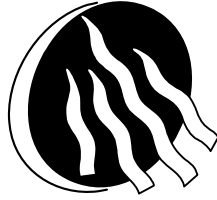


# State Budget 2009–10

Mid Year Fiscal and Economic Review





**Queensland**  
Government

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**STATE BUDGET**  
**2009-10**

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**MID YEAR FISCAL**  
**AND ECONOMIC REVIEW**



## **BACKGROUND**

The Mid Year Fiscal and Economic Review (MYFER) is required by the Australian Loan Council's *Uniform Presentation Framework*.

The MYFER presents revised fiscal estimates for the current Budget year and the three following years for the General Government, Public Non-financial Corporations and Non-financial Public sectors. These revised estimates take into account fiscal and economic developments since the preparation of the 2009-10 Budget.

The MYFER also includes a revised estimate of the Loan Council Allocation.

## **OVERVIEW**

Global economic and fiscal conditions over the last 12 months have been the toughest in decades. While the Queensland and national economies have proved resilient in relative terms, economic growth in Queensland nonetheless slowed significantly in 2008-09 to its weakest rate since 1990-91, as the global financial crisis impacted the nation and the state.

Fiscal conditions remain challenging. While the General Government sector was able to record a marginal net operating surplus in 2008-09, the final result was still \$774 million below the original 2008-09 Budget estimate.

Economic conditions have improved since the 2009-10 Budget, leading to modest improvements in the majority of economic and fiscal forecasts. Despite this, further significant improvement will be needed before growth can return to trend. Reflecting ongoing weakness in revenues, Queensland is still forecasting substantial net operating deficits across each year of the forward estimates.

## **ECONOMIC CONDITIONS AND OUTLOOK**

### **External Conditions**

The global economic outlook has improved since the State Budget was released in mid-June. Expansionary monetary and fiscal settings across developed and developing economies have gained stronger than expected traction on real economic activity. Financial market sentiment has continued to improve, with share markets trending higher since cyclical troughs in early March 2009 and interbank interest rate spreads narrowing to levels below those preceding the collapse of Lehman Brothers in September 2008. Reflecting improved confidence and better financing conditions, businesses have switched from de-stocking to inventory rebuilding, supporting a turnaround in global industrial production.

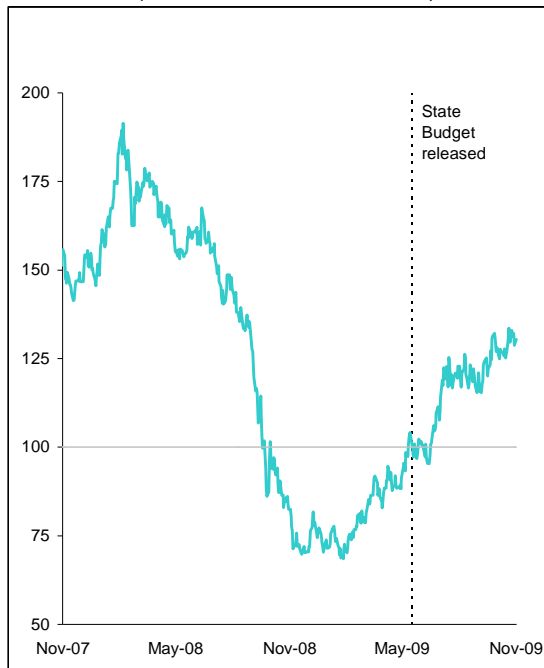
Queensland's major trading partner economies as a whole are now expected to contract by 1½% in 2009, compared with a 3% fall anticipated at Budget time (see following table). This shallower than expected downturn is largely due to resilience within the non-Japan Asian region, in particular China and India. Reflecting a more broadly based improvement in the outlook, major trading partner economies are expected to expand by 3½% in 2010, compared with 1½% previously predicted. As a result, major trading partner output is now forecast to return to mid-2008 levels by the second half of 2010, rather than the second half of 2011 as expected at Budget.

Queensland major trading partner GDP outlook (annual % change)					
	2008	2009		2010	
	Actual	Budget	MYFER	Budget	MYFER
Major trading partners <sup>1</sup>	2	-3	-1½	1½	3½
Non-Japan Asia <sup>2</sup>	4	-¾	2	3	5¾
Japan	-¾	-6¾	-5¾	½	1½
Europe <sup>3</sup>	¾	-4¾	-4	-½	¾
United States	½	-2¾	-2½	0	2¾

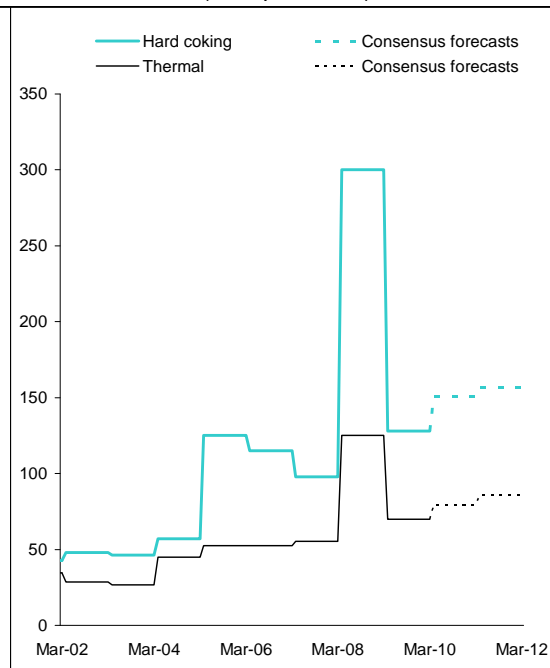
1. Export weighted.  
2. Includes New Zealand.  
3. Includes United Kingdom.  
Sources: International Monetary Fund, Consensus Economics and Queensland Treasury.

Prospects of a stronger global economic recovery have also seen commodity prices improve since the time of the Budget (see chart below). International prices of zinc, lead and copper have risen more than 30%, while international prices for aluminium and nickel are also higher. Looking ahead, *Consensus Forecasts* expects hard coking and thermal coal contract prices to be settled higher for the 2010-11 Japanese fiscal year (JFY), beginning April 2010, compared with prices negotiated for the 2009-10 JFY.

**US\$ Base Metal Price Index<sup>1</sup>**  
(Index, 16 June 2009 = 100)



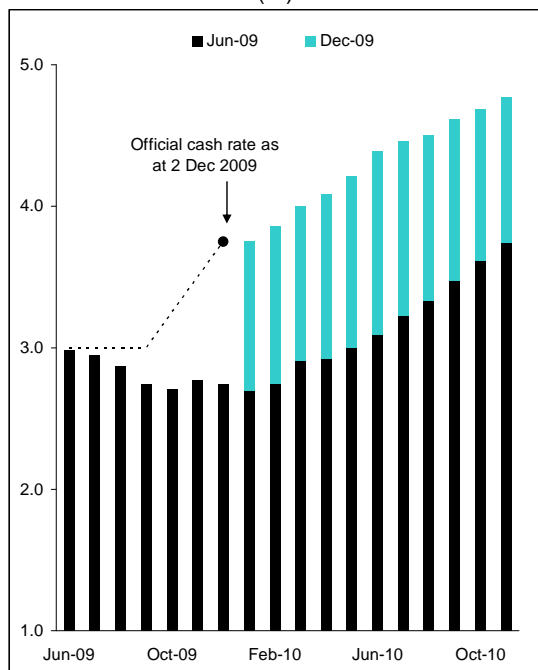
**Contract Coal Prices**  
(US\$ per tonne)



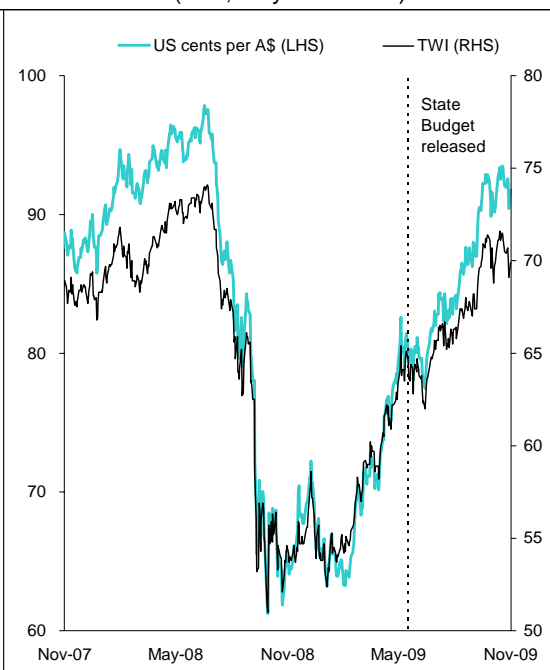
1. Export-weighted average of US\$ prices for aluminium, copper, lead, nickel and zinc, Sources: DataStream, Reuters and Consensus Economics.

A stronger global economic outlook has also contributed toward higher domestic interest rates and a higher A\$. The cash rate was increased in each month from October to December 2009, to 3.75%, while futures markets expect further rises to 4.75% by the end of 2010. In contrast, financial markets priced in a cash rate of only 3.75% by the end of 2010 at Budget time. With Australia's monetary tightening cycle leading that of the major economies, as well as increased investor risk appetite, the A\$ has appreciated by around 50% and 40% in US\$ and trade-weighted index (TWI) terms respectively since its low in October 2008.

**Cash Rate Expectations<sup>1</sup>**  
(%)



**The A\$ Exchange Rate**  
(TWI, May 1970=100)



1. The implied yields based on 30 day interbank cash rate futures contracts in Jun-09 was as at 16 June 2009. The current implied yields are as at 1 December 2009.

Sources: DataStream, ASX, Queensland Treasury.

## Domestic Economic Outlook

The Queensland economy proved relatively resilient in 2008-09, expanding during a year when most major economies experienced deep recessions and global financial market conditions deteriorated. However, with economic growth easing to 0.8%, to be largely in line with growth nationally, 2008-09 represented the weakest year for the State economy since 1990-91. The financial crisis weighed on household confidence in particular, as well as on export demand from regions outside of emerging Asia and other parts of Australia.

Reflecting an improvement in global economic and financial conditions, the outlook for the Queensland economy has strengthened since the Budget. The economy is now forecast to expand by 1% in 2009-10, compared with a ¼% contraction forecast at Budget time, while growth is forecast to strengthen to 3½% in 2010-11, above the 2¾% originally anticipated. Nevertheless, along with the modest economic growth in 2008-09, this would still represent a three-year period of below trend growth in Queensland.

