

QUEENSLAND'S MID YEAR FISCAL AND ECONOMIC REVIEW

The Deputy Premier and Treasurer, Terry Mackenroth, today released the State's Mid Year Fiscal and Economic Review, as required under the Government's *Charter of Social and Fiscal Responsibility* and the Australian Loan Council's *Uniform Presentation Framework*.

The Mid Year Fiscal and Economic Review provides an update on the fiscal and economic outlook for Queensland, based on assessments prepared by Queensland Treasury.

ECONOMIC OUTLOOK

Forecast growth in the State economy has been revised downwards to 3½% in 2001-02, as a result of a weakening in the global economic conditions since the delivery of the State Budget.

Domestic demand is expected to underpin overall economic growth during the year. Robust growth in household consumption is set to continue, while a solid recovery in private investment will also provide a substantial contribution to growth, boosted by the commencement of the Comalco and AMC projects in Central Queensland.

Domestic activity will continue to support demand for labour during 2001-02. The forecast year-average unemployment rate of 8% remains on track to be achieved, with a lower than expected increase in the labour force offsetting a downward revision to employment growth.

A revised Economic Parameters Table incorporating these revisions is provided as Table 1 of Attachment A.

FISCAL OUTLOOK

General Government

Consistent with Budget forecasts, the General Government sector is expected to record solid cash surpluses in all years.

The estimated 2001-02 General Government operating result has been revised to a deficit of \$148 million. This deterioration reflects a downward revision to investment earnings, following recent volatility in both domestic and international equity markets. Offsetting the impact of lower investment earnings is strong revenue growth, particularly in relation to conveyance duty.

The 2002-03 and outyear forward estimates are broadly consistent with published Budget forecasts, reflecting expectations of a return to long term average earning rates on the substantial financial assets the State has invested to meet future employee entitlements.

Public Trading Enterprise Sector

The Public Trading Enterprise sector result reflects dividend payments arising from prior year surpluses.

In addition, the Public Trading Enterprise sector includes some entities, principally Enertrade and Queensland Motorways, which are expected to operate in deficit.

LOAN COUNCIL ALLOCATION

Under the Australian Loan Council Financial Agreement, each jurisdiction provides a Loan Council Nomination, comprising the State Government cash surplus/deficit and additional items which contribute to net borrowing, giving an estimate of the Public Sector's call on financial markets. The nominations are also considered by the Loan Council as to whether they are consistent with macroeconomic policy objectives.

The revised 2001-02 LCA estimate is \$762 million, broadly consistent with the Budget-time estimate of \$779 million.

Table 1
Major Queensland Economic Parameters

	Outcome		Budget	MYR
	1999-2000	2000-01	Forecast	Forecast
			2001-02	2001-02
State forecasts⁽¹⁾				
Gross state product	5.9	3.7	4	3½
Employment	2.2	1.8	2	1¾
Inflation ⁽²⁾	1.8	5.9	2¾	2¾
Average earnings ⁽³⁾	0.4	6.6	4	3½
Population	1.6	1.7	1¾	1¾

(1) Annual % change. Figures not quoted as a fraction represent an actual outcome.

(2) Headline consumer price index, year-average.

(3) Average earnings on a State Accounts basis.

Table 2
Queensland's Revised 2001-02 Loan Council Allocation ¹

	2001-02	2001-02
	Budget	Revised
	LCA	MYR
	Estimate	Estimate
	\$ million	\$ million
General Government Cash Deficit/(Surplus) ²	(253)	(223)
Public Trading Enterprises Cash Deficit/(Surplus) ²	1,139	1,225
State Government Cash Deficit/(Surplus)²	887	1,002
Advances Paid (net)	10	(122)
Memorandum Items	(118)	(118)
Loan Council Allocation	779	762

1. The Loan Council Allocation is based on the GFS cash surplus / (deficit) measure, rather than the more widely reported Net Operating Balance.
2. Figures in brackets represent surpluses.

