



QUEENSLAND



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

OVERVIEW

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 4.93 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 June 2017)	4.93 million
Brisbane population* (preliminary estimate as at 30 June 2016)	2.36 million
Language	English
Currency	Australian dollar (AUD)
Gross State Product (year ending 30 June 2017)	AUD327 billion (USD246 billion)
Gross State Product, annual growth rate (long-run trend)	3.9%
Flight time: Brisbane to Sydney	1.5 hours
Workforce** (November 2017)	2.46 million
Inflation rate (year ending 30 September 2017)	1.5%
Overseas tourism visitor nights (year ending September 2017)	34.7 million

* Greater capital city statistical area ABS 3218.0.

** Total number of people employed.

Data source: Tourism Research Australia, ABS, RBA.

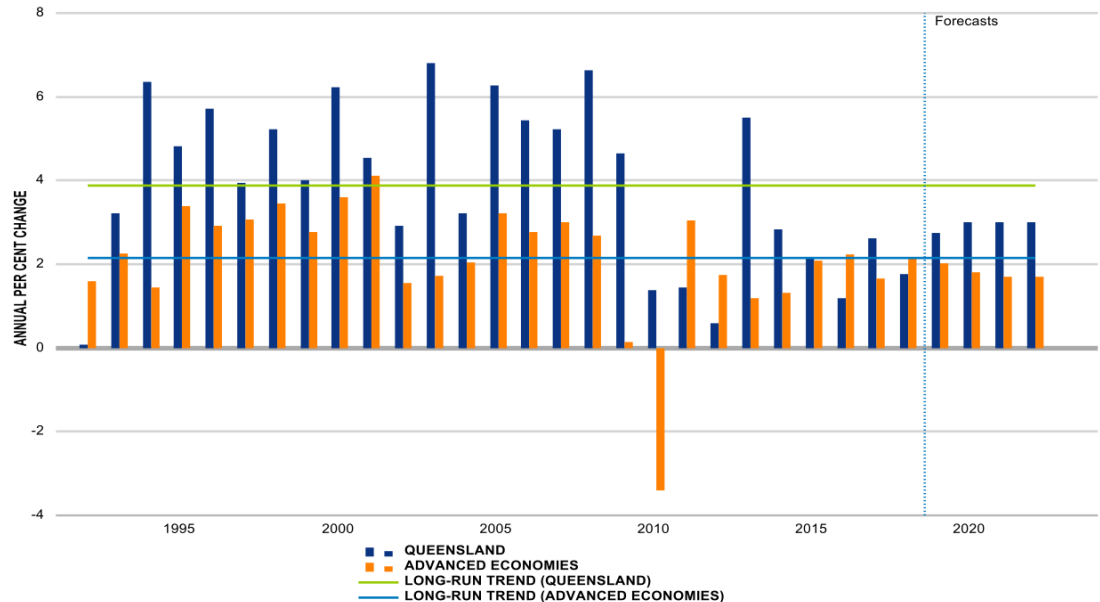


Queensland's economic standing

GROWTH

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.

Queensland's economic growth compared to advanced economies¹



¹ Advanced economy data are calendar year terms, while Queensland data are financial year terms. Advanced economy data are constant prices. QLD data are Chain volume measure (CVM), 2015-16 reference year.

Data sources: IMF, ABS, Queensland Treasury.

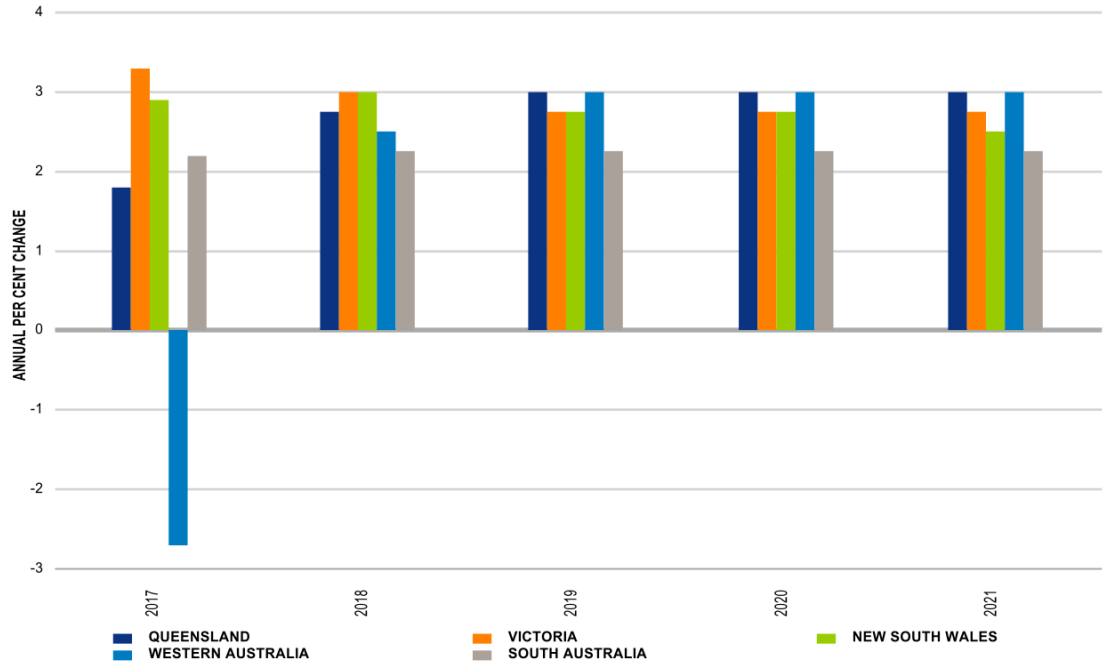
Note: 2017-18 onwards are forecasts / projections.

Source: Thomson Reuters Datastream, QTC



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

Queensland's economic growth compared to other states¹



¹ Growth is in real terms.

Data sources: Various State Budgets and mid-year reviews, ABS.



DIVERSE ECONOMY

Similar to Australia, Queensland has a diverse economy with no single sector making up more than 10 per cent of output.

¹2016-17, gross value added, current prices.

