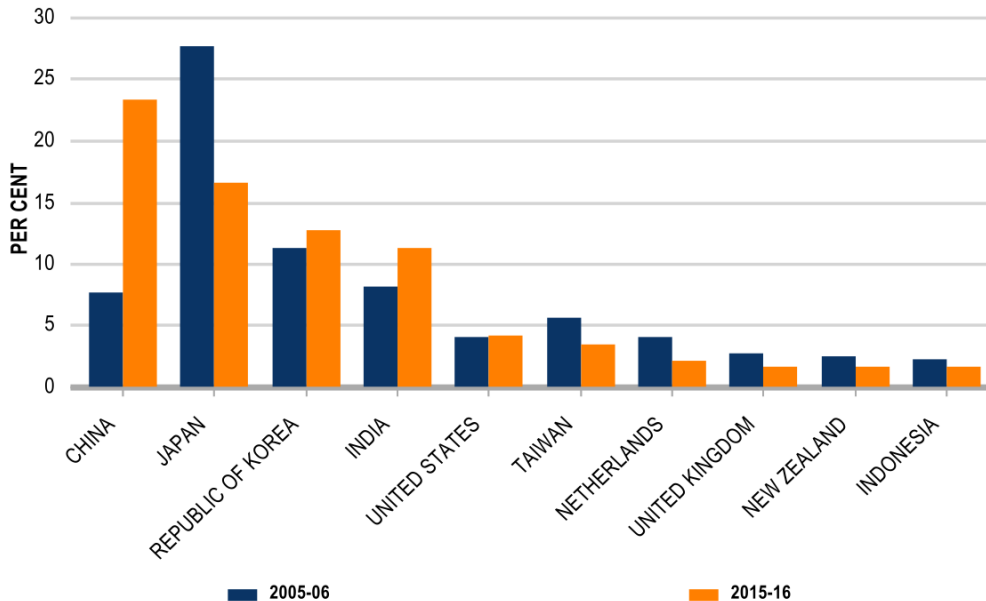
[1] Nominal terms ($ billions)

Data sources: ABS unpublished trade data, Queensland Treasury

Note: 2016-17 is an estimate. 2017-18 onwards are forecasts / projections.

Legend:
- COAL
- LNG
- OTHER GOODS
- OTHER SERVICES
- METALS
- AGRICULTURE
- TOURISM

Queensland's goods exports by country[1]

Asia remains Queensland's most important export market, accounting for more than three-quarters of Queensland's exports in 2015-16.

PER CENT

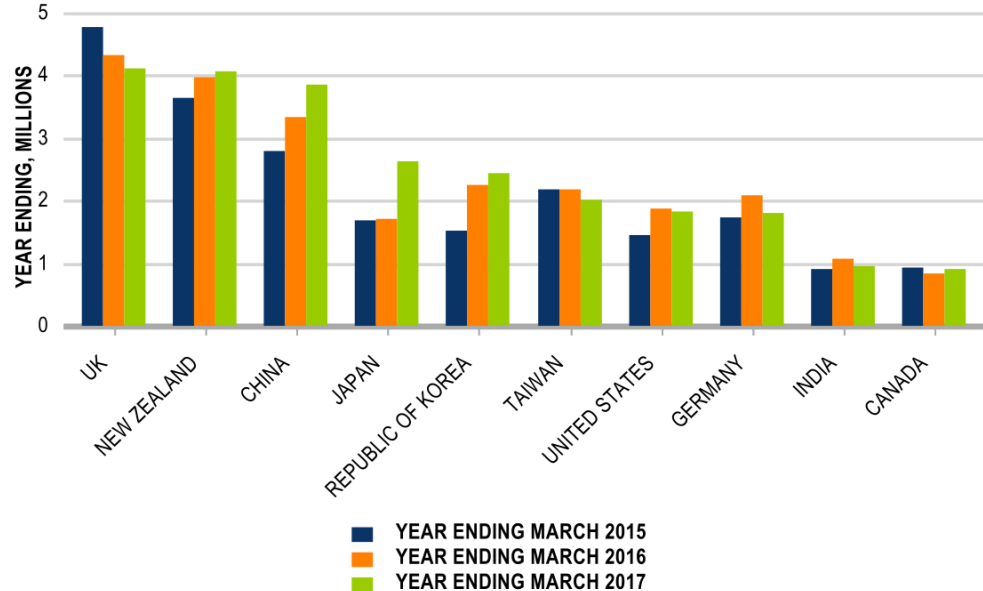Chart data (share of total goods exports, per cent):

Country	2005-06	2015-16
CHINA	7.7	23.4
JAPAN	27.8	16.6
REPUBLIC OF KOREA	11.4	12.8
INDIA	8.2	11.4
UNITED STATES	4.0	4.1
TAIWAN	5.6	3.4
NETHERLANDS	4.0	2.1
UNITED KINGDOM	2.7	1.6
NEW ZEALAND	2.5	1.6
INDONESIA	2.2	1.6

■ 2005-06   ■ 2015-16

[1] Share of total goods exports, per cent.