Table A.1
General Government GFS Net Operating Result

	Outcome 2000-01 \$ million	Budget 2001-02 \$ million	Revised Budget 2001-02 \$ million	Revised Projection 2002-03 \$ million	Revised Projection 2003-04 \$ million	Revised Projection 2004-05 \$ million
OPERATING RESULT						
GFS revenue						
Taxation revenue	4,255	4,429	4,670	4,750	4,991	5,218
Current grants and subsidies	8,539	8,948	9,148	9,383	9,722	10,090
Capital grants	483	508	531	491	385	365
Sales of goods and services	1,747	1,689	1,709	1,717	1,762	1,792
Interest income	852	1,260	843	1,184	1,298	1,396
Other	2,382	2,425	2,573	2,303	2,205	2,301
Total GFS revenue	18,258	19,261	19,474	19,828	20,363	21,162
<i>less</i>						
GFS expenses						
Gross operating expenses	12,844	13,491	13,382	13,851	14,327	14,887
Superannuation interest expense	467	604	731	704	791	870
Other interest expense	339	291	304	353	402	455
Current transfers	4,413	4,402	4,665	4,515	4,506	4,594
Capital transfers	1,052	450	540	374	317	293
Total expenses	19,116	19,237	19,622	19,797	20,343	21,099
<i>equals</i>						
GFS net operating balance	(858)	24	(148)	31	20	63
<i>less</i>						
Net acquisition of non-financial assets						
Gross fixed capital formation	2,225	2,025	1,984	1,720	1,614	1,600
<i>less</i> Depreciation	1,395	1,519	1,509	1,552	1,564	1,573
<i>plus</i> Change in inventories	(17)	17	24	(9)	(7)	(22)
<i>plus</i> Revaluations	-	-	-	-	-	-
<i>equals</i> Total net acquisition of non-financial assets	813	523	499	159	43	5
<i>equals</i>						
GFS Net lending/borrowing (Fiscal balance)	(1,671)	(499)	(647)	(128)	(23)	59

Table A.2
Public Trading Enterprise GFS Net Operating Result

	Outcome 2000-01 \$ million	Budget 2001-02 \$ million	Revised Budget 2001-02 \$ million	Revised Projection 2002-03 \$ million	Revised Projection 2003-04 \$ million	Revised Projection 2004-05 \$ million
OPERATING RESULT						
GFS revenue						
Current grants and subsidies	1,025	882	918	855	912	1,015
Capital grants	18	-	-	-	-	-
Sales of goods and services	4,765	4,382	5,069	5,072	5,321	5,623
Interest income	74	54	77	74	75	79
Other	303	204	292	387	450	559
Total GFS revenue	6,185	5,522	6,356	6,388	6,758	7,276
<i>less</i>						
GFS expenses						
Gross operating expenses	4,341	3,995	4,811	4,868	5,085	5,323
Other interest expense	742	721	760	824	918	919
Other property expenses	969	1,030	1,166	835	768	879
Current transfers	42	12	16	16	17	16
Capital transfers	9	14	3	3	4	4
Total GFS expenses	6,103	5,771	6,756	6,546	6,792	7,141
<i>equals</i>						
GFS net operating balance	81	(249)	(400)	(158)	(34)	135
<i>less</i>						
Net acquisition of non-financial assets						
Gross fixed capital formation	1,849	2,052	1,955	1,760	1,559	1,464
<i>less</i> Depreciation	1,006	1,140	1,083	1,183	1,282	1,331
<i>plus</i> Change in inventories	15	(14)	(5)	(27)	(4)	(4)
<i>equals</i> Total net acquisition of non-financial assets	858	898	867	550	273	129
<i>equals</i>						
GFS net lending/borrowing (Fiscal Balance)	(777)	(1,147)	(1,267)	(708)	(307)	6

Table A.3
State Non-PFE GFS Net Operating Result

	Outcome 2000-01 \$ million	Budget 2001-02 \$ million	Revised Budget 2001-02 \$ million	Revised Projection 2002-03 \$ million	Revised Projection 2003-04 \$ million	Revised Projection 2004-05 \$ million
OPERATING RESULT						
GFS revenue						
Taxation revenue	3,979	4,182	4,407	4,468	4,703	4,928
Current grants and subsidies	8,508	8,971	9,145	9,381	9,721	10,083
Capital grants	484	471	531	491	385	366
Sales of goods and services	6,399	5,920	6,616	6,625	6,919	7,249
Interest income	918	1,301	907	1,244	1,359	1,462
Other	1,713	1,867	1,717	1,870	1,900	1,976
Total revenue	22,000	22,712	23,323	24,079	24,987	26,064
<i>less</i>						
GFS expenses						
Gross operating expenses	17,070	17,603	18,007	18,527	19,218	19,994
Superannuation interest expense	467	604	731	704	791	870
Other interest expense	1,072	998	1,051	1,163	1,307	1,361
Other property expenses	-	-	-	-	-	-
Current transfers	3,107	3,299	3,552	3,435	3,364	3,343
Capital transfers	1,061	435	530	377	320	297
Total expenses	22,777	22,937	23,871	24,206	25,000	25,865
<i>equals</i>						
GFS net operating balance	(777)	(225)	(548)	(127)	(13)	199
<i>less</i>						
Net acquisition of non-financial assets						
Gross fixed capital formation	4,075	4,077	3,940	3,481	3,172	3,064
<i>less</i> Depreciation	2,401	2,660	2,592	2,735	2,845	2,904
<i>plus</i> Change in inventories	(2)	3	16	(36)	(12)	(26)
<i>equals</i> Total net acquisition of non-financial assets	1,671	1,420	1,364	710	315	134
<i>equals</i>						
GFS net lending/borrowing (Fiscal balance)	(2,448)	(1,646)	(1,912)	(837)	(328)	66

