



Form 20 – Affidavit



Industrial Relations Act 2016, s 989

Industrial Relations (Tribunals) Rules 2011, r 52, r 53, r 55

Information

- This form is to be used to prepare an Affidavit.
- Please read this form carefully and complete all relevant sections. Information that is missing or non-compliant with the relevant section of an Act or the Rules may result in the non-acceptance of your form.
- Documents which are longer than 30 pages in length must be provided to the Industrial Registry in hard copy before it will be accepted for filing.
- For further information please refer to the website www.qirc.qld.gov.au or contact the Industrial Registry on 1300 592 987 or via email at qirc.registry@qirc.qld.gov.au.

Instructions

- Affidavits must comply with the formal requirements for documents in accordance with rules 50 to 57 of the *Industrial Relations (Tribunals) Rules 2011*.
- The affidavit must set out the facts divided into consecutively numbered paragraphs. Each paragraph should be confined to a distinct part of the subject matter.
- This affidavit must be sworn or affirmed before a person authorised by law to witness the swearing of affidavits (e.g. Justice of the Peace, Commissioner for Declarations, Lawyer).
- Each page must be signed by the deponent (person making the affidavit) and the witness (person taking the affidavit).
- ***Attach extra page(s) if you need more space, ensuring that Part 5 containing the signature is always on the last page of the form and that each additional page is signed at the bottom of the page by the deponent and witness.***
- Any handwritten alteration to the affidavit must be initialled by the deponent and witness.
- If this affidavit contains exhibits (document mentioned in the affidavit and used with the affidavit) you will need to complete a **Form 21 - Certificate of Exhibit to Affidavit** for each exhibit (which is also to be signed and witnessed).
- If the affidavit is sworn by a person incapable of reading the affidavit or physically incapable of signing it, the witness must complete the Certificate at Part 6.
- If required by the Court, Commission or Registrar, the deponent must appear to give evidence or for cross-examination.
- The Court, Commission or Registrar may remove or strike out any material contained within the affidavit deemed to be a scandalous or oppressive matter.

Signed: _____

[Signature of the deponent/substitute signatory]

Taken by: _____

Justice of the Peace/Commissioner for Declarations/Lawyer

1. Matter details

Applicant:	Queensland Council of Unions and Anor
	v
Respondent:	State of Queensland

If there are more than two parties to the application, please complete a **Form 1—Parties list** and file with this form.

This affidavit is filed for the:	<input type="checkbox"/> Applicant/Appellant	<input checked="" type="checkbox"/> Respondent (or as the case may be)
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2. Contact details of party filing this affidavit

Title [please select]:	<input type="checkbox"/> Mr	<input type="checkbox"/> Mrs	<input checked="" type="checkbox"/> Ms	<input type="checkbox"/> Miss	<input type="checkbox"/> Mx	<input type="checkbox"/> Other: _____
Name of Party:	Office of Industrial Relations					
Name of contact person: [if party is an organisation]	Emma Bristow					
Postal/Service address:	1 William street					
	Suburb/Town Brisbane				Postcode 4000	
Phone number:	3406 9843		Mobile number:	0400 247 213		
Email address:	Emma.Bristow@oir.qld.gov.au					

3. Deponent's details (person making the affidavit)

Title [please select]:	<input checked="" type="checkbox"/> Mr	<input type="checkbox"/> Mrs	<input type="checkbox"/> Ms	<input type="checkbox"/> Miss	<input type="checkbox"/> Mx	<input type="checkbox"/> Other: _____
Deponent's Name:	Dennis Patrick Molloy					
Postal/Service address*:	1 William Street					
	Suburb/Town Brisbane				Postcode 4000	

* The deponent does not have to give a residential address if they are concerned about their safety. They may give another address at which they are satisfied they will receive documents e.g. a business address.

Signed: _____
[to be signed by the deponent or a substitute signatory]

Taken by: _____
Justice of the Peace/Commissioner for Declarations/Lawyer

4. Evidence

Attach extra pages if you need more space ensuring that Part 5 containing the signature is always on the last page of the form and that each additional page is signed at the bottom of the page by the deponent and witness.

Affidavit

I, Dennis Patrick Molloy, of 1 William Street, Brisbane, 4000
[insert full name of deponent] [insert residential or business address of deponent*]



state on oath:

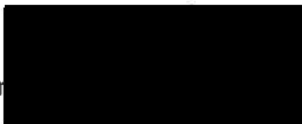
OR



do solemnly and sincerely affirm and declare, that:

Insert matters to be sworn or affirmed in numbered paragraphs.

See next page

Signature:  [insert full name of deponent/substitute signatory]

Taken by: 
Justice of the Peace/Commissioner for Declarations/Lawyer

Evidence

Use this extra page if you need more space in the affidavit ensuring that Part 5 containing the signature is always on the last page of the form and that each additional page is signed at the bottom of the page by the deponent and witness.

Affidavit

I, Dennis Patrick Molloy, of 1 William Street, Brisbane, 4000 state on oath:

1. Personal Details

- 1.1. I am currently employed as the Deputy Under Treasurer, Economics and Fiscal Group in Queensland Treasury and have held this role since May 2021.
- 1.2. My responsibilities as Deputy Under Treasurer include providing economic and fiscal advice, analysis and guidance to the Queensland Government on matters of significance to the economic and fiscal performance of Queensland, particularly in relation to the State Budget, fiscal strategy, economic policy, forecasting and reporting initiatives.
- 1.3. Additionally, I oversee the fiscal and economic functions of the department responsible for formulation and delivery of the State budgets, whole-of-government fiscal estimates and macroeconomic forecasting, fiscal and economic strategy and policy and statistical and demographic research.
- 1.4. I have extensive experience as a senior fiscal and economic executive in both the Queensland and Australian governments specialising in economic, fiscal and public policy. I joined Queensland Treasury in 2009 and have been closely involved in all Queensland State Budgets since 2010.
- 1.5. Prior to joining Queensland Treasury, I was the Executive Director of Economic Policy in the Department of the Premier and Cabinet having a particular focus on policies to facilitate growth of the Queensland economy. Prior to that I was an economist with the Commonwealth Treasury, holding different roles spanning a decade with a focus on economic forecasting, competition policy, Commonwealth and state financial relations, and advising the Commonwealth Treasurer on the health, education, social security and defence portfolios.
- 1.6. I hold a Bachelor of Commerce and a Bachelor of Economics (Honours) from the University of Queensland.

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[Signature of deponent/substitute signatory]

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[Signature of witness]
Justice of the Peace/Commissioner for Declarations/Lawyer

2. Queensland Treasury

- 2.1. As a government department, Queensland Treasury is responsible for providing expert advice for the management of Queensland's revenue and expenditure and assists with design, implementation and administration of the policies of government to drive sustainable economic growth and employment, improve prosperity now and into the future and deliver fiscal sustainability.
- 2.2. A key role relates to a fiscal strategy supporting the Charter of Fiscal Responsibility (the **Charter**) in managing the State's financial risks and opportunities. A copy of this Charter is **DM-1**.
- 2.3. Queensland Treasury leads the preparation of the State Budget each year, including working with other government agencies to develop departmental budgets that address the fiscal, economic and service delivery goals of the government. The government's budgets are formulated in accordance with economic forecasts that form the basis of the Budget estimates and are framed by the Charter.
- 2.4. Queensland Treasury, consistent with the government's fiscal strategy, also provides financial management advice to agencies to support the efficient allocation of resources to meet the government's service delivery priorities.

3. These proceedings

- 3.1. I am aware that these proceedings relate to the State Wage Case (SWC) and are for the Queensland Industrial Relations Commission (the **Commission**) to:
 - 3.1.1. make a general ruling pursuant to section 458 of the *Industrial relations Act 2016* regarding wage and allowance adjustments for award employees;
 - 3.1.2. make a general ruling regarding an increase to the Queensland Minimum Wage; and
 - 3.1.3. determine the operative date for the preceding matters.
- 3.2. It is my understanding that Together Queensland, Industrial Union of Employees and the Queensland Council of Unions have made applications to the Commission for:

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[Signature of signatory]

Taken by: _____

Justice of the Peace/Commissioner for Declarations/Lawyer

- 3.2.1. the making of a general ruling amending all State awards by a wage adjustment of 3.5 per cent;
- 3.2.2. the making of a general ruling amending all State awards by increasing existing award allowances which relate to work conditions which have not changed in service increments by 3.5 per cent;
- 3.2.3. an increase in the Queensland Minimum Wage by at least 3.5 per cent; and
- 3.2.4. a determination that the operative date for these amendments be 1 September 2025.

3.3. In preparing this affidavit for these proceedings I have had regard to the publication *Queensland Budget 2025-26 Budget Strategy and Outlook*. A copy of the *Queensland Budget 2025-26 Budget Strategy and Outlook* is **DM-2**. I understand this document was also included in the materials filed by the parties on 10 July 2025.

4. State's position on State Wage Case

- 4.1. The State's position is on the State Wage Case is to support a fair and reasonable increase to the Queensland Minimum Wage and State awards.

5. Prevailing economic conditions in Queensland

5A Global economic activity

- 5.1. The international economy has entered another period of substantial uncertainty, primarily driven by new and wide-ranging tariff measures announced by the United States of America (US) and retaliatory measures by some key trading partners.
- 5.2. The ongoing conflicts in Ukraine and the Middle East also continue to contribute to a heightened level of uncertainty around the global economic outlook.
- 5.3. Global economic growth was 3.3 per cent in 2024, below the 20-year pre-COVID-19 average of 3.7 per cent. The IMF's latest forecast from April 2025 show global economic growth is expected to soften to 2.8 per cent in 2025 and 3.0 per cent in 2026, representing significant downgrades from the IMF's January 2025 forecasts – by 0.5 and 0.3 percentage points in 2025 and 2026, respectively.
- 5.4. The deterioration in the economic outlook extends to Queensland's major trading partners

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(MTPs), with the IMF forecasting growth for Queensland's MTPs of 2.9 per cent in 2025 and 3.0 per cent in 2026, representing downgrades since January 2025 of around ½ percentage point per year.

- 5.5. For Queensland, the US is not a significant export market, accounting for only around 3 per cent of goods exports, mainly beef. Queensland steel and aluminium exports to the US account for a small proportion of exports, although Queensland is exposed to aluminium supply chain linkages through other states and countries.
- 5.6. As a small open economy with substantial natural resources exports, the main risk to Queensland is reduced demand for commodities from other countries and the displacement of private spending because of increased economic and financial uncertainty.
- 5.7. In particular, Queensland and Australian resources and agricultural exporters are exposed to any weakening in demand from major trading partners in Asia, particularly China. The actual impact on global trade, commodity prices and Queensland's MTPs will not be known for some time. Initial analysis suggests the impact on Queensland goods exports, as well as on spending decisions from households and businesses, is expected to lower GSP growth by ¼ of a percentage point in 2025–26 and for the level of GSP to remain around ¼ per cent lower across the forecast period.

5B The situation nationally and the impact on Queensland

- 5.8. After a period of subdued growth, Australia's GDP growth is expected to pick up over the year ahead, but at a more gradual pace than the Reserve Bank of Australia's (RBA) previous expectations due to softer global demand and weaker consumption momentum. After rising 1.4 per cent in 2023-24, the RBA (in its latest *May 2025 Statement on Monetary Policy (SoMP)*) expects year-average national GDP growth to strengthen from 1.4 per cent in 2024-25 to 2.1 per cent in 2025-26 and 2.2 per cent in 2026-27. A copy of this Statement is **DM-3**.

5C Budget forecasts for GSP growth

- 5.9. Queensland's economic growth is forecast to strengthen in the near term and remain robust across the forward estimates. However, global geopolitical conflicts and trade policies present material risks to the economic outlook.

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Justice of the Peace/Commissioner for Declarations/Lawyer

- 5.10. Queensland's Gross State Product (GSP) growth is forecast to strengthen to 2½ per cent in 2024-25, driven by strong public final demand. Consecutive natural disasters affecting several areas of the State in early 2025 have weighed on growth in 2024-25. Along with the initial effects of global trade policies, these factors are estimated to have reduced GSP growth by around ¾ percentage point in 2024-25.
- 5.11. While public demand will remain robust beyond 2024-25, private sector consumption and investment are forecast to strengthen and be key drivers of overall activity, resulting in stronger GSP growth of 2¾ per cent in 2025-26. Queensland's economic growth is then forecast to ease slightly but remain robust at 2½ per cent in 2026-27.

5D Components of growth

- 5.12. The strengthening in GSP growth to 2½ per cent in 2024-25 is largely due to a strong contribution from public final demand. This component of the Queensland economy has recorded continued strong growth in recent years, rising 5.6 per cent in 2023-24, and a further 6.8 per cent in the first three quarters of 2024-25 as service delivery and a substantial infrastructure program delivers essential economic and social infrastructure for a growing population.
- 5.13. In contrast, there has been little or no growth across major private investment components during much of 2024-25, while tight financial conditions have also led to subdued growth in household consumption despite strong population growth. At the same time, the contribution from the overseas trade sector has moderated as exports growth has eased from elevated rates.
- 5.14. In 2025-26, easing underlying inflation, income tax cuts and further reductions in interest rates are expected to underpin a strengthening in per capita real incomes and support a pick-up in household spending growth. An expected gradual easing of supply constraints and ongoing strong demand for housing are forecast to support further growth in dwelling investment. As weather conditions normalise, borrowing costs fall and an elevated pipeline of non-dwelling construction work to be done supports activity, business investment is forecast to gather some momentum in 2025-26. The contribution from the domestic economy is expected to more than offset a slight detraction from the trade sector (as growth in overseas exports continues to slow and imports strengthen).

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5.15. Queensland's domestic activity (supported by solid private and public sector activity) is forecast be the main driver of overall economic growth in 2026-27. With ongoing momentum from rising real incomes, household consumption growth is expected to remain robust in that year, while a pipeline of projects is supportive of investment in new dwellings as renovation activity is also expected to improve.

5E National unemployment vs Queensland unemployment rate

5.16. According to the RBA's May 2025 forecasts, in the near term, the recent softer GDP growth rate is expected to see the national unemployment rate rise modestly at a still historically low rate of 4.3 per cent by the end of 2025, and remain at that rate throughout the forecast horizon out to June 2027.

5.17. Queensland's unemployment rate remained low at 4.1 per cent in 2023-24 and 4.0 per cent in 2024-25. Based on the recent 2025-26 *Queensland State Budget*, the unemployment rate in Queensland is expected to gradually increase towards a rate more consistent with stable inflation, reaching 4¼ per cent in 2025-26, 4½ per cent in 2026-27, and eventually 4¾ per cent in 2028-29. Despite the forecast increase, Queensland's unemployment rate is expected to remain low relative to the last decade (5.6 per cent average) and over the longer term (7.0 per cent average).

5F Wage Growth

5.18. National wages growth has generally moderated since the elevated rates recorded in late-2023. The RBA expects wages growth to gradually slow further over the next two years, in line with softening labour market conditions, before stabilising. The RBA's latest forecasts are for annual wage price index (WPI) growth of 3.3 per cent in June quarter 2025, before growth slows to 3.1 per cent in June quarter 2026 and 3.0 per cent in June quarter 2027.

5.19. Queensland's tight labour market conditions saw year-average growth in the WPI accelerate to 4.7 per cent in 2023-24, up from 3.6 per cent in 2022-23 and the strongest growth since the inception of the ABS series in 1997-98. While Queensland's annual WPI growth has moderated in 2024-25, at 3.6 per cent in March quarter 2025, it remained a little above the national average of 3.4 per cent.

5.20. In the recent 2025-26 Queensland State Budget, growth in the Queensland WPI was forecast to be 3¾ per cent in 2024-25 and 3½ per cent in 2025-26 before moderating to 3 per cent by

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2028–29, consistent with an easing in labour market tightness. However, this profile is expected to deliver ongoing real wage growth for Queensland workers, consistent with historical trends. Apart from GST-impacted 2000-01, 2013-14, and the post-COVID three years to 2022-23, growth in Queensland's WPI has outpaced consumer price index (CPI) growth in each year since 1997-98. Consequently, over the 26 years to 2023-24, growth in the WPI has averaged 3.1 per cent per annum, faster than CPI growth of 2.9 per cent over the same period.

5G Consumer Price Index and interest rates at national level and inflation for Queensland

- 5.21. Subdued economic growth has supported a significant easing in inflationary pressures nationally from the multi-decade high observed in late-2022 (7.8 per cent in the year to December quarter 2022). The national CPI increased by 2.4 per cent over the year to March quarter 2025, remaining steady from December quarter 2024.
- 5.22. The latest monthly data shows annual national inflation has continued to moderate, with the ABS national *Monthly Consumer Price Indicator* rising by 2.1 per cent in May 2025, down from 2.4 per cent in April and below market expectations of 2.3 per cent.
- 5.23. Annual underlying inflation has moved below the top of the RBA's target range at 2.9 per cent in March quarter 2025. The underlying inflation rate is expected to remain on a downward trend with the RBA forecasting inflation to fall to 2.6 per cent by June quarter 2025 and remain at that rate for the remainder of the forecast period. This expectation is supported by recent monthly data which showed the national trimmed mean inflation in the CPI Indicator slowing to 2.4 per cent in May 2025, down from 2.8 per cent in April.
- 5.24. The progress made on lowering inflation back towards target saw the RBA commence easing interest rates by 25 basis points in February 2025 and follow up with a further similar cut in May this year. Against financial market expectations, interest rates were left on hold in July at 3.85 per cent but the RBA noted that the decision was more about timing than policy direction. Financial markets are now anticipating a rate cut to be delivered at the next meeting in August, shortly after the release of June quarter 2025 inflation data. Financial markets are currently pricing in a total of two to three further 25 basis point rate cuts over the remainder of 2025.
- 5.25. Consistent with national trends, inflation in Brisbane has moderated from the multi-decade highs experienced during the two years to 2022-23. In year-average terms, growth in

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Justification/Authorisation/Lawyer

Brisbane's CPI was 4.1 per cent in 2023–24, falling from 7.3 per cent in 2022–23, which was the highest year-average increase since 1989–90.

- 5.26. The annual inflation rate in Brisbane, at 2.7 per cent in March quarter 2025, was marginally higher than other states, reflecting the unwinding of larger energy rebates for households and businesses in Queensland. The *2025-26 Queensland State Budget* forecasts Brisbane's CPI to moderate from 4.1 per cent in 2023-24 to 2 per cent in 2024-25, due to the impact of various State and Federal cost-of-living rebates. As these temporary measures are unwound, annual CPI growth is expected to strengthen to 3¼ per cent in 2025-26 before moderating to 2½ per cent in 2026-27 and stay at that rate across 2027-28 and 2028-29.

5H Productivity growth

- 5.27. The weak productivity growth seen in Queensland over most of the last decade is evident in the latest ABS productivity growth estimates for 2023–24. Queensland's market sector labour productivity in 2023–24 declined by 1.0 per cent, while multifactor productivity growth was almost stagnant. Importantly, both these results trail almost all other states and territories.
- 5.28. The government's commitment to lift Queensland's productivity performance will require targeted improvements to policy and regulatory settings. Reflecting this, the government delivered on its commitment to re-establish the independent Queensland Productivity Commission (QPC), with the QPC commencing on 22 April 2025.

5I Cost of living relief in the 2025-26 Budget

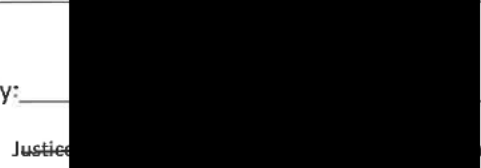
- 5.29. As outlined in the 2025-26 Queensland Budget, cost-of-living pressures have increased for many households in recent years. However, as inflation moderates, interest rates fall, and household incomes grow again due to a pick-up in real wages and tax cuts, these pressures will ease.
- 5.30. Headline inflation is expected to fall to 2 per cent in 2024–25 after the recent peak of 7.3 per cent in 2022–23. Importantly, Queensland's strong labour market is delivering solid wages growth.
- 5.31. In 2024–25 Queensland is expected to see the second consecutive year of real wages growth with ongoing real wage growth expected across the remainder of the forecast period.

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Justice Minister/s/Lawyer

- 5.32. The flow on impacts of Australian Government tax cuts are expected to provide \$1,654 per year in additional disposable income for a person on an average wage of around \$79,000 per year.
- 5.33. Further, the two 25 basis points cuts in the Reserve Bank of Australia's cash rate announced in February and May this year are expected to save a household with a mortgage of \$600,000 around \$2,200 per year.
- 5.34. The 2025-26 Queensland Budget provides substantial ongoing concessions and a number of new and enhanced measures to support Queensland families and households across the State in most need of support.
- 5.35. Nearly \$8.5 billion in ongoing concessions are forecast to be provided to Queenslanders in 2025-26, which includes \$261.9 million in electricity rebates for vulnerable households and \$223.6 million for 15 hours per week of free kindy for all 4-year-olds.
- 5.36. The government is providing targeted cost-of-living support to hundreds of thousands of Queensland families through the \$200 Play On! voucher program and \$100 Back to School Boost for primary school students.
- 5.37. The government is ensuring every taxpayer dollar is invested to deliver the maximum benefit for Queenslanders. That is why the government has made 50 cent fares on relevant public transport services permanent, and exempted payroll tax for General Practitioners (GPs) to support bulk billing rates and ease healthcare costs for Queenslanders.
- 5.38. Further, as outlined in the 2025-26 State Budget, the Government is taking action to address housing market pressures and ensure home ownership is a realistic and attainable goal for households.
- 5.39. In the 2025-26 Queensland Budget, the government has extended the \$30,000 First home owner grant (FHOG) for a further 12 months to 30 June 2026. This will complement the significant relief provided by the government's removal of transfer duty for first home buyers building or purchasing a new home, as well as other existing concessions. The extension of the \$30,000 FHOG will help more first home buyers unlock their first home all while driving increased supply to support broader affordability.
- 5.40. The government is also investing \$165 million into Boost to Buy, a nation-leading home

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ownership scheme, commencing this year. Boost to Buy will close the deposit gap for eligible Queensland first home buyers, with the government funding a portion of the cost for new and existing homes.

5.41. Since 1 May 2025, eligible first home buyers purchasing or building an eligible new home do not have to pay transfer duty. This measure will help get Queenslanders into their first home faster, while encouraging increased supply to deliver long-term affordability relief and support home ownership. Legislative amendments to allow transfer duty concession recipients to rent out part of their property during the first year of occupancy without having to repay the concession have also come into effect.

5.42. The government is focused on making long-term structural reform to ease cost-of-living pressures, through measures such as the \$1.6 billion Electricity Maintenance Guarantee over the next 5 years and tackling crime to ease the pressure on insurance premiums.

6. 2025-26 State Budget and fiscal pressures

6A State budget

6.1. Queensland's 2025-26 Budget was delivered 24 June 2025. The 2025-26 Budget projects the net operating balance will remain in deficit across the forward estimates, albeit with an improving trajectory. The forecast deficit of \$8.5 billion in 2025-26 is forecast to improve to a deficit of \$1.1 billion by 2028-29.

6.2. Realising the projected improvement in the net operating position relies on effectively managing revenue challenges such as significant negative effects of the Commonwealth Grants Commission's (CGC) 2025 GST Review, ongoing global economic uncertainty, and the gradual normalisation of commodity prices from historically high levels, as well as maintaining prudent expenses growth over the forward estimates.

6.3. The government has refreshed the Charter to ensure that fiscal principles better support a robust fiscal strategy, promote continuous improvement, emphasise the State's gross debt burden, and enhance productivity to the benefit of Queensland's economy and living standards.

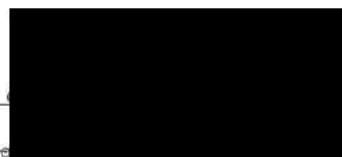
6.4. The 2025-26 Budget outlines the government's revenue and expenses for the coming year (and three outyears) and the amount of services and equity appropriation funding that will be

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Justice and Attorney-General's Department/Lawyer

provided to each department from the consolidated fund.

- 6.5. In addition to consolidated fund appropriations, departments have access to other sources of revenue (own-source revenue), such as user charges and Commonwealth-specific purpose payments that go towards funding their services. Departments are required to manage their operations within their consolidated fund appropriations and their own-source revenues.
- 6.6. In the first instance, departments are generally required to fund any emergent cost pressures from within their available resources through reallocation and re-prioritisation of existing resources. This is the longstanding preferred approach and remains critical to supporting fiscal sustainability over time.
- 6.7. Beyond general uncertainties related to parameter assumptions and the matters discussed below, other emerging fiscal pressures for the 2025-26 Budget, include:
- 6.7.1. Servicing the needs of a growing state, especially health and child safety services, and maintenance of state assets.
- 6.7.2. Adverse weather events which may impact state infrastructure and services, noting disaster-related expenses are shared with the Australian Government under the Disaster Recovery Funding Arrangements.
- 6.7.3. Uncertainty around Queensland's future GST entitlement, including potential impacts of the forthcoming Productivity Commission inquiry on horizontal fiscal equalisation, and the status of the GST no worse off guarantee beyond 2029-30.

6B Impact of State Wage Case

- 6.8. Government's employee expenses (excluding superannuation expenses) are significant and are expected to be \$37.964 billion in 2025-26 accounting for 38% of the total 2025-26 general government expenses.
- 6.9. Queensland public sector departments and agencies have in the past faced emergent cost pressures from previous SWC outcomes where relevant award wages rates end up exceeding wage rates payable under some certified agreements.
- 6.10. Relevant award wage rates applying to the Queensland public sector can set the actual wage rates payable, by virtue of either or both of the following mechanisms/circumstances:

Signed: _____

[Institute signatory]

Taken by: _____

[Justice of the Peace/Commissioner for Declarations/Lawyer]

6.10.1. a provision in the relevant certified agreement, for example the *State Government Entities Certified Agreement 2023* at clause 2.11(6) provides:

It is a term of this Agreement that no person covered by this Agreement will receive a rate of pay which is less than the corresponding rate of pay in the relevant parent award

6.10.2. *Directive 12/12: State Wage Case and Certified Agreements* which provides:

A State Wage Case does not increase the wages paid under a certified agreement.

However, where a State Wage Case has the effect that an award provides for wages which are greater than a certified agreement that applies to the employees covered by the award, the award wages prevail.

6.11. Should the Commission flow through the Fair Work Commission Annual Wage Review 2025 outcome of a 3.5 per cent increase to awards, it would result in wages rates under Queensland modern awards overtaking some certified agreement rates applying to the Queensland public service.

6.12. A quantitative assessment of such a flow-through estimates an additional cost of around \$66 million in 2025-26 and largely contained in that financial year. However, there may also be future cost implications.

6.13. A decision to mirror the Fair Work Commission 2025 outcome and increase awards applying to the Queensland public sector by 3.5 per cent sets up potential fiscal impacts in future years due to the base effect. Future award rate increases would be applied to a material increase in award wage rates in 2025-26 from a 3.5 per cent increase.

6.14. Meeting additional costs arising from increases in award wage rates continuing to overtake agreement wage rates would require affected departments and agencies to consider whether it could be accommodated within existing available fiscal capacity through reallocation and re-prioritisation of existing resources.

6.15. Budgets require governments to make choices as to services they deliver and the financial impacts of these decisions. An increase in government expenses arising from these decisions places pressure on a government's ability to deliver further services in other areas and still achieve its fiscal objectives. Ultimately, it is for government to decide how to balance these competing demands.

6C *Queensland's credit rating*

Signed: _____

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- 6.16. Emergent cost pressures and the related budgetary impact can affect how credit rating agencies assess fiscal performance. Queensland Treasury Corporation (QTC) is the Queensland Government's funding authority and borrows funds in the domestic and global markets to manage the State's funding requirements and refinancing needs.
- 6.17. The State's credit rating is a key driver behind QTC's ability to access funding and influences the cost of borrowings. A stronger credit rating provides access to a wider pool of potential investors and reduces the State's cost of new borrowings due to the perceived lower credit risk for investors.
- 6.18. Queensland's credit rating is coming under a degree of pressure and the most recent credit rating outcomes are:
- 6.18.1. Aa1 (stable) affirmed by Moody's Ratings (Moody's) as at 10 September 2024;
- 6.18.2. AA+ (negative) credit rating was affirmed but outlook revised from stable to negative by S&P Global (S&P) as at 19 February 2025; and
- 6.18.3. AA+ (stable) affirmed by Fitch on 26 July 2024.
- 6.19. While Queensland has a strong credit rating and a number of credit strengths such as diverse economy and ample liquidity, it is still vulnerable to negative ratings action from a deterioration in budgetary performance, and a persistent and larger than expected increase in its debt burden, which would weaken debt affordability.

7. Differences between the State and National Economies

- 7.1. The following table compares data on key economic indicators at the State and National levels (sourced from the 2025-26 Queensland Budget (DM-2), 2025-26 Federal Budget, and the May 2025 RBA *SoMP* (DM-3)):

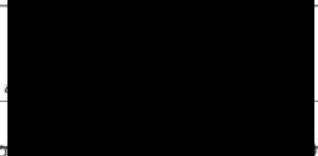
Real GSP/GDP Growth ¹					
	2024-25	2025-26	2026-27	2027-28	2028-29
Queensland	2½	2¾	2½	2½	2½
Australia (Treasury)	1½	2¼	2½	2¾	2¾
Australia (RBA)	1.4	2.1	2.2	n.a.	n.a.
Inflation					
	2024-25	2025-26	2026-27	2027-28	2028-29

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Queensland¹	2	3¼	2½	2½	2½
Australia (Treasury)²	2½	3	2½	2½	2½
Australia (RBA)²	2.1	3.1	2.6	n.a.	n.a.
Unemployment Rate⁴					
	2024–25	2025–26	2026–27	2027–28	2028–29
Queensland¹	4 (4.0)	4¼	4½	4½	4¾
Australia (Treasury)²	4¼ (4.2)	4¼	4¼	4¼	4¼
Australia (RBA)²	4.2 (4.2)	4.3	4.3	n.a.	n.a.
Employment Growth⁴					
	2024–25	2025–26	2026–27	2027–28	2028–29
Queensland¹	3 (3.1)	1½	1½	1½	1½
Australia (Treasury)³	2¾ (2.3)	1	1¼	1½	1½
Australia (RBA)³	2.1 (2.3)	1.3	1.4	n.a.	n.a.
Population Growth					
	2024–25	2025–26	2026–27	2027–28	2028–29
Queensland¹	1¼	1½	1½	1¼	1¼
Australia (Treasury)³	1½	1¼	1¼	1¼	1¼

¹Year-average.

²June quarter.

³Through the year to June quarter.

⁴Labour market actuals for 2024-25 released since the Queensland and Federal Budgets, and the RBA SoMP, are shown in brackets.

- 7.2. As indicated in the above table, in the near term (2024-25 to 2025-26), Queensland's GSP growth profile is ahead of the national forecast profile published by both the Australian Treasury and the RBA.
- 7.3. Queensland's modest outperformance in 2024-25 compared to the national average reflects a stronger contribution from net exports, as Queensland's goods exports recover from recent supply constraints. Net exports are expected to contribute ½ percentage point to Queensland's growth in 2024–25, whereas Australian Treasury expect net exports to detract ½ percentage point from national growth.
- 7.4. In 2025-26, Queensland's outperformance reflects a stronger contribution from the domestic economy as both private consumption and investment are expected to strengthen. In 2026-27,

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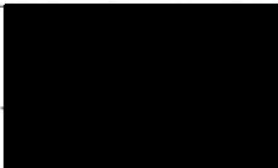
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Queensland's GSP growth is expected to be generally consistent with the Australian Treasury's national outlook.

- 7.5. Forecasts for the unemployment rate and employment growth are broadly in line with national forecasts. The slightly stronger employment growth forecast in Queensland for 2024-25 reflected stronger year-to-date actuals at the time the Budget was released. Data released after the Budget confirmed employment rose by 3.1 per cent in 2024-25, broadly in line with the 3 per cent Budget forecast. Later in the forward estimates, Queensland's unemployment rate is around $\frac{1}{4}$ percentage point higher than the national rate, in line with historical trends, reflecting a range of underlying structural factors in the Queensland labour force and broader economy. This is also consistent with the Australian Treasury's estimate of the non-accelerating inflation rate of unemployment rate (NAIRU) at the national level of $4\frac{1}{4}$ per cent.
- 7.6. Queensland's lower inflation forecast in 2024-25, and the ensuing slightly higher rate in 2025-26, reflect the impact of larger temporary Queensland government cost of living measures (e.g. \$1000 electricity rebate), and the subsequent unwinding of those rebates. These forecasts are unchanged from those published in the 2024-25 Budget and from 2026-27 onwards Queensland and Australian Treasury inflation forecasts align.
- 7.7. As with national trends, Queensland's population growth is forecast to moderate over the forward estimates. However, Queensland's population growth is forecast to be around $\frac{1}{4}$ percentage point higher than national growth over the three years to 2026-27, which is broadly consistent with historical trends. Over the 42 years to 2023-24, Queensland's population has grown by around $\frac{1}{2}$ percentage point faster than that nationally on a per annum basis. In the final two years of the forward estimates, Queensland and national population are forecast to grow at a similar rate (of $1\frac{1}{4}$ per cent).
- 7.8. Note that Queensland's employment growth, unemployment rate, population growth and inflation rate forecasts are not directly comparable with the national forecasts, as Queensland's forecasts are published on a year-average basis, while the national forecasts are published on a through the year to June quarter basis. This difference is generally only relevant for short term forecasts.
- 7.9. In light of the differences noted above, the outlook for the Queensland and national economies, including the labour market, are broadly similar. Although Queensland's economic growth is forecast to be slightly stronger in the near-term (2024-25 and 2025-26), when viewed

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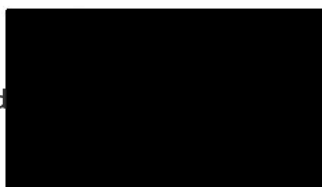
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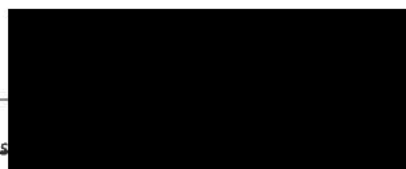
alongside stronger population growth, the outlook is largely consistent with the national economy in per capita terms.

Signed



[substitute signatory]

Taken by:



[substitute signatory]

[substitute signatory]

5. Signature

The contents of this affidavit are true and correct. Where the contents of this affidavit are based on information and belief, the contents are true to the best of my knowledge and I have stated the source of that information and the grounds for the belief and, if contained in a document, I have attached that document to this affidavit.

I understand that it is a criminal offence to provide a false matter in an affidavit, for example, the offence of perjury under section 123 of the Criminal Code.

I state that: [Deponent to complete – *only tick if applicable* – leave blank if not applicable]:

☐

This affidavit was made in the form of an electronic document

☐

I electronically signed this affidavit

☐

This affidavit was made, signed and witnessed under Part 6A (Audio visual link) of the *Oaths Act 1867*.

SWORN/AFFIRMED BY:

Signature of person making the affidavit

Full name of deponent: Dennis Patrick Molloy

Signature of deponent:

Sworn/Affirmed at [place]: 1 William Street

Date: 25/7/2025

Alternative signature panel if substitute signatory signs

Complete this section only if the affidavit was signed by a substitute signatory (a person directed to sign the affidavit on behalf of the deponent)

Signed for and at the direction of the deponent by:

Full name of substitute signatory:

Signature of substitute signatory:

Sworn/Affirmed at [place]:

Date:

BEFORE ME:

Witness details

Full name of witness: PHOEBE LEE EVERINGHAM

Signature and type of witness:

☐

Justice of the Peace

☐

Commissioner for Declarations

☒

Lawyer

Date: 25/7/2025

Insert name of law practice/place of employment: CROWN LAW, STATE OF QUEENSLAND

6. Certificate (pursuant to rule 55 of the *Industrial Relations (Tribunals) Rules 2011*):

WITNESS to complete [only tick if applicable]

If deponent is incapable of reading or physically signing the affidavit

- ☐ I certify that this affidavit was read in the presence of the deponent who seemed to understand it, and signified that they made the affidavit.
- ☐ I certify that this affidavit was read in the presence of the deponent who seemed to understand it, and signified that they made the affidavit, but was physically incapable of signing it.
- ☐ A substitute signatory signed for and at the direction of the deponent.

7. For Special Witnesses (see s 12 of the *Oaths Act 1867*)

SPECIAL WITNESS to complete [only tick if applicable]

For special witnesses only:

- ☐ I am a special witness under the *Oaths Act 1867* (see s 12 of the *Oaths Act 1867*).
- ☐ This affidavit was made in the form of an electronic document.
- ☐ I electronically signed this affidavit.
- ☐ This affidavit was made, signed and witnessed under Part 6A (Audio visual link) of the *Oaths Act 1867* - I understand the requirements for witnessing a document by audio visual link and have complied with those requirements.

Signed: _____

[substitute signatory]

Taken by: _____

Justice of the Peace/Commissioner for Declarations/Lawyer



Form 21 – Certificate of Exhibit to Affidavit

Industrial Relations Act 2016, s 989

Industrial Relations (Tribunals) Rules 2011, r 53

Information

- This form is to be used when attaching exhibits to an affidavit. Exhibits are documents mentioned in the affidavit and used with the affidavit. Attach one Certificate per exhibit.
- Please read this form carefully and complete all relevant sections. Information that is missing or non-compliant with the relevant section of an Act or the Rules may result in the non-acceptance of your form.
- For further information please refer to the website www.qirc.qld.gov.au or contact the Industrial Registry on 1300 592 987 or via email at qirc.registry@qirc.qld.gov.au.



Matter details

Applicant:	Queensland Council of Unions and Anor
	v
Respondent:	State of Queensland (Office of Industrial Relations)

Exhibit details

Name of document:	Charter of Fiscal Responsibility
Marked:	DM-1
Mentioned in the affidavit of:	Dennis Patrick Molloy

Signature

Full name of deponent/ substitute signatory:	Dennis Patrick Molloy
Signature of deponent/ substitute signatory:	
Full name of witness:	Phoebe Lee Everingham
Signature and type of witness:	 <input type="checkbox"/> Justice of the Peace <input type="checkbox"/> Commissioner for Declarations <input checked="" type="checkbox"/> Lawyer
Sworn/Affirmed at [place]:	1 William Street, Brisbane
Date:	25/7/2025

Charter of Fiscal Responsibility

Principle 1:

Stabilise the non-financial public sector debt to revenue ratio and the general government sector net debt to revenue ratio at sustainable levels in the medium term and target reductions in the debt to revenue ratio in the long term.

Principle 2:

Ensure that average annual growth in general government sector expenditure in the medium term is below the average annual growth in general government sector revenue to deliver fiscally sustainable net operating surpluses.

Principle 3:

Target continual improvements in net operating surpluses to ensure that, in the medium term, net cash flows from investments in non-financial assets will be funded primarily from net cash inflows from operating activities. The capital program will focus on supporting a productive economy, jobs, and ensuring a pipeline of infrastructure that responds to population growth.

Principle 4:

Maintain competitive taxation by ensuring that, on a per capita basis, Queensland has lower taxation than the average of other states.

Principle 5:

Target the full funding of long-term liabilities such as superannuation and workers' compensation in accordance with actuarial advice.

Principle 6:

Target productivity improvements across the private and public sectors to increase living standards for Queenslanders over the medium term.

Queensland Legislative Assembly	
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	24 JUN 2025
MP:	HOW STANISKE
Clerk's Signature:	
	<input checked="" type="checkbox"/> Tabled <input type="checkbox"/> By Leave



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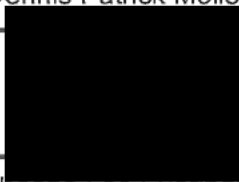

Matter details

Applicant:	Queensland Council of Unions and Anor
	v
Respondent:	State of Queensland (Office of Industrial Relations)

Exhibit details

Name of document:	Queensland Budget 2025-26 Budget Strategy and Outlook
Marked:	DM-2
Mentioned in the affidavit of:	Dennis Patrick Molloy

Signature

Full name of deponent/ substitute signatory:	Dennis Patrick Molloy		
Signature of deponent/ substitute signatory:			
Full name of witness:	Phoebe Lee Everingham		
Signature and type of witness:	 <input type="checkbox"/> Justice of the Peace <input type="checkbox"/> Commissioner for Declarations <input checked="" type="checkbox"/> Lawyer		
Sworn/Affirmed at [place]:	1 William Street		
Date:	25/07/2025		

DM-2

DELIVERING
FOR QUEENSLAND

Queensland Budget 2025–26

**BUDGET
STRATEGY
AND OUTLOOK**

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Queensland
Government

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Budget Strategy and Outlook

Budget Paper No. 2

ISSN 1445-4890 (Print)

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State Budget 2025–26

Budget Strategy and Outlook

Budget Paper No. 2

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Overview

The 2025–26 Queensland Budget lays the foundation for a fresh start for households, communities and businesses across all regions of the state.

The Budget delivers on the government's election commitments and, consistent with the government's objectives for the community, is focused on delivering safety for Queenslanders, a better lifestyle through a strong economy, health services when and where Queenslanders need them and a plan for Queensland's future.

Delivering the foundation for a fresh start

Safety where you live

- \$347.7 million to support the roll-out of the *Making Queensland Safer* laws
- Delivering more police on the beat with 1,600 new recruits by 2028, a \$290.3 million investment for new and upgraded stations, facilities and police beats, and \$147.9 million to provide frontline police with essential equipment
- Supporting victims of crime with \$275 million in 2025–26 for financial assistance, and \$50 million for a new Victims Advocate Service
- Protecting victims of domestic and family violence with a \$37 million boost to support new laws, \$18.8 million to upgrade safe spaces in courthouses, and funding to double the capacity of Womensline and Mensline
- \$560 million for world-class early intervention and rehabilitation programs

A better lifestyle through a stronger economy

- Ongoing cost-of-living relief including permanent 50 cent public transport fares, Play On! vouchers and the Back to School Boost to reduce schooling costs
- Continuing the Electricity Rebate Scheme for vulnerable households and helping renters through solar installation rebates
- Making home ownership more attainable through new transfer duty concessions, kick-starting the \$165 million Boost to Buy home ownership scheme – a nation leading home ownership scheme that will close the deposit gap for first home buyers, and getting land ready for new homes sooner through the \$2 billion Residential Activation Fund
- Delivering a funding boost for specialist homelessness services and crisis accommodation, and investing \$5.604 billion to build new social and community homes

Health services when you need them

- Boosting our health workforce with more than 4,500 additional health workers in 2025–26
- \$24.3 billion for Hospital and Health Service operations

- A record capital investment in Queensland Health infrastructure of \$18.526 billion across 5 years (including 2024–25), for the *Hospital Rescue Plan*, delivering more than 2,600 new beds for Queenslanders
- Additional investments in mental health, maternity services and the Queensland Ambulance Service

A plan for Queensland's future

- \$41.7 billion investment in road and transport infrastructure over 4 years, including the Bruce Highway Targeted Safety Program, The Wave, Barron River Bridge and the Mooloolah River Interchange
- \$831.9 million over the next 4 years to kick-start the 2032 Delivery Plan for procurement and delivery of the first 5 Games venues
- Building new schools at Caloundra South and Ripley Valley and 6 new special schools or campuses
- Delivering affordable, reliable and sustainable energy by bringing the total investment in CopperString to a record \$2.4 billion by 2028–29, investing \$1.6 billion in the Electricity Maintenance Guarantee, as well as ongoing investment in smaller pumped hydro and gas projects
- Delivering Faster Rail between Logan and the Gold Coast with \$5.75 billion, jointly funded with the Australian Government.

Respect for Queenslanders' money is a foundational commitment of the government. The Budget has been developed in a calm and methodical manner to deliver a safe and secure pathway to a more sustainable budget position. The Budget also responds to the challenge of prioritising the public infrastructure required for a growing population and economy, noting increased construction costs, capacity constraints and the need to moderate growth in borrowing consistent with the government's fiscal principles.

Despite the strong performance of the state's economy in the face of global challenges, the state faces significant fiscal challenges. The Australian Government's unprecedented redistribution of Queensland's goods and services tax (GST) entitlement to other jurisdictions and other factors are impacting revenues. The Budget also begins the critical task of resetting expenses growth, providing funding security for service delivery and public sector employment, and a return to a fiscally sustainable position.

The government is focused on delivering long-term structural reforms that lift our state's productivity performance, which will increase living standards for all Queenslanders.

Productivity growth is critical to provide a buffer against impacts of global market volatility, ease cost-of-living pressures, address housing affordability challenges, and enhance the competitiveness and profitability of Queensland businesses.

The government is also committed to reducing costs for business and ensuring an attractive and competitive investment environment to drive productivity, build capability, boost resilience and grow the regions, ensuring businesses have the confidence to invest, employ and grow.

By leveraging private sector investment; delivering productive infrastructure and essential services; reducing costs for business; unlocking skills, training and entrepreneurial opportunities; and investing in Queensland's energy and water security, the government will deliver on its commitment to a better lifestyle for Queenslanders through a stronger economy.

Economic conditions and outlook

Queensland's economic growth is forecast to strengthen in the near term and remain robust across the forward estimates. However, enhanced geopolitical tensions and changes in global trade policies present material risks to the global, national and state economic outlook.

Queensland's Gross State Product (GSP) growth is forecast to strengthen to 2½ per cent in 2024–25, driven by stronger public final demand reflecting increased service delivery and a large capital program delivering essential economic and social infrastructure for a growing population.

Consecutive natural disasters affecting several areas of the state in early 2025 have weighed on growth in 2024–25. Along with the initial effects of global trade policies, these factors are estimated to have reduced GSP growth by around ¾ percentage point in 2024–25.

While public demand will remain robust beyond 2024–25, private sector consumption and investment are forecast to strengthen and be key drivers of overall activity, resulting in stronger GSP growth of 2¾ per cent in 2025–26. Queensland's economic growth is then forecast to ease slightly but remain robust at 2½ per cent in 2026–27.

Labour market conditions are also expected to remain strong. Ongoing jobs growth is expected to see employment growth average 3 per cent in 2024–25, before stabilising at 1½ per cent from 2025–26, broadly in line with population growth. The unemployment rate is forecast to remain lower for longer, but edge higher from 4 per cent in 2024–25 to reach 4¾ per cent in 2028–29, still well below the long-run average.

Growth in the wage price index is forecast to be 3¾ per cent in 2024–25 and 3½ per cent in 2025–26 before slowing to 3 per cent by 2028–29, in line with a gradual easing in labour market tightness, but delivering ongoing real wages growth for Queensland workers.

Population growth is projected to moderate across the forecast period, slowing from 2.5 per cent in 2023–24 to 1¾ per cent in 2024–25 and then 1½ per cent in 2025–26 and 2026–27. A key driver of this moderation is the reduction in the Australian Government's immigration program.

Overview Table 1 Queensland economic forecasts/projections¹

	Actuals	Forecasts				Projections
	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
Gross state product ²	2.1	2½	2¾	2½	2½	2½
Employment	3.0	3	1½	1½	1½	1½
Unemployment rate ³	4.1	4	4¼	4½	4½	4¾
Inflation ⁴	4.1	2	3¼	2½	2½	2½
Wage Price Index	4.7	3¾	3½	3¼	3¼	3
Population	2.5	1¼	1½	1½	1¼	1¼
Notes:						
1. Unless otherwise stated, all figures are annual percentage changes.						
2. Chain volume measure, 2022–23 reference year. The comparable nominal GSP growth rates are 1.1 per cent in 2023–24, 3¼ per cent in 2024–25, 4 per cent in 2025–26 and 5 per cent in 2026–27.						
3. Per cent, year-average.						
4. Brisbane, per cent, year-average.						
Sources: Australian Bureau of Statistics Annual State Accounts, National, State and Territory Population, Labour Force, Wage Price Index, Consumer Price Index and Queensland Treasury.						

Targeted cost-of-living relief to support Queensland families and households in need

Cost-of-living pressures have increased for many households in recent years. However, as inflation moderates, interest rates fall, and household incomes grow again due to a pick-up in real wages and tax cuts, these pressures will ease.

Headline inflation is expected to fall to 2 per cent in 2024–25 after the recent peak of 7.3 per cent in 2022–23.

Importantly, Queensland's strong labour market is delivering solid wages growth. In 2024–25 Queensland is expected to see the second consecutive year of real wages growth with ongoing real wage growth expected across the remainder of the forecast period.

The flow on impacts of Australian Government tax cuts are expected to provide \$1,654 per year in additional disposable income for a person on an average wage of around \$79,000 per year. Further, the two 25 basis points cuts in the Reserve Bank of Australia's cash rate announced in February and May this year are expected to save a household with a mortgage of \$600,000 around \$2,200 per year.

This Budget provides substantial ongoing concessions and a number of new and enhanced measures to support Queensland families and households across the state in most need of support.

As outlined in detail in Appendix A Concessions Statement, nearly \$8.5 billion in ongoing concessions are forecast to be provided to Queenslanders in 2025–26, which includes \$261.9 million in electricity rebates for vulnerable households and \$223.6 million for 15 hours per week of free kindy for all 4-year-olds.

The Queensland Government is providing targeted cost-of-living support to hundreds of thousands of Queensland families through the \$200 Play On! voucher program and \$100 Back to School Boost for primary school students.

The government is ensuring every taxpayer dollar is invested to deliver the maximum benefit for Queenslanders.

That is why the government has made 50 cent fares on relevant public transport services permanent, and exempted payroll tax for General Practitioners (GPs) to support bulk billing rates and ease healthcare costs for Queenslanders.

Further, the government is delivering relief for first home buyers by providing an exemption from transfer duty when they buy or build a new home — helping them get into their first home faster while encouraging increased supply to enhance housing affordability in the longer term.

The government is focused on making long-term structural reform to ease cost-of-living pressures, through measures such as the \$1.6 billion Electricity Maintenance Guarantee over the next 5 years and tackling crime to ease the pressure on insurance premiums.

Fiscal conditions and outlook

The 2025–26 Queensland Budget provides the foundations for improving Queensland's budget position to restore fiscal sustainability.

Through a calm and methodical approach, the Budget has provided the opportunity to address legacy funding issues identified in the 2024–25 Mid-Year Fiscal and Economic Review (MYFER) relating to key service delivery areas of health, education, housing, child safety, support for victims of crime and to deliver the government's election commitments.

After a period of rapid and unsustainable expenses growth over the 3 years from 2021–22 to 2023–24, this year's Budget begins the task of resetting expenses growth onto a more sustainable path so that community outcomes are delivered, and legacy issues are addressed but with a clear focus on maximising value.

The net operating deficit, while similar in 2024–25 to the 2024–25 MYFER estimate, is expected to deteriorate in 2025–26 before progressively improving across the forward estimates as more robust revenue growth returns from 2026–27 and grows faster than expenses.

The operating position is estimated to improve by \$6.1 billion over the period from 2024–25 to 2027–28 compared with the 2024–25 MYFER.

The 4-year capital program is \$116.8 billion and is underpinned by an analysis of the government's current and future infrastructure requirements to support a growing and decentralised state and manage cost pressures.

The opportunity to review capital funding has demonstrated that the former government's *Queensland Energy and Jobs Plan* was unrealistic and not achievable.

For example, the Pioneer-Burdekin Pumped Hydro Energy Storage project was stopped by the government because of cost, viability and deliverability – noting in reality it would have taken

Budget Strategy and Outlook 2025–26

much longer and cost a lot more than the previous government expected. More generally, the Queensland Productivity Commission's current inquiry into the construction sector will deliver its final report to government in October 2025, while the immediate pause of Best Practice Industry Conditions is expected to result in productivity benefits to the program.

Boosting productivity and realistic scheduling of the capital program are making an important contribution to lower borrowings.

Non-financial Public Sector (NFPS) borrowings are estimated to reach \$190.4 billion in 2027–28, \$27.5 billion below the comparable 2024–25 MYFER estimate of \$217.8 billion.

NFPS borrowings are still estimated to increase over the period, rising from \$124.1 billion in 2024–25 to \$205.7 billion in 2028–29. This reflects the need to borrow to fund most of the capital program. However, the rate of increase in borrowing is moderating over time as available cash flows increasingly fund more of the capital program.

Overview Table 2 Key fiscal aggregates

	2023–24	2024–25	2024–25	2025–26	2026–27	2027–28	2028–29
	Outcome	MYFER	Est. Act.	Budget	Projection	Projection	Projection
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
General Government Sector							
Revenue	89,768	88,071	89,476	91,337	94,886	97,748	102,457
Expenses	88,087	92,983	94,852	99,918	100,751	102,033	103,543
Net operating balance	1,681	(4,911)	(5,376)	(8,581)	(5,864)	(4,285)	(1,086)
PNFA ²	10,507	14,189	13,370	14,639	18,554	19,124	18,655
Fiscal balance	(4,001)	(14,394)	(13,794)	(17,632)	(17,472)	(15,948)	(11,720)
Net debt	5,684	25,539	22,092	41,803	61,605	79,239	93,217
Non-financial Public Sector							
Revenue	100,258	99,141	100,978	102,638	107,256	111,693	117,106
PNFA ²	16,887	25,760	21,583	23,837	26,749	26,221	25,326
Borrowing ³	106,397	128,085	124,118	147,840	170,484	190,360	205,660
Notes:							
1. Numbers may not add due to rounding.							
2. PNFA: Purchases of non-financial assets.							
3. Comprised of borrowing with QTC, Leases and similar arrangements and Securities and derivatives.							

Building a stronger and more productive economy – laying the foundations for a fresh start

A strong and productive economy is integral to lay the foundations for a fresh start and deliver on the government's objectives for the community – safety where you live; a better lifestyle through a stronger economy; health services when you need them; and a plan for Queensland's future.

To drive economic growth and improved living standards in the face of global challenges, the government is focused on improving productivity across the economy, including continuing to leverage and expand the state's competitive and comparative advantages.

Productivity growth is critical to help cushion the adverse impacts of global market volatilities, ease cost-of-living pressures, address housing affordability challenges and enhance the competitiveness of Queensland businesses to create employment opportunities and support higher incomes, including for vulnerable cohorts.

Productivity – the key driver of growth and improved living standards

Productivity growth is the key to increasing living standards in a sustainable way.

The weak productivity growth seen in Queensland over most of the last decade is evident in the latest Australian Bureau of Statistics productivity growth estimates for 2023–24. Queensland's market sector labour productivity in 2023–24 declined by 1.0 per cent, while multifactor productivity growth was almost stagnant. Importantly, both these results trail almost all other states and territories.

The government's commitment to lift Queensland's productivity performance will require targeted improvements to policy and regulatory settings. Reflecting this, the government delivered on its commitment to re-establish the independent Queensland Productivity Commission (QPC), with the QPC commencing on 22 April 2025.

In line with a key election commitment, the QPC has already commenced its first task of conducting a comprehensive inquiry into opportunities to improve the productivity of the Queensland construction and building industry.

Reflecting the government's commitment to increasing productivity, the government has introduced a new fiscal principle – *Target productivity improvements across the private and public sectors to increase living standards for Queenslanders over the medium term*.

The addition of this principle highlights the importance, in the context of responsible and sustainable fiscal management of the state, of improving productivity to help drive enhanced economic outcomes and improve living standards across the state.

A key focus of the government's commitment to support productivity and sustainable economic growth is to reduce costs for business and ensure an attractive and competitive regulatory and investment environment in which the state's businesses and industries have the confidence to invest, employ and grow.

This will deliver a better lifestyle for Queenslanders through a stronger economy, and a plan for Queensland's future.

In particular, the government will drive productivity improvements and a stronger economy by:

- leveraging private sector investment
- delivering productive infrastructure and essential services
- reducing regulatory burden and costs for business
- unlocking skills, training and entrepreneurial opportunities
- investing in Queensland's energy and water security.

In line with the range of initial investments outlined in the 2025–26 Queensland Budget across these key areas, the government is committed to identifying and delivering whole-of-economy solutions and, where appropriate, targeted industry-specific responses to help improve productivity over the longer term.

Enhanced productivity and a stronger economy will improve the profitability of Queensland businesses and create higher incomes for Queensland households. A stronger economy will also generate additional capacity for government to deliver the essential services needed to make Queensland safer and healthier, improve living standards and create a better lifestyle for all Queenslanders.

In turn, this will ensure more Queenslanders can participate effectively and maximise their opportunities in the labour market and economy. This will enable the state to develop and attract private sector investment and the skills, innovation and entrepreneurship needed to deliver productive infrastructure and enhanced health and other essential services across the state.

Similarly, by reducing costs for business, including through investing in Queensland's energy and water security, this will enable businesses to employ more Queenslanders and generate greater incomes for Queensland families and communities, enabling them to better access health and other services that will enhance their lifestyles.

Leveraging private sector investment

The private sector plays a critical role in our economy, accounting for around 70 per cent of the economy.

This highlights the importance of supporting and investing to sustain, enhance and attract industry to drive economic growth and productivity, including through effective place-based solutions that also enhances vibrancy and resilience of regional economies.

Further, the government's approach to industry development and policies to build appropriate domestic capability in critical areas closely aligns with and leverages off Queensland's natural and competitive advantages to ensure these programs attract additional private sector investments that deliver sustained net benefits to Queensland.

A new whole-of-state industry framework is being developed, to guide investments in priority sectors, including defence, biofuels, and advanced medical manufacturing. This new framework will be underpinned by a \$180.6 million investment to establish a new Sovereign Industry Development Fund.

Investments from the Fund will focus on building domestic capability, leveraging Queensland's industry strengths and growing our regions.

