

QUEENSLAND'S 2006-07 MID YEAR FISCAL AND ECONOMIC REVIEW

The Mid Year Fiscal and Economic Review (MYFER) is required under the Government's *Charter of Social and Fiscal Responsibility* and the Australian Loan Council's *Uniform Presentation Framework* and provides an update on the fiscal and economic outlook for Queensland, based on assessments prepared by Queensland Treasury.

ECONOMIC OUTLOOK

The outlook for the Queensland economy in 2006-07 is stronger than forecast at the time of the Budget, with economic growth of 4¾% anticipated, compared with the forecast of 4¼%. Higher economic growth in 2006-07 is expected to be driven by faster growth in investment and therefore domestic demand, as well as slightly stronger growth in exports. Information made available since the release of the June quarter 2006 Queensland State Accounts has also resulted in the preliminary estimate of economic growth for 2005-06 of 3.8% being revised to 4.4%.

An improved global outlook is expected to contribute to higher than anticipated growth in investment and exports. Most base metal prices have risen in the first six months of 2006-07, encouraging stronger than expected investment in trade-related industries. Rising commodity prices have also supported an appreciation in the A\$ in recent months. This, combined with higher than expected non-dwelling construction, should see the business sector capitalise on cheaper equipment and machinery imports to a greater extent than initially forecast.

Growth in overall exports is likely to be higher than originally forecast, with both global demand for the State's resources and related investment in the trade sector expected to be stronger than at Budget time. Coal exports have been strong in the first quarter of 2006-07, after a number of transitory factors affected the demand for and supply of coal in 2005-06.

While recent interest rate rises are likely to impact on home construction going forward, the stock of housing investment yet to be built suggests slightly higher growth in 2006-07 than originally anticipated. Housing approvals have also strengthened since Budget time, while growth in house prices has maintained investor interest in the housing market.

Employment is estimated to rise by 3½% this financial year, compared with a forecast of 2½% growth at Budget time. This reflects stronger than expected growth in domestic demand, which has resulted in greater job creation in labour intensive service industries.

With jobs growth higher than previously predicted, more Queenslanders are likely to be encouraged into the labour force in 2006-07. On balance, the unemployment rate is estimated to average 4½% in 2006-07, ½ percentage point lower than that forecast at Budget time. This would represent the lowest year-average rate in 32 years in Queensland and the third successive year that the State's unemployment rate remained below that nationally.

With a tightening in labour market conditions, growth in wages is also expected to be slightly higher than previously predicted, with the labour price index now forecast to grow by 4½% in 2006-07, compared with 4¼% at the time of Budget.

Headline consumer price inflation, at 3¼%, is also expected to be higher than that forecast at Budget time (2¾%). This is largely due to a significant increase in food prices in the first half of the financial year, due to the impact on fruit and vegetable prices from Cyclone Larry and other nationwide adverse weather conditions.

A revised Economic Parameters table incorporating these revisions is provided in the attachment to this document.

FISCAL OUTLOOK

GENERAL GOVERNMENT SECTOR

The General Government sector is expecting to record operating surpluses in 2006-07 and the forward estimate years. A revised General Government operating surplus of \$226 million, a reduction of \$19 million from the Budget estimate, is expected for 2006-07.

The revised 2006-07 Budget and forward estimates fully incorporate the Government's 2006 election commitments and funding measures.

Expenses in 2006-07 are expected to be \$517 million higher than the Budget estimate. This primarily reflects:

- funding provided for election commitments including the Government's Early Years Strategy, better public transport in south east Queensland and to assist rural firefighters and SES volunteers, and for other expenditure approved since the 2006-07 Budget including for priority health initiatives including to reduce elective surgery waiting lists;
- actuarial revisions to superannuation, long service leave and insurance expense estimates; and
- the expensing of Tugun Bypass construction costs related to that part of the work being undertaken in New South Wales during 2006-07.

Revenues in 2006-07 are expected to be \$498 million higher than the Budget estimate. This largely reflects upward revisions to taxation estimates, particularly payroll tax and transfer duty, on the back of the continuing strength of the economy and the property market.