Table A.4
General Government GFS Balance Sheet

	Outcome 2000-01 \$ million	Budget 2001-02 \$ million	Revised Budget 2001-02 \$ million	Revised Projection 2002-03 \$ million	Revised Projection 2003-04 \$ million	Revised Projection 2004-05 \$ million
ASSETS						
Financial Assets						
Cash and deposits	66	764	177	55	136	146
Advances paid	158	208	190	223	254	282
Investments, loans and placements	12,976	13,158	14,109	15,191	16,613	17,890
Other non-equity assets	4,639	5,553	4,756	5,263	5,514	5,857
Equity	14,007	13,234	12,675	13,203	13,576	14,172
Total financial assets	31,846	32,918	31,907	33,935	36,093	38,347
Non-Financial Assets	43,599	44,247	44,568	45,236	45,861	46,480
Total Assets	75,444	77,164	76,475	79,171	81,954	84,827
LIABILITIES						
Deposits held	-	-	-	-	-	-
Advances received	8	-	6	9	7	1
Borrowings	3,110	3,735	3,664	4,538	5,007	5,550
Superannuation liability	8,637	9,335	9,935	11,163	12,474	13,565
Other employee entitlements and provisions	3,106	3,094	2,976	2,909	2,890	2,869
Other non-equity liabilities	2,960	1,741	1,904	1,860	1,870	1,872
Total Liabilities	17,821	17,905	18,485	20,479	22,248	23,857
Net worth	57,623	59,259	57,990	58,692	59,706	60,970
Net Financial Worth	14,025	15,013	13,422	13,456	13,845	14,490
Net Debt	(10,082)	(10,395)	(10,806)	(10,922)	(11,989)	(12,767)

Table A.5
Public Trading Enterprise GFS Balance Sheet

	Outcome 2000-01 \$ million	Budget 2001-02 \$ million	Revised Budget 2001-02 \$ million	Revised Projection 2002-03 \$ million	Revised Projection 2003-04 \$ million	Revised Projection 2004-05 \$ million
ASSETS						
Financial assets						
Cash and deposits	964	282	775	815	618	508
Advances paid	13	42	13	12	12	12
Investments, loans and placements	808	735	1,359	1,347	1,328	1,324
Other non-equity assets	1,438	1,349	1,647	1,693	1,702	1,723
Equity	47	58	42	39	41	44
Total financial assets	3,270	2,467	3,836	3,906	3,701	3,611
Non-financial assets	24,093	26,568	25,174	26,058	26,694	27,240
Total assets	27,364	29,035	29,010	29,964	30,395	30,851
LIABILITIES						
Deposits held	73	56	73	73	73	73
Advances held	166	-	164	174	174	174
Borrowing	11,194	12,388	13,019	13,445	13,433	13,103
Other employee entitlements and provisions	2,739	3,081	2,750	2,812	2,888	3,086
Other non-equity liabilities	957	958	1,209	1,139	1,132	1,131
Total liabilities	15,128	16,483	17,215	17,643	17,700	17,567
Net worth						
Net Financial Worth	(11,858)	(14,016)	(13,379)	(13,737)	(13,999)	(13,956)
Net Debt	9,647	11,384	11,109	11,518	11,722	11,506