Data sources: ABS unpublished trade data, Queensland Treasury

Queensland's international tourist nights by country of origin

Strong growth in overseas visitor nights over the past two years has been driven by increases in the number of visitors from a range of countries including China and India. This trend has been supported by rising levels of disposable income and a falling Australian dollar and should continue into the future as the Asian middle class continues to grow.

Legend:
- ■ YEAR ENDING MARCH 2015
- ■ YEAR ENDING MARCH 2016
- ■ YEAR ENDING MARCH 2017

Data sources: Tourism Research Australia

Queensland's services exports (education): overseas student commencements

Strong increases in overseas vocational education and English language course student commencements have driven education exports in Queensland in recent years.
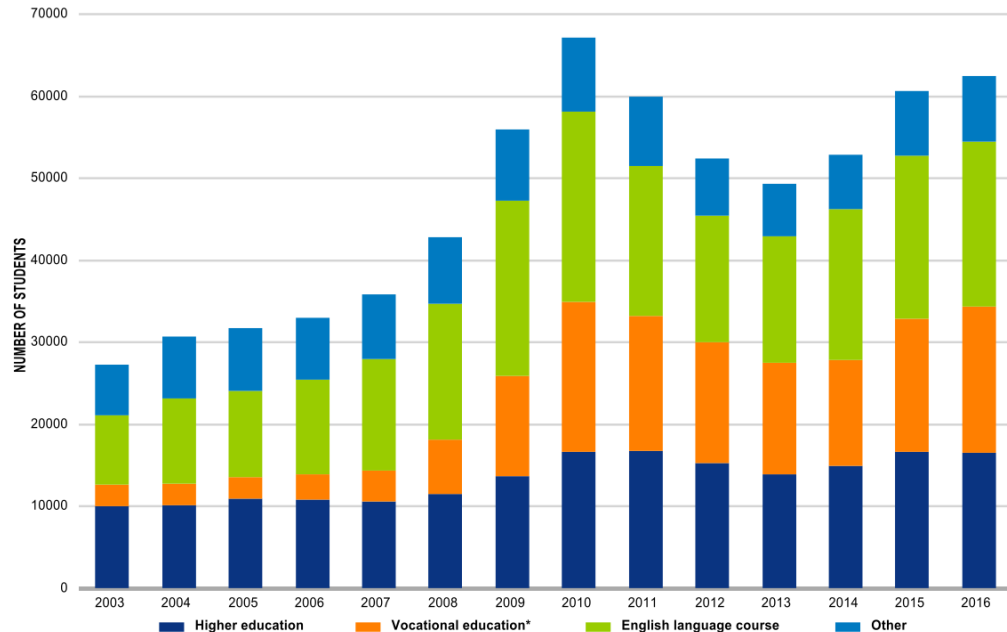
 As at 30 June 2016