The government has also unveiled an ambitious 20-year tourism plan, *Destination 2045: Delivering Queensland's Tourism Future*, which will leverage opportunities for the lead up to and legacy of the Brisbane 2032 Olympic and Paralympic Games.

Key focus areas of Destination 2045 include: kick-starting ecotourism, with a bold vision to deliver 45 new ecotourism experiences by 2045; a new dedicated events fund to support Queensland's vision to be Australia's home of events, including in the regions; and a new Connecting Queensland aviation fund, to attract direct flights to new markets, and boosting connections to regional Queensland.

Destination 2045 is an important initiative that supports Queensland's tourism sector, with this Budget allocating an additional \$446 million over 4 years to support delivery of *Destination 2045*. This brings the government's total investment in tourism to over \$1 billion over 4 years.

The Budget also commits to a range of initiatives in the agriculture, manufacturing and mining industries.

These include the Sowing the Seeds of Farming Innovation Fund, Boosting Biosecurity in the regions, support for the Mossman cane industry, the Queensland Drought Resilience Program, Enhancing Mineral Exploration, the Queensland Resources Common User Facility and Transforming Queensland Manufacturing programs to support growth, employment and investment.

Delivering productive infrastructure and essential services

Investment in public infrastructure is crucial for delivering essential services, as well as driving productivity growth through improved physical and digital connectivity for businesses to support labour mobility and trade.

However, the government recognises that in recent years, a large, uncoordinated capital program has been crowding out private sector investment and putting upward pressure on input prices.

The capital program has been developed through a Capital Pipeline Sustainability Assessment approach to ensure optimisation and prioritisation of projects and programs to inform the sequencing of the program to support on-time and on-budget delivery.

The \$116.8 billion capital program accommodates election commitments, provides critical infrastructure, addresses cost pressures and provides for future commitments.

The \$29.3 billion capital program in 2025–26 is estimated to directly support 73,000 jobs.

The government is making significant investments to deliver essential services that Queenslanders expect and deserve, which should also support productivity over the long run.

The 2025–26 Queensland Budget is also delivering the foundations of a plan for Queensland's future and seizing the opportunity of the Brisbane 2032 Olympic and Paralympic Games to invest in the generational infrastructure and transport connections needed for our growing population.

The government is also prioritising delivering health services when you need them. The 2025–26 Queensland Budget is delivering on the government's *Easier Access to Health Services Plan*.

While strong demand for health services persists, driven by population growth and aging, the state's world-class health system is continuing to support healthy, active and productive Queenslanders.

This Budget provides Queensland Health with a record operating budget of \$29.4 billion in 2025–26, a 10.2 per cent increase from 2024–25.

This uplift will support significant initiatives across the health system, including driving down ambulance ramping, hiring more frontline health workers across the state and addressing pressures on emergency departments and elective surgery wait times.

Following the independent review into the Capacity Expansion Program, which found that it was underfunded, delayed, did not deliver on critical service needs and was ultimately undeliverable, this Budget commits further funding to the State's transformational investment in health system capacity under the new *Hospital Rescue Plan*.

The record health infrastructure investment under the Plan will deliver 3 new hospitals, a new Queensland Cancer Centre, a new cardiac hybrid theatre in Rockhampton and 10 major hospital expansions across the state: a collective increase of more than 2,600 hospital beds.

Consistent with the government's commitment to Making Queensland Safer, the Budget supports strengthening frontline policing by increasing police numbers and police resources with a commitment to deliver 1,600 police recruits by 2028.

The Budget commits funding of \$290.3 million over 5 years for new and upgraded police stations, facilities and beats, \$147.9 million to provide frontline police with essential equipment, and more than \$100 million in additional funding for airborne law enforcement in Cairns, Townsville, the Sunshine Coast and the Moreton Bay region.

The government is also supporting victims of crime, working to prevent crime before it happens through world-class early intervention, addressing the root causes of crime and giving young people the tools and support they require to break the cycle of youth offending.

Reducing regulatory burden and costs for business

Reducing red tape and unnecessary regulatory burden on businesses and households is a key driver of productivity and building a stronger economy.

Excessive regulation can hinder business growth and innovation, with the costs of unnecessary regulation being passed onto consumers or limiting consumer choice.

The government is committed to reviewing and streamlining regulations to ensure they are necessary, effective and efficient, while creating an environment where businesses are encouraged to innovate, and where new ideas and technologies can be easily adopted.

More specifically, this Budget commits to a range of initiatives to refocus the Queensland Small Business Commissioner on red tape reduction and dispute resolution, and to simplify small business procurement processes, standardise contracts and support smaller tenders.

The government has also unveiled a new Small and Family Business First Action Statement, underpinned by an investment of over \$130 million.

The Action Statement has a clear focus on reducing costly red tape, streamlining government services and fostering innovation, making it easier for small and family businesses to do business.

This includes establishing a new dedicated \$10.3 million Small Business Concierge service to streamline support and improve the ease of accessing government services, as well as \$16.8 million for the Small Business Support Network that provides financial counselling and coaching.

Unlocking skills, training and entrepreneurial opportunities

Labour productivity is a critical element contributing to overall productivity gains in the economy.

Therefore, as part of its plan for Queensland's future, the government is making significant investments to unlock skills and training opportunities, including developing effective pathways to upskill and reskill.

The government has also committed \$50 million towards programs such as User Choice and Free Apprenticeships for Under 25s, as well as additional funding for initiatives under the National Skills Agreement to support Queensland's critical skills needs.

In addition, 4 new TAFE Centres of Excellence are also being delivered, with \$201.1 million in funding committed.

These measures, as well as significant ongoing investments in education and training, will support a more productive labour market and, importantly, enable Queensland workers to realise higher real wages over time.

Further, the 2025–26 Women's Economic Security Statement outlines key new initiatives and ongoing commitments designed to empower women and girls. These initiatives focus on workforce participation, secure housing, safer communities and better health services for women and girls.

The government is also transforming social enterprise and social impact investment to tackle important social challenges across our communities and change the lives of Queenslanders who need it most.

Strengthening social impact in Queensland

The Queensland Government is making a significant commitment to social change with an investment of \$20 million each year directed toward empowering social enterprises and purpose-driven organisations.

The aim of this investment is to positively impact the lives of Queenslanders who need it most through a Social Entrepreneurs Fund of \$80 million over 4 years and \$20 million per annum ongoing.

The government has established Queensland's first Office of Social Impact (OSI) within Queensland Treasury to identify and amplify the state's social enterprise and impact investment sectors.

The OSI's mission is to improve outcomes for marginalised Queenslanders by leveraging the potential of social enterprise and impact investing, and by fostering the necessary conditions for these sectors to flourish in Queensland.

The OSI will oversee the Social Entrepreneurs Fund and lead the development and delivery of a strategic roadmap for social enterprise and impact investing. This will be done in consultation with a broad range of stakeholders, including investors, community and faith groups, philanthropists, corporates and social enterprises.

As part of this initiative, the government will make foundational investments from the Fund in the form of Impact Revenue Investments and continuing support for the peak body. An allocation of \$1.6 million over 4 years from the Fund to the Queensland Social Enterprise Council will allow certainty for the sector and continuous peak body representation across the state.

With an indicative allocation of \$8 million over 4 years from the Fund, Impact Revenue Investments aim to stimulate revenue growth and support eligible purpose-driven businesses to scale.

Further details about the first round of this initiative will be released in early 2025–26.

Investing in Queensland's energy and water security

Energy is the lifeblood of the state's economy, directly contributing to the costs of production for businesses and impacting export competitiveness.

The Queensland Government is developing a 5-year Energy Roadmap to deliver affordable, reliable and sustainable energy for Queenslanders.

The Roadmap to be released in the second half of 2025 will be a credible plan for the state's energy system focused on the investment and market outlook to 2030, providing certainty for investors, communities and consumers.

Setting a foundation for the Roadmap, in 2025–26, Queensland's state-owned energy businesses are investing over \$5 billion across the energy supply chain.

The Electricity Maintenance Guarantee is supporting a \$1.6 billion investment over the next 5 years to 2029–30, ensuring our state-owned generators align expenditure with delivery of affordable, reliable and sustainable energy to Queenslanders.

Budget Strategy and Outlook 2025–26

The government is also making significant investments in water infrastructure to ensure water security across the state and industry demand is met.

In this Budget, the government is investing \$37.7 million from 2024–25 on initiatives to meet the state's regional water security needs.

The government is also investing \$96.9 million in 2025–26 to progress planning and enabling works for the rebuild of Paradise Dam.

Across government water entities, over \$1.1 billion in infrastructure is being invested to deliver increased water security, fortify the flood resilience of water infrastructure and ensure the ongoing safety and reliability of dams.

1 Economic performance and outlook

Features

- Queensland economic growth is forecast to strengthen in the near term and remain robust across the forward estimates. However, any escalation (or resolution) of global geopolitical tensions and trade policies present higher than usual uncertainty to the outlook.
- Reflecting intensifying downside risks to the outlook, in its April 2025 *World Economic Outlook* the International Monetary Fund (IMF) downgraded global growth forecasts from those published in January 2025.
- While cost-of-living pressures will remain a concern for Queensland households following a period of elevated growth in consumer prices, nationally, the Reserve Bank of Australia (RBA) forecasts underlying inflation to stabilise at the mid-point of their target band going forward. Lower interest rates, stronger consumer spending and business investment are forecast to support a gradual strengthening of national economic growth.
- Queensland's Gross State Product (GSP) growth is forecast to be 2½ per cent in 2024–25, accelerating from 2.1 per cent in 2023–24 supported by stronger public sector activity.
- Growth across major private investment components so far in 2024–25 has been constrained, while tight financial conditions have also subdued household consumption despite strong population growth.
- At the same time, the contribution from the overseas trade sector has moderated as exports growth eases from elevated levels.
- Consecutive natural disasters affecting several areas of the state in early 2025 have also weighed on growth. These events, along with potential effects of protectionist trade policies across the globe, are estimated to have reduced Queensland GSP growth by around ¾ percentage point in 2024–25.
- An expected rebalancing of economic drivers is forecast to deliver stronger GSP growth of 2¾ per cent in 2025–26. While public demand will remain robust, private sector spending, including private investment, is forecast to strengthen and be an important driver of activity.
- Economic growth is forecast to be 2½ per cent in 2026–27, with imports growing faster than exports. Goods imports are forecast to grow strongly in line with the recovery in domestic conditions, while strength in services imports continues.
- With state final demand forecast to be stronger than previously anticipated, labour market conditions are also expected to remain strong. Ongoing jobs growth is expected to see employment growth average 3 per cent in 2024–25, before stabilising at 1½ per cent from 2025–26, broadly in line with population growth.
- The unemployment rate is forecast to remain lower for longer, but edge higher from 4 per cent in 2024–25 to reach 4¾ per cent in 2028–29, still below the long-run average.

1.1 International conditions

The international economy has entered another period of uncertainty, primarily driven by new and wide-ranging tariff measures announced by the United States (US) and retaliatory measures by some key trading partners.

The ongoing conflicts in Ukraine and the Middle East also continue to contribute to a heightened level of uncertainty around the global economic outlook.

Global economic growth was 3.3 per cent in 2024, below the 20-year pre-COVID-19 average of 3.8 per cent. The IMF's April 2025 forecasts show global economic growth is expected to soften to 2.8 per cent in 2025 and 3.0 per cent in 2026, representing significant downgrades from the IMF's January 2025 forecasts – by 0.5 and 0.3 percentage points in 2025 and 2026, respectively.

The global interest rate outlook has changed in recent months. While the central banks of many advanced economies began reducing rates in the second half of 2024, interest rates are expected to be cut further over the remainder of 2025, reflecting a softer global economic growth outlook.

The impact of recently announced tariffs on inflation is uncertain. While tariffs on imported goods are expected to lead to a one-off increase in the price of these goods, there is also the potential for price rises to impact consumers' longer term inflation expectations.

The tariffs may also prove to be inflationary in the long-run due to the negative effect on productivity of countries onshoring historically less productive industries. Conversely, many analysts expect the tariffs could be disinflationary, driven by the expected moderation in growth.

The deterioration in the economic outlook extends to Queensland's major trading partners (MTPs), with the IMF forecasting growth for Queensland's MTPs of 2.9 per cent in 2025 and 3.0 per cent in 2026, representing downgrades since January 2025 of around ½ percentage point per year.

China's economy was already facing numerous headwinds prior to the escalation of the US–China trade tensions, including ongoing challenges with the country's property sector in recent years.

China's economic growth slowed to 5 per cent in 2024, down from 5.4 per cent the prior year and below the 20-year average of around 8 per cent. The IMF's latest forecasts show China's economic growth is expected to slow further to 4.0 per cent in both 2025 and 2026. A more severe slowdown in China's economy is likely to have flow-on impacts, including reducing demand for Queensland's exports.

Economic growth in the US was 2.8 per cent in 2024, outperforming other advanced economies. The US labour market has remained tight, with the unemployment rate around 4 per cent, and inflation has fallen from recent peaks. Further progress towards the Federal Reserve's 2 per cent target is likely to be affected by the imposition of tariffs on imported goods.

Since the announcement of tariffs, the IMF has forecast US economic growth to slow to 1.8 per cent in 2025 and 1.7 per cent in 2026. Risks remain skewed to the downside, with the IMF's latest *World Economic Outlook* report indicating rising fears that the world's largest economy could fall into recession.

1.2 National conditions

Growth in the national economy remains subdued, with annual growth at 1.3 per cent in March quarter 2025.

Despite sluggish growth, the labour market has remained strong. However, this is in part due to declining productivity, with Gross Domestic Product (GDP) per hour worked falling by 1.0 per cent over the year to March quarter 2025. In May 2025, national employment rose by 2.3 per cent over the year while the unemployment rate remained low at 4.1 per cent.

Subdued economic growth has supported a significant easing in inflationary pressures.

Annual underlying inflation has edged below the top of the RBA's target range at 2.9 per cent. The underlying inflation rate is expected to remain on a downward trend with the May RBA *Statement on Monetary Policy* (SoMP) forecasting inflation to fall to 2.6 per cent by June quarter 2025 and remain at that rate for the remainder of the forecast period.

Recent income tax reductions and improved real wages have supported growth in household disposable incomes. Financial markets are currently pricing in further reductions in interest rates over the next year.

These factors are expected to support stronger growth in household consumption spending and dwelling investment. Together with moderate improvements in business investment and continued growth in public final demand, this is expected to support stronger GDP growth.

The May 2025 SoMP projected that national GDP growth will gradually strengthen from 1.4 per cent in 2024–25 to 2.1 per cent in 2025–26 and 2.2 per cent in 2026–27.

In the near term, the recent softer GDP growth rate is expected to see the national unemployment rate rise modestly before stabilising at a still historically low rate of 4.3 per cent by the end of 2025.

1.3 Queensland conditions and outlook

Queensland's economic growth is forecast to strengthen in the near term and remain robust across the forward estimates. However, global geopolitical tensions and trade policies present higher than usual uncertainty to the outlook.

GSP growth is forecast to be 2½ per cent in 2024–25, accelerating from 2.1 per cent in 2023–24 driven by stronger public sector activity. Strong public final demand growth is expected to extend across the forecast period as service delivery and the infrastructure program delivers essential economic and social infrastructure for a growing population.

Consecutive natural disasters affecting the state in early 2025 have also weighed on growth.

These events, along with the initial effects of protectionist trade policies across the globe, are estimated to have reduced Queensland GSP growth by around ¾ percentage point in 2024–25.

An expected rebalancing of economic drivers is forecast to deliver stronger GSP growth of 2¾ per cent in 2025–26. While public demand will remain robust, private sector spending is forecast to strengthen and be a key driver of activity.

Slower underlying inflation, income tax cuts and further interest rate reductions are expected to underpin a strengthening in per capita real incomes. This will support a pick-up in consumer spending growth towards its historical average which will once again be an important driver of economic activity. Balancing this, elevated global uncertainties are likely to weigh on consumer and business sentiment.

Supply constraints have continued to restrict the ability of residential construction to meet demand. Supply constraints are expected to gradually ease over time, meaning dwelling investment is forecast to return to growth, albeit tempered by high construction costs.

Prevailing industry constraints are also impacting business investment, with momentum to be regained in 2025–26 as weather conditions are expected to normalise, borrowing costs fall and the sector progresses an elevated pipeline of non-dwelling construction work.

Noting the rebalancing in 2025–26, Queensland's economic growth is forecast to ease to 2½ per cent in 2026–27. Goods imports are forecast to grow strongly in line with the recovery in domestic conditions, while strength in services imports continues. Meanwhile, exports are expected to rise only marginally as increases in services and metallurgical coal exports are largely offset by lower metals and agricultural exports.

Domestically, major components of private demand are forecast to continue to strengthen in 2026–27 while growth in public demand is expected to ease slightly, though remaining in line with average growth across the past decade.

With ongoing momentum from rising real incomes, household consumption growth will strengthen, while a pipeline of projects is supportive of investment in new dwellings and renovation activity is also expected to improve.

Queensland's economic growth is projected to settle at a solid 2½ per cent from 2027–28, consistent with potential output growth.

With state final demand forecast to be higher than previously expected, labour market conditions are also forecast to remain strong and tight.

Ongoing jobs growth is expected to see employment growth average 3 per cent in 2024–25, before stabilising at 1½ per cent from 2025–26, broadly in line with population growth.

The unemployment rate is forecast to remain lower for longer, but edge higher from 4 per cent in 2024–25 to reach 4¾ per cent in 2028–29 (Table 1.1) — a rate more consistent with stable inflation but still well below the state's long-run average.

Growth in the wage price index (WPI) is forecast to be 3¾ per cent in 2024–25 and 3½ per cent in 2025–26 before moderating to 3 per cent by 2028–29, consistent with an easing in labour market tightness. This profile is expected to deliver ongoing real wage growth for Queensland workers.

Queensland's population growth is projected to moderate across the forecast period as overseas migration numbers normalise, slowing from 2.5 per cent in 2023–24 to 1¾ per cent in 2024–25 and 1½ per cent in 2025–26 and 2026–27.

Table 1.1 Queensland economic forecasts/projections¹

	Actuals	Forecasts			Projections	
	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
Gross state product ²	2.1	2½	2¾	2½	2½	2½
Employment	3.0	3	1½	1½	1½	1½
Unemployment rate ³	4.1	4	4¼	4½	4½	4¾
Inflation ⁴	4.1	2	3¼	2½	2½	2½
Wage Price Index	4.7	3¾	3½	3¼	3¼	3
Population	2.5	1¾	1½	1½	1¼	1¼
Notes:						
1. Unless otherwise stated, all figures are annual percentage changes.						
2. Chain volume measure (CVM), 2022–23 reference year. The comparable nominal GSP growth rates are 1.1 per cent in 2023–24, 3¼ per cent in 2024–25, 4 per cent in 2025–26 and 5 per cent in 2026–27.						
3. Per cent, year-average.						
4. Brisbane, per cent, year-average.						
Sources: Australian Bureau of Statistics (ABS) Annual State Accounts, National, State and Territory Population, Labour Force, Wage Price Index, Consumer Price Index and Queensland Treasury.						

Box 1.1 Economic impacts of natural disasters

Over March quarter 2025, vast areas of the state were impacted by severe weather events, which inflicted flooding and storm damage to homes, businesses and infrastructure and caused personal devastation and hardship to many Queenslanders.

In addition to the financial costs to households, businesses, government and insurers, the severe weather events also resulted in measurable losses in economic output.

North Queensland flooding

The North Queensland floods in late January and early February 2025 impacted a region that accounts for a significant proportion of the state's overall economic activity. This event disrupted mining and port activities with February 2025 coal export volumes around 30 per cent below their levels in the same month in 2024.

While export volumes rebounded during March, overall exports for the quarter were weaker due to the flooding. It is estimated that lost exports across all impacted sectors could reduce the value of production by around \$2 billion in 2024–25 or ¼ percentage point of GSP.

Tropical Cyclone Alfred

Ex-Tropical Cyclone Alfred in March 2025 had a significant, albeit temporary, impact on economic activity in South East Queensland. This region accounts for over half of the state's population and economic activity.

The impacts were primarily through the tourism industry and general business disruption, especially due to the widespread power outages that occurred.

It is also likely that construction activity was impacted with unseasonable weather experienced in March and across the prior 2 quarters.

Overall, it is estimated that the value of lost activity due to the initial impact of Alfred will have been in the order of \$1 billion or around ¼ percentage point of GSP.

Western Queensland floods

Shortly after ex-Tropical Cyclone Alfred, vast areas of western Queensland were impacted by significant flooding. The affected regions account for a substantial share of Queensland's rural industries, especially grazing.

The major impact was on livestock losses. It is estimated the affected region accounts for around 14 per cent of Queensland's cattle herd and around 46 per cent of the sheep flock.

Preliminary estimates suggest the value of lost production, principally in beef and wool, is likely to be around \$300 million or less than 0.1 per cent of annual GSP. The loss of production is likely to be spread relatively evenly over the 3-year period from 2024–25 to 2026–27.

Overall impact

These 3 major natural disasters significantly impacted activity in March quarter 2025 and, to a lesser extent, 2024–25 as a whole. While the higher-than-average rainfall in key agricultural regions is positive for grazing and cropping, rain negatively impacted construction activity during late 2024. As a result, the combined impact of the various natural disasters affecting Queensland is expected to be around ¾ percentage point of GSP.

1.3.1 Household consumption

Growth in consumer spending slowed across 2023–24 and 2024–25 as Queensland households adapted to restrictive financial conditions.

Recent Australian Bureau of Statistics (ABS) data show that the treatment of state and national cost-of-living subsidies by the ABS in the National Accounts has also reduced measured household consumption in 2024–25 (with this spending being reallocated from household to public consumption).

Growth in household consumption is expected to pick up in 2025–26, reflecting an expected strengthening in real per capita incomes as inflation slows, interest rates reduce further and income tax cuts support household incomes.

However, ongoing uncertainty in the global environment may prompt households to exercise caution and increase savings buffers, moderating spending growth to around 2½ per cent in the forecast years, in line with the pre-COVID-19 decade average.

1.3.2 Dwelling investment

Despite significant and increasing demand for housing in recent years, Queensland residential construction activity has been stagnant.

Construction productivity was significantly impacted by many factors, including material and labour shortages, and Best Practice Industry Conditions which increased the cost and deliverability of projects across the sector, including residential construction. As a result, real dwelling investment has weakened over the past 2 years.

As construction capacity has struggled to keep up with the state's strong housing demand, the value of residential work in the pipeline has surged to record highs.

A pick-up in building approvals and the backlog of work in the pipeline is expected to drive construction activity demand in the coming years.

Ongoing supply constraints and demand across the broader construction sector will continue to affect growth in dwelling investment, particularly if productivity does not improve and other constraining factors persist.

Further, the impacts of Tropical Cyclone Alfred stopped work for several days across most construction sites in South East Queensland and followed unseasonable weather conditions in previous months. With the industry already at capacity, any lost output during the March quarter may be difficult to make up in the short term.

Dwelling investment is expected to grow by 3 per cent in 2024–25, before strengthening slightly to 3¼ per cent in 2025–26 and 4 per cent in 2026–27.

Box 1.2 Housing supply and home ownership

Housing market conditions

An ongoing shortage of housing supply relative to demand has driven dwelling price growth, low vacancy rates and rapid rent rises in recent years.

The growth in demand for housing during and since the COVID-19 pandemic has been driven by strong population growth, initially due to a surge in net interstate migration and then a period of exceptionally strong net overseas migration.

Several factors have contributed to housing supply not keeping pace with demand, including residential construction output being constrained by material shortages and ongoing labour shortages, company insolvencies and weak productivity growth.

As a result, the value of residential work in the pipeline has reached record highs and the cost of construction has increased rapidly in recent years.

Housing affordability has also deteriorated since the pandemic, impacted by higher dwelling prices and higher interest rates.

Brisbane dwelling prices have risen over 70 per cent since March 2020, to a median value of around \$918,000 in May 2025. Brisbane's median dwelling price to income ratio has risen from 5.3 in 2019–20 to approximately 8.3 in May 2025.

Rental markets also remain tight across Queensland, with the rental vacancy rate at a low 1.0 per cent in May 2025.

There are some positive signs that construction commencement to completion times in Queensland have begun moderating off recent peaks and there is evidence conditions are easing with new rental price growth slowing in recent quarters.

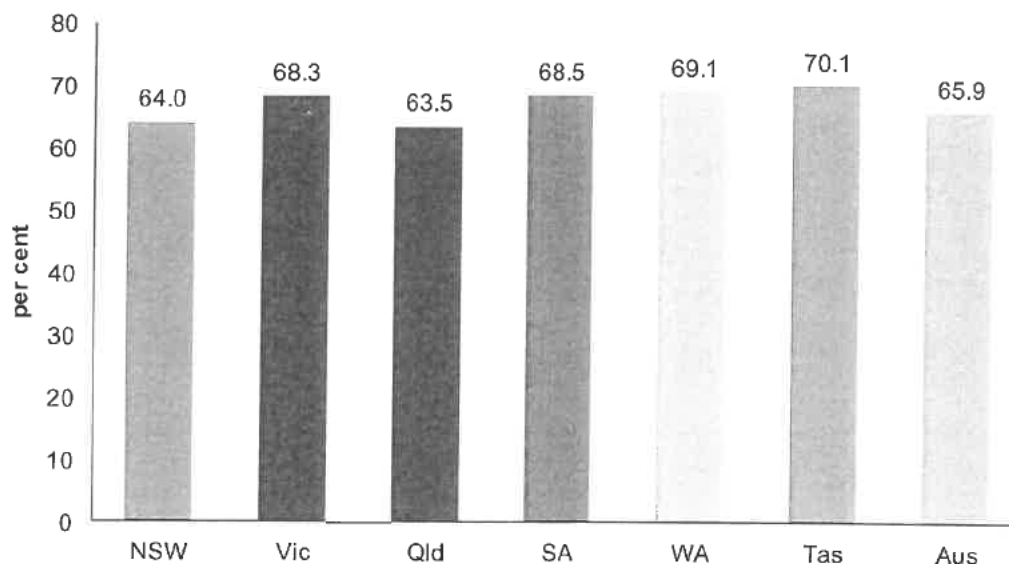
Home ownership rate

The rate of home ownership in Queensland is the lowest of any state in Australia (Chart 1.1).

In 2021, the proportion of owner-occupied dwellings (either owned outright or with a mortgage) in Queensland was 63.5 per cent — unchanged from a decade earlier and lower than the 65.4 per cent reported in 2006.

Home ownership supports the long-term economic security of individuals and families, including through increased wealth accumulation, improved labour market outcomes and greater community engagement.

Chart 1.1 Rate of home ownership¹



Note:

1. Includes owned outright and owned with a mortgage.

Source: ABS 2021 Census of Population and Housing.

Queensland Government response

The Queensland Government is taking action to address housing market pressures and ensure home ownership is a realistic and attainable goal for households.

A Housing Ministerial Taskforce Cabinet Committee has been established to oversee actions to drive supply and provide a place to call home for more Queenslanders, sooner.

The government's *Securing our Housing Foundations Plan* will deliver one million new homes by 2044, including an additional 53,500 social and community housing dwellings.

Key initiatives implemented and announced by the government include:

- The Queensland Government is investing \$165 million into Boost to Buy, a nation-leading home ownership scheme, commencing this year. Boost to Buy will close the deposit gap for eligible Queensland first home buyers, with the government funding a portion of the cost for new and existing homes.
- Since 1 May 2025, eligible first home buyers purchasing or building an eligible new home do not have to pay transfer duty. This measure will help get Queenslanders into their first home faster, while encouraging increased supply to deliver long-term affordability relief and support home ownership. Legislative amendments to allow transfer duty concession recipients to rent out part of their property during the first year of occupancy without having to repay the concession have also come into effect.
- In the 2025–26 Queensland Budget, the government has extended the \$30,000 First home owner grant (FHOG) for a further 12 months to 30 June 2026. This will complement the significant relief provided by the government's removal of transfer duty for first home buyers building or purchasing a new home, as well as other existing concessions. The extension of the \$30,000 FHOG will help more first home buyers unlock their first home all while driving increased supply to support broader affordability.
- Working with councils, the state will support the fast tracking of new housing developments through the \$2 billion Residential Activation Fund. This includes a \$1 billion minimum investment in regional communities. This program provides funding to local government and developers for trunk and essential infrastructure like water supply, sewerage, stormwater management, power, and transportation, which are needed to enable residential development.
- In this Budget, the government is also delivering increased investment of \$1.967 billion over 4 years (including \$1.892 billion capital funding) and an ongoing commitment of \$500 million from 2029–30 to support increased delivery of social and community housing, including youth foyers and domestic and family violence shelters.

Broader supply side measures such as streamlining development approvals, ensuring appropriate planning frameworks and regulatory settings, and provision of essential trunk infrastructure to facilitate housing development, will continue to be key areas of focus for the government to improve housing affordability and home ownership rates across the state.

1.3.3 Business investment

After a strong recovery following the COVID-19 period, business investment growth slowed significantly, with business investment falling by 1.4 per cent in the year to March quarter 2025.

The lagged impact of higher interest rates and moderating business conditions, together with capacity constraints and higher costs in the construction industry, likely contributed to this weakness.

Weather conditions also played a role with the level of rainfall in the first 3 quarters of 2024–25 considerably higher than normal.

Ongoing global economic uncertainty is likely to have constrained investment activity in the first half of 2025. This will push investment activity into 2025–26 when a rebound is expected, subject to normal weather conditions being experienced.

Reflecting these constraints, overall business investment is expected to fall by 1 per cent in 2024–25 before recovering to grow by 1½ per cent in 2025–26 and 3¼ per cent in 2026–27. A rebound in non-dwelling construction is expected to be a key driver of the recovery.

1.3.4 Public final demand

Public final demand (combined government expenditure at the national, state and local levels) has recorded strong growth in recent years. The outlook is expected to remain strong.

1.3.5 Overseas exports and imports

In real terms, despite interruptions from extreme weather events, Queensland's overseas exports are estimated to grow by a further 3¼ per cent in 2024–25.

Looking ahead, supply constraints are expected to unwind and production increase across several of the state's key export sectors, including coal, liquefied natural gas (LNG), metals and agriculture.

Services exports are expected to remain unchanged in 2024–25.

Tourism has been hampered by high travel costs, airline capacity constraints and natural disasters, while international student numbers have been impacted by Australian Government policies.

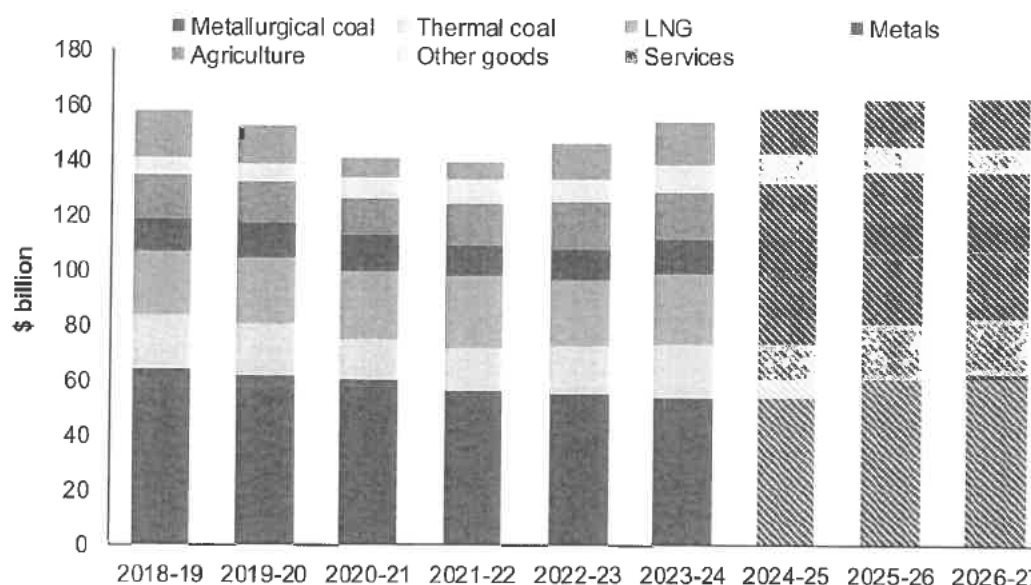
Growth in overseas exports is expected to be solid at 2¼ per cent in 2025–26 (Chart 1.2).

In 2026–27, exports are forecast to grow marginally, driven by growth in services and metallurgical coal exports, partially offset by lower metals and agriculture exports.

Growth in Queensland imports is expected to moderate to 3 per cent in 2024–25, consistent with subdued private demand and a weaker Australian dollar.

Growth is then expected to pick up to 4¾ per cent in 2025–26, in line with growth in household consumption and private investment.

Chart 1.2 Queensland real overseas exports¹



Note:

1. Annual, CVM.

Sources: ABS Balance of Payments, ABS International Trade in Goods (unpublished), and Queensland Treasury.

Coal

Queensland's coal exports are expected to grow by 1¼ per cent in 2024–25, reflecting the easing of some supply constraints in recent years and the ramp-up of production at the Olive Downs and New Acland Stage 3 coal mines.

Coal exports were expected to grow much faster if not for the severe rainfall and flooding in North Queensland in February 2025. In the first 6 months of 2024–25, coal export volumes were 4.2 per cent above the corresponding period in 2023–24. However, coal exports fell to 10.9 million tonnes (Mt) in February 2025, down from 16.1Mt in February 2024 and the lowest monthly export total since April 2017, when exports were affected by Tropical Cyclone Debbie.

Exports subsequently rebounded to 17.4Mt in March 2025 (up from 16.5Mt in March 2024), however overall exports were still 4.6Mt (or 9.7 per cent) lower than in March quarter 2024.

Coal exports are forecast to grow by 10½ per cent in 2025–26, driven by the continued recovery of hard coking coal exports. Export volumes are expected to grow by a further 3 per cent in 2026–27 as supply conditions normalise.

Demand for Queensland's metallurgical coal is expected to be supported by growing steel production in India and emerging markets such as Vietnam. Retaliatory tariffs from China on US coal imports may provide further support for demand for Queensland's coal exports to the extent that China may seek alternative supply sources. However, concerns about the global economy more broadly following the escalating trade war present downside risks for global steel demand.

Queensland's thermal coal producers have been operating close to capacity in recent years, supported by the easing of trade restrictions with China and continued coal-fired power generation in the fast-growing Asian region.

LNG

The volume of Queensland's LNG exports is estimated to grow a further 1½ per cent in 2024–25, following a record 23.7Mt in 2023–24. Global demand for LNG remains strong in Asia, as well as the Northern Hemisphere as Europe continues to moderate natural gas imports from Russia.

Domestically, it is expected that in the near term there will be sufficient production of natural gas to supply both the east coast domestic market and spot LNG cargoes above contracted amounts. However, LNG exports are expected to return to their contracted amounts and moderate 1½ per cent in 2025–26 and a further 3¼ per cent in 2026–27 as domestic southern gas fields deplete and conditions in the northern hemisphere market abate.

The Queensland Government is opening up new tenures for gas exploration and has provided funding to boost exploration in the Bowen Basin to support growth in gas supply. The government is working with the industry to unlock gas supply to bring down prices and attract investment, which will also create employment opportunities in Queensland including in regional communities over the medium-to-long term.

Metals

Queensland metals exports are forecast to rise 1¾ per cent in 2024–25 having normalised after several years of interruptions, and despite severe weather disruptions in early 2025.

From 2025–26, however, exports are expected to fall due to the closure of several large base metal mines, continuing the longer-term trend evident since 2013–14.

Agriculture

The volume of agricultural exports rose by 3.9 per cent in 2023–24, driven by increases in beef and sugar exports.

Agriculture exports are expected to strengthen by a further 11 per cent in 2024–25 to an all-time high, driven by strong beef, chickpea and wheat exports.

With the US currently in a herd rebuilding phase, it is anticipated strong demand for Australian beef over the forecast period will be maintained.

The trade conflict between US and China is also expected to benefit Australia's beef industry, with China having placed restrictions on US beef imports, allowing Australia to expand access to its market.

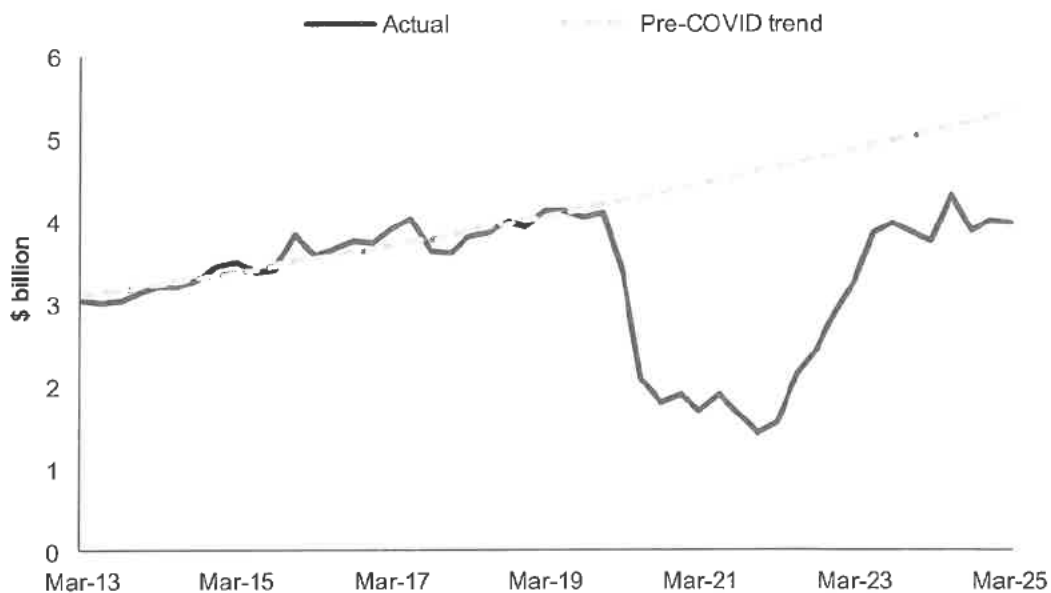
Over the medium term, agriculture exports are expected to moderate, driven by lower beef and cotton exports. Beef exports are expected to moderate from record highs, to facilitate a partial herd rebuild, with favourable weather conditions expected for pasture growth.

Services exports

International visitors and student arrivals recovered following the reopening of Australia's borders at the start of 2022. This was reflected in rapid growth in the level of services exports (Chart 1.3).

However, the rate of growth in the volume of services exports has started to ease, rising at a more moderate pace of 5.8 per cent in the year to March quarter 2025, with the level of services exports well below pre-COVID-19 trends.

Chart 1.3 Queensland services exports¹



Note:

1. Quarterly, CVM, seasonally adjusted

Sources: ABS Balance of Payments and International Investment Position and Queensland Treasury.

The recovery in short-term visitor arrivals have been hampered by international airline capacity limitations and high travel costs.

However, on average, visitors are staying longer so the recovery in visitor nights spent in Queensland has been stronger than the recovery in visitor numbers.

The recovery in student numbers has also slowed with the Australian Government taking several policy measures to reduce overseas students as part of its migration strategy. The number of visas granted for overseas students to study in Queensland has fallen by 37.8 per cent over the 2 years to April 2025.

Imports

Growth in overseas imports to Queensland is expected to moderate to 3 per cent in 2024–25. Goods imports are expected to rise modestly, consistent with emerging private demand, while services imports are forecast to continue to grow strongly.

In 2025–26, growth in imports is expected to pick up to 4¼ per cent, in line with solid growth in household consumption and private investment. Beyond 2025–26, imports are forecast to grow strongly, reflecting solid domestic conditions and continued strength in services imports.

Box 1.3 US tariffs and implications for global trade

The global environment remains uncertain, with key risks to growth outlined in the 2024–25 Mid-Year Fiscal and Economic Review materialising.

Global trade tensions have escalated, with the US imposing new tariffs on multiple countries, resulting in retaliatory tariff announcements between the US and China — the world's 2 largest economies.

Most country-specific tariffs are currently subject to a 90-day pause, however a 10 per cent base rate and higher rates on specific goods remain (including 50 per cent on steel and aluminium articles). Trade policies are still evolving and where they settle remains uncertain.

The outlook for global trade has deteriorated, with associated uncertainty likely to constrain, or even shrink, global trade flows. Supply chains are being disrupted, some businesses are relocating production to avoid tariffs, while goods trade is likely to be redirected to avoid tariffs.

The World Trade Organisation now projects the volume of world merchandise trade to decline by 0.2 per cent in 2025, with trade policy shifts trimming nearly 3 percentage points from previously expected growth in global merchandise trade.

The possibility of a global trade war is ultimately expected to weaken economic activity, particularly for countries which have direct trade exposure and face higher tariffs. Major institutions, including the IMF, have cut growth forecasts with downgrades broad-based across countries. Negative risks prevail with the IMF recently expressing fears of recession in the US.

Modelling suggests relatively minor medium-term impacts on the Australian economy. For example, the 2025–26 Federal Budget presented modelling which indicated that such tariffs could reduce the level of Australian GDP by around 0.1 per cent and result in a temporary increase in 2025 inflation by around 0.1 percentage point.

While consumer prices are expected to rise in the US, the impact on Australian inflation is more complex and uncertain given the wide range of competing factors.

For Queensland, the US is not a significant export market, accounting for around 3 per cent of goods exports, mainly beef. Queensland steel and aluminium exports to the US account for a small proportion of exports, although Queensland is exposed to aluminium supply-chain linkages through other states and countries.

As a small open economy with substantial natural resources exports, the main risk to Queensland is reduced offshore demand for commodities and the displacement of private spending because of increased economic and financial uncertainty.

In particular, Queensland and Australian resources and agricultural exporters are exposed to potentially weaker demand from MTPs in Asia, particularly China.

Based on the IMF outlook, Queensland's major trading partner growth was downgraded by around ½ percentage point in both 2025 and 2026.

The actual impact on global trade, commodity prices and Queensland's MTPs will not be known for some time. Initial analysis suggests the impact on Queensland goods exports, as well as on spending decisions from households and businesses, is expected to lower GSP growth by ¼ of a percentage point in 2025–26 and for the level of GSP to remain around ¼ per cent lower across the forecast period.

While tariff negotiations are the remit of the Australian Government, trade missions provide an opportunity for the Queensland Government, through Trade and Investment Queensland (TIQ), to meet with our key trading partners, and communicate that Queensland is open for business.

In response to the US government tariff announcements, TIQ has formed a Tariff Response Unit, working to a 100-day plan to inform clients and stakeholders through stakeholder roundtables and a dedicated online Tariff Hub. As of 10 June 2025, the Tariff Response Unit had coordinated 15 roundtables and presentations, with 11 held to date reaching 210 businesses and stakeholders.

The dedicated online Tariff Hub is also the touch-point for Queensland exporters, where they can access the specially produced fact-sheets and resources produced by the Tariff Response Unit.

In the long-term, increased tariffs may lead to trade re-orientation, where regions and countries are seeking to mitigate potential tariffs and reinforce/create new strategic relationships. This is seeing potentially new structural shifts in trading relationships that present both opportunities and threats to Queensland and Australia, as partners consider longer-term commodity trades to mitigate trade deficits.

1.3.6 Labour market

Labour market conditions in Queensland remain strong.

The unemployment rate has averaged around 4 per cent during 2024–25, labour force participation has been elevated, and trend employment is up 2.8 per cent (or 83,400 persons) over the year to May 2025.

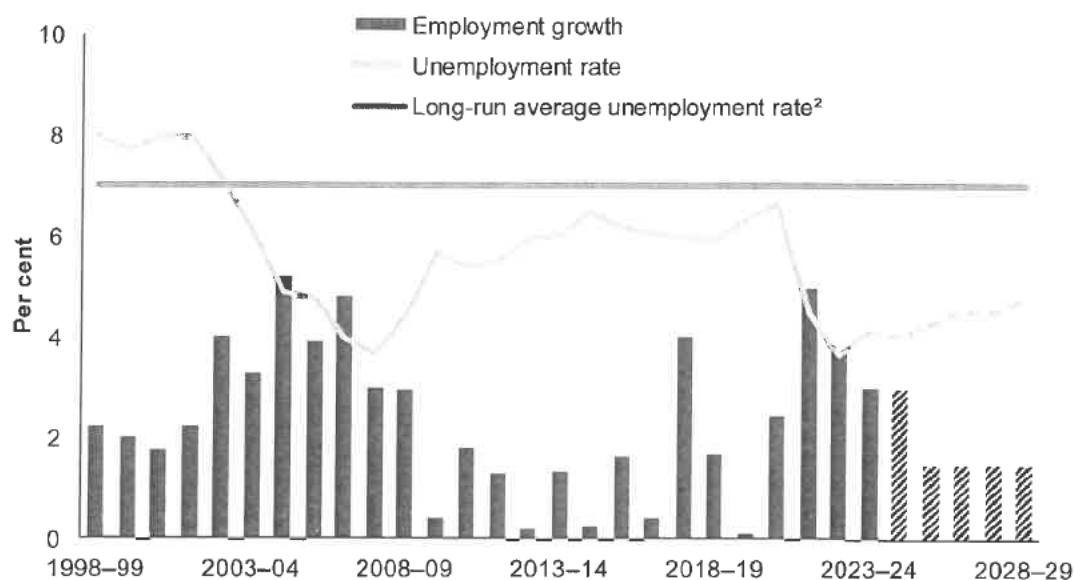
Leading indicators such as job vacancies suggest the tight labour market is persisting, although conditions are expected to soften gradually.

The job vacancy rate, which measures the number of job vacancies as a proportion of the labour force, has eased from an historic high of 3 per cent in September quarter 2022 to a still elevated 2¼ per cent in March quarter 2025.

Overall employment growth is expected to average 3 per cent in the year, before slowing to 1½ per cent in 2025–26, then stabilising over the remainder of the forward estimates period as the labour market continues to normalise and grow broadly in line with underlying population growth.

The unemployment rate is expected to average 4 per cent in 2024–25 and then gradually increase towards a rate more consistent with stable inflation, reaching 4¼ per cent in 2025–26, 4½ per cent in 2026–27, and eventually 4¾ per cent in 2028–29 (Chart 1.4).

Chart 1.4 Employment growth and unemployment rate, Queensland¹



Notes:

1. Original, year-average. 2024–25 and beyond are forecasts/projections.
2. Long-run average unemployment rate since the inception of the ABS monthly series in 1978 is 7 per cent.

Sources: ABS Labour Force and Queensland Treasury.

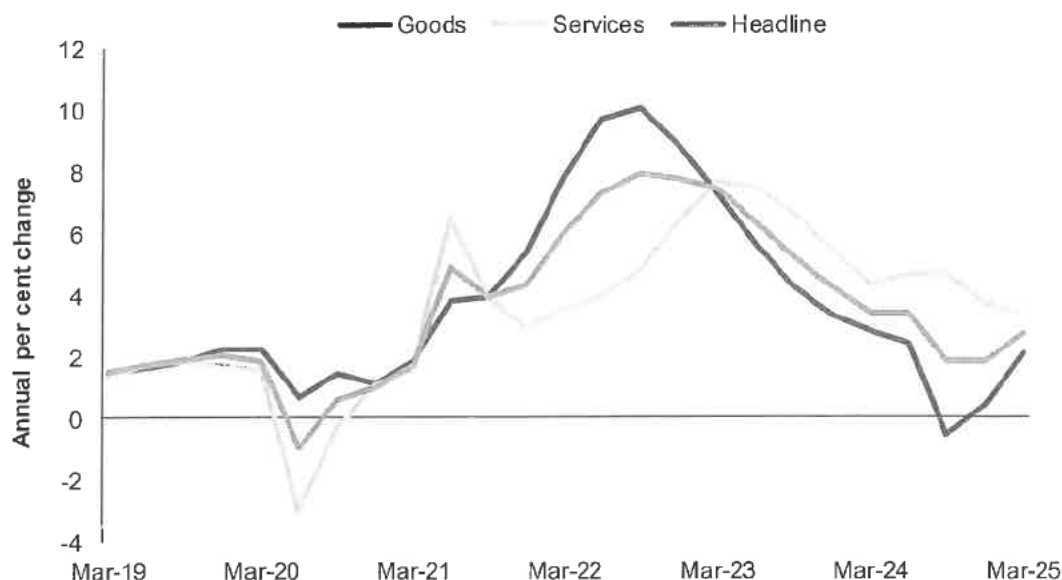
1.3.7 Prices and wages

In year-average terms, growth in Brisbane's CPI was 4.1 per cent in 2023–24, falling from 7.3 per cent in 2022–23, which was the highest year-average increase since 1989–90.

Brisbane's annual headline inflation fell to a low of 1.8 per cent in the September and December quarters of 2024, before rising to 2.7 per cent in March quarter 2025 as the impact of the government's temporary electricity rebate unwound.

Annual services inflation also continues to moderate, falling to 3.4 per cent in March quarter 2025, down from the recent peak of 7.6 per cent in March quarter 2023 (Chart 1.5).

Chart 1.5 Brisbane’s consumer price index, by component¹



Note:

1. Quarterly.

Source: ABS Consumer Price Index.

In year-average terms, Brisbane’s overall CPI growth is expected to fall to 2 per cent in 2024–25. However, the scheduled unwinding of temporary government rebates is expected to see annual CPI growth strengthen to 3¼ per cent in 2025–26. This is in line with forecasts published in the 2024–25 Queensland Budget.

Queensland’s tight labour market is continuing to support wages growth. Annual WPI growth in 2024–25 was 3.6 per cent in March quarter 2025, above the national average of 3.4 per cent.

Consistent with the expected gradual easing in labour market conditions, Queensland’s WPI growth is expected to be 3¼ per cent in 2024–25, 3½ per cent in 2025–26 and 3¼ per cent in 2026–27. Queensland is expecting real wages growth in 2024–25, with ongoing real wage growth expected across the remainder of the forecast period.

1.3.8 Population

Queensland experienced a surge in population growth in recent years, primarily driven by a rebound in net overseas migration (NOM). Recent federal changes to Australia’s Migration Strategy are expected to temper NOM from 2024–25 onwards.

Since its peak in 2022, net interstate migration has generally trended lower, moving towards pre-COVID-19 levels and this trend is expected to persist.

Taken together, Queensland’s population growth is projected to moderate to 1¾ per cent in 2024–25, and 1½ per cent in 2025–26 and 2026–27.

1.4 Risks to the outlook

Global geopolitical tensions remain a key risk to the outlook. This includes the ongoing conflicts in Ukraine and the Middle East.

The heightened risk to global trade by US tariffs is likely to reduce global growth and potentially push up global inflation. Indirectly, shifting patterns of global trade are also likely to increase prices and reduce productivity.

Higher prices could impact central banks' decision-making, threatening the potential for the easing of monetary policy settings.

Australia is less directly impacted by US tariffs but there is a risk that renewed global uncertainty and financial market volatility could push up international risk premia and reduce both global and Australian investment.

Domestically, the risks of a hard economic landing have lessened with recent and prospective reductions in the cash rate. However, there is a risk disinflation could take longer than expected, which could delay monetary policy easing, potentially impacting economic growth.

There remains considerable uncertainty about the impact of policy changes on the number of international students and long-term migrants. Nationally, there are ongoing policy challenges in balancing national population growth to address skill shortages and support services exports against the risk of generating excess demand for housing.

There are continued challenges for the national and Queensland construction industry which has faced significant capacity constraints over recent years.

Competing demand for inputs given the substantial pipeline of public infrastructure investment also places pressure on the construction industry more broadly, which could lead to further supply constraints and higher prices which risk crowding out private business and residential investment.

Table 1.2 below provides a comprehensive set of forecasts of the key macroeconomic variables relating to the Queensland economy.

Budget Strategy and Outlook 2025–26

Table 1.2 Queensland economic forecasts¹

	Actuals	Forecasts		
	2023–24	2024–25	2025–26	2026–27
Economic output²				
Household consumption	2.1	1	2½	2½
Dwelling investment	-1.8	3	3¼	4
New and used	1.8	4	7	6¼
Alterations and additions	-6.0	1¼	-1½	¾
Business investment	2.8	-1	1½	3¼
Non-dwelling construction	2.9	-1½	1¼	1
Machinery and equipment	1.6	-3½	-½	1¾
Private final demand	1.9	¾	2¼	2¾
Public final demand	5.6	6¾	5½	4¾
State final demand	2.9	2½	3¼	3½
Overseas exports ³	12.5	3¼	2¼	½
Overseas imports ³	7.4	3	4¾	5¾
Gross state product	2.1	2½	2¾	2½
Employment	3.0	3	1½	1½
Unemployment rate ⁴	4.1	4	4¼	4½
Inflation ⁵	4.1	2	3¼	2½
Wage Price Index	4.7	3¼	3½	3¼
Population	2.5	1¼	1½	1½
Notes:				
1. Unless otherwise stated, all figures are annual percentage changes.				
2. CVM, 2022–23 reference year. The comparable nominal GSP growth rates are 1.1 per cent in 2023–24, 3¼ per cent in 2024–25, 4 per cent in 2025–26 and 5 per cent in 2026–27.				
3. Includes goods and services.				
4. Per cent, year-average.				
5. Brisbane, per cent, year-average.				
Note: Queensland economic forecasts are based on several key assumptions, including:				
• The RBA cash rate to progressively decline over 2025 and 2026				
• In year-average terms, the A\$ exchange rate to move towards US\$0.72 by 2028–29				
• The Brent oil price to move towards its assumed medium term fair value of US\$75/bbl by 2029				
• Residential property price growth in Brisbane will remain strong amid tight supply and strong demand as lower interest rates improve buyer sentiment				
• A return to average seasonal rainfall across the forecast period				
• The Australian Government's reforms to immigration will lead to a moderation in net overseas migration over the medium term.				
Sources: ABS Annual State Accounts, Australian National Accounts, Balance of Payments and International Investment Position, National, State and Territory Population, Labour Force, Wage Price Index, Consumer Price Index and Queensland Treasury.				

2. Fiscal strategy and outlook

Features

- Respect for Queenslanders' money is a foundational commitment of the government. On coming to office, the government worked to identify funding shortfalls, known funding pressures in service delivery agencies and capital projects with cost overruns to create a baseline in the 2024–25 Mid-Year Fiscal and Economic Review (MYFER).
- In preparing the 2025–26 Budget the government has taken a calm and methodical approach to review and plan the ongoing robust management of spending.
- This has supported improvement in the outlook for key financial aggregates compared to the 2024–25 MYFER, and the first step towards sustained budget improvement.
- Relative to the 2024–25 MYFER, \$6.1 billion in operating balance improvements are projected over the 4 years to 2027–28.
- In 2025–26, a net operating deficit of \$8.581 billion is forecast compared to \$6.926 billion in the 2024–25 MYFER. This results from the government's decisions to fund a range of programs announced but not funded by the former government, targeted funding to meet demand in priority service delivery areas including health, education, housing, child safety and victim support, and GST revenue being \$1.3 billion lower than projected at the 2024–25 MYFER.
- Operating deficits are thereafter expected to progressively improve across the forward estimates as revenue improves from 2026–27 and grows faster than expenses. Operating cash flows are also expected to be positive from 2026–27 and contribute to funding capital purchases.
- The government's robust fiscal management and commitment to budget improvement will result in the Non-financial Public Sector's (NFPS) borrowing significantly improving compared to the 2024–25 MYFER forecast. NFPS debt is forecast to be \$147.8 billion as at 30 June 2026, \$8.3 billion lower than the 2024–25 MYFER forecast. In 2027–28, NFPS debt of \$190.4 billion is forecast, \$27.5 billion lower than forecast in the 2024–25 MYFER.
- The NFPS interest expenses have reduced by \$2.3 billion across the 4 years to 2027–28 compared to the forecast in the 2024–25 MYFER.
- Fiscal Principles have been refreshed to support the government's focus on a sustainable balance sheet and driving productivity across the public and private sectors. The addition of the NFPS debt to revenue ratio in Fiscal Principle 1 increases focus on the gross debt the state needs to service. The new Fiscal Principle 6 recognises that productivity improvements are an important objective to drive better outcomes for Queensland's economy and living standards.

2.1 Fiscal outlook

The 2025–26 Queensland Budget is the start of a pathway towards sustained budget improvement. The first step is the delivery of a measurable improvement in the outlook for key 2025–26 Budget aggregates when compared to the 2024–25 MYFER.

The true state of Queensland's finances was presented in 2024–25 MYFER, which revealed significant funding shortfalls and under-funded service delivery, evidenced by an \$11 billion deterioration in the net operating balance in 2027–28 compared to that presented in the 2024–25 Budget.

Over the 4 years to 2027–28, total key revenues (taxes, GST and royalties) are expected to improve by \$2.7 billion compared to the 2024–25 MYFER. A portion of this revenue uplift will be used to fund some of the legacy issues from the previous government and introduce measures to reduce Queenslanders' tax burden, as outlined in Chapter 3.

Expenses growth over the forward estimates must also be sensibly managed to realise the operating balance improvements. Since the 2024–25 MYFER, the government has conducted a thorough review of programs and services to align funding with government priorities.

The capital program has also been assessed to meet critical investment priorities and enhancing on-time and on-budget deliverability.

The updated 4-year, \$116.8 billion capital program has been underpinned by an assessment of the state's current and future infrastructure requirements, which addressed identified cost overruns and ensured revised costings are reliable and robust.

The governance framework for capital investment will be strengthened to ensure these gains continue in the future (see section 2.2.5).