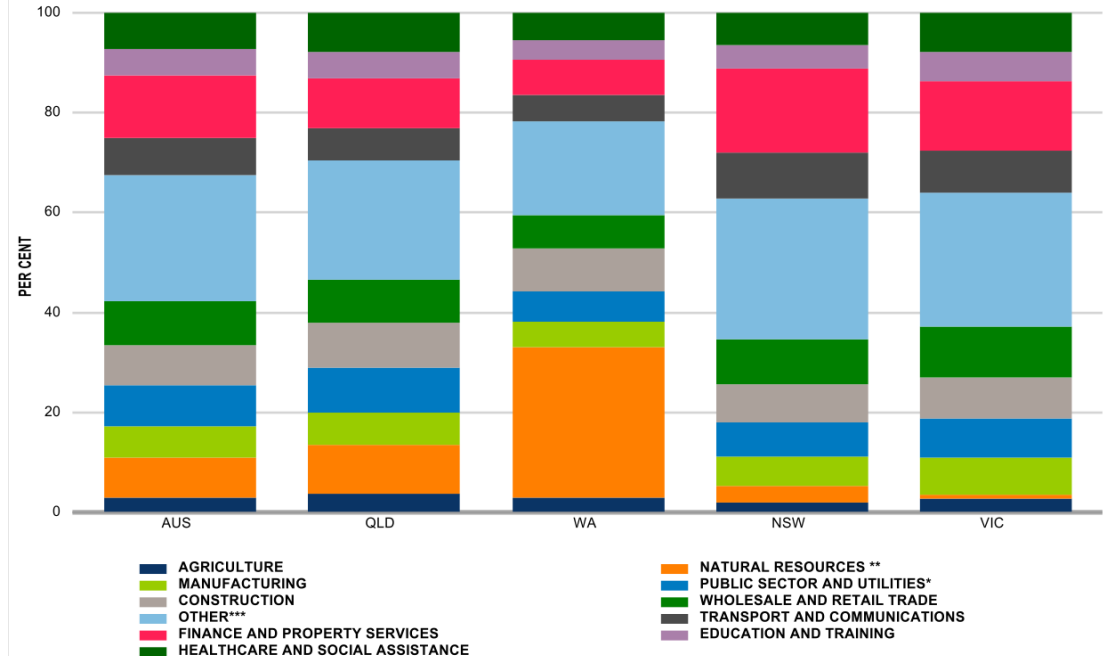
* Public sector and utilities includes: public administration and safety; and electricity, gas, water, waste services.

**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.

Australian states' economic output by sector¹





Following an unprecedented resources investment boom, the Queensland economy continues its transition to more broad-based growth.

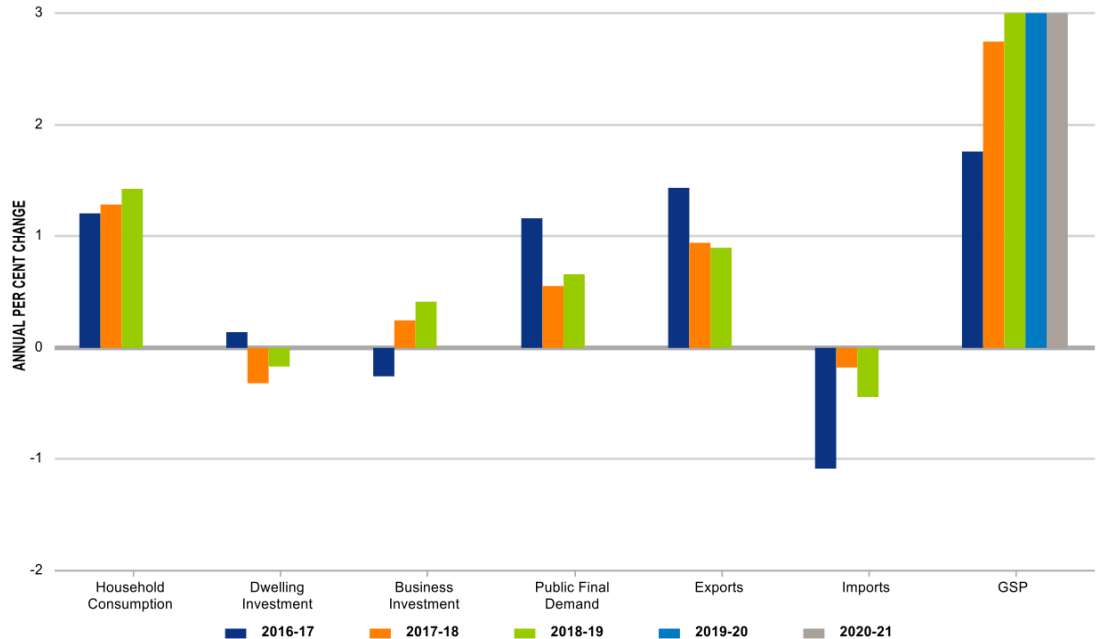
With LNG exports plateauing, an anticipated recovery in business investment and a solid contribution from public sector capital spending should support stronger domestic activity over the period ahead.

¹ Chain volume measure (CVM), 2015-16 reference year.

Data source: Queensland Treasury, ABS.

Note: 2017-18 onwards are forecasts / projections.