Economic forecasts <sup>1</sup> (annual % change)					
	2008-09	2009-10		2010-11	
	Actual	Budget	Mid-year	Budget	Mid-year
<b>Queensland</b>					
Gross state product <sup>2</sup>	0.8	-¼	1	2¾	3½
Employment	2.2	-¾	¼	1¼	2
Unemployment rate	4.4	6½	6¼	7¼	6½
Inflation	3.7	2½	2½	2½	2½
Wage Price Index	4.2	3½	3½	3¼	3½
Population	2.6	2¼	2¼	2	2
<b>Australia</b>					
Gross domestic product <sup>2</sup>	1.0	-½	1½	2¼	2¾
Employment <sup>4</sup>	0.1	-1½	¼	½	1½
Unemployment rate <sup>5</sup>	5.7	8¼	6¾	8½	6½
Inflation <sup>4</sup>	1.5	1¾	2¼	1½	2¼
Wage Price Index <sup>4</sup>	3.8	3¼	3¼	3¼	3½
Population <sup>3</sup>	1.9	1¾	1¾	1¼	1¼

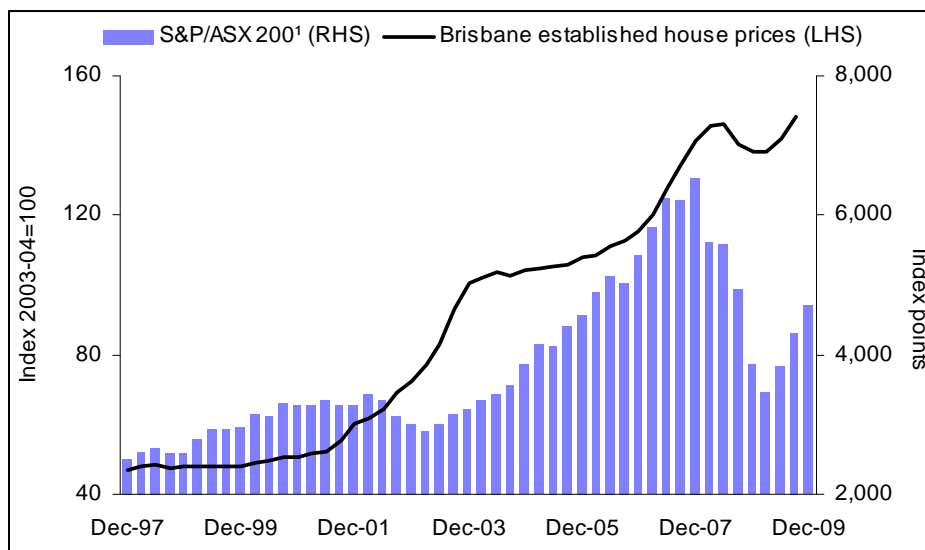
1. All numbers are in year-average terms unless stated otherwise.  
2. CVM, 2006-07 reference year.  
3. Australian estimates are through-the-year to 31 December.  
4. Through-the-year growth to the June quarter.  
5. Estimate for the June quarter. Year average estimates at MYEFO are 6¼% for 2009-10 and 6½% for 2010-11.

Sources: Queensland Treasury and Australian Government 2009-10 MYEFO.

### Private consumption

The outlook for private consumption has improved, with a partial recovery in wealth expected to limit the extent of household de-leveraging that would have otherwise occurred. Since Budget, Australian equity prices have increased further and are now around one-third below their highs in late 2007. Partly assisted by policies supporting housing demand, Brisbane house prices reached new peaks in late 2009, with strong growth in recent quarters more than reversing the slight falls over 2008. While higher than expected interest rates will affect disposable incomes, greater than expected resilience in employment and wages growth should also support household consumption in the short-term.

#### Asset Prices for Households



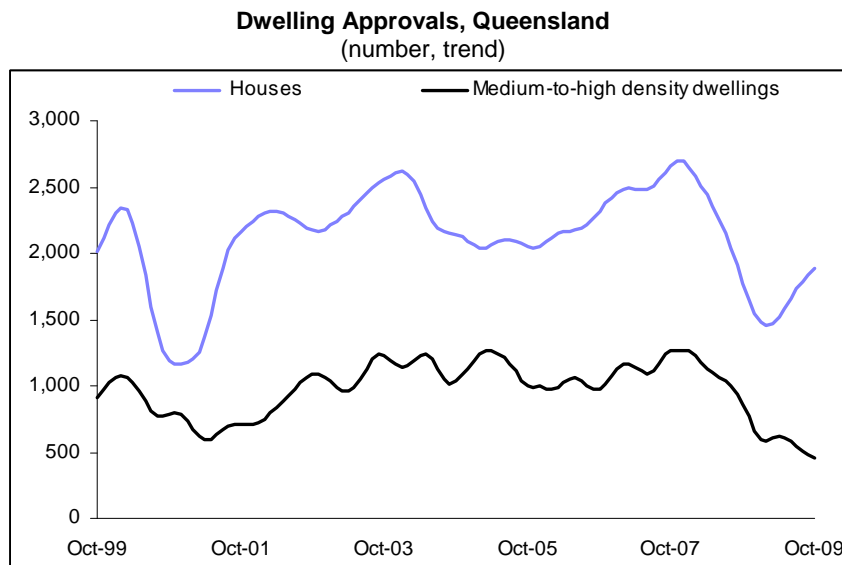
1. December quarter 2009 to date  
Sources: DataStream, ABS 6416.0.



## ***Dwelling investment***

The short-term outlook for the housing sector remains subdued. The number of approvals to construct medium-to-high density dwellings continued to trend downwards in recent months, in part due to ongoing tight commercial credit conditions for developers and investors. Partially offsetting this, leading indicators point to a sharp rise in the construction of new homes over 2009-10. In particular, owner-occupier demand has been supported by the First Home Owners Boost and State Government transfer duty concessions, as well as the monetary easing cycle over the course of 2008-09.

Although the reversal in monetary stance is expected to be more pronounced than anticipated at Budget time, a recovery in dwelling investment is still expected for 2010-11. Solid population growth, combined with growth in rents in recent years, is expected to support underlying demand for dwellings. Rising house prices and some further improvement in credit conditions should also encourage investor activity next year.



Source: ABS 8731.0.

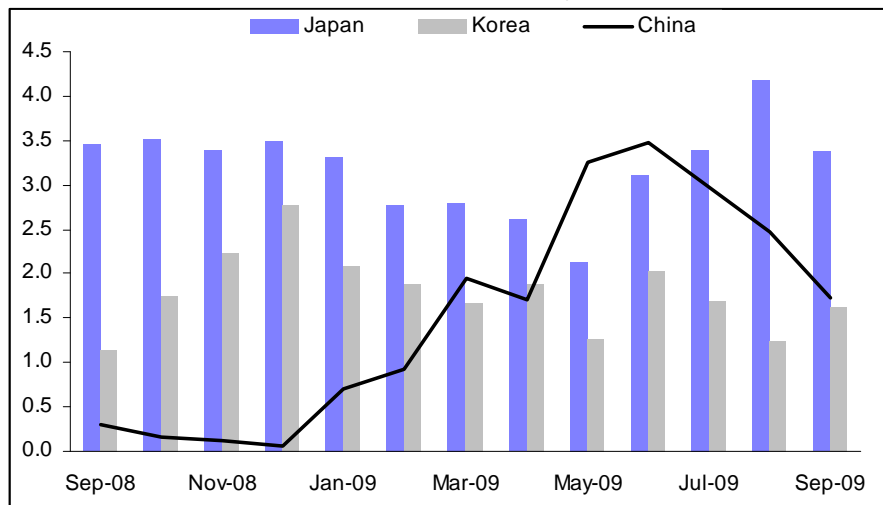
## ***Business investment***

The decline in business investment is not expected to be as large as the 17% originally predicted for 2009-10, with investment forecast to stabilise by 2010-11, rather than fall further as forecast in the Budget. The appreciation in the A\$, which has made imported capital goods relatively cheaper, is expected to limit any fall in machinery and equipment investment in 2009-10. The faster than expected recovery in the global economy will benefit mining investment, although the lead times for new projects in this sector suggest this will provide more support to business investment in 2010-11 than in 2009-10. Commercial property construction is still expected to decline considerably this year, with significant construction that started before the global financial crisis now completed and recent softer employment growth causing office vacancy rates to rise.

## Exports

Total exports are expected to fall less in 2009-10 than expected in the Budget, reflecting an improvement in the global economic outlook. Furthermore, the surge in China's demand for Queensland coal, although abating in recent months, has continued for longer than anticipated, reflecting faster than expected economic growth and ongoing consolidation of the Chinese coal industry. Offsetting this, other exports, including education, tourism, manufactures and beef, are expected to be adversely affected by a higher A\$ exchange rate. A drier than normal winter has also tempered growth in agricultural production and exports. Strong growth in overall exports is expected to return by 2010-11, when the global recovery gathers pace.

**Chart 5: Hard Coking and Thermal Coal Exports, Queensland**  
(million tonnes, monthly)



Source: ABS unpublished trade data.

## Labour market

In line with the improved economic outlook, year-average employment is now forecast to rise marginally in 2009-10, a significant improvement on the forecast fall of ¾% in the Budget. Employment in the first four months of 2009-10 was largely unchanged compared with the same period a year earlier, while job advertisements have stabilised in recent months. The resilience in employment conditions also reflects the fact that much of the reduction in labour demand has been accommodated by a fall in average working hours. However, labour force growth is expected to exceed that originally forecast. In particular, the participation rate has remained high, reflecting a less pronounced outflow of mature aged workers from the labour force in the current downturn. On balance, the unemployment rate is expected to rise from a year-average rate of 4.4% in 2008-09 to 6¼% in 2009-10, slightly lower than the Budget forecast of 6½%. However, this implies a further rise in the quarterly unemployment rate, which is predicted to peak in mid-2010.

With economic growth expected to strengthen into 2010-11, jobs growth is forecast to reach 2% next financial year, above the 1¼% forecast in the Budget. This would still represent a below average rate of employment growth, in line with below trend economic growth and reflecting some capacity for employers to reverse previous cuts in working hours prior to taking on more staff. As a result, jobs growth is expected to remain marginally below growth in the labour force, causing the unemployment rate to rise slightly in year-average terms to 6½% in 2010-11, although well below the 7¼% originally anticipated.