Actions to reduce net operating deficits and configure a more sustainable capital program translate into lower projected levels of Non-financial Public Sector debt when compared to the 2024–25 MYFER (see section 2.2.6).

The government has also reviewed the Charter of Fiscal Responsibility to ensure the Fiscal Principles support a strong fiscal strategy and continuous improvement, given the legacy issues under the existing charter.

The refreshed Fiscal Principles have a renewed focus on addressing the state's gross debt, which best represents what the state must repay, and introduces an additional principle that targets productivity improvements to benefit Queensland's economy and living standards.

Reporting on Queensland's position will be clear and transparent and demonstrate continual progress towards the medium-term benchmarks.

2.2 Key fiscal aggregates

The key aggregates for the 2025–26 Queensland Budget are outlined in Table 2.1.

Table 2.1 Key fiscal aggregates¹

	2023–24 Outcome \$ million	2024–25 MYFER \$ million	2024–25 Est. Act. \$ million	2025–26 Budget \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
GENERAL GOVERNMENT SECTOR							
Revenue	89,768	88,071	89,476	91,337	94,886	97,748	102,457
Expenses	88,087	92,983	94,852	99,918	100,751	102,033	103,543
Net operating balance	1,681	(4,911)	(5,376)	(8,581)	(5,864)	(4,285)	(1,086)
PNFA ²	10,507	14,189	13,370	14,639	18,554	19,124	18,655
Fiscal balance	(4,001)	(14,394)	(13,794)	(17,632)	(17,472)	(15,948)	(11,720)
Borrowing ³	58,773	77,627	74,843	95,480	114,301	131,696	145,176
Net debt	5,684	25,539	22,092	41,803	61,605	79,239	93,217
NON-FINANCIAL PUBLIC SECTOR							
Revenue	100,258	99,141	100,978	102,638	107,256	111,693	117,106
PNFA ²	16,887	25,760	21,583	23,837	26,749	26,221	25,326
Borrowing³	106,397	128,085	124,118	147,840	170,484	190,360	205,660
Notes:							
1. Numbers may not add due to rounding.							
2. PNFA: Purchases of non-financial assets.							
3. Comprised of borrowing with QTC, Leases and similar arrangements and Securities and derivatives line items in the Balance Sheet							

2.2.1 Net operating balance

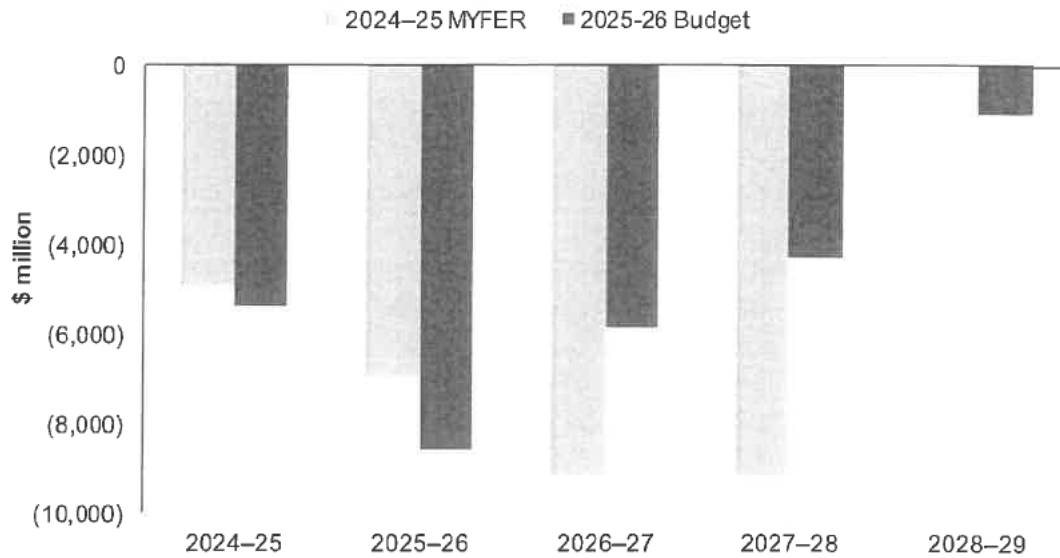
The General Government Sector 2025–26 net operating deficit has widened to \$8.581 billion compared to \$6.926 billion in the 2024–25 MYFER.

This is attributable to providing additional targeted funding not included in previous Budgets to support priority service delivery areas in health, housing, child safety and victim support, and GST revenue being \$1.3 billion lower than projected at the 2024–25 MYFER.

Looking ahead, net operating deficits are projected to improve significantly, with \$6.094 billion in operating balance improvements projected across the 4 years to 2027–28 compared to the 2024–25 MYFER.

Chart 2.1 shows the improved outlook for the General Government Sector net operating balance since the 2024–25 MYFER.

Chart 2.1 Outlook for General Government Sector net operating balance



The improvement in the outyear trajectory reflects positive changes in the outlook for revenue, net of reductions in GST revenue (see section 2.2.3), and expense growth to be responsibly managed below revenue growth (see section 2.2.4).

The timing of payments under disaster recovery arrangements has also affected the outlook for the net operating balance (see Table 2.3).

Table 2.2 explains variations in the operating position from 2024–25 MYER to the 2025–26 Budget.

Budget Strategy and Outlook 2025–26

Table 2.2 Reconciliation of net operating balance, 2024–25 MYFER to 2025–26 Budget¹

	2024–25 \$ million	2025–26 \$ million	2026–27 \$ million	2027–28 \$ million
2024–25 MYFER net operating balance	(4,911)	(6,926)	(9,173)	(9,190)
Taxation revisions ²	31	146	495	903
Royalty and land rent revisions	(70)	1,417	1,759	1,493
GST revisions	(62)	(1,287)	(972)	(1,004)
Updated service funding assumptions ³	887	3,370	5,998	6,301
Revenue measures ⁴	..	(77)	(16)	(6)
Expense measures ⁴	(305)	(4,165)	(3,650)	(3,854)
Other parameter adjustments ⁵	(947)	(1,059)	(305)	1,071
2025–26 Budget net operating balance	(5,376)	(8,581)	(5,864)	(4,285)
Notes:				
1. Numbers may not add due to rounding. Numbers indicate the impact on the operating balance. A number in brackets indicates a negative impact on the operating balance.				
2. Taxation revisions exclude impact of revenue measures contained in Budget Paper 4 (BP4).				
3. Adjustment to reflect re-assessment of under-funded legacy issues and approach to savings based on 2025–26 budget principles.				
4. Reflects the operating balance impact of government measures since the 2024–25 MYFER (refer to BP4 Budget Measures).				
5. Other parameter adjustments reflect Australian Government funding revisions, net impact of Disaster Recovery Funding Arrangements, net flows from Public Non-financial Corporation and Public Financial Corporation entities and non-policy adjustments including changes in interest, depreciation, swaps, lapses and deferrals.				

The timing of payments from the Australian Government under disaster recovery arrangements do not always match timing of the state's outlays for disaster recovery activities and works, and can have a material effect on the net operating balance.

Table 2.3 details the impact of disaster expenses and Australian Government payments for Disaster Recovery Funding Arrangements on the net operating balance as well as disaster related capital purchases.

Table 2.3 Impact of disaster funding on the net operating balance¹

	2024–25	2025–26	2026–27	2027–28	2028–29
	\$ million	\$ million	\$ million	\$ million	\$ million
Net operating balance	(5,376)	(8,581)	(5,864)	(4,285)	(1,086)
<i>less</i> Disaster revenue	1,231	2,368	1,714	48	81
<i>add</i> Disaster expenses	1,969	2,020	1,722	468	60
Underlying net operating balance	(4,638)	(8,929)	(5,856)	(3,865)	(1,107)
Disaster capital expenditure	763	462	656	608	162
Note:					
1. Numbers may not add due to rounding.					

2.2.2 Fiscal Principles

Having robust fiscal principles and related targets is the strong basis needed for transparent and effective fiscal management. The government has approved amendments to the Charter of Fiscal Responsibility to ensure it allows for an honest and credible analysis of the fiscal position, and a renewed focus on pursuing policy settings which reduce total government debt and drive productivity improvements across the economy.

Box 2.1: Revised Charter of Fiscal Principles

Amended Fiscal Principle 1

Queensland relies on borrowings to fund its infrastructure investment. If borrowings do not stabilise as a share of revenue, a higher level of borrowing costs will consume an increasing share of the budget over time. The previous measure of General Government Sector net debt does not address the government's call on financial markets.

The net debt measure also assumes that superannuation assets could be available in full to limit borrowing requirements, but this would conflict with Fiscal Principle 5 to target the full funding of long-term liabilities such as superannuation.

The addition of the Non-financial Public Sector gross debt to revenue ratio to Fiscal Principle 1, broadens the focus on the state's debt burden that needs to be serviced and closely aligns with credit rating agency measures of debt burden.

New Fiscal Principle 6

As productivity growth is a key means of achieving sustained improvement in living standards, a new Fiscal Principle has been introduced reflecting how improvements in productivity can ultimately benefit Queensland's economy and living standards, measured in terms of real Gross State Product (GSP) per capita.

Fiscal Principle 6 complements the other fiscal principles. Productivity growth generally leads to increased revenue or revenue raising capacity, which strengthens the state's fiscal position and can reduce reliance on external borrowing over time.

Productivity improvements in the public sector, including the efficient delivery of the capital program, can also reduce the risk of crowding out private sector activities and allow the government to invest in essential services. This creates greater net benefits for the community.

Fiscal Principle 1 — Stabilise the Non-financial Public Sector debt to revenue ratio and General Government Sector net debt to revenue ratio at sustainable levels in the medium term, and target reductions in the debt to revenue ratio in the long term.

Stabilising the ratios at sustainable levels restores capacity to respond to future external shocks. Both ratios have improved significantly against the 2024–25 MYFER but are still rising over time.

In 2025–26 the Non-financial Public Sector debt to revenue ratio is expected to be 144 per cent compared to 155 per cent in the 2024–25 MYFER. Similarly, by 2027–28 the ratio will be 170 per cent compared to 198 per cent.

The General Government net debt to revenue ratio will be 46 per cent in 2025–26 compared to 54 per cent in the 2024–25 MYFER and 81 per cent in 2027–28 compared to 103 per cent in the 2024–25 MYFER.

Fiscal Principle 2 — Ensure that average annual growth in General Government Sector expenditure in the medium term is below the average annual growth in General Government Sector revenue to deliver fiscally sustainable operating surpluses.

Maintaining a lower rate of expenses growth than revenue growth supports improvements in the operating position that, in turn, can assist with debt stabilisation.

Across the 4 years to 2028–29 average revenue growth is expected to be 3.4 per cent, compared to expenses growth of 2.2 per cent.

Fiscal Principle 3 — Target continual improvements in net operating surpluses to ensure that, in the medium term, net cash flows from investments in non-financial assets will be funded primarily from net cash inflows from operating activities. The capital program will focus on supporting a productive economy, jobs, and ensuring a pipeline of infrastructure that responds to population growth.

Funding a large capital program primarily through operating cash surpluses rather than additional borrowings is key to stabilising borrowing. However, volatility in revenue and expense growth combined with the uneven profile of capital expenditure can impact this fiscal principle on an individual year basis.

The government's efforts to address legacy funding issues identified in the 2024–25 MYFER relating to key service delivery areas has put pressure on operating cash flows. However, as the operating position improves, net cash inflows will increasingly fund the capital program.

The metric is expected to reach 33 per cent by 2028–29 as revenue growth outpaces growth in expenses and the government’s capital program moderates. The government will continue to target budget improvements to increase net operating cash flows, in addition to responsible management of the capital program.

Fiscal Principle 4 — Maintain competitive taxation by ensuring that, on a per capita basis, Queensland has lower taxation than the average of other states.

Queensland’s taxation per capita is highly competitive compared to other jurisdictions. The government is committed to delivering stable and competitive tax settings in Queensland, noting early decisions of the government to reduce Queensland’s tax burden by abolishing transfer duty for first home buyers on new builds and providing a full payroll tax exemption for general practitioners. It is estimated that Queenslanders will pay around \$800 less tax per person than the average of other jurisdictions in 2025–26.

Fiscal Principle 5 — Target the full funding of long-term liabilities such as superannuation and workers’ compensation in accordance with actuarial advice.

Full funding of superannuation and other long-term liabilities is a long-standing priority and a key element of financial management.

The 2024 triennial actuarial investigation of the defined benefit scheme determined an asset coverage of liabilities of approximately 143 per cent, or \$10 billion in surplus as at 30 June 2024. The proposed transfer of \$3 billion in surplus defined benefit investments to the Debt Retirement Fund to facilitate debt repayments over the next 4 years has been carefully designed to ensure the defined benefit scheme remains in a very strong surplus position. Chapter 5 provides further information on this transfer of financial assets.

As at 30 June 2024, WorkCover Queensland was fully funded.

Fiscal Principle 6 — Target productivity improvements across the private and public sectors to increase living standards for Queenslanders over the medium term.

Improvements in productivity ultimately benefit Queensland’s economy and living standards. As such, this principle will be measured in terms of Queensland’s real GSP per capita. The official data is released by the Australian Bureau of Statistics, as part of its *Australian National Accounts: State Accounts* publication on a financial year basis. Queensland Treasury estimates of real GSP per capita are presented in Table 2.4.

Table 2.4 Queensland real Gross State Product per capita estimates

	2024–25	2025–26	2026–27	2027–28	2028–29
Real GSP Per Capita (2022–23 \$)	93,639	94,708	95,728	96,798	97,938
Real GSP Per Capita Growth Rate	½	1¼	1	1	1¼

Sources: Australian Bureau of Statistics *Annual State Accounts*, *National, State and Territory Population* and Queensland Treasury

2.2.3 Revenue

Queensland's revenue outlook across the forward estimates faces significant challenges from negative impacts of the Commonwealth Grants Commission's (CGC) 2025 GST Review, global economic uncertainty and the normalisation of commodity prices from record high levels.

Across the 4 years to 2027–28, total revenue is expected to improve by \$9.1 billion, or around 2.5 per cent, compared to the 2024–25 MYFER.

However, the main drivers behind the change in outlook are uplifts in Australian Government specific purpose grants and other grants and contributions. These revenue improvements are largely offset by associated expenses.

Key revenues are expected to improve by \$2.7 billion, attributable to upgraded royalties revenue and higher taxation revenue, partially offset by lower GST revenue.

The redistribution of GST revenue away from Queensland to other states because of the CGC's Review is estimated to result in a reduction of \$2.292 billion in 2025–26 compared with 2024–25, the largest GST redistribution in history. Across the 3 years to 2027–28, the negative impact on Queensland of the CGC's Review is estimated to be over \$5 billion.

The 2025–26 Budget also incorporates revenue measures to reduce Queenslanders' tax burden. Further details are discussed in Chapter 3.

2.2.4 Expenses

While a portion of the revenue uplift has been used to fund some legacy issues from the previous government, over the forward estimates the government's management of recurrent spending reflects a strategy to control expenses growth through:

- a thorough review of programs and services identified at the 2024–25 MYFER as being under-funded
- aligning spending across the forward estimates with core government objectives.

The government has an ongoing commitment to drive efficiency in service delivery from departments, reflecting the commitment to restore respect for Queenslanders' money.

A starting point is the capping of the number of non-frontline senior executives in the public service at current levels, and the establishment of Queensland Government Consulting Services to provide in-house advice to agencies. Further details are discussed in Chapter 4.

General Government expenses are expected to grow by an average of 2.2 per cent over the 4 years to 2028–29.

Across the 4 years to 2027–28, General Government expenses are expected to be \$3.0 billion higher than 2024–25 MYFER forecasts, reflecting additional funding from the Australian Government including for disaster recovery, and a decision to not allocate savings measures included in the 2024–25 MYFER to agencies given the quantum of under-funded services.

2.2.5 Investment

The updated 4-year capital program has been closely scrutinised by government. In doing so, the government is setting realistic ambitions that support an improving budget position, critical investment priorities and on-time and on-budget delivery.

The capital program is forecast to total \$116.8 billion over 4 years to 2028–29. The 2025–26 Budget 4-year capital program is underpinned by considered analysis of the government's current and future infrastructure requirements to provide for a growing and productive economy. This analysis addresses cost overruns identified in the 2024–25 MYFER, incorporating more robust and reliable costings, and focusing on key priorities for Queensland.

Key areas of focus in the forward estimates period and over the medium term include:

- the Hospital Rescue Plan
- providing the transport infrastructure to keep the state moving and the economy growing
- delivering on our commitment to the Brisbane 2032 Olympic and Paralympic Games
- supporting sustainable delivery of Queensland's Housing Investment Pipeline.

The opportunity to review capital funding has further demonstrated the magnitude and pace of the former government's Queensland Energy and Jobs Plan was unrealistic and not achievable.

As the capital program is the biggest driver of the Non-financial Public Sector debt, the government is focused on robust oversight and monitoring for a more affordable and sustainable capital program spend.

The pause to Best Practice Industry Conditions and the decision for the Queensland Productivity Commission to review the construction industry will have a renewed focus on productivity that will yield benefits for the state's capital program in terms of efficiency and sustainability, in addition to benefits in the broader economy.

2.2.6 Borrowings

Non-financial Public Sector borrowings are estimated to be lower than at the 2024–25 MYFER. NFPS debt is forecast to be \$147.8 billion as at 30 June 2026, \$8.3 billion lower than forecast in the 2024–25 MYFER. By 2027–28 NFPS debt of \$190.4 billion will be \$27.5 billion lower.

NFPS debt to revenue is expected to be 144 per cent in 2025–26 (11 percentage points lower than 2024–25 MYFER) and 170 per cent in 2027–28 (28 percentage points lower than 2024–25 MYFER). Chart 2.2 shows trends in the NFPS borrowings to revenue ratio.

The NFPS interest to revenue ratio is expected to rise from 4.2 per cent in 2024–25 to 8.4 per cent in 2028–29. Although borrowings are lower than the 2024–25 MYFER, they are still rising over time and this is reflected in rising interest expenses.

Reduced borrowings arise from decisions the government has taken to improve the operating balance and rigorous assessment of the capital program, further supported by prudent utilisation of the investment asset mix.

The Debt Retirement Fund was established in 2020–21 to repay debt but has not been used for this purpose to date. Consolidation of investments into the Debt Retirement Fund will support debt reduction with repayments commencing in 2025–26. Consequently, borrowings by 30 June 2029 are estimated to be \$4.8 billion lower.

This measure will restructure the government's investment assets in a methodical manner, to deliver on the stated purpose of the Debt Retirement Fund.

Compared to the 2024–25 MYFER, the outlook for NFPS debt has improved noticeably with the rate of increase to the debt to revenue ratio moderating significantly in 2027–28 and 2028–29.

Chart 2.3 demonstrates that Queensland's NFPS borrowings to revenue ratio although increasing over time, is now expected to remain significantly lower than New South Wales and Victoria.

Chart 2.2 **Queensland NFPS debt to revenue ratio**

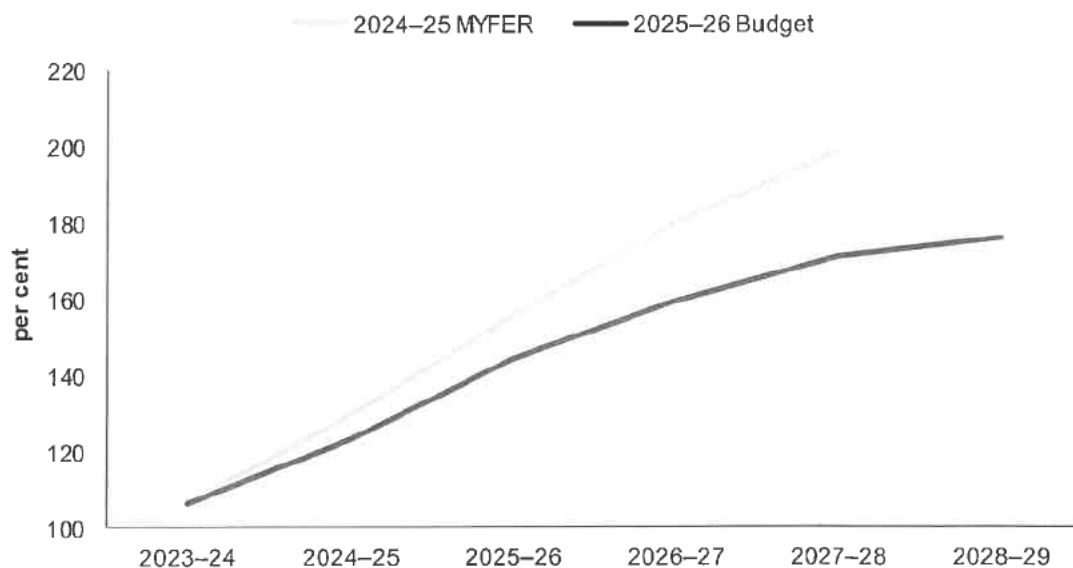
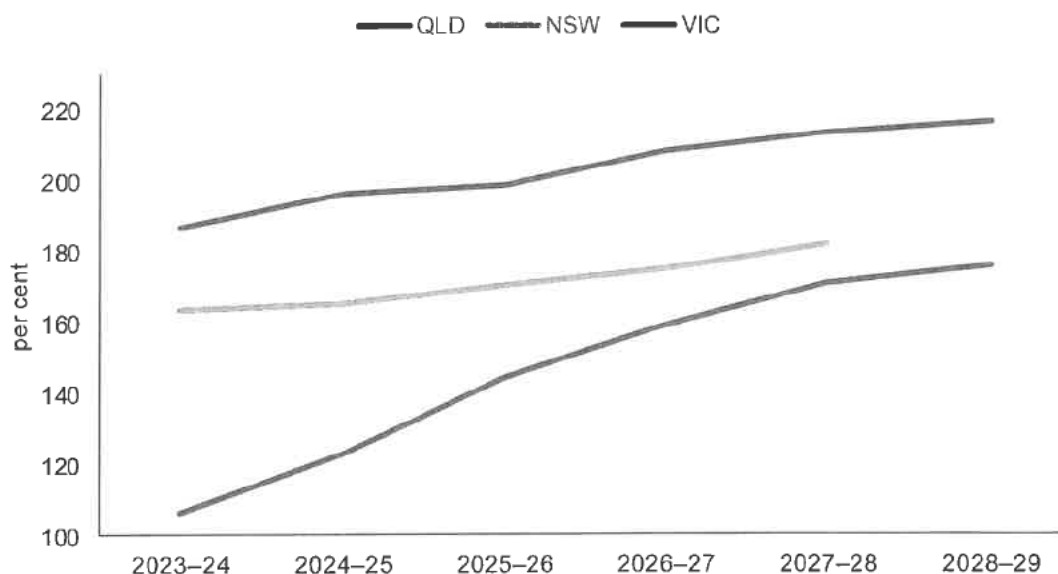


Chart 2.3 State comparison of NFPS debt to revenue ratio



Sources: 2025–26 Budgets for Queensland and Victoria, New South Wales 2024–25 Half-Yearly Review

The current credit ratings for Queensland are:

- Moody's Ratings: Aa1 (stable)
- S&P Global: AA+ (negative)
- Fitch Ratings: AA+ (stable).

Identified strengths that feature consistently across Queensland's credit ratings include a strong and diversified economic base, robust liquidity and effective and experienced financial management. Actions identified in the budget to consolidate investments into the Queensland Future Fund – Debt Retirement Fund demonstrates a commitment to active debt management and support Queensland's credit rating.

Queensland's AAA credit rating from S&P Global was downgraded to AA+ in 2009. Following the release of the 2024–25 MYFER, in which the true state of Queensland's finances under the policy settings of the previous government was presented, Queensland's credit rating outlook was downgraded from stable to negative by S&P Global. A rating downgrade would risk a further increase in the interest burden on the budget.

A long-term deterioration of Queensland's fiscal position has increased the likelihood of further heightened interest payments across the foreseeable future. The outlook downgrade, that followed the release of the 2024–25 MYFER, shows ratings agencies have set a path toward higher interest payments.

2.2.7 Emerging fiscal pressures

Beyond general uncertainties related to parameter assumptions, emerging fiscal issues include:

- servicing the needs of a growing state, especially health and child safety services, and maintenance of state assets
- adverse weather events which may impact state infrastructure and services, noting disaster-related expenses are shared with the Australian Government under the Disaster Recovery Funding Arrangements
- uncertainty around Queensland's future GST entitlement, including potential impacts of the forthcoming Productivity Commission inquiry on horizontal fiscal equalisation, and the status of the GST no worse off guarantee beyond 2029–30.

3 Revenue

Features

- Queensland faces sustained revenue challenges due to the substantial negative impacts of the Commonwealth Grants Commission's (CGC) 2025 GST Review, global economic uncertainty and the continued normalisation of commodity prices from record high levels.
- Total key state revenues (taxes, royalties and GST) are expected to be \$51.515 billion in 2025–26, \$335 million (0.6 per cent) lower than in 2024–25. This decline is due to a notable reduction in GST, outweighing strong growth in tax revenue. This is expected to be the third consecutive year of reduced key revenues since the peak in 2022–23.
- From 2026–27 onwards, key revenues are expected to return to growth, reflecting the ongoing strength of Queensland's labour and housing markets and a rebound in GST as the impact of one-off transfers to other states for their COVID-19 related expenses is removed and the flow-on impact of exceptionally high royalties in previous years reduces.
- Queensland's overall revenue outlook across the forecast period has been severely impacted by the redistribution of GST revenue away from Queensland to other states because of the CGC's recent GST Methodology Review.
- The CGC's Review outcomes are estimated to result in a reduction in Queensland's GST of \$2.292 billion in 2025–26 compared with 2024–25, the largest GST redistribution in history. The impacts of the CGC Review and Queensland's significant concerns with the changes made are discussed in detail in Box 3.3.
- Over the forward estimates, royalties are expected to be materially lower than the extraordinary levels recorded in 2022–23 and 2023–24. Royalty revenue collected in that 2-year period alone is expected to be greater than combined royalty revenue in the next 4 years to 2028–29.
- Total General Government Sector revenue is estimated to total \$91.337 billion in 2025–26, up \$1.861 billion (2.1 per cent) from 2024–25, with total revenue to then grow by an average of 3.9 per cent across the 3 years to 2028–29.
- The Queensland Government has reduced the tax burden on Queenslanders by abolishing transfer duty for first home buyers on new properties and removing the requirement for general practitioners to pay payroll tax. These initiatives will improve access to housing for first home buyers and reduce the cost of healthcare for Queenslanders in need.
- The Budget will ensure Queensland has competitive taxation settings, with per capita state tax estimated to be around \$800 lower than the average of other jurisdictions in 2025–26.

3.1 2024–25 Estimated actual

Total key state revenues (taxes, royalties and GST) are expected to be \$51.850 billion in 2024–25, \$2.863 billion (5.2 per cent) lower than in 2023–24 and \$5.271 billion (9.2 per cent) lower than the peak level recorded in 2022–23.

This amount represents a marginal decrease of \$97.7 million (0.2 per cent) compared to the 2024–25 Mid-Year Fiscal and Economic Review (MYFER) forecast, reflecting lower GST revenue due to an expected adjustment to the national GST pool, along with a period of temporarily weaker coal prices.

The continued decline of key state revenues from 2023–24 is due to the following key factors:

- lower GST, reflecting the CGC's 2024 recommendation that Queensland receives a smaller share of the GST pool in 2024–25 compared to 2023–24, despite the national pool increasing
- lower royalty revenue, driven by commodity prices, in particular hard coking coal prices, continuing to moderate after the elevated levels seen over the previous 3 years.

3.2 2025–26 Budget and outyears

General Government Sector revenue is forecast to increase by \$1.861 billion (2.1 per cent) in 2025–26, to be \$91.337 billion, as outlined in Table 3.1. This increase in revenue is driven by:

- a \$1.892 billion (7.6 per cent) increase in taxation revenue, reflecting strength in the Queensland labour and property markets flowing through to higher payroll tax, transfer duty and land tax
- a \$1.901 billion (8.6 per cent) increase in non-GST Australian Government grants, particularly grants provided as part of Disaster Recovery Funding Arrangements and National Health Reform funding, and grants for on-passing.

These increases in taxation and other revenues are partially offset by a \$2.292 billion (12.1 per cent) decrease in GST revenue in 2025–26, reflecting the results of the CGC's 2025 review.

Total key revenues are forecast to decline by 0.6 per cent in 2025–26 as strong taxation revenue growth is more than offset by significant GST revenue falls, before growing by 8.7 per cent in 2026–27 as taxation revenue continues to grow strongly, and GST revenue rebounds as Queensland's share begins to recover.

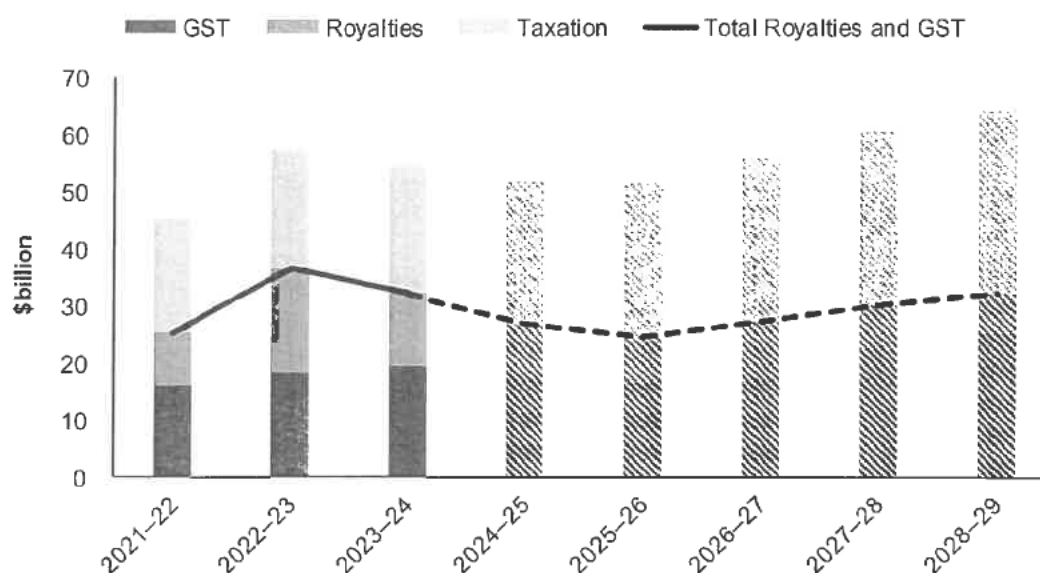
After being relatively flat in 2025–26, royalties are expected to decline from 2026–27 reflecting the gradual appreciation of the Australian dollar towards historical average levels.

Key revenues (taxes, royalties and GST) are fundamental to the state's finances, as they make up the majority of Queensland's untied general revenue. Other revenue sources such as non-GST grants from the Australian Government, and revenues from sales of goods and services, are largely tied to corresponding expenses.

As a result, movements in key revenues have a considerable impact on the state's fiscal position and capacity to fund state priority initiatives.

In 2025–26, royalties will remain considerably below previous highs. The impact on overall revenue growth will be compounded by the CGC's 2025 methodology changes which result in GST revenue declining materially and by more than previously expected, as shown in Chart 3.1.

Chart 3.1 Outlook for key revenues



Total key revenues are expected to continue to grow strongly in 2027–28 and 2028–29. However, importantly, total key revenues are still not expected to exceed the previous exceptional levels seen in 2022–23 until 2027–28.

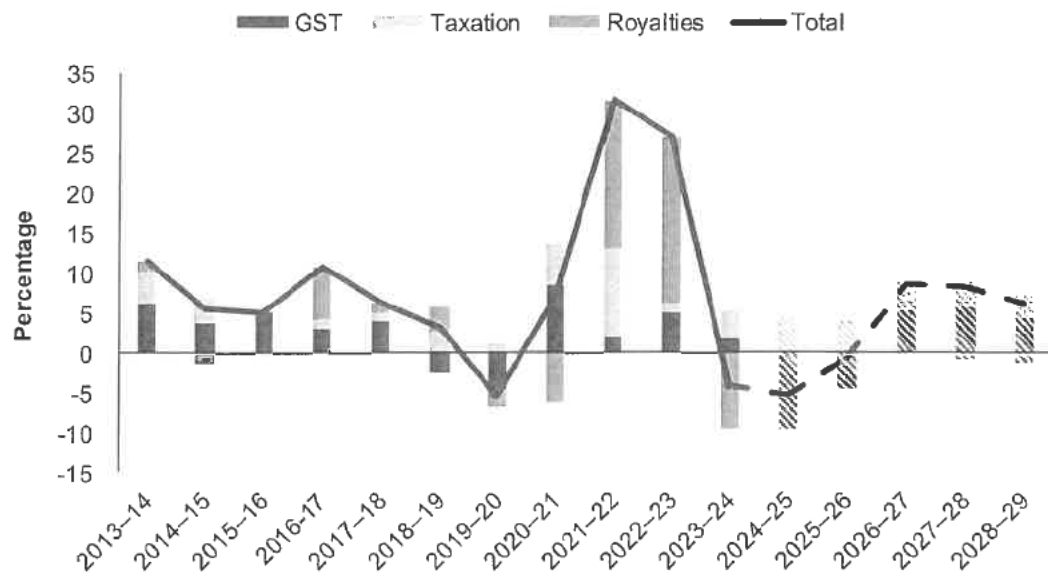
Chart 3.2 outlines the growth in revenue across the 3 key revenue streams and the share of growth attributable to each item across the period to 2028–29.

The chart highlights the strength of growth in 2021–22 and 2022–23 and the subsequent declines in key revenues in 2023–24 and 2024–25, primarily reflecting year on year falls in royalty revenue.

Taxation is expected to continue to grow steadily from 2024–25 onwards, while GST revenue is expected to fall significantly in 2025–26 before returning to growth in subsequent years.

However, GST revenues across the forecast period will be materially lower than would have otherwise been expected in the absence of the negative outcomes of the CGC's 2025 GST Methodology Review.

Chart 3.2 Outlook for growth in key revenues¹



Note:

1. Annual contribution to growth in key revenues. Total is the annual growth of the sum of the 3 categories.

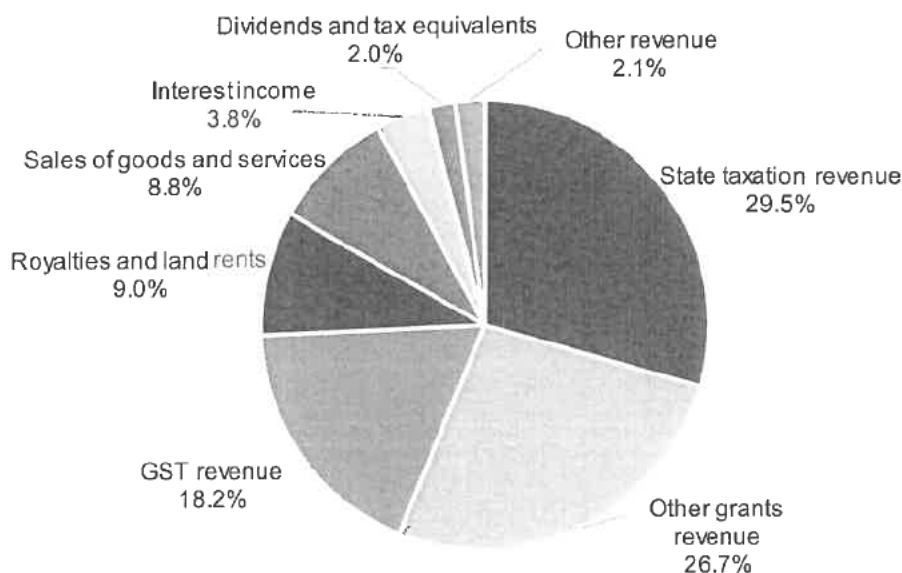
Budget Strategy and Outlook 2025–26

Table 3.1 General Government Sector revenue¹

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
	Actual	Est. Act.	Budget	Projection	Projection	Projection
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Taxation revenue	22,659	25,015	26,907	28,723	30,442	32,154
Sales of goods and services	7,143	7,846	8,057	8,017	7,566	7,690
Interest income	3,617	3,645	3,474	3,387	3,335	3,310
Grants revenue						
GST revenue	19,283	18,917	16,625	19,422	22,720	25,414
Australian Government and other grants and contributions	16,924	18,609	19,115	18,830	19,307	20,044
Australian Government capital grants, other grants and contributions	3,857	3,880	5,250	5,167	3,515	3,440
Dividend and income tax equivalent income						
Dividends	1,089	1,037	1,226	1,122	1,030	1,216
Income tax equivalent income	389	492	568	437	384	396
Other revenue						
Royalties and land rents	12,959	8,108	8,181	8,053	7,708	7,050
Other	1,848	1,927	1,933	1,727	1,739	1,742
Total revenue	89,768	89,476	91,337	94,886	97,748	102,457
Note:						
1. Numbers may not add due to rounding.						

As outlined below in Chart 3.3, the major sources of total General Government Sector revenue expected in 2025–26 are grants revenue, which includes GST and Australian Government Grants (44.9 per cent) and taxation revenue (29.5 per cent).

Chart 3.3 Revenue by operating statement category, 2025–26¹



Note:

1. Numbers may not add up to 100 per cent due to rounding.

3.3 Revenue initiatives

Extending the apprentice and trainee payroll tax rebate for 12 months

The 50 per cent payroll tax rebate for wages paid to apprentices and trainees will be extended for 12 months until 30 June 2026. In addition to apprentice and trainee wages generally being exempt from payroll tax, this measure provides an additional tax concession for businesses with annual Australian taxable wages of \$1.3 million and above who employ trainees and apprentices.

It is estimated this initiative will result in tax relief of \$58.1 million for eligible businesses in 2025–26.

Streamlining of ex gratia relief for land tax foreign surcharge and additional foreign acquirer duty to support investment and housing supply

The government has committed to streamlining and simplifying the ex gratia relief process for additional foreign acquirer duty and the land tax foreign surcharge. Ex gratia relief is available to foreign entities that are Australian based and where their contribution to residential housing development or the local economy and community meet certain thresholds.

Administrative changes to improve application processing will provide eligible applicants, particularly property developers who contribute to residential housing supply, with greater

certainty and timely consideration. This change will also contribute to broader efforts to increase housing supply and affordability.

The government will work with industry, through the newly re-established Property Consultative Committee, to identify and implement appropriate changes to ex gratia criteria that will support new housing development and improve Queensland's position as a welcoming destination for investment. Details will be developed and finalised before the end of 2025.

The measures noted above are in addition to the tax reforms contained in the government's election commitments and included in the 2024–25 MYFER to remove transfer duty for first home buyers when they buy or build a new home, and to exempt payments by medical practices to general practitioners (GPs), as outlined in Box 3.1.

Box 3.1 Delivering tax reform for Queenslanders

Abolishing transfer duty for first home buyers buying a new home

Housing affordability is a concern for many Queenslanders, with dwelling prices increasing across the country in recent years. Median dwelling prices in Brisbane have increased to around \$918,000 in May 2025, which is over a 70 per cent uplift since the outbreak of the COVID-19 pandemic in March 2020.

Challenges around housing affordability are particularly evident for first home buyers. The Queensland Government is taking action to address this by reducing the tax burden on first home buyers.

From 1 May 2025, transfer duty (often referred to as stamp duty) is abolished for first home buyers purchasing a new build or vacant land to build a home on. This applies to all new homes for first home buyers, allowing Queenslanders to save on the purchase of the home that best suits their circumstances.

This policy will provide material help to first home buyers. Compared to the duty payable under previous policy settings, a first home buyer purchasing a new median priced property could see tax savings of over \$24,000 in Toowoomba and around \$39,500 in Brisbane North.

These changes help young people put more money towards saving a deposit, and ultimately unlocking the door on a place to call home. By incentivising new builds, improved affordability across the whole housing market is supported.

For first home buyers purchasing existing dwellings, Queensland retains favourable transfer duty settings that result in homebuyers paying substantially less duty than if they had purchased in other states.

This measure is expected to reduce transfer duty revenue by \$47 million per annum on average over the forward estimates.

Reducing the cost of healthcare for Queenslanders

The Queensland Government is reducing the tax burden on primary health care by providing a permanent payroll tax exemption for payments by medical practices to both contracted and employed GPs.

This recognises the essential services that GPs provide to communities and the importance of the primary care system in keeping Queenslanders out of emergency departments and in good health at home.

The payroll tax exemption helps protect Queenslanders' access to bulk billing and address the cost-of-living pressures at a time of rising healthcare costs.

Queensland's favourable tax settings will also support the retention and attraction of GPs across the state, supporting access to these vital services.

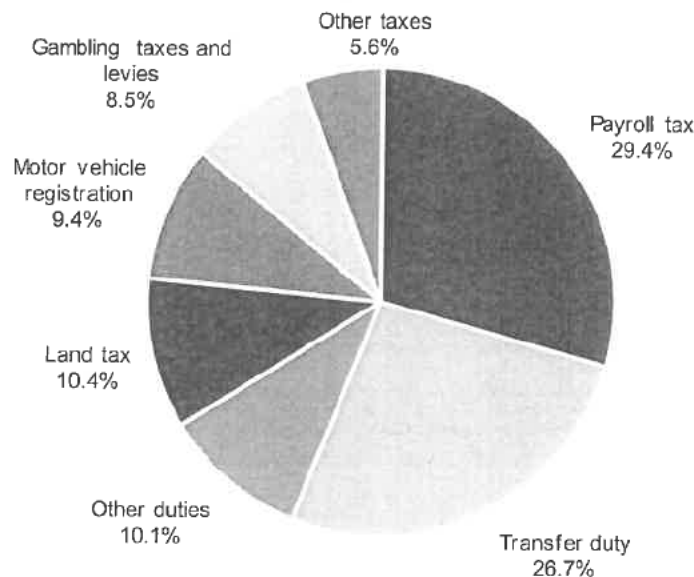
The revenue foregone due to the exemption over and above prior amnesty arrangements was incorporated into 2024–25 MYFER forecasts. Total revenue foregone is estimated to be around \$130 million per annum on average over the forward estimates.

3.4 Revenue by operating statement category

3.4.1 Taxation revenue

Chart 3.4 outlines the composition of estimated state tax revenue for 2025–26. The largest sources are payroll tax and transfer duty, together representing 56.0 per cent of the state's total taxation revenue.

Chart 3.4 State taxation by tax category, 2025–26¹



Note:

- Percentages may not add to 100 per cent due to rounding. 'Other duties' includes vehicle registration duty, insurance duty and other minor duties. 'Other taxes' includes the emergency management levy, waste disposal levy, competitive neutrality fees and other minor taxes. 'Payroll tax' includes the mental health levy.

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Table 3.2 shows the main components of taxation revenue and the forecast revenues for each revenue component across the forward estimates.

Table 3.2 State taxation revenue¹

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
	Actual	Est. Act.	Budget	Projection	Projection	Projection
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Payroll tax						
Payroll tax	6,231	6,819	7,316	7,759	8,160	8,575
Mental health levy	492	545	582	616	650	682
Total payroll tax	6,723	7,364	7,898	8,376	8,809	9,257
Duties						
Transfer	5,492	6,866	7,175	7,627	8,049	8,503
Vehicle registration	893	873	886	908	936	964
Insurance ²	1,526	1,662	1,783	1,904	2,017	2,136
Other duties ³	54	47	45	46	46	47
Total duties	7,964	9,448	9,889	10,486	11,048	11,650
Gambling taxes and levies						
Gaming machine tax	1,054	1,149	1,201	1,249	1,299	1,351
Health services levy	168	195	209	224	237	251
Lotteries taxes	438	390	410	430	451	474
Betting tax	295	303	311	319	328	337
Casino tax	114	112	116	121	126	131
Keno tax	28	30	31	32	33	34
Total gambling taxes and levies	2,097	2,179	2,278	2,375	2,474	2,578
Other taxes						
Land tax	2,026	2,465	2,807	3,260	3,713	4,115
Motor vehicle registration	2,367	2,081	2,525	2,669	2,786	2,908
Emergency management levy	660	670	703	738	775	813
Waste disposal levy	429	462	477	494	508	500
Competitive neutrality fees	358	313	296	291	293	296
Other taxes ⁴	35	34	34	35	36	37
Total taxation revenue	22,659	25,015	26,907	28,723	30,442	32,154
Notes:						
1. Numbers may not add due to rounding.						
2. Includes duty on accident insurance premiums.						
3. Includes duty on life insurance premiums.						
4. Includes the statutory insurance scheme levy and nominal defendant levy.						

Payroll tax and mental health levy

Payroll tax revenue is estimated to total \$6.819 billion in 2024–25. Driven by the strength of Queensland's labour market, payroll tax is expected to grow by a further 7.3 per cent in 2025–26, with average annual growth of around 5.4 per cent forecast over the 3 years ending 2028–29.

Mental health levy revenue in 2024–25 is estimated to be \$545.2 million, \$52.8 million (10.7 per cent) higher than in 2023–24, due to the stronger than expected labour market. Over the forward estimates, mental health levy revenue is expected to grow largely in line with payroll tax growth, supporting the provision of enhanced mental health services in Queensland.

Duties*Transfer duty*

Transfer duty is estimated to be \$6.866 billion in 2024–25, driven by record large transactions in late 2024 and supported by ongoing strength in the residential housing market.

Revenue from large transactions is expected to return to normal levels but consistent activity in the housing market is expected to support solid average annual growth of around 5.5 per cent over the 4 years to 2028–29.

Other duties

Revenue from other duties, including vehicle registration duty and insurance duties, is expected to be \$2.582 billion in 2024–25, reflecting stable motor vehicle transaction volumes and insurance premium growth.

Other duties revenue is forecast to grow by average annual growth of around 5.1 per cent forecast over the 4 years ending 2028–29.

Land tax

Land tax revenue is expected to be \$2.465 billion in 2024–25, reflecting strong land value growth across the state.

The immediate impact on land tax of the recent value growth has been tempered by the 3-year averaging of land values that applies when determining land tax liabilities. However, sustained land value growth will continue to support solid growth in land tax in future years.

The rate of growth in land tax is expected to moderate over coming years as prices stabilise, but strong average annual growth of 13.7 per cent is forecast over the 4 years to 2028–29.

Gambling taxes & levies

Total gambling tax and levy collections are expected to total \$2.179 billion in 2024–25, \$81.7 million (3.9 per cent) higher than in 2023–24. This growth primarily reflects ongoing growth in various forms of gambling activity in the state's hotels and clubs.

Total gambling tax and levy collections are forecast to grow by an average of 4.3 per cent per annum over the 4 years ending 2028–29.

Other taxes

Other taxes include motor vehicle registration, the emergency management levy, waste disposal levy, competitive neutrality fees and other minor taxes.

Revenue from motor vehicle registrations is expected to total \$2.081 billion in 2024–25, \$286.2 million (12.1 per cent) lower than in 2023–24. The decline reflects the 20 per cent reduction in motor vehicle registration costs for all light vehicles for a 12-month period announced in the 2024–25 Budget.

Revenue from motor vehicle registrations is expected to grow by 21.4 per cent in 2025–26 as the one-off 20 per cent reduction unwinds, as was factored into the forecast published in the 2024–25 Queensland Budget. The reduction in registration costs was not budgeted to extend beyond the 12-month period ending in mid-September 2025. Following this, revenue is expected to grow on average by 4.8 per cent per annum over the 3 years ending 2028–29.

Overall, revenue from other taxes excluding motor vehicle registration is estimated to be \$1.479 billion in 2024–25, \$2.9 million (0.2 per cent) lower than in 2023–24. These revenues are forecast to grow by an average of 2.7 per cent per annum over the 4 years ending 2028–29.

Queensland's competitive tax status

Delivering a competitive tax system is critical to providing the environment for Queensland businesses and industries to expand and grow, and to moderate the tax burden on hardworking citizens to ease cost-of-living pressures.

The government is committed to fostering tax settings which provide stability and certainty to position the state as an attractive destination for investment from interstate and overseas to stimulate growth.

In 2025–26, taxation per capita in Queensland is projected to be significantly lower than the average taxation per capita in the other states and territories.

Based on the latest available budgets for states and territories published by the respective jurisdictions, Queensland's taxation per capita in 2025–26 will be around \$800 lower than the average of other jurisdictions.

Taxation per capita is expected to remain notably below the average of other jurisdictions across the forward estimates.

3.4.2 Grants revenue

Grants revenue comprises Australian Government grants (including GST), grants from the community and industry, and other miscellaneous grants.

A 1.0 per cent decrease in total grants revenue is forecast for 2025–26 compared to 2024–25. This is primarily driven by an expected 12.1 per cent decrease in GST revenue.

Table 3.3 summarises current and capital grants to the Queensland Government.

Table 3.3 Grants revenue^{1,2}

	2023–24 Actual \$ million	2024–25 Est. Act. \$ million	2025–26 Budget \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Current grants						
GST revenue grants ³	19,283	18,917	16,625	19,422	22,720	25,414
Australian Government grants ⁴	16,575	18,233	18,727	18,468	18,949	19,693
Other grants and contributions	349	376	388	363	358	351
Total current grants	36,208	37,526	35,741	38,253	42,028	45,458
Capital grants						
Australian Government capital grants	3,832	3,836	5,242	5,167	3,515	3,440
Other grants and contributions	24	44	8	0	0	0
Total capital grants	3,857	3,880	5,250	5,167	3,515	3,440
Total Australian Government payments	39,690	40,986	40,595	43,057	45,184	48,547
Total grants revenue	40,064	41,406	40,990	43,420	45,542	48,898
Notes:						
1. Numbers may not add due to rounding.						
2. Amounts in this table may differ to those outlined in Chapter 8 due to different classification treatments.						
3. Includes entitlements to payments associated with the 'no worse off' guarantee as part of the Australian Government changes to the GST distribution.						
4. Queensland Treasury estimates. Differs from Chapter 6 due to the inclusion of direct Australian Government payments to Queensland agencies for Australian Government own purpose expenditure.						

GST revenue

Queensland's GST revenue in 2024–25 is expected to be \$366 million (1.9 per cent) lower than in 2023–24, reflecting the CGC's recommendation that Queensland receives a smaller share of the GST pool in 2024–25 compared with 2023–24.

GST revenue is expected to fall by a further \$2.292 billion (12.1 per cent) to \$16.625 billion in 2025–26, following the negative outcomes of the CGC's recent 2025 Review.

This is the largest reduction across all jurisdictions since the introduction of GST in 2000.

GST revenue is expected to recover from 2026–27 as the exceptionally high royalty revenues received by Queensland in previous years (in particular in 2021–22 and 2022–23) rolls out of the CGC's 3-year assessment period.

The CGC's revised treatment to include very large New South Wales and Victorian COVID-19 related expenses, which suppresses Queensland's GST share in 2025–26, also drops out of the assessment period from 2026–27 onwards.

Box 3.2 Previous royalty windfalls and provisions for GST impacts

It is a long-established practice under the principles developed by the CGC that jurisdictions with strong resources industries like Queensland will receive a reduced share of GST revenue, all else being equal, in years subsequent to significant increases in royalty revenue. Changes made as part of the CGC's 2025 GST Methodology Review significantly exacerbate this challenge.

In the 2021–22 Queensland Budget Update, the former government reported a \$2.9 billion royalty windfall due to an increase in coal prices and foreshadowed this would have an impact on future GST revenue up to and including the 2025–26 financial year.

A \$2.5 billion Long Term Asset held by the Consolidated Fund was established to serve as a buffer against future GST revenue reductions. However, more than half of these funds were withdrawn in May 2024 to fund projects from the former government's Queensland Renewable Energy and Hydrogen Jobs Fund, and the 2024–25 Budget assumptions saw the remaining funds earmarked for projects from the Queensland Energy and Jobs Plan.

This means that the funds set aside as a buffer from adverse GST impacts are not available in the year when Queensland will experience the largest reduction in GST revenue in history.

Revisions to the GST pool

The Australian Government's national GST pool forecasts were downgraded in the 2025–26 Federal Budget. In 2024–25, the GST pool is expected to be around \$353 million (or 0.4 per cent) lower than forecast in the 2024–25 Federal Mid-Year Economic and Fiscal Outlook (MYEFO), while the total national pool is forecast to be \$521 million lower across the 4 years to 2027–28, compared with the Commonwealth's MYEFO estimates.

GST – Queensland's assessed fiscal capacity

Queensland typically has received a higher per capita share of GST in recognition of the higher cost of providing services to Australia's most decentralised state and levels of disadvantage, especially in regional and remote locations.

However, in early 2025, the CGC's 2025 GST Methodology Review recommended that Queensland be awarded a significantly lower share of GST revenue in 2025–26 compared with 2024–25. The CGC estimated that Queensland's share of the GST pool would decrease from 19.6 per cent in 2024–25 to 17.4 per cent in 2025–26, or by \$2.292 billion.

The 3 largest factors for this reduction, based on information published by the CGC were:

- Mining production and royalties — Substantial changes to the methodology the CGC applies in assessing coal royalties, combined with higher coal prices and average royalty rates in 2023–24 compared with 2020–21, as well as Queensland's above-average share of coal production, significantly increased Queensland's relative capacity to raise revenue from coal royalties and reduced its assessed GST needs.

- COVID-19 services to industry expenses — The CGC introduced a new actual per capita assessment of COVID-19 business support expenses covered by the national partnership agreements. Queensland's below-average COVID-19 business support expenses reduced its assessed GST needs.
- COVID-19 health expenses — The CGC introduced a new actual per capita assessment of COVID-19 health expenses covered by the national partnership agreement. Queensland's below-average COVID-19 health expenses reduced its assessed GST needs.

GST revenue forecasts are informed by the CGC's 2025 Review assessment methodologies as set out in the 2025 Review Outcomes and 2025–26 GST Relativities reports, released on 14 March 2025. The forecasts are prepared on the basis that no further changes will be made to the methodologies underpinning the CGC's calculation of states' share of GST revenue over the forward estimates.

Box 3.3 Fighting for Queensland's fair share of GST

GST remains a critical revenue source for all jurisdictions and underpins the delivery of essential state Government services such as health, education, law and order, and transport.

The distribution of GST between jurisdictions is determined by the CGC through a complex methodology meant to balance the fiscal capacities of states, ensuring a similar standard of services and infrastructure can be delivered to all Australians regardless of where they live. This is known as horizontal fiscal equalisation (HFE).

The CGC's 2025 Methodology Review resulted in significant changes to the GST distribution methods from 2025–26 onwards, including in the assessment of key service delivery expenses, such as transport and health, and key state revenues such as coal and gas royalties.

The CGC's 2025 Review outcomes have resulted in a material reduction in Queensland's GST revenue, with an estimated \$2.292 billion reduction in 2025–26 compared with 2024–25.

This is the largest GST redistribution across all jurisdictions since the introduction of the GST in 2000.

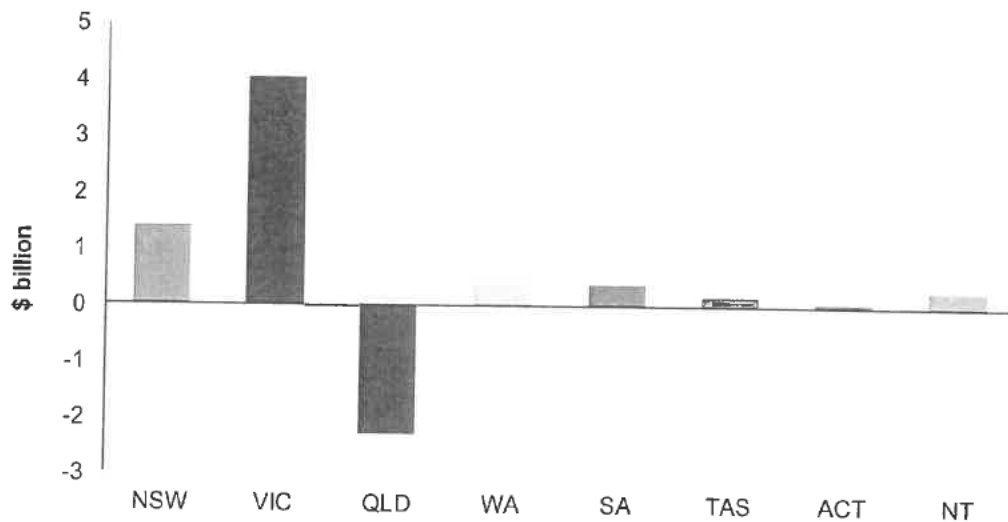
In fact, it is almost 50 per cent greater than the next largest GST reduction of \$1.565 billion in 2019–20, which also applied to Queensland.

Importantly, the 2019–20 outcome was in the context of the significant negative impact of COVID-19 on the national GST pool, resulting in reduced GST revenue for most states at that time.

Queensland Treasury has estimated that the cumulative negative impact of the CGC's 2025 Review, compared with the GST Queensland would have received in absence of the methodology and data changes recommended by the CGC, to be around \$5.3 billion over the 3 years to 2027–28.

As illustrated in Chart 3.5 below, Queensland is the only state to experience a reduction in GST in 2025–26, while Victoria and New South Wales are set to receive billions of dollars in extra GST as a result of the CGC's Review.

Chart 3.5 Change in total GST revenue by state, 2024–25 to 2025–26



Source: Queensland Treasury analysis based on 2025–26 Federal Budget.

This reduction in GST severely compromises Queensland's capacity to deliver essential services and infrastructure for our growing state.

The outcomes are largely based on methodology that has been strongly disputed by Queensland and include a number of subjective decisions made by the CGC which stand in conflict with long-standing principles and practice.