Contributions to growth in Queensland's Gross State Product¹



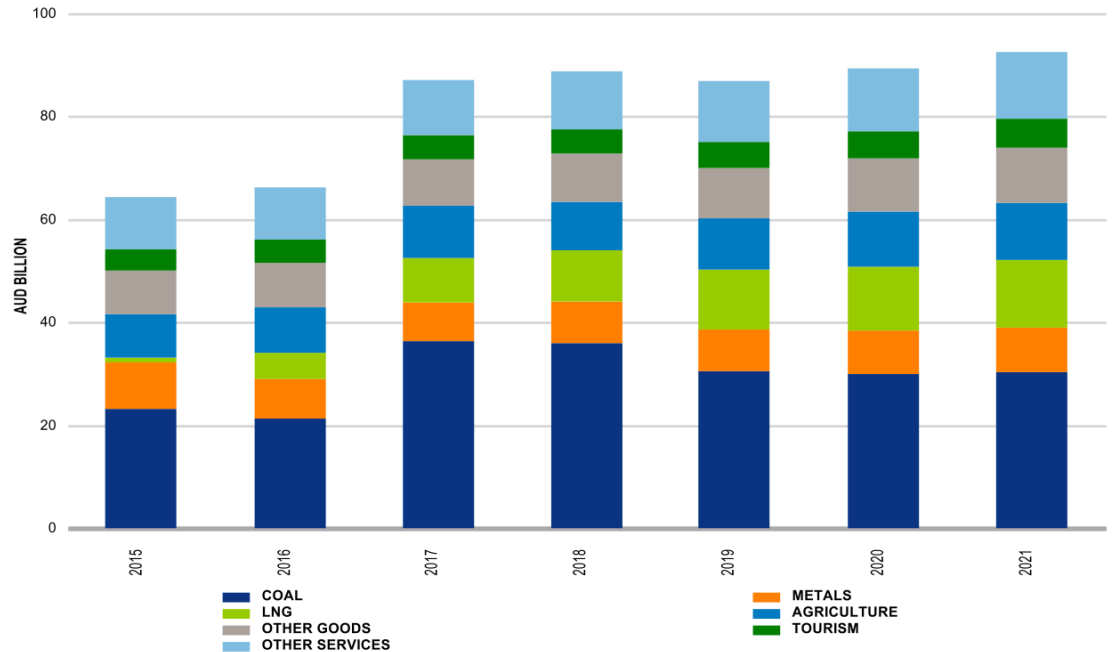


Economic drivers

EXPORTS

A spike in coal prices drove an increase in coal exports in 2016-17. LNG exports have increased significantly over the past few years as production has ramped up, however, are expected to plateau as production reaches capacity.

Queensland's total exports¹



¹ Nominal terms (\$ billions).

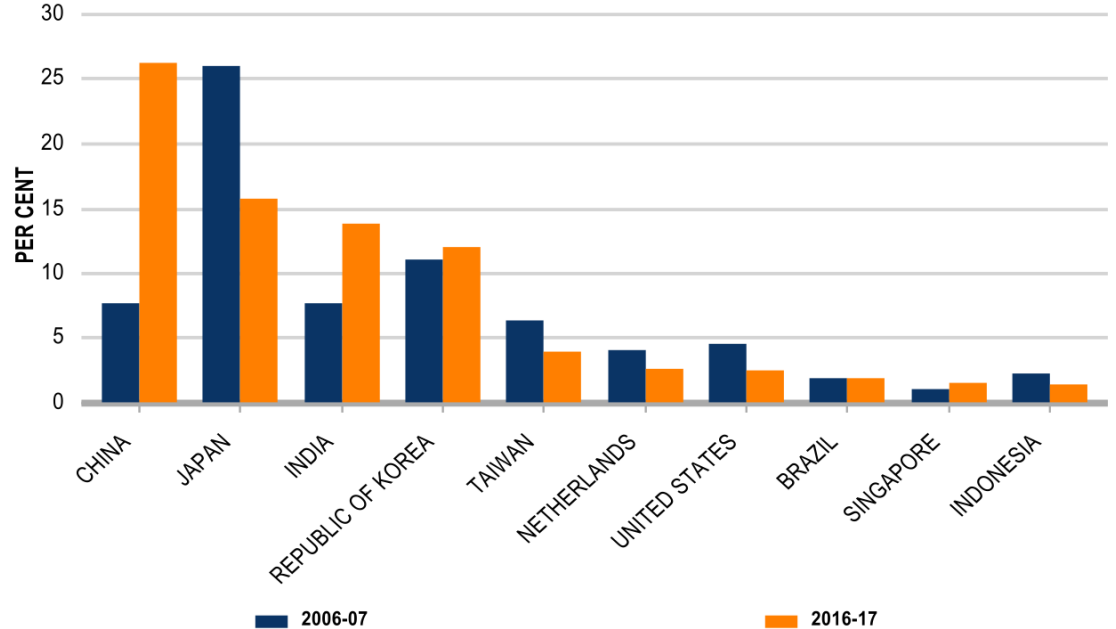
Data sources: ABS unpublished trade data, Queensland Treasury.

Note: 2017-18 onwards are forecasts / projections.



Asia remains Queensland's most important export market, accounting for more than three-quarters of Queensland's exports in 2016-17.

Queensland's goods exports by country¹



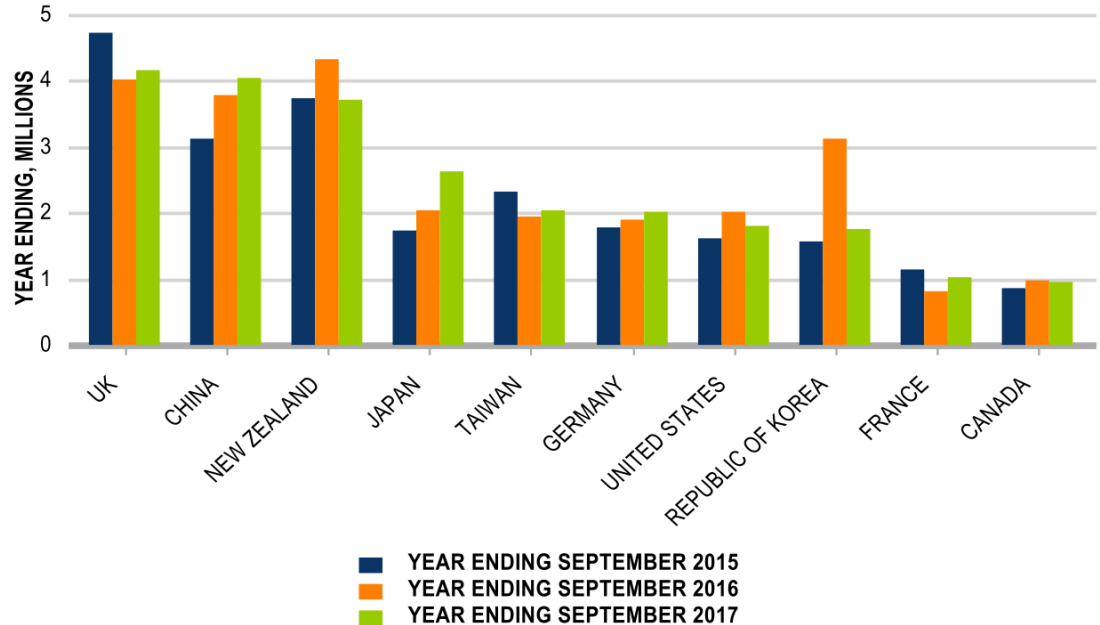
¹ Share of total goods exports, per cent.