Table A.6
State Non-PFE GFS Balance Sheet

	Outcome 2000-01 \$ million	Budget 2001-02 \$ million	Revised Budget 2001-02 \$ million	Projectio n 2002-03 \$ million	Projectio n 2003-04 \$ million	Revised Projection 2004-05 \$ million
ASSETS						
Financial assets						
Cash and deposits	1,030	1,046	951	870	754	654
Advances paid	152	251	183	216	247	275
Investments, loans and placements	13,675	13,894	15,360	16,429	17,832	19,106
Other non-equity assets	3,394	3,580	3,671	4,102	4,266	4,477
Equity	1,818	740	923	920	922	932
Total financial assets	20,070	19,511	21,088	22,537	24,021	25,444
Non-financial assets	67,692	70,814	69,744	71,294	72,555	73,720
Total assets	87,762	90,325	90,832	93,831	96,576	99,164
LIABILITIES						
Deposits held	73	57	73	73	73	73
Borrowings	14,350	16,124	16,726	18,039	18,493	18,700
Superannuation liability	8,637	9,335	9,935	11,163	12,474	13,565
Other employee entitlements and prov	3,306	2,920	3,133	3,051	3,015	3,049
Other non-equity liabilities	3,773	2,630	2,975	2,813	2,815	2,807
Total liabilities	30,138	31,066	32,842	35,139	36,870	38,194
Net worth	57,623	59,259	57,990	58,692	59,706	60,970
Net Financial Worth	(10,068)	(11,555)	(11,754)	(12,602)	(12,849)	(12,750)
Net Debt	(435)	990	305	597	(268)	(1,262)

Table A.7
General Government GFS Statement of Cash Flows

	Outcome 2000-01 \$ million	Budget 2001-02 \$ million	Revised Budget 2001-02 \$ million	Revised Projection 2002-03 \$ million	Revised Projection 2003-04 \$ million	Revised Projection 2004-05 \$ million
Receipts from operating activities						
Taxes received	4,141	4,429	4,669	4,750	4,991	5,218
Grants and subsidies received	9,025	9,418	9,666	9,874	10,108	10,456
Sales of goods and services	1,552	1,666	1,622	1,679	1,710	1,742
Other receipts	3,238	3,244	3,189	2,889	3,250	3,282
Total operating receipts	17,956	18,756	19,146	19,192	20,059	20,698
Payments for operating activities						
Payments for goods and services	(9,784)	(11,210)	(11,348)	(11,833)	(12,198)	(12,981)
Interest	(295)	(302)	(317)	(359)	(409)	(461)
Grants and subsidies	(4,498)	(4,409)	(4,699)	(4,429)	(4,398)	(4,462)
Other payments	(589)	(560)	(576)	(486)	(442)	(442)
Total operating payments	(15,166)	(16,480)	(16,940)	(17,107)	(17,447)	(18,346)
Net cash inflows from operating activities	2,791	2,276	2,207	2,085	2,612	2,353
Payments for investments in non-financial assets						
Purchases of non-financial assets	(2,520)	(2,321)	(2,253)	(1,989)	(1,858)	(1,835)
Sales of non-financial assets	263	297	269	269	244	235
Total non-financial asset payments	(2,257)	(2,024)	(1,984)	(1,720)	(1,614)	(1,600)
Payments for investments in financial assets for policy purposes	489	386	482	(300)	-	-
Payments for investments in financial assets for liquidity purposes	(1,122)	(1,254)	(1,085)	(998)	(1,368)	(1,233)
Receipts from financing activities						
Advances received (net)	5	(2)	(2)	3	(2)	(6)
Borrowing (net)	(593)	501	493	808	453	496
Deposits received (net)	(1)	-	-	-	-	-
Distributions paid	-	-	-	-	-	-
Other Financing (net)	-	-	-	-	-	-
Total financing receipts	(589)	500	491	811	451	490
Net increase/(decrease) in cash held	(688)	(116)	111	(122)	81	10
Net cash from operating activities and investments in non-financial assets	534	253	223	365	998	753
GFS surplus/(deficit)	534	253	223	365	998	753