Vocational education is tertiary education and training that provides accredited training in job ready and technical skills.
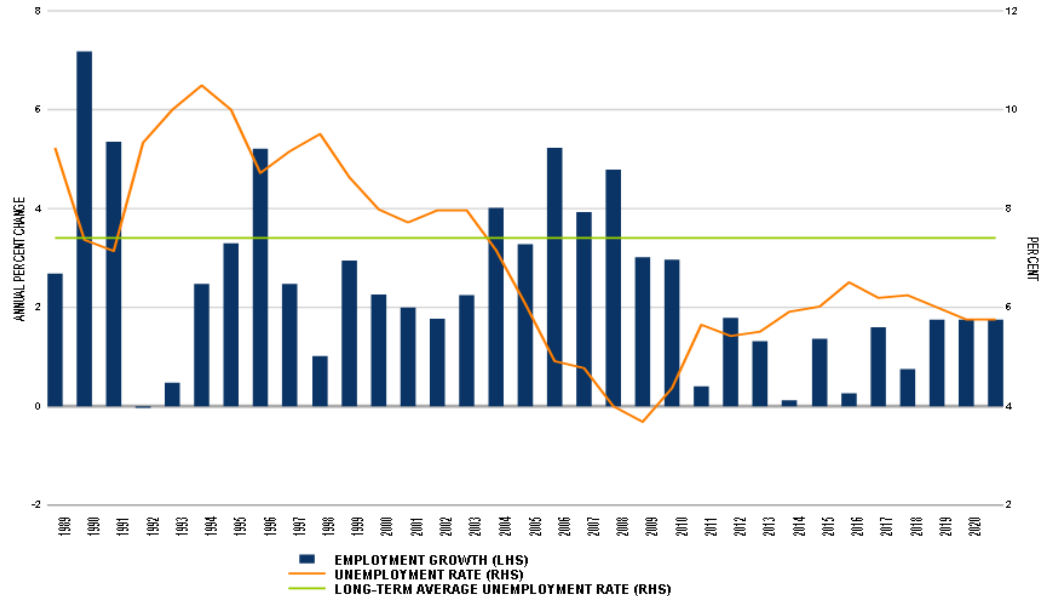
Data source: Austrade.

Queensland's labour market

With a moderation in key labour intensive sectors in coming years, employment growth is likely to remain modest, as is the case nationally. After a period of stabilisation, Queensland's unemployment rate is expected to fall to 6 per cent by June quarter 2019, consistent with stronger state final demand and employment growth by this time.

EMPLOYMENT GROWTH (LHS)
UNEMPLOYMENT RATE (RHS)
LONG-TERM AVERAGE UNEMPLOYMENT RATE (RHS)

Data sources: ABS, Queensland Treasury

Notes: Employment growth over the year to June quarter and the unemployment rate is for the June quarter in each year.

DEMOGRAPHICS

Queensland's population growth compared to Australia's[1]

After slowing to 1.3 per cent in 2015-16 as the resources investment boom subsided, Queensland's population growth is forecast to average around 1½ per cent per annum over the forward estimates, broadly in line with that forecast nationally. Greater housing affordability in Brisbane is likely to lead to further strengthening in net interstate migration over the forward estimates.

[1] *Australia's population growth forecasts/projections, which are as at 31 December for a given year, are not directly comparable to Queensland's forecasts/projections which are in year-average terms.*

Data sources: ABS, Queensland Treasury, Australian Treasury

Note: 2016-17 is an estimate. 2017-18 onwards are forecasts / projections.
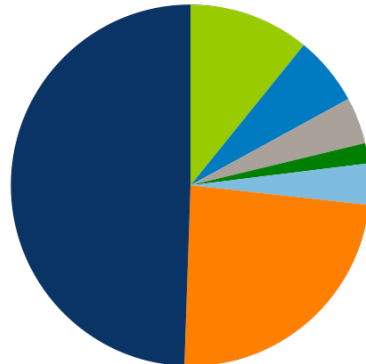

■ QUEENSLAND   ■ AUSTRALIA
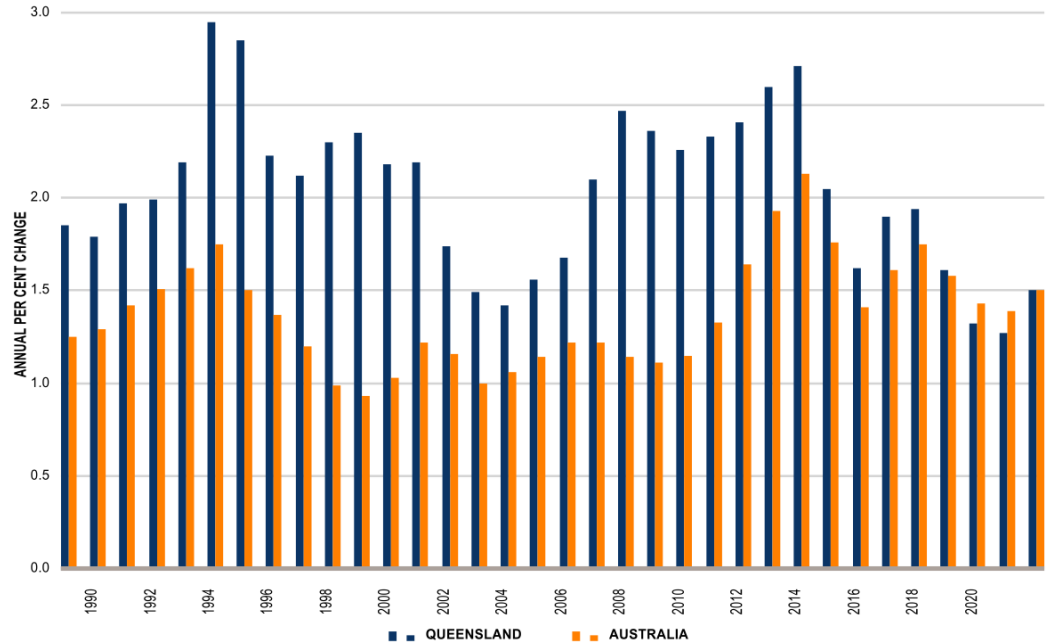
Queensland's fiscal position