Data sources: ABS unpublished trade data, Queensland Treasury.



Strong growth in overseas visitor nights since year ending September 2015 has been primarily driven by increases in visitor nights from China and Japan. This trend has been supported by rising levels of disposable income and a weaker Australian dollar, and should continue into the future as the Asian middle class continues to grow.

Queensland's international tourist nights by country of origin



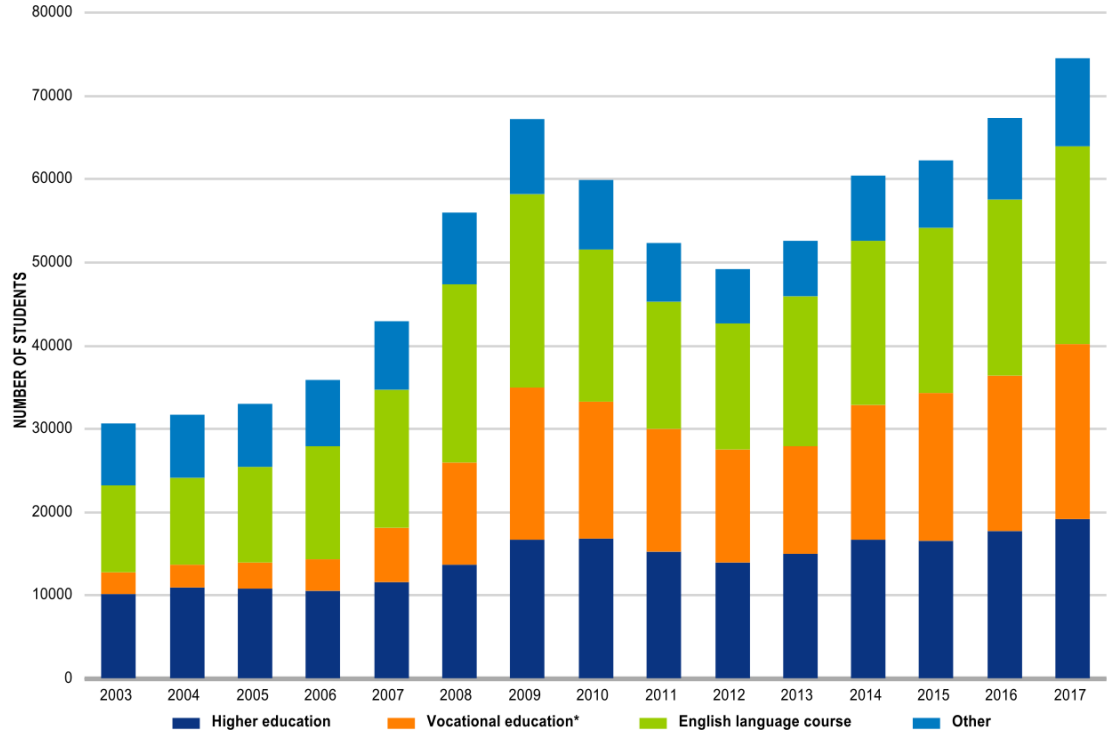
Data sources: Tourism Research Australia.



EDUCATION

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.



*Vocational education is tertiary education and training that provides accredited training in job ready and technical skills.

Note: 2017 data are inferred. Latest data available is to November 2017.

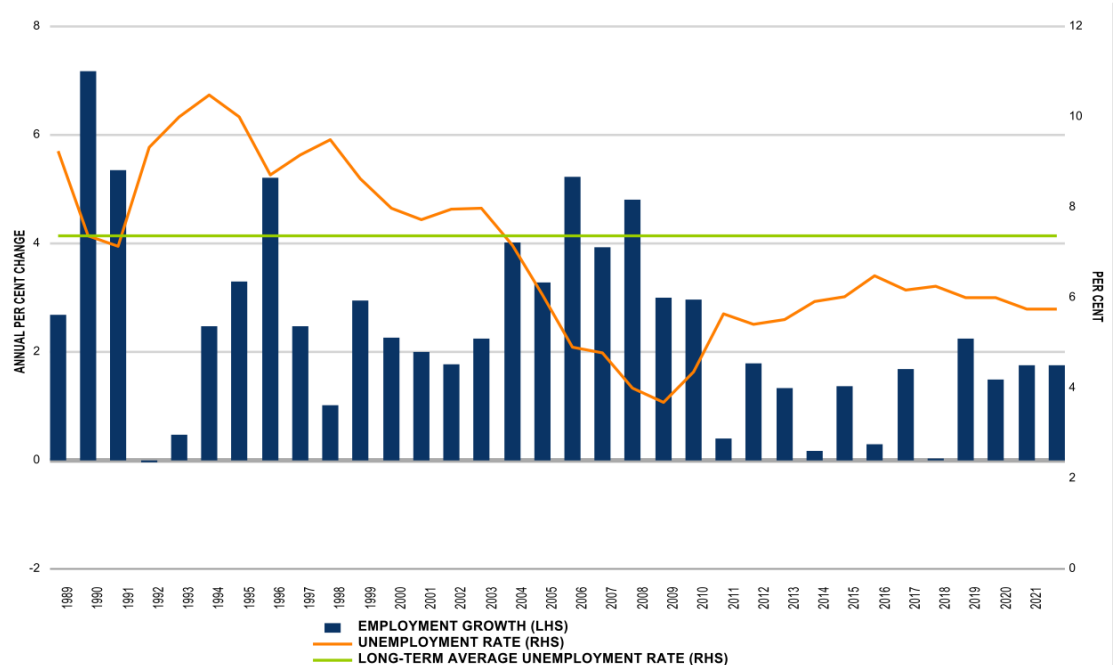
Data source: Austrade.



LABOUR MARKET

Queensland's labour market

Labour market conditions have improved further as the Queensland economy continues to transition to more broad based growth following the resources investment boom.



Data sources: ABS, Queensland Treasury.