## Risks and Opportunities

Global conditions have recovered earlier and faster than previously predicted, partly due to concerted monetary and fiscal stimuli, as well as a sharp inventory rebuilding cycle. However, uncertainty exists over the pace and sustainability of the recovery, both in economies and financial markets, once the impact of these drivers dissipates. In particular, the Chinese government may wind back its stimulus measures earlier than currently expected if the risk of inflation and asset price bubbles arise, which would reduce its demand for coal and metal imports. An unwinding of global savings imbalances also poses a risk to growth, depending on Asia's ability to replace export led growth with domestic demand.

Higher interest rates and any further appreciation in the A\$ could also weigh on the outlook for the Queensland economy. Given elevated levels of household debt relative to previous tightening cycles, the impact of higher interest rates on private consumption may be greater than currently anticipated. If interest rate differentials between Australian and other economies widen more than predicted, the A\$ may also continue to rise. This would exacerbate the fall in export earnings for the large portion of the State's exports traded in foreign currency terms and also deter overseas students and tourists.

The outlook for private investment is also dependent on a further recovery in credit conditions. In particular, if financing remains tight for medium-to-high density residential construction and commercial property for an extended period, this would weigh on the recovery in overall dwelling and business investment going forward.

However, emerging Asia, which proved resilient during the financial crisis, continues to provide growth opportunities for Queensland. The recent surge in Chinese demand for Australian resources may extend longer than currently anticipated, while India's ongoing urbanisation may see this economy expand its resource imports from Queensland. The current progress in the development of major liquefied natural gas processing facilities in Queensland should see this industry contribute strongly to the economy, particularly in the longer term.

## FISCAL OUTLOOK

### GENERAL GOVERNMENT SECTOR

Key financial aggregates						
	2008-09 Actual \$ million	2009-10 Budget \$ million	2009-10 Revised \$ million	2010-11 Projection \$ million	2011-12 Projection \$ million	2012-13 Projection \$ million
Revenue	37,008	37,192	37,286	37,806	39,044	41,275
Expenses	36,974	39,146	39,637	40,948	42,309	43,774
Net operating balance	35	(1,954)	(2,351)	(3,142)	(3,264)	(2,499)
Cash surplus/(deficit)	(2,839)	(6,838)	(7,363)	(8,221)	(5,165)	(2,878)
Capital purchases	6,960	9,270	9,108	8,881	6,300	4,514
Net borrowing	3,728	7,954	6,722	9,948	6,809	4,408
Gross borrowing	10,278	18,775	17,063	27,053	33,879	38,274
Net worth	184,619	151,144	185,476	185,220	185,368	186,770
Net debt	(19,281)	(10,672)	(11,566)	(2,964)	2,416	5,455

#### *Operating balance*

The operating balance expected for 2009-10 is a deficit of \$2.351 billion compared to a forecast deficit of \$1.954 billion at the time of the 2009-10 Budget. The \$397 million decline in the net operating balance since the Budget primarily reflects:

- a \$227 million downward revision to royalty estimates, due to the appreciation of the A\$-US\$ exchange rate
- revisions to Commonwealth funding in particular reflecting the Commonwealth's preferred treatment of its contribution to the Gold Coast Rapid Transit project as equity which reduces revenue by \$365 million.
- the decision in relation to the Traveston Dam which requires the State to budget for a payment of \$265 million to Queensland Water Infrastructure, representing the amount of expenditure on the Dam project considered to be non-recoverable.

These downward revisions have been somewhat offset by modest improvements in taxation and GST revenue as well as actuarial revisions to superannuation. However, these improvements have not been sufficient to offset the impact of the Traveston Dam decision and the changed treatment of funding for the Gold Coast Rapid Transit project which together total \$630 million.

Beyond 2009-10 there have been improvements in the net operating balance in each year of the forward estimates. Deficits of between \$2.5 billion and \$3.3 billion are now forecast, compared with deficits of between \$3.3 billion and \$4.1 billion forecast at the time of the 2009-10 Budget.

Modest upward revisions to taxation (averaging \$120 million per annum), royalty (averaging \$150 million per annum) and GST revenue (averaging \$270 million per annum) estimates as well as actuarial adjustments to superannuation have driven the improved position.

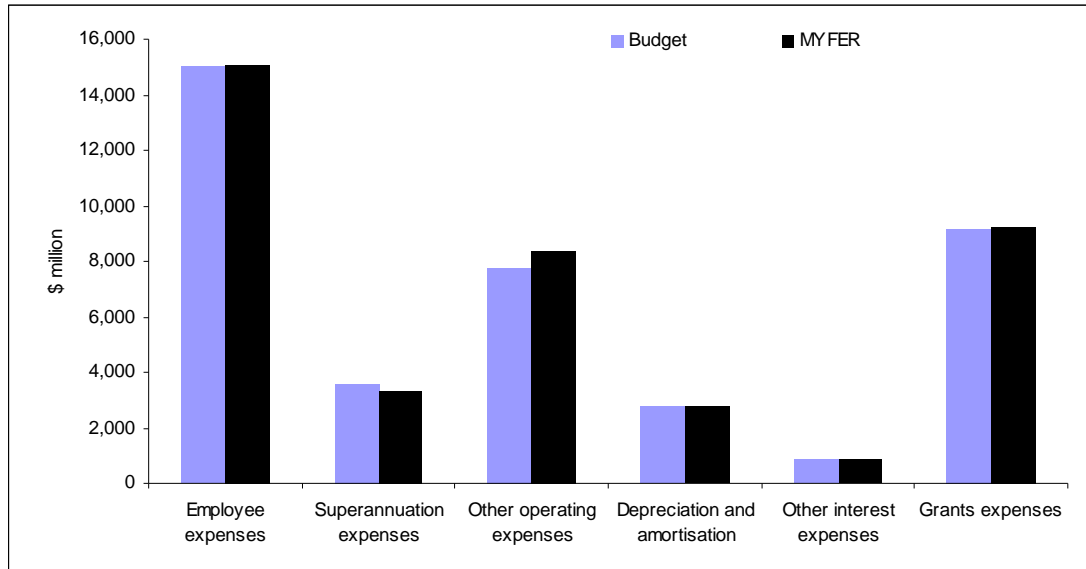
These improvements have been marginally offset by downward revisions to estimates of dividend and tax equivalent payments from the State's electricity generators as a result of falls in the electricity pool price.

The table below provides a reconciliation of the current net operating balance for 2009-10 to the 2009-10 Budget estimate.

<b>Reconciliation of 2009-10 Budget and MYFER net operating balances<sup>1</sup></b>	
	2009-10 \$ million
<b>2009-10 Budget net operating balance</b>	<b>(1,954)</b>
Expenditure policy decisions <sup>2</sup>	(133)
Taxation revisions <sup>3</sup>	133
Royalty revisions <sup>4</sup>	(227)
GST revisions <sup>5</sup>	183
Net flows from PNFC sector entities <sup>6</sup>	(29)
Actuarial revisions <sup>7</sup>	284
Commonwealth preferred treatment for Gold Coast Rapid Transit project <sup>8</sup>	(365)
Commonwealth decision regarding Traveston Crossing Dam <sup>9</sup>	(265)
Other Commonwealth funding revisions <sup>10</sup>	96
Other parameter adjustments <sup>11</sup>	(72)
<b>Mid Year Fiscal and Economic Review net operating balance</b>	<b>(2,351)</b>
Notes:	
1. Denotes impact on net operating balance. Numbers may not add due to rounding.	
2. Reflects expenditure policy decisions taken since the 2009-10 Budget. Major items include funding to administer the asset sales process (cash outlays will be recoverable through the sale process), for the Southbank Education and Training Precinct, for community service obligation payments for rail infrastructure, for natural disaster related road repair works and for management of the H1N1 pandemic.	
3. Reflects changes in taxation estimates across a range of state taxes as outlined in the section on Revenue. Also includes changes in estimates to the First Home Owners Grant scheme administered by the Office of State Revenue and to reflect updated estimates of the final payments under the Fuel Subsidy Scheme.	
4. Reflects changes in royalty estimates largely due to the appreciation of the A\$-US\$ exchange rate.	
5. Provided by the Australian Government in their MYEFO.	
6. Reflects changes in dividend, tax equivalent and community service obligation payments from Government owned corporations and other commercial entities.	
7. Represents the impact of actuarial adjustments to the State's superannuation, long service leave and insurance schemes. 2009-10 adjustment primarily reflects falls in bond yields as at the date of valuation.	
8. At the time of the 2009-10 Budget, the Commonwealth's contribution to the project was treated as a grant – consistent with past practice and advice. The Commonwealth has since confirmed its contribution to the project should be treated as equity.	
9. Represents the amount to be paid to Queensland Water Infrastructure for non-recoverable expenses associated with the project.	
10. Represents the net impact of other revenue and expenditure adjustments associated with Commonwealth Government payments.	
11. Refers to adjustments of a non policy nature such as for growth funding, borrowing costs, movements in agency net operating balances and changes in the timing of expenditure.	

## Expenses

**Budget and Mid Year Fiscal and Economic Review Expenses, by Category  
General Government Sector 2009-10**



Expenses in 2009-10 are expected to be \$491 million (or 1.3%) higher than the Budget estimate, due largely to:

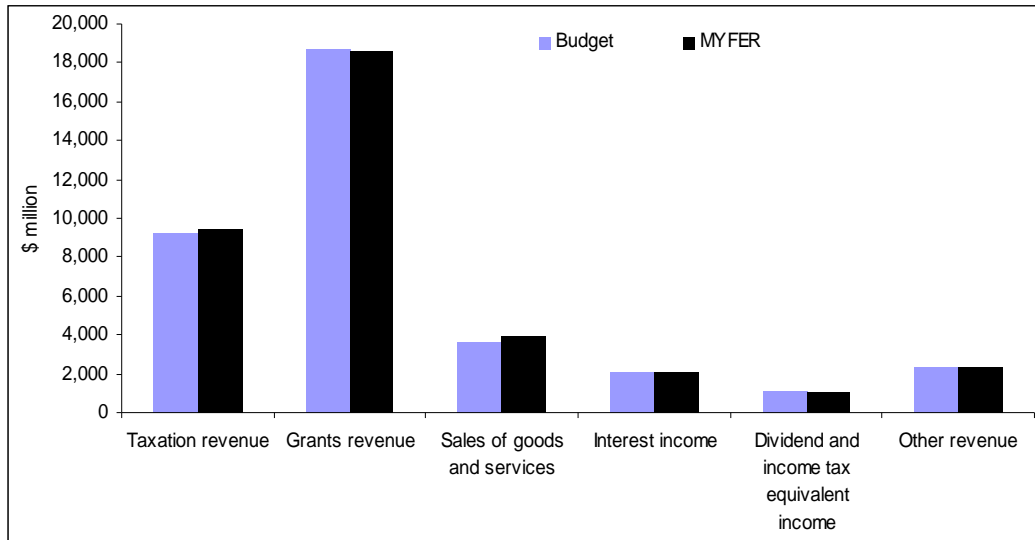
- additional funding for natural disaster related repair work
- repayment of Queensland Water Infrastructure debt related to the Traveston Crossing Dam including for those costs unlikely to be recovered through the sale of land
- funding for a range of policy measures such as the H1N1 pandemic, community service obligation payments for rail infrastructure and for administration of the State's asset sales process.