REVENUES

Total grants* of around AUD27 billion (including those from the Australian Government) are expected to account for approximately 50 per cent of Queensland's total government revenue in 2017-18.

[1] May not add to 100 per cent due to rounding.
*Grants from the Australian Government are almost evenly split between general and specific purpose payments. General purpose payments include GST revenue grants and associated payments, are 'untied' and used for both recurrent and capital purposes. Specific purpose payments are used to meet Australian Government and shared policy objectives.
** This comprises the taxes and levies listed in the budgeted taxation revenues chart.

Data source: Queensland Government 2017-18 Budget

Queensland budgeted revenues[1]
2017-18: AUD56 billion

- SALES OF GOODS AND SERVICES (10.9%)
- ROYALITIES AND LAND RENTS (6.2%)
- INTEREST INCOME (4.2%)
- OTHER REVENUE (1.8%)
- DIVIDEND AND TAX EQUIVALENT REVENUE (3.7%)
- TAXATION REVENUE** (23.8%)
- GRANTS* (49.5%)

Queensland budgeted taxation revenues[1]
2017-18: AUD13 billion
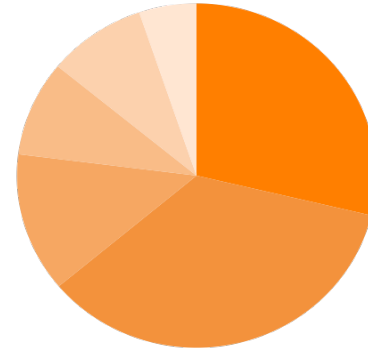
- PAYROLL TAX (28.7%)
- DUTIES (35.2%)
- MOTOR VEHICLE REGISTRATION (13.1%)
- LAND TAX (9%)
- GAMBLING TAXES AND LEVIES (8.9%)
- OTHER TAXES (5.2%)

Contribution of key items to revenue growth

The key revenue sources of GST, royalties and taxes are expected to grow at rates more consistent with long-run average rates over the coming years, as opposed to the rapid pace of growth observed for most of the 2000s.
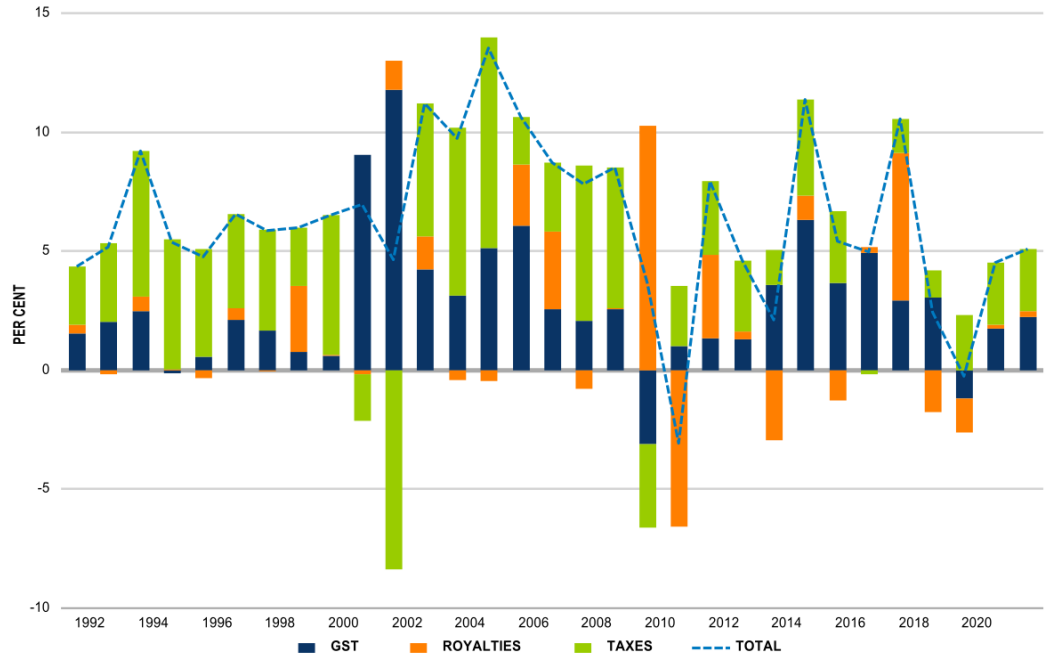
Note: Financial year from 1 July to 30 June