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



DEMOGRAPHICS

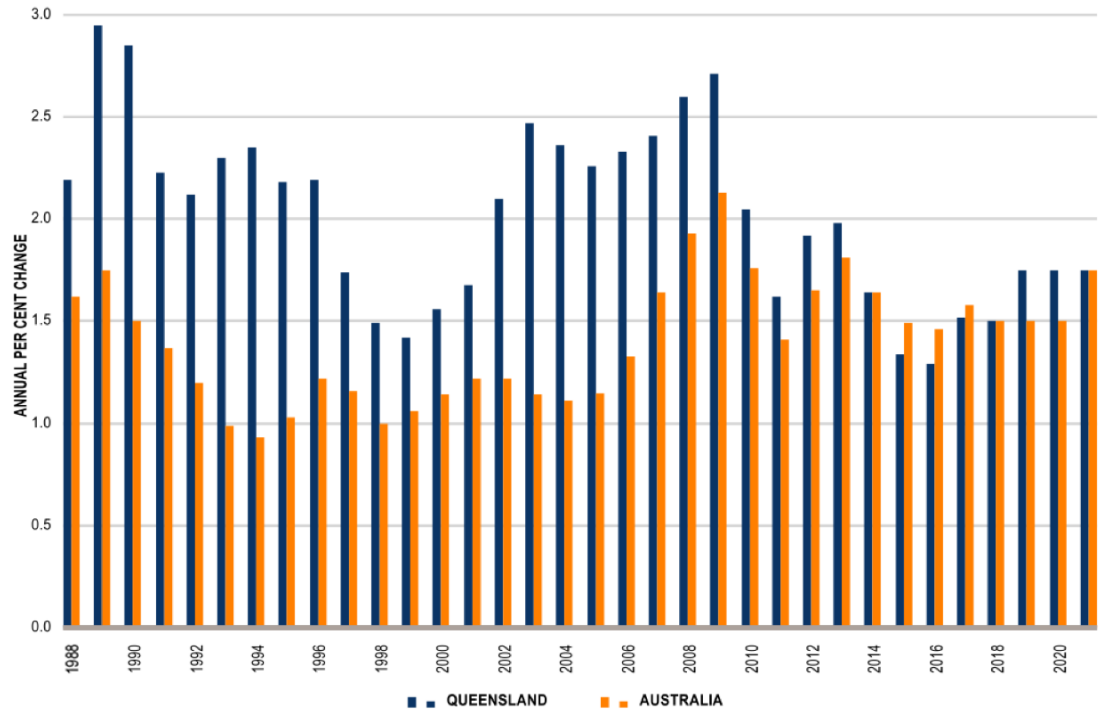
Queensland's population growth compared to Australia's¹

After slowing to 1.3 per cent in 2015-16 as the resources investment boom subsided, Queensland's population growth is forecast to average 1¼ per cent in 2018-19. Greater housing affordability in Brisbane is likely to lead to further strengthening in net interstate migration over the forward estimates.

¹ Australia's population forecasts / projections are through-the-year growth rates at 31 December for each year, and are not directly comparable to Queensland's forecasts / projections which are in year-average terms.

Data sources: ABS, Queensland Treasury, Australian Treasury.

Note: 2017-18 onwards are forecasts / projections.



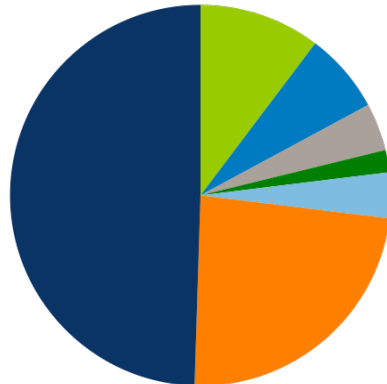


Queensland's fiscal position

REVENUES

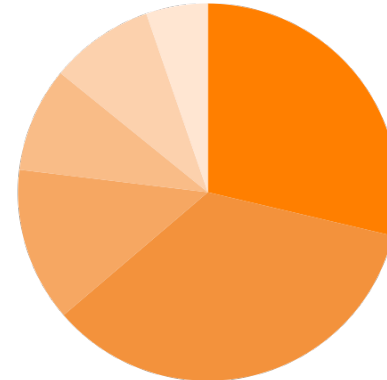
Total grants* of around AUD28 billion (including those from the Australian Government) are expected to account for approximately 50 per cent of Queensland's total government revenue in 2017-18.

Queensland budgeted revenues¹ 2017-18: AUD56 billion



- SALES OF GOODS AND SERVICES (10.3%)
- ROYALTIES AND LAND RENTS (6.8%)
- INTEREST INCOME (4%)
- OTHER REVENUE (1.9%)
- DIVIDEND AND TAX EQUIVALENT REVENUE (3.9%)
- TAXATION REVENUE** (23.6%)
- GRANTS* (49.5%)

Queensland budgeted taxation revenues¹ 2017-18: AUD13 billion



- PAYROLL TAX (28.7%)
- DUTIES (35%)
- MOTOR VEHICLE REGISTRATION (13.2%)
- LAND TAX (9%)
- GAMBLING TAXES AND LEVIES (8.9%)
- OTHER TAXES (5.3%)

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, are 'untied' and used for both recurrent and capital purposes. Specific purpose payments are 'tied' and used to fund specific projects or programs in order to support service delivery and facilitate reforms.