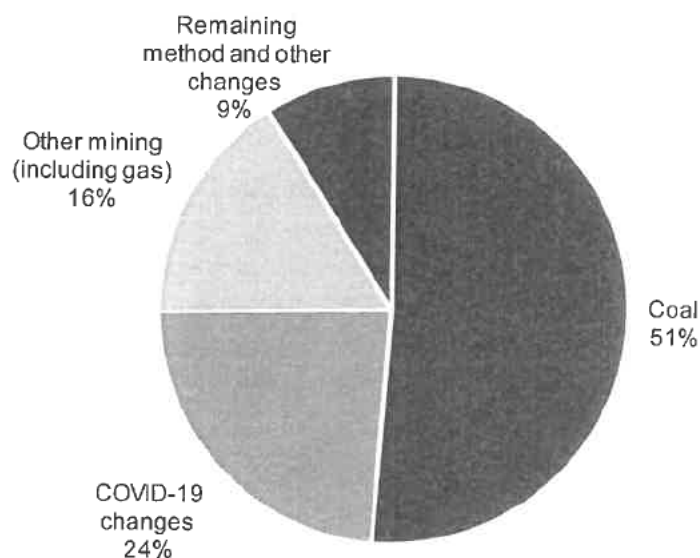
If the impacts of normal GST mechanics are excluded (e.g. changes in the national GST pool and state population shares which are outside of the CGC's assessment of state fiscal capacities), the annual reduction in Queensland's GST in 2025–26 due to the CGC's 2025 Review would have been even greater at \$3.391 billion¹.

Importantly, the CGC's published data suggests only around half of this negative impact is driven by fiscal capacities due to changes in circumstances related to coal royalties.

The other half of the negative GST impact is due to other methodology and data decisions made by the CGC – decisions which Queensland contests.

The extent to which various changes made by the CGC have impacted Queensland's GST revenue in 2025–26 is outlined in Chart 3.6.

Chart 3.6 Drivers of change in Queensland's assessed fiscal capacity, 2025–26



Note:

Categories relate to the components (or summation of components) of the \$3.391 billion change in Queensland's fiscal capacity in 2025–26 compared with 2024–25, as outlined in tables 2-4, 2-8 and on page 10 in the CGC's 2025–26 Update Report. Coal reflects impacts of changes in value of production, while COVID-19 changes reflect inclusion of COVID-19 related spending related to health and business support.

Source: Queensland Treasury analysis based on CGC, GST Relativities 2025–26

The CGC's decision to assess COVID-19 expenses 5 years after the pandemic results in Queenslanders losing over \$800 million in GST in 2025–26 alone.

The CGC also decided to deem southern states as having no or limited ability to raise petroleum royalties, despite these states having significant gas resources. Rather, specific policy choices by those jurisdictions have restricted their gas production.

Queensland's sensible approach in continued support of gas production is a decision which has benefits beyond state borders and certainly should not lead to a reduction in its GST share.

The confluence of these factors in a single year has led to this historic single year cut to Queensland's share of the GST.

The government continues to advocate for the determination of the CGC to be rejected by the Federal Treasurer or, in the absence of this, for general revenue assistance to be provided to Queensland in 2025–26.

¹ Reflects the impact of CGC assessments in the 2025 Review, page 10 of GST Relativities 2025–26 Report i.e. excludes external drivers such as national GST growth, population shares, GST relativity blending, and GST no worse off guarantee. Note that the change in GST revenue for Queensland in 2025–26 compared to 2024–25 is \$2.292 billion as per page 5 of Budget Paper 3 the 2025–26 Commonwealth Budget, which reflected updated GST pool and population forecasts. This final figure is slightly smaller than the CGC's estimate of \$2.371 billion.

The Australian Government has previously provided general revenue assistance to Western Australia and the Northern Territory in circumstances where their GST shares fell, noting that these were smaller reductions than what Queensland is due to experience in 2025–26.

These methodology changes will have ongoing impacts. The Queensland Government continues to advocate strongly for a fair share of GST revenue for Queensland, both in the short term and in the context of the 2030 Methodology Review.

This includes fighting for critical Commonwealth funding, such as that provided to upgrade the nationally significant Bruce Highway, to be exempt from GST calculations, and actively engaging in the 2026 Australian Productivity Commission inquiry on HFE.

Bruce Highway funding

The Queensland Government is advocating for the Australian Government to quarantine \$7.2 billion in committed funding to upgrade and fix the Bruce Highway from impacting on GST calculations.

Unless payments are quarantined, an estimated \$3 billion could be at risk of redistribution away from Queensland through GST. This means the investment of \$7.2 billion could effectively be reduced to around \$4 billion after accounting for GST impacts.

The Bruce Highway is of national importance as the primary transport corridor to Northern Australia. This critical infrastructure plays a vital role in connecting regional centres from Brisbane to Cairns and facilitating the movement of passengers, freight and tourists in support of the national economy.

A commitment from the Australian Government to quarantine these payments would demonstrate its genuine willingness to work with the Queensland Government to improve the Bruce Highway and protect the lives and livelihoods of the drivers and communities relying on it.

2026 Australian Productivity Commission Inquiry on HFE

As part of new GST arrangements introduced in 2018, the Australian Government legislated an Australian Productivity Commission (PC) inquiry into new arrangements to be completed by 31 December 2026.

Having worked with jurisdictions to agree to a proposed scope and Terms of Reference for the Inquiry, the Queensland Government will push for the Australian Government to issue Terms of Reference that appropriately consider whether the GST system is fit for purpose.

It is important the Australian Government listen to states and directs the PC to examine whether the 2018 reforms are achieving HFE, whether the GST system's design is sustainable into the future to ensure every state has the fiscal capacity to deliver services and infrastructure to a similar standard, and whether the CGC's methods and practices in the 2025 Review have addressed issues highlighted by the PC's recommendations in 2018.

Australian Government payments

Australian Government current grants (excluding GST) to Queensland in 2025–26 are expected to total \$18.727 billion, representing an increase of \$494.1 million (2.7 per cent) compared to those received in 2024–25, predominantly due to grants provided as part of National Health Reform funding and grants for on-passing.

Over the 4 years ending 2028–29 Australian Government current grants to Queensland are forecast to grow by an average of 1.9 per cent per annum.

Australian Government capital grants to Queensland in 2025–26 are expected to total \$5.242 billion, representing an increase of \$1.406 billion (36.7 per cent) compared to payments received in 2024–25, largely due to an increase in capital grants under Disaster Recovery Funding Arrangements.

Chapter 6 provides a detailed overview of federal financial arrangements, including Australian Government payments to Queensland.

3.4.3 Royalty revenue

Royalty revenues are particularly sensitive to movements in global commodity prices as well as changes in the exchange rate, both of which are subject to a high degree of volatility and uncertainty over time.

Changes in commodity export volumes also have the potential to impact Queensland's royalty estimates, while changes in export volumes, in particular if driven by supply side constraints, may in turn also impact global prices.

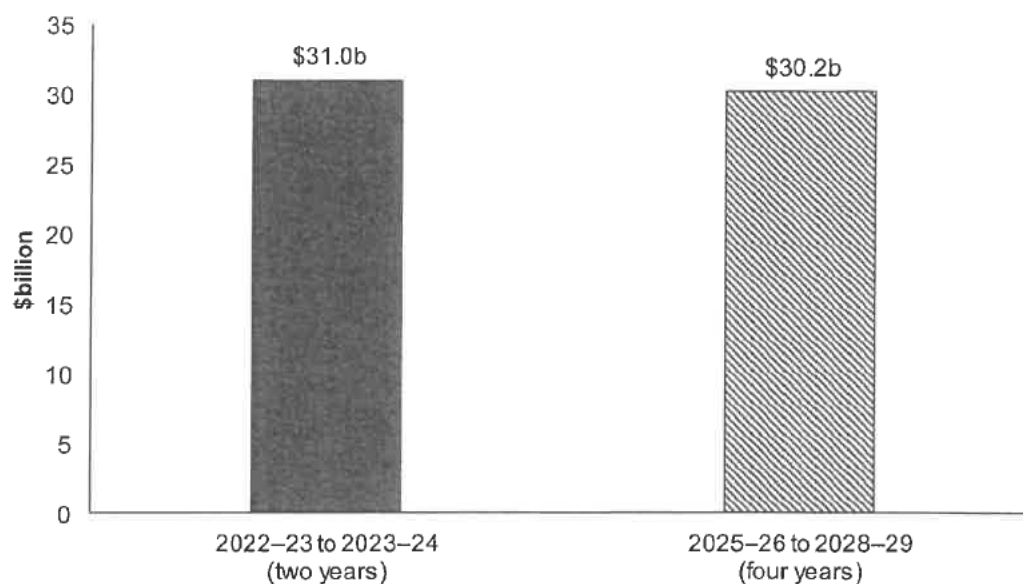
Appendix C outlines key parameter assumptions, and the sensitivity of coal royalty estimates to individual changes in price, volume and exchange rate parameters.

Global coal and oil prices have fallen significantly since their peak, with hard coking coal (HCC) spot prices rising to over US\$670/t in early 2022 before reducing to around US\$185/t in the March quarter 2025. These movements reflect a range of factors including a decline in steel demand in China and India, global economic uncertainty and improving supply conditions.

Royalty revenues peaked in 2022–23 and are expected to remain considerably below this over the forward estimates.

This reduction is such that total royalties collected in the 2-year period of 2022–23 and 2023–24 are expected to be greater than combined royalties across the next 4 years to 2028–29, as shown below in Chart 3.7.

Chart 3.7 Total royalty revenue

Table 3.4 Royalty revenue¹

	2023–24 Actual \$ million	2024–25 Est. Act. \$ million	2025–26 Budget \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Coal	10,521	5,494	6,172	6,158	5,824	5,251
Petroleum ²	1,705	1,689	1,196	1,135	1,148	1,083
Other royalties ³	545	734	615	554	523	496
Total royalties	12,771	7,917	7,982	7,847	7,495	6,830
Land rents	188	191	199	206	213	220
Total royalties and land rents	12,959	8,108	8,181	8,053	7,708	7,050

Notes:

1. Numbers may not add due to rounding.
2. Includes gas converted into liquefied natural gas.
3. Includes base and precious metals, other minerals and other royalties.

Coal royalties

As outlined above in Table 3.4, a large proportion of Queensland's royalties are sourced from coal mining, particularly in recent years due to the period of high global coal prices.

In 2024, HCC, used primarily in global steel production, accounted for around 61 per cent of Queensland's total coal export value, semi soft/pulverized coal injection coal accounted for around 20 per cent, and thermal coal accounted for around 19 per cent.

Coal royalties are expected to total \$5.494 billion in 2024–25, \$5.027 billion (or 47.8 per cent) lower than the amounts collected in 2023–24 and \$344 million (5.9 per cent) lower than forecast at the 2024–25 MYFER.

Across the 4 years ending 2027–28, coal royalties have been upgraded by \$3.903 billion compared to 2024–25 MYFER. This uplift in coal royalties is primarily driven by a lower A\$/US\$ exchange rate leading to higher Australian dollar revenues for Queensland's coal exporters. US\$ coal prices over the forward estimates are expected to be higher than MYFER, reflecting forecast increases in the marginal cost of production and consistent with industry price benchmarks.

This is partially offset by lower export volumes, particularly in the near term, as a result of a weak outlook for supply and contributed to by flooding events in North Queensland and the fire at Moranbah North.

Current global trade tensions and the impact of tariffs present clear downside risks to the royalties outlook and will continue to be monitored closely.

Coal export prices and volumes

Coking coal prices

Recent US\$ prices for HCC have been weaker than forecast at the 2024–25 MYFER, reflecting moderating economic growth in China reducing demand for steel, as well as a rebound in supply from Queensland.

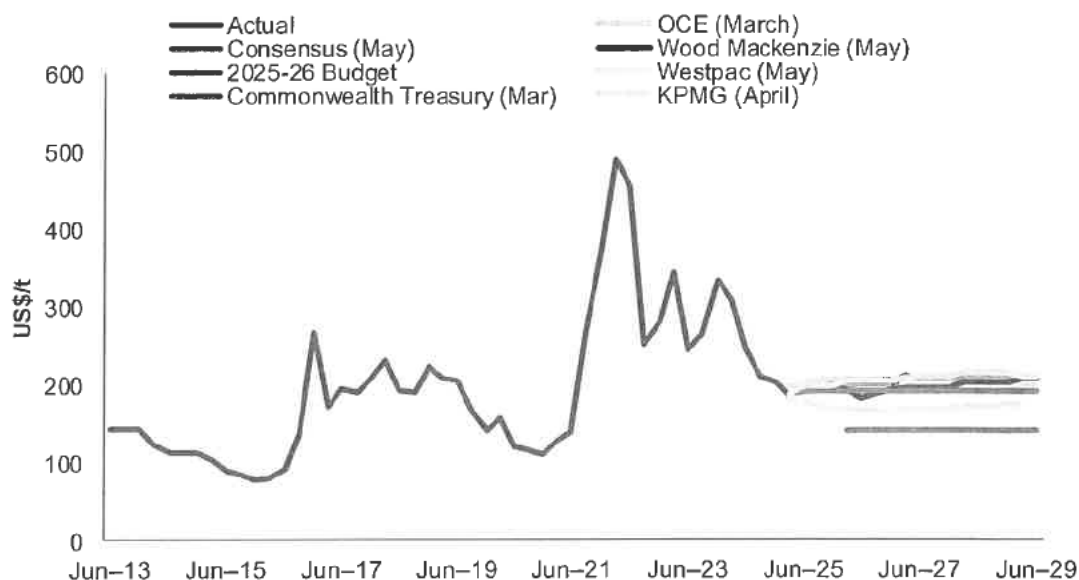
HCC prices averaged US\$185/t in the first quarter of 2025, which is close to Queensland Treasury's expectations for the quarter.

However, notwithstanding a recent period of weakness following US tariff announcements, prices have recovered to around US\$190/t since mid-April 2025. Prices are expected to stay at around this level across the forward estimates.

This reflects expectations for the marginal cost of production, incorporating information on operating costs and margins, and sits within the range of industry benchmarks. Chart 3.8 shows HCC price forecasts compared to the latest quarterly price forecasts from a range of other forecasters.

As demonstrated in Chart 3.8, Queensland Treasury's medium-term price expectation of reaching US\$190/t for HCC is similar to most other forecasters.

Chart 3.8 Coking coal price forecasts



Sources: Consensus Economics, Wood Mackenzie, OCE, Westpac, KPMG, Commonwealth Treasury, and Queensland Treasury.

Thermal coal prices

US\$ thermal coal prices have been lower than forecast since the 2024–25 MYFER, driven by increased supply from other markets, lower relative prices in substitutes such as natural gas and a warm northern hemisphere winter.

Average premium thermal coal prices across the first quarter of 2025 at US\$107/t have been below Treasury's medium term price assumption but are expected to gradually increase as temporary factors impacting prices unwind to be in line with the medium-term assumption of US\$120/t by mid-2026. This is broadly similar to most other forecasters.

Coal export volumes

Total coal export tonnages over the 4 years ending 2027–28 have been revised downwards by around 2 per cent, compared with the 2024–25 MYFER forecasts.

This weakness in production and export volumes is concentrated in the near term and is driven by recent supply side disruptions relating to floods in North Queensland in early 2025 and the fire at the Moranbah North mine in April 2025. These impacts largely affect metallurgical coal and are expected to be temporary, with coal volumes broadly recovering in 2025–26.

Global demand for coal, particularly thermal coal, continues to be influenced by overall global economic activity and trade, and emissions reduction commitments from key trading partners.

Petroleum royalties

Revenue from petroleum royalties is estimated to total \$1.689 billion in 2024–25 and fall by almost 30 per cent in 2025–26.

This is driven by steep declines in oil prices due to expectations of a slowdown in global demand. The expected fall in revenue also reflects the price impacts of an increase in supply driven by an OPEC+ commitment to raise production.

Oil prices are expected to continue to unwind before returning to a medium-term price of \$US75/barrel by June 2029. Petroleum royalties remain subject to ongoing uncertainty driven by changes in oil prices and exchange rates.

Other royalties

Revenue from other royalties (including base and precious metals, other minerals and other royalties) are estimated to total \$734.1 million in 2024–25, driven by the increasing price of gold as well as exchange rate movements.

Other royalties are expected to decline across the 4 years to 2028–29. This is driven by an expected ongoing reduction in copper, lead, and zinc volumes due to depletion of ore reserves and scheduled mine closures over coming years. Although some new mines will inevitably open, potential royalties from these operations are only incorporated into forecasts once final investment decisions are made.

3.4.4 Sales of goods and services

Sales of goods and services revenue comprises primarily the cost recovery from the Queensland Government's provision of a range of goods or services.

Sales of goods and services revenue is expected to decline from current levels, which have been elevated following successive years of growth of around 10 per cent.

A forecast decline over the forward estimates period is predominantly due to the expected completion of the Cross River Rail project, which drives significant sales from the general government sector to the Public Non-financial Corporations sector. With completion of this project, there will also be offsetting reductions in expenditures.

Table 3.5 provides a breakdown of the categories of goods and services captured in terms of these revenues. The fall in public transport revenue reflects the impact of the decision to permanently adopt 50 cent fares.

Table 3.5 Sales of goods and services¹

	2023–24 Actual \$ million	2024–25 Est. Act. \$ million	2025–26 Budget \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Fee for service activities	3,310	4,155	4,316	4,027	3,454	3,429
Public transport	325	84	61	63	64	65
Rent revenue	638	632	690	772	802	818
Sale of land inventory	68	95	96	118	99	122
Hospital fees	1,035	1,005	1,048	1,076	1,104	1,130
Transport and traffic fees	572	533	598	631	662	700
Other sales of goods and services	1,195	1,342	1,249	1,329	1,380	1,427
Total	7,143	7,846	8,057	8,017	7,566	7,690
Note:						
1. Numbers may not add due to rounding.						

Government Indexation Policy

For the 2025–26 year, the government has set the Government Indexation Rate for fees and charges at 3.4 per cent. This is in line with the government's efforts to strengthen the state's financial position with a focus on respect for taxpayers' money.

To provide greater budget certainty, the government has determined this annual indexation rate will apply for each of the next 4 financial years until 2028–29.

3.4.5 Interest income

Interest income primarily reflects interest earned on investments, including those to support debt, superannuation and insurance liabilities.

Interest income is expected to decline moderately over the forward estimates by an average of 2.4 per cent over the 4 years to 2028–29. This reflects expected drawdowns on investments from the Debt Retirement Fund to repay debt, and suspension of contributions to the defined benefit scheme. Further details on investment consolidation and the debt repayment strategy are discussed in Chapter 5.

3.4.6 Dividend and income tax equivalent income

Revenue from dividend and income tax equivalent income is estimated to total \$1.529 billion in 2024–25, largely consistent with 2023–24, and \$247.2 million lower than expected at the time of the 2024–25 MYFER.

Budget Strategy and Outlook 2025–26

Over the forward estimates, dividend and income tax equivalent forecasts remain relatively stable, increasing slightly to \$1.613 billion over the 4 years to 2028–29.

Key movements over the period include steady growth in electricity network and port dividends, in line with increasing earnings, moderated by dividends and income tax equivalents from the electricity generation sector and rail sectors, as market electricity prices stabilise and major rail assets come into operation. Trends in dividends and income tax equivalent income are discussed in more detail in Chapter 7.

3.4.7 Other revenue

Other revenue, including royalty revenue, accounts for 11.1 per cent of total General Government Sector revenue in 2025–26 (see Table 3.6).

Table 3.6 Other revenue¹

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
	Actual	Est. Actual	Budget	Projection	Projection	Projection
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Royalties and land rents	12,959	8,108	8,181	8,053	7,708	7,050
Fines and forfeitures	763	772	850	959	960	960
Revenue not elsewhere classified	1,085	1,155	1,083	768	780	782
Total other revenue	14,807	10,035	10,114	9,780	9,447	8,792
Note:						
1. Numbers may not add due to rounding.						

Royalties (including land rents) account for 9.0 per cent of total revenue in 2025–26 and are discussed in more detail above in section 3.4.3.

The major fines included in the fines and forfeitures category include speeding, red light, mobile phone and seatbelt camera detected offences and tolling offences.

Revenue from fines and forfeitures is expected to total \$772.3 million in 2024–25, \$21.8 million (2.7 per cent) lower than expected at the 2024–25 Budget forecast due to lower infringement rates and revised timing of the camera program rollout.

Fines and forfeitures are expected to grow by an average of 11.4 per cent in 2025–26 and 2026–27 primarily driven by planned expansions of the camera program, before stabilising from 2027–28.

Revenue not elsewhere classified includes assets contributed to the state and payments received for works delivered on behalf of government-owned corporations.

4 Expenses

Features

- The 2025–26 Budget begins the task of resetting expenses growth onto a more sustainable path so that community outcomes are delivered, and legacy issues are addressed whilst maintaining a clear focus on maximising value.
- The 2024–25 Mid-Year Fiscal and Economic Review (MYFER) highlighted the extent of under-funding across the forward budget years in the areas of health, education, housing, child safety and support for victims of crime.
- General Government Sector expenses are estimated to be \$99.918 billion in 2025–26, 5.3 per cent higher than the 2024–25 estimated actual.
- Total expenses are projected to grow at an average annual rate of 2.2 per cent over the 4 years to 2028–29, reflecting an intentionally disciplined approach to expense management. Expenses grew at 11.6 per cent per annum over the 3 years to 2023–24, including year-on-year expense growth of 16.1 per cent in 2023–24.
- In 2025–26, the major areas of expenditure are in the key frontline services of health and education, which account for more the 50 per cent of operating expenses, while additional funding has been provided in priority areas including community safety, housing and child safety.

4.1 2024–25 Estimated actual

General government expenses in 2024–25 are estimated to be \$94.852 billion, \$1.869 billion higher than the 2024–25 MYFER estimate. The increase is largely due to:

- additional natural disaster expenditure, mainly relating to events in 2024 and 2025 — the funding of which is shared with the Australian Government
- additional funding for critical housing, homelessness and child safety services
- expedited delivery of the Residential Activation Fund for trunk and essential infrastructure to activate new residential developments as part of the plan to deliver 1 million homes by 2044
- additional Australian Government funding for education, health and housing
- demand for health services, including elective surgeries
- reclassification of capital expenditure to operating expenses.

4.2 2025–26 Budget and outyears

Table 4.1 General Government Sector expenses¹

	2023–24 Outcome \$ million	2024–25 MYFER \$ million	2024–25 Est. Act. \$ million	2025–26 Budget \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Employee expenses	33,264	35,417	36,194	37,964	39,274	40,623	42,064
Superannuation interest costs	789	828	824	791	713	642	591
Other superannuation expenses	4,071	4,393	4,366	4,650	4,818	4,974	5,077
Other operating expenses	25,901	26,833	26,908	27,339	25,857	25,147	25,356
Depreciation and amortisation	5,441	5,754	5,932	6,447	6,965	7,495	8,027
Other interest expenses	2,020	2,401	2,500	3,501	4,710	5,928	7,090
Grants expenses	16,601	17,358	18,128	19,226	18,413	17,224	15,338
Total Expenses	88,087	92,983	94,852	99,918	100,751	102,033	103,543
Note:							
1. Numbers may not add due to rounding.							

General government expenses are projected to be \$99.918 billion in 2025–26, an increase of \$5.066 billion (or 5.3 per cent) over the 2024–25 estimated actual. Factors driving the uplift in expenses are:

- delivery of critical health services
- additional funding under the *Better and Fairer Schools Agreement – Full and Fair Funding* and associated Bilateral Agreement
- reforming the residential care system and protecting the most vulnerable children
- funding for crisis accommodation and a range of housing and homelessness services
- additional funding to maintain frontline police services
- financial support for victims of crime
- delivering priority actions under the *Destination 2045: Delivering Queensland's Tourism Future*.

The government has reviewed the funding shortfalls across frontline services identified in the 2024–25 MYFER and taken measures to address these in the 2025–26 Budget. An assessment of under-funded legacy issues and whole-of-government savings incorporated into the Budget at MYFER has been factored into revised funding levels and future expense growth rates to ensure the security of service delivery and employment, and a return to a fiscally sustainable position in the medium term.

Given the quantum of under-funded services addressed in this Budget, and the rigorous assessment of new funding bids, individual agency savings targets have not been applied.

General Government Sector expenses growth falls from 5.3 per cent in 2025–26 to an average annual growth of 2.2 per cent over the 4 years to 2028–29. Excluding disaster recovery expenses which fall significantly over time, the comparable average annual expenses growth is 2.7 per cent.

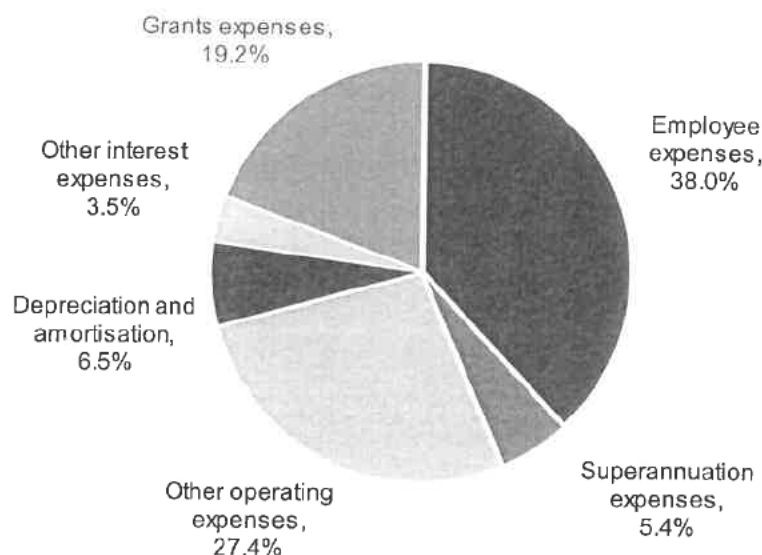
Expenditure growth eases from 2026–27 as employee expenses, the sector's largest expense category, are contained to a more sustainable average annual rate of 3.5 per cent over the remaining forward estimates. Grant expenses decline as disaster recovery works are completed.

An ongoing program of work will continue across government to identify operating efficiencies which will support agencies to keep expense growth to sustainable levels in the years ahead. Such measures include capping of non-frontline senior executive roles at current levels, implementing greater oversight of agency expense management, identification of greater value for money through procurement and establishment of Queensland Government Consulting Services (QGCS) to flatten the growth trajectory of government expenditure on consultants and contractors.

4.3 Expenses by operating statement category

As Chart 4.1 shows, employee-related expenses are the largest component of General Government Sector expenses, accounting for 38 per cent of total operating expenditure. Other operating expenses at 27.4 per cent is the next largest category, reflecting non-labour costs associated with providing goods and services to government and non-government recipients including, for example, repairs and maintenance, transport service contract payments to Queensland Rail, subsidies to households and payments to contractors and consultants.

Chart 4.1 Expenses by operating statement category, 2025–26



4.3.1 Employee expenses

Employee expenses include salaries and wages, annual leave and long service leave.

Employee expenses are projected to be \$37.964 billion in 2025–26, \$1.77 billion or 4.9 per cent higher than the 2024–25 estimated actual. Employee expenses growth represents the combined increase in full-time equivalent (FTE) employees and forecast wage rates.

An effective public service relies on attraction and retention through competitive remuneration and conditions balanced against prudent management of the growth in operating expenses, settings that are reflected in the government's wage offer for the current bargaining cycle.

Headline wage policy growth has historically moved in line and kept pace with inflation. However, since 2019–20 average remuneration of Queensland public service employees has grown much faster. This measure is impacted by a number of factors, including the composition of the workforce.

Full-time equivalents

The 2025–26 Budget has been developed to deliver a safe and secure pathway towards fiscal improvement, whilst also providing funding certainty needed to deliver more and better services to Queenslanders by addressing legacy funding issues identified in the 2024–25 MYFER. Government is providing the funding certainty to engage the public servants needed to deliver more and better services to Queenslanders, right across the state.

Approved funded FTE positions across government departments (refer Table 4.2) are estimated to increase by 6,073 (or 2.2 per cent) in 2025–26, driven principally by increases in Queensland Health, the Department of Education and Queensland Police Service.

The Public Sector Commission (PSC) has primary responsibility for monitoring the number of FTEs and collating key human resource workforce metrics across the whole-of-sector (consisting of the agencies outlined in Table 4.2 plus selected other entities).

The PSC's annual State of the Sector report provides a summary of the Queensland whole-of-sector workforce as at the March quarter each year. The 2025 State of the Sector report shows that:

- there was a total of 270,884 FTEs, representing an increase of 12,872 FTEs, or almost 5 per cent, since March 2024
- the increase reflects growth of 12,040 FTEs in frontline and frontline support roles and 832 FTEs in non-frontline roles
- in total, 90.8 per cent of public servants are engaged in frontline and frontline support roles, with 24,911 FTEs in corporate service roles.

It is noted that the reporting basis of the State of the Sector report reflects active and paid FTEs engaged at March 2025 while FTEs levels reported in Table 4.2 reflect approved funded FTE positions for the financial year.

Budget Strategy and Outlook 2025–26

Table 4.2 Funded Controlled FTE positions by Department¹

	2024–25 Adjusted Budget²	2024–25 Est. Act.	2025–26 Budget
Customer Services, Open Data and Small and Family Business ³	2,010	1,955	3,300
Education	77,602	77,655	78,148
Electoral Commission of Queensland	88	88	91
Environment, Tourism, Science and Innovation	3,102	3,119	3,106
Families, Seniors, Disability Services and Child Safety	5,650	5,851	5,940
Housing and Public Works	4,406	4,409	4,638
Justice	4,549	4,683	4,623
Local Government, Water and Volunteers	812	833	836
Natural Resources and Mines, Manufacturing and Regional and Rural Development	1,552	1,555	1,536
Office of the Inspector-General Emergency Management	22	22	22
Premier and Cabinet	507	535	534
Primary Industries	2,791	2,833	2,956
Public Sector Commission	100	100	90
Queensland Corrective Services	8,299	8,448	8,274
Queensland Fire Department	4,207	4,191	4,230
Queensland Health	110,837	114,734	119,438
Queensland Police Service	19,367	19,495	19,791
Queensland Treasury	1,944	1,926	1,983
Sport, Racing and Olympic and Paralympic Games	465	464	445
State Development, Infrastructure and Planning	1,804	1,829	1,865
The Public Trustee of Queensland	635	635	635
Trade, Employment and Training	4,930	4,922	4,924
Transport and Main Roads ³	8,022	8,078	6,850
Women, Aboriginal and Torres Strait Islander Partnerships and Multiculturalism	455	459	432
Youth Justice and Victim Support	2,437	2,460	2,665
Total	266,593	271,279	277,352
Notes:			
1. Explanations for variances in departmental FTEs can be found in the Service Delivery Statements (SDS). Department total may include multiple tables from SDS due to separate FTE tables being provided for Departmental service areas and Commercialised Business Units.			
2. Adjusted Budget reflects movements of FTEs following Machinery of Government changes.			
3. The increase in Customer Services, Open Data and Small and Family Business and reduction in Transport and Main Roads is largely attributable to the transfer of the Customer Services function (1,345 FTEs transferred).			

4.3.2 Superannuation expenses

The superannuation interest cost represents the imputed interest on the government's accruing defined benefit superannuation liabilities.

The state's defined benefit superannuation liabilities are valued in accordance with the Australian Accounting Standards Board 119 *Employee Benefits* which requires the discounting of future benefit obligations using yield rates on government bonds. Interest costs are calculated on a net liability approach by applying the discount rate to both the gross liability and superannuation plan assets.

Superannuation interest costs are dependent on the applicable discount rate at the beginning of the year. Superannuation interest costs are forecast to decline over the forward estimates. The defined benefit scheme is closed to new members and will progressively decline as members leave.

Other superannuation expenses represent employer superannuation contributions to accumulated superannuation and the current service cost of the state's defined benefit obligations (or the increase in the present value of the defined benefit obligation resulting from employee service in the current period). This amount increases steadily across the forward estimates at a comparable rate to forecast employee expenses growth.

4.3.3 Other operating expenses

Other operating expenses comprise non-labour costs necessary for the operation and delivery of government services. These costs include repairs and maintenance, information technology and communication services, water, electricity, consultants and procurement of outsourced service delivery by contractors.

In 2025–26, other operating expenses are estimated to total \$27.339 billion, representing an increase of \$431 million or 1.6 per cent compared to the 2024–25 estimated actual. The increase largely reflects essential service delivery commitments including:

- transport service contract payments to Queensland Rail for rail services
- operating costs incurred in the delivery of transport infrastructure
- school operating costs
- law and order services.

Other operating expenses are forecast to decline over the next 2 financial years before increasing moderately in 2028–29. Expenses growth is forecast to moderate as improved efficiency in service delivery initiatives gain traction. Completion of works associated with the delivery of Cross River Rail is also expected to contribute to lower growth over the remainder of the forward estimates.

The government is committed to reducing reliance on consultants and contractors by establishing QGCS.

Box 4.1 Queensland Government Consulting Services

Established 1 July 2025 as a new business unit of Queensland Treasury Corporation

To give effect to the recommendations of the Coaldrake Review, the government is committed to reducing reliance on external consultants and contractors and enhancing capacity and capability across the public service.

QGCS will offer a world class source of quality advice, delivering on the government's election commitment.

QGCS will be established on 1 July 2025 as a new business unit of Queensland Treasury Corporation.

\$15 million over 2 years will be allocated to support initial establishment, recruitment and operating costs, until QGCS becomes self-sustaining.

QGCS is one measure designed to reduce government spending on external contractors and consultants. In addition, a disciplined approach to engaging external advisors and delivering capital investments on time and on budget will also come into effect.

As reported by the Queensland Audit Office (QAO) in Report No. 11 (2024–25) State entities 2024, spending on external consultants and contractors increased from approximately \$2.1 billion in 2020–21 to \$3.7 billion in 2023–24, a Compound Annual Growth Rate of over 20 per cent. On this trajectory, total spending on external consultants and contractors could have reached \$4.5 billion by 2024–25. Based on analysis of spending to March 2025, and pro-rated for the full year, the estimated consultant and contractor spend is \$4.0 billion.

Identifying efficiencies in the delivery of major projects, such as pumped hydro energy storage, is also expected to yield savings. The abovementioned QAO report identified that expenditure on contractors and consultants represented more than 30 per cent of total construction costs.

4.3.4 Depreciation and amortisation

Depreciation and amortisation expenses are an estimate of the progressive consumption of the state's assets through normal usage, wear and tear and obsolescence.

Depreciation and amortisation expenses are projected to be \$6.447 billion in 2025–26 and are forecast to grow over the forward estimates, effectively reflecting recent asset revaluations and the state's capital program.

4.3.5 Other interest expenses

Other interest expenses include interest paid on borrowings, finance leases and similar arrangements to acquire capital assets and infrastructure such as roads, hospitals, state schools and social and affordable housing.

Interest expenses are expected to rise across the forward estimates in line with increased borrowings. By 2027–28, the interest to revenue ratio is forecast to be 6.1 per cent, which compares favourably to the interest to revenue ratio of 6.9 per cent in the 2024–25 MYFER.

4.3.6 Grants expenses

The government provides recurrent and capital grants to non-government recipients. Recurrent grants are provided to support government service delivery or provide targeted assistance to specific recipient groups. Capital grants are provided to support infrastructure projects or transfer infrastructure assets. Table 8.12 provides further details.

Current grants include grants and subsidies to the community (such as non-state schools, hospitals, benevolent institutions and local governments) and personal benefit payments. Community Service Obligations are provided where Public Non-financial Corporations (PNFCs) are required to provide non-commercial services or services at non-commercial prices for the benefit of the community.

Recurrent grants are expected to total \$14.131 billion in 2025–26, representing an increase of \$1.007 billion compared to payments in the 2024–25 estimated actual. The increase reflects higher on-passed Australian Government grant payments for Financial Assistance Grants to local councils and to non-government schools, as well as community recovery grants for recent natural disasters and financial assistance to victims of crime.

Capital grants represent transfers to the PNFC Sector, local governments, not-for-profit institutions and non-state schools, businesses and households (including the First home owner grant) for capital purposes.

In 2025–26, capital grant expenses are estimated to total \$5.094 billion, before declining substantially in 2027–28 and 2028–29. The impact from 3 severe weather events in 2025 has resulted in a substantial increase in disaster recovery funding to affected local council areas across the state for damaged infrastructure. As detailed in Table 2.3, disaster expenses, mainly capital grants to local councils, decrease significantly in 2027–28, with recovery works largely completed by 2028–29. Disaster expenditure is jointly shared between the Australian Government and the States.

5 Balance sheet and cash flows

Features

- The 2025–26 Budget delivers significant reductions in forecast debt across the forward estimates relative to the 2024–25 Mid-Year Fiscal and Economic Review (MYFER).
- The government is committed to managing the rate of growth in borrowings and recognises the benefits to Queenslanders of a calm and methodical approach to balance sheet management in support of fiscal objectives.
- The Budget provides for a significant and targeted capital investment program, while moderating growth in borrowings and limiting interest expenses to support improved cash flows, providing the foundations for balance sheet repair and ongoing sustainability.
- General Government Sector (GGS) gross borrowing is forecast to be \$95.480 billion for 2025–26, \$6.3 billion less than expected in the 2024–25 MYFER.
- The Non-financial Public Sector (NFPS) gross borrowing is expected to be \$147.840 billion in 2025–26, \$8.4 billion less than projected at 2024–25 MYFER.
- In 2027–28, total NFPS debt is forecast to be \$190.360 billion, \$27.5 billion lower than the 2024–25 MYFER forecast of \$217.826 billion.
- NFPS borrowing is expected to progressively increase to \$205.660 billion by 2028–29. The rate of increase slows each year as general government operating deficits improve and the capital program stabilises.
- In addition, investment returns from the Debt Retirement Fund and a redemption of surplus defined benefit assets will lower debt by \$4.8 billion by 30 June 2029.

5.1 Overview

The balance sheet shows the projected assets, liabilities and net worth of the GGS as at 30 June each year. A resilient balance sheet provides the government with the capacity to respond to immediate financial and economic events.

The cash flow statement shows the expected cash flows of the GGS during each financial year of the forward estimates. While the operating statement is reported in accrual terms, when revenues and expenses are recognised, the cash flow statement is reported in cash terms when revenues are received, and payments are made.

5.2 Balance sheet

Table 5.1 summarises the key balance sheet aggregates.

Table 5.1 Summary of budgeted balance sheets¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 MYFER \$ million	2024–25 Est. Act. \$ million	2025–26 Budget \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
General Government								
Financial assets	89,221	91,386	92,042	90,946	93,185	93,553	94,977	97,551
Non-financial assets	356,110	355,190	369,157	367,342	379,593	394,956	410,821	425,462
Total assets	445,331	446,576	461,199	458,288	472,778	488,510	505,798	523,013
Borrowings	58,773	77,118	77,627	74,843	95,480	114,301	131,696	145,176
Advances	3,161	1,662	2,092	2,532	1,269	975	788	746
Superannuation liability	20,118	19,478	19,889	19,006	18,806	18,326	17,409	16,198
Other provisions and liabilities	32,132	32,744	31,907	31,522	32,280	32,444	33,258	34,083
Total liabilities	114,184	131,002	131,515	127,903	147,835	166,045	183,151	196,204
Net worth	331,147	315,573	329,683	330,385	324,943	322,464	322,647	326,810
Net debt	5,684	27,407	25,539	22,092	41,803	61,605	79,239	93,217
Non-Financial Public Sector								
NFPS Borrowings	106,397	124,707	128,086	124,118	147,840	170,484	190,360	205,660
NFPS Purchases of non-financial assets	16,887	22,241	25,760	21,583	23,837	26,749	26,221	25,326
Note:								
1. Numbers may not add due to rounding.								

5.2.1 Financial assets

The major categories of financial assets are investments, loans and placements, and investments in other public sector entities.

Investments, loans and placements include investments held to meet future liabilities, such as superannuation and insurance, as well as investments relating to the Queensland Future Fund – Debt Retirement Fund (DRF).

The GGS also holds the equity in the state's public enterprises, principally the shareholding in government-owned corporations (GOCs) but also Public Financial Corporations like Queensland Treasury Corporation (QTC).

Total financial assets of \$90.946 billion are estimated for 2024–25, \$1.725 billion higher than 2023–24 Outcome. Financial assets are forecast to rise steadily across the forward estimates as increases in equity in public sector enterprises are slightly offset by modest declines in investments, loans and placements.

In recognition of the need for balance sheet repair, this Budget includes additional debt reduction measures to ensure available liquidity is used optimally to reduce pressure on NFPS borrowing.

Given the steep rise in long-term interest rates, this government is using the DRF for the purpose for which it was established in 2021 and is reducing the state's debt burden by drawing on the DRF investments to repay borrowings. Repaying borrowings will reduce the state's interest burden along with its exposure to significant financial market risks.

In 2025–26, a program of investment portfolio consolidation will combine \$3 billion of surplus defined benefit investment assets with \$5.35 billion of other long-term assets and contribute these investments to the DRF. As a result, the value of the DRF will increase to \$19.4 billion in 2025–26. The revised structure of the DRF will allow for the repayment of \$4.8 billion of debt by 30 June 2029.

The latest actuarial valuation of the defined benefit scheme shows a surplus of almost \$10 billion. A drawdown of \$3 billion for contribution to the DRF will still leave the scheme with a significant buffer against future risks, fulfilling the State's obligation to hold assets that are at least equal in value to the actuarial defined benefit liability.

The additional \$5.35 billion contribution to the DRF will be sourced from a portfolio of long-term assets originally established to support appropriation payments mainly for housing and carbon reduction programs. The programs will continue to be fully funded through approved appropriation payments, with no change to service delivery.

Consolidating investment assets across the government's balance sheet will simplify portfolio management, reduce investment administration burden and support a unified debt reduction strategy.

5.2.2 Non-financial assets

Non-financial assets consist primarily of land and other fixed assets, including roads, schools, hospitals and other infrastructure. Other non-financial assets held by the state include prepayments and deferred income tax assets relating to GOCs.

GGs non-financial assets are estimated to be \$367.342 billion at 30 June 2025, \$11.232 billion higher than the 2023–24 outcome. GGs non-financial assets are forecast to increase from \$379.593 billion in 2025–26 to \$425.462 billion by 30 June 2029.

The NFPS capital program for 2025–26 is forecast to be \$29.318 billion, which comprises \$23.837 billion of PNFA, \$5.063 billion of capital grant expenses and acquisitions of non-financial assets under finance leases and similar arrangements of \$417 million.

Over the 4 years to 2028–29, the NFPS capital program is forecast to be \$116.840 billion, which comprises \$102.132 billion of purchases of non-financial assets (PNFA), \$13.511 billion of capital grants expenses, and acquisitions of non-financial assets under finance leases and similar arrangements of \$1.196 billion.

The finance leases and similar arrangements are mainly in relation to Public Private Partnerships and include construction of Cross River Rail infrastructure and Gold Coast Light Rail Stage 3.

The government is reviewing the delivery approach for the capital program to improve governance and oversight coordination.

The reduction in the NFPS capital program over the forward estimates compared to 2024–25 MYFER has been achieved by working with agencies to assess government priorities while sequencing the capital program to support on-time and on-budget delivery. Further discussion can be found in Budget Paper 3: Budget Capital Statement.

5.2.3 Liabilities

General Government Sector

Total GGS liabilities are estimated to be \$127.903 billion at 30 June 2025 of which the largest component is borrowings at \$74.843 billion. This is \$2.784 billion lower than the 2024–25 MYFER estimate.

By 30 June 2028 borrowing is expected to be \$131.696 billion, which is \$22.070 billion lower than the 2024–25 MYFER estimate. Lower than expected borrowing reflects the improved operating position, revised capital program and the impact of debt reduction measures discussed above.

The defined benefit superannuation liability is projected to be \$19.006 billion at 30 June 2025 and is expected to continue to decline over the forward estimates as members progressively retire. The fund has been closed to new entrants since 2008.

Total assets covering the actuarial value of the accrued benefits at 30 June 2024 provided for a surplus of approximately \$10 billion, representing a funding position of 143 per cent. The transfer of \$3 billion in surplus defined benefit assets to the DRF is estimated to result in a fund surplus of around \$7.4 billion, with an asset to liabilities funding ratio of 135 per cent by June 2026.

The funding position is then expected to improve further over time as returns are generated on surplus investments. It is expected that by the end of the forward estimates, asset coverage will return to the same level as determined in the 2024 triennial actuarial investigation (143 per cent).

The 2016–17 Budget approved the withdrawal of surplus defined benefit scheme assets of \$4 billion, from a reported scheme surplus of over \$10 billion as at 30 June 2015. Actual withdrawals of \$3.5 billion occurred until 2020–21, with an additional withdrawal of \$553.6 million approved by the former government in September 2024.

Non-financial Public Sector Borrowing

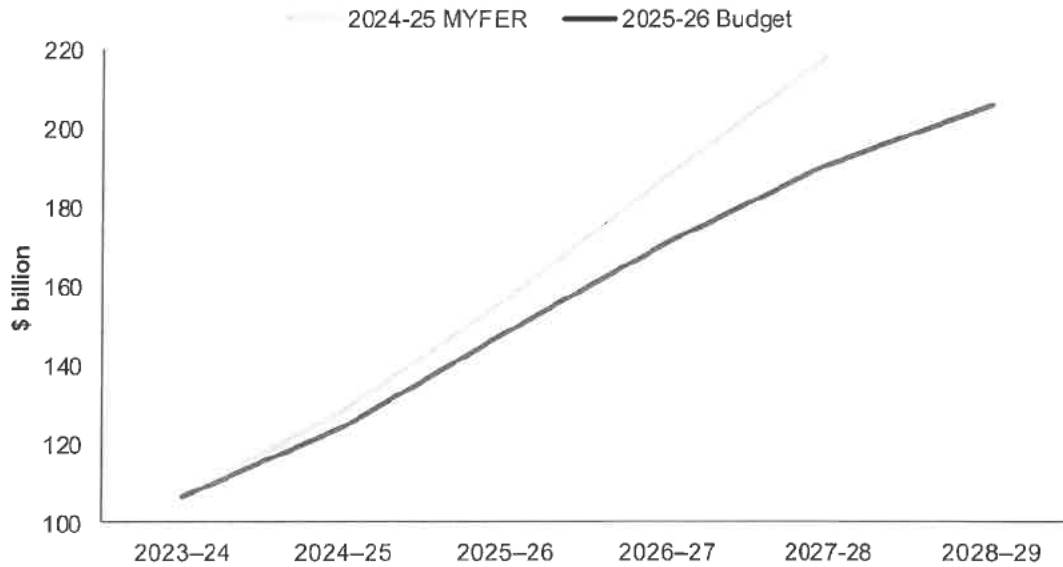
The NFPS is a consolidation of the General Government and PNFC sectors, with transactions between these sectors eliminated.

PNFC debt is primarily held by GOCs and is supported by income-generating assets including key economic infrastructure.

NFPS borrowing is expected to be \$124.118 billion by 30 June 2025, \$3.968 billion lower than the 2024–25 MYFER.

NFPS borrowing of \$190.4 billion is forecast in 2027–28, \$27.5 billion lower than the comparable 2024–25 MYFER estimates. Chart 5.1 shows the forecast growth in NFPS borrowing across the forward estimates in both the 2024–25 MYFER and 2025–26 Budget.

Chart 5.1 Non-financial Public Sector borrowings



5.2.4 Net debt

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

Net debt excludes certain assets and liabilities, such as superannuation and insurance liabilities. Net debt is another metric used across jurisdictions to assess the soundness of the government's fiscal position. Higher levels of net debt will require servicing through interest payments and limit flexibility to adjust expenditure.

Net debt for the GGS in 2024–25 is estimated to be \$22.092 billion, \$3.447 billion lower than expected in the 2024–25 MYFER. The lower net debt predominantly reflects lower borrowing requirements for capital purchases in both the GGS and PNFC sectors, and the impact of expected returns on the state's long-term assets.

The net debt to revenue ratio for the GGS in 2025–26 is forecast to be 45.8 per cent. This compares very favourably to the ratio in the 2024–25 MYFER of 54.1 per cent.

5.2.5 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.

Changes in the state's net worth occur for several reasons including:

- operating surpluses (deficits) that increase (decrease) the government's equity
- revaluation of assets and liabilities as required by accounting standards
- movements in the net worth of the state's investments in the PNFC and Public Financial Corporations (PFC) sectors
- gains or losses on disposal of assets — where the selling price of an asset is greater (less) than its value in an agency's accounts, the resultant profit (loss) affects net worth.

GGs net worth is projected to be \$330.385 billion at 30 June 2025 and gradually decline in 2025–26 and 2026–27 due to the net operating deficits. From 2027–28 net worth is expected to improve as operating deficits reduce. GGS net worth is forecast to reach \$326.810 billion in 2028–29.

5.3 Cash flows

The cash flow statement provides the cash surplus (deficit) measure, which comprises the net cash flows from operating activities plus the net cash flows from investments in non-financial assets (or physical capital).

GGs net cash inflows from operating activities have improved compared to 2024–25 MYFER estimates due to the improved operating balances and moderation in capital purchases. The improvement in this measure over the forward estimates is shown in Chart 5.2.

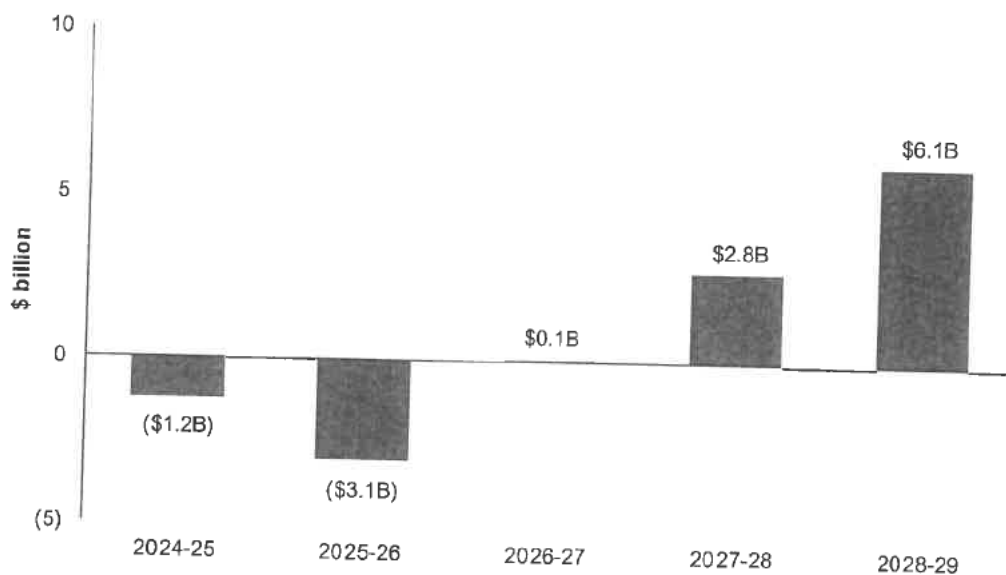
Net cash flows from investments in financial assets for policy purposes include net cash flows from disposal or return of equity, net equity injections into GOCs and concessional loans and advances. Cash flows from the injection of equity into the PNFC and PFC sectors are the primary driver of net outflows of \$4.1 billion over the period from 2025–26 to 2028–29.

Net cash flows from investments in financial assets for liquidity purposes represent net investment in financial assets to cover liabilities such as superannuation and insurance, as well as deposits and withdrawals to or from a redraw facility with QTC and other specific investments.

From 2025–26 to 2028–29, liquidity purposes cash flows will include annual withdrawals of \$1.4 billion from the Debt Retirement Fund to repay debt.

Total GGS purchases of non-financial assets (PNFA) of \$13.370 billion are budgeted for 2024–25. Over the period from 2025–26 to 2028–29, GGS PNFA are expected to total \$70.972 billion. Operating cash flows are positive from 2026–27 and by 2028–29 will fund 33 per cent of capital purchases.

Chart 5.2 General Government Sector net cash inflows from operating activities



The GGS cash deficit for 2024–25 is estimated to be \$14.499 billion, which is \$848 million lower than the deficit forecast at the 2024–25 MYFER.

A GGS cash deficit of \$17.576 billion is forecast for 2025–26, reducing to an estimated deficit of \$16.195 billion in 2027–28 and \$12.429 billion in 2028–29. This is a significant improvement on the 2024–25 MYFER, which estimated a deficit of \$22.058 billion in 2027–28.

6 Intergovernmental financial relations

Features

- The federal financial relations framework recognises that coordinated action and clear lines of responsibility for funding and service delivery are crucial for maximising economic and social outcomes and to strategically position the nation for the future.
- One of the Australian Government's functions under this framework is to provide funding to states to deliver essential services and infrastructure, representing approximately 44 per cent of all Queensland's General Government Sector revenue in 2025–26.
- It is estimated the Australian Government will provide the Queensland Government with \$40.595 billion in 2025–26 (\$391 million less than in 2024–25), comprising:
 - \$22.851 billion¹ in payments for specific purposes (\$1.381 billion more than 2024–25)
 - \$1.119 billion in other Australian Government grants, including payments direct to Queensland Government agencies for Australian Government own-purpose expenditure (\$519 million more than 2024–25)
 - \$16.625 billion in payments for general purposes (\$2.292 billion less than 2024–25).
 - Further detail is provided in Chapter 3.
- Payments for specific purposes to Queensland in 2025–26 include:
 - \$7.531 billion for National Health Reform funding
 - \$7.393 billion for Better and Fairer Schools funding²
 - \$7.105 billion for National Partnership payments (including the Infrastructure Investment Program, Disaster Recovery Funding Arrangements (DRFA), National Energy Bill Relief, the South East Queensland City Deal and the Brisbane 2032 Olympic and Paralympic Games)
 - \$460 million for National Skills Agreement funding
 - \$363 million for National Agreement on Social Housing and Homelessness funding.
- The Queensland Government is committed to rebuilding and strengthening its relationship with local governments, recognising the important services they provide to the community. In this regard, the Queensland Government has made permanent the Works for Queensland program and will provide \$100 million ongoing to deliver local projects.
- The Queensland Government is also delivering the \$2 billion Residential Activation Fund to accelerate delivery of essential infrastructure to fast-track new homes.

¹ Total payments for specific purposes may not add due to rounding.

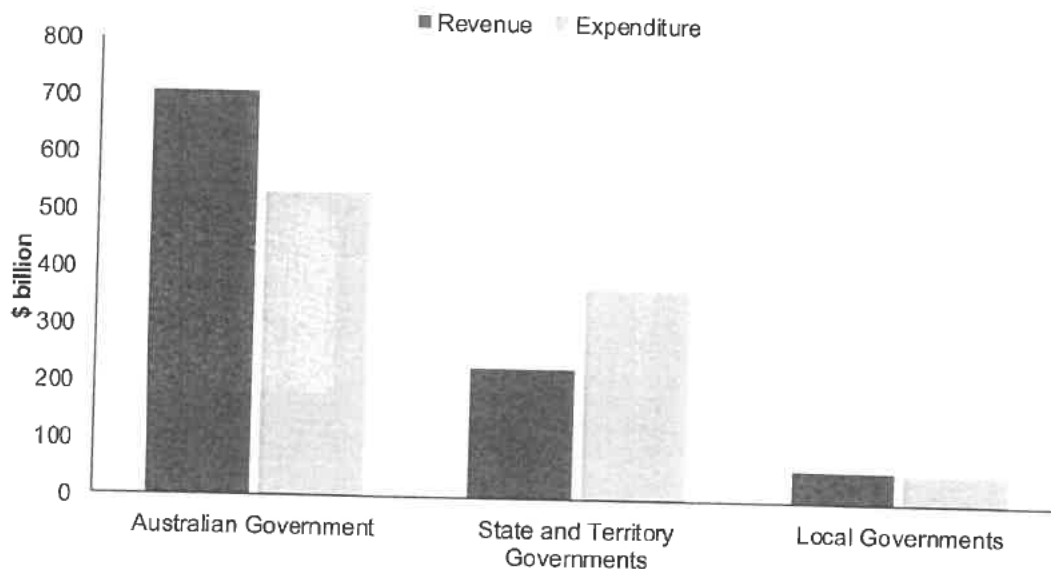
² Better and Fairer Schools funding includes payments for government schools (exclusive of GST) and non-government schools (inclusive of GST).

6.1 Federal financial arrangements

The Australian Government has greater capacity to raise revenue than is required to fund service delivery responsibilities. Conversely, states and territories' (states) ability to raise revenue is less than required to meet their service delivery and infrastructure responsibilities. This vertical fiscal imbalance (VFI) is addressed through a system of intergovernmental payments from the Australian Government to the states.

In 2023–24, the Australian Government collected 71.1 per cent of government revenue nationally, while states collected 23.2 per cent, and local governments the balance (5.7 per cent). Chart 6.1 illustrates the revenue and expense disparity between the different levels of government.

Chart 6.1 Own-source revenue and expenses by levels of government, 2023–24^{1,2}



Notes:

1. Revenue calculated as total revenue minus grant revenue.
2. Expenses calculated as total expenses minus grant expenses.

Source: ABS Government Finance Statistics.

To address VFI, the Australian Government makes 2 types of payments:

- general revenue assistance payments (largely GST revenue) which can be used by states for any purpose ('untied' funding)
- payments for specific purposes ('tied' funding) such as:
 - payments for National Health Reform, Better and Fairer Schools, the National Skills Agreement and the National Agreement on Social Housing and Homelessness, which are a contribution toward states' service delivery priorities

- National Partnership (NP) payments, which represent funding to support the delivery of specific priorities, outputs, or projects and to facilitate or incentivise reforms.