Table A.8
Public Trading Enterprise GFS Statement of Cash Flows

	Outcome 2000-01 \$ million	Budget 2001-02 \$ million	Revised Budget 2001-02 \$ million	Revised Projection 2002-03 \$ million	Revised Projection 2003-04 \$ million	Revised Projection 2004-05 \$ million
Receipts from operating activities						
Grants and subsidies received	1,018	886	950	855	912	1,015
Sales of goods and services	4,963	4,365	5,525	5,450	5,753	5,999
Other receipts	219	204	348	648	696	806
Total operating receipts	6,200	5,456	6,823	6,953	7,361	7,820
Payments for operating activities						
Payments for goods and services	(3,172)	(2,617)	(3,498)	(3,733)	(3,739)	(3,932)
Interest	(746)	(750)	(815)	(856)	(973)	(972)
Grants and subsidies	(15)	(22)	(11)	(11)	(11)	(11)
Other payments	(545)	(268)	(663)	(600)	(586)	(584)
Total operating payments	(4,478)	(3,657)	(4,987)	(5,200)	(5,309)	(5,499)
Net cash inflows from operating activities	1,722	1,799	1,836	1,753	2,052	2,321
Payments for non-financial assets						
Purchases of non-financial assets	(1,886)	(2,703)	(2,577)	(2,285)	(1,655)	(1,563)
Sales of non-financial assets	125	675	622	525	96	99
Total non-financial asset payments	(1,761)	(2,028)	(1,955)	(1,760)	(1,559)	(1,464)
Payments for investments in financial assets for policy purposes	(47)	-	-	-	-	-
Payments for investments in financial assets for liquidity purposes	53	(1)	9	(1)	-	(2)
Receipts from financing activities						
Advances received (net)	1	-	(1)	-	-	-
Borrowing (net)	1,002	1,055	1,238	432	(16)	(349)
Deposits received (net)	(2)	-	-	-	-	0
Distributions paid	(747)	(911)	(957)	(683)	(673)	(614)
Other financing (net)	64	(398)	(359)	299	(1)	(2)
Total financing receipts	319	(254)	(79)	48	(690)	(965)
Net increase/(decrease) in cash held	287	(483)	(189)	40	(197)	(110)
Net cash from operating activities and investments in non-financial assets	(38)	(229)	(119)	(7)	493	857
Finance leases and similar arrangements	2	1	149	46	165	9
Distributions paid	(747)	(911)	(957)	(683)	(673)	(614)
GFS surplus/(deficit)	(787)	(1,139)	(1,225)	(736)	(345)	234

Table A-9
State Non-PFE GFS Statement of Cash Flows

	Outcome 2000-01 \$ million	Budget 2001-02 \$ million	Revised Budget 2001-02 \$ million	Revised Projection 2002-03 \$ million	Revised Projection 2003-04 \$ million	Revised Projection 2004-05 \$ million
Receipts from operating activities						
Taxation revenue	3,864	4,182	4,407	4,468	4,703	4,928
Grants and subsidies received	9,047	9,406	9,696	9,872	10,106	10,449
Sales of goods and services	6,449	5,880	6,934	6,954	7,281	7,561
Other receipts	2,998	2,801	2,625	2,872	3,291	3,474
Total operating receipts	22,359	22,270	23,662	24,166	25,381	26,412
Payments for operating activities						
Payments for goods and services	(12,886)	(13,920)	(14,461)	(15,167)	(15,528)	(16,505)
Interest	(979)	(989)	(1,067)	(1,154)	(1,318)	(1,369)
Grants and subsidies	(3,592)	(3,533)	(3,789)	(3,584)	(3,496)	(3,453)
Other payments	(1,134)	(664)	(1,259)	(1,107)	(1,049)	(1,028)
Total operating payments	(18,591)	(19,106)	(20,576)	(21,012)	(21,391)	(22,355)
Net cash inflows from operating activities	3,767	3,164	3,087	3,154	3,990	4,058
Payments for non-financial assets						
Purchases of non-financial assets	(4,406)	(5,025)	(4,830)	(4,275)	(3,512)	(3,398)
Sales of non-financial assets	388	972	890	794	340	334
Total non-financial payments	(4,018)	(4,052)	(3,940)	(3,481)	(3,172)	(3,064)
Payments for investments in financial assets for policy purposes	442	(10)	122	-	-	-
Payments for investments in financial assets for liquidity purposes	(1,069)	(1,255)	(1,075)	(998)	(1,368)	(1,235)
Receipts from financing activities						
Advances received (net)	6	(2)	(3)	3	(2)	(6)
Borrowing (net)	409	1,556	1,730	1,241	437	147
Deposits received (net)	(3)	-	-	-	-	-
Distributions paid	-	-	-	-	-	-
Other financing (net)	64	-	-	-	-	-
Total financing receipts	476	1,554	1,727	1,244	435	141
Net increase/(decrease) in cash held	(402)	(599)	(79)	(81)	(116)	(100)
Net cash from operating activities and investments in non-financial assets	(250)	(888)	(853)	(327)	818	994
Finance leases and similar arrangements	2	1	149	46	165	9
Distributions paid	-	-	-	-	-	-
GFS surplus/(deficit)	(252)	(887)	(1,002)	(373)	653	985