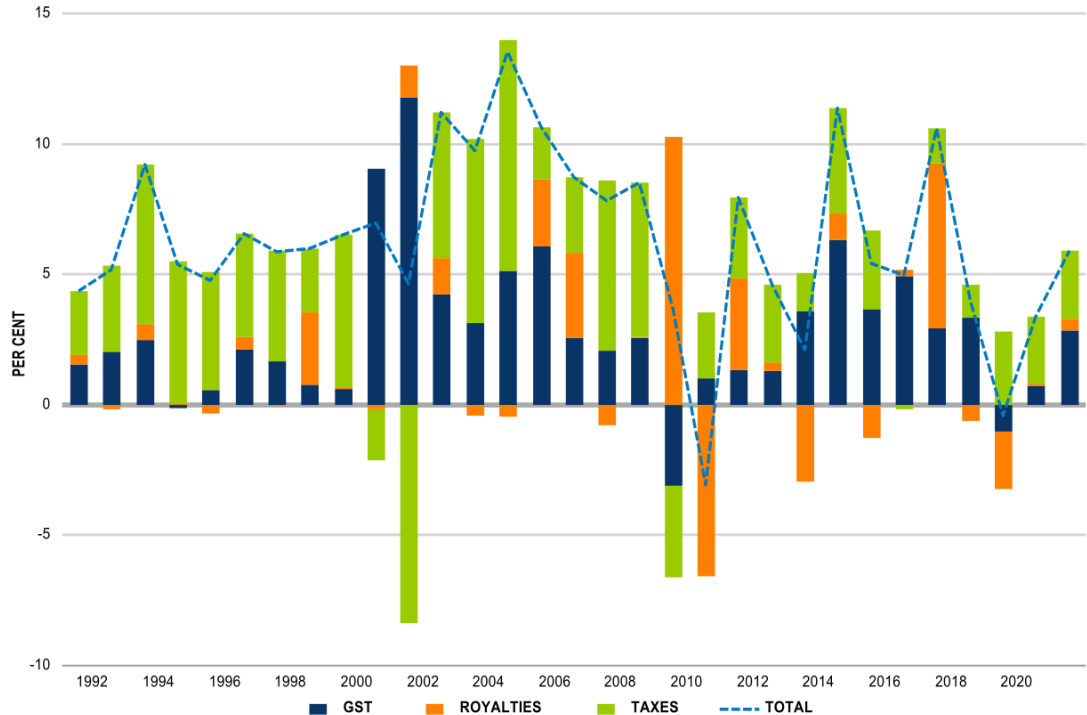
** This comprises the taxes and levies listed in the budgeted taxation revenues chart.

Data source: Queensland Government 2017-18 MYFER.



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.

Contribution of key items to revenue growth



Data source: Queensland Treasury.



THE FEDERAL-STATE FISCAL RELATIONSHIP

The states' sources of revenue

- Australian states and territories (states) impose taxes, duties and charges in areas distinct from those where the Australian Government has authority. Examples of state taxes include payroll taxes, royalties as well as stamp duties and land taxes.
- The Australian Government provides explicit and predictable financial support to all states in the form of:

General purpose payments – ‘untied’ grants which are funded by the Goods and Services Tax (GST) revenue and are used for both recurrent and capital purposes.

Payments for specific purposes – ‘tied’ grants to fund specific projects or programs in order to support service delivery and facilitate reforms.

The Australian Government’s Natural Disaster Relief and Recovery Arrangements, which provide partial reimbursement for eligible costs incurred as a result of natural disasters, are also classified as a payment for specific purposes.

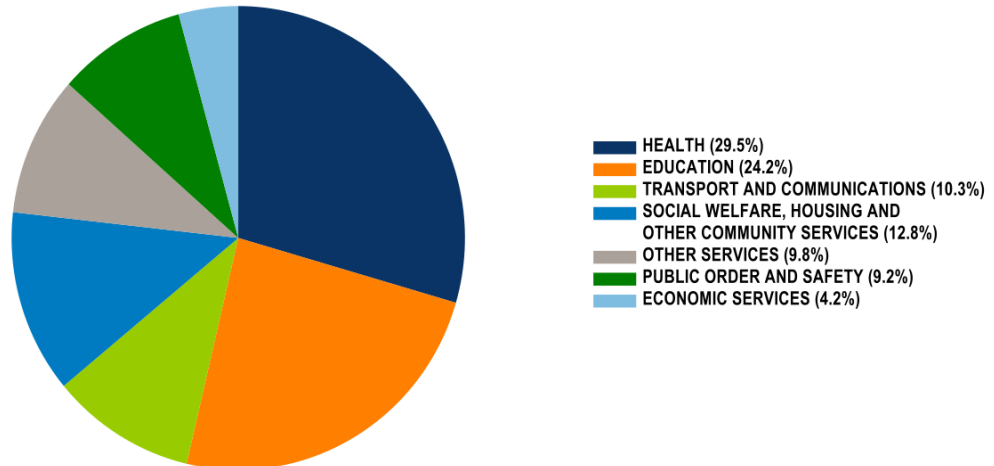
See Appendices for more information on tax sharing arrangements and ratings.



EXPENSES

Queensland budgeted expenses¹ 2017-18 **AUD56 billion**

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



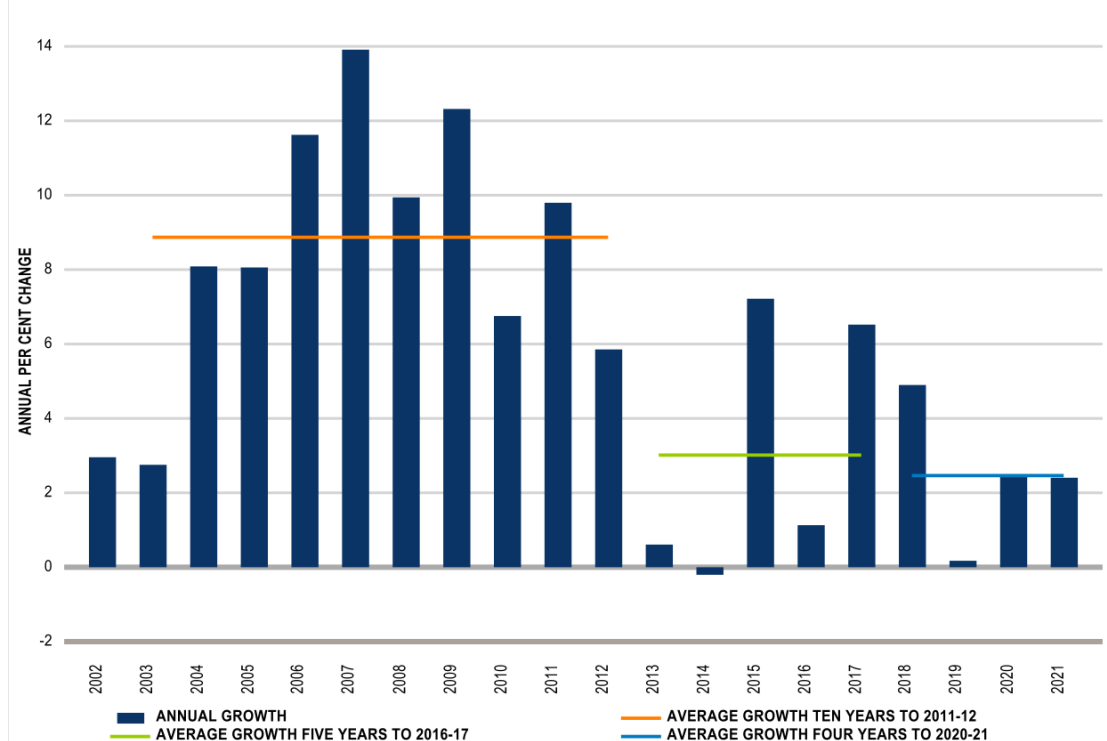
¹ May not add to 100 per cent, due to rounding.