These upward revisions have been offset in part by weaker gaming revenues following the introduction of smoking bans in gaming venues. In addition, the stronger Australian dollar exchange rate has led to a modest downward revision to royalty estimates.

The attachment provides a table illustrating the change in taxation and royalty revenue by item.

The 2006-07 MYFER also incorporates a downward revision to tax equivalent revenues from Government-owned corporations, following a technical determination received from the Australian Bureau of Statistics

The 2006-07 estimated surplus is based on a 7.5% investment return on long-term financial assets held to meet future liabilities such as superannuation. While equity markets have performed well year-to-date, the return assumption remains unchanged given the high levels of uncertainty attached to estimating full financial year outcomes.

A cash deficit of \$66 million is expected in 2006-07, an improvement of \$730 million over the Budget estimate. This improved position reflects a range of adjustments, primarily actuarial advice relating to superannuation beneficiary payments and higher than anticipated taxation revenue. Cash deficits are forecast to continue over the forward estimates period reflecting the significant planned capital expansion. Over the period 2006-07 to 2009-10, the General Government sector is expected to invest \$18.3 billion in capital.

Capital spending in the General Government sector in 2006-07 is expected to increase by \$371 million over the Budget estimate, reflecting the implementation of Government's election commitments and additional funding for a range of projects including critical health infrastructure.

Despite this increase in capital spending, borrowing in the General Government sector is expected to be \$351 million lower than forecast at the time of the 2006-07 Budget reflecting the improved General Government cash position. General Government borrowings across the forward estimates are projected to be \$10.8 billion, an increase of \$197 million over that forecast at the time of the Budget, supporting a \$2.2 billion increase in capital spending over the same period.

State net worth is projected to increase to \$107.8 billion in 2006-07. This is \$8.7 billion higher than the forecast of \$99 billion at Budget time. The increase in net worth reflects the flow through of final 2005-06 balance sheet outcomes particularly in relation to the revaluation of land and other fixed assets and the improvement in the State's 2005-06 actual operating position.

PUBLIC NON-FINANCIAL CORPORATIONS SECTOR

The Public Non-financial Corporations (PNFC) sector is projected to have a GFS net operating surplus of \$285 million in 2006-07, an improvement of \$207 million over the Budget estimate. This improvement represents a stronger than expected trading performance across a range of Government-owned corporations.

Capital spending in the PNFC sector has been revised upwards markedly in 2006-07 and the outyears, reflecting Government's commitment to the State's south east Queensland water projects which alone adds around \$6.5 billion to capital expenditure across the current year and forward estimates. The PNFC capital expenditure also reflects the significant upgrade of the electricity transmission and distribution network, the expansion of port and rail infrastructure to support increased coal tonnages and the implementation of a number of South East Queensland Infrastructure Plan and Program (SEQIPP) projects.

The Mid Year fiscal position does not include the impact of the retail energy sales transactions. The impact of these transactions will be incorporated when further detailed work is undertaken to determine the impact of these divestments on the profitability and dividend streams of Energex and Ergon. This treatment is consistent with the approach taken in the 2006-07 Budget.

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 2006-07 Loan Council Allocation deficit is \$4,610 million (Budget-time deficit of \$4,219 million), reflecting higher net borrowing requirements as a result of increased spending on capital infrastructure in the PNFC sector.

A tolerance limit of two percent of Non-financial Public Sector receipts applies between the Loan Council nomination and the revised allocation. For 2006-07, the revised allocation exceeds the nomination by more than the two percent tolerance limit.

Loan Council Allocation ¹			
	2006-07 Nomination \$ million	2006-07 Budget \$ million	2006-07 Revised \$ million
General Government sector cash deficit/(surplus) ²	833	796	66
PNFC sector cash deficit/(surplus) ²	2,047	3,305	4,203
Non Financial Public Sector cash deficit/(surplus) ²	2,882	4,101	4,268
<i>Less</i> Net cash flows from investments in financial assets for policy purposes	..	..	188
<i>Plus</i> Memorandum items ³	118	118	154
Loan Council Allocation	3,000	4,219	4,610
Notes:			
1. Numbers may not add due to rounding.			
2. Figures in brackets represent surpluses.			
3. Memorandum items include operating leases and local government borrowings.			