Data source: Queensland Treasury

AUSTRALIAN GOVERNMENT FISCAL SUPPORT

Horizontal fiscal equalisation involves the payments of grants (from the revenue raised from the Goods and Services Tax (GST)) to Australian states and territories with the aim of giving all states the capacity to provide services and associated infrastructure to the same standard.

In 2017-18 grants from the Australian Government will account for 49.5 per cent of Queensland's revenue.

See Appendices for more information on tax sharing arrangements and ratings.

Australia is one of only nine countries with a AAA credit rating from all three major ratings agencies; Standard & Poor's, Moody's Investors Service and Fitch Ratings.

The Australian Government provides explicit financial support to all Australian states and territories in the form of:

- the payment of grants under the principle of the Horizontal Fiscal Equalisation scheme
- the Australian Government's Natural Disaster Relief and Recovery Arrangements, which provides partial reimbursement for eligible costs incurred as a result of natural disasters, and
- the offer of a time-limited, voluntary guarantee over Australian state and territory borrowings from July 2009 to December 2010.
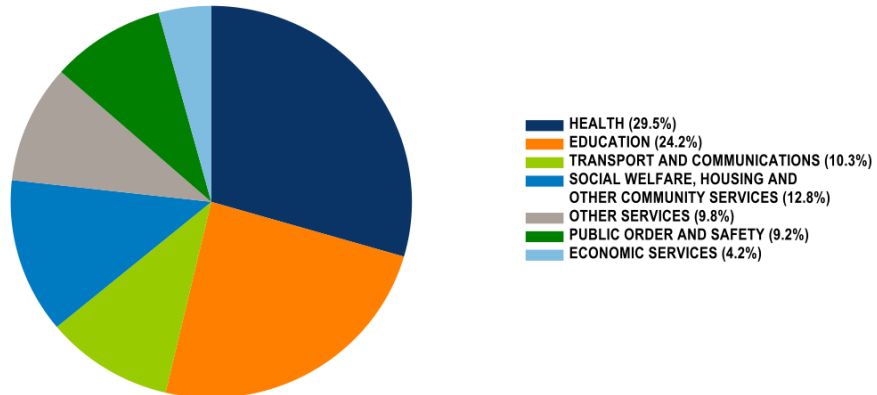
Queensland budgeted expenses[1] 2017-18
AUD56 billion

Health and education make up more than half of the State's 2017-18 budgeted expenses.

HEALTH (29.5%)
EDUCATION (24.2%)
TRANSPORT AND COMMUNICATIONS (10.3%)
SOCIAL WELFARE, HOUSING AND OTHER COMMUNITY SERVICES (12.8%)
OTHER SERVICES (9.8%)
PUBLIC ORDER AND SAFETY (9.2%)
ECONOMIC SERVICES (4.2%)

[1] May not add to 100 per cent, due to rounding.