Data source: Queensland Government
2017-18 Budget.



Queensland has and will continue to implement strong expense management.

Annual growth in general government sector expenses



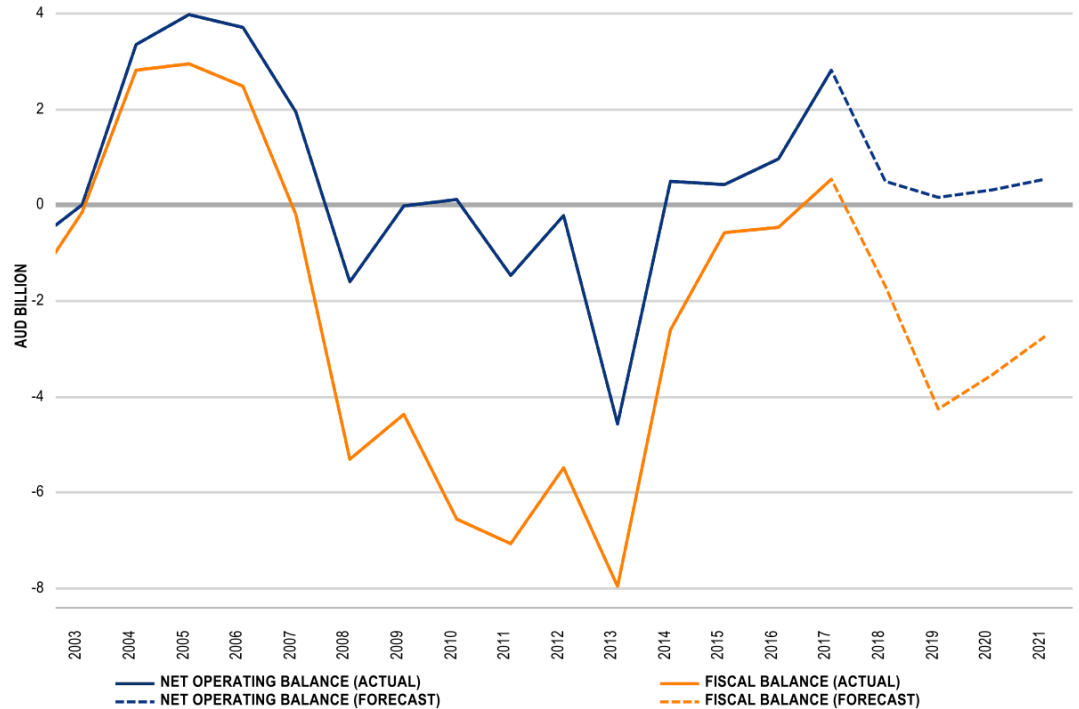
Data sources: Actuals data from Queensland Treasury. Forecasts and projections from the Queensland Government 2017-18 MYFER.



BUDGET BALANCE

General government sector net operating and fiscal balances

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



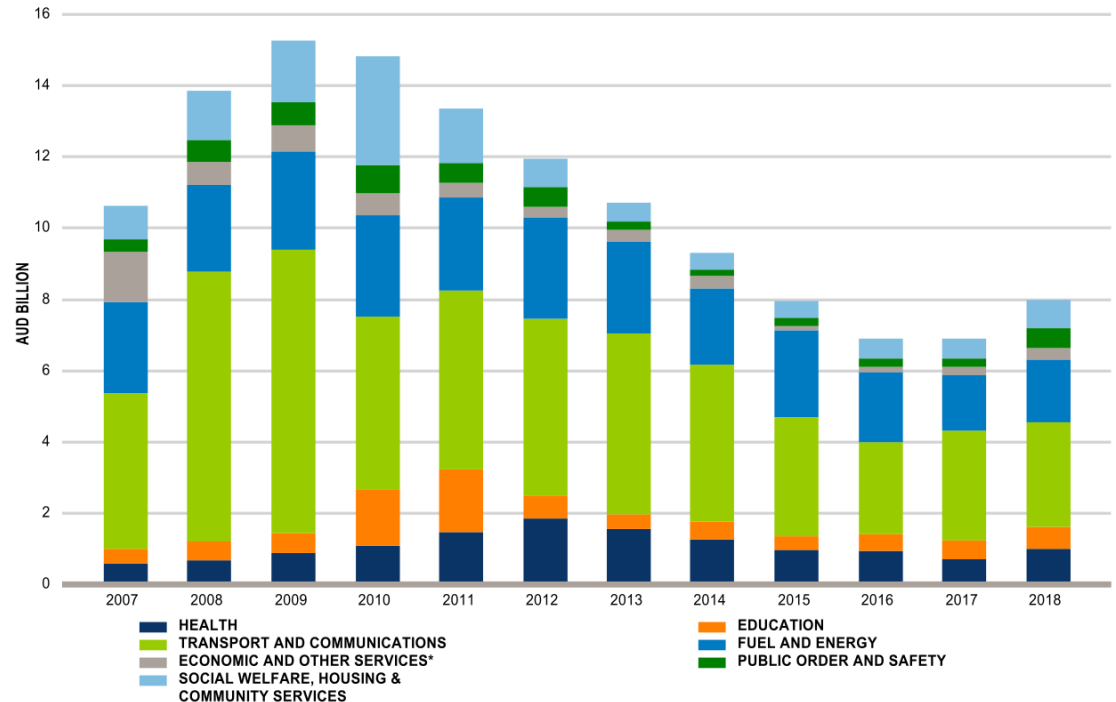
Data sources: Actuals data from Queensland Treasury. Forecasts and projections from the Queensland Government 2017-18 MYFER.