A key commitment of the Queensland Government is for growth in own-purpose expenses to not exceed real per capita growth. Expenditure growth, excluding Commonwealth related expenses, will average 3.52% each year over the forward estimates (beyond 2009-10). Further details on the Government's progress in achieving this goal is outlined in the section on *Fiscal Principles*.

The year on year growth in expenses over the forward estimates mainly relates to service enhancements in key service delivery areas including Australian Government partnerships and increases in wages, borrowing costs and depreciation.

## Revenue

**Budget and Mid Year Fiscal and Economic Review Revenue, by Category  
General Government Sector 2009-10**



General Government revenue in 2009-10 is estimated to be \$37.286 billion, \$94 million (or 0.3%) higher than the 2009-10 Budget estimate. This primarily reflects increases in sales of goods and services including for Translink related services and modest improvements in taxation and GST revenue. These are largely offset by downward revisions to royalty estimates, due to the appreciation of the A\$-US\$ exchange rate, and revisions to Commonwealth funding, particularly the Commonwealth's preferred treatment of its contribution to the Gold Coast Rapid Transit project.

The improved economic position has not translated into a significantly improved revenue outlook, including beyond the current financial year. With respect to royalties, the strength of the A\$ is partially offsetting improvements in the outlook for coal prices and volumes.

The modest increase in taxation forecasts of \$108 million (or 1.2%) in 2009-10 primarily reflects an increase in the transfer duty forecast. This is associated with an improved outlook for the owner-occupied property sector as a result of better employment prospects and historically low mortgage interest rates. However, the outlook for non-residential property and, to a lesser extent, residential investment property, remains subdued due to continuing tightness in credit conditions and expectations of below-trend rates of economic growth in 2009-10 and 2010-11. Growth in transfer duty is now estimated to be 0.8% higher than 2008-09, compared to the estimate of -3.3% in the 2009-10 Budget.

The payroll tax forecast for 2009-10 is unchanged since Budget, reflecting weaker than expected collections in recent months, which are expected to be offset by the improved outlook for the remainder of the year. While unemployment has not risen as quickly as anticipated this has been somewhat offset by a reduction in the average number of hours worked. Beyond 2009-10, payroll tax forecasts have been revised up slightly in light of the improved outlook for employment growth and the wage price index.

Gaming and casino taxes are expected to be lower than forecast in the 2009-10 Budget.

The table below outlines changes in taxation and royalty revenue since the 2009-10 Budget.

<b>Taxation and royalty revenue<sup>1</sup></b>			
	2008-09 Actual \$ million	2009-10 Budget \$ million	2009-10 Revised \$ million
<b>Payroll tax</b>	<b>2,754</b>	<b>2,736</b>	<b>2,736</b>
<b>Duties</b>			
Transfer	1,806	1,704	1,820
Vehicle registration	433	410	430
Insurance <sup>2</sup>	425	441	450
Other duties <sup>3</sup>	40	22	20
<b>Total duties</b>	<b>2,704</b>	<b>2,577</b>	<b>2,720</b>
<b>Gambling taxes and levies</b>			
Gaming machine tax	548	572	550
Health Services Levy	40	44	41
Lotteries taxes	212	232	232
Wagering taxes	40	41	41
Casino taxes and levies <sup>4</sup>	64	100	86
Keno tax	19	18	18
<b>Total gambling taxes and levies</b>	<b>922</b>	<b>1,006</b>	<b>967</b>
<b>Other taxes</b>			
Land tax	838	1,047	1,047
Motor vehicle registration	1,041	1,237	1,261
Fire levy	283	295	296
Community Ambulance Cover	140	145	145
Guarantee fees	129	175	155
Other taxes	65	69	69
<b>Total taxation revenue</b>	<b>8,877</b>	<b>9,287</b>	<b>9,395</b>
<b>Royalties</b>			
Coal	3,102	1,433	1,212
Other royalties and land rents	369	374	367
<b>Total Royalties</b>	<b>3,471</b>	<b>1,806</b>	<b>1,578</b>
Notes:			
1. Numbers may not add due to rounding.			
2. Includes duty on accident insurance premiums.			
3. Includes duty on mortgage in 2008-09 and on life insurance premiums.			
4. Includes community benefit levies.			

The Queensland Government is committed to maintaining a competitive tax environment for business. As outlined in the section on *Fiscal Principles*, Queensland's taxation revenue per capita is \$2,109 in 2009-10 compared to an average of the other states and territories of \$2,451.

Revenue growth from 2010-11 to 2012-13 is expected to average 3.46% per annum. This is mainly driven by taxation, GST and royalties returning to long-term trend levels from 2011-12 onwards, partly offset by reductions in Australian Government stimulus package flows, such as the Nation Building and Jobs Plan, as they reach completion.



### **Cash surplus/deficit**

A cash deficit of \$7.363 billion is expected in 2009-10, a \$525 million increase in the deficit since Budget. The revised position primarily reflects the decline in cashflows from operating activities associated with the increased operating deficit.

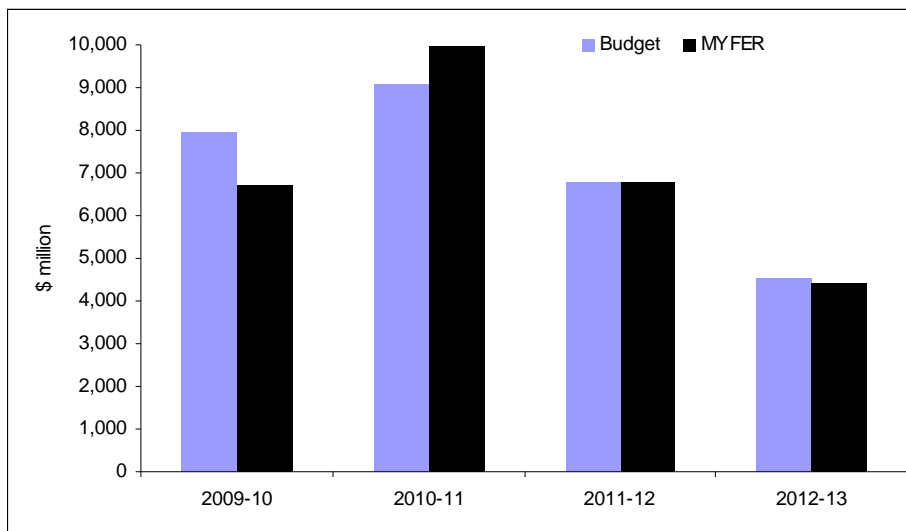
### **Capital purchases**

Purchases of non-financial assets (i.e. capital expenditure) are expected to be \$9.108 billion in 2009-10, marginally lower (1.7%) than the 2009-10 Budget estimate of \$9.270 billion reflecting a change in timing of capital payments.

Over the period 2009-10 to 2012-13, purchases of non-financial assets of \$28.8 billion are planned. This is \$521 million (or 1.8%) higher than anticipated at the time of the 2009-10 Budget. This increase largely reflects additional Commonwealth funding in the areas of roads and education as well as the investment of increased motor vehicle registration collections on road infrastructure.

### **Borrowing**

**Budget and Mid Year Fiscal and Economic Review  
General Government Sector Net Borrowings  
2009-10 to 2012-13**



Net borrowings of \$6.722 billion are expected in 2009-10, a decrease of \$1.232 billion compared with the 2009-10 Budget estimate.

Net borrowings over 2009-10 and the forward estimates are expected to be \$27.887 billion, \$478 million less than forecast at Budget largely reflecting the improved operating position. Of this, borrowings of \$1.681 billion are to fund equity injections to Public Non-financial Corporations, \$490 million more than forecast at the time of the 2009-10 Budget. This includes \$275 million for the acquisition of the other 50 per cent share of its joint venture partner in the Tarong North Power Station.

Gross borrowings (the stock of borrowings outstanding as stated in the balance sheet) of \$17.063 billion are forecast at 30 June 2010, \$1.712 billion less than the Budget estimate.

General Government gross borrowings are now expected to be \$38.274 billion by 2012-13, \$960 million lower than the 2012-13 estimate at Budget time.

## **Net worth**

The net worth, or equity, of the State is the amount by which the State's assets exceed its liabilities. This is the value of the investment held on behalf of the people of Queensland by public sector entities.

The net worth of the General Government sector at 30 June 2010 is estimated at \$185.476 billion. This is \$34.332 billion higher than the forecast in the 2009-10 Budget, primarily due to the first time valuation of land under roads in June 2009 in accordance with accounting standard AASB 1051 *Land under Roads*.

## **Net debt**

Net debt is the sum of advances received and borrowings less cash and deposits, advances paid and investments, loans and placements.

In 2009-10, net debt in the General Government sector is estimated to be negative \$11.566 billion, compared to negative \$10.672 billion estimated at the time of the 2009-10 Budget. The reduction in net debt primarily reflects the lower level of borrowings.

## **Fiscal Principles**

In the 2009-10 Budget the Government adopted a new fiscal strategy, setting out how it will restore Queensland's traditionally strong financial position, while maintaining services and continuing to deliver its commitments to the community.

The fiscal principles of the Queensland Government are broadly based around three themes: fiscal sustainability; a competitive tax regime; and managing the State's balance sheet.

The principles of the Queensland Government are:

- In the General Government sector, meet all operating expenses from operating revenue (where operating revenue is defined as total revenue from transactions and operating expenses are defined as total expenses from transactions less depreciation).
- Growth in own-purpose expenses in the General Government sector not to exceed real per capita growth.
- Achieve a General Government net operating surplus as soon as possible, but no later than 2015-16.
- Maintain a competitive tax environment for business.
- Stabilise net financial liabilities as a proportion of revenue in the Non-financial Public sector.
- Target full funding of long-term liabilities such as superannuation in accordance with actuarial advice.

<b>The fiscal principles of the Queensland Government</b>			
<b>Principle</b>	<b>Indicator</b>		
<b>Fiscal sustainability</b>			
In the General Government sector, meet all operating expenses from operating revenue (where operating revenue is defined as total revenue from transactions and operating expenses are defined as total expenses from transactions less depreciation)		<i>Operating Revenue (\$ million)</i>	<i>Operating expenses less depreciation (\$ million)</i>
	2009-10	37,286	36,873
	2010-11	37,806	37,917
	2011-12	39,044	39,062
	2012-13	41,275	40,396
Growth in own-purpose expenses in the General Government sector not to exceed real per capita growth	<i>Growth in:</i>	<i>Own purpose expense<sup>1</sup></i>	<i>Inflation plus population</i>
	2009-10	6.63%	4.75%
	2010-11	3.52%	4.50%
	2011-12	3.63%	4.50%
	2012-13	3.41%	4.75%
Avg over FEs	4.30%	4.63%	
Achieve a General Government net operating surplus as soon as possible, but no later than 2015-16	<i>Net operating balance (\$ million)</i>		
	2009-10		(2,351)
	2010-11		(3,142)
	2011-12		(3,264)
	2012-13		(2,499)
<b>Competitive tax regime</b>			
Maintain a competitive tax environment for business	<i>Taxation revenue per capita, 2009-10</i>		
	Queensland:		\$ 2,109
	Average of other states and territories:		\$ 2,451
<b>Managing the State's balance sheet</b>			
Stabilise net financial liabilities as a proportion of revenue in the Non-financial Public Sector	<i>Net Financial Liabilities/Revenue Non-financial Public Sector</i>		
	2009-10		108%
	2010-11		135%
	2011-12		147%
	2012-13		148%
Target full funding of long-term liabilities such as superannuation in accordance with actuarial advice	As at last actuarial review (released June 2008), accruing superannuation liabilities were fully funded. The State Actuary reviews the scheme every 3 years.		
Notes:			
1. Superannuation interest costs have been normalised to reflect the assumed long run rate of return.			

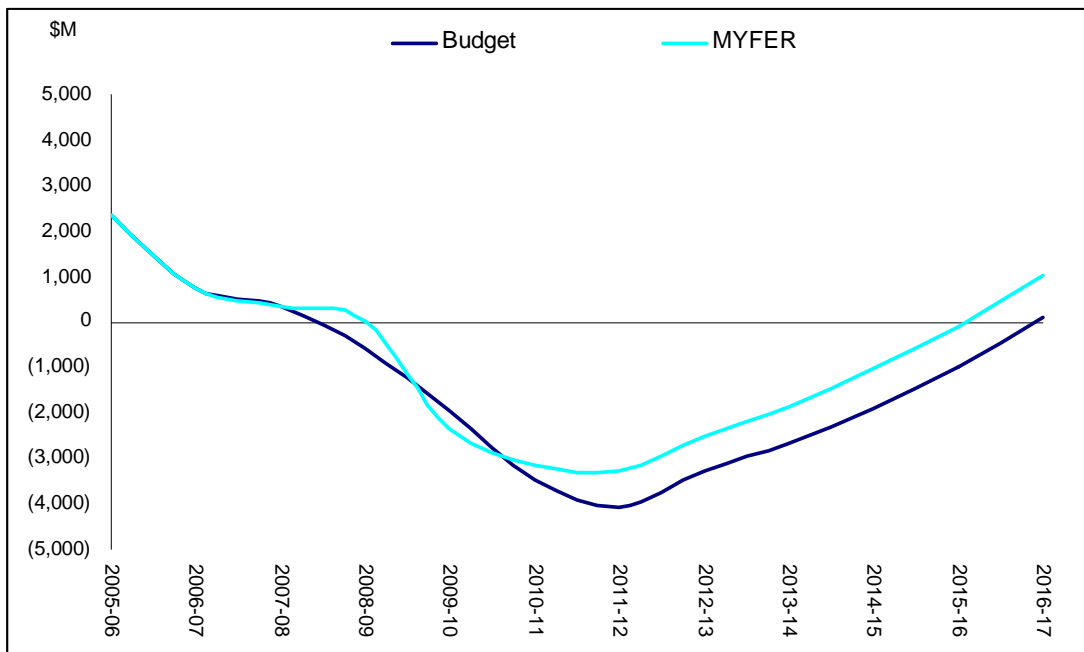
### **Path back to surplus**

As outlined in the 2009-10 Budget, returning the Budget to surplus is a key element of the Government's revised fiscal principles but this is highly dependent on economic and population growth in the State as well as on the policy decisions of Government.

The fiscal principle relating to the General Government net operating balance requires the Government to achieve a General Government net operating surplus as soon as possible, but no later than 2015-16.

The chart below notionally indicates a deficit position for Queensland until 2015-16 although deficits are expected to be smaller over the forward estimates years than anticipated in the 2009-10 Budget. Further, as was the case at the 2009-10 Budget, it is expected that the significant program of asset sales, which are not factored into the forward estimates, will make a positive contribution to the General Government sector and will assist in meeting this fiscal principle.

**Budget and Mid Year Fiscal and Economic Review  
General Government Sector Net Operating Balance, 2005-06 to 2016-17**



## **PUBLIC NON-FINANCIAL CORPORATIONS SECTOR**

The Public Non-Financial Corporations (PNFC) sector is projected to have a net operating surplus of \$205 million in 2009-10, a decrease of \$136 million compared to the 2009-10 Budget estimate. This is largely due to an increase in QR Limited's (QR) depreciation expense in 2009-10, following the revaluation of its infrastructure assets from cost to fair value in accordance with revised accounting standards, partially offset by small increases in revenue for a number of other PNFC sector entities.

The PNFC sector net operating surplus is forecast to increase to \$1.034 billion by 2012-13. This increase is partly due to the South East Queensland Water Grid Manager's operating deficit being projected to reduce, as the bulk water price path arrangements set by the Government in May 2008 are implemented.

Capital spending (purchases of non-financial assets) in the PNFC sector has been revised upwards from the Budget estimate over the four years from 2009-10. Capital spending over this period is expected to total \$26.773 billion, an increase of \$2.642 billion over the Budget estimate of \$24.131 billion. This increase primarily reflects the inclusion of QR's \$1.1 billion Goonyella to Abbot Point project, which was announced by the Premier on 23 October 2009, and other increases in capital spending over the forward estimates for the electricity distribution Government owned corporations and Queensland Motorways Limited.

Net borrowings are forecast to decrease to \$4.115 billion in 2009-10 compared to the Budget estimate of \$5.335 billion. This is partially due to a net increase in equity injections being provided to PNFC sector entities in 2009-10 compared to the Budget estimate, resulting in a reduction in net borrowings for those entities receiving the equity injections. In addition, there have been significant changes to several of the State water entities' Budget forecasts, in particular a reduction in net new borrowings in the forward estimates relating to the Traveston Crossing Dam project, following the Commonwealth Government's announcement that the project will not go ahead. In the longer term, it is expected there will be a need to fund alternative water supply options, such as desalination plants, with the Queensland Water Commission's 50 year SEQ Water Strategy indicating that additional supplies could be required as early as 2017, depending on a range of factors.

The 2009-10 cash deficit is forecast to be \$6.261 billion in 2009-10, a marginal increase compared to the Budget estimate of \$6.169 billion, which reflects the increased capital spend forecast for 2009-10.

The net worth of the PNFC sector has been revised upwards by \$8.548 billion from the Budget estimate to \$27.998 billion in 2009-10. This increase is largely due to a significant upwards revaluation of QR's infrastructure assets in the 2008-09 year end process.

## **NON-FINANCIAL PUBLIC SECTOR**

The Non-financial Public (NFP) sector is essentially the amalgam of the General Government and PNFC sectors, with transactions between these sectors being eliminated.

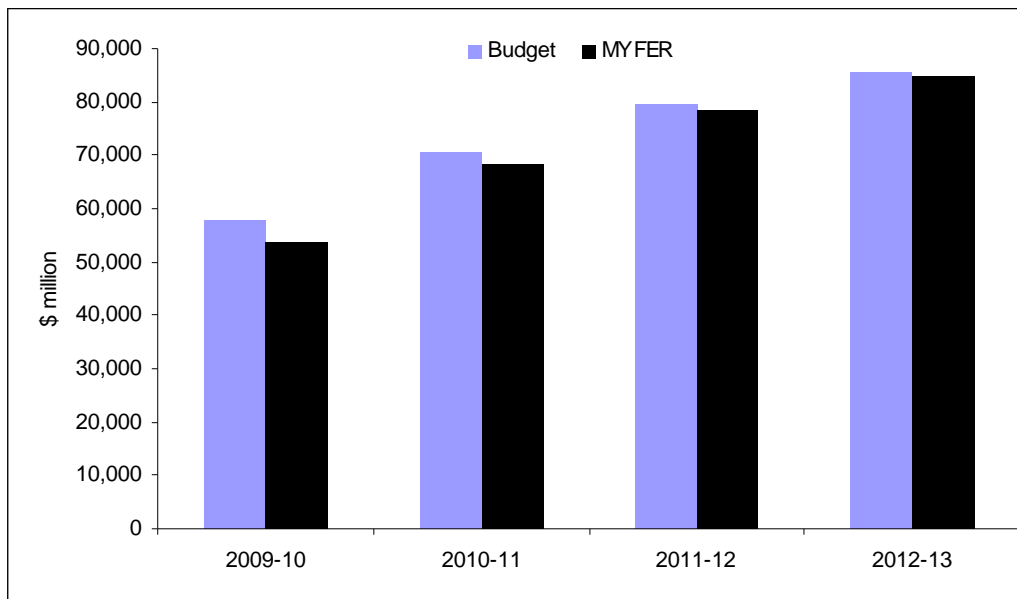
Purchases of non-financial assets (capital spending) of \$17.574 billion are expected in the NFP sector in 2009-10, marginally higher (1.7% or \$302 million) than the 2009-10 Budget estimate, reflecting the upward revision to capital spending in the PNFC sector.

Over the period 2009-10 to 2012-13, NFP sector purchases of non-financial assets of \$55.577 billion is planned. This is \$3.165 billion higher than anticipated at the time of the 2009-10 Budget, largely driven by increased expenditure in the PNFC sector.