Data source: Queensland Government 2017-18 Budget

Annual growth in general government sector expenses
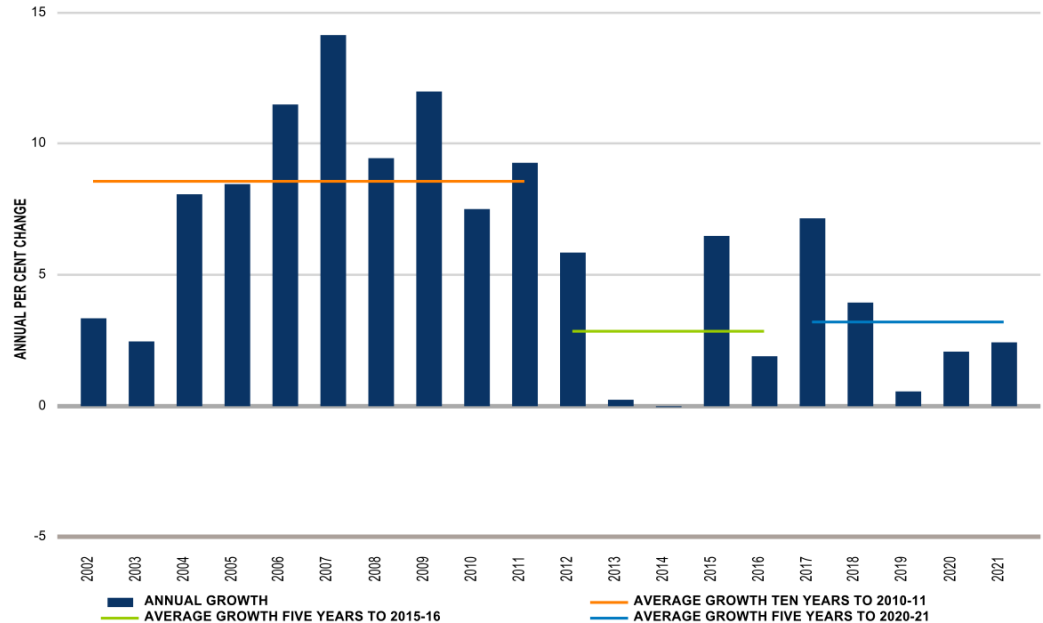
Queensland has and will continue to implement strong expense management.
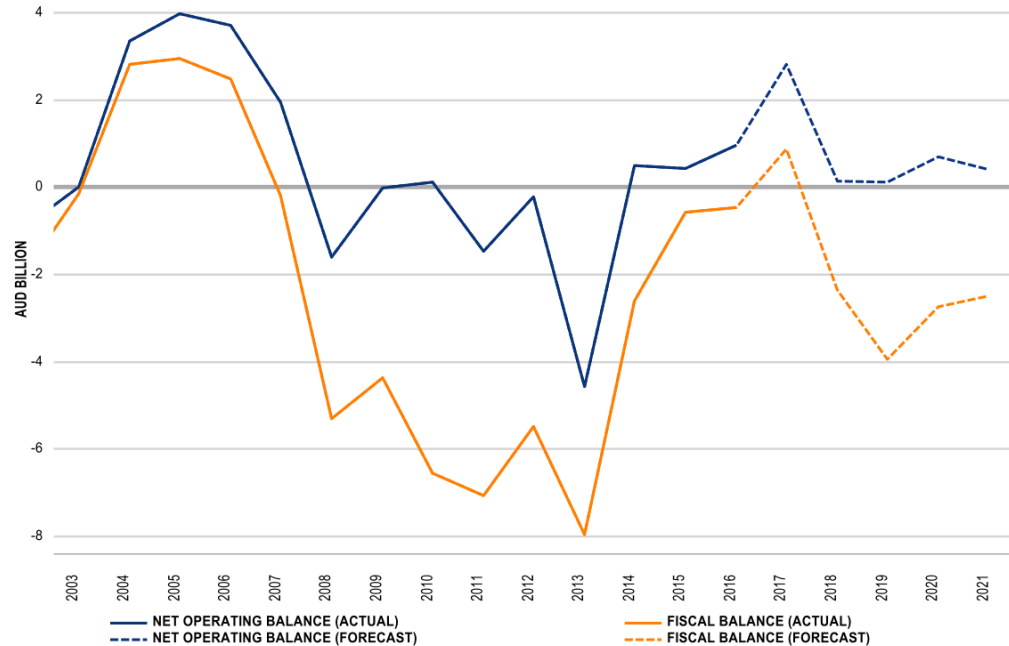

Data sources: Actuals data from Queensland Treasury. Forecasts and projections from the Queensland Government 2017-18 Budget.