GOVERNMENT CAPITAL EXPENDITURE

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.



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

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



Moody's Investor Service rating outlook for Queensland was revised from negative to stable on 20 April 2017.

Data source: Standard & Poor's: Full Analysis: Queensland (State of), 23 October 2017.

Data source: Moody's Investors Service: Credit Opinion: Queensland (State of) Australia, 20 April 2017.

Note: Information on Queensland's domestic and international peers' credit ratings can be found in the Appendices.

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.'

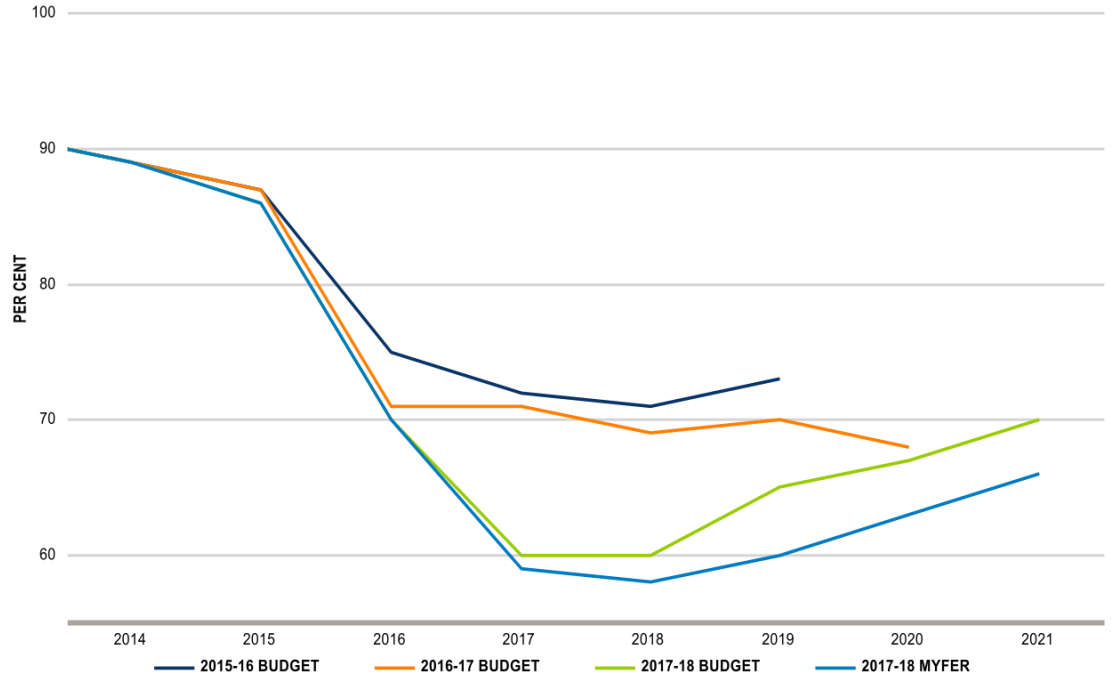


One of the Government's fiscal principles is to target an ongoing reduction in Queensland's debt burden, as measured by the general government debt to revenue ratio.

As a result of significant initiatives implemented through the Debt Action Plan, the General Government sector's debt to revenue ratio has fallen substantially from a peak of 91% in 2012-13 to 58% in 2017-18, an improvement on the forecast at the 2017-18 Budget.

Other key fiscal ratios can be found in the Appendices.

General government debt to revenue ratio



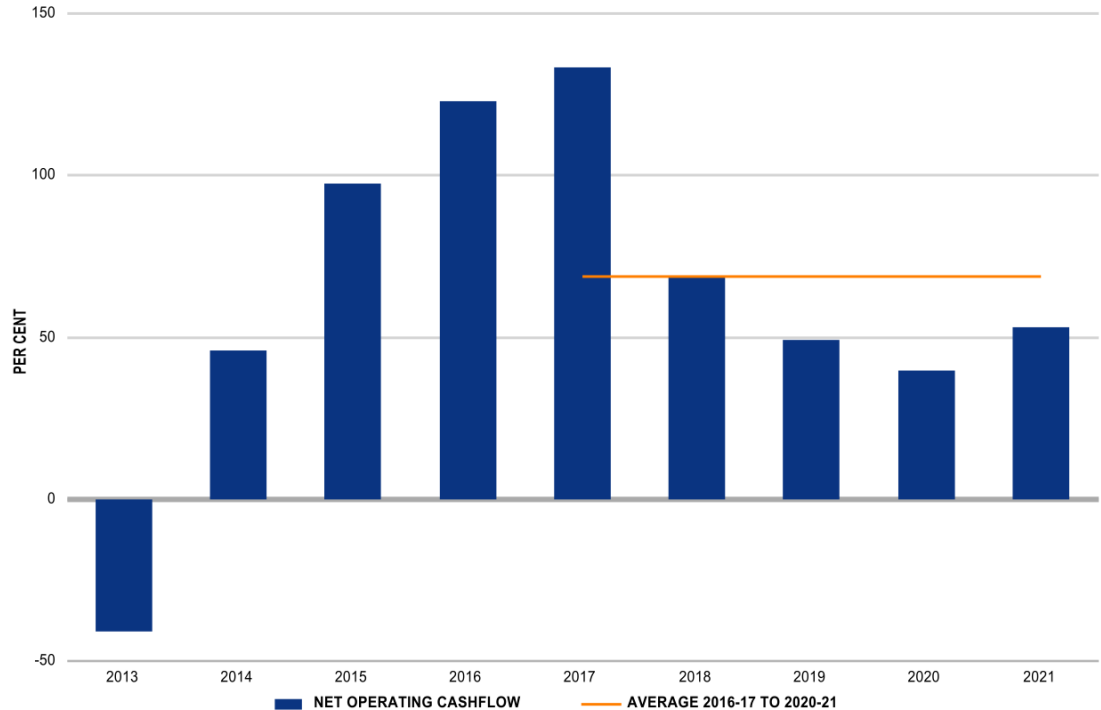
Data source: Various Queensland Government Budgets and the 2017-18 MYFER.



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 2016-17 to 2020-21, the proportion of the capital program that is projected to be funded via net cash inflows from operating activities is 69 per cent.

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



Data source: Queensland Government 2017-18 MYFER.



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.