As part of the national governance arrangements, the Council on Federal Financial Relations – chaired by the Australian Treasurer and comprising all state Treasurers – oversees national agreements and transfers between the Australian Government and states.

States have also formed the Board of Treasurers (the Board) to collaborate on common issues, advance national reform priorities from state perspectives, and promote united agenda setting in federal affairs. The Board is chaired by a state Treasurer for a calendar year on a rotational basis.

Key priority areas for the Board in 2025 include health and disability services reform, early engagement on the 2026 Australian Productivity Commission inquiry on Horizontal Fiscal Equalisation and overseeing negotiations of major funding agreements expiring within the next 12 months.

This chapter largely focuses on the Australian Government's payments for specific purposes (sections 6.2 and 6.3). Information on State–Local Government Relations is provided in section 6.4.

6.2 Australian Government funding to Queensland

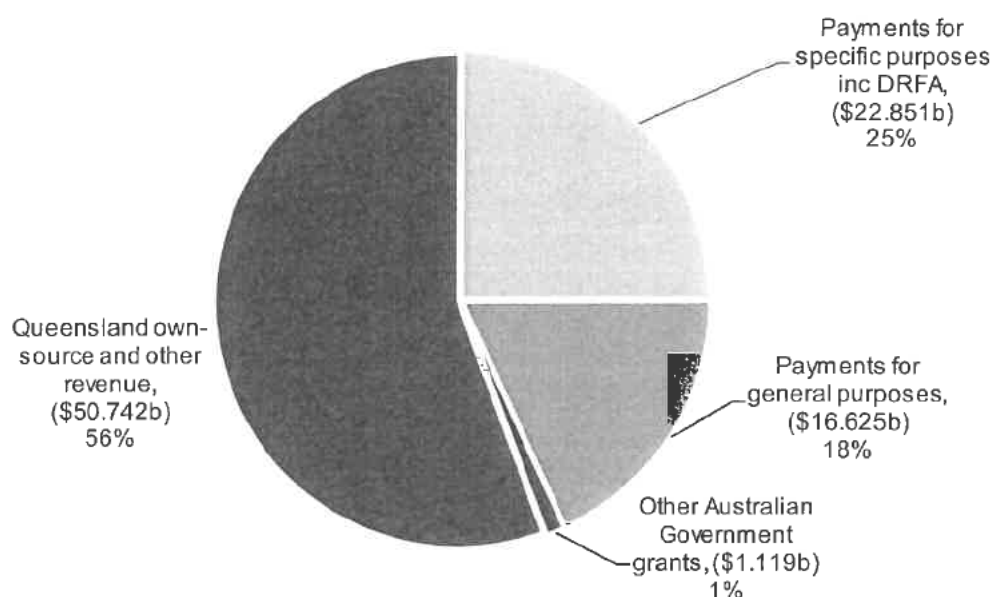
It is estimated the Australian Government will provide the Queensland Government with \$40.595 billion in 2025–26.

The primary driver for the decrease in Australian Government funding in 2025–26 is a significant reduction in Queensland's GST revenue of \$2.292 billion.

A detailed discussion of Queensland's GST revenue, including the key factors leading to the reduced GST in 2025–26, is provided in Chapter 3.

Australian Government funding is estimated to account for 44 per cent of Queensland's total General Government Sector revenue sources in 2025–26 (shown in Chart 6.2).

Chart 6.2 General Government Sector revenue sources, Queensland 2025–26^{1,2}



Notes:

1. Queensland own-source and other revenue figure includes taxation revenue, sales of goods and services, royalties and land rents.
2. Queensland Treasury estimates. Other Australian Government grants include payments direct to Queensland Government agencies for Australian Government own-purpose expenditure.

Sources: 2025–26 Federal Budget Paper No. 3 and Queensland Treasury estimates.

Box 6.1 Major agreements to be negotiated in the next 12 months

The Queensland Government will collaborate with the Australian Government to secure sustainable, long-term funding arrangements for agreements expiring within the next 12 months.

Major agreements to be renegotiated in the next year include the National Health Reform Agreement (NHRA), the National Mental Health and Suicide Prevention Agreement and the Preschool Reform Agreement. All are set to expire on 30 June 2026.

Combined, these 3 agreements account for \$7.602 billion¹ in funding that Queensland will receive for 2025–26.

Health and disability

On 6 December 2023, National Cabinet agreed that the Australian Government and state and territory governments would work together to deliver system-wide structural health reform and

¹ This excludes \$414 million of additional funding in 2025–26 provided by the Australian Government under a separate bilateral funding schedule, in line with the agreement to extend the NHRA for one year.

work to secure the future of the National Disability Insurance Scheme (NDIS), including jointly designing and funding new Foundational Supports to improve services outside of the NDIS.

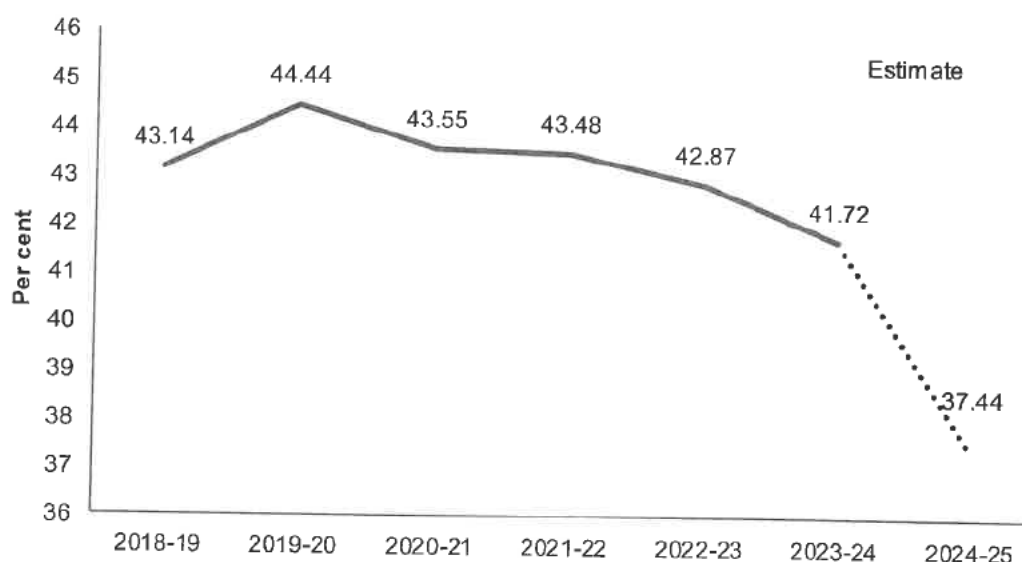
To enable more time for negotiations on health and disability reform, an interim one-year NHRA extension has been agreed with the Australian Government, providing an additional \$1.7 billion in 'top-up' funding across states and territories for 2025–26 under separate bilateral funding schedules. For Queensland, the top-up funding will provide \$414 million in 2025–26 in addition to the \$7.531 billion under the extended NHRA arrangements (\$7.945 billion in total). The one-year extension allows for negotiations on long-term NHRA arrangements to continue in 2025.

National Cabinet committed in December 2023 to increasing the Australian Government's NHRA contributions to public hospitals to 45 per cent, and establishing a more generous funding cap. This commitment is to be realised over a 10-year period, from 1 July 2025 to 30 June 2035, with the Australian Government to increase its contribution to 42.5 per cent of public hospital funding by 2030.

To ensure the ongoing sustainability of Queensland's public hospital system, it will be vital the Australian Government upholds its commitment to increase its contributions under the next NHRA, which has been declining under the current arrangements. While demand and cost pressures have continued to be experienced in recent years, the impact of the 6.5 per cent annual national growth cap on Commonwealth contributions has resulted in the Commonwealth contribution rate in Queensland falling from 44.44 per cent in 2019–20 to an estimated 37.44 per cent in 2024–25, as shown in Chart 6.3.

The Queensland Government is working with the other states territories to ensure that the National Cabinet commitment is reflected in the next long-term NHRA.

Chart 6.3 Commonwealth contribution rate, activity based funding, Queensland¹



Notes:

1. 2024–25 is a projection only based on Queensland Health estimates and is subject to change.

6.3 Payments to Queensland for specific purposes

In 2025–26, Queensland expects to receive \$22.851 billion¹ in payments for specific purposes, \$1.381 billion (6.4 per cent) more than in 2024–25.

Payments for specific purposes comprise funding for National Health Reform, Better and Fairer Schools, National Skills Agreement, National Agreement on Social Housing and Homelessness, and NP payments (refer to Table 6.1).

Table 6.1 Estimated payments of Australian Government grants¹

	2023–24 Actual \$ million	2024–25 Est. Act. \$ million	2025–26 Budget \$ million
Payments for specific purposes			
National Health Reform funding ²	6,663	7,071	7,531
Better and Fairer Schools funding ³	6,758	7,187	7,393
National Skills Agreement funding	390	451	460
National Agreement on Social Housing and Homelessness funding	355	355	363
National Partnership payments (incl. DRFA)	5,046	6,406	7,105
Total payments for specific purposes	19,212	21,470	22,851
Other Australian Government grants ⁴	1,196	600	1,119
Total payments for specific purposes and other Australian Government grants	20,407	22,069	23,970
Notes:			
1. Numbers may not add due to rounding.			
2. The one-year extension to National Health Reform funding arrangements commences 1 July 2025.			
3. Better and Fairer Schools Agreement (BFSA) commenced on 1 January 2025 and replaces Quality Schools funding under the National School Reform Agreement. It includes payments for government schools (exclusive of GST) and non-government schools (inclusive of GST). Funding for 2025–26 does not include additional funding under the BFSA as negotiations with the Australian Government were not finalised until late March 2025.			
4. Includes direct Australian Government payments to Queensland agencies for Australian Government own-purpose expenditure (e.g. financial assistance to local governments and funding to Hospital and Health Services).			
<i>Sources: 2025–26 Federal Budget Paper No. 3 and Queensland Treasury estimates.</i>			

In 2025–26, National Health Reform funding, which accounts for 33 per cent of the total payments for specific purposes, is estimated to increase by \$460 million (6.5 per cent).²

¹ Queensland Treasury estimates.

² This excludes \$414 million of additional funding in 2025–26 provided by the Australian Government under a separate bilateral funding schedule, in line with the agreement to extend the NHRA for one year.

Queensland Government projections of National Health Reform funding differ from the projections contained in the 2025–26 Federal Budget. Australian Government projections represent cash payments made in the financial year (rather than the entitlement amount for the financial year) and include adjustments for services delivered in prior years.

Actual National Health Reform payments vary from estimates provided in budget papers as they are based on actual public hospital activity delivered each year.

Better and Fairer Schools funding, which accounts for around 32.4 per cent of total payments for specific purposes, is estimated to increase by \$206 million (2.9 per cent) to \$7.393 billion in 2025–26.

On 24 March 2025, the Australian and Queensland Governments signed the Heads of Agreement for the new 10-year Better and Fairer Schools Agreement – Full and Fair Funding. The new agreement represents a record investment into Queensland’s public schooling system over the term of the agreement.

Under the agreement, the Australian Government will increase its contribution from 20 per cent to 25 per cent of the Schooling Resource Standard by 2034, with Queensland increasing its contribution to 75 per cent.

Queensland will also remove the provision to claim 4 per cent of state school funding for indirect school costs such as capital depreciation and replace it with 4 per cent of recurrent funding on eligible expenses.

National Skills Agreement funding is estimated to increase by \$9 million (2.1 per cent) to \$460 million in 2025–26. Similarly, funding under the National Agreement on Social Housing and Homelessness is estimated to increase by \$7 million (2.1 per cent) from 2024–25.

NP payments (including DRFA) account for 31.1 per cent of the total payments for specific purposes in 2025–26. It is estimated to increase by \$699 million (10.9 per cent) from 2024–25 to 2025–26. A significant proportion of NP payments in 2025–26 is allocated to infrastructure, and DRFA payments (refer to Chart 6.4).

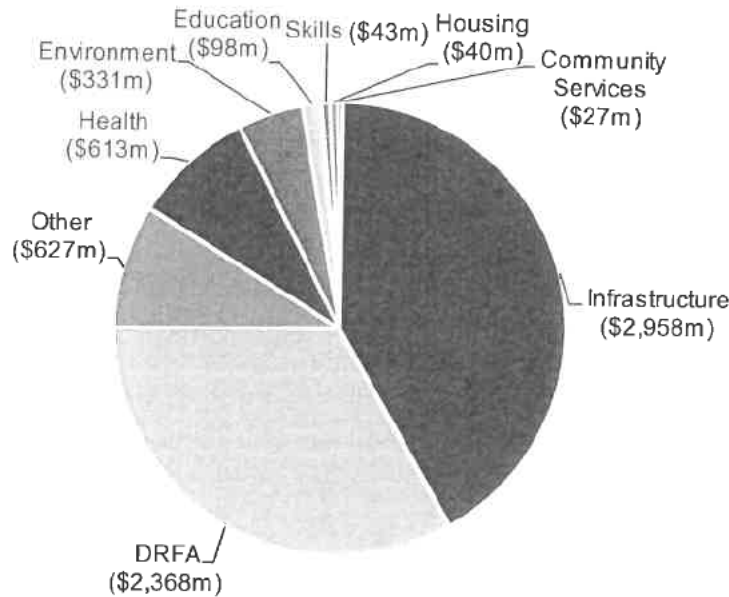
The increase in NP payments in 2025–26 is mainly due to:

- a significant DRFA payment in 2025–26 relating to disaster events in 2024
- fixed funding of \$414 million in 2025–26 provided by the Australian Government as part of the one-year extension of the 2020–2025 Addendum to the National Health Reform Agreement—which is being provided under the separate bilateral schedule Health Reform – Additional Funding Support for Hospital and Related Health Services 2025–26 (Queensland).

Other Australian Government grants include payments direct to Queensland Government agencies for Australian Government own-purpose expenditure.

In 2025–26, Queensland expects to receive \$1.119 billion in other Australian Government grants, \$519 million (86.6 per cent) more than in 2024–25. The significant increase is mainly due to the Australian Government’s bring forward of financial assistance to local governments from 2024–25 to 2023–24.

Chart 6.4 National Partnership Payments by sector, 2025–26¹



Note:

1. Excludes Australian Government funding to local government and payments direct to Queensland Government agencies for Australian Government own-purpose expenditure.

Sources: 2025–26 Federal Budget Paper No. 3 and Queensland Treasury estimates.

6.3.1 Projections of payments for specific purposes to Queensland

Across the forward estimates, total payments for specific purposes (including DRFA payments) are expected to decrease slightly, with average growth of approximately -0.5 per cent between 2025–26 and 2028–29. If the impact of DRFA payments is removed, the average growth of total payments for specific purposes is expected to be 3.1 per cent between 2025–26 and 2028–29.

National Health Reform funding is expected to grow by an average of 6.5 per cent over the forward estimates. Under the current NHRA arrangements, the Australian Government will fund 45 per cent of efficient growth in hospital activity subject to a national growth cap of 6.5 per cent per annum. Current estimates are based on this methodology.

Growth in Better and Fairer Schools funding for Queensland is expected to average 3.8 per cent between 2025–26 and 2028–29 in line with enrolment changes, increased funding per student and legislated Australian Government funding shares. Queensland is expecting to receive \$11.269 billion for state schools and \$20.038 billion (including GST) for non-government schools from 2025–26 to 2028–29.

DRFA payments of \$4.211 billion estimated from 2025–26 to 2028–29 are principally for disaster events in 2024 and 2025.

6.3.2 Expiring agreements

The Australian Government provides time-limited funding to states through NP payments to support the delivery of specific projects, facilitate reforms or reward states that deliver on nominated reforms or service delivery improvements.

There are 26 agreements¹ expected to expire in 2024–25. At the 2025–26 Federal Budget, the Australian Government allocated funding beyond 2024–25 for 14 expiring agreements, including agreements for Public Dental Services for Adults, Family Law Information Sharing and Rheumatic Fever Strategy.

The 2025–26 Federal Budget did not allocate funding beyond 2024–25 for one expiring funding agreement — DisabilityCare Australia Fund. The Queensland Government is continuing to advocate for the extension of the DisabilityCare Australia Fund agreement as part of ongoing negotiations related to broader health and disability reforms.

A funding extension or renewal was not sought for the remaining 11 expiring agreements due to the short-term nature of the program or completion of the project.

6.4 State-local government financial relations

The Queensland Government is committed to rebuilding and strengthening its relationship with local governments, the level of government closest to the community, who can provide a unique perspective on what services are required and when.

To formalise this commitment and recognise this partnership, the *Equal Partners in Government* agreement was signed in March 2025, in conjunction with the Local Government Association of Queensland (LGAQ).

This Agreement recognises the roles and responsibilities of both parties, and provides a set of principles to guide the relationship. A key principle includes the Queensland Government providing funding programs to local governments to support financial sustainability and deliver benefits for advancing local communities in Queensland.

In this regard, the Queensland Government has made permanent the Works for Queensland program and will provide \$100 million ongoing, to ensure all local councils can deliver local projects that create jobs and deliver better infrastructure and services.

In addition, the Queensland Government is delivering the \$2 billion Residential Activation Fund to accelerate delivery of essential infrastructure to fast-track new homes, supporting local governments bringing forward planned housing projects.

¹ Includes any expiring schedules to Federation Funding Agreements.

The Queensland Government is also committed to stepping out of the way and empowering local governments to deliver for their communities by:

- setting up a taskforce to look into removing unnecessary regulatory burden on councils, removing red tape and providing more support for councils to deliver what is needed on the ground in communities across Queensland
- ensuring that local government operates in a fit for purpose framework that, in a relationship of mutual respect, delivers the best outcomes.

An example of this close collaborative relationship is the way the Queensland and local governments have worked with the Queensland Reconstruction Authority (QRA). QRA administers funding available under the DRFA, which is a joint funding initiative of the Queensland and Australian Governments to provide disaster relief and recovery payments to help communities recover following the effects of natural disasters. These funds are provided to local governments to deliver these initiatives.

Three natural disasters have occurred in Queensland since the beginning of 2025.

Nearly every local government in Queensland has been impacted by one of these events. The Queensland Government worked closely with these councils and the LGAQ to ensure that the right targeted support was provided to each council to assist with their unique path to recovery.

7 Public Non-financial Corporations Sector

Features

- Entities in the Public Non-financial Corporations (PNFC) Sector provide essential services to communities across Queensland for electricity, bulk water supply, rail and port services.
- The Queensland Government is committed to efficient, safe, affordable and reliable service delivery for Queenslanders. Businesses are expected to improve performance by maximising value from existing assets and delivering investments on time and on budget.
- The PNFC Sector is estimated to achieve earnings before interest and tax (EBIT) of \$3.387 billion in 2025–26, increasing to \$4.168 billion in 2028–29, while returning total dividends and tax equivalent payments of \$5.524 billion over the 4 years to 2028–29.
- Borrowings to 2028–29 primarily reflect capital requirements to deliver critical energy investments, transform the rail network and ensure water security across the state.
- The Electricity Maintenance Guarantee is supporting approximately \$1.6 billion of investment over the 5 years to 2029–30, to properly maintain state-owned power plants and deliver affordable, reliable and sustainable energy supply.
- In the transport sector, investments will support reconfiguration of the South East Queensland rail network and port projects to facilitate trade and economic growth.
- Significant water projects to ensure supply security and reliability include the Toowoomba to Warwick Pipeline, dam improvement works at the Paradise, Somerset, North Pine and Lake Macdonald Dams, and the new Barilil and Cooranga Weirs in southern Queensland.

7.1 Context

The PNFC Sector provides vital services to Queenslanders such as electricity supply and distribution, water supply, rail and port services. This includes Queensland government-owned corporations (GOCs) under the *Government Owned Corporations Act 1993* (GOC Act), commercialised statutory entities such as Queensland Rail, Seqwater, local water boards, and other public corporations (including Queensland Hydro and Stadiums Queensland).

GOC boards are responsible and accountable to shareholding Ministers for financial and operational performance, and must operate commercially and efficiently. These requirements are legislated under the GOC Act, with similar provisions in enabling legislation for other entities.

Entities incur costs and bear commercial risks in service delivery, and target a commercial rate of return to sustain ongoing investment and performance. Returns from the PNFC Sector support consolidated revenue and government service delivery, including critical infrastructure maintenance and delivery. The commercial nature of PNFC Sector entities ensures debt is self-supporting and net worth continues to grow over the 4 years to 2028–29.

Table 7.1 Key financial aggregates¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est. Act. \$ million	2025–26 Projection \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Revenue	17,360	16,963	17,977	18,364	18,901	19,869	20,626
Expenses	15,543	16,347	17,453	17,618	18,182	19,234	19,841
EBIT²	3,319	3,062	2,483	3,387	3,409	3,756	4,168
PNFA ³	6,402	9,410	8,206	9,207	8,241	7,103	6,671
Assets	85,044	94,090	89,016	94,792	100,636	105,415	110,597
Borrowings	47,631	47,596	49,282	52,367	56,190	58,671	60,491
Notes:							
1. Numbers may not add due to rounding.							
2. EBIT (earnings before interest and tax) reflects the commercial nature of the sector. Net operating balance is reported in Chapter 8.							
3. PNFA: Purchases of non-financial assets.							

7.1.1 Electricity networks

Queensland's 2 electricity network businesses are responsible for transporting electricity to consumers across the state:

- Powerlink Queensland (Queensland Electricity Transmission Corporation) owns and operates the electricity transmission network in Queensland
- Energy Queensland Limited (EQL) owns and operates the low-voltage distribution network connecting to households and businesses.

Revenues are largely derived from services regulated by the Australian Energy Regulator.

7.1.2 Electricity generation

Queensland owns 3 electricity generation GOCs (Stanwell, CS Energy and CleanCo), with existing baseload capacity, and new generation and firming assets.

- Stanwell supplies around 30 per cent of Queensland's electricity, with an owned energy portfolio of around 3,300 megawatts (MW) from its 3 coal-fired power stations. Stanwell is investing in new renewables and firming assets while it also manages additional contracted renewable energy.
- CS Energy supplies around a quarter of Queensland's electricity, with an owned or contracted portfolio of around 4,000 MW including thermal, renewable and firming assets. CS Energy is currently progressing the 400 MW Brigalow Gas Peaker.
- CleanCo owns and operates a 1,100 MW portfolio of low and no emissions assets, with additional contracted renewable energy across Queensland. CleanCo is continuing to progress its 250 MW Swanbank Battery.

All GOCs offer retail services to large commercial and industrial customers, with CS Energy also supplying residential and small business customers in South East Queensland.

Box 7.1 Electricity Maintenance Guarantee

The Electricity Maintenance Guarantee is a new investment, performance and accountability framework for asset maintenance on publicly owned power plants. This investment will assist in delivering an affordable, reliable and sustainable energy system for Queenslanders.

Through the Guarantee, shareholding Ministers have provided upfront approval of all investment required by Stanwell, CS Energy and CleanCo to implement 5-year asset management plans — capturing all overhaul and sustaining capital expenditure — to ensure safety, statutory compliance, asset integrity and asset performance.

GOCs are accountable for asset maintenance investment and performance, including key performance indicators in respect of maintenance investment, personal safety, process safety and plant performance.

All GOCs achieved their 2024–25 summer availability targets to March 2025 with actual performance exceeding 90 per cent on average. The Guarantee is driving improvements in management reporting and oversight of statutory maintenance performance.

In 2024–25, the Guarantee supported over \$450 million of investment in existing assets, including 5 major unit overhauls at the Callide B, Stanwell, Tarong and Swanbank Power Stations.

Over the next 5 years, the Guarantee is underpinning a \$1.6 billion investment in Queensland's state-owned generation assets, including major overhauls at Callide C, Tarong and Wivenhoe Power Stations, and a minor overhaul of Callide Unit C4 in 2025–26.

7.1.3 Rail

Queensland Rail is a publicly owned rail operator, responsible for delivery of passenger transport in South East Queensland, long distance passenger services in rural and regional Queensland and third-party access to networks for freight transport across the state.

Rail services are delivered under a Rail Transport Services Contract (TSC) with government, which sets funding for rail infrastructure and passenger services in South East Queensland (CityTrain) and regional Queensland (TravelTrain). Queensland Rail is also supporting works associated with Cross River Rail and Department of Transport and Main Roads rail projects.

7.1.4 Ports

Queensland has a large network of coastline ports owned and operated by GOCs. Gladstone Ports Corporation, North Queensland Bulk Ports Corporation, Port of Townsville Limited and Far North Queensland Ports Corporation Limited (trading as Ports North) manage assets ranging from small facilities serving local communities, to large, world class multi-user and multi-cargo ports, which have public and privately owned import and export facilities. Efficient operation of ports is critical to economic growth, trade and employment across the state.

Box 7.2 Energy Roadmap

The Queensland Government is developing a 5-year Energy Roadmap to deliver affordable, reliable and sustainable energy for Queenslanders.

The Roadmap — to be released in the second half of 2025 — will be a credible plan for the state's energy system focused on the investment and market outlook to 2030, providing certainty for investors, communities and consumers.

Setting a foundation for the Roadmap, in 2025–26, Queensland's state-owned energy businesses are investing over \$5 billion across the energy supply chain — transmission, distribution and generation — with further investments to be made under the Roadmap.

Investing in existing assets



Network businesses are investing over \$2 billion in 2025–26 to maintain and extend the state's transmission and distribution network, ensuring the right investment is made in core infrastructure.



The Electricity Maintenance Guarantee is supporting around \$1.6 billion of investment over the next 5 years in existing state-owned power plants, building on a \$450 million investment in 2024–25. Over \$100 million will be invested at the Meandu and Kogan Creek Mines in 2025–26.

Expanding firming capacity



In 2025–26, \$479 million is allocated for CS Energy to continue development of the 400 MW Brigalow Gas Peaker to be located near Chinchilla.

Stanwell will continue to work with Quinbrook on the proposed 114 MW Lockyer Energy Project near Gatton in Southern Queensland, while CleanCo will also investigate a new gas turbine at Swanbank. In 2025–26, GOCs will also invest \$379 million in new utility-scale batteries at existing power station sites and \$135 million to install network-scale batteries across the distribution network.

Supporting private sector investment



GOCs will continue to partner with industry to enable greater private sector investment in renewable energy and firming assets. This includes Stanwell's Wambo Wind Farm in partnership with Cubico, energy offtake agreements across all generator GOCs, and connecting new customers to the grid.



Energy generator GOCs are also progressing smaller, more manageable pumped hydro investments in partnership with the private sector, including the Mount Rawdon, Big T and Capricornia smaller, more manageable Pumped Hydro Energy Storage (PHES) projects.

Progressing pumped hydro energy storage



In 2025–26, Queensland Hydro will invest \$355 million towards early works on the Borumba PHES (\$3.0 billion over 4 years to 2028–29).

In 2025–26, \$79 million will be invested in the acquisition of the Mount Rawdon and Big T PHES projects to proceed with ongoing development activities. Additionally, CS Energy will continue to progress the Capricornia PHES project.

Delivering major network infrastructure



The 2025–26 Budget allocates \$2 billion over 4 years to 2028–29 for CopperString, including \$403 million in 2025–26. This brings total government funding to a record investment of \$2.4 billion. In 2025–26, Powerlink is expected to invest \$221 million to progress early works on the Gladstone Project to reinforce the grid in Central Queensland.

7.1.5 Water

Queensland's largest entities in the bulk water supply industry are Queensland Bulk Water Supply Authority (trading as Seqwater) and Sunwater. Seqwater is responsible for supplying safe, secure and reliable bulk drinking water to over 3 million people across South East Queensland, while Sunwater supplies untreated bulk water to around 5,000 industrial, mining, urban and irrigation customers outside of South East Queensland. The PNFC Sector also includes the Gladstone Area Water Board and Mount Isa Water Board.

7.1.6 Other

Queensland Hydro

Queensland Hydro is responsible for the development, delivery, ownership and operation of the Borumba PHES.

A detailed review is underway to ensure the project is progressed in a way that is affordable and deliverable, with Queensland Investment Corporation (QIC) appointed investment manager of Queensland Hydro to support this work. All works on Pioneer-Burdekin PHES have ceased, with site demobilisation and project land divestment underway. Proactive and fulsome consultation and cooperation with landholders is a key priority of government as these processes are undertaken.

Stadiums Queensland

Stadiums Queensland is a statutory body which manages, develops, operates and promotes the use of the state's major sport, entertainment, high performance and recreation facilities.

Stadiums Queensland currently owns 9 venues across its diverse portfolio.

7.2 Finances and performance

7.2.1 Earnings before interest and tax

PNFC Sector EBIT is expected to increase to \$4.168 billion over the 4 years to 2028–29, with:

- electricity network sector EBIT increasing to \$2.333 billion in 2028–29, associated with expected regulated rate of return, revenue and expenditure movements
- electricity generation sector EBIT achieving \$806 million in 2025–26, reflecting the value of hedging contracts as wholesale prices stabilise, with steady earnings to 2028–29
- rail sector EBIT moderating over the next 4 years as additional TSC revenue is offset by higher expenses associated with major new rail assets
- port sector EBIT increasing to \$386 million in 2028–29, reflecting long-term customer revenue contracts and the commercial operation of new port assets
- water sector EBIT trending higher over the next 4 years in line with forecast water demand

- ‘other’ sector EBIT reflects early works expenditure for Queensland Hydro to progress the Borumba PHES, and for Stadiums Queensland on venues to support ongoing events.

Table 7.2 Earnings before interest and tax¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est. Act. \$ million	2025–26 Projection \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Electricity networks	895	1,280	1,231	1,412	1,581	1,866	2,333
Electricity generation	1,081	1,107	548	806	579	510	637
Rail	287	452	485	593	575	517	353
Ports	308	289	282	313	345	373	386
Water	980	221	352	354	474	638	613
Other ²	(231)	(287)	(414)	(92)	(144)	(149)	(155)
Total PNFC sector	3,319	3,062	2,483	3,387	3,409	3,756	4,168
Notes:							
1. Numbers may not add due to rounding.							
2. Includes other public corporations.							

7.2.2 Borrowings

PNFC Sector entities use debt financing as a source of funds for asset renewal and capital investments, and to maintain an optimal capital structure. Borrowings also include derivative liabilities associated with hedging activities undertaken by GOCs.

Asset values are a relevant factor in considering borrowings, with PNFC Sector entities borrowing around 55 per cent of their asset values in 2025–26 (on average). PNFC Sector borrowings are expected to increase to \$60.491 billion by 2028–29, with:

- electricity network sector borrowings increasing in line with capital expenditure commitments, including critical network infrastructure for system reliability
- electricity generation sector borrowings remaining steady to 2028–29 as entities complete major construction activities on existing projects and manage debt balances
- rail sector borrowings increasing to support new investment in Cross River Rail and other network reconfiguration works
- ports sector borrowings increasing to support infrastructure investment, including the East Port Laydown Area at the Port of Townsville and other works at Ports North
- water sector borrowings increasing to reflect asset renewal and investment in water security and dam safety projects
- ‘other’ sector borrowings increasing to support early works and construction activities for the Borumba PHES.

Table 7.3 Borrowings and total assets¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est. Act. \$ million	2025–26 Projection \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Electricity networks	26,324	26,733	28,253	29,883	31,500	32,752	33,688
Electricity generation	5,437	4,306	4,342	4,188	4,515	4,297	3,813
Rail	5,084	5,753	5,766	6,600	7,583	8,009	8,317
Ports	1,131	1,043	1,118	1,162	1,155	1,162	1,162
Water	9,511	8,767	9,201	9,696	10,232	10,597	10,801
Other ²	145	993	601	838	1,206	1,854	2,708
Total PNFC sector	47,631	47,596	49,282	52,367	56,190	58,671	60,491
Total Assets	85,044	94,090	89,016	94,792	100,636	105,415	110,597
Notes:							
1. Numbers may not add due to rounding.							
2. Includes other public corporations.							

7.2.3 Returns to government

Dividends

Dividends generated by the PNFC Sector form part of consolidated revenue used to fund a range of government services, including investment in critical infrastructure. Cumulative dividends across the PNFC Sector are forecast at \$3.980 billion over the 4 years to 2028–29, with:

- electricity network sector dividends increasing to \$370 million by 2028–29, consistent with earnings growth over the next 4 years
- electricity generation sector dividends moderating to \$260 million by 2028–29 in line with earnings as market electricity prices stabilise
- rail sector dividends declining over the next 4 years, reflecting increased investment to bring major new assets into operation
- port sector dividends increasing to \$217 million in 2028–29, due to higher revenue growth associated with long-term contracts and new capital expansions
- water sector dividends reflecting forecast demand for water in South East Queensland and government policy regarding recovery of dam improvement costs.

Table 7.4 Dividends¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est. Act. \$ million	2025–26 Projection \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Electricity networks	50	39	88	37	73	169	370
Electricity generation	594	520	336	504	318	202	260
Rail	141	221	217	312	282	197	134
Ports	162	162	155	175	196	210	217
Water	23	106	101	55	103	101	66
Other ²	30	0	0	0	0	0	0
Total PNFC sector	1,001	1,048	897	1,083	971	879	1,047
Notes:							
1. Numbers may not add due to rounding.							
2. Includes other public corporations.							

Tax equivalent payments

Tax equivalent payments (TEPs) are paid by PNFC Sector entities to ensure a uniform application of income tax laws between GOCs and the private sector. TEPs are expected to decline to \$329 million by 2028–29, with movements at the sector level consistent with EBIT.

Table 7.5 Tax Equivalent Payments¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est. Act. \$ million	2025–26 Projection \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Electricity networks	46	15	38	6	19	52	72
Electricity generation	157	241	144	224	144	94	119
Rail	29	155	165	190	102	62	14
Ports	85	90	82	89	95	101	105
Water	11	1	8	3	17	16	18
Other ²	1	0	0	1	1	1	1
Total PNFC sector	329	503	437	512	377	325	329
Notes:							
1. Numbers may not add due to rounding.							
2. Includes other public corporations							

Competitive neutrality fees

The competitive neutrality fee (CNF) is applied to a GOC's cost of debt to neutralise any advantage of government ownership related to the ability to borrow funds at a lower rate than private sector competitors. Changes generally reflect movements in borrowings, interest rate spreads and the entity's credit rating. CNF payments are expected to remain relatively stable.

Table 7.6 Competitive neutrality fee payments¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est. Act. \$ million	2025–26 Projection \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Electricity networks	152	157	139	133	119	110	112
Electricity generation	36	24	20	16	20	22	11
Rail	32	30	39	32	35	44	57
Ports	8	8	8	8	10	10	10
Water	6	5	5	5	5	5	5
Total PNFC sector	233	225	211	194	189	191	194
Note:							
1. Numbers may not add due to rounding.							

7.2.4 Community service obligation and rail transport services contract payments

Community Service Obligation (CSO) payments are used to subsidise particular services.

A CSO payment is made to EQL under the government's Uniform Tariff Policy to compensate its retail subsidiary, Ergon Energy, for a higher cost of operating in regional Queensland. This ensures Queenslanders, regardless of their geographic location, pay a similar price for their electricity. The CSO payment is forecast to increase to \$735 million by 2028–29, reflecting changes in regulated network revenue and retail pricing outcomes.

TSC payments are made to Queensland Rail to deliver rail passenger services in South East Queensland, and to support the delivery of non-commercial (subsidised) prices for travel and tourism markets. TSC payments are expected to increase to \$2.895 billion by 2028–29, reflecting a range of adjustments for growth, maintenance and safety of the rail network.

Seqwater and Sunwater own and operate water supply schemes, where irrigation prices for some schemes are set below supply cost levels. Over the next 2 years, the current irrigation discount will be delivered through a rebate to eligible customers, rather than a CSO.

Table 7.7 Community service obligation payments and transport service contracts¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est. Act. \$ million	2025–26 Projection \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Electricity networks	619	605	650	603	642	701	735
Rail	2,282	2,662	2,594	2,838	2,849	2,879	2,895
Water	25	28	29	18	11	0	0
Total PNFC sector	2,926	3,295	3,273	3,459	3,502	3,580	3,630
Note:							
1. Numbers may not add due to rounding.							

7.2.5 Equity movements

Corporations may apply different target capital structures to optimise value and support business operations. Equity movements account for changes in contributed equity and special dividends.

The government provides new equity to support publicly-owned businesses to invest in critical infrastructure projects across the state. Over the 4 years to 2028–29:

- electricity network and generation sector movements reflect investments in CopperString, local network batteries and committed investment in renewable and firming projects
- rail sector movements reflect Cross River Rail and other significant rail capital projects
- ports sector movements reflect investment in major port infrastructure projects, including Ports North's Cairns Marine Precinct Common User Facility
- water sector movements reflect government commitments to key projects including Sunwater's Paradise Dam Improvement Project, Seqwater's Toowoomba to Warwick Pipeline and Gladstone Area Water Board's Fitzroy to Gladstone Pipeline
- 'other' sector movements primarily relate to investment in the Borumba PHES project and the transfer of state-owned Olympic venues to Stadiums Queensland.

Equity injections are lower than in the 2024–25 Budget, primarily reflecting the decision not to progress the Pioneer Burdekin project and reprofiling of the Borumba PHES project to reflect updated delivery timeframes and the review of the project.

Table 7.8 Equity movements¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est. Act. \$ million	2025–26 Projection \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Electricity networks	410	795	431	409	500	500	400
Electricity generation	635	1,808	1,576	315	0	0	0
Rail	0	168	369	962	25	0	0
Ports	121	57	114	38	50	50	100
Water	779	363	327	59	314	0	0
Other ²	327	429	21	190	636	878	1,579
Total PNFC sector	2,272	3,618	2,838	1,972	1,524	1,428	2,079
Notes:							
1. Numbers may not add due to rounding.							
2. Includes other public corporations.							

8 Uniform Presentation Framework

8.1 Context

This chapter contains detailed financial statements for the Queensland Public Sector prepared under the Uniform Presentation Framework (UPF) first agreed to at the Premiers' conference in 1991.

The UPF has been reviewed a number of times, more significantly following the release in October 2007 of the Australian Accounting Standards Board's (AASB) accounting standard, AASB 1049 Whole of Government and General Government Sector Financial Reporting. The standard aims to harmonise Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) with the objective of improving the clarity and transparency of government financial statements. The UPF was reviewed more recently in February 2019 following the 2015 update to the Australian GFS framework.

In addition, this chapter provides:

- a time series for the General Government Sector using the revised UPF
- background information on the revised UPF and disclosure of differences arising from it, including the conceptual basis and sector definitions, along with a list of reporting entities.

8.2 Uniform Presentation Framework financial information

The tables on the following pages present operating statements, balance sheets and cash flow statements prepared on the harmonised basis for the General Government Sector (GGS), Public Non-financial Corporations (PNFC) Sector and Non-financial Public Sector.

Budgeted financial information for the Public Financial Corporations Sector is not required by the UPF.

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Table 8.1 General Government Sector Operating Statement¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est Actual \$ million	2025–26 Budget \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Revenue from Transactions							
Taxation revenue	22,659	24,799	25,015	26,907	28,723	30,442	32,154
Grants revenue	40,064	40,278	41,406	40,990	43,420	45,542	48,898
Sales of goods and services	7,143	7,333	7,846	8,057	8,017	7,566	7,690
Interest income	3,617	3,501	3,645	3,474	3,387	3,335	3,310
Dividend and income tax equivalent income	1,477	1,771	1,529	1,794	1,559	1,415	1,613
Other revenue	14,807	10,425	10,035	10,114	9,780	9,447	8,792
Total Revenue from Transactions	89,768	88,107	89,476	91,337	94,886	97,748	102,457
Less Expenses from Transactions							
Employee expenses	33,264	35,217	36,194	37,964	39,274	40,623	42,064
Superannuation expenses							
Superannuation interest cost	789	758	824	791	713	642	591
Other superannuation expenses	4,071	4,108	4,366	4,650	4,818	4,974	5,077
Other operating expenses	25,901	25,153	26,908	27,339	25,857	25,147	25,356
Depreciation and amortisation	5,441	5,716	5,932	6,447	6,965	7,495	8,027
Other interest expenses	2,020	2,655	2,500	3,501	4,710	5,928	7,090
Grants expenses	16,601	17,131	18,128	19,226	18,413	17,224	15,338
Total Expenses from Transactions	88,087	90,738	94,852	99,918	100,751	102,033	103,543
Equals Net Operating Balance	1,681	(2,631)	(5,376)	(8,581)	(5,864)	(4,285)	(1,086)
Plus Other economic flows - included in operating result	4,038	85	1,454	(589)	(473)	(297)	(133)
Equals Operating Result	5,719	(2,547)	(3,922)	(9,170)	(6,337)	(4,582)	(1,219)
Plus Other economic flows - other movements in equity	21,456	3,235	3,160	3,728	3,858	4,765	5,381
Equals Comprehensive Result - Total Change In Net Worth	27,174	689	(762)	(5,441)	(2,479)	183	4,162
KEY FISCAL AGGREGATES							
Net Operating Balance	1,681	(2,631)	(5,376)	(8,581)	(5,864)	(4,285)	(1,086)
Less Net Acquisition of Non-financial Assets							
Purchases of non-financial assets	10,507	12,831	13,370	14,639	18,554	19,124	18,655
Less Sales of non-financial assets	147	74	103	170	167	168	168
Less Depreciation	5,441	5,716	5,932	6,447	6,965	7,495	8,027
Plus Change in inventories	(3)	38	(3)	164	—	16	(18)
Plus Other movements in non-financial assets	766	1,079	1,086	866	186	186	191
Equals Total Net Acquisition of Non-financial Assets	5,682	8,159	8,418	9,052	11,608	11,662	10,534
Equals Fiscal Balance	(4,001)	(10,790)	(13,794)	(17,632)	(17,472)	(15,948)	(11,720)
Note:							
1. Numbers may not add due to rounding.							

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Table 8.2 Public Non-financial Corporations Sector Operating Statement¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est/Actual \$ million	2025–26 Budget \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Revenue from Transactions							
Grants revenue	1,251	850	918	817	788	831	862
Sales of goods and services	15,215	15,377	16,088	17,013	17,604	18,544	19,242
Interest income	219	149	269	176	155	177	184
Other revenue	675	588	692	359	353	318	338
Total Revenue from Transactions	17,360	16,963	17,977	18,364	18,901	19,869	20,626
Less Expenses from Transactions							
Employee expenses	3,075	3,241	3,434	3,525	3,658	3,723	3,800
Superannuation expenses							
Superannuation interest cost	(16)	—	—	—	—	—	—
Other superannuation expenses	375	413	474	511	530	547	566
Other operating expenses	7,027	6,628	7,950	7,353	7,369	7,790	7,898
Depreciation and amortisation	2,873	3,395	3,054	3,330	3,615	3,965	4,190
Other interest expenses	1,832	2,135	2,072	2,359	2,605	2,857	3,029
Grants expenses	22	28	29	24	24	24	24
Other property expenses	354	507	441	517	382	329	333
Total Expenses from Transactions	15,543	16,347	17,453	17,618	18,182	19,234	19,841
Equals Net Operating Balance	1,817	616	523	746	719	634	785
<i>Plus</i> Other economic flows - included in operating result	(833)	(299)	(507)	(188)	(348)	(162)	(130)
Equals Operating Result	983	316	16	558	371	472	655
<i>Plus</i> Other economic flows - other movements in equity	1,539	3,398	2,908	1,855	1,385	1,421	1,967
Equals Comprehensive Result - Total Change in Net Worth	2,523	3,714	2,922	2,413	1,756	1,893	2,622
KEY FISCAL AGGREGATES							
Net Operating Balance	1,817	616	523	746	719	634	785
Less Net Acquisition of Non-financial Assets							
Purchases of non-financial assets	6,402	9,410	8,206	9,207	8,241	7,103	6,671
<i>Less</i> Sales of non-financial assets	27	14	13	26	731	9	—
<i>Less</i> Depreciation	2,873	3,395	3,054	3,330	3,615	3,965	4,190
<i>Plus</i> Change in inventories	91	1	50	124	105	5	26
<i>Plus</i> Other movements in non-financial assets	712	102	99	89	768	86	143
Equals Total Net Acquisition of Non-financial Assets	4,304	6,103	5,288	6,064	4,768	3,219	2,650
Equals Fiscal Balance	(2,487)	(5,487)	(4,764)	(5,318)	(4,049)	(2,585)	(1,865)
Note: 1. Numbers may not add due to rounding.							

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Table 8.3 Non-financial Public Sector Operating Statement¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est Actual \$ million	2025–26 Budget \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Revenue from Transactions							
Taxation revenue	22,198	24,345	24,559	26,453	28,267	29,975	31,678
Grants revenue	40,165	40,350	41,462	41,059	43,486	45,610	48,963
Sales of goods and services	18,802	19,010	20,215	20,869	21,881	22,657	23,640
Interest income	3,758	3,579	3,820	3,584	3,498	3,476	3,459
Dividend and income tax equivalent income	147	219	195	199	210	211	236
Other revenue	15,188	11,012	10,726	10,473	10,134	9,765	9,130
Total Revenue from Transactions	100,268	98,617	100,978	102,638	107,256	111,693	117,106
Less Expenses from Transactions							
Employee expenses	36,138	38,247	39,401	41,247	42,683	44,089	45,601
Superannuation expenses							
Superannuation interest cost	773	758	824	791	713	642	591
Other superannuation expenses	4,446	4,521	4,840	5,161	5,348	5,520	5,643
Other operating expenses	29,348	28,066	31,114	30,477	29,252	29,468	29,947
Depreciation and amortisation	8,314	9,111	8,986	9,777	10,580	11,460	12,217
Other interest expenses	3,541	4,496	4,267	5,601	7,083	8,559	9,891
Grants expenses	15,201	16,380	17,295	18,501	17,715	16,485	14,565
Total Expenses from Transactions	97,761	101,681	106,728	111,555	113,373	116,223	118,455
Equals Net Operating Balance	2,497	(3,064)	(5,750)	(8,917)	(6,116)	(4,530)	(1,349)
<i>Plus</i> Other economic flows - included in operating result	3,135	(215)	946	(777)	(821)	(459)	(262)
Equals Operating Result	5,631	(3,279)	(4,803)	(9,694)	(6,938)	(4,989)	(1,611)
<i>Plus</i> Other economic flows - other movements in equity	21,543	3,967	4,041	4,253	4,458	5,172	5,773
Equals Comprehensive Result - Total Change in Net Worth	27,174	689	(762)	(5,441)	(2,479)	183	4,162
KEY FISCAL AGGREGATES							
Net Operating Balance	2,497	(3,064)	(5,750)	(8,917)	(6,116)	(4,530)	(1,349)
Less Net Acquisition of Non-financial Assets							
Purchases of non-financial assets	16,887	22,241	21,583	23,837	26,749	26,221	25,326
<i>Less</i> Sales of non-financial assets	174	88	116	196	899	177	168
<i>Less</i> Depreciation	8,314	9,111	8,986	9,777	10,580	11,460	12,217
<i>Plus</i> Change in inventories	87	39	47	288	105	21	8
<i>Plus</i> Other movements in non-financial assets	1,478	1,181	1,184	955	954	271	334
Equals Total Net Acquisition of Non-financial Assets	9,964	14,261	13,712	15,107	16,329	14,876	13,283
Equals Fiscal Balance	(7,467)	(17,326)	(19,462)	(24,024)	(22,445)	(19,406)	(14,632)
Note: 1. Numbers may not add due to rounding.							

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Table 8.4 General Government Sector Balance Sheet¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est. Actual \$ million	2025–26 Budget \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Assets							
Financial Assets							
Cash and deposits	2,386	1,289	1,468	1,426	1,327	1,461	1,481
Advances paid	1,137	1,331	1,122	1,298	1,406	1,439	1,398
Investments, loans and placements	52,727	48,753	52,693	52,222	50,938	50,344	49,826
Receivables	4,980	5,289	4,733	4,896	4,785	4,742	5,233
Equity							
Investments in other public sector entities	27,786	34,548	30,727	33,140	34,896	36,789	39,411
Investments - other	205	175	203	202	202	202	202
Total Financial Assets	89,221	91,386	90,946	93,185	93,563	94,977	97,551
Non-financial Assets							
Land and other fixed assets	349,040	344,437	359,605	371,561	386,526	401,923	416,040
Other non-financial assets	7,070	10,752	7,737	8,032	8,430	8,898	9,422
Total Non-financial Assets	356,110	355,190	367,342	379,593	394,956	410,821	425,462
Total Assets	445,331	446,575	458,288	472,778	488,510	505,798	523,013
Liabilities							
Payables	7,010	5,596	6,232	6,362	6,435	6,581	6,758
Superannuation liability	20,118	19,478	19,006	18,806	18,326	17,409	16,198
Other employee benefits	10,277	10,680	10,644	11,356	11,514	12,336	12,980
Advances received	3,161	1,662	2,532	1,269	975	788	746
Borrowing ²	58,773	77,118	74,843	95,480	114,301	131,696	145,176
Other liabilities	14,845	16,467	14,646	14,561	14,496	14,341	14,345
Total Liabilities	114,184	131,002	127,903	147,835	166,045	183,151	196,204
Net Worth	331,147	315,573	330,385	324,943	322,464	322,647	326,810
Net Financial Worth	(24,963)	(39,617)	(36,957)	(54,649)	(72,492)	(88,174)	(98,653)
Net Financial Liabilities	52,749	74,164	67,684	87,790	107,388	124,963	138,063
Net Debt	5,684	27,407	22,092	41,803	61,605	79,239	93,217
Notes:							
1. Numbers may not add due to rounding.							
2. Borrowing line comprised of:							
Borrowing with QTC	50,950	68,902	66,766	88,128	107,149	124,871	138,524
Leases and other similar arrangements	7,759	8,177	8,013	7,288	7,087	6,761	6,588
Securities and derivatives	64	39	64	64	64	64	64
	58,773	77,118	74,843	95,480	114,301	131,696	145,176

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Table 8.5 Public Non-financial Corporations Sector Balance Sheet¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est. Actual \$ million	2025–26 Budget \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Assets							
Financial Assets							
Cash and deposits	1,802	1,411	1,683	1,129	1,078	1,247	1,310
Advances paid	2,946	1,515	2,347	1,117	862	717	713
Investments, loans and placements	3,239	2,089	2,066	1,615	1,450	1,395	1,377
Receivables	3,034	2,926	2,772	2,989	3,160	3,184	3,245
Equity							
Investments - other	..	..	26	26	26	26	26
Total Financial Assets	11,021	7,941	8,894	6,876	6,576	6,568	6,670
Non-financial Assets							
Land and other fixed assets	72,030	82,078	78,061	85,906	92,046	96,820	101,913
Other non-financial assets	1,993	4,071	2,061	2,010	2,015	2,027	2,013
Total Non-financial Assets	74,023	86,148	80,123	87,916	94,061	98,847	103,927
Total Assets	85,044	94,090	89,016	94,792	100,636	105,415	110,597
Liabilities							
Payables	3,808	2,949	2,660	2,538	2,416	2,401	2,660
Superannuation liability	(250)	(354)	(262)	(263)	(262)	(263)	(263)
Other employee benefits	1,336	1,204	1,394	1,432	1,466	1,492	1,515
Deposits held	11	14	11	11	11	11	10
Advances received	3	3	3	2	1	..	..
Borrowing ²	47,631	47,596	49,282	52,367	56,190	58,671	60,491
Other liabilities	8,573	11,776	9,075	9,438	9,792	10,168	10,646
Total Liabilities	61,112	63,187	62,163	65,525	69,614	72,499	75,069
Net Worth	23,932	30,903	26,854	29,267	31,023	32,916	35,537
Net Financial Worth	(50,091)	(55,245)	(53,269)	(58,649)	(63,038)	(65,931)	(68,389)
Net Debt	39,659	42,597	43,200	48,519	52,812	55,323	57,101
Notes:							
1. Numbers may not add due to rounding.							
2. Borrowing line comprised of:							
Borrowing with QTC	44,669	46,358	47,604	51,338	54,736	57,324	59,167
Leases and other similar arrangements	745	589	698	633	1,236	1,158	1,133
Securities and derivatives	2,217	649	979	396	218	189	190
	47,631	47,596	49,282	52,367	56,190	58,671	60,491

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Table 8.6 Non-financial Public Sector Balance Sheet¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est Actual \$ million	2025–26 Budget \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Assets							
Financial Assets							
Cash and deposits	4,188	2,700	3,151	2,555	2,404	2,708	2,791
Advances paid	1,137	1,330	1,120	1,298	1,407	1,441	1,402
Investments, loans and placements	55,966	50,842	54,759	53,836	52,388	51,740	51,203
Receivables	6,630	6,629	6,488	6,755	6,973	6,978	7,288
Equity							
Investments in other public sector entities	3,855	3,645	3,874	3,874	3,874	3,874	3,874
Investments - other	204	174	229	228	228	228	228
Total Financial Assets	71,979	65,320	69,620	68,546	67,274	66,969	66,785
Non-financial Assets							
Land and other fixed assets	421,069	426,514	437,686	457,466	478,571	498,742	517,953
Other non-financial assets	1,500	1,448	1,670	1,835	1,833	1,831	1,835
Total Non-financial Assets	422,569	427,962	439,336	459,301	480,404	500,573	519,788
Total Assets	494,547	493,282	508,956	527,847	547,678	567,542	586,573
Liabilities							
Payables	9,490	7,016	7,934	7,830	7,941	8,098	8,293
Superannuation liability	19,868	19,123	18,744	18,543	18,063	17,146	15,935
Other employee benefits	11,613	11,885	12,039	12,788	12,980	13,828	14,495
Deposits held	11	14	11	11	11	11	11
Advances received	218	148	186	153	114	74	36
Borrowing ²	106,397	124,707	124,118	147,840	170,484	190,360	205,660
Other liabilities	15,803	14,815	15,540	15,738	15,620	15,378	15,334
Total Liabilities	163,399	177,710	178,571	202,904	225,214	244,895	259,764
Net Worth	331,148	315,573	330,385	324,943	322,464	322,647	326,810
Net Financial Worth	(91,421)	(112,389)	(108,951)	(134,357)	(157,940)	(177,926)	(192,978)
Net Financial Liabilities	95,276	116,035	112,825	138,231	161,814	181,800	196,852
Net Debt	45,336	69,998	65,285	90,315	114,411	134,556	150,312
Notes:							
1. Numbers may not add due to rounding.							
2. Borrowing line comprised of:							
Borrowing with QTC	95,619	115,260	114,371	139,466	161,885	182,195	197,692
Leases and other similar arrangements	8,504	8,766	8,711	7,921	8,324	7,919	7,721
Securities and derivatives	2,274	681	1,036	453	275	246	247
	106,397	124,707	124,118	147,840	170,484	190,360	205,660

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Table 8.7 General Government Sector Cash Flow Statement¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est/Actual \$ million	2025–26 Budget \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Cash Receipts from Operating Activities							
Taxes received	22,842	24,798	25,015	26,915	28,721	30,440	32,153
Grants and subsidies received	40,307	40,290	41,361	40,987	43,406	45,537	48,900
Sales of goods and services	7,272	7,520	8,368	8,543	8,464	8,091	7,999
Interest receipts	3,613	3,499	3,646	3,472	3,385	3,333	3,309
Dividends and income tax equivalents	799	1,584	1,514	1,690	1,640	1,420	1,340
Other receipts	17,006	12,842	12,323	12,700	12,579	12,103	11,322
Total Operating Receipts	91,837	90,532	92,217	94,308	98,195	100,925	105,022
Cash Payments for Operating Activities							
Payments for employees	(39,013)	(40,342)	(41,820)	(43,521)	(45,568)	(46,340)	(48,001)
Payments for goods and services	(28,501)	(29,002)	(30,443)	(31,370)	(29,547)	(28,784)	(28,643)
Grants and subsidies	(15,662)	(17,005)	(18,828)	(19,165)	(18,369)	(17,181)	(15,295)
Interest paid	(1,928)	(2,501)	(2,357)	(3,359)	(4,610)	(5,859)	(7,024)
Total Operating Payments	(85,104)	(88,850)	(93,448)	(97,415)	(98,093)	(98,164)	(98,963)
Net Cash Inflows from Operating Activities	6,734	1,682	(1,232)	(3,107)	102	2,761	6,058
Cash Flows from Investments in Non-Financial Assets							
Purchases of non-financial assets	(10,507)	(12,831)	(13,370)	(14,639)	(18,554)	(19,124)	(18,655)
Sales of non-financial assets	147	74	103	170	167	168	168
Net Cash Flows from Investments in Non-Financial Assets	(10,360)	(12,757)	(13,267)	(14,469)	(18,387)	(18,956)	(18,488)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	(2,159)	(2,984)	(1,933)	(1,346)	(1,105)	(835)	(799)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	2,581	1,394	4,677	498	1,314	604	532
Receipts from Financing Activities							
Advances received (net)	1,252	(1,088)	(628)	(1,261)	(293)	(184)	(41)
Borrowing (net)	1,974	13,935	11,467	19,643	18,270	16,745	12,758
Net Cash Flows from Financing Activities	3,227	12,847	10,839	18,383	17,977	16,561	12,717
Net Increase/(Decrease) in Cash held	23	181	(916)	(42)	(99)	135	20
Net cash from operating activities	6,734	1,682	(1,232)	(3,107)	102	2,761	6,058
Net cash flows from investments in non-financial assets	(10,360)	(12,757)	(13,267)	(14,469)	(18,387)	(18,956)	(18,488)
Surplus/(Deficit)	(3,626)	(11,076)	(14,499)	(17,576)	(18,285)	(16,195)	(12,429)
Derivation of ABS GFS Cash Surplus/Deficit							
Cash surplus/(deficit)	(3,626)	(11,076)	(14,499)	(17,576)	(18,285)	(16,195)	(12,429)
Acquisitions under finance leases and similar arrangements	(826)	(692)	(699)	(407)	(5)	(5)	(10)
ABS GFS Cash Surplus/(Deficit) Including Finance Leases and Similar Arrangements	(4,452)	(11,768)	(15,197)	(17,983)	(18,291)	(16,200)	(12,439)
Note:							
1. Numbers may not add due to rounding.							