General government sector net operating and fiscal balances

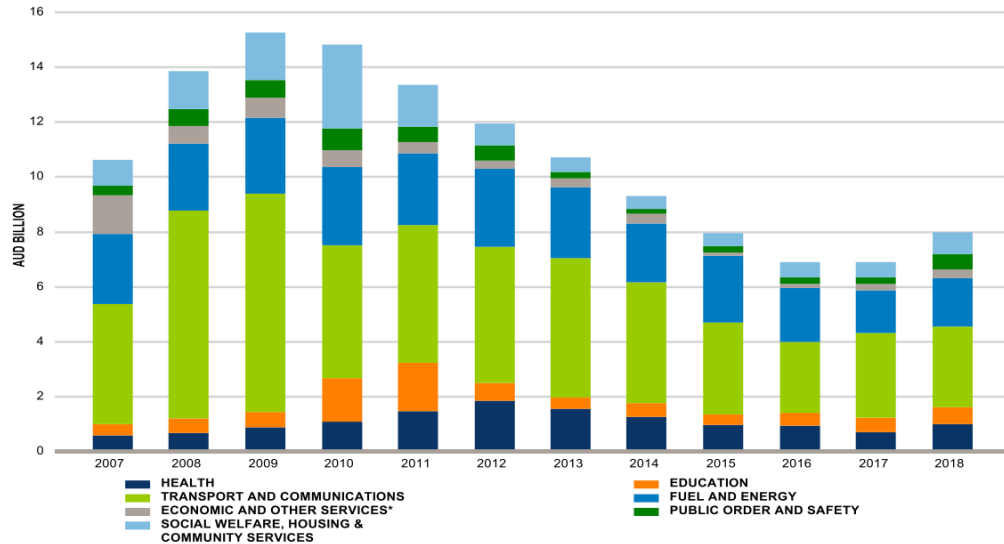Net operating surpluses are expected in each year of the forward estimates.

Queensland's disaggregated state infrastructure spending

Spending on improving Queensland's 'transport and communication' and 'fuel and energy' infrastructure comprises the bulk of the Government's budgeted capital works program in 2017-18.

HEALTH
TRANSPORT AND COMMUNICATIONS
ECONOMIC AND OTHER SERVICES*
SOCIAL WELFARE, HOUSING & COMMUNITY SERVICES
EDUCATION
FUEL AND ENERGY
PUBLIC ORDER AND SAFETY

*Mainly includes general government sector equipment investment expenditures on economic services and those not classified elsewhere.

Data sources: Actuals data from Queensland Treasury. Forecasts and projections from the Queensland Government 2017-18 Budget.

Credit ratings

RATINGS AGENCIES RATIONALE

STANDARD & POOR'S
AA+/Stable/A-1+

Summary rating rationale

'Queensland has exceptional liquidity, a very strong economy, strong financial management and budgetary performance, and low contingent liabilities. The State's strong financial management has improved its budgetary performance and achieved operating surpluses by controlling expenditure growth. The stable outlook reflects our expectation that the State's financial management will remain strong and its budgetary performance will continue to improve compared to recent years.'

MOODY'S INVESTORS SERVICE
Aa1/Stable/P-1

'The rating reflects Queensland's financial performance which has shown improvements in recent years. The rating also reflects an easing in the state's debt burden from previously elevated levels. Moreover, the state's debt burden is projected to decline further. Queensland is unique among Australian states in that it has substantial financial holdings that are more than sufficient to fully fund its superannuation obligations. Credit is also supported by the state's growing and diverse economy.'

General government debt to revenue ratio

One of the Government's fiscal principles is to target an ongoing reduction in Queensland's debt burden, as measured by the general government debt to revenue ratio.

This ratio is expected to be materially lower than was expected from the 2014-15 Budget. This reflects the Government's Debt Action Plan announced in the 2015-16 Budget, followed up in the 2015-16 MYFER* and 2016-17 Budget.