Net borrowings of \$10.836 billion are expected in the NFP sector in 2009-10, a decrease of \$2.453 billion compared with the 2009-10 Budget estimate. Borrowings over 2009-10 and forward estimates are expected to be \$41.911 billion. This reflects higher than forecast borrowings in the PNFC sector partially offset by a reduction in borrowings in the General Government sector.

Gross borrowings of \$53.710 billion are projected at 30 June 2010, \$4.013 billion lower than the 2009-10 Budget estimate. By 2012-13, gross borrowings are expected to reach \$84.771 billion, \$748 million lower than the estimate at the time of the 2009-10 Budget due to lower than expected borrowings in the General Government sector.

**Budget and Mid Year Fiscal and Economic Review  
Non-financial Public Sector Gross Borrowings  
2009-10 to 2012-13**



# UNIFORM PRESENTATION FRAMEWORK AND LOAN COUNCIL ALLOCATION

## Uniform Presentation Framework Information

<b>General Government Sector Operating Statement<sup>1</sup></b>					
	2009-10 Budget <sup>2</sup> \$ million	2009-10 Revised \$ million	2010-11 Projection \$ million	2011-12 Projection \$ million	2012-13 Projection \$ million
<b>Revenue from Transactions</b>					
	9,287	9,395	10,121	10,896	11,728
Taxation revenue					
Grants revenue	18,735	18,558	17,616	17,395	18,016
Sales of goods and services	3,650	3,897	3,980	4,108	4,220
Interest income	2,017	2,083	2,082	2,182	2,279
Dividend and income tax equivalent income	1,150	1,059	1,474	1,556	2,059
Other revenue	2,354	2,295	2,532	2,907	2,973
<b>Total Revenue from Transactions</b>	<b>37,192</b>	<b>37,286</b>	<b>37,806</b>	<b>39,044</b>	<b>41,275</b>
<i>Less</i>					
<b>Expenses from Transactions</b>					
Employee expenses	15,006	15,104	15,896	16,770	17,151
Superannuation expenses					
Superannuation interest cost	1,468	1,206	1,268	1,319	1,367
Other superannuation expenses	2,093	2,102	2,123	2,160	2,166
Other operating expenses	7,776	8,352	8,127	8,600	9,001
Depreciation and amortisation	2,773	2,764	3,031	3,247	3,378
Other interest expenses	887	877	1,371	1,905	2,267
Grants expenses	9,143	9,232	9,132	8,305	8,443
<b>Total Expenses from Transactions</b>	<b>39,146</b>	<b>39,637</b>	<b>40,948</b>	<b>42,309</b>	<b>43,774</b>
<i>Equals</i>					
<b>Net Operating Balance</b>	<b>(1,954)</b>	<b>(2,351)</b>	<b>(3,142)</b>	<b>(3,264)</b>	<b>(2,499)</b>
<i>Plus</i>					
Other economic flows - included in operating result	66	39	22	12	24
<i>Equals</i>					
<b>Operating Result</b>	<b>(1,888)</b>	<b>(2,312)</b>	<b>(3,121)</b>	<b>(3,252)</b>	<b>(2,475)</b>
<i>Plus</i>					
Other economic flows - other movements in equity	3,232	3,187	2,865	3,400	3,877
<i>Equals</i>					
<b>Comprehensive Result - Total Change In Net Worth</b>	<b>1,344</b>	<b>875</b>	<b>(255)</b>	<b>148</b>	<b>1,402</b>
<b>KEY FISCAL AGGREGATES</b>					
	(1,954)	(2,351)	(3,142)	(3,264)	(2,499)
<b>Net Operating Balance</b>					
<i>Less</i>					
<b>Net Acquisition of Non-financial Assets</b>					
Purchases of non-financial assets	9,270	9,108	8,881	6,300	4,514
<i>Less</i> Sales of non-financial assets	251	255	267	207	357
<i>Less</i> Depreciation	2,773	2,764	3,031	3,247	3,378
<i>Plus</i> Change in inventories	63	79	69	41	41
<i>Plus</i> Other movements in non-financial assets	45	113	115	115	115
<i>Equals</i> <b>Total Net Acquisition of Non-financial Assets</b>	<b>6,354</b>	<b>6,281</b>	<b>5,767</b>	<b>3,002</b>	<b>936</b>
<i>Equals</i>					
<b>Net Lending / (Borrowing)</b>	<b>(8,308)</b>	<b>(8,631)</b>	<b>(8,909)</b>	<b>(6,267)</b>	<b>(3,435)</b>
Note:					
1. Numbers may not add due to rounding.					
2. Numbers have been restated where subsequent changes in classification have occurred.					

## Public Non-financial Corporations Sector Operating Statement <sup>1</sup>

		2009-10 Budget <sup>2</sup> \$ million	2009-10 Revised \$ million	2010-11 Projection \$ million	2011-12 Projection \$ million	2012-13 Projection \$ million
<b>Revenue from Transactions</b>						
	Grants revenue	1,858	2,179	1,937	1,878	1,925
	Sales of goods and services	8,855	8,949	10,387	11,962	13,632
	Interest income	82	79	82	84	89
	Other revenue	401	373	321	483	415
	<b>Total Revenue from Transactions</b>	<b>11,196</b>	<b>11,580</b>	<b>12,726</b>	<b>14,406</b>	<b>16,062</b>
<i>Less</i>	<b>Expenses from Transactions</b>					
	Employee expenses	2,310	2,307	2,407	2,540	2,564
	Superannuation expenses					
	Other superannuation expenses	91	106	109	114	126
	Other operating expenses	3,773	3,893	4,080	4,785	5,296
	Depreciation and amortisation	2,211	2,482	2,758	2,912	3,074
	Other interest expenses	2,206	2,359	2,832	3,142	3,362
	Grants expenses	14	17	15	15	15
	Other property expenses	249	212	394	424	591
	<b>Total Expenses from Transactions</b>	<b>10,855</b>	<b>11,375</b>	<b>12,595</b>	<b>13,931</b>	<b>15,028</b>
<i>Equals</i>	<b>Net Operating Balance</b>	<b>341</b>	<b>205</b>	<b>132</b>	<b>474</b>	<b>1,034</b>
<i>Plus</i>	Other economic flows - included in operating result	(126)	(266)	(64)	(35)	(15)
<i>Equals</i>	<b>Operating Result</b>	<b>215</b>	<b>(61)</b>	<b>68</b>	<b>439</b>	<b>1,019</b>
<i>Plus</i>	Other economic flows - other movements in equity	253	470	20	(120)	(370)
<i>Equals</i>	<b>Comprehensive Result - Total Change In Net Worth</b>	<b>467</b>	<b>409</b>	<b>88</b>	<b>320</b>	<b>648</b>
<b>KEY FISCAL AGGREGATES</b>						
	<b>Net Operating Balance</b>	<b>341</b>	<b>205</b>	<b>132</b>	<b>474</b>	<b>1,034</b>
<i>Less</i>	<b>Net Acquisition of Non-financial Assets</b>					
	Purchases of non-financial assets	8,002	8,466	7,174	5,945	5,188
	<i>Less</i> Sales of non-financial assets	35	155	149	131	147
	<i>Less</i> Depreciation	2,211	2,482	2,758	2,912	3,074
	<i>Plus</i> Change in inventories	(8)	(31)	(6)	5	11
	<i>Plus</i> Other movements in non-financial assets	25	20	60	65	68
	<b>Equals Total Net Acquisition of Non-financial Assets</b>	<b>5,773</b>	<b>5,818</b>	<b>4,321</b>	<b>2,973</b>	<b>2,046</b>
<i>Equals</i>	<b>Net Lending / (Borrowing)</b>	<b>(5,432)</b>	<b>(5,613)</b>	<b>(4,190)</b>	<b>(2,498)</b>	<b>(1,013)</b>
Note:						
1. Numbers may not add due to rounding.						
2. Numbers have been restated where subsequent changes in classification have occurred.						



## Non-financial Public Sector Operating Statement <sup>1</sup>

	2009-10 Budget <sup>2</sup> \$ million	2009-10 Revised \$ million	2010-11 Projection \$ million	2011-12 Projection \$ million	2012-13 Projection \$ million
<b>Revenue from Transactions</b>					
Taxation revenue	8,996	9,125	9,685	10,409	11,196
Grants revenue	18,836	18,716	17,699	17,466	18,088
Sales of goods and services	12,299	12,640	14,151	15,846	17,629
Interest income	2,098	2,161	2,163	2,265	2,367
Dividend and income tax equivalent income	31	21	23	26	28
Other revenue	2,748	2,661	2,846	3,383	3,381
<b>Total Revenue from Transactions</b>	<b>45,007</b>	<b>45,323</b>	<b>46,567</b>	<b>49,394</b>	<b>52,689</b>
<i>Less</i>	<b>Expenses from Transactions</b>				
Employee expenses	17,212	17,306	18,193	19,196	19,588
Superannuation expenses					
Superannuation interest cost	1,468	1,206	1,268	1,319	1,367
Other superannuation expenses	2,185	2,208	2,232	2,274	2,292
Other operating expenses	11,319	12,014	11,965	13,136	14,048
Depreciation and amortisation	4,984	5,246	5,789	6,159	6,452
Other interest expenses	2,916	3,080	3,888	4,687	5,237
Grants expenses	7,409	7,235	7,301	6,520	6,614
<b>Total Expenses from Transactions</b>	<b>47,493</b>	<b>48,297</b>	<b>50,637</b>	<b>53,292</b>	<b>55,597</b>
<i>Equals</i>	<b>Net Operating Balance</b>				
	<b>(2,485)</b>	<b>(2,974)</b>	<b>(4,070)</b>	<b>(3,898)</b>	<b>(2,908)</b>
<i>Plus</i>	Other economic flows - included in operating result				
	(60)	(227)	(42)	(22)	9
<i>Equals</i>	<b>Operating Result</b>				
	<b>(2,545)</b>	<b>(3,201)</b>	<b>(4,112)</b>	<b>(3,921)</b>	<b>(2,899)</b>
<i>Plus</i>	Other economic flows - other movements in equity				
	3,890	4,076	3,857	4,069	4,301
<i>Equals</i>	<b>Comprehensive Result - Total Change In Net Worth</b>				
	<b>1,344</b>	<b>875</b>	<b>(255)</b>	<b>148</b>	<b>1,402</b>
<b>KEY FISCAL AGGREGATES</b>					
	<b>Net Operating Balance</b>				
	<b>(2,485)</b>	<b>(2,974)</b>	<b>(4,070)</b>	<b>(3,898)</b>	<b>(2,908)</b>
<i>Less</i>	<b>Net Acquisition of Non-financial Assets</b>				
Purchases of non-financial assets	17,272	17,574	16,055	12,246	9,702
<i>Less</i> Sales of non-financial assets	286	410	416	338	503
<i>Less</i> Depreciation	4,984	5,246	5,789	6,159	6,452
<i>Plus</i> Change in inventories	55	48	63	46	52
<i>Plus</i> Other movements in non-financial assets	70	133	175	180	184
<i>Equals</i> <b>Total Net Acquisition of Non-financial Assets</b>	<b>12,127</b>	<b>12,098</b>	<b>10,088</b>	<b>5,975</b>	<b>2,983</b>
<i>Equals</i>	<b>Net Lending / (Borrowing)</b>				
	<b>(14,612)</b>	<b>(15,072)</b>	<b>(14,158)</b>	<b>(9,873)</b>	<b>(5,891)</b>
Note:					
1. Numbers may not add due to rounding.					
2. Numbers have been restated where subsequent changes in classification have occurred.					

## General Government Sector Balance Sheet <sup>1</sup>

	2009-10 Budget <sup>2</sup> \$ million	2009-10 Revised \$ million	2010-11 Projection \$ million	2011-12 Projection \$ million	2012-13 Projection \$ million
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and deposits	1,751	531	495	544	600
Advances paid	635	653	716	757	769
Investments, loans and placements	27,532	27,916	29,265	30,609	31,887
Receivables	3,427	3,424	3,771	3,896	4,363
Equity					
Investments in other public sector entities	15,672	24,356	24,445	24,765	25,413
Investments - other	38	39	39	39	39
<b>Total Financial Assets</b>	<b>49,056</b>	<b>56,919</b>	<b>58,731</b>	<b>60,609</b>	<b>63,070</b>
<b>Non-financial Assets</b>					
Land and other fixed assets	149,888	175,131	183,558	189,602	193,651
Other non-financial assets	6,583	6,306	6,822	7,138	7,652
<b>Total Non-financial Assets</b>	<b>156,471</b>	<b>181,437</b>	<b>190,379</b>	<b>196,740</b>	<b>201,303</b>
<b>Total Assets</b>	<b>205,527</b>	<b>238,356</b>	<b>249,110</b>	<b>257,349</b>	<b>264,373</b>
<b>Liabilities</b>					
Payables	2,839	3,473	3,280	3,387	3,489
Superannuation liability	25,303	24,648	25,580	26,423	27,173
Other employee benefits	4,071	4,315	4,551	4,783	5,009
Advances received	471	470	458	446	436
Borrowing	18,775	17,063	27,053	33,879	38,274
Other liabilities	2,923	2,911	2,967	3,062	3,223
<b>Total Liabilities</b>	<b>54,382</b>	<b>52,881</b>	<b>63,890</b>	<b>71,981</b>	<b>77,603</b>
<b>Net Worth</b>					
Net Financial Worth	151,144	185,476	185,220	185,368	186,770
Net Financial Liabilities	(5,327)	4,039	(5,159)	(11,371)	(14,533)
Net Financial Liabilities	20,999	20,318	29,604	36,136	39,947
Net Debt	(10,672)	(11,566)	(2,964)	2,416	5,455

Notes:

1. Numbers may not add due to rounding.
2. Numbers have been restated where subsequent changes in classification have occurred.

### Public Non-financial Corporations Sector Balance Sheet <sup>1</sup>

	2009-10 Budget <sup>2</sup> \$ million	2009-10 Revised \$ million	2010-11 Projection \$ million	2011-12 Projection \$ million	2012-13 Projection \$ million
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and deposits	869	911	1,104	1,203	1,346
Advances paid	261	272	249	216	193
Investments, loans and placements	466	542	500	478	492
Receivables	1,601	1,896	2,076	2,298	2,538
Equity					
Investments - other	80	87	105	126	136
<b>Total Financial Assets</b>	<b>3,277</b>	<b>3,709</b>	<b>4,034</b>	<b>4,321</b>	<b>4,704</b>
<b>Non-financial Assets</b>					
Land and other fixed assets	64,238	70,606	75,720	79,687	82,833
Other non-financial assets	1,503	1,071	1,075	1,112	1,215
<b>Total Non-financial Assets</b>	<b>65,741</b>	<b>71,677</b>	<b>76,796</b>	<b>80,799</b>	<b>84,048</b>
<b>Total Assets</b>	<b>69,018</b>	<b>75,386</b>	<b>80,830</b>	<b>85,120</b>	<b>88,752</b>
<b>Liabilities</b>					
Payables	2,167	2,412	2,751	2,854	3,355
Superannuation liability	(90)	131	131	131	132
Other employee benefits	973	1,025	1,104	1,192	1,277
Deposits held	26	..	..	..	..
Advances received	12	12	11	11	10
Borrowing	38,949	36,648	41,122	44,639	46,498
Other liabilities	7,531	7,160	7,624	7,887	8,427
<b>Total Liabilities</b>	<b>49,568</b>	<b>47,388</b>	<b>52,744</b>	<b>56,714</b>	<b>59,698</b>
<b>Net Worth</b>	<b>19,450</b>	<b>27,998</b>	<b>28,086</b>	<b>28,406</b>	<b>29,054</b>
Net Financial Worth	(46,291)	(43,679)	(48,709)	(52,393)	(54,993)
Net Debt	37,391	34,934	39,280	42,752	44,477

Notes:

1. Numbers may not add due to rounding.
2. Numbers have been restated where subsequent changes in classification have occurred.

### Non-financial Public Sector Balance Sheet <sup>1</sup>

	2009-10 Budget <sup>2</sup> \$ million	2009-10 Revised \$ million	2010-11 Projection \$ million	2011-12 Projection \$ million	2012-13 Projection \$ million
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and deposits	2,621	1,442	1,599	1,747	1,946
Advances paid	883	913	953	962	951
Investments, loans and placements	27,998	28,458	29,765	31,087	32,379
Receivables	3,750	3,952	4,193	4,456	4,743
Equity					
Investments in other public sector entities	(3,713)	(3,577)	(3,577)	(3,577)	(3,577)
Investments - other	118	126	144	164	174
<b>Total Financial Assets</b>	<b>31,657</b>	<b>31,314</b>	<b>33,076</b>	<b>34,839</b>	<b>36,615</b>
<b>Non-financial Assets</b>					
Land and other fixed assets	214,061	245,673	259,214	269,224	276,419
Other non-financial assets	578	513	507	509	518
<b>Total Non-financial Assets</b>	<b>214,640</b>	<b>246,186</b>	<b>259,721</b>	<b>269,733</b>	<b>276,938</b>
<b>Total Assets</b>	<b>246,296</b>	<b>277,500</b>	<b>292,797</b>	<b>304,572</b>	<b>313,553</b>
<b>Liabilities</b>					
Payables	3,746	4,546	4,406	4,532	4,715
Superannuation liability	25,213	24,778	25,711	26,555	27,304
Other employee benefits	5,044	5,340	5,655	5,976	6,286
Deposits held	30	1	1	1	1
Advances received	467	470	458	446	435
Borrowing	57,723	53,710	68,174	78,517	84,771
Other liabilities	2,928	3,178	3,172	3,177	3,270
<b>Total Liabilities</b>	<b>95,152</b>	<b>92,024</b>	<b>107,576</b>	<b>119,203</b>	<b>126,783</b>
<b>Net Worth</b>	<b>151,144</b>	<b>185,476</b>	<b>185,220</b>	<b>185,368</b>	<b>186,770</b>
Net Financial Worth	(63,495)	(60,710)	(74,501)	(84,365)	(90,167)
Net Financial Liabilities	59,782	57,133	70,923	80,787	86,590
Net Debt	26,719	23,368	36,316	45,169	49,932

Notes:

1. Numbers may not add due to rounding.
2. Numbers have been restated where subsequent changes in classification have occurred.

## General Government Sector Cash Flow Statement <sup>1</sup>

	2009-10 Budget <sup>2</sup> \$ million	2009-10 Revised \$ million	2010-11 Projection \$ million	2011-12 Projection \$ million	2012-13 Projection \$ million
<b>Cash Receipts from Operating Activities</b>					
Taxes received	9,286	9,394	10,120	10,895	11,727
Grants and subsidies received	18,735	18,588	17,614	17,402	18,022
Sales of goods and services	4,050	4,365	4,348	4,483	4,591
Interest receipts	2,010	2,076	2,075	2,174	2,269
Dividends and income tax equivalents	1,042	1,062	973	1,488	1,575
Other receipts	3,219	3,222	3,509	3,798	3,866
<b>Total Operating Receipts</b>	<b>38,341</b>	<b>38,707</b>	<b>38,639</b>	<b>40,240</b>	<b>42,051</b>
<b>Cash Payments for Operating Activities</b>					
Payments for employees	(16,975)	(17,101)	(18,102)	(19,156)	(19,709)
Payments for goods and services	(8,442)	(9,307)	(8,986)	(9,412)	(9,813)
Grants and subsidies	(9,097)	(9,198)	(9,126)	(8,264)	(8,404)
Interest paid	(883)	(873)	(1,370)	(1,905)	(2,267)
Other payments	(762)	(738)	(663)	(574)	(578)
<b>Total Operating Payments</b>	<b>(36,160)</b>	<b>(37,217)</b>	<b>(38,246)</b>	<b>(39,311)</b>	<b>(40,771)</b>
<b>Net Cash Inflows from Operating Activities</b>	<b>2,181</b>	<b>1,490</b>	<b>393</b>	<b>929</b>	<b>1,280</b>
<b>Cash Flows from Investments in Non-Financial Assets</b>					
Purchases of non-financial assets	(9,270)	(9,108)	(8,881)	(6,300)	(4,514)
Sales of non-financial assets	251	255	267	207	357
<b>Net Cash Flows from Investments in Non-financial Assets</b>	<b>(9,020)</b>	<b>(8,853)</b>	<b>(8,614)</b>	<b>(6,093)</b>	<b>(4,157)</b>
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>(307)</b>	<b>(738)</b>	<b>(432)</b>	<b>(253)</b>	<b>(258)</b>
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>(1,338)</b>	<b>(1,291)</b>	<b>(1,339)</b>	<b>(1,335)</b>	<b>(1,270)</b>
<b>Receipts from Financing Activities</b>					
Advances received (net)	(17)	(17)	(16)	(15)	(15)
Borrowing (net)	7,954	6,722	9,948	6,809	4,408
Other financing (net)	..	375	24	8	68
<b>Net Cash Flows from Financing Activities</b>	<b>7,937</b>	<b>7,080</b>	<b>9,955</b>	<b>6,801</b>	<b>4,461</b>
<b>Net Increase/(Decrease) in Cash held</b>	<b>(546)</b>	<b>(2,313)</b>	<b>(36)</b>	<b>49</b>	<b>56</b>
Net cash from operating activities	2,181	1,490	393	929	1,280
Net cash flows from investments in non-financial assets	(9,020)	(8,853)	(8,614)	(6,093)	(4,157)
<b>Surplus/(Deficit)</b>	<b>(6,838)</b>	<b>(7,363)</b>	<b>(8,221)</b>	<b>(5,165)</b>	<b>(2,878)</b>
<b>Derivation of ABS GFS Cash Surplus/Deficit</b>					
Cash surplus/(deficit)	(6,838)	(7,363)	(8,221)	(5,165)	(2,878)
<b>ABS GFS Cash Surplus/(Deficit) Including Finance Leases and Similar Arrangements</b>	<b>(6,838)</b>	<b>(7,363)</b>	<b>(8,221)</b>	<b>(5,165)</b>	<b>(2,878)</b>