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Table 8.8 Public Non-financial Corporations Sector Cash Flow Statement¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est. Actual \$ million	2025–26 Budget \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Cash Receipts from Operating Activities							
Grants and subsidies received	1,298	836	904	809	772	813	847
Sales of goods and services	16,701	16,860	17,979	18,570	19,087	20,181	20,967
Interest receipts	219	152	236	114	84	104	114
Other receipts	501	576	617	368	423	332	298
Total Operating Receipts	18,719	18,425	19,736	19,861	20,366	21,430	22,226
Cash Payments for Operating Activities							
Payments for employees	(3,134)	(3,558)	(3,869)	(4,000)	(4,153)	(4,245)	(4,343)
Payments for goods and services	(7,631)	(8,516)	(10,345)	(9,264)	(9,024)	(8,940)	(9,169)
Grants and subsidies	(22)	(28)	(29)	(24)	(24)	(24)	(24)
Interest paid	(1,836)	(2,111)	(2,042)	(2,338)	(2,574)	(2,868)	(3,036)
Other payments	(822)	(633)	(639)	(862)	(598)	(527)	(572)
Total Operating Payments	(13,445)	(14,846)	(16,924)	(16,488)	(16,374)	(16,603)	(17,143)
Net Cash Inflows from Operating Activities	5,273	3,579	2,812	3,373	3,992	4,827	5,083
Cash Flows from Investments in Non-Financial Assets							
Purchases of non-financial assets	(6,402)	(9,410)	(8,206)	(9,207)	(8,241)	(7,103)	(6,671)
Sales of non-financial assets	27	14	13	26	731	9	..
Net Cash Flows from Investments in Non-financial Assets	(6,375)	(9,395)	(8,193)	(9,181)	(7,510)	(7,094)	(6,671)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	(1,339)	1,047	600	1,230	255	146	3
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	(281)	9	(21)	(17)	(20)	(22)	(22)
Receipts from Financing Activities							
Advances received (net)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Borrowing (net)	1,953	2,108	3,185	3,776	3,322	2,469	1,720
Dividends paid	(490)	(1,021)	(968)	(900)	(1,086)	(961)	(883)
Deposits received (net)	(3)	..	..	..	..	..	..
Other financing (net)	2,050	3,417	2,468	1,167	996	805	833
Net Cash Flows from Financing Activities	3,509	4,504	4,685	4,041	3,231	2,312	1,669
Net Increase/(Decrease) in Cash held	788	(256)	(119)	(554)	(51)	169	63
Net cash from operating activities	5,273	3,579	2,812	3,373	3,992	4,827	5,083
Net cash flows from investments in non-financial assets	(6,375)	(9,395)	(8,193)	(9,181)	(7,510)	(7,094)	(6,671)
Dividends paid	(490)	(1,021)	(968)	(900)	(1,086)	(961)	(883)
Surplus/(Deficit)	(1,592)	(6,837)	(6,350)	(6,708)	(4,604)	(3,228)	(2,471)
Derivation of ABS GFS Cash Surplus/Deficit							
Cash surplus/(deficit)	(1,592)	(6,837)	(6,350)	(6,708)	(4,604)	(3,228)	(2,471)
Acquisitions under finance leases and similar arrangements	(360)	(25)	(23)	(11)	(689)	(7)	(64)
ABS GFS Cash Surplus/(Deficit) Including Finance Leases and Similar Arrangements	(1,952)	(6,862)	(6,372)	(6,719)	(5,292)	(3,235)	(2,535)
Note:							
1. Numbers may not add due to rounding.							

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Table 8.9 Non-financial Public Sector Cash Flow Statement¹

	2023–24 Outcome \$ million	2024–25 Budget \$ million	2024–25 Est. Actual \$ million	2025–26 Budget \$ million	2026–27 Projection \$ million	2027–28 Projection \$ million	2028–29 Projection \$ million
Cash Receipts from Operating Activities							
Taxes received	22,381	24,344	24,559	26,462	28,265	29,974	31,677
Grants and subsidies received	40,407	40,351	41,404	41,047	43,456	45,587	48,950
Sales of goods and services	20,383	20,269	22,415	22,719	23,397	24,626	25,480
Interest receipts	3,756	3,577	3,791	3,520	3,425	3,401	3,388
Dividends and income tax equivalents	120	186	183	206	205	215	215
Other receipts	17,498	13,418	12,947	13,059	12,944	12,424	11,620
Total Operating Receipts	104,545	102,145	105,299	107,013	111,692	116,227	121,330
Cash Payments for Operating Activities							
Payments for employees	(41,946)	(43,688)	(45,462)	(47,279)	(49,472)	(50,327)	(52,081)
Payments for goods and services	(32,546)	(33,396)	(36,855)	(36,226)	(34,392)	(34,059)	(34,313)
Grants and subsidies	(14,491)	(16,256)	(17,995)	(18,440)	(17,671)	(16,442)	(14,522)
Interest paid	(3,456)	(4,315)	(4,097)	(5,438)	(6,952)	(8,501)	(9,832)
Other payments	(610)	(251)	(270)	(273)	(244)	(277)	(324)
Total Operating Payments	(93,049)	(97,906)	(104,680)	(107,656)	(108,731)	(109,607)	(111,072)
Net Cash Inflows from Operating Activities	11,497	4,240	619	(643)	2,961	6,620	10,258
Cash Flows from Investments in Non-Financial Assets							
Purchases of non-financial assets	(16,887)	(22,241)	(21,583)	(23,837)	(26,749)	(26,221)	(25,326)
Sales of non-financial assets	174	88	116	196	899	177	168
Net Cash Flows from Investments in Non-financial Assets	(16,712)	(22,152)	(21,467)	(23,641)	(25,850)	(26,044)	(25,159)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	110	433	537	(181)	(110)	(32)	33
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	2,300	1,404	4,655	482	1,294	583	510
Receipts from Financing Activities							
Advances received (net)	(17)	(41)	(31)	(31)	(38)	(38)	(37)
Borrowing (net)	3,927	16,043	14,653	23,419	21,592	19,214	14,477
Deposits received (net)	(3)	—	—	—	—	—	—
Other financing (net)	(291)	—	—	—	—	—	—
Net Cash Flows from Financing Activities	3,616	16,002	14,622	23,389	21,554	19,177	14,441
Net Increase/(Decrease) in Cash held	810	(75)	(1,035)	(595)	(151)	304	82
Net cash from operating activities	11,497	4,240	619	(643)	2,961	6,620	10,258
Net cash flows from investments in non-financial assets	(16,712)	(22,152)	(21,467)	(23,641)	(25,850)	(26,044)	(25,159)
Surplus/(Deficit)	(5,216)	(17,913)	(20,848)	(24,284)	(22,889)	(19,423)	(14,901)
Derivation of ABS GFS Cash Surplus/Deficit							
Cash surplus/(deficit)	(5,216)	(17,913)	(20,848)	(24,284)	(22,889)	(19,423)	(14,901)
Acquisitions under finance leases and similar arrangements	(1,186)	(717)	(721)	(417)	(694)	(11)	(74)
ABS GFS Cash Surplus/(Deficit) Including Finance Leases and Similar Arrangements	(6,402)	(18,630)	(21,569)	(24,701)	(23,583)	(19,435)	(14,974)
Note: 1. Numbers may not add due to rounding.							

8.3 General Government Sector time series

Table 8.10 General Government Sector Time Series¹

	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Revenue from Transactions												
Taxation revenue	10,937	11,840	12,598	12,547	12,919	13,244	14,165	14,585	16,249	20,011	20,601	22,659
Grant revenue	18,322	21,740	23,583	23,740	27,384	27,966	28,307	27,645	33,013	34,135	38,335	40,064
Sales of goods and services	5,087	5,039	5,443	5,712	5,642	5,864	5,783	5,618	6,105	5,896	6,483	7,143
Interest income	2,644	2,460	2,470	2,543	2,351	2,389	2,191	2,088	1,948	2,643	3,225	3,817
Dividend and income tax equivalent income	1,351	1,975	2,554	2,661	2,675	2,920	2,784	1,926	1,329	790	1,007	1,477
Other revenue	3,415	3,650	3,322	3,577	5,223	5,685	6,598	5,915	4,147	10,710	20,159	14,807
Total Revenue	41,755	46,705	49,970	50,780	56,194	58,087	59,828	57,778	62,791	74,185	89,809	89,768
Expenses from Transactions												
Employee expenses	16,130	17,816	18,592	20,045	21,252	22,681	24,019	25,662	26,385	28,068	30,550	33,264
Superannuation expenses	923	963	876	767	514	667	653	354	248	377	776	789
Other superannuation interest costs	2,420	2,277	2,319	2,507	2,651	2,741	3,012	3,183	3,073	3,387	3,756	4,071
Other operating expenses	12,817	13,108	14,539	14,811	15,576	17,259	18,480	17,085	16,500	18,229	20,013	25,901
Depreciation and amortisation	2,902	3,060	3,137	2,921	3,058	3,326	3,451	4,033	4,170	4,506	5,018	5,441
Other interest expenses	1,940	2,200	2,328	2,220	1,722	1,614	1,581	1,466	1,519	1,508	1,688	2,020
Grant expenses	7,182	6,792	7,758	6,841	6,566	6,048	9,647	11,702	11,713	13,827	14,072	16,601
Total Expenses	46,312	46,217	49,551	50,112	53,369	56,337	58,843	63,505	63,706	69,902	75,880	88,087
Net Operating Balance	(4,558)	488	420	668	2,825	1,750	965	(5,728)	(915)	4,284	13,928	1,681
OTHER KEY AGGREGATES												
Purchases of non-financial assets	7,001	6,323	4,635	4,044	4,620	5,126	5,764	6,306	6,682	7,876	9,589	10,507
Net acquisition of non-financial assets	3,389	3,087	992	1,164	2,255	2,337	3,192	3,436	3,942	4,356	5,638	5,682
Fiscal Balance	(7,947)	(2,599)	(672)	(497)	550	(587)	(2,207)	(9,164)	(4,857)	(72)	8,090	(4,001)
Cash Surplus/(Deficit)	(8,595)	(3,213)	(105)	866	1,448	337	302	(6,228)	(6,421)	2,816	10,167	(3,626)
Net Worth	172,953	186,492	171,933	188,099	194,988	195,038	200,861	195,646	209,464	249,590	303,954	331,147
Net Debt	2,399	5,208	5,749	653	(355)	(509)	(198)	14,036	11,344	10,997	2,608	5,684
Borrowing with QTC ²	36,503	39,864	41,343	34,200	31,358	29,256	29,468	37,570	46,153	49,000	46,166	50,950
Leases and similar arrangements	734	882	1,126	1,370	1,503	2,142	2,612	6,485	7,703	7,671	7,519	7,759
Borrowing with QTC (NFPs)	67,116	70,668	73,256	71,160	69,107	66,964	67,576	76,464	85,901	90,851	89,442	95,619
Leases and similar arrangements (NFPs)	1,559	1,752	1,802	1,316	1,832	2,142	2,612	6,977	8,157	8,028	7,887	8,504

Notes:

1. Numbers may not add due to rounding.

2. Borrowing in 2013–14 includes bank overdraft of \$1.434 billion.

Source: Report on State Finances for Queensland 2012–13 to 2023–24. Numbers have been recast for changes to UPF presentation.

8.4 Other General Government Sector Uniform Presentation Framework data

8.4.1 Grants

Table 8.11 General Government Sector grant revenue¹

	2024–2025 Est. Act. \$ million	2025–2026 Budget \$ million
Current grant revenue		
Current grants from the Commonwealth		
General purpose grants	18,917	16,625
General purpose grants for on-passing	6	6
Specific purpose grants	13,530	13,312
Specific purpose grants for on-passing	4,698	5,409
Total current grants from the Commonwealth	37,150	35,353
Other contributions and grants	376	388
Total current grant revenue	37,526	35,741
Capital grant revenue		
Capital grants from the Commonwealth		
Specific purpose grants	3,836	5,242
Total capital grants from the Commonwealth	3,836	5,242
Other contributions and grants	44	8
Total capital grant revenue	3,880	5,250
Total grant revenue	41,406	40,990
Note:		
1. Numbers may not add due to rounding.		

Table 8.12 General Government Sector grant expenses¹

	2024–2025	2025–2026
	Est. Act	Budget
	\$ million	\$ million
Current grant expense		
Private and Not-for-profit sector	4,440	4,507
Private and Not-for-profit sector on-passing	4,658	4,822
Local Government	292	391
Local Government on-passing	105	679
Grants to other sectors of Government	3,188	3,206
Other	440	526
Total current grant expense	13,124	14,131
Capital grant expense		
Private and Not-for-profit sector	1,499	1,641
Local Government	3,252	3,196
Grants to other sectors of Government	82	31
Other	171	226
Total capital grant expense	5,004	5,094
Total grant expense	18,128	19,226
Note:		
1. Numbers may not add due to rounding.		

8.4.2 Dividend and income tax equivalent income

Table 8.13 General Government Sector dividend and income tax equivalent income¹

	2024–2025	2025–2026
	Est. Act.	Budget
	\$ million	\$ million
Dividend and Income Tax Equivalent income from PNFC sector	1,334	1,595
Dividend and Income Tax Equivalent income from PFC sector	195	199
Total Dividend and Income Tax Equivalent income	1,529	1,794
Note:		
1. Numbers may not add due to rounding.		

8.4.3 Expenses by function

Table 8.14 General Government Sector expenses by function¹

	2024–2025 Budget \$ million	2024–2025 Est. Act. \$ million	2025–2026 Budget \$ million	2026–2027 Projection \$ million	2027–2028 Projection \$ million	2028–2029 Projection \$ million
General public services	8,690	8,636	10,802	11,323	11,873	12,596
Public order and safety	8,426	8,543	9,381	9,046	9,111	9,232
Economic affairs	3,098	3,940	3,536	3,057	2,835	2,583
Environmental protection	1,137	1,019	1,258	1,179	1,276	1,042
Housing and community amenities	1,916	1,926	1,851	1,575	1,618	1,258
Health	26,739	28,613	29,140	29,733	30,459	31,571
Recreation, culture and religion	1,335	1,443	1,763	1,896	2,070	1,713
Education	21,275	21,370	22,256	23,106	24,195	25,132
Social protection	7,808	8,831	8,749	8,575	8,514	8,721
Transport	10,313	10,531	11,182	11,262	10,080	9,696
Total Expenses	90,738	94,852	99,918	100,751	102,033	103,543
Note:						
1. Numbers may not add due to rounding.						

8.4.4 Purchases of non-financial assets by function

Table 8.15 General Government Sector purchases of non-financial assets by function¹

	2024–2025 Budget \$ million	2024–2025 Est. Act. \$ million	2025–2026 Budget \$ million	2026–2027 Projection \$ million	2027–2028 Projection \$ million	2028–2029 Projection \$ million
General public services	403	342	481	261	89	60
Public order and safety	1,288	1,218	1,327	1,929	1,027	845
Economic affairs	130	64	67	41	41	34
Environmental protection	101	129	112	41	27	25
Housing and community amenities	430	597	653	769	929	1,254
Health	2,381	2,729	3,513	4,340	3,614	3,122
Recreation, culture and religion	227	123	424	787	1,028	1,286
Education	1,341	1,365	1,181	1,655	1,634	1,175
Social protection	111	93	119	102	96	76
Transport	6,420	6,710	6,762	8,628	10,637	10,779
Total Purchases	12,831	13,370	14,639	18,554	19,124	18,655
Note:						
1. Numbers may not add due to rounding.						

8.4.5 Taxes

Table 8.16 General Government Sector taxes¹

	2024–2025 Est. Act. \$ million	2025–2026 Budget \$ million
Taxes on employers' payroll and labour force	7,364	7,898
Taxes on property		
Land taxes	2,465	2,807
Stamp duties on financial and capital transactions	6,866	7,175
Other	1,492	1,522
Taxes on the provision of goods and services		
Taxes on gambling	2,179	2,278
Taxes on insurance	1,696	1,817
Taxes on use of goods and performance of activities		
Motor vehicle taxes	2,954	3,411
Total Taxation Revenue	25,015	26,907
Note:		
1. Numbers may not add due to rounding.		

8.5 Background and interpretation of Uniform Presentation Framework

As mentioned in the introduction to this chapter, the UPF was reviewed in 2007 following release of the accounting standard, AASB 1049 *Whole of Government and General Government Sector Financial Reporting* which aims to harmonise GFS and GAAP with the objective of improving the clarity and transparency of government financial statements.

8.5.1 Accrual Government Finance Statistics Framework

The GFS reporting framework, developed by the Australian Bureau of Statistics (ABS), is based on international statistics standards (the International Monetary Fund Manual on Government Finance Statistics and the United Nations System of National Accounts). This allows comprehensive assessments to be made of the economic impact of government.

The accrual GFS framework is based on an integrated recording of stocks and flows. Stocks refers to a unit's holding of assets and liabilities at a point in time, while flows represent the movement in the stock of assets and liabilities between 2 points in time. Flows comprise 2 separate types – transactions and other economic flows. Transactions come about from mutually

agreed interactions between units or within a single unit. Other economic flows would include revaluations and destruction or discovery of assets that do not result from a transaction.

In GFS operating statements, other economic flows, being outside the control of government, are excluded and do not affect the net operating balance or fiscal balance.

8.5.2 Harmonisation under AASB 1049

In addition to the GFS framework, public sector entities were previously required to report at year end against AAS 31 *Financial Reporting by Government*, which meant complying with the Accounting Standards issued by the AASB.

This dual reporting regime caused confusion for financial report users and the Financial Reporting Council asked the AASB to develop a framework harmonising GAAP and GFS and to issue an Australian accounting standard for a single set of government reports.

In the development of AASB 1049, the AASB adopted the following approaches:

- adoption of GAAP definition, recognition and measurement principles in almost all cases
- amended presentation requirements to encompass a comprehensive result that retains GAAP classification system but overlays it with a transaction and other economic flows classification system based on GFS
- expanding the disclosure requirements to incorporate key fiscal aggregates required by GFS.

8.5.3 Revisions to the Uniform Presentation Framework

Following the introduction of AASB 1049, the Australian, state and territory governments consider that the UPF will continue to be an important framework for ensuring comparability of financial information across jurisdictions. The UPF continues to apply to financial statements produced by government in budget, mid-year budget updates and final budget outcome reports, whereas the accounting standard applies only to outcome reports.

Aligning the framework with the AASB 1049 was not intended to create a UPF that complies with all the reporting requirements of AASB 1049. For example, the UPF does not include the same level of detail in relation to disclosure requirements of AASB 1049. Instead, the revised UPF allows jurisdictions to utilise the framework as the base set of statements and add additional relevant information to comply with AASB 1049.

8.6 Sector classification

GFS data is presented in Budget Paper 2 by institutional sector, distinguishing between the General Government Sector and the PNFC Sector.

Budget reporting focuses on the GGS, which provides regulatory services, and goods and services of a non-market nature that are provided at less than cost or at no cost. These services are largely financed by general revenue (Australian Government grants and state taxation). This

service comprises government departments, their commercialised business units/shared service providers and certain statutory bodies.

The PNFC Sector comprises bodies that provide mainly market goods and services that are of non-regulatory and non-financial nature. PNFCs are financed through sales to customers of their goods and services and may be supplemented by explicit government subsidy to satisfy community service obligations. Examples of PNFCs include the energy entities and Queensland Rail.

Together, the GGS and the PNFC Sector comprise the Non-financial Public Sector.

Further discussions of the GFS framework of reporting, including definitions of GFS terms, can be obtained from the website page of the ABS at <http://www.abs.gov.au>.

8.7 Reporting entities

The reporting entities included in the General Government and the PNFC sectors in these budget papers are included below:

8.7.1 General Government

Departments

Customer Services, Open Data and Small and Family Business

Education

Environment, Tourism, Science and Innovation (renamed from Environment, Science and Innovation)

Families, Seniors, Disability Services and Child Safety (renamed from Child Safety, Seniors and Disability Services)

Housing and Public Works (renamed from Housing, Local Government, Planning and Public Works)

Justice (renamed from Justice and Attorney-General)

Local Government, Water and Volunteers (renamed from Regional Development, Manufacturing and Water)

Natural Resources and Mines, Manufacturing and Regional and Rural Development (renamed from Resources)

Premier and Cabinet

Primary Industries (renamed from Agriculture and Fisheries)

Queensland Corrective Services

Queensland Fire Department (renamed from Queensland Fire and Emergency Services)

Queensland Health

Queensland Police Service

Queensland Treasury

Sport, Racing and Olympic and Paralympic Games (renamed from Tourism and Sport)

State Development, Infrastructure and Planning (renamed from State Development and Infrastructure)

Trade, Employment and Training (renamed from Employment, Small Business and Training)

Transport and Main Roads

Women, Aboriginal and Torres Strait Islander Partnerships and Multiculturalism (renamed from Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts)

Youth Justice and Victim Support (renamed from Youth Justice)

Commercialised Business Units

CITEC

QBuild

QFleet

RoadTek

Shared Service Providers

Corporate Administration Agency

Queensland Shared Services

Other General Government entities

Board of the Queensland Museum

Crime and Corruption Commission

Cross River Rail Delivery Authority

Economic Development Queensland

Electoral Commission of Queensland

Games Independent Infrastructure and Coordination Authority

Gold Coast Waterways Authority

Health and Wellbeing Queensland

Hospital and Health Services

Cairns and Hinterland

Central Queensland

Central West

Children’s Health Queensland	Office of the Queensland Integrity Commissioner
Darling Downs	Prostitution Licensing Authority
Gold Coast	Public Sector Commission
Mackay	Queensland Art Gallery Board of Trustees
Metro North	Queensland Audit Office
Metro South	Queensland Building and Construction Commission
North West	Queensland Curriculum and Assessment Authority
South West	Queensland Family and Child Commission
Sunshine Coast	Queensland Human Rights Commission
Torres and Cape	Queensland Mental Health Commission
Townsville	Queensland Performing Arts Trust
West Moreton	Queensland Racing Integrity Commission
Wide Bay	Queensland Reconstruction Authority
Legal Aid Queensland	Queensland Rural and Industry Development Authority
Legislative Assembly	Residential Tenancies Authority
Library Board of Queensland	South Bank Corporation
Motor Accident Insurance Commission	TAFE Queensland
Nominal Defendant	The Council of the Queensland Institute of Medical Research
Office of Industrial Relations	The Public Trustee of Queensland
Office of the Governor	Tourism and Events Queensland
Office of the Health Ombudsman	Trade and Investment Queensland
Office of the Information Commissioner	
Officer of the Inspector-General Emergency Management	

8.7.2 Public Non-financial Corporations

Brisbane Organising Committee for the 2032 Olympic and Paralympic Games
CleanCo Queensland Ltd
CS Energy Limited
Energy Queensland Limited
Far North Queensland Ports Corporations Limited

Gladstone Area Water Board
Gladstone Ports Corporation Limited
Mount Isa Water Board
North Queensland Bulk Ports Corporation Limited
Port of Townsville Limited
Powerlink Queensland
Queensland Bulk Water Supply Authority (Seqwater)
Queensland Hydro Pty Ltd
Queensland Rail
Queensland Treasury Holdings Pty Ltd
Stadiums Queensland
Stanwell Corporation Limited
Sunwater Limited

Appendix A: Concessions Statement

Queensland Government's commitment to ongoing support for households, families and businesses by reducing costs of goods and services

The Queensland Government provides substantial concessions in the form of rebates, subsidies and discounts to improve access to, and the affordability of, a range of essential goods and services for Queenslanders.

Concessions assist households, businesses and industries across the state, providing support for essential services such as electricity, transport, health, housing, education and training services.

The 2025–26 Budget includes the following measures which will provide ongoing cost-of-living support:

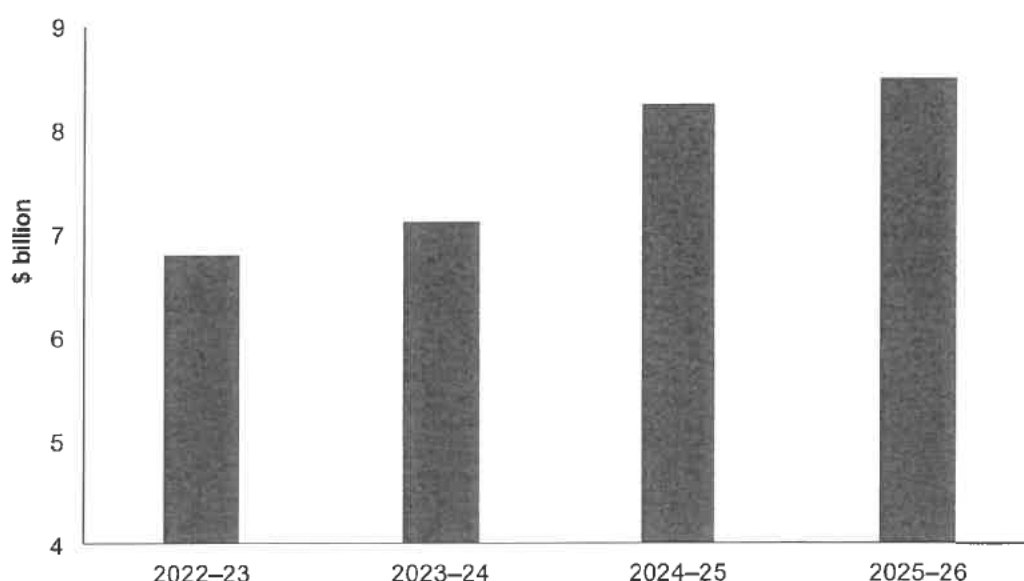
- permanent funding for 50 cent fares for all public transport across the TransLink network in Queensland
- \$100 Back to School Boost for primary school students (Prep to Year 6) across the state to support parents and families with the cost of school essentials
- \$200 Play On! vouchers for children aged between 5 to 17 to reduce the costs of participation in sport
- Electricity Rebate Scheme for vulnerable Queensland households, with the rebate increasing to \$386 in 2025–26
- Supercharged Solar for Renters program to provide rebates to eligible landlords for installing solar systems to help lower living costs for renters.

The total value of all concessions provided by the Queensland Government to Queenslanders is estimated to be \$8.493 billion in 2025–26.

This represents a substantial commitment to improve the accessibility and affordability of a range of goods and services on an ongoing basis by reducing the price paid by consumers.

The total estimated ongoing concessions in 2025–26 is 3.2 per cent higher than the 2024–25 estimated actual amount of \$8.229 billion.

Chart A.1 Total ongoing concessions value by year¹



Note:

1. This chart shows ongoing concessions only, with one-off concessions not included to avoid distortion and to focus on underlying ongoing benefits.

The government provides a variety of targeted concessions based on eligibility criteria relating to factors such as age, income and special needs or disadvantage.

Most Queenslanders benefit from at least one Queensland Government concession, while many Queensland households and families benefit from multiple concessions.

One of the most significant concessions provided by the government is the public transport fare reduction on all TransLink networks across the state.

A flat fare of 50 cents per trip has been locked in permanently to make public transport more affordable, thereby increasing patronage and reducing road congestion.

Households and businesses across the state also benefit from broader transport concessions. Rail Network and Infrastructure Funding ensures the state-supported rail network is safe, reliable and fit for purpose. The funding supports both freight and passenger service users.

Many Queenslanders benefit from the electricity rebate of up to \$386 per annum to assist with the cost of electricity supply to the homes of eligible card holders, including but not limited to seniors, pensioners and Commonwealth Health Care Card holders.

Another key concession that helps to alleviate the financial burden of energy costs for Queenslanders, particularly those in regional and rural areas, is the Uniform Tariff Policy which ensures that all Queensland non-market electricity customers pay a similar price for electricity, regardless of location.

Many card holders may also be eligible for free dental care under the Oral Health Scheme, which includes services such as general care, treatment involving dentures and emergency dental care.

The government provides substantial support for low-income families and individuals through the Public Housing Rental Subsidy.

This concession is designed to make housing more affordable for vulnerable Queenslanders, by bridging the gap between private market rents and the rent charged by government.

The government provides generous concessions for education and parenting. For instance, an allowance is available for parents/caregivers of secondary school-age students attending state and non-government schools, and children registered in home education of equivalent age, to help with the costs of textbooks and learning resources. Additionally, the government will provide schools with annual payments of \$100 for each student attending government and non-government primary schools for 4 school years from 2026 to support parents and families in meeting the cost of school essentials.

The government is continuing to fund 15 hours per week of free kindergarten for all 4-year-old Queensland children. In 2025–26, on average a family attending a sessional kindergarten that charges \$50 per day (15 hours per week) will save \$5,000 a year in fees.

For young Queenslanders, concessions such as the Career Start General Training Subsidy and the Career Start Apprentices and Trainee Training Subsidy, provide opportunities for professional growth by reducing financial barriers to education and training.

Common concessions for older Queenslanders include a 50 per cent concession on the registration fees for a 4-cylinder vehicle, a subsidy of up to \$200 per year for eligible pensioners to help lessen the impact of local government rates and charges, and a rebate of up to \$92 per annum to assist with the cost of reticulated natural gas.

Focus of Concessions Statement

The Concessions Statement highlights the cost and nature of concessions provided by the Queensland Government. It outlines the concessions that are direct budget outlays (e.g. fee subsidies) and concessions that result in foregone revenue through fees and charges being set at a lower rate than applies to the wider community and other businesses.

In the case of broader concessions, it also includes concessions related to the delivery of services to consumers at less than the full cost of service provision.

Section A.1 summarises the estimated total value of concessions provided by the Queensland Government, detailed by each agency and government-owned corporation (GOC).

Section A.2 outlines the previously announced temporary cost-of-living support measures.

Section A.3 sets out the specific concessions provided by the Queensland Government, detailed by agency. Section A.4 sets out the concessions provided by GOCs and is separated into concessions by GOC and concessional leases (industry, commercial and community) by GOC. Within each agency or GOC, concessions are listed in descending order of value.

Explanation of scope

For the purposes of this document, concessions include:

- discounts, rebates and subsidies provided by the government that improve access to, and affordability of, a range of goods or services for certain individuals, families or businesses based on eligibility criteria (e.g. relating to factors such as age, income, special needs, location or business characteristics)

- concessions where all consumers, including businesses, of a particular good or service pay a price that is below the full cost of service provision — that is, no eligibility criteria is applied.

Both General Government and Public Non-financial Corporations (PNFC) Sector concessions are included in this statement. Where a payment is made from a General Government Sector agency to a PNFC entity for a concession arrangement, the expenditure is reported against the General Government Sector agency only to avoid double counting.

To be included in this statement, concessions must meet the minimum materiality threshold of estimated expenditure or revenue foregone of \$50,000 in either the budget year or previous year.

Varying methods have been used to estimate the cost of concessions, depending on the nature of the concessions, including:

- direct budget outlay cost (e.g. direct subsidy or rebate payments or the government's contribution in the case of items such as rental subsidies)
- revenue foregone (e.g. concessional fees and charges)
- cost of goods and services provided.

For the purposes of illustrating the potential benefits of individual concessions, the document often uses averages to demonstrate the potential value of the concession to recipients. However, averages are not reflective of individual circumstances, meaning the actual dollar value of the concession to individual recipients may vary from person to person or business to business.

The Concessions Statement does not include tax expenditures (e.g. tax exemptions, reduced tax rates, tax rebates and deductions). Information on tax expenditures can be found in Appendix B.

A.1 Concessions summary

Table A.1.1 Concession by entity^{1,2}

Concession by entity	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Agency		
Department of Education	409.3	469.7
Department of Families, Seniors, Disability Services and Child Safety	348.3	363.4
Department of Housing and Public Works	938.2	886.5
Department of Justice	140.3	149.0
Department of Local Government, Water and Volunteers	29.2	33.3
Department of Natural Resources and Mines, Manufacturing and Regional and Rural Development	31.9	42.0
Department of Primary Industries	6.8	4.7
Department of Sport, Racing and Olympic and Paralympic Games	3.6	66.2
Department of State Development, Infrastructure and Planning	0.8	1.5
Department of the Environment, Tourism, Science and Innovation	1.6	1.7
Department of Trade, Employment and Training	708.6	710.0
Department of Transport and Main Roads	4,469.5	4,638.6
Queensland Fire Department	11.7	12.3
Queensland Health	359.6	371.1
Queensland Treasury	656.0	618.1
Total Agency	8,115.4	8,368.1
Government-owned corporations		
Energy Queensland Limited	19.2	28.0
Far North Queensland Ports Corporation Limited	2.0	2.0
Gladstone Ports Corporation Limited	43.4	45.0
North Queensland Bulk Ports Corporation Limited	1.6	1.6
Port of Townsville Limited	6.8	6.9
Queensland Rail	2.7	2.8
Sunwater Limited	37.7	38.7
Total government-owned corporations	113.4	125.0
Total all entities	8,228.8	8,493.1
Notes:		
1. Numbers may not add due to rounding.		
2. For previously announced temporary cost-of-living support measures see Table A.2.1.		

A.2 Previously announced temporary cost-of-living concessions

The 2024–25 Budget included measures which provided temporary elevated levels of assistance that were not ongoing.

Table A.2.1 Previously announced temporary cost-of-living concessions¹

Concession by name	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Name		
Cost of Living Electricity Rebate and National Energy Bill Relief ^{2,3}	963.7	353.0
Temporary Additional Vehicle Registration Concessions	399.0	36.0
Fairplay	42.0	..
Total	1,404.7	389.0
Notes:		
1. The table provides a summary of temporary cost-of-living support measures which did not have ongoing funding allocated.		
2. This includes funding for the 2023–24 and the 2024–25 Cost of Living Electricity Rebates, as well as funding from the Australian Government under the National Energy Bill Relief plan. Funding for the 2024–25 Cost of Living Electricity Rebate was applied to household bills in 2024–25 but appropriated in 2023–24, resulting in appropriation payments of \$2.003 billion in 2023–24.		
3. The table above represents funding in line with appropriation payments, consistent with the presentation of other concessions throughout this document.		

Cost of Living Rebate and National Energy Bill Relief

The 2024–25 Budget delivered temporary electricity bill support to households and small businesses.

As stated in the 2024–25 Budget, temporary assistance was not intended to be ongoing.

The Commonwealth is providing an Electricity Rebate to eligible account holders in 2025–26. Eligible Australian households and small businesses will receive up to \$150 in energy bill rebates.

Temporary Additional Vehicle Registration Concessions

In addition to the general vehicle and boat registration concessions, the Queensland Government temporarily reduced all light vehicle registration fees and some heavy vehicle registration fees by 20 per cent for a period of 12 months, starting from 16 September 2024.

This assistance was not ongoing, with the 2024–25 Queensland Budget assuming registration costs would return to normal levels plus indexation in 2025–26.

A.3 Concessions by agency

Table A.3.1 Department of Education¹

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Queensland Kindergarten Funding ²	215.1	223.6
Textbook and Resource Allowance ³	89.2	92.5
School Transport Assistance for Students with Disability	63.2	63.2
Back to School Boost ⁴	..	47.1
Living Away from Home Allowance Scheme ⁵	11.8	12.2
Tuition Fee Exemption/Waivers – Dependents of International Students ⁵	10.6	10.9
Non-State Schools Transport Assistance Scheme ⁶	9.0	9.5
Queensland Museum – Arts Concessional Entry Fees ⁷	2.6	2.9
Queensland Performing Arts Trust – Arts Concessional Entry Fees	2.4	2.5
Distance Education – Information and Communication Technology Subsidy Scheme	2.1	2.1
Distance Education – Non-Government Student Fee Subsidy	0.8	0.8
Queensland Performing Arts Trust – Venue Hire Rebates	0.6	0.6
Arts Queensland – Discount on Property Lease Rentals ⁸	0.7	0.5
Queensland Art Gallery – Arts Concessional Entry Fees	0.4	0.5
Arts Queensland – Venue Hire Rebates	0.4	0.4
State Library of Queensland – Venue Hire Rebates	0.4	0.4
Total	409.3	469.7
Notes:		
1. Across July to December 2024, a cumulative total of \$3.6 million in concessions were related to Dalby State High School, Spinifex State College and Western Cape College to operate residential facilities in Dalby, Mount Isa and Weipa respectively. However, following a change in approach in January 2025, funding under this program is now paid as appropriations to schools based on the number of enrolments, rather than as concessions. As such, no funding as concessions has been included above in 2024–25 to ensure consistency in reporting across years.		
2. Increase is due to indexation that will be applied to all kindergarten funding from 1 July 2025.		
3. Increase is due to enrolment growth and consumer price index (CPI) indexation.		
4. This is a new program starting in 2025–26.		
5. Increase is due to CPI indexation.		
6. Increase is due to CPI indexation and increased demand for assistance under the scheme.		
7. Increase is due to anticipated growth in ticketing revenue in relation to a longer run-time for ticketed commercial exhibitions at Queensland Museum Kurilpa, South Bank. Concessions are funded from State Government Grant Funding, i.e. at Toowoomba and Ipswich, or non-government self-funded revenue, i.e. Brisbane and Townsville.		
8. Reduced rent foregone is due to new lease offers to the tenant of the Judith Wright Centre following the Judith Wright Arts Centre Modernisation Project.		

Back to School Boost

The Back to School Boost concession provides annual payments of \$100 for each student attending government and non-government primary schools to support parents and families with the cost of school essentials.

Queensland Kindergarten Funding

Queensland Kindergarten Funding provides funding to eligible kindergarten service providers to ensure greater access to a quality kindergarten program for Queensland children and to reduce out-of-pocket fees for many families.

From 1 January 2024, the Queensland Government has provided an affordability subsidy of 15 hours per week to make kindergarten free for all 4-year-olds for up to 40 weeks or 600 hours per year. In 2025–26, on average a family attending a sessional kindergarten that charges \$50 per day (15 hours per week) will save \$5,000 a year in fees.

These subsidies are funded by both the Queensland Government and the Australian Government under the Preschool Reform Agreement 2022 to 2025.

Textbook and Resource Allowance

The Textbook and Resource Allowance is available for all parents/caregivers of secondary school age students attending state and non-government schools, and children registered in home education of equivalent age, to assist with the cost of textbooks and learning resources.

In schools, parents may assign this allowance to the school to reduce the fees associated with participating in the school's textbook and resource scheme. For children registered for home education, the allowance is paid directly to the parent.

In 2025, the rates per annum are \$160 for students in Years 7 to 10 and \$348 for students in Years 11 and 12.

School Transport Assistance for Students with Disability

The School Transport Assistance Program for Students with Disability assists eligible state school students whose disability impacts on their parents' or carers' ability to arrange their safe travel to and from school. This assistance includes coordinated service delivery in specially contracted taxis or minibuses, payment of fares on bus, ferry, tram and train, or an allowance for parents who make private travel arrangements for their children to school or a transport meeting point.

The benefit is generally a maximum of \$400 per week, per student, however in exceptional circumstances higher amounts may be approved. A separate scheme is in place for students with disability attending non-state schools (refer 'Non-State Schools Transport Assistance Scheme').

Living Away from Home Allowance Scheme

The Living Away from Home Allowance Scheme provides financial assistance to support geographically isolated families. The scheme assists with the costs of children required to live away from home to attend school. This concession is available to Queensland students attending both state and non-state schools.

The benefits available for eligible students in 2025 are:

- Remote Area Tuition Allowance – assistance is available for primary students of up to \$8,644 per annum and secondary students of up to \$10,625 per annum for students who board at approved non-state schools

- Remote Area Travel Allowance – available where the distance from the family home to the boarding location is at least 50 kilometres (km). Benefit levels depend on the distance travelled and range from \$180 per annum to a maximum of \$2,211 per annum
- Remote Area Allowance – assistance of \$3,012 per annum is available to students attending the campus of a Queensland state high school and undertaking an approved agriculture course in lieu of Years 11 and 12
- Remote Area Disability Supplement – available to students with disability who incur additional costs associated with living away from home to attend school. Benefits are up to \$9,800 per student per annum.

Tuition Fee Exemptions/Waivers – Dependants of International Students

Adult International students who meet the approved exemption criteria and wish to enrol their child in Preparatory (Prep) Year to Year 12 of schooling are exempt from paying tuition fees for their dependent children. The exemption only applies for the duration of the main temporary visa holder's (parent) course of study in Queensland. A dependant student (Prep to Year 12) of a temporary visa holder may also be eligible for a tuition fee waiver in certain circumstances, including financial hardship.

The estimated average amount exempted or waived per student is \$13,491 in 2025–26.

Non-State Schools Transport Assistance Scheme

The Non-State Schools Transport Assistance Scheme directly assists families through the provision of funding towards the transport costs incurred for eligible students enrolled in non-state schools.

Under the Scheme, payments are made twice a year to the families of students enrolled in non-state schools located beyond the Brisbane City Council area where bus and ferry fare expenses are above the annual Queensland Catholic Education Commission set weekly threshold amount.

In Semester 1, 2025, the weekly threshold is \$35 per family, or \$25 for families with a current Health Care Card, Pensioner Concession Card or Veterans' Affairs Pensioner Concession Card. From Semester 2, 2025, the weekly threshold rates will be increased to \$40 per family, or \$30 for families with a current Health Care Card, Pensioner Concession Card or Veterans' Affairs Pensioner Concession Card.

The program also assists families of eligible students with disability enrolled in non-state schools. The level of assistance provided is dependent on the type of transport needed and travel assistance already provided by the Department of Transport and Main Roads (DTMR). For families using taxi travel, the benefit level is to a maximum of \$300 per week, inclusive of any assistance provided through DTMR's Taxi Subsidy Scheme.

Queensland Museum – Arts Concessional Entry Fees

Queensland Museum provides concessional entry fees to seniors, students, children, families, and a variety of concession card holders for ticketed exhibitions at Queensland Museum Kurilpa (Brisbane) and Queensland Museum Tropics (Townsville) and, for general entry to Queensland Museum Cobb & Co (Toowoomba) and Queensland Museum Rail Workshops (Ipswich). Concessions are also provided to targeted groups, such as schools, to encourage visits to museums. The level of concession provided varies depending on the venue and the event.

Queensland Performing Arts Trust – Arts Concessional Entry Fees

Concessional entry fees are offered for specific Queensland Performing Arts Trust productions and to provide support for other not-for-profit theatre companies to enable tickets to be sold at concessional prices. The level of concession provided varies depending on the number and size of events being held each year.

Distance Education – Information and Communication Technology Subsidy Scheme

The Distance Education Information and Communication Technology Subsidy provides assistance to Queensland state school students enrolled in a School of Distance Education and who are geographically isolated or in eligible categories.

The scheme has 2 components:

- **Computer Hardware Subsidy:** An annual payment of \$472 to eligible students to assist with purchasing, replacing or upgrading computer hardware. Hardware subsidies are available to support students who are identified as belonging to geographically isolated or medical categories
- **Broadband Internet Subsidy:** An annual payment of \$517 to eligible students to assist with provision of broadband internet access. Internet subsidies are available to support students who are identified as belonging to the geographically isolated category.

Distance Education – Non-Government Student Fee Subsidy

The Distance Education Non-Government Student Fee Subsidy is available to students who are enrolled in non-government schools and choose to access distance education subjects. It provides an average annual subsidy of approximately \$1,560 per distance education subject enrolment.

This subsidises approximately 50 per cent of the total average cost per annum of providing a subject through distance education for non-government school students. The concession contributes towards the state continuing to make distance education available to non-government schools ensuring the widest possible subject choice for students, while recovering a proportion of the teaching and overhead costs.

Queensland Performing Arts Trust – Venue Hire Rebates

Venue hire rebates are offered to government-funded cultural organisations, charitable organisations, government departments and educational institutions. Organisations currently receiving discounts are Queensland Symphony Orchestra, Opera Queensland, Queensland Theatre Company and Queensland Ballet.

Arts Queensland – Discount on Property Lease Rentals

A discount on property lease rentals is provided to arts and cultural organisations compared with market rental rates at the Judith Wright Arts Centre, Festival House and Bulmba-ja Arts Centre.

Queensland Art Gallery – Arts Concessional Entry Fees

Queensland Art Gallery's ticket prices are set to ensure that they are affordable and to maximise attendance, with additional concessions provided to seniors, students, children, families and a variety of concession card holders. The purpose of the Queensland Art Gallery Arts entry fees concession is to contribute to the cultural, social and intellectual development of Queenslanders, and encourage diverse audiences.

Arts Queensland – Venue Hire Rebates

Venue hire rebates support Queensland Government-funded arts organisations and professional artists to develop and present new work at the Judith Wright Arts Centre and Bulimba-ja Arts Centre.

State Library of Queensland – Venue Hire Rebates

State Library of Queensland provides venue hire concessions to targeted community and non-profit groups including cultural and charitable organisations and educational institutions in order to support events and programs directly linked to State Library of Queensland's services, programs, and activities.

Table A.3.2 Department of Families, Seniors, Disability Services and Child Safety

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Electricity Rebate Scheme ¹	248.5	261.9
Pensioner Rate Subsidy Scheme	59.7	62.7
South East Queensland Pensioner Water Subsidy Scheme	20.5	19.3
Home Energy Emergency Assistance Scheme	10.0	10.0
Medical Cooling and Heating Electricity Concession Scheme ¹	3.4	3.4
Reticulated Natural Gas Rebate Scheme	3.1	3.3
Electricity Life Support Concession Scheme ¹	3.1	2.8
Total	348.3	363.4
Notes:		
1. Adjusted annually according to the Queensland Competition Authority (QCA) price determination for Tariff 11. For 2025–26, the QCA determined Tariff 11 will increase by 3.8 per cent.		

Electricity Rebate Scheme

The Electricity Rebate Scheme provides a rebate of up to approximately \$386 per annum to assist with the cost of electricity supply to the homes of eligible holders of a Pensioner Concession Card, Queensland Seniors Card, Commonwealth Health Care Card, Department of Veterans' Affairs Gold Card (who receive a War Widow/er Pension or special rate Totally or Permanently Incapacitated Pension) and asylum seekers.

It is estimated that over 600,000 Queensland households will receive an electricity rebate in 2025–26.

Pensioner Rate Subsidy Scheme

The Pensioner Rate Subsidy Scheme offers a 20 per cent subsidy (up to a maximum of \$200 per annum) to lessen the impact of local government rates and charges on pensioners, thereby assisting them to continue to live in their own homes.

South East Queensland Pensioner Water Subsidy Scheme

The South East Queensland Pensioner Water Subsidy Scheme provides a subsidy of up to \$120 per annum to eligible pensioner property owners in the South East Queensland Water Grid to lessen the impact of water prices.

This subsidy is in addition to the Pensioner Rate Subsidy Scheme.

Home Energy Emergency Assistance Scheme

The Home Energy Emergency Assistance Scheme provides emergency assistance of up to \$720 once in a 2-year period to assist low income households experiencing a short-term financial crisis and who are unable to pay their current electricity and/or reticulated natural gas account.

It is not a requirement for the claimant to hold a concession card.

Medical Cooling and Heating Electricity Concession Scheme

The Medical Cooling and Heating Electricity Concession Scheme provides a rebate of up to approximately \$522 per annum for eligible concession card holders with a medical condition who have dependence on air conditioning to regulate body temperature.

Reticulated Natural Gas Rebate Scheme

The Reticulated Natural Gas Rebate Scheme provides a rebate of up to approximately \$92 per annum to assist with the cost of reticulated natural gas supplied to the home of eligible holders of a Pensioner Concession Card, Queensland Seniors Card or a Department of Veterans' Affairs Gold Card (who receive the War Widow/er Pension or special rate Totally or Permanently Incapacitated Pension).

Electricity Life Support Concession Scheme

The Electricity Life Support Concession Scheme is aimed at assisting seriously ill people who use home-based life support systems by providing a rebate of up to approximately \$1,063 per annum for users of oxygen concentrators and a rebate of up to approximately \$712 per annum for users of kidney dialysis machines to meet their electricity costs.

The concession is subject to the patient being medically assessed in accordance with Queensland Health eligibility criteria.

Table A.3.3 Department of Housing and Public Works

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Public Housing Rental Subsidy ¹	849.1	844.9
Home Assist Secure ²	27.8	26.8
Non-residential Buildings – Subsidised Rents	8.7	9.0
Rental Bond Loans ²	2.6	3.0
Youth Subsidy – Community Housing ²	1.5	2.8
Helping Seniors Secure Their Homes ³	42.3	..
National Rental Affordability Scheme ⁴	6.2	..
Community Housing ⁵	..	..
Total	938.2	886.5
Notes: 1. This program was previously known as the Government Managed Housing Rental Rebate. 2. The variance is based on the anticipated year on year demand for services provided under this scheme. 3. The variance is due to the end of the time-limited program in December 2024. 4. The variance is primarily due to cessation of the scheme, being a decision of a former Australian Government. 5. The value of this concession arrangement cannot be easily quantified.		

Public Housing Rental Subsidy

The Public Housing Rental Subsidy targets low-income families and individuals and represents the difference between the estimated rents that would be payable in the private market and rent that is charged by government based on household income.

Assistance is provided to approximately 56,200 households. The estimated average yearly subsidy per household for 2025–26 is \$15,000.

Home Assist Secure

Home Assist Secure provides free safety-related information, referral and subsidised assistance for eligible clients unable to undertake or pay for critical maintenance services without assistance.

To be considered for subsidised assistance, people with disability or 60 years or over must hold a Pensioner Concession Card and be unable to complete the work themselves. In addition, they must be unable to access assistance from other services.

Labour costs (up to \$500 per household per year) for the assistance provided are subsidised by Home Assist Secure while the balance of the costs (including the materials) are met by the client. Clients can also get a one-off subsidy of \$80 for the cost of materials for security related work (Security Hardware Subsidy).

Home Assist Secure targets homeowners and those in rental housing who are 60 years of age or older or have disability, and who require assistance to remain living in their home. In 2025–26, it is estimated that up to 33,000 households will be assisted.

Non-residential Buildings – Subsidised Rents

Accommodation is provided to 34 community, education, arts and not-for-profit organisations in government-owned non-residential buildings. Tenures for the occupancies are by way of leases, licences or month-to-month arrangements. Rents paid by the organisations are often below independently assessed market rent levels. Subsidised rental arrangements are provided to 24 properties comprising a total floor area of approximately 41,300 square metres. The total subsidy is calculated by deducting the actual amount paid by the occupants from the total estimated annual market rent for the space.

Rental Bond Loans

The government provides interest-free rental bond loans to people who cannot afford to pay a full bond to move into private rental accommodation, thereby reducing the need for more costly, subsidised housing assistance, through 3 products:

- Bond Loans: equivalent to a maximum amount of 4 weeks rent
- Bond Loan Plus: equivalent to a maximum amount of 6 weeks rent
- Bridging Bond Loans: equivalent to a maximum amount of 4 weeks rent.

The interest-free bond loan targets low-income households and can stabilise tenancies, prevent households from entering the cycle of homelessness and engaging with fringe, high interest credit providers. The concession represents the interest saving for the client on the bond loan. In 2025–26, approximately \$35.8 million in bond loans, bond loan plus and bridging bond loans may be advanced to an estimated 15,700 clients, averaging approximately \$2,300 support per client.

Youth Subsidy – Community Housing

Funding has been provided for Registered Community Housing Providers (RCHPs) to help house more young people through a Youth Subsidy. Young people can face additional barriers when it comes to finding safe and affordable housing, including lower incomes, often while balancing study and work commitments, completing training and establishing their careers.

The subsidy will assist young people to access community housing by making it financially possible for RCHPs to house more young people. The department will provide RCHPs with a weekly subsidy for each eligible household where a young person is the primary tenant. In 2025–26, the government has allocated \$2.8 million for purposes of housing an estimated 1,000 young people under this program, based on anticipated demand for services provided under the scheme.

Community Housing

The government provides contributions to registered community housing providers (RCHPs), including capital grants, granted land or properties, or recurrent funding, to assist in increasing housing affordability and access to social housing.

Due to the nature of the arrangement, particularly varying rents charged by providers based on individual circumstances of each household, the overall value of the concession provided by the government cannot be easily quantified.

Rents charged for social housing managed by the RCHPs are based on 25 per cent of a household's assessable income, 30 per cent of a household's gross income, or the market rent, whichever is lower, which substantially reduces accommodation costs for eligible individuals and families. Many of these families may also be eligible for Commonwealth Rent Assistance to assist

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in the cost of their accommodation. Assistance is expected to be provided to approximately 16,500 households to access community housing in 2025–26.

Table A.3.4 Department of Justice

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Public Trustee of Queensland – Concessions	43.4	44.9
Queensland Civil and Administrative Tribunal ¹	39.7	44.4
Court Services – Civil Court	39.2	40.4
Blue Card – Volunteer Applicants ²	10.8	12.1
Body Corporate and Community Management – Dispute Resolution	4.6	4.6
Disability Worker Screening – Volunteer Applicants	2.0	2.0
Liquor Gaming and Fair Trading – Rural Hotel Concessions	0.4	0.4
Registry of Births, Deaths and Marriages – Fee Waivers	0.2	0.2
Total	140.3	149.0
Notes:		
1. The variance reflects the anticipated increase in service demand in 2025–26		
2. The variance is due to indexation and an increase in forecast volume.		

Public Trustee of Queensland – Concessions

The Public Trustee of Queensland (The Public Trustee) uses a scale of fees which is designed to reflect a fair cost for the services provided.

The Public Trustee has established a safety net limit on the annual fees payable by certain customers which provides for a rebate of fees for some customers with limited assets. The rebate is applied to customers such as financial administration customers with impaired capacity, or estate administration customers of limited means. The Public Trustee also provides Will making services for Queenslanders at no cost.

Queensland Civil and Administrative Tribunal

The Queensland Civil and Administrative Tribunal (QCAT) is an independent tribunal which makes decisions and resolves disputes across a wide range of jurisdictions for the community.

Fees for these services are set below cost recovery to ensure services are accessible, fair and inexpensive. QCAT provides human rights services with no application fees for matters related to guardianship and administration of adults, children and young people and anti-discrimination.

Court Services – Civil Court

The Supreme, District and Magistrates Courts hear civil disputes between 2 or more parties (people or organisations) where one party sues the other, usually to obtain compensation, or seek some other remedy. These disputes may involve anything from defamation to outstanding debts.

Civil Court Fees are prescribed under the *Uniform Civil Procedure (Fees) Regulation 2019* for proceedings commenced in civil matters and are set below full cost recovery to ensure that civil remedies are accessible to all Queenslanders.

Blue Card – Volunteer Applicants

Individuals providing child-related services or conducting child-related activities in regulated service environments are required to undergo an assessment of their police and relevant disciplinary information, and if approved, are issued with a blue card. A blue card is valid for 3 years unless cancelled or suspended earlier.

The Queensland Government has met the cost of blue card assessment for volunteer applicants since the inception of the blue card system in 2001. This is to ensure children can continue to receive services and participate in activities which are essential to their development and wellbeing, in a safe and supportive environment.

Body Corporate and Community Management – Dispute Resolution

The Office of the Commissioner for Body Corporate and Community Management provides a dispute resolution service to parties unable to resolve disputes themselves. The service consists of conciliation, with the aim of achieving a voluntary agreement, and adjudication, which results in a formal order.

The service is delivered below full cost recovery so as not to restrict access to justice due to affordability reasons. The commissioner has the discretion to waive application fees on the grounds of financial hardship.

Disability Worker Screening – Volunteer Applicants

Individuals providing disability support activities in regulated service environments are required to undergo a suitability assessment to work with people with a disability; and if approved, are issued with a National Disability Insurance Scheme (NDIS) Disability Worker Screening Clearance. A NDIS Worker Screening Clearance is valid for 5 years unless cancelled or suspended earlier.

The Queensland Government meets the cost of Disability Worker Screening assessment of volunteer applicants undertaken by the department.

The Queensland Government has committed to increasing volunteers within the disability sector to ensure that people with a disability can continue to receive services and participate in activities which are essential for their support and wellbeing.

Liquor Gaming and Fair Trading – Rural Hotel Concessions

The Office of Liquor and Gaming Regulation licenses hotels and clubs under the *Liquor Act 1992*.

Under the *Liquor (Rural Hotels Concession) Amendment Act 2019*, the Rural Hotels Concession provides licence fee relief to establishments in remote communities by reducing the base licence fees for hotels and community clubs with no more than 2,000 members for eligible licences.

Registry of Births, Deaths and Marriages – Fee Waivers

The Registry of Births, Deaths and Marriages waives the fees for certificates provided to disadvantaged groups in the Queensland Community (e.g. Aboriginal and Torres Strait Islander peoples, people experiencing homelessness, domestic and family violence victims, etc.) and those impacted by major emergencies (e.g. natural disasters such as cyclones and bushfires).

The majority of concession waivers relate to the provision of birth certificates (\$54.40 per certificate in 2024–25), with approximately 3,000 individuals per annum receiving a benefit.