Other key fiscal ratios can be found in the Appendices.
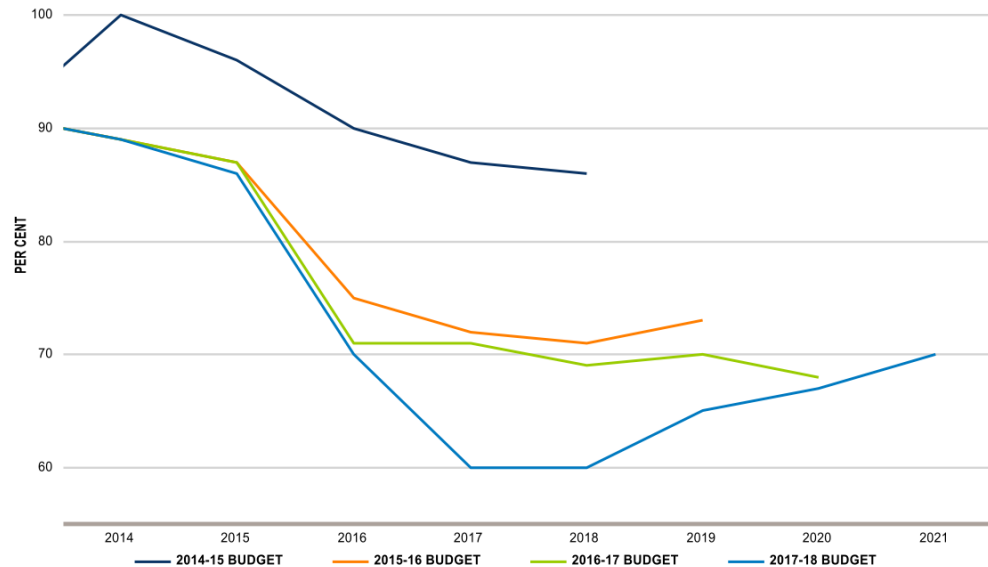
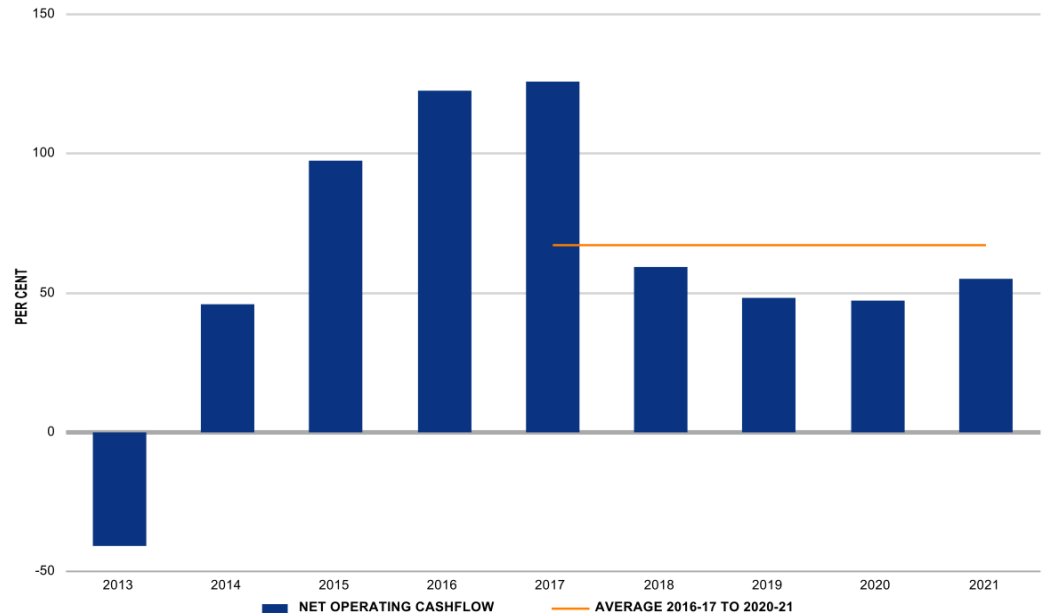*Data source: Various Queensland Government Budgets*

Mid Year Fiscal and Economic Review

One of the Government's fiscal principles is to target net operating surpluses that ensure any new General Government sector capital investment is primarily funded through recurrent revenues rather than borrowing.

Across the period 2017-18 to 2020-21, the proportion of the capital program that is projected to be funded via net cash inflows from operating activities is 52 per cent.

Data source: Queensland Government 2017-18 Budget.

General Government Sector net operating cash flow as a proportion of capital expenditure

PER CENT

■ NET OPERATING CASHFLOW ——— AVERAGE 2016-17 TO 2020-21

Summary of key points

The State of Queensland:

- has a diverse economy with services making up a significant proportion of total output

- has an economy which is expected to grow in line with the national average over the next few years

- has a stable revenue stream in the form of grants it receives from the Australian Government

- has General Government debt levels that have fallen over the past few years

- has an ongoing General Government capital works program, which will be funded primarily through recurrent revenue as opposed to borrowing, and

- is rated AA+/Stable/A-1+ and Aa1/Stable/P1 by Standard & Poor's and Moody's Investors Service respectively.

See Appendices for more information on tax sharing arrangements and ratings.