Note:

1. Numbers may not add due to rounding.

2. Numbers have been restated where subsequent changes in classification have occurred.

**Public Non-financial Corporations Sector Cash Flow Statement<sup>1</sup>**

	2009-10 Budget <sup>2</sup> \$ million	2009-10 Revised \$ million	2010-11 Projection \$ million	2011-12 Projection \$ million	2012-13 Projection \$ million
<b>Cash Receipts from Operating Activities</b>					
Grants and subsidies received	1,806	2,173	1,935	1,877	1,925
Sales of goods and services	9,612	9,517	11,081	12,654	14,350
Interest receipts	78	78	80	81	87
Other receipts	621	620	584	738	689
<b>Total Operating Receipts</b>	<b>12,118</b>	<b>12,388</b>	<b>13,680</b>	<b>15,350</b>	<b>17,051</b>
<b>Cash Payments for Operating Activities</b>					
Payments for employees	(2,348)	(2,242)	(2,437)	(2,565)	(2,605)
Payments for goods and services	(4,488)	(4,409)	(4,765)	(5,327)	(5,608)
Grants and subsidies	(12)	(14)	(12)	(12)	(12)
Interest paid	(1,987)	(2,125)	(2,728)	(3,118)	(3,352)
Other payments	(668)	(635)	(636)	(1,057)	(1,272)
<b>Total Operating Payments</b>	<b>(9,502)</b>	<b>(9,426)</b>	<b>(10,578)</b>	<b>(12,080)</b>	<b>(12,849)</b>
<b>Net Cash Inflows from Operating Activities</b>	<b>2,616</b>	<b>2,963</b>	<b>3,101</b>	<b>3,270</b>	<b>4,202</b>
<b>Cash Flows from Investments in Non-Financial Assets</b>					
Purchases of non-financial assets	(8,002)	(8,466)	(7,174)	(5,945)	(5,188)
Sales of non-financial assets	35	155	149	131	147
<b>Net Cash Flows from Investments in Non-financial Assets</b>	<b>(7,967)</b>	<b>(8,311)</b>	<b>(7,026)</b>	<b>(5,815)</b>	<b>(5,041)</b>
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>188</b>	<b>174</b>	<b>(18)</b>	<b>(20)</b>	<b>(10)</b>
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>(33)</b>	<b>116</b>	<b>42</b>	<b>20</b>	<b>(14)</b>
<b>Receipts from Financing Activities</b>					
Borrowing (net)	5,335	4,115	4,558	3,493	1,862
Dividends paid	(819)	(914)	(820)	(1,051)	(1,101)
Other financing (net)	332	633	355	204	247
<b>Net Cash Flows from Financing Activities</b>	<b>4,849</b>	<b>3,834</b>	<b>4,093</b>	<b>2,644</b>	<b>1,007</b>
<b>Net Increase/(Decrease) in Cash held</b>	<b>(347)</b>	<b>(1,223)</b>	<b>192</b>	<b>99</b>	<b>143</b>
Net cash from operating activities	2,616	2,963	3,101	3,270	4,202
Net cash flows from investments in non-financial assets	(7,967)	(8,311)	(7,026)	(5,815)	(5,041)
Dividends paid	(819)	(914)	(820)	(1,051)	(1,101)
<b>Surplus/(Deficit)</b>	<b>(6,169)</b>	<b>(6,261)</b>	<b>(4,745)</b>	<b>(3,596)</b>	<b>(1,941)</b>
<b>Derivation of ABS GFS Cash Surplus/Deficit</b>					
Cash surplus/(deficit)	(6,169)	(6,261)	(4,745)	(3,596)	(1,941)
Acquisitions under finance leases and similar arrangements	..	5	..	..	..
<b>ABS GFS Cash Surplus/(Deficit) Including Finance Leases and Similar Arrangements</b>	<b>(6,169)</b>	<b>(6,256)</b>	<b>(4,745)</b>	<b>(3,596)</b>	<b>(1,941)</b>
Note:					
1. Numbers may not add due to rounding.					
2. Numbers have been restated where subsequent changes in classification have occurred.					

### Non-financial Public Sector Cash Flow Statement <sup>1</sup>

	2009-10 Budget <sup>2</sup> \$ million	2009-10 Revised \$ million	2010-11 Projection \$ million	2011-12 Projection \$ million	2012-13 Projection \$ million
<b>Cash Receipts from Operating Activities</b>					
Taxes received	8,995	9,123	9,684	10,408	11,195
Grants and subsidies received	18,836	18,747	17,696	17,472	18,094
Sales of goods and services	13,456	13,675	15,213	16,915	18,719
Interest receipts	2,087	2,153	2,153	2,253	2,355
Dividends and income tax equivalents	26	43	25	24	27
Other receipts	3,834	3,836	4,086	4,529	4,548
<b>Total Operating Receipts</b>	<b>47,234</b>	<b>47,578</b>	<b>48,857</b>	<b>51,601</b>	<b>54,938</b>
<b>Cash Payments for Operating Activities</b>					
Payments for employees	(19,218)	(19,239)	(20,429)	(21,607)	(22,187)
Payments for goods and services	(12,739)	(13,524)	(13,549)	(14,532)	(15,214)
Grants and subsidies	(7,411)	(7,206)	(7,292)	(6,476)	(6,572)
Interest paid	(2,693)	(2,842)	(3,784)	(4,663)	(5,227)
Other payments	(1,195)	(1,229)	(1,130)	(1,176)	(1,358)
<b>Total Operating Payments</b>	<b>(43,256)</b>	<b>(44,040)</b>	<b>(46,184)</b>	<b>(48,454)</b>	<b>(50,558)</b>
<b>Net Cash Inflows from Operating Activities</b>	<b>3,977</b>	<b>3,537</b>	<b>2,673</b>	<b>3,147</b>	<b>4,380</b>
<b>Cash Flows from Investments in Non-Financial Assets</b>					
Purchases of non-financial assets	(17,272)	(17,574)	(16,055)	(12,246)	(9,702)
Sales of non-financial assets	286	410	416	338	503
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(16,986)</b>	<b>(17,163)</b>	<b>(15,639)</b>	<b>(11,908)</b>	<b>(9,199)</b>
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>188</b>	<b>178</b>	<b>(18)</b>	<b>(20)</b>	<b>(10)</b>
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>(1,372)</b>	<b>(1,175)</b>	<b>(1,297)</b>	<b>(1,315)</b>	<b>(1,284)</b>
<b>Receipts from Financing Activities</b>					
Advances received (net)	(17)	(17)	(16)	(15)	(15)
Borrowing (net)	13,289	10,836	14,505	10,301	6,269
Other financing (net)	25	266	(53)	(42)	57
<b>Net Cash Flows from Financing Activities</b>	<b>13,298</b>	<b>11,085</b>	<b>14,436</b>	<b>10,244</b>	<b>6,311</b>
<b>Net Increase/(Decrease) in Cash held</b>	<b>(895)</b>	<b>(3,538)</b>	<b>155</b>	<b>147</b>	<b>198</b>
Net cash from operating activities	3,977	3,537	2,673	3,147	4,380
Net cash flows from investments in non-financial assets	(16,986)	(17,163)	(15,639)	(11,908)	(9,199)
<b>Surplus/(Deficit)</b>	<b>(13,009)</b>	<b>(13,626)</b>	<b>(12,966)</b>	<b>(8,761)</b>	<b>(4,819)</b>
<b>Derivation of ABS GFS Cash Surplus/Deficit</b>					
Cash surplus/(deficit)	(13,009)	(13,626)	(12,966)	(8,761)	(4,819)
Acquisitions under finance leases and similar arrangements	..	5	..	..	..
<b>ABS GFS Cash Surplus/(Deficit) Including Finance Leases and Similar Arrangements</b>	<b>(13,009)</b>	<b>(13,620)</b>	<b>(12,966)</b>	<b>(8,761)</b>	<b>(4,819)</b>

Note:

1. Numbers may not add due to rounding.

2. Numbers have been restated where subsequent changes in classification have occurred.

## Loan Council Allocation

Loan Council Allocation <sup>1</sup>			
		2009-10 Budget \$ million	2009-10 Revised \$ million
	General Government sector cash deficit/(surplus) <sup>2</sup>	6,838	7,363
	PNFC sector cash deficit/(surplus) <sup>2</sup>	6,169	6,261
	<b>Non Financial Public Sector cash deficit/(surplus)<sup>2</sup></b>	<b>13,009</b>	<b>13,626</b>
	Acquisitions under finance leases and similar arrangements <sup>3</sup>	..	(5)
<b>Equals</b>	<b>ABS GFS cash deficit/(surplus)</b>	<b>13,009</b>	<b>13,620</b>
<i>Less</i>	Net cash flows from investments in financial assets for policy purposes	188	178
<i>Plus</i>	Memorandum Items <sup>4</sup>	(1,411)	(679)
	<b>Loan Council Allocation</b>	<b>11,410</b>	<b>12,763</b>
Notes:			
1. Numbers may not add due to rounding.			
2. Figures in brackets represent surpluses.			
3. Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash deficit/surplus.			
4. Memorandum items include operating leases and local government borrowings.			

The revised LCA is outside the 2% tolerance level mainly due to the increase in local government borrowings for infrastructure.