Table A.3.5 Department of Local Government, Water and Volunteers

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Rural Irrigation Water Price Discount	..	12.3
Sunwater Rural Irrigation Water Price Subsidy	18.9	10.7
Cloncurry Pipeline Water Supply Subsidy	7.0	7.2
Seqwater Rural Irrigation Water Price Subsidy	2.3	2.1
Disaster Relief Arrangements – Annual Water Licence Fee Waiver	1.0	1.0
Total	29.2	33.3

Rural Irrigation Water Price Discount

An additional 15 per cent discount provided as a rebate on irrigation water prices for eligible Sunwater and Seqwater customers, available to approved applicants for a 2-year period ending 2026–27.

Sunwater Rural Irrigation Water Price Subsidy

Sunwater's irrigation water prices for some schemes are set below the level necessary to recover the cost of supplying water to the irrigators.

Government funding is provided to Sunwater to offset the reduced revenue and to ensure irrigation prices gradually transition towards cost recovery.

Cloncurry Pipeline Water Supply Subsidy

North West Queensland Water Pipeline Limited (NWQWP), a Sunwater Limited (Sunwater) subsidiary, owns and operates the Cloncurry Pipeline between the Ernest Henry Mine and Cloncurry. The pipeline guarantees Cloncurry Shire Council's water supply and supports industrial development in the region.

The government provides funding to NWQWP to ensure the pipeline remains commercially viable to operate while providing an affordable and safe water supply to Cloncurry.

Seqwater Rural Irrigation Water Price Subsidy

Seqwater's irrigation water prices for some schemes are set below the level necessary to recover the cost of supplying water to the irrigators.

Government funding is provided to Seqwater to offset the reduced revenue and to ensure irrigation prices gradually transition towards cost recovery.

Disaster Relief Arrangements – Annual Water Licence Fee Waiver

Fees associated with annual water licences (\$95.13) will be waived for 2025–26 for disaster declared areas.

The waiver is available to landholders in Local Government Areas where Category B of the Disaster Recovery Funding Arrangements for Disaster Assistance (Primary Producer) Loans or Disaster Assistance (Essential Working Capital) Loans Scheme for Small Business is activated.

In 2025–26, it is estimated 10,000 waivers will be issued to landholders.

Table A.3.6 Department of Natural Resources and Mines, Manufacturing and Regional and Rural Development

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Primary Industry Productivity Enhancement Scheme (PIPES) ¹	21.7	30.7
Zero Rent for Exploration Permits for Minerals	10.2	11.3
Total	31.9	42.0
Notes:		
1. The increase is mainly due to the anticipated increase in loan advances.		

Primary Industry Productivity Enhancement Scheme

Primary Industry Productivity Enhancement Scheme (PIPES) is administered by the Queensland Rural and Industry Development Authority and provides concessional rates of interest on loans to eligible primary producers in need of financial assistance.

First Start Loans and Sustainability Loans of up to \$2 million and \$1.3 million, respectively, support applicants to enter primary production and to improve productivity and sustainability. The amounts shown in the above table represent the fair values of the interest rate concessions pertaining to loans issued in the PIPES portfolio in each of the years shown.

Zero Rent for Exploration Permits for Minerals

The *Queensland Critical Minerals Strategy* reduced rent to \$0 for 5 years from 1 September 2023 for new and existing exploration permits for minerals other than coal.

Table A.3.7 Department of Primary Industries

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Drought Preparedness Grant Scheme ¹	6.2	4.6
Stocked Impoundment Permit	0.1	0.1
Drought Ready and Recovery Finance Loan Scheme ²	0.2	..
Sheep and Goat Electronic Identification (eID) Rebate Scheme ³	0.3	..
Total	6.8	4.7
Notes:		
1. The reduction is mainly due to the anticipated reduced demand for this scheme.		
2. No funding for this scheme has been allocated for 2025–26 given Queensland is not currently drought-declared.		
3. The scheme ceases on 30 June 2025.		

Drought Preparedness Grant Scheme

The Drought Preparedness Grant Scheme provides a rebate to eligible primary producers of up to \$50,000 for on-farm capital improvements identified in their Farm Business Resilience Plan to improve the drought preparedness of the producer's property.

Stocked Impoundment Permit Scheme

The Stocked Impoundment Permit Scheme provides world class, sustainable fishing options in freshwater environments. It helps manage pressure on wild fish stocks through a requirement to hold a permit to fish in one of the state's 63 impoundments.

The scheme provides concessions if you have a Queensland Seniors Card, Pensioner Concession Card, Health Care Card or a Repatriation Health Card (Gold Card) and aims to facilitate participation in recreational fishing for seniors and concession card holders. The concession provides a discount of \$16.96 on the cost of an annual permit.

Table A.3.8 Department of Sport, Racing and Olympic and Paralympic Games

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Play On! voucher program	..	62.5
Sport and Recreation venues – Concessional Usage Rates & Gym Fees	2.8	2.9
SwimStart	0.8	0.8
Total	3.6	66.2

Play On! Voucher Program

The government has established a new sport voucher program. The Play On! vouchers are valued up to \$200 each, with every Queensland child aged between 5 and 17 eligible to apply for one each year, with 2 rounds annually to line up with winter and summer sports sign-on seasons. Play On! is particularly targeting kids in regional and remote communities across the state. The program is set to open on 4 August 2025.

Sport and Recreation venues – Concessional Usage Rates & Gym Fees

Concessional usage rates are offered to clients who meet the strategic objectives of the Department, including gym members eligible for concessional rates, not-for-profit sport and recreation organisations, Queensland schools and Queensland state sporting organisations, for the use of Sport and Recreation owned and operated venues, including Queensland Recreation Precincts at Currimundi and Tallebudgera and the Gold Coast Performance Centre at Runaway Bay.

Table A.3.9 Department of State Development, Infrastructure and Planning

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
South Bank Corporation – Concessional event hire	0.8	0.8
Growth Acceleration Fund – Concessional Loan Scheme	..	0.7
Total	0.8	1.5

South Bank Corporation – Concessional event hire

Concessional event hire is offered for special events held in the Parklands by not-for-profit entities. The level of concession varies depending on the number and size of events being held each year.

Growth Acceleration Fund – Concessional Loan Scheme

The Growth Acceleration Fund is a \$35 million fund offering low-interest loans to accelerate the delivery of essential infrastructure such as roads, water supply, wastewater and stormwater, required to unlock land for housing in South East Queensland high-growth areas.

The concession represents the interest savings for the client on the low-interest loan. In 2025–26, approximately \$23.3 million in low-interest loans will be provided to unlock essential infrastructure, providing over \$670,000 in estimated interest savings to recipients.

Table A.3.10 Department of the Environment, Tourism, Science and Innovation

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Queensland Parks and Wildlife Service – Tour fee and Access Permits	1.6	1.7
Total	1.6	1.7

Queensland Parks and Wildlife Service – Tour Fee and Access Permits

Visitor admission and ranger guided tour fees concessions of 10 to 100 per cent are available at several attractions and visitor centres for eligible persons including infants, children, pensioners, concession card holders and groups undertaking tours or access for educational purposes.

Vehicle access permit concessions of up to 100 per cent are available in the Cooloolia Recreation Area, Bribie, Moreton (Mulgumpin) and K'gari Islands for approved applicants, including First Nations peoples and local residents required to traverse the protected area estate.

Camping concessions of 45 to 100 per cent are available in all national park and state forest camping areas for educational purposes and children under 5 years of age.

Table A.3.11 Department of Trade, Employment and Training

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Career Start – General Training Subsidy ^{1,2}	269.2	304.8
Career Start – Apprentices and Trainees Training Subsidy ^{1,3}	264.1	286.0
Career Boost – General Training Subsidy ^{1,4}	165.1	111.7
Travel and Accommodation Subsidy	7.0	7.0
Free Tools for First Years Program ⁵	3.2	0.5
Total	708.6	710.0
Notes:		
1. The variance is due to the demand-driven nature of the programs.		
2. This name applies from 1 July 2025. This program was previously known as Certificate III Guarantee.		
3. This name applies from 1 July 2025. The program was previously known as the User Choice Program.		
4. This name applies from 1 July 2025. This program was previously known as Higher Level Skills.		
5. The variance is due to the expected cessation of the program, with claims open until 30 June 2025 or until funds are exhausted.		

Career Start – General Training Subsidy

The Career Start General Training Subsidy supports Queenslanders to undertake entry level vocational qualifications outside of apprenticeships and traineeships.

This program is targeted at jobseekers and individuals seeking their first post-school qualification, helping them gain job-ready skills or employment. It also includes training for eligible school students undertaking Certificate I or II qualifications that provide pathways to post-school employment or further vocational study.

Government subsidies are available to pre-approved registered training organisations (Skills Assure Suppliers) for a range of Certificate III-level qualifications aligned to industry need and workforce participation goals. The value of this subsidy for each qualification ranges from \$512 to \$7,310, depending on student eligibility and qualification subsidised. The average subsidy value is \$3,483.

Career Start – Apprentices and Trainees Training Subsidy

The Career Start Apprentices and Trainees Training Subsidy provides government funding towards the cost of training and assessment for eligible Queensland apprentices and trainees or complementary pathways leading to apprenticeship outcomes.

Subsidies are available to pre-approved public and private registered training organisations to support tuition fees to reduce the cost of nationally recognised entry level training for apprentices and trainees. The Free Apprenticeships for under 25s component provides fully subsidised training for more than 130 priority apprenticeship and traineeship qualifications.

Apprentices and trainees and their employers have the flexibility to choose a training provider that suits their specific needs, supporting industry-aligned learning pathways. The value of this subsidy for each qualification ranges from \$1,300 to \$50,720, depending on student eligibility and qualification subsidised. The average subsidy value is \$10,609.

Career Boost – General Training Subsidy

The Career Boost General Training Subsidy helps Queenslanders progress into higher level vocational training that supports job advancement, specialisation, or transition into further education. It funds training in priority and emerging industries such as health, energy, and advanced manufacturing.

The program provides subsidies for eligible students undertaking Certificate IV, diploma, and advanced diploma qualifications, as well as selected skill sets that respond to critical workforce needs. Subsidies are available to pre-approved public and private registered training organisations (Skills Assure Suppliers).

In 2025–26 this program also includes targeted initiatives such as Free Nursing, which will reduce cost barriers for learners entering essential health and care occupations. The value of this subsidy for each qualification ranges from \$696 to \$11,390, depending on student eligibility and qualification subsidised. The average subsidy value is \$4,116.

Travel and Accommodation Subsidy

The Travel and Accommodation Subsidy provides financial assistance to Queensland apprentices and trainees for travel expenses incurred in attending off the job training at a registered training organisation. To be eligible, apprentices must attend the closest registered training organisation that offers the required qualification and travel a minimum of 100km return from their usual place of residence to the registered training organisation. The subsidy provides for:

- return land travel to the registered training organisation of 27 cents per km for distances between 100km and 649km, increasing to 33 cents per km for distances of 650km or more

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- return economy air ticket to the location of the registered training organisation for distances of 1,100km or more if necessary
- cost of ferry travel if necessary
- accommodation assistance of \$57 per day for overnight stay within Queensland and \$109 for interstate travellers, if it is necessary to live away from their usual place of residence to attend training.

Free Tools for First Years Program

The Free Tools for First Years Program provides a rebate to eligible first-year apprentices to help offset the cost of essential tools required to commence work in their trade. The program supports apprentice participation and retention by reducing upfront costs. It complements the department's broader investment in vocational education and training pathways.

Table A.3.12 Department of Transport and Main Roads

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
General Public Transport Concessions (South East Queensland) ¹	2,566.3	2,657.5
Rail Network and Infrastructure Funding ²	1,016.2	1,082.3
General Public Transport Concessions (Regional Queensland)	380.0	393.0
Vehicle and Boat Registration Concessions	200.2	203.5
School Transport Assistance Scheme	168.4	171.4
Livestock and Regional Freight Contracts ³	47.4	42.0
Remote Communities Freight Assistance Scheme ⁴	21.3	29.3
Rail Concession Scheme	27.8	27.8
Other Transport Concessions (Regional Queensland) and Taxi Subsidies ⁵	23.2	19.5
Practical Driving Test	7.6	7.7
Designated Public Transport Concessions for Interstate Seniors Card Holders	4.5	4.6
E-Mobility Rebate Scheme ⁶	1.9	..
TransLink Transport Concessions (South East Queensland) ⁷	4.7	..
Total	4,469.5	4,638.6
Notes: <ol style="list-style-type: none"> 1. The increase reflects the full year impact of 50 cent fares whilst operating costs have increased, increasing the value of travel subsidised by the government. There is also significant investment in the South East Queensland rail network to improve service availability whilst maintaining affordability for all modes. 2. The increase is due to operating costs associated with investment in rail infrastructure and other general costs. 3. Variance is due to one off implementation of Remote Community Freight Contract in 2024–25. No reduction in funding of critical services. 4. The increase reflects subsidy for stores subscribing to the freight reduction model. All stores subscribed to the scheme will receive a 20 per cent discount for 2025–26. 5. The decrease is due to a timing difference in the receipt of Australian Government National Disability Insurance Scheme (NDIS) reimbursement. 6. This program ceased on 25 October 2024. 7. The 50 per cent discount concessions were replaced with the 50 cent fares. 		

General Public Transport Concessions (South East Queensland)

The General Public Transport Concessions (South East Queensland) represents the direct funding contribution the government makes towards the cost of operating public transport services within South East Queensland.

This contribution reduces the ticket price paid by all public transport users on bus, rail and ferry services, increasing the affordability of these services.

The Queensland Government made 50 cent fares permanent in February 2025.

Free travel will continue to be provided to holders of a Companion Card, Vision Impairment Travel Pass (VITP), TransLink Access Pass (TAP) and a Total Permanent Incapacitated/Extreme Disablement Adjustment (TPI/EDA) Veteran Travel Card. Free travel is not measured for VITP, TPI/EDA and TAP eligible passengers as they are not required to tap on and off.

Rail Network and Infrastructure Funding

The Rail Transport Service Contract (Rail TSC) provides funding to Queensland Rail to support major capital projects and related asset strategies. Rail network and infrastructure funding ensures that the state-supported rail network is safe, reliable and fit for purpose.

The funding provided via the Rail TSC directly benefits customers of the state-supported rail network, including both freight and passenger service users. Without this funding, rail access charges (including public transport fares) would be significantly higher for all users of the rail network.

General Public Transport Concessions (Regional Queensland)

The General Public Transport Concessions (Regional Queensland) represents the financial contribution that government provides across a range of transport services in regional Queensland. The impact of this contribution benefits all public transport users through reduced transport fares. This concession covers subsidies for:

- regional bus and ferry operators (excluding concessional top up amounts and School Transport Assistance Scheme related amounts)
- air services to remote and rural communities within the state
- Kuranda Scenic Railway
- TravelTrain (excluding the 'Rail Concession Scheme' for eligible pensioners, veterans and seniors)
- long distance coach services to rural and remote communities within the state
- Heritage Rail Services
- the Rail XPT Service (Sydney-Brisbane) and Savannahlander (Atherton Tableland).

To provide assistance with cost-of-living pressures, the Queensland Government has provided fare reductions across the regional public transport network, with a flat fare of 50 cents per trip made available on a permanent basis in February 2025.

Vehicle and Boat Registration Concessions

Vehicle registration concessions for light and heavy motor vehicles are provided to a variety of individuals and organisations. For simplicity, this can be broken into 2 categories: person-based concessions and vehicle-based concessions.

Person-based concessions include concessions to holders of the Pensioner Concession Card, Queensland Seniors Card and to those assessed by the Department of Veterans' Affairs as meeting the necessary degree of incapacity or impairment. For most eligible card holders, a concession for a 4-cylinder vehicle would reduce the 12-month registration fee, excluding the Traffic Improvement Fee, by 50 per cent from \$288.45 to \$144.25 (until 15 September 2025) and from \$372.85 to \$186.45 (post 15 September 2025). As at 31 March 2025, this concessional group applied to approximately 597,488 vehicles.

Vehicle-based concessions are offered to Charitable and Community Service Organisations, Primary Producers, Special Interest Vehicles, people living in remote areas, Consular and Local Governments. As at 31 March 2025, this concessional group applied to approximately 121,935 vehicles.

For a recreational boat up to and including 4.5 metres in length, the concession reduces the registration fee by 50 per cent from \$97.35 to \$48.70. As at 31 March 2025, these concessions applied to approximately 35,555 vessels.

School Transport Assistance Scheme

The School Transport Assistance Scheme (STAS) assists students that do not have a school in their local area or who are from defined low-income groups. The STAS provides funding to reduce the cost of travelling to school on bus, rail and/or ferry services, with allowances for private vehicle transport in certain circumstances. A typical concession would be to fully fund the cost of travel from home to the nearest state primary or high school where no local primary or high school is available (e.g. from Bargara to Bundaberg High School).

Livestock and Regional Freight Contracts

The Livestock and Regional Freight Contracts provide funding to support the movement of both cattle and freight via rail to and from regional areas of Queensland. The funding reduces the cost of rail freight services, directly benefiting the cattle industry and those communities who are reliant on rail freight services and enabling regional Queensland communities to maintain employment.

Remote Communities Freight Assistance Scheme

The Remote Communities Freight Assistance Scheme is easing freight-related cost pressures across various remote and regional Queensland communities.

Communities in the Northern Peninsula, Torres Strait and Gulf region are benefiting from a retail subsidy of 20 per cent (which increased from 5.2 per cent on 9 September 2024) off essential goods at participating retailers.

The Scheme discount is being applied by 40 retailers across 14 of the 17 nominated Local Government Areas in the Northern Peninsula, Torres Strait and Gulf Regions.

Communities in the South-West region are benefiting from subsidised road freight services which reduce the cost of moving freight along the Balonne and Warrego highway supply chains.

The amounts shown are for the peninsular and South-West components of the Scheme only.

Communities in the Central West region are benefiting from subsidised rail freight services along the central west rail line from Rockhampton to Longreach. Funding for rail freight services in Central West is identified under Livestock and Regional Freight Contracts.

Rail Concession Scheme

The Queensland Rail Concession Scheme improves the affordability of long distance rail services for eligible pensioners, veterans, seniors and current/past rail employees with 25 years of service. Assistance for long-distance rail services is provided through discounted fares and free travel vouchers.

For TravelTrain (long-distance rail) services, depending on the service, the concession may be for free travel for up to 4 trips per year for Queensland pensioners (subject to availability of seats and payment of an administration fee)

Other Transport Concessions (Regional Queensland) and Taxi Subsidies

Other transport concessions (regional Queensland) and taxi subsidies are provided to ensure access and mobility for Queenslanders who require assistance because of age, disability or fixed low income.

Passengers entitled to receive public transport concessions include holders of a Pensioner Concession Card, Veterans' Affairs Gold or White Card, Seniors Card, Companion Card, Vision Impairment Travel Pass, Total Permanent Incapacitated/Extreme Disablement Adjustment Veteran Travel Card, children, secondary and tertiary students, JobSeeker and Youth Allowance recipients and asylum seekers.

The Queensland Government made 50 cent fares permanent in February 2025, replacing concessions on these services for cardholders not eligible for free travel.

The Taxi Subsidy Scheme (TSS) aims to improve the mobility of persons with severe disabilities by providing a 50 per cent concession fare up to a maximum subsidy of \$30 per trip. As at April 2025 there were 48,000 TSS members.

Practical Driving Test

As part of the state's driver licensing arrangements, applicants for new licences are required to undertake a practical driving test.

The total cost to pre-book driver examinations and to perform the practical driver assessment is not fully recovered by the fee charged (\$67.15 (including GST) current at 1 July 2025).

The objective of this concession is to assist predominantly young drivers and/or their parents with cost-of-living pressures.

It is estimated that in 2025–26, 198,000 applicants will each receive a direct concession of \$39.

Designated Public Transport Concessions for Interstate Seniors Card Holders

Designated Public Transport Concessions for Interstate Seniors Card Holders allows visitors from interstate, who hold a state or territory Seniors Card, to access public transport concessions within Queensland and is fully funded by the Queensland Government.

The Queensland Government made 50 cent fares permanent in February 2025, replacing this concession for SEQ services.

Concessions are still available for Queensland Rail Travel long-distance services; with a discount of 25 per cent off the full adult rail fare.

Table A.3.13 Queensland Fire Department

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Emergency Management Levy Concession	11.7	12.3
Total	11.7	12.3

Emergency Management Levy Concession

The Emergency Management Levy (EML) is applied to all prescribed Queensland property via council rates to ensure there is a secure funding base for fire and emergency services for Queenslanders at risk during emergencies such as fire and accidents, floods, cyclones and storms.

A 20 per cent discount is available on the EML for a property that is the owner's principal place of residence and where the owner holds a Commonwealth Pensioner Concession Card or a Repatriation Health Card (Gold Card). In 2025–26, 348,000 property owners are estimated to receive the concession.

Table A.3.14 Queensland Health

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Oral Health Scheme ¹	194.5	197.1
Patient Travel Subsidy Scheme ²	116.8	123.4
Medical Aids Subsidy Scheme ³	37.7	38.9
Spectacle Supply Scheme ⁴	8.8	9.9
Hospital Car Parking Concession Scheme ⁵	1.8	1.8
Total	359.6	371.1
Notes: 1. In 2025–26, Commonwealth funding available under the Federation Funding Agreement on Public Dental Services for Adults will remain the same as previous years (no indexation provided). 2. Reflects increased demand projections and increased concession rate subsidies. 3. The increase is due to expected cost escalations and service growth. 4. Increase in 2025–26 reflects improved awareness of the new procurement arrangements that increase patient access to spectacles. 5. The concession scheme funding allocation reached full expenditure in 2024–25.		

Oral Health Scheme

The Oral Health Scheme provides free dental care to eligible clients and their dependants who possess a current Health Care Card, Pensioner Concession Card, Queensland Seniors Card or Commonwealth Seniors Card.

The average value of a course of treatment for eligible clients is approximately \$830 for general care; \$2,200 for treatment involving dentures; and \$290 for emergency dental care. In rural and remote areas where no private dental practitioner exists, access to dental care for the general public is provided at a concessional rate, generally 15 per cent to 20 per cent less than average private dental fees.

Patient Travel Subsidy Scheme

The Patient Travel Subsidy Scheme (PTSS) provides financial assistance to patients travelling for specialist medical services that are not available locally. The PTSS provides a financial subsidy toward the cost of travel and accommodation for patients and, in some cases, an approved escort when patients are required to travel more than 50 kilometres from their nearest public hospital or public health facility to access specialist medical services.

Patients receive fully subsidised commercial transport for the most clinically appropriate cost-effective mode or will be subsidised at the appropriate discount rate (less GST and fees). The mileage subsidy is 34 cents per kilometre where patients travel by private car.

Accommodation subsidies are \$70 per person, per night, for the patient and approved escort if they stay in commercial accommodation. Should the patient or escort stay with family or friends, a subsidy of \$10 per person per night is available.

Repatriation costs are also provided for deceased patients under the PTSS to their Queensland place of residence or their Queensland Traditional Homelands, or their Queensland First Nations Country.

Medical Aids Subsidy Scheme

The Medical Aids Subsidy Scheme provides access to subsidy funding assistance for the provision of a range of aids and equipment to eligible Queensland residents with permanent and established conditions or disabilities. Aids and equipment are provided primarily to assist people to live at home, therefore avoiding premature or inappropriate residential care or hospitalisation.

Subsidies vary based on service category and clinical criteria and are provided to assist with the costs of communication aids, continence aids, daily living aids, medical grade footwear, mobility aids, orthoses and oxygen.

Based on demand and current applications as at end of March 2025, the scheme has provided year-to-date 52,913 occasions of service to 42,546 clients to the end of March 2025. The scheme is estimated to provide approximately 66,892 occasions of service to approximately 53,074 clients in the 2024–25 financial year.

If growth continues at the same rate as forecast in 2024–25, the scheme is estimated to provide approximately 73,581 occasions of service to approximately 63,688 clients in 2025–26.

Spectacle Supply Scheme

The Spectacle Supply Scheme (SSS) provides eligible Queensland residents with free access to a comprehensive range of basic spectacles every 2 years including bifocals and trifocals. Applicants must be holders of an eligible concession card and be deemed by a prescriber to have a clinical need for spectacles.

The SSS provides around 90,000 items each year to approximately 70,000 clients (some clients require more than one pair of spectacles due to clinical need), with eligibility on a 2-year basis. Demand can fluctuate across financial years.

During 2025–26, it is estimated that SSS will provide approximately 97,000 items to 58,580 clients.

Hospital Car Parking Concession Scheme

The Hospital Car Parking Concession Scheme supports Hospital and Health Services to provide affordable car parking for eligible patients and their carers at 17 Queensland public hospitals with paid parking.

Car parking concessions are available to eligible patients and their carers who attend hospital frequently, or for an extended period of time; patients and their carers with special needs who require assistance; and patients and carers experiencing financial hardship.

The scheme provides access to discounted parking with a year-to-date average parking discount of approximately 55 per cent when compared to commercial rates.

Table A.3.15 Queensland Treasury

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Uniform Tariff Policy – Energy Queensland (Excluding Isolated Systems) ¹	534.4	473.9
Uniform Tariff Policy – Energy Queensland (Isolated Systems) ²	109.6	126.3
Supercharged Solar for Renters ³	..	8.8
Electricity Tariff Adjustment Scheme ⁴	5.5	5.0
Uniform Tariff Policy – Origin Energy	4.0	4.1
Queensland Business Energy Saving and Transformation Rebates Program ⁵	2.5	..
Total	656.0	618.1
Notes:		
1. Higher payments in 2024–25 reflect methodology differences between the Queensland Competition Authority's calculation for retail electricity prices and the Australian Energy Regulator's for the Default Market Offer. Differences are substantially smaller in 2025–26, reducing the estimated cost.		
2. Increases are due to rising operating costs, including higher fuel expenses.		
3. This is a new program starting in 2025–26.		
4. Reductions are in line with program expectations, as participants move out of the scheme over time.		
5. This program closed on 19 September 2024.		

Uniform Tariff Policy – Energy Queensland (Excluding Isolated Systems)

A customer service obligation payment is provided to the regional retailer, Ergon Energy, through Energy Queensland, and covers the difference between the revenue earned by charging customers notified prices and the actual costs of supply in the regional areas (due to differences in network costs and energy losses).

Uniform Tariff Policy – Energy Queensland (Isolated Systems)

Energy Queensland, through the regional retailer Ergon Energy, owns and operates 33 isolated power systems which supply electricity in remote and isolated communities, and provides retail electricity services to customers in those communities at notified electricity prices.

This customer service obligation payment is provided to Ergon Energy, through Energy Queensland, and covers the difference between the revenue earned by charging customers notified prices and the actual cost of operating the isolated power systems.

Supercharged Solar for Renters

The Supercharged Solar for Renters Program will provide cost-of-living support through reducing energy bills for Queensland renters.

The program will provide rebates of up to \$3,500 to eligible landlords for installing solar panels on rental properties.

Electricity Tariff Adjustment Scheme

The Electricity Tariff Adjustment Scheme provides targeted support to regional businesses materially impacted by the phase-out of obsolete electricity tariffs from 30 June 2021. This initiative provides eligible customers with individually tailored transitional rebates to help offset the removal of obsolete tariffs and incentivise a pathway to self-sufficiency over time. Eligible businesses will receive a subsidy payment for up to 9 years.

Uniform Tariff Policy – Origin Energy

Origin Energy retails electricity to approximately 4,700 Queensland non-market customers in the Goondiwindi, Texas and Inglewood areas who are supplied electricity through the New South Wales Essential Energy distribution network.

The government provides a subsidy to these customers, via rebate payments to Origin Energy, to ensure they pay a similar price for electricity as other Queenslanders. Therefore, the rebate amount depends on the relative difference between Queensland and New South Wales retail electricity tariffs for non-market customers.

A.4 Concessions by government-owned corporations

Table A.4.1 Energy Queensland Limited

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Regulated Service Charges – Energex	12.5	18.0
Regulated Service Charges – Ergon Energy	6.7	10.0
Total	19.2	28.0

Regulated Service Charges – Energex

Under Schedule 8 of the *Electricity Regulation 2006*, charges for a range of services provided by Energex Limited (Energex) to energy retailers, for example disconnection and reconnection of supply, are capped.

The maximum amount Energex is able to charge for these services is, on average, less than the value which the Australian Energy Regulator ascribes to the provision of these services by Energex, resulting in a concession provided to energy retailers and, in turn, to Queensland households.

Regulated Service Charges – Ergon Energy

Under Schedule 8 of the *Electricity Regulation 2006*, service charges for a range of services provided by Ergon Energy Corporation Limited (Ergon Energy) to energy retailers, for example disconnection and reconnection of supply, are capped.

The maximum amount Ergon Energy is able to charge for these services is, on average, less than the value which the Australian Energy Regulator ascribes to the provision of these services by Ergon Energy, resulting in a concession provided to energy retailers and, in turn, to Queensland households.

Table A.4.2 Gladstone Ports Corporation Limited

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Concessional Port Charges	38.0	39.0
Total	38.0	39.0

Concessional Port Charges

The Gladstone Ports Corporation Limited (GPC) is subject to a number of long-term major industry contracts where port charges are significantly lower than market rates.

These historical contracts were entered into to support various industries and government initiatives from time to time. The amounts shown are estimates of the revenue foregone by GPC as a result of being unable to charge commercial rates.

Table A.4.3 Sunwater Limited

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Water Supply Contracts	37.7	38.7
Total	37.7	38.7

Water Supply Contracts

Sunwater has a number of historic non-commercial water supply contracts that benefit specific entities (including local governments). The amount shown represents the difference between the estimated revenue under these contracts and what could potentially be recovered under a commercial cost allocation pricing model.

Table A.4.4 Concessional Leases by Entity (Industry, Commercial and Community)

Concession	2024–25 Est. Act. \$ million	2025–26 Estimate \$ million
Port of Townsville Limited	6.8	6.9
Gladstone Ports Corporation Limited	5.4	6.0
Queensland Rail Limited	2.7	2.8
Far North Queensland Ports Corporation Limited	2.0	2.0
North Queensland Bulk Ports Corporation Limited	1.6	1.6
Total	18.5	19.3

Concessional Leases (Industry, Commercial and Community)

The above government-owned corporation entities provide leases to various community organisations, local councils, government departments and industry participants at below commercial rates. The amounts shown are estimates of the revenue foregone by not charging commercial rates.

Appendix B: Tax expenditure statement

Context

Governments employ a range of policy tools to achieve social and economic objectives. These include the use of direct budgetary outlays, regulatory mechanisms and taxation.

This Tax Expenditure Statement (TES) details revenue forgone as a result of Queensland Government decisions relating to the provision of tax exemptions or concessions. The TES is designed to improve transparency in the use of tax expenditures and increase public understanding of the fiscal process.

Tax expenditures are reductions in tax revenue that result from the use of the taxation system as a policy tool to deliver government policy objectives. Tax expenditures are provided through a range of measures, including:

- tax exemptions, rebates or deductions
- the application of reduced tax rates to certain groups or sectors of the community
- provisions, which defer payment of a tax liability to a future period.

Labelling an exemption or concession as a tax expenditure does not necessarily imply any judgement as to its appropriateness. It merely makes the amount of the exemption or concession explicit and thereby facilitates its scrutiny as part of the annual budget process.

Methodology

Revenue forgone approach

The method consistently used by governments to quantify the value of their tax expenditures is the revenue forgone approach. This method estimates the revenue forgone through use of the concession by applying the benchmark rate of taxation to the volume of activities or assets affected by the concession.

One of the deficiencies of the revenue forgone approach is that effects on taxpayer behaviour resulting from tax expenditures are not factored into the estimate. Consequently, the aggregation of costings for individual tax expenditure items presented in the TES will not necessarily provide an accurate estimate of the total level of assistance provided through tax expenditures.

Measuring tax expenditures requires the identification of:

- a benchmark tax base
- concessionally taxed components of the benchmark tax base such as a specific activity or class of taxpayer
- a benchmark tax rate to apply to the concessionally taxed components of the tax base.

Defining the tax benchmark

An important step in the preparation of a TES is the establishment of a benchmark for each tax included in the statement. The benchmark provides a basis against which each tax concession can be evaluated. The aim of the benchmark is to determine which concessions are tax expenditures as opposed to structural elements of the tax. The key features of a tax benchmark are:

- the tax rate structure
- any specific accounting conventions applicable to the tax
- the deductibility of compulsory payments
- any provisions to facilitate administration
- provisions relating to any fiscal obligations.

By definition, tax expenditures are those tax concessions not included as part of the tax benchmark.

Identification of what features of a tax constitute a tax expenditure, as well as the relevant benchmark revenue bases and rates, requires a degree of judgement and is not definitive. In addition, data limitations mean that the tax expenditures are approximations and are not exhaustive. This statement does not include estimates of revenue forgone from exemptions or concessions provided to government agencies. Very small exemptions or concessions are also excluded.

The tax expenditure statement

This year's statement includes estimates of tax expenditures in 2023–24 and 2024–25 for payroll tax, the mental health levy, land tax, duties, the waste disposal levy and gambling taxes. A summary of the major tax expenditures valued on the basis of revenue forgone is presented in Table B.1. Not all expenditures can be quantified at this time. Accordingly, the total value of tax expenditures should be considered as indicative only.

Table B.1 Tax expenditure summary¹

	2023–24 \$ million	2024–25 \$ million
Payroll tax		
Liability threshold	1,094	1,122
Graduated scale	32	35
Deduction scheme	688	733
Regional discount	115	122
Section 14 exemptions	993	1,049
Local government	173	183
Education	266	281
Hospitals (excluding public hospitals)	80	85
Charities	474	500
Apprentice and trainee exemption	117	127
Apprentice and trainee rebate	51	55
General practitioner amnesty and exemption ²	100	109
Total payroll tax	3,190	3,352
Mental health levy		
Graduated scale	188	201
Land tax		
Liability threshold	1,029	1,089
Graduated land tax scale	1,832	2,304
Principal place of residence exemption	591	804
Primary production exemption	313	417
Part 6 Divisions 2 and 3 exemptions not included elsewhere	196	216
Land developers' concession	9	10
Land tax foreign surcharge (LTFS) exemption/ex gratia ³	70	54
Total land tax	4,041	4,894
Duties		
Transfer duty⁴		
Home concession ⁵	542	488
First home concession ⁵	147	359
First home vacant land concession ⁵	15	30
Additional foreign acquirer duty exemption/ex gratia	19	12
Insurance duty		
WorkCover	108	122
Health insurance	516	535
Compulsory third party (CTP)	95	98
Total duties	1,442	1,644

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	2023–24 \$ million	2024–25 \$ million
Queensland waste levy		
Exempt waste – general	17	40
Approved exemptions	172	225
Approved discounts	9	10
Total waste levy	199	276
Taxes on gambling		
Gaming machine taxes	149	158
Casino taxes	14	15
Total gambling tax	163	173
Total	9,223	10,540
Notes: <ol style="list-style-type: none"> Numbers may not add due to rounding. From 1 December 2024, a payroll tax exemption for payments to all general practitioners (GPs), including employed GPs, has applied under Section 14 of the <i>Payroll Tax Act 1971</i>. Prior to this date, a payroll tax amnesty was provided for contracted GPs, with the amnesty due to expire on 30 June 2025. Tax expenditures for each measure are combined as a standalone item in this table. Subject to revision as further LTFS ex gratia applications are processed. Tax expenditures related to the removal of transfer duty for first home buyers buying or building a new home will be included separately from the 2026–27 Queensland Budget. Changes from 2023–24 to 2024–25 reflect the raising of the property value thresholds for first home buyer concessions from 9 June 2024 (which reduced the number of first home buyer transactions receiving the home concession only), and the removal of transfer duty for first home buyers purchasing or building new homes from 1 May 2025. 		

Discussion of individual tax expenditures

Payroll tax

The benchmark tax base for payroll tax is assumed to be all taxable wages, salaries and supplements (including employer superannuation contributions) paid in Queensland, as defined in the *Payroll Tax Act 1971*.

Payroll tax liability threshold

From 1 July 2019, employers in Queensland with an annual Australian payroll of \$1.3 million or less have not been liable for payroll tax. On the basis of November 2024 average weekly adult total earnings, the threshold corresponded to businesses with payrolls equivalent to employing approximately 12 full-time equivalent employees. This threshold is designed to assist small and medium sized businesses.

Graduated payroll tax scale

Queensland employers with Australian payrolls between \$1.3 million and \$6.5 million are liable for payroll tax at a rate of 4.75 per cent, and those with payrolls above \$6.5 million are liable at a rate of 4.95 per cent. The benchmark tax rate for payroll tax is assumed to be 4.95 per cent.

Deduction scheme

Queensland employers with Australian payrolls between \$1.3 million and \$10.4 million, benefit from a deduction in taxable payrolls of \$1.3 million, which reduces by \$1 in every \$7 by which the annual payroll exceeds \$1.3 million. No deduction is available for employers or groups that have annual payroll in excess of \$10.4 million.

Regional discount

Employers who are based in regional Queensland and pay over 85 per cent of taxable wages to regional areas may be entitled to a discount on the rate of payroll tax imposed on their taxable wages. The discounted payroll tax rates for regional businesses are 3.75 per cent for employers who pay \$6.5 million or less in Australian taxable wages, or 3.95 per cent for employers who pay more than \$6.5 million in Australian taxable wages.

From 1 July 2024, the regional discount does not apply for employers who pay more than \$350 million in Queensland taxable wages.

Section 14 exemptions

A number of organisations are provided with exemptions from payroll tax under Section 14 of the *Payroll Tax Act 1971*. The activities for which estimates have been calculated are wages paid by charities for employees working in hospitals, non-tertiary private educational institutions and for other qualifying exempt purposes, and for local governments (excluding commercial activities).

Apprentice and trainee exemptions

Most apprentice and trainee wages are exempt from payroll tax. To be eligible the employee must sign a training contract with their employer to undertake an apprenticeship or traineeship declared under the *Further Education and Training Act 2014*.

Apprentice and trainee rebate

In addition to being exempt wages for payroll tax, a rebate can be claimed that reduces the overall payroll tax liability of an employer. The rebate is calculated by multiplying 50 per cent of the apprentice and trainee wages by the applicable payroll tax rate for each return period.

General practitioner amnesty and exemption

A payroll tax amnesty in relation to payments made to contracted general practitioners applied for the 5-year period until 30 November 2024. From 1 December 2024, wages paid by a medical practice (other than a hospital) to a contracted or employee general practitioner are exempt from payroll tax under Section 14 of the *Payroll Tax Act 1971*.

Mental health levy

The benchmark tax base for the mental health levy is assumed to be taxable wages, salaries and supplements (including employer superannuation contributions) paid in Queensland.

Queensland employers with Australian payrolls between \$10 million and \$100 million are liable for a primary rate of 0.25 per cent, and those with payrolls above \$100 million are liable for the primary rate of 0.25 per cent plus an additional rate of 0.5 per cent. The benchmark rate for the mental health levy is assumed to be 0.75 per cent.

Land tax

The benchmark tax base is assumed to be all freehold land within Queensland. As outlined below for each specific tax expenditure, the appropriate benchmark tax rate for land tax is either the top rate of land tax applicable in Queensland (excluding surcharges) in each financial year, or the effective rate under the graduated scale of land tax rates for revenue foregone.

Liability threshold

Land tax is payable on the value of taxable land equal to or above a threshold which depends on the land's ownership. The threshold for companies, trusts and absentees is \$350,000 and for resident individuals the threshold is \$600,000.

Graduated land tax scale

A graduated (concessional) scale of land tax rates is applicable to land holdings with a taxable value of less than \$10 million for resident individuals and companies, trustees and absentees. The benchmark rates used for estimating the tax expenditures were the highest rates applicable for different types of owner, 2.25 per cent for individuals, 2.5 per cent for absentees and 2.75 per cent for companies and trustees.

Principal place of residence exemption

Land owned by resident individuals as their principal place of residence is excluded from the estimate of taxable land value in calculating land tax. The benchmark rates used for estimating the tax expenditures were the effective rate under the graduated scale of land tax rates.

Primary production deduction

The taxable value of land owned by a resident individual, trustee or some absentees and companies does not include all or part of their land that is used for the business of agriculture, pasturage or dairy farming. The benchmark rates used for estimating the tax expenditures were the effective rate under the graduated scale of land tax rates.

Part 6 Divisions 2 and 3 exemptions (not elsewhere included)

A number of land tax exemptions are granted to eligible organisations in Part 6 Divisions 2 and 3 of the *Land Tax Act 2010*. These include, but are not limited to, public benevolent institutions, religious institutions and other exempt charitable institutions, retirement villages, trade unions and showgrounds.

Land developers' concession

Land tax payable by land developers is calculated on the basis that the unimproved value of undeveloped land subdivided in the previous financial year and which remains unsold at 30 June of that year is 60 per cent of the Valuer-General's value. This concession is outlined in Section 30 of the *Land Tax Act 2010*.

Land tax foreign surcharge exemption/ex gratia

An Australian-based foreign corporation or trust whose commercial activities make a significant contribution to the Queensland economy and community, including through property development, may be eligible for ex-gratia relief from the land tax foreign surcharge.

Duties

Home concession

A concessional rate of duty applies to purchases of a principal place of residence.

A one per cent concessional rate applies on dutiable values up to \$350,000, rather than the normal schedule of rates between 1.5 per cent and 3.5 per cent. For properties valued over \$350,000, the scheduled rates of transfer duty apply on the excess.

First home concession

Where a purchaser has not previously owned a residence in Queensland or elsewhere, the purchaser of a home receives a more generous concession on duty.

This concession comprises a rebate in addition to the home concession on properties (this concession may not be applicable if the purchase price is less than the full market value of the property). The size of the rebate depends on the value of the property.

For contracts signed before 9 June 2024, a full concession is provided for purchases of a first principal place of residence valued up to \$500,000, phasing out at \$550,000.

For contracts signed on or after 9 June 2024, a full concession is provided for eligible purchases of a first principal place of residence valued up to \$700,000, phasing out at \$800,000.

From 1 May 2025, no transfer duty will be payable on newly built homes purchased by eligible first home buyers, regardless of the property value.

First home vacant land concession

For contracts signed before 9 June 2024, a first home concession was available for the purchase of certain vacant land up to the value of \$400,000, with a full concession available on certain vacant land up to the value of \$250,000.

For contracts signed on or after 9 June 2024 to 1 May 2025, a full concession is provided for eligible vacant land purchases valued up to \$350,000, phasing out at \$500,000.

From 1 May 2025, no transfer duty will be payable on vacant land purchased by eligible first home buyers on which they will build their new home, regardless of the land value.

Additional foreign acquirer duty exemption

An Australian-based foreign corporation or trust whose commercial activities involve significant development by adding to the supply of housing stock in Queensland, where such development is primarily residential, may be eligible for ex-gratia relief from additional foreign acquirer duty.

Insurance duty

The benchmark tax base is assumed to be all premiums for general insurance policies (not for life insurance). The benchmark tax rate is 9 per cent. Accident insurance (WorkCover) duty is levied at a rate of 5 per cent, health insurance is exempt from insurance duty, and CTP duty is levied at a rate of 10 cents per policy.

Queensland Waste Levy

The Queensland Waste Levy is payable by landfill operators on waste disposed to landfill, except waste generated and disposed in the non-levy zone. In 2024–25, the levy rate was \$115 per tonne in the metropolitan levy area and \$94 per tonne in the regional levy area (higher for regulated wastes).

General levy exemptions exist for particular wastes, such as those from declared disasters and severe local weather events. Also, levy exemptions are available on application for other particular wastes, such as waste from charitable recycling organisations and community clean-up events.

Levy discounts of 50 per cent are available on application for residue wastes from particular recycling activities.

Gambling taxes

Gaming machine tax concessions for licensed clubs

The benchmark tax base is assumed to be all gaming machines operated by licensed clubs and hotels in Queensland. The benchmark tax rate is assumed to be the highest marginal tax rate (as is applied to hotels) that actually applied in each financial year.

A progressive tax rate scale applies to gaming machines operated by licensed clubs. The tax rate is calculated monthly on the gaming machine taxable metered win and the top tax rate is only applied to the portion of gaming machine revenue where the monthly metered win exceeds \$1.4 million for any licensed club.

Casino tax concessions

The benchmark tax base is assumed to be all casinos operating in Queensland. The benchmark tax rate is assumed to be the highest tax rate that is actually applied in each financial year.

A tax rate of 20 per cent of gross revenue applies for standard transactions in the Brisbane and Gold Coast casinos. A concessional tax rate of 10 per cent applies for gross revenue from standard transactions in the Cairns and Townsville casinos. The tax rate applicable to gaming machines in casinos is 30 per cent of gross revenue in the Brisbane and Gold Coast casinos, and 20 per cent in the Cairns and Townsville casinos.

In addition, concessional rates of 10 per cent also apply for revenue from high rollers table game play in all casinos. A GST credit is provided to casinos that approximates a reduction in the above tax rates of 9.09 per cent.

Appendix C: Revenue and expense assumptions and sensitivity analysis

The 2025–26 Queensland Budget, similar to all other jurisdictions, is based in part on assumptions made about parameters, both internal and external to Queensland, which can impact directly on economic and fiscal forecasts.

The sensitivity of revenue and expense forecasts to movements in underlying assumptions is particularly relevant given the ongoing uncertainty in global and national economic conditions and other factors that can directly or indirectly impact key revenues.

The forward estimates in the 2025–26 Queensland Budget are framed on a no-policy-change basis. That is, the expenditure and revenue policies in place at the time of the Budget (including those announced in the Budget) are applied consistently throughout the forward estimates period.

This appendix outlines the key assumptions, estimates and risks associated with key revenue and expenditure forecasts.

Taxation revenue assumptions and risks

The rate of growth in tax revenues is dependent on a range of factors linked to the rate of growth in economic activity in the state. Some taxes are closely related to activity in specific sectors of the economy, whilst others are broadly related to the general rate of economic growth, employment, inflation or wages.

Therefore, any change in the level of economic activity compared with that reflected in the economic forecasts outlined in this paper would impact a broad range of taxation receipts.

Wages and employment growth – payroll tax

Wages and employment growth have a direct impact on payroll tax collections. Forecasts for these parameters are outlined in Chapter 1.

A one percentage point variation in either Queensland wages growth or employment is estimated to change total payroll tax collections by approximately \$79 million in 2025–26.

Property prices and transaction volumes – transfer duty

Transfer duty, as a transaction-based tax, can be volatile from year to year reflecting cyclical residential and non-residential market conditions.

A one percentage point variation in either the average value of property transactions or the volume of transactions is estimated to change transfer duty collections by approximately \$72 million in 2025–26.

Royalty assumptions and revenue risks

Table C.1 provides the key assumptions adopted for the 2025–26 Queensland Budget in relation to coal and petroleum royalties, which represent the bulk of Queensland's royalty revenue.

Table C.1 Taxation and royalty revenue¹

	2023–24 Actual	2024–25 Est. Act.	2025–26 Budget	2026–27 Projection	2027–28 Projection	2028–29 Projection
Tonnages – crown export ² coal (Mt)	193	196	214	219	217	213
Exchange rate US\$ per A\$ ³	0.66	0.65	0.64	0.65	0.68	0.72
Year average coal prices (US\$ per tonne)⁴						
Hard coking	287	196	190	190	190	190
PCI/Semi-soft	171	152	141	143	143	143
Thermal	136	120	113	120	120	120
Year average oil price						
Brent (US\$ per barrel) ⁵	84	81	66	68	71	73
Notes:						
1. Numbers in this table may be affected by rounding.						
2. Excludes coal produced for domestic consumption and where royalties are not paid to the government (private royalties). The 2025–26 estimated domestic coal volume is approximately 24.5 million tonnes (Mt) and private coal is 6.0 Mt.						
3. Estimated year-average.						
4. Estimated year-average spot prices for highest quality coking and thermal coal. Lower quality coal can be sold below this price, with indicative average prices for 2025–26 as follows: hard coking coal US\$176/t and thermal coal US\$83/t.						
5. Published Brent oil prices are lagged by 4 months to better align with royalty revenue.						

Exchange rate and commodity prices and volumes

Estimates of mining royalties are sensitive to movements in the A\$-US\$ exchange rate and commodity prices and volumes.

Contracts for the supply of commodities are generally written in US dollar terms. Accordingly, a change in the exchange rate impacts on the Australian dollar price of commodities and, therefore, expected royalty collections.

Due to the prevailing global economic uncertainty, the exchange rate has been particularly volatile, even as prices and volumes continue to normalise from recent peaks seen between 2021–22 and 2023–24.

Coal royalties are based on progressive rates with higher royalty rates applying to higher coal prices. Conversely, as coal prices moderate downwards, only lower royalty tiers and rates apply.

Potential impact on coal royalty revenue¹

For each one cent movement in the A\$-US\$ exchange rate in 2025–26, the impact on royalty revenue would be approximately \$199 million.

A one per cent variation in export coking and thermal coal volumes would lead to an estimated change in royalty revenue of approximately \$60 million.

¹ Sensitivities represent the estimated change to royalty revenue accruing over the 2025–26 return period.

A one million tonne variation in export volumes would lead to an estimated change in royalty revenue of approximately \$28 million.

A one per cent variation in the average price of export coal would lead to an estimated change in royalty revenue of approximately \$100 million.

Parameters influencing Australian Government GST payments to Queensland

The 2025–26 Queensland Budget incorporates estimates of GST revenue grants to Queensland based on 2025–26 Federal Budget estimates of national GST collections and Queensland Treasury assumptions of Queensland's share.

Since the Australian Government payments are based on the amount actually collected, it is the Queensland Budget that bears the risks of fluctuations in GST collections. There is a risk of lower collections than estimated if national economic growth and consumption are weaker than expected, or if the share of consumption subject to GST is lower than anticipated.

GST revenue forecasts are informed by the Commonwealth Grants Commission's (CGC) 2025 Review assessment methodologies as set out in the Review Outcomes and GST Relativities 2025–26 reports, released on 14 March 2025. The forecasts are on the basis that no further changes will be made to the methodologies underpinning the CGC's calculation of states' share of GST revenue over the forward estimates.

Due to the complexities associated with the GST base, the information provided in the Federal Budget papers is insufficient to prepare indicative estimates of the sensitivity of GST forecasts to key variables.

Sensitivity of expenditure estimates and expenditure risks

Interest rates

The GGS has a total debt servicing cost forecast at \$3.501 billion in 2025–26. The current average duration of GGS borrowing with the Queensland Treasury Corporation is 5.96 years.

The majority of General Government Sector debt is held under fixed interest rates and, therefore, the impact of interest rate variations on debt servicing costs in 2025–26 would be relatively modest, with the impact occurring progressively across the forward estimates.

Actuarial estimates of superannuation and long service leave

Liabilities for superannuation and long service leave are estimated by the State Actuary with reference to, among other things, assumed rates of investment returns, salary growth, inflation and the discount rate. These liabilities are therefore subject to changes in these parameters. Similarly, the long service leave liabilities are subject to the risk that the actual rates of employee retention will vary from those assumed in the liability calculation.

Appendix D: Fiscal aggregates and indicators

	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
	Actual ¹ \$ million	Actual ¹ \$ million	Actual ¹ \$ million	Actual ¹ \$ million	Actual \$ million	Actual \$ million	Actual \$ million	Est. Act. \$ million	Projection \$ million	Projection \$ million	Projection \$ million	Projection \$ million
General Government												
Total revenue	58,087	59,828	57,778	62,791	74,185	89,809	89,768	89,476	91,337	94,886	97,748	102,457
Taxation revenue	13,244	14,165	14,555	16,249	20,011	20,601	22,659	25,015	26,907	28,723	30,442	32,154
Total expenses	56,337	58,843	63,505	63,706	69,902	75,880	88,087	94,852	99,918	100,751	102,033	103,543
Employee expenses	22,681	24,019	25,662	26,385	28,068	30,558	33,264	36,194	37,964	39,274	40,623	42,064
Net operating balance	1,750	985	(5,728)	(915)	4,284	13,928	1,681	(5,376)	(6,581)	(5,864)	(4,285)	(1,086)
Capital purchases	5,126	5,764	6,306	6,682	7,878	9,899	10,507	13,370	14,639	18,554	19,124	18,655
Net capital purchases	2,337	3,192	3,436	3,942	4,356	5,838	5,682	8,418	9,052	11,608	11,662	10,634
Fiscal balance	(587)	(2,207)	(9,164)	(4,857)	(72)	8,090	(4,001)	(13,794)	(17,632)	(17,472)	(15,948)	(11,720)
Borrowing with QTC	29,256	29,468	37,570	46,153	49,000	46,166	50,950	66,766	88,128	107,149	124,871	138,524
Leases and similar arrangements ²	2,142	2,612	6,485	7,703	7,671	7,519	7,759	8,013	7,288	7,087	6,761	6,588
Securities and Derivatives	122	121	198	220	93	41	64	64	64	64	64	64
Net debt	(509)	(198)	14,036	11,344	10,997	2,608	5,884	22,092	41,803	61,805	79,239	93,217
Non-financial Public Sector												
Total revenue	66,164	68,329	66,171	71,318	85,485	100,820	100,258	100,978	102,638	107,256	111,693	117,106
Capital purchases	7,643	8,460	9,482	9,877	11,130	14,300	16,887	21,583	23,837	26,749	26,221	25,326
Borrowing with QTC	66,964	67,576	76,464	85,901	90,851	89,442	95,619	114,371	139,466	161,885	182,195	197,692
Leases and similar arrangements ²	2,142	2,612	6,977	8,157	8,028	7,887	8,504	8,711	7,921	8,324	7,919	7,721
Securities and Derivatives	405	720	1,503	1,570	17,374	5,491	2,274	1,096	453	275	246	247

Notes:

1. With the implementation of the latest GFS Manual (AGFS15), some categories have been restated to ensure comparability.
2. Approximately \$2.2 billion increase in General Government and \$2.6 billion in NFPS in 2019–20 on adoption of the new lease accounting standard AASB 16.

Budget Strategy and Outlook 2025–26

	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29
	Actual ¹	Actual ¹	Actual ¹	Actual ¹	Actual	Actual	Actual	Est. Act.	Projection	Projection	Projection	Projection
	%	%	%	%	%	%	%	%	%	%	%	%
General Government												
Revenue/GSP	16.6	16.3	16.0	17.1	16.3	17.3	17.6	16.9	16.6	16.4	16.1	16.1
Tax/GSP	3.8	3.9	4.0	4.4	4.4	4.1	4.4	4.7	4.9	5.0	5.0	5.1
Own source revenue/GSP	8.6	8.6	8.4	8.1	8.8	10.2	9.7	9.1	9.1	8.9	8.6	8.4
Expenses/GSP	16.1	16.1	17.6	17.3	15.4	15.0	17.2	17.9	18.2	17.4	16.8	16.3
Employee expenses/GSP	6.5	6.6	7.1	7.2	6.2	6.0	6.5	6.8	6.9	6.8	6.7	6.6
Net operating balance/GSP	0.5	0.3	(1.6)	(0.2)	0.9	2.8	0.3	(1.0)	(1.6)	(1.0)	(0.7)	(0.2)
Capital purchases/GSP	1.5	1.6	1.7	1.8	1.7	2.0	2.1	2.5	2.7	3.2	3.2	2.9
Net cash inflows from operating activities/net cash flows from investments in non-financial assets	107.0	105.5	(2.5)	0.7	136.9	204.6	65.0	(9.3)	(21.5)	0.6	14.6	32.8
Fiscal balance/GSP	(0.2)	(0.6)	(2.5)	(1.3)	(0.0)	1.6	(0.8)	(2.6)	(3.2)	(3.0)	(2.6)	(1.8)
Total borrowings/GSP	9.0	8.8	12.3	14.7	12.5	10.6	11.5	14.1	17.3	19.8	21.7	22.8
Total borrowings/revenue	54.3	53.8	76.6	86.1	76.5	59.8	65.5	83.6	104.5	120.5	134.7	141.7
Lease and other liabilities/revenue	3.7	4.4	11.2	12.3	10.3	8.4	8.6	9.0	8.0	7.5	6.9	6.4
Net debt/revenue	(0.9)	(0.3)	24.3	19.1	14.8	2.9	6.3	24.7	45.8	64.9	81.1	91.0
Revenue growth	3.4	3.0	(3.4)	8.7	18.1	21.1	(0.0)	(0.3)	2.1	3.9	3.0	4.8
Tax growth	2.5	7.0	3.0	11.4	23.1	2.9	10.0	10.4	7.6	6.7	6.0	5.6
Expenses growth	5.6	4.4	7.9	0.3	9.7	8.6	16.1	7.7	5.3	0.8	1.3	1.5
Employee expenses growth	6.7	5.9	6.8	2.8	6.4	8.9	8.9	8.8	4.9	3.5	3.4	3.5
Non-Financial Public Sector												
Capital purchases/GSP	2.2	2.3	2.6	2.7	2.5	2.8	3.3	4.1	4.3	4.6	4.3	4.0
Total borrowings/GSP	19.9	19.4	23.6	26.0	26.6	20.4	20.8	23.4	26.9	28.5	31.4	32.3
Total borrowings/revenue	105.1	103.8	128.4	134.1	136.0	102.0	106.1	122.9	144.0	159.0	170.4	175.6
Net financial liabilities/revenue	111.5	114.9	158.3	142.5	117.8	90.5	95.0	111.7	134.7	150.9	162.8	168.1

Notes:

1. With the implementation of the latest GFS Manual (AGFS15), some categories have been restated to ensure comparability. Actual GSP figures: as at 2023/24 ABS National Accounts: State Accounts.