ATTACHMENT

Major Queensland Economic Parameters ¹			
	Outcome 2005-06	Budget Forecast 2006-07	MYFER Forecast 2006-07
Gross state product ^{2,3}	4.4	4¼	4¾
Employment	2.9	2½	3½
Unemployment rate ⁴	5.0	5	4½
Inflation	3.1	2¾	3¼
Labour price index	4.4	4¼	4½
Population	2.1	2	2
Notes:			
1. Figures not quoted as a fraction are an actual outcome.			
2. Chain volume measure, 2004-05 reference year.			
3. Outcome for 2005-06 represents a revision to the preliminary estimate of 3.8%.			
4. Per cent, year-average.			

Taxation and Royalties Revenue¹

	2006-07 Budget \$ million	2006-07 MYFER \$ million
Payroll Tax	2,054	2,204
Duties		
Transfer	2,116	2,310
Vehicle Registration	279	280
Insurance ²	346	372
Mortgages	310	315
Other Duties ³	26	29
Total Duties	3,078	3,306
Gambling Taxes and Levies⁴		
Gaming Machine Tax & Levies ⁵	582	549
Lotteries Taxes	186	198
Wagering Taxes	35	35
Casino Taxes and Levies	63	59
Keno Tax	14	15
Total Gambling Taxes & Levies	881	856
Other Taxes		
Land Tax	500	528
Motor Vehicle Registration	846	846
Fire Levy	247	252
Community Ambulance Cover	121	123
Guarantee Fees	83	83
Other Taxes	61	59
Total Taxation	7,871	8,256
Royalties		
Coal	1,221	1,165
Other royalties and land rents	296	282
Total Royalties	1,517	1,447

Notes:

1. Numbers may not add due to rounding.
2. Includes accident insurance premiums.
3. Includes duty on rental arrangements, marketable securities and life insurance premiums.
4. Includes community benefit levies.
5. Includes the Health Services Levy.

General Government Sector Operating Statement ¹

	2006-07 Budget \$ million	2006-07 Revised Budget \$ million	2007-08 Revised Projection \$ million	2008-09 Revised Projection \$ million	2009-10 Revised Projection \$ million
GFS Revenue					
Taxation revenue	7,871	8,256	8,841	9,358	9,870
Current grants and subsidies	13,143	13,221	13,587	13,934	14,424
Capital grants	683	731	936	823	674
Sales of goods and services	2,693	2,788	2,846	2,942	3,003
Interest income	1,802	1,862	1,985	2,094	2,211
Other	2,879	2,710	2,753	2,967	3,161
Total Revenue	29,070	29,568	30,949	32,118	33,343
<i>Less</i> GFS Expenses					
Gross operating expenses					
Employee expenses	13,324	13,393	14,257	14,979	15,805
Other operating expenses	5,844	5,881	5,877	5,908	6,020
Depreciation	1,754	1,790	1,973	2,185	2,216
Superannuation interest expense	563	716	778	816	851
Other interest expense	222	217	375	576	794
Current transfers	6,094	6,203	6,418	6,587	6,706
Capital transfers	1,024	1,142	1,062	738	729
Total Expenses	28,825	29,342	30,739	31,789	33,120
<i>Equals</i> GFS net operating balance	245	226	210	329	222
<i>Less</i> Net acquisition of non-financial assets					
Purchases of non-financial assets	3,958	4,329	4,711	4,580	4,687
Sales of non-financial assets	(302)	(324)	(459)	(333)	(287)
<i>Less</i> Depreciation	1,754	1,790	1,973	2,185	2,216
<i>Plus</i> Change in inventories	75	86	35	15	16
<i>Plus</i> Other movements in non-financial assets	15	(147)	(100)	8	15
<i>Equals</i> Total net acquisition of non-financial assets	1,992	2,153	2,214	2,086	2,215
<i>Equals</i> GFS Net lending / (borrowing) (Fiscal Balance)	(1,747)	(1,927)	(2,005)	(1,758)	(1,993)

Note:

1. Numbers may not add due to rounding.

General Government Sector Balance Sheet ¹

	2006-07 Budget ² \$ million	2006-07 Revised Budget \$ million	2007-08 Revised Projection \$ million	2008-09 Revised Projection \$ million	2009-10 Revised Projection \$ million
Assets					
Financial Assets					
Cash and deposits	181	240	242	240	246
Advances paid	204	233	235	237	238
Investments, loans and placements	25,088	26,273	27,952	29,580	31,372
Other non-equity assets	2,314	2,652	2,715	2,737	2,747
Equity	21,013	23,428	24,897	26,201	27,464
Total Financial Assets	48,801	52,826	56,043	58,995	62,068
Non-Financial Assets	80,543	85,772	90,053	94,263	98,663
Total Assets	129,344	138,598	146,095	153,258	160,730
Liabilities					
Deposits held	..	1	1	1	1
Advances received	455	460	448	436	424
Borrowing	3,964	3,690	6,913	9,877	13,268
Superannuation liability	19,005	19,104	20,279	21,429	22,515
Other employee entitlements and provisions	3,978	4,149	4,380	4,636	4,913
Other non-equity liabilities	2,910	3,439	3,316	3,223	3,200
Total Liabilities	30,312	30,843	35,337	39,601	44,322
Net Worth	99,032	107,755	110,758	113,658	116,408
Net Financial Worth	18,489	21,983	20,705	19,395	17,745
Net Debt	(21,054)	(22,595)	(21,068)	(19,743)	(18,163)

Notes:

1. Numbers may not add due to rounding.
2. 2006-07 Original Budget has been restated where subsequent changes in classification have occurred, to ensure comparability with estimates.

General Government Sector Cash Flow Statement ¹

	2006-07 Budget \$ million	2006-07 Revised Budget \$ million	2007-08 Revised Projection \$ million	2008-09 Revised Projection \$ million	2009-10 Revised Projection \$ million
Receipts from operating activities					
Taxes received	7,870	8,255	8,840	9,357	9,869
Grants and subsidies received	13,768	13,904	14,402	14,673	15,067
Sales of goods and services	2,993	3,097	3,145	3,210	3,278
Other receipts	5,259	5,222	5,115	5,394	5,696
Total	29,890	30,479	31,502	32,634	33,910
Payments for operating activities					
Payments for goods and services	(19,161)	(18,537)	(19,984)	(20,750)	(21,765)
Grants and subsidies	(7,036)	(7,131)	(7,242)	(7,192)	(7,307)
Interest	(223)	(218)	(376)	(578)	(795)
Other payments	(609)	(654)	(642)	(636)	(639)
Total	(27,030)	(26,540)	(28,245)	(29,155)	(30,506)
Net cash inflows from operating activities	2,860	3,939	3,257	3,479	3,404
Payments for investments in non-financial assets					
Purchases of non-financial assets	(3,958)	(4,329)	(4,711)	(4,580)	(4,687)
Sales of non-financial assets	302	324	459	333	287
Total	(3,656)	(4,005)	(4,252)	(4,247)	(4,401)
Payments for investments in financial assets for policy purposes	(318)	(620)	(555)	(569)	(605)
Payments for investments in financial assets for liquidity purposes	(1,272)	(2,138)	(1,524)	(1,560)	(1,708)
Receipts from financing activities					
Advances received (net)	(15)	(15)	(15)	(15)	(14)
Borrowing (net)	1,800	1,449	3,091	2,910	3,329
Total	1,785	1,434	3,076	2,895	3,315
Net increase/(decrease) in cash held	(602)	(1,389)	2	(2)	6
Net cash from operating activities and investments in non-financial assets	(796)	(66)	(995)	(769)	(996)
GFS Surplus/(deficit)	(796)	(66)	(995)	(769)	(996)

Note:

1. Numbers may not add due to rounding.

Public Non-financial Corporations Sector Operating Statement ¹

	2006-07 Budget \$ million	2006-07 Revised Budget \$ million	2007-08 Revised Projection \$ million	2008-09 Revised Projection \$ million	2009-10 Revised Projection \$ million
GFS Revenue					
Current grants and subsidies	1,443	1,484	1,563	1,616	1,660
Capital grants	18	9	9	9	9
Sales of goods and services	8,064	8,532	9,208	9,813	10,214
Interest income	80	79	72	66	67
Other	591	605	509	495	458
Total Revenue	10,195	10,709	11,362	11,999	12,409
<i>Less</i> GFS Expenses					
Gross operating expenses					
Employee expenses	2,002	2,078	2,182	2,252	2,355
Other operating expenses	4,472	4,728	4,822	5,049	5,029
Depreciation	1,532	1,592	1,764	1,924	2,066
Other interest expense	951	977	1,264	1,542	1,721
Other property expenses	967	840	969	1,151	1,310
Current transfers	181	181	219	163	143
Capital transfers	12	28	12	..	..
Total Expenses	10,118	10,424	11,231	12,079	12,624
<i>Equals</i> GFS net operating balance	78	285	131	(80)	(215)
<i>Less</i> Net acquisition of non-financial assets					
Purchases of non-financial assets	5,603	6,506	6,989	6,577	5,246
Sales of non-financial assets	(49)	(61)	(53)	(56)	(64)
<i>Less</i> Depreciation	1,532	1,592	1,764	1,924	2,066
<i>Plus</i> Change in inventories	..	(25)	20	5	69
<i>Plus</i> Other movements in non-financial assets	(12)	(22)	(12)	..	..
<i>Equals</i> Total net acquisition of non-financial assets	4,010	4,806	5,180	4,603	3,185
<i>Equals</i> GFS Net lending / (borrowing) (Fiscal Balance)	(3,932)	(4,521)	(5,049)	(4,684)	(3,400)

Note:

1. Numbers may not add due to rounding.

Public Non-financial Corporations Sector Balance Sheet ¹

	2006-07 Budget ² \$ million	2006-07 Revised Budget \$ million	2007-08 Revised Projection \$ million	2008-09 Revised Projection \$ million	2009-10 Revised Projection \$ million
Assets					
Financial Assets					
Cash and deposits	837	1,038	1,189	1,297	1,435
Investments, loans and placements	904	1,914	1,921	1,934	1,957
Other non-equity assets	1,686	1,925	2,098	2,266	2,380
Equity	47	36	43	49	55
Total Financial Assets	3,473	4,913	5,252	5,545	5,827
Non-Financial Assets	38,563	39,860	45,564	50,612	54,287
Total Assets	42,036	44,774	50,816	56,157	60,115
Liabilities					
Deposits held	74	60	58	57	57
Borrowing	17,822	18,847	23,279	27,268	29,895
Superannuation liability	12	..	..	..	1
Other employee entitlements and provisions	2,023	2,011	2,093	2,096	2,138
Other non-equity liabilities	2,134	2,407	2,468	2,515	2,540
Total Liabilities	22,065	23,325	27,898	31,936	34,630
Net Worth	19,970	21,448	22,917	24,221	25,484
Net Financial Worth	(18,592)	(18,412)	(22,647)	(26,391)	(28,803)
Net Debt	16,156	15,955	20,226	24,095	26,560

Notes:

1. Numbers may not add due to rounding.
2. 2006-07 Original Budget has been restated where subsequent changes in classification have occurred, to ensure comparability with estimates.

Public Non-financial Corporations Sector Cash Flow Statement ¹

	2006-07 Budget \$ million	2006-07 Revised Budget \$ million	2007-08 Revised Projection \$ million	2008-09 Revised Projection \$ million	2009-10 Revised Projection \$ million
Receipts from operating activities					
Grants and subsidies received	1,577	1,615	1,679	1,716	1,765
Sales of goods and services	9,143	9,698	10,041	10,653	11,121
Other receipts	1,116	1,220	1,045	1,036	1,028
Total	11,837	12,533	12,765	13,404	13,915
Payments for operating activities					
Payments for goods and services	(6,568)	(7,177)	(7,141)	(7,401)	(7,625)
Grants and subsidies	(180)	(180)	(218)	(163)	(143)
Interest	(879)	(936)	(1,063)	(1,161)	(1,220)
Other payments	(1,144)	(1,229)	(1,294)	(1,329)	(1,363)
Total	(8,771)	(9,523)	(9,715)	(10,054)	(10,351)
Net cash inflows from operating activities	3,065	3,010	3,050	3,350	3,564
Payments for investments in non-financial assets					
Purchases of non-financial assets	(5,603)	(6,506)	(6,989)	(6,577)	(5,246)
Sales of non-financial assets	49	61	53	56	64
Total	(5,554)	(6,446)	(6,936)	(6,522)	(5,182)
Payments for investments in financial assets for liquidity purposes	(43)	259	(43)	(43)	(44)
Receipts from financing activities					
Borrowing (net)	2,786	3,054	4,335	3,733	2,249
Deposits received (net)	..	1	(3)	(1)	(1)
Distributions paid	(816)	(767)	(808)	(979)	(1,054)
Other financing (net)	318	433	555	569	605
Total	2,289	2,721	4,080	3,322	1,800
Net increase/(decrease) in cash held	(243)	(456)	151	108	138
Net cash from operating activities and investments in non-financial assets	(2,489)	(3,436)	(3,886)	(3,171)	(1,619)
Distributions paid	(816)	(767)	(808)	(979)	(1,054)
GFS Surplus/(deficit)	(3,305)	(4,203)	(4,694)	(4,150)	(2,672)

Note:

1. Numbers may not add due to rounding.

Non-financial Public Sector Operating Statement ¹

	2006-07	2006-07	2007-08	2008-09	2009-10
	Budget	Revised	Revised	Revised	Revised
	\$ million	\$ million	\$ million	\$ million	\$ million
GFS Revenue					
Taxation revenue	7,518	7,907	8,476	8,977	9,475
Current grants and subsidies	13,002	13,090	13,421	13,812	14,307
Capital grants	683	723	928	815	665
Sales of goods and services	10,601	11,164	11,895	12,596	13,058
Interest income	1,881	1,940	2,057	2,160	2,278
Other	2,497	2,471	2,290	2,307	2,305
Total Revenue	36,183	37,295	39,068	40,667	42,089
<i>Less</i> GFS Expenses					
Gross operating expenses					
Employee expenses	15,326	15,471	16,439	17,231	18,161
Other operating expenses	9,804	10,098	10,170	10,412	10,490
Depreciation	3,286	3,382	3,737	4,108	4,282
Superannuation interest expense	563	716	778	816	851
Other interest expense	1,173	1,194	1,639	2,118	2,515
Current transfers	4,689	4,767	4,904	5,009	5,069
Capital transfers	1,021	1,155	1,059	723	714
Total Expenses	35,861	36,784	38,727	40,419	42,081
<i>Equals</i> GFS net operating balance	322	511	341	248	7
<i>Less</i> Net acquisition of non-financial assets					
Purchases of non-financial assets	9,561	10,835	11,701	11,158	9,933
Sales of non-financial assets	(351)	(385)	(512)	(389)	(350)
<i>Less</i> Depreciation	3,286	3,382	3,737	4,108	4,282
<i>Plus</i> Change in inventories	75	60	55	20	84
<i>Plus</i> Other movements in non-financial assets	3	(169)	(112)	8	15
<i>Equals</i> Total net acquisition of non-financial assets	6,003	6,959	7,394	6,689	5,400
<i>Equals</i> GFS Net lending / (borrowing) (Fiscal Balance)	(5,680)	(6,448)	(7,053)	(6,441)	(5,393)

Note:

1. Numbers may not add due to rounding.

Non-financial Public Sector Balance Sheet ¹

	2006-07 Budget ² \$ million	2006-07 Revised Budget \$ million	2007-08 Revised Projection \$ million	2008-09 Revised Projection \$ million	2009-10 Revised Projection \$ million
Assets					
Financial Assets					
Cash and deposits	1,018	1,278	1,431	1,537	1,681
Advances paid	188	218	220	221	223
Investments, loans and placements	25,970	28,153	29,832	31,466	33,276
Other non-equity assets	2,797	3,507	3,540	3,633	3,604
Equity	1,124	2,047	2,053	2,059	2,065
Total Financial Assets	31,097	35,202	37,077	38,916	40,847
Non-Financial Assets	119,072	125,599	135,583	144,841	152,916
Total Assets	150,169	160,800	172,659	183,757	193,764
Liabilities					
Deposits held	75	60	57	57	56
Advances received	455	461	449	437	426
Borrowing	21,748	22,487	30,135	37,082	43,093
Superannuation liability	19,017	19,104	20,280	21,429	22,516
Other employee entitlements and provisions	5,291	5,468	5,710	6,004	6,304
Other non-equity liabilities	4,551	5,465	5,270	5,091	4,960
Total Liabilities	51,137	53,045	61,902	70,100	77,356
Net Worth					
Net Financial Worth	(20,040)	(17,844)	(24,825)	(31,184)	(36,508)
Net Debt	(4,898)	(6,640)	(842)	4,351	8,396

Notes:

1. Numbers may not add due to rounding.
2. 2006-07 Original Budget has been restated where subsequent changes in classification have occurred, to ensure comparability with estimates.

Non-financial Public Sector Cash Flow Statement ¹

	2006-07 Budget \$ million	2006-07 Revised Budget \$ million	2007-08 Revised Projection \$ million	2008-09 Revised Projection \$ million	2009-10 Revised Projection \$ million
Receipts from operating activities					
Taxes received	7,517	7,906	8,475	8,976	9,474
Grants and subsidies received	13,743	13,888	14,334	14,633	15,037
Sales of goods and services	11,980	12,638	13,027	13,703	14,240
Other receipts	5,560	5,669	5,355	5,453	5,670
Total	38,801	40,101	41,191	42,766	44,422
Payments for operating activities					
Payments for goods and services	(25,573)	(25,552)	(26,968)	(27,996)	(29,236)
Grants and subsidies	(5,615)	(5,679)	(5,713)	(5,599)	(5,655)
Interest	(1,102)	(1,154)	(1,438)	(1,738)	(2,015)
Other payments	(1,400)	(1,534)	(1,571)	(1,581)	(1,602)
Total	(33,691)	(33,919)	(35,691)	(36,915)	(38,508)
Net cash inflows from operating activities	5,110	6,182	5,500	5,851	5,915
Payments for investments in non-financial assets					
Purchases of non-financial assets	(9,561)	(10,835)	(11,701)	(11,158)	(9,933)
Sales of non-financial assets	351	385	512	389	350
Total	(9,211)	(10,450)	(11,189)	(10,769)	(9,583)
Payments for investments in financial assets for policy purposes	..	(188)	..	..	..
Payments for investments in financial assets for liquidity purposes	(1,315)	(1,878)	(1,566)	(1,603)	(1,752)
Receipts from financing activities					
Advances received (net)	(15)	(15)	(15)	(15)	(14)
Borrowing (net)	4,586	4,503	7,426	6,643	5,579
Deposits received (net)	..	1	(3)	(1)	(1)
Total	4,572	4,489	7,408	6,627	5,564
Net increase/(decrease) in cash held	(844)	(1,845)	153	106	144
Net cash from operating activities and investments in non-financial assets	(4,101)	(4,268)	(5,688)	(4,918)	(3,668)
GFS Surplus/(deficit)	(4,101)	(4,268)	(5,688)	(4,918)	(3,668)

Note:

1. Numbers may not add due to rounding.