

Queensland Government 2015 -16 Mid-Year Fiscal and Economic Review December 2015

On 15 December 2015, Queensland Treasurer the Hon Curtis Pitt handed down the Palaszczuk Labor Government's Mid-Year Fiscal and Economic Review (MYFER) - the first since being elected to office in January this year.

MYFER provides an update on Queensland's economic and fiscal position since the 2015-16 State Budget was released in July 2015.

The Treasurer has confirmed that the surplus for the financial year is forecast to be \$1.2 billion, totaling over \$1 billion each year out to June 2019, with economic growth forecast at 4 per cent.

The MYFR indicates that growth in the Queensland economy is expected to strengthen to 4 per cent in 2015 - 16 due to an increase in liquefied natural gas (LNG) exports.

Revenue write-downs now total \$1.5 billion over the forward estimates, compared to the \$3.7 billion figure released in the State Budget.

The Treasurer indicated the change in revenue write-downs was predominately due to a decline in payroll tax collections from the mining and construction sectors, as well as a decline in royalties as a result of world resources prices, particularly for coal and oil.

Contents

Key Fiscal Aggregates	2
Key points.....	2
Power company mergers	2
Debt.....	2
Schools and Hospitals	3
New Ministers	3
Further information	3

Key Fiscal Aggregates

General Government revenue in 2015–16 is estimated to be \$51.4 billion, \$168 million more than the 2015–16 Budget estimate.

The below table indicates General Government Sector revenue and expenses will moderately rise over 2016 -17, 2017-18 and 2018 -19 projections remaining in surplus throughout.

Total expenses in 2015-16 are expected to be \$50.2 billion, \$207 million higher than the Budget estimate, primarily associated with the increased provision of health services, for which the State receives activity - based funding from the Federal Government.

KEY FISCAL AGGREGATES – GENERAL GOVERNMENT SECTOR (\$ MILLION)

	2014-15 Actual	2015-16 Budget	2015-16 MYFER	2016-17 Projection	2017-18 Projection	2018-19 Projection
Revenue	49,765	51,186	51,354	53,520	55,392	55,630
Expenses	49,224	49,973	50,180	52,107	53,752	54,485
Net Operating Balance	542	1,213	1,175	1,413	1,640	1,145
Debt	43,105	38,151	37,973	38,561	39,721	40,921
Net Debt	5,772	3,910	4,060	4,453	5,621	6,884

Source: Queensland Treasury.

Key issues

Power company mergers

The Queensland Government’s plan to merge energy distribution businesses Energex and Ergon was confirmed in the MYFER, creating \$680 million in savings over the 2019 -20 period. This merge delivers on the then Palaszczuk Opposition’s election commitment. The new company is expected to be in place by mid-2016 and stands with \$24 billion dollars in assets.

The new company, yet to be named, will be based in Townsville. Also, a new and innovative energy services subsidiary will be created to take advantage of emerging opportunities in the energy sector. It is expected that this new subsidiary will incorporate Ergon Retail and will create up to 500 jobs in regional Queensland over the next 10 years.

Debt

The Queensland Treasurer announced a \$9.6 billion Debt Reduction Plan in the 2015 -16 State Budget, with the transfer of \$4.1 billion worth of debt from the State Government to State Government owned corporations.

A further \$1 billion worth of government debt will be transferred to State Government owned corporations by regearing Gladstone Ports Corporation, North Queensland Bulk Ports and SunWater. The State Government will also seek a special dividend from the Stanwell power station.

As a result, General Government Sector debt will now be \$10.6 billion, lower than predicted for 2017-18.



Schools and Hospitals

The Queensland Government will deliver an extra \$500 million towards maintaining and upgrading school and hospital facilities.

It is expected around 250 State schools will receive more than \$26 million in maintenance work over the current Christmas holidays.

Queensland Health will also begin construction of new facilities in the New Year, including the Hervey Bay Emergency Department, the Gladstone Emergency Department and Hospital Redevelopment, the Roma Hospital Redevelopment and the Caloundra Hospital Reconfiguration.

New Ministers

MYFER showed the cost of expanding Cabinet from 14 to 17 ministers will be \$6 million a year. These costs will be offset by reductions in government advertising, contractors and consultants.

Further information

The Hawker Britton Occasional Paper on the Queensland 2015-16 Budget is available [here](#).

View the Queensland 2015-16 Mid-Year Fiscal and Economic Review, [here](#).