Queensland Budget 2025–26
Budget Strategy and Outlook Budget Paper No.2
budget.qld.gov.au



Form 21 – Certificate of Exhibit to Affidavit

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Industrial Relations (Tribunals) Rules 2011, r 53

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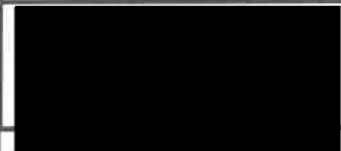
Matter details

Applicant:	Queensland Council of Unions and Anor
	v
Respondent:	State of Queensland (Office of Industrial Relations)

Exhibit details

Name of document:	Reserve Bank of Australia Statement on Monetary Policy May 2025
Marked:	DM-3
Mentioned in the affidavit of:	Dennis Patrick Molloy

Signature

Full name of deponent/ substitute signatory:	Dennis Patrick Molloy
Signature of deponent/ substitute signatory:	
Full name of witness:	Phoebe Lee Everingham
Signature and type of witness:	 <input type="checkbox"/> Justice of the Peace <input type="checkbox"/> Commissioner for Declarations <input checked="" type="checkbox"/> Lawyer
Sworn/Affirmed at [place]:	1 William Street, Brisbane
Date:	25/7/2025



Statement on Monetary Policy

May 2025

The cut-off for data used to prepare the forecasts for the *Statement on Monetary Policy* was 14 May 2025. The data cut-off for Chapter 3: Australian Economic Conditions was 15 May 2025.

Some graphs in this publication were generated using Mathematica.

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May 2025

Statement on Monetary Policy

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Overview

In Australia, inflationary pressures have continued to ease, and both headline and underlying inflation are within the 2–3 per cent range. The unemployment rate has remained steady and employment growth has remained firm, but the pick-up in household consumption seems to be a bit softer than previously expected. The global economic outlook has worsened following the introduction of higher tariffs by the United States and a significant increase in uncertainty related to trade policies. This is expected to weigh on Australia's domestic activity and inflation in the forecast period, slowing the pick-up in GDP growth a little while inflation returns sustainably to around the midpoint of the target.

The Monetary Policy Board judged that the risks to inflation had become more balanced but that the outlook is uncertain and depends heavily on unpredictable developments in global trade policy. Against this backdrop, the Board decided to lower the cash rate target by 25 basis points to 3.85 per cent.

Underlying inflation has returned to the 2–3 per cent range.

Underlying inflation has continued to decrease as expected. Trimmed mean inflation was 2.9 per cent over the year to the March quarter. The slowdown in underlying inflation has been broadly based.

Headline inflation was 2.4 per cent over the year to the March quarter. Temporary government subsidies to households continued to weigh on the year-ended rate. Quarterly inflation picked up in March, however, as some of these subsidies were unwound.

Labour market conditions have been steady, as expected.

The unemployment rate has remained around its current level of 4.1 per cent.

The labour market is still judged to be tight, although the assessment of full employment is uncertain. Year-ended wages growth increased slightly in the March quarter but is lower than a year ago as momentum in private sector wages has declined over the past year. However, growth in broader measures of labour costs – including unit labour costs – remains elevated, partly due to subdued productivity growth. The share of firms reporting that labour availability is constraining output remains higher than usual.

Growth in household consumption in early 2025 appears a little weaker than expected. GDP growth over the December and March quarters is likely to have been broadly as expected in February. That said, partial data for early 2025 suggest a softer pick-up in household consumption growth in the near term than previously forecast.

Globally, uncertainty has increased.

Global trade policy uncertainty has risen substantially following the announcement of significant increases in tariffs by the United States in early April. Many of these tariffs were subsequently reduced as the United States announced pauses to allow trade negotiations to take place. The Chinese authorities also lowered the tariffs they had

announced on US imports in response and signalled a more expansionary policy stance to support domestic economic growth. Financial market liquidity was strained in early April and pricing was volatile, but markets did not experience the persistent disruptions seen in some past episodes of stress. Market participants have lowered their expectations for the paths of central bank policy rates in most advanced economies, consistent with expectations of weaker economic outcomes. However, market pricing suggests that participants see the risk of a severe downturn as low, posing downside risks if the trade conflict re-escalates.

The outlook for the economy is a little weaker amid heightened uncertainty.

Given the range of potential outcomes for trade policy and the global economy, the outlook for the domestic economy is more uncertain than usual. To assess a plausible range of outcomes for Australia's economy, we have complemented our baseline forecast with scenarios.

The outlook for the global economy has deteriorated. Trade policy developments and associated uncertainty are likely to weigh on global economic activity, but the expected effect on inflation rates in overseas markets is less clear. For countries that have not imposed higher tariffs, weaker global demand should put downward pressure on inflation, though any disruption to global manufacturing supply chains could lead to higher prices for some goods.

In response, financial market participants have revised down their expectations for the path of the cash rate a little. This has flowed through to lower interest rates on private sector debt in Australia, with the decline in risk-free rates more than offsetting a slight rise in risk premiums. The Australian dollar is little changed on a trade-weighted basis, despite considerable volatility in recent weeks. Appreciation against the US dollar has been offset by depreciation against the currencies of other major trading partners.

Domestic GDP growth is still expected to pick up, but at a somewhat more gradual pace. Although there have not been signs of a material deterioration in leading indicators, the pick-up in GDP growth is expected to occur more gradually than previously forecast due to softer global demand and weaker consumption momentum. The effects of weaker demand are somewhat offset by the lower market path for the cash rate, on which the forecasts are conditioned.

Labour market conditions are expected to ease slightly. Consistent with the softer outlook for domestic growth, the unemployment rate is expected to increase a little over 2025 before stabilising in early 2026. Employment growth is forecast to ease by slightly more than expected in the February *Statement* but remain positive, and wages growth is forecast to stabilise at a slightly lower rate.

In the baseline forecast, underlying inflation is projected to return to and remain sustainably around the midpoint of the 2–3 per cent range. Conditioned on the market path for policy, the outlook for domestic inflation has been revised a little lower since the February *Statement*. This reflects judgements that the trade conflict will be disinflationary for Australia and that the softer outlook for domestic growth will return the economy and labour market closer to balance. Headline inflation is expected to increase over the second half of 2025 as temporary government subsidies to households are unwound, before returning to around the midpoint of the target range later in the forecast period.

With heightened global uncertainty, and the current unpredictability of trade policy, there are many plausible paths for how the economy might evolve. In this *Statement* we illustrate some of these paths with scenarios. The baseline forecast assumes that tariff rates remain around their current levels and the impact of trade policy uncertainty gradually declines over the year ahead but remains elevated relative to history. A re-escalation of the trade conflict that primarily weakens demand could lead to a slowing in domestic activity, a sharp rise in the unemployment rate and a decrease in inflation. If the trade conflict causes material supply-side disruptions, inflation could move in the other direction. By contrast, a swift resolution to the trade conflict and reduced uncertainty could see upside economic risks to the baseline forecast.

The Monetary Policy Board decided to lower the cash rate target by 25 basis points to 3.85 per cent.

The Board judged that the risks to inflation had become more balanced but was mindful of the considerable uncertainty about the outlook. International developments are expected to weigh on the economy and, with inflation expected to remain around target, the Board judged that it was appropriate to ease monetary policy at this meeting. The Board nevertheless remains cautious about the outlook. The Board considered the severe downside scenario presented in this *Statement* and noted that monetary policy is well placed to respond decisively to international developments if they were to have material implications for activity and inflation in Australia. The Board will be attentive to the data and the evolving assessment of risks and is focused on its mandate to deliver price stability and full employment.

Table: Output Growth, Unemployment and Inflation Forecasts^(a)

Per cent

	Year-ended					
	Dec 2024	June 2025	Dec 2025	June 2026	Dec 2026	June 2027
GDP growth	1.3	1.8	2.1	2.2	2.2	2.2
(previous)	(1.1)	(2.0)	(2.4)	(2.3)	(2.3)	(2.2)
Unemployment rate ^(b)	4.0	4.2	4.3	4.3	4.3	4.3
(previous)	(4.0)	(4.2)	(4.2)	(4.2)	(4.2)	(4.2)
CPI inflation	2.4	2.1	3.0	3.1	2.9	2.6
(previous)	(2.4)	(2.4)	(3.7)	(3.2)	(2.8)	(2.7)
Trimmed mean inflation	3.3	2.6	2.6	2.6	2.6	2.6
(previous)	(3.2)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)

	Year-average					
	2024	2024/25	2025	2025/26	2026	2026/27
GDP growth	1.0	1.4	1.9	2.1	2.2	2.2
(previous)	(1.0)	(1.4)	(2.1)	(2.4)	(2.3)	(2.3)

	Assumptions ^(c)					
	2024	2024/25	2025	2025/26	2026	2026/27
Cash rate (%)	4.3	4.0	3.4	3.2	3.2	3.2
Trade-weighted index (index)	61.5	60.0	60.6	60.6	60.6	60.6

(a) Forecasts finalised on 14 May. Shading indicates historical data.

(b) Average rate in the quarter.

(c) The forecasts incorporate several technical assumptions. The cash rate is assumed to move in line with expectations derived from financial market pricing as per 14 May and the daily exchange rate (TWI) is assumed to be unchanged from its level at 14 May 2025 going forward. See notes to Table 4.2: Detailed Forecast Table in Chapter 4: Outlook for other forecast assumptions.

Sources: ABS; LSEG; RBA.



Chapter 1

In Depth – Global Economy and Financial Markets

Summary

- **Since the February Statement, there has been a significant increase in global trade barriers and related policy uncertainty, led by the United States, with potentially far-reaching economic implications.** This chapter draws together the key changes and how they could affect the global economy, as well as the financial market and policy responses to date. The implications for the Australian economy and financial conditions are set out in the rest of this *Statement*.
- **The extent to which higher tariffs and elevated uncertainty weigh on global growth and affect inflation will depend on a range of factors.** These include: the outcome of ongoing trade negotiations between the United States and its major trading partners; the impact of related policy uncertainty on the willingness of businesses and households to invest and spend; the nature of how trading patterns adjust; and the extent of disruptions to global supply chains from higher barriers to trade. The impact on global growth and inflation will also depend on the extent to which policymakers are willing and able to ease fiscal and monetary policy. Judgements on the implications for the Australian economy are set out in Chapter 4: Outlook.
- **Although the trade and related uncertainty shocks are likely to weigh on global economic activity, the effects on inflation are ambiguous and likely to vary across countries.** Inflation in the United States is expected to increase in the near term as higher tariffs will be passed through to consumer prices to some extent. In countries not levying new tariffs, weaker global demand should put downward pressure on inflation, though any disruptions to global manufacturing supply chains could lead to higher prices in some goods categories.
- **The Chinese authorities are aiming to use fiscal and monetary policy to support economic growth in the face of higher US tariffs.** Some other economies, particularly in Europe, have also signalled that fiscal settings will be loosened. Meanwhile, some advanced economy central banks have cut rates further in recent months while emphasising the increased uncertainty affecting the outlook for monetary policy. Most have also emphasised that monetary policy cannot simultaneously offset weaker demand and address higher inflation, if this were to result from the supply-side effects of tariffs dominating uncertainty and other effects on demand.

- **Pricing in financial markets has been fluid over recent months as market participants have responded to a rapidly changing trade policy environment.**

Riskier asset prices declined sharply on initial tariff announcements but have since recovered, following the US administration's decision to pause or reduce many tariffs while negotiations take place. Short-term government bond yields have generally declined, in line with market expectations that the path for central bank policy rates will be lower to support global demand. Financial conditions could tighten sharply again if expectations for significantly lower tariffs than originally announced following negotiations do not materialise, and the outlook for trade policies remains very uncertain.

- **As risk aversion rose sharply in early April, the US dollar depreciated alongside declines in the prices of long-term US government bonds and some riskier assets relative to those in other economies.** This was in contrast with many previous 'risk-off' episodes. Although the US dollar remains below its February level on a trade-weighted basis, and market participants are also demanding more compensation for holding long-term US interest rate risk, it is too early to tell whether this episode reflects a lasting view that the relative safety of US assets has diminished. The episode could also be explained by more conventional factors like the unwinding of stretched positioning and the rebalancing of investor portfolios. While financial market liquidity was strained in early April, markets did not experience the dislocations seen in past episodes of stress.

1.1 How has global trade policy changed since the February *Statement*?

Global economic uncertainty has increased substantially, amid significant increases in tariffs.

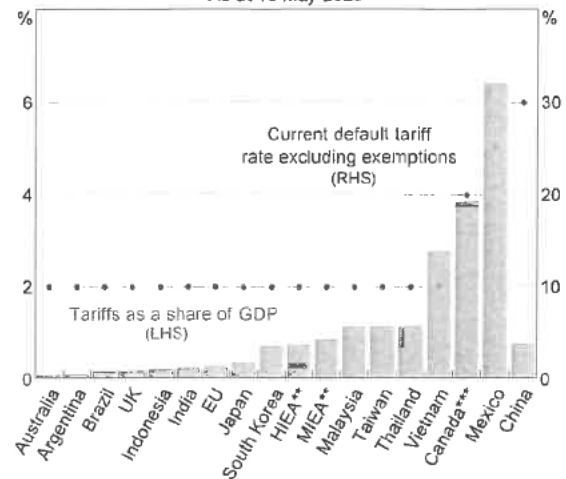
Since the previous *Statement*, the United States has implemented higher tariffs on almost all of its trading partners and some economies have introduced retaliatory tariffs. Currently, the higher US tariffs include country-level tariffs starting at 10 per cent, as well as tariffs imposed on specific sectors. The largest increase in US tariffs has been on imports from China – Australia's largest trading partner – with a current default tariff rate of 30 per cent (Graph 1.1). Exemptions have been put in place for a range of imported goods, including around 15 per cent of Chinese exports to the United States.

Current tariff rates are a long way below the levels initially implemented in early April as higher tariffs have been paused to allow for trade negotiations to take place. The most notable de-escalation has been between the United States and China. The United States initially increased its default tariff rate on Chinese imports to 145 per cent and China had retaliated with a 125 per cent tariff on imports from the United States. These remained in place for some of April and May but were put on pause for 90 days from 14 May. Even after accounting for current exemptions and pauses, tariffs imposed since January 2025 have raised the average effective tariff rate on US imports from around 2 per cent to around 15 per cent. This is the highest level since the 1930s and a much larger increase than the 1.5 percentage point tariff increase in 2018. The US administration has also signalled its intention to impose additional sector-specific tariffs, including on pharmaceutical and semi-conductor imports.

There is significant uncertainty as to how US trade policy will evolve and how its trading partners will respond (Graph 1.2). In some cases, bilateral tariff rates may fall further as negotiations proceed; in others they may rise. The pause on very high US–China bilateral tariffs has driven a small decrease in US trade policy

uncertainty, but against the backdrop of temporary pauses and continued negotiations, uncertainty is likely to remain elevated for some time.

Graph 1.1
Direct Exposure to US Tariffs*
As at 15 May 2025



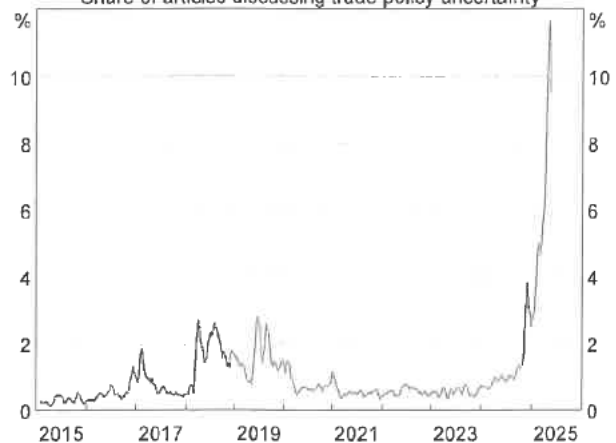
* Calculated as tariff rate multiplied by value of 2023 exports to the US divided by GDP in current US\$, accounts for tariff pauses but not for exemptions, trade redirection, tax incidence, or price changes.

** Middle-income east Asia comprises Vietnam, Thailand, Malaysia, the Philippines and Indonesia; high-income east Asia comprises Hong Kong, Taiwan, Singapore and South Korea.

*** Reflects 10 per cent tariff on energy exports and 25 per cent tariff on all other exports.

Sources: OEC; RBA; UN Comtrade; World Bank.

Graph 1.2
US Trade Policy Uncertainty*
Share of articles discussing trade policy uncertainty



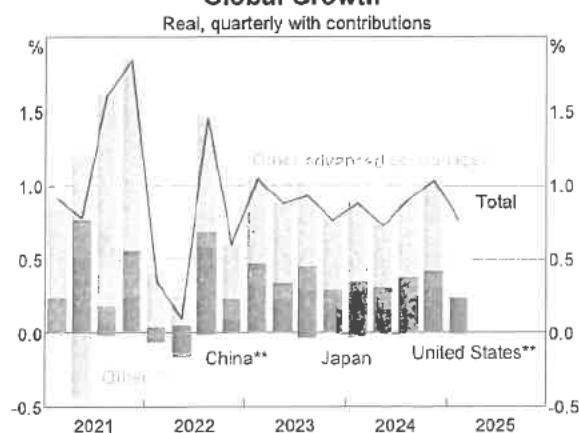
* Daily 30-day moving average of the share of articles mentioning trade policy uncertainty in automated text searches of mostly US newspapers: Boston Globe, Chicago Tribune, Guardian, Los Angeles Times, New York Times, Wall Street Journal, and Washington Post.

Sources: Caldara et al (2019); RBA.

The global economy was growing at a moderate rate in early 2025 ahead of the increases in US tariffs and policy uncertainty.

Global economic growth outside of North America was solid in the March quarter, following a period of stable growth in 2024 (Graph 1.3). In China, stronger-than-expected quarterly growth was driven by a pick-up in household consumption amid an increase in fiscal support. In the United States, GDP declined in the March quarter, mostly reflecting a large swing in net exports due to frontloading ahead of tariffs, though measures of private domestic demand remained solid.

Graph 1.3
Global Growth*



* PPP-weighted estimate from countries that together comprise 72 per cent of global GDP, scaled up.

** For March quarter 2025, actual for United States, euro area and China, forecasts elsewhere.

*** Residual that assumes countries not covered by data grow by the same weighted average as the rest of the world.

Sources: ABS; CEIC Data; Consensus Economics; LSEG; RBA.

Disinflation in advanced economies has generally continued in recent months, notwithstanding some volatility. In the United States, services disinflation has driven recent declines. Labour market conditions were relatively stable in the March quarter and appear close to balance in most peer economies.

1.2 How do higher tariffs affect the global economy?

Persistently higher tariffs would weigh on global growth, though the implications for inflation are likely to vary across countries.

Higher tariffs affect the global economy through a range of channels. In countries imposing tariffs, the cost of imported inputs to production and imported consumption goods will increase. This provides an incentive for demand to shift towards domestically produced goods and away from imports. However, domestic production may be less efficient, as supply chains and the economy's production structure adjust, resulting in higher intermediate and final prices for a wide range of goods. By disrupting supply chains, reducing productivity and raising costs, tariffs reduce the supply capacity of the economy. At the same time, consumers' and business' real purchasing power and spending will decline. While government revenues and profits for some domestic firms may increase, the overall effect is likely to be a reduction in aggregate demand and activity.

In addition to the direct effect of tariffs, trade tensions between large economies can result in significant increases in uncertainty in affected economies and more widely, as is currently the case. That can have a large effect on demand as households increase precautionary saving and businesses delay investment; if higher tariffs are sustained, innovations and technological progress may also slow.

Falls in asset prices, resulting from increased uncertainty and a sharp repricing of risk premia, can further reduce household spending and increase businesses' cost of funding, lowering growth prospects further. This could be exacerbated if market functioning was impaired.

Due to differences between US tariff rates on China and its other trading partners, global trade flows may adjust to some extent, reducing the impact of the supply and demand shocks. For example, Chinese exports may find new markets, while lower tariffed countries may export more to the United States in place of China. To an extent, these changing trading patterns helped to offset the impact of higher US tariffs in 2018 and 2019, though effective tariff rates and policy uncertainty increased by much less in that episode. The degree to, and speed with, which global trade flows reorient are uncertain and depend on future US trade policy.

The impact on inflation will depend on the timing and severity of the supply- and demand-side effects in each economy, and on movements in exchange rates. The timing of and extent to which businesses pass through the cost of tariffs can also affect how tariffs add to inflationary pressures. In the short run, US tariffs are likely to lead to higher inflation in the United States as the price level adjusts higher. In line with higher market-implied measures of inflation compensation, market economists' outlook for US inflation in the short term has increased substantially and so have households' short-term inflation expectations, though most measures of medium-term inflation expectations remain close to the Federal Reserve's inflation target. The effect on inflation outside the United States is less certain. Weaker global demand will put downward pressure on inflation, while disruptions to global manufacturing supply chains could pose upside risks. The nature of countries' fiscal and monetary policy responses will also affect the outcome.

A range of indicators will signal how the trade shocks are affecting global trade and economic activity over coming months.

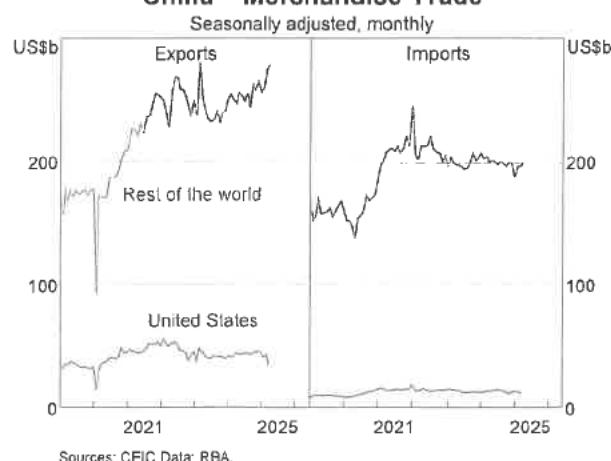
The early effects of the tariff and uncertainty shock are already evident in some timely indicators.

Consumer sentiment has declined sharply in the United States and most other advanced economies, although it remains resilient in Australia (Graph 1.4). Business investment intentions have declined in North America but have not shifted much in other advanced economies so far, including in Australia (see Box C: Insights from Liaison). Consumer price inflation in the United States eased in April, with tariff impacts yet to materialise.

A range of data shows that international trade has been resilient thus far, with the exception of trade between China and the United States. Trade data from China showed exports to the United States fell by 20 per cent in April, but this was partly offset by an increase in exports to other countries (Graph 1.5). Official trade data for the United States for April is not yet available, but container traffic data indicated goods imports to the United States remained solid at around their 2024 levels. However, it may take time for trade data to fully reflect current tariff rates as there may be lags between the response of importers to changes in tariff rates and trade flows. In addition, businesses

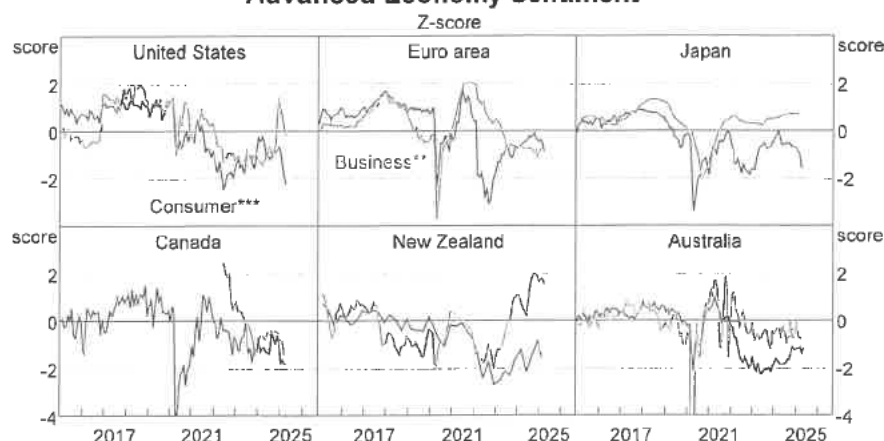
brought forward the import of some goods to mitigate the risk that tariff rates increase after temporary exemptions expire.

Graph 1.5
China – Merchandise Trade



As we gauge the likely economic impact of higher tariffs and policy uncertainty in the months ahead, we will continue to closely monitor news on tariff policies and associated policy uncertainty indicators, prices of financial assets and commodities, consumer and business sentiment indicators, and data on supply chains, shipping and trade flows. These indicators will be particularly important as it is likely to take some time for official economic data to show the impact of tariffs due to the usual lags in the publication of data, the potential for some demand to be brought forward and lags between when investment decisions are made and when the investment happens.

Graph 1.4
Advanced Economy Sentiment*



* Outliers during the COVID-19 pandemic have been truncated.

** US data are NFIB Small Business Optimism; euro area and Japan data are manufacturing sector firms only.

*** US data are University of Michigan; Australia data are the mean of Westpac–Melbourne Institute and ANZ–Roy Morgan surveys' deviations from average.

Sources: ANZ–Roy Morgan; Bank of Canada; CEIC Data; LSEG; RBA; Westpac–Melbourne Institute.

1.3 How has fiscal and monetary policy responded so far?

In response to tariffs and trade policy uncertainty, some policymakers, including in China, have adopted a more expansionary policy stance.

Chinese authorities announced a GDP growth target of around 5 per cent for 2025 (unchanged from 2024) at the National People's Congress in March and have indicated that they are willing to ease fiscal policy further to mitigate the effects on domestic growth of higher tariffs and weaker global demand. The People's Bank of China (PBC) also eased monetary policy modestly in May by lowering its key policy rate by 10 basis points and reducing the reserve requirement ratio by 50 basis points. Additional funding has also been made available to priority sectors via banks through the medium-term lending facility and structural lending facilities.

Commensurate with this, Chinese Government bond yields have continued to decline since the start of April. Some broader measures of financial conditions have tightened modestly amid heightened trade uncertainty and a softer outlook for growth. Authorities have responded by intervening in the onshore equity market through the purchase of securities by state-backed investment funds to support prices. The PBC has also continued to emphasise currency stability, which limits the exchange rate's ability to offset the macroeconomic impact of the tariffs.

There has been a material easing in the fiscal stance outside of China. In Europe, leaders have announced their intention to significantly increase defence and infrastructure spending. This includes a major fiscal expansion in Germany, where the parliament has approved a 500 billion infrastructure fund and relaxed the fiscal rules applicable to defence spending. Japan and Korea have also announced fiscal packages to reduce the adverse economic impacts of higher US tariffs.

A few advanced economy central banks have cut rates further while emphasising increased uncertainty affecting the outlook for policy.

The European Central Bank, Bank of England and Reserve Bank of New Zealand have further reduced policy rates in their first meetings following the tariff announcements on 2 April. These central banks highlighted progress on disinflation, while observing that the growth outlook had deteriorated due to trade tensions and emphasising the high degree of uncertainty about the outlook. They communicated further rate cuts would depend on future developments in trade policy and the evolving evidence of the effects on economic activity and inflation. These meetings (and those discussed below) took place before the recent announcement of a temporary reduction in tariffs between the United States and China.

Other central banks left policy rates unchanged.

These central banks acknowledged the weaker outlook for growth against a backdrop of prior rate cuts, but some, including the US Federal Reserve (Fed), noted the potential for tariffs to raise inflation in the near term. The Fed communicated there were risks to both sides of its dual mandate and stated that it would wait for further data before considering any adjustments to its policy stance, but could act quickly if needed. The Bank of Canada similarly pointed to high uncertainty, indicating a data-dependent strategy that places less weight on highly uncertain forecasts. Meanwhile, the Bank of Japan kept its policy rate on hold given the high level of uncertainty and noting downside risks to activity and prices, but said it expects to resume rate increases if inflationary pressures do not subside.

Most central banks have emphasised that while monetary policy can offset weaker demand resulting from higher tariffs, it is not an effective tool for addressing any supply-side effects. Some central bank officials have flagged the likelihood that weaker demand will push down both growth and inflation, particularly in economies less directly exposed to US trade and less likely to impose retaliatory tariffs of their own. However, others have highlighted the risk that

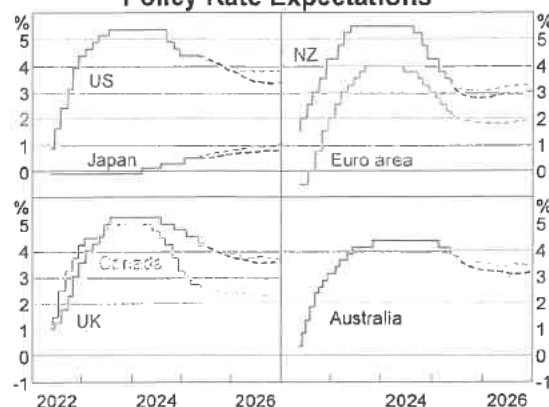
higher near-term inflation from supply-side disruptions could have a persistent effect if they raise inflation expectations, limiting the ability of monetary policy to offset weaker growth. Market participants appear less concerned by the latter possibility, given the decline in both longer term inflation compensation measures and policy rate expectations.

Market participants expect a modestly lower path for policy rates in response to a weaker growth outlook.

Policy rate expectations declined earlier in the United States than in most other advanced economies, but have recovered some of these declines in recent weeks (Graph 1.6; Graph 1.7).

Previously announced tariffs raised expectations that demand would weaken but also result in higher near-term inflation, limiting the scope for market participants to price in further US rate cuts as tariff announcements escalated. Subsequent progress in tariff negotiations has strengthened confidence that tariffs will settle at substantially lower levels than initially announced, while cautious central bank messaging had also reduced expectations of a rapid easing of policy rates. In most other advanced economies, most of the overall decline in policy rate expectations took place following the April announcement. Expectations are now only modestly lower than in February as market participants anticipate that a less adverse outlook for global trade barriers and growth will require less offsetting policy easing.

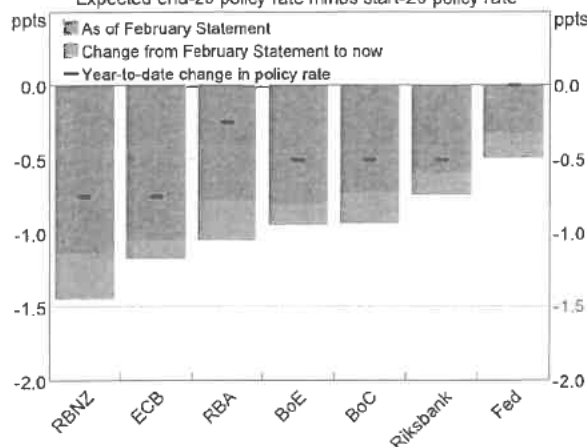
Graph 1.6
Policy Rate Expectations*



* Darker dashed lines show expectations implied by current overnight index swap rates; lighter dashed lines show the same expectations as of 13 February 2025.

Sources: Bloomberg; RBA.

Graph 1.7
Expected Change in Policy Rate over 2025
Expected end-25 policy rate minus start-25 policy rate*



* Expected end-25 policy rate derived from overnight index swap rates.
Sources: Bloomberg; RBA.

1.4 How have financial markets reacted to developments?

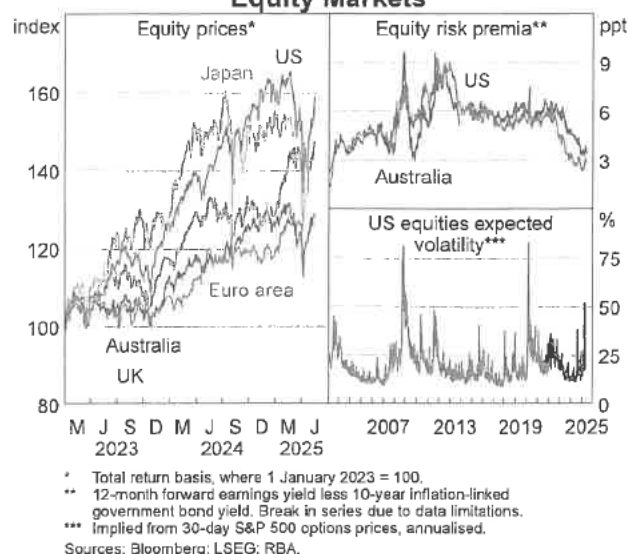
Pricing in financial markets has been fluid over recent months as market participants have responded to rapidly changing news about trade policy.

Equity prices across advanced economies fell sharply and spreads on corporate bonds widened as risk sentiment deteriorated immediately following the US tariff announcements on 2 April and subsequent retaliation by China. They have, however, recovered following the pause in implementation of some tariffs, supported also by expectations of lower policy rates (Graph 1.8; Graph 1.9). While equity risk premiums and corporate bond spreads have increased slightly from the historically low levels reached earlier in the year, they remain well below long-run average levels across most markets, while expected volatility has subsided from sharply higher levels reached in early April. Overall, financial market participants currently appear to be pricing in some modest downside risks to global growth, but not a significant downturn. This is consistent with expectations that tariffs will settle at a less disruptive level, with trade policy uncertainty also declining, and their negative effects on growth somewhat offset by easier monetary and fiscal policy. However, if outcomes for trade policy or economic developments are worse than currently expected, riskier asset prices could fall sharply, contributing to a tightening in financial conditions.

US equity and sub-investment grade corporate bond prices have declined by more than in other advanced economies in an environment of heightened policy uncertainty and already stretched valuations. Riskier asset prices in Europe appear to have held up better, in part because European growth is expected to be supported by increased fiscal spending. Globally, stocks in sectors that are more exposed to trade and the economic cycle have been among those with the weakest relative performance across most markets in recent months.

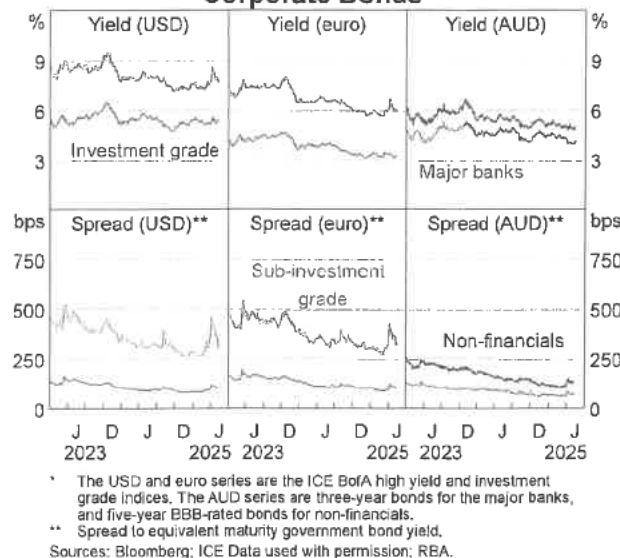
Graph 1.8

Equity Markets



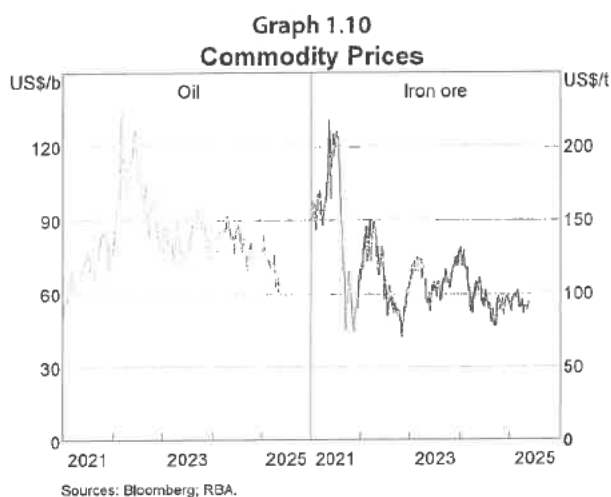
Graph 1.9

Corporate Bonds*



Oil prices have declined around 13 per cent since early April, but prices in most other key industrial commodity markets are now little changed.

Global growth concerns weighed on oil and base metal prices following the initial announcement of US tariffs in early April (Graph 1.10). Base metals prices recovered significantly following tariff pauses and expectations of trade deals, but OPEC+ supply increases kept oil prices low. Iron ore prices have remained resilient against the backdrop of the Chinese authorities' stated commitment to support activity in China; stimulus in China is expected to have a strong investment component.

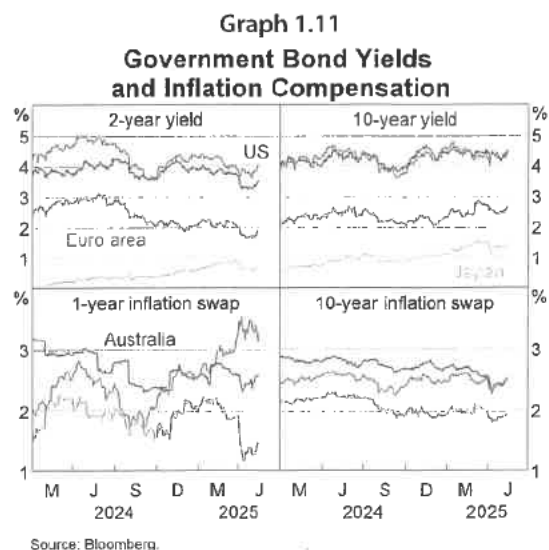


Short-term government bond yields in advanced economies have declined since the February *Statement*, though risk premiums on longer term US Treasuries have increased.

The decline in yields on short-term government bonds is consistent with modestly lower expectations for the near-term path of policy rates, while longer term yields have generally increased outside the United States (Graph 1.11). In most economies, measures of inflation compensation have declined, particularly at the short end, as market

participants assess that the adverse demand implications of tariff developments will outweigh adverse supply-side effects, and in line with declining oil prices. By contrast, inflation compensation measures in the United States have increased over short horizons (of less than around two years) but declined further out. This suggests that market participants expect tariffs to have a material but short-lived effect on inflation, including perhaps because of an expectation that current tariff policy settings will be reversed.

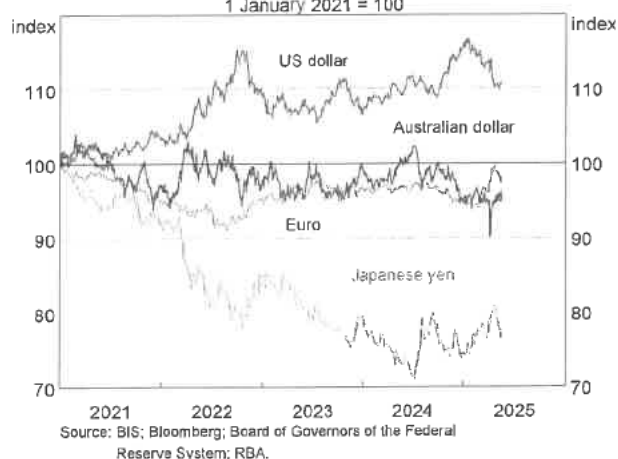
The term premium on US Treasuries – which measures the compensation investors demand for bearing interest rate and other risk on longer term sovereign exposures – has risen in recent months. This contributed to the sharp increases in yields on long-term US Treasuries during the recent bout of volatility (discussed below), although the modest decline in policy rate expectations means that long-term US Treasury yields are slightly lower than in February. An increase in the term premium is consistent with the rise in economic uncertainty, while some market participants have suggested that concerns from foreign investors about the potential for more persistent uncertainty over US policy settings may also have reduced the foreign demand for US Treasuries.



The US dollar depreciated against most advanced economy currencies, while the euro has appreciated.

After reaching multi-decade highs at the beginning of the year, the US dollar depreciated notably on a trade-weighted basis following the US tariff announcements in early April (Graph 1.12). This contrasted with many previous episodes of heightened uncertainty and risk aversion in financial markets, where the US dollar had tended to appreciate (discussed below). These developments also went against some market participants' expectations that tariffs would support the US dollar through reducing demand for imports into the United States, which would, in turn, lower demand for other currencies. Some weakening in forward-looking indicators of US activity – which led to downward revisions to US policy rate expectations – have also weighed on the dollar. The euro appreciated over this period, with relative expectations for euro area economic activity supported by expectations of increased fiscal spending. Movements in the Australian dollar are discussed in Chapter 2: Australian Financial Conditions.

Graph 1.12
Nominal
Trade-weighted Exchange Rates
1 January 2021 = 100



In early April, moves in US asset prices and the US dollar departed from the more typical 'risk-off' pattern of recent decades, as some investors have sought to reduce US exposures.

Yields on long-term US Treasuries rose sharply alongside the broad-based depreciation of the US dollar on several days around the peak of heightened risk aversion at the start of April. This contrasted with the more common pattern of 'risk-off' market moves, where investors sell riskier assets such as equities and buy assets perceived to be safer such as longer dated US Treasuries, driving down the yield. While a depreciation in the US dollar during a 'risk-off' event is not unprecedented (e.g. a similar unwinding occurred following the collapse of the US 'dot-com bubble' in the early 2000s), the combination of this with large increases in long-term US Treasury yields was unusual by historical standards. Other benchmark government bonds (e.g. in Germany and Japan) experienced much smaller moves in yields than US Treasuries, while gold (another traditional 'safe haven' asset) increased in price. Pressure on US asset prices (but not the US dollar) diminished as market stress subsided in the days following the US administration's decisions to pause some tariffs and enter negotiations with its trading partners.

It is too early to tell whether this episode reflects a lasting view among investors that the degree of safety from US assets may have diminished, as some commentators have suggested. The episode was short-lived and could be explained by more conventional factors such as the unwinding of stretched positioning and the rebalancing of investor portfolios (rather than one motivated primarily by US safety concerns), since many investors were overweight US assets prior to the shock. Information from market liaison suggests that an unwinding of leveraged positions may also have contributed to the rise in long-term US Treasury yields. However, given the key role that US dollar assets, and particularly US Treasuries, play in global funding markets and the management of market participants' credit and liquidity risks, any lasting shift in investor behaviour towards US assets could increase the risks to market functioning or financial stability in the event of another similar negative shock. A view that the

US dollar is more likely to depreciate during these types of 'risk-off' episodes could also result in some international investors, who historically relied on an appreciating US dollar to be a 'natural hedge' in such episodes, choosing to increase currency hedges on their US dollar exposures; an increase in hedging of this nature reportedly contributed to a sharp appreciation of the New Taiwan dollar against the US dollar in early May.

Liquidity was strained at times, but markets did not experience the dislocations seen in past episodes of significant stress.

Measures of market functioning deteriorated in the days following the US tariff announcements on 2 April, most notably in the United States. Bid-ask spreads widened for both government and private sector securities, and while trading volumes increased, indicators of market depth (which represent the availability of willing buyers and sellers at close to market prices) deteriorated. Strained market liquidity and the elevated level of economic uncertainty contributed to an increase in realised and expected volatility in asset prices. In US equity markets, expected volatility rose to levels only exceeded during the global financial crisis and early days of the COVID-19 pandemic. Concerns about US Treasury market functioning following sharp increases in long-term yields were cited as one factor contributing to the US decision to pause some tariffs. However, markets did not experience the extreme dislocations seen in these previous crises. Since the US pause of some tariffs, liquidity has improved and volatility has subsided. Issuance of corporate bonds has also recovered somewhat from very low levels in early April.



Chapter 2

Australian Financial Conditions

Summary

- **Measures of Australian financial conditions have been mixed since the February Statement as markets have responded to changing trade policies and associated uncertainty for the economic outlook.** Risk sentiment deteriorated and market volatility increased following the US trade policy announcements in early April, but conditions have since improved as trade tensions have de-escalated. Nevertheless, yields on shorter term Australian Government bonds have declined, consistent with a softening in market participants' expectations for global growth and domestic growth and inflation. This has flowed through to lower yields on private sector debt in Australia, with the decline in risk-free rates more than offsetting the slight rise in risk premiums. Corporations have resumed bond issuance, after pausing their issuance for a couple of weeks in April. Meanwhile, the February cash rate reduction has flowed through the Australian financial system.
- **Domestic markets continued to function through the recent bout of volatility, but liquidity has been low at times and markets remain sensitive to international policy developments.** The trade policy news in April led to large price changes, which involved some rapid deleveraging of positions. Even so, market functioning did not deteriorate to the extent seen during the pandemic and has improved more recently. Financial conditions could tighten sharply if market participants' expectations for economic growth deteriorate further.
- **Market participants' expectations for the path of the cash rate have been revised lower, given the softer outlook for growth and inflation.** Market pricing implies that 80 basis points of cuts are expected in 2025, which is 30 basis points more than at the February Statement. This path would see the cash rate reach 3.30 per cent later in the year. Similarly, market economists, expect about 75 basis points of cuts by the end of the year.
- **There has been considerable volatility in the Australian dollar, though it is little changed on a trade-weighted basis since February.** The Australian dollar depreciated sharply alongside the deterioration in risk sentiment in early April. That depreciation has since unwound, driven by an improvement in sentiment and broad-based US dollar weakness alongside what appears to have been international portfolio adjustment away from US dollar assets. While the Australian dollar has appreciated relative to the US dollar, it remains lower against several other advanced economy currencies, reflecting Australian yields having declined by more than in those economies and concerns about the global growth outlook.
- **The spread that Australian banks and corporations pay over risk-free rates for market funding has increased slightly.** The widening in bond spreads relative to risk-free rates and the decline in Australian equity prices since the February Statement in part reflect investors' demand for more compensation to hold riskier assets. However, risk premiums remain low by historical standards, which suggests only a modest revision in market participants' outlook for the Australian economy, in part supported by an expected monetary policy response.

- **Bank funding costs have declined and credit growth has remained strong.**

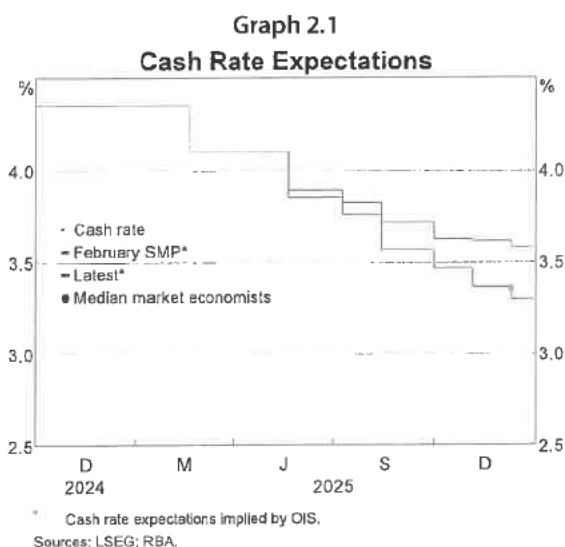
The February reduction in the cash rate flowed through to deposit and lending rates. Measures of bank funding costs have since declined further alongside decreases in risk-free rates, despite some volatility in short-term funding markets and a pause in sizeable bank bond issuances. Banks remain well funded following strong issuance last year. Household credit growth was little changed over the March quarter, while business credit growth remained strong.

2.1 Interest rate markets

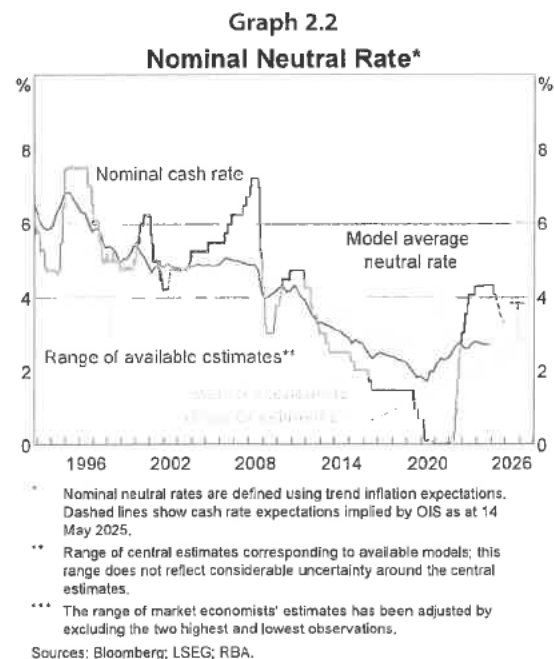
Market participants' expectations for the path of the cash rate have been revised lower.

Market-based expectations for the cash rate have declined since the US trade policy announcement in early April (see Chapter 1: In Depth – Global Economy and Financial Markets). The Monetary Policy Board's decision to keep the cash rate unchanged in April, which was shortly before the US trade policy announcement, had little impact on market-implied policy rate expectations. A 25-basis point reduction in the cash rate is now fully priced in for the May meeting and additional cuts of 55 basis points are expected by the end of 2025, which is 30 basis points more than in February (Graph 2.1).

Most market economists also expect a 25-basis point cut in May and a similar number of cuts as implied by market pricing thereafter. Several economists have added one additional 25 basis point cut to their end-2025 cash rate expectations and have brought forward the timing of expected easing, noting progress on disinflation and downside risks to global growth.



The market curve lies within the range of model-based estimates of the neutral interest rate (Graph 2.2). In other words, there are estimates of the nominal neutral rate that are above the market curve and estimates that are below. There is a large degree of uncertainty about these estimates, where each individual model estimate is also subject to its own uncertainty.

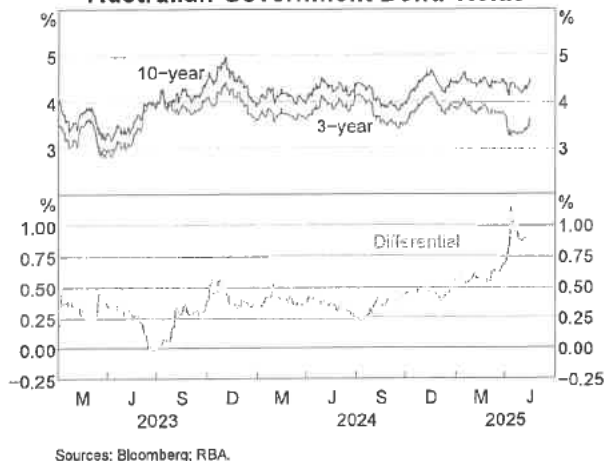


Short-term Australian Government bond yields have declined.

Yields on short-term Australian Government Securities (AGS) have declined (Graph 2.3). Longer term yields are little changed, as uncertainty around the US administration's policies have kept term premiums elevated. Expectations of easing monetary policy, particularly in the near term, and greater compensation for risk have both contributed to the AGS yield curve reaching its steepest level since 2021.

Graph 2.3

Australian Government Bond Yields



Market-based measures of inflation expectations are a little lower but remain anchored within the RBA's target range. Both break-even rates and inflation expectations implied by swap markets have declined since the February *Statement*. However, much of the decline was driven by a deterioration in liquidity in these markets and market participants reducing their trading positions following the US trade policy announcements in early April.

Domestic markets continued to function through the recent bout of volatility, but liquidity has been low at times and markets remain sensitive to international policy developments.

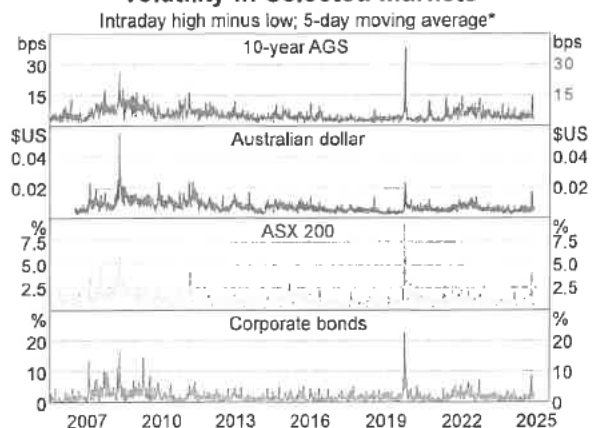
In April, conditions in Australian Government bond markets were volatile and liquidity deteriorated (Graph 2.4). Market participants reduced trading positions and leverage, and market makers increased the compensation they required from market participants to

facilitate transactions. Although the moves were sizable, the extent of the reduction in trading positions and deterioration in market functioning was considerably smaller than during the pandemic. Primary issuance by the Australian Office of Financial Management and state and territory issuing authorities continued, albeit at a slower pace for some. Issuers entered this period ahead of their planned funding tasks. Liquidity deteriorated in short-term interest rate derivatives markets, which contributed to sharp declines in market-implied cash rate expectations during the month.

Similarly, volatility in the markets for the Australian dollar, Australian equities and corporate bonds increased noticeably in April, but by markedly less than during the pandemic. Indicators of liquidity in these markets, including bid-ask spreads, also widened sharply in currency and corporate bond markets in early April before improving gradually.

Graph 2.4

Volatility in Selected Markets



* The ASX 200 panel shows the intraday range as a percentage of the intraday low for the ASX 200 index; the corporate bonds panel shows the daily absolute percent change on the Markit iTraxx Australia CDS index, which comprises both financial and non-financial corporate credit default swaps.

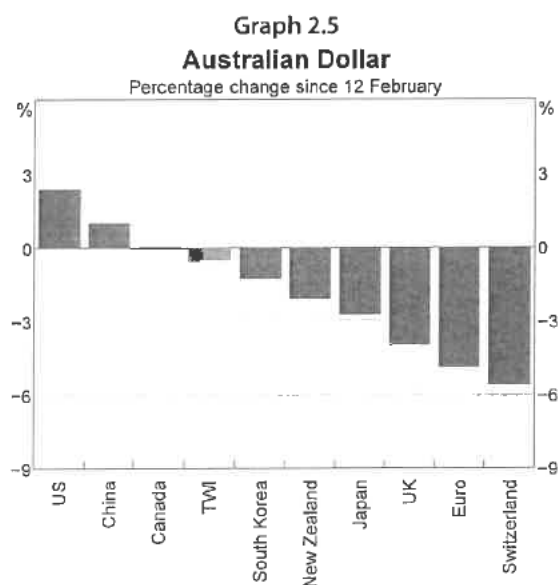
Sources: Bloomberg; RBA.

2.2 Australian dollar

There has been considerable volatility in the Australian dollar, but on a trade-weighted basis it remains little changed since the *February Statement*.

The Australian dollar depreciated sharply on a trade-weighted basis following the US trade policy announcement in early April but has since recovered alongside risk assets prices to be around its February level (Graph 2.5). The Australian dollar has appreciated against the US dollar amid broad-based US dollar weakness but has depreciated against most other advanced economy currencies. This is consistent with both Australian yields having declined by more than in many of these economies and the increased uncertainty around the outlook for the Chinese economy. The Australian dollar TWI remains around the bottom of the range observed since 2022, and in real terms is slightly below the level implied by the long-run historical relationship with the forecast terms of trade and real yield differentials.

The Australian dollar has historically been an important buffer for the Australian economy, depreciating in response to a downgrade in global growth or increased global risk aversion. In this way it supports demand in Australia by making local producers more competitive. Over recent months, the Australian dollar has remained sensitive to news about the global outlook, and much of its recent resilience is consistent with financial markets that appear to be pricing in only modest downward revision to global growth. However, if the US dollar continues to depreciate during periods of heightened risk aversion, then this could, at the margin, dampen this dimension of the shock-absorbing role of the Australian dollar. The recent US dollar depreciation is discussed in more detail in Chapter 1: In Depth – Global Economy and Financial Markets.



Source: Bloomberg; RBA.

2.3 Australian equity, credit and banking markets

The spread that Australian banks and corporations pay over risk-free rates for market funding has increased slightly.

Investors have demanded more compensation to hold riskier assets since the February Statement.

The repricing was particularly sharp after the US tariff announcements on 2 April, with a more muted reaction in Australia than in the United States (see Chapter 1: In Depth – Global Economy and Financial Markets). This has largely unwound since, in line with international developments. Overall, the rise in risk premiums in Australia is consistent with a somewhat softer domestic economic outlook and lower path for the cash rate providing some support to the Australian economy if global growth slows. Even so, the still relatively low level of risk premiums leave asset prices susceptible to a sharp repricing in the event of adverse news, which could abruptly increase borrowing costs for businesses, including banks.¹

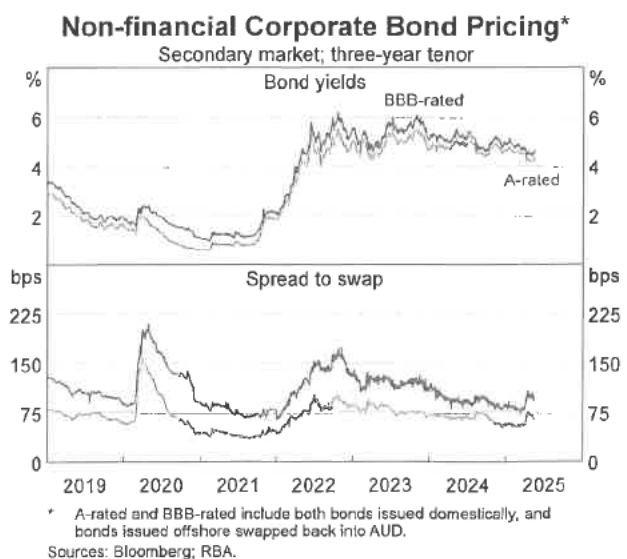
Australian equity prices declined sharply in early April but have since recovered. The decline was particularly prominent in the energy sector, in line with a sharp fall in oil prices and OPEC+’s plans to increase production (Graph 2.6). The ASX 200 has rebounded on news of smaller and delayed implementation of tariffs; however, it is still 1.6 per cent lower since the February Statement. Equity prices in sectors that are particularly sensitive to changes in the economic outlook, such as the consumer discretionary sector, have largely tracked the main index.

Spreads in the secondary market on bonds issued by banks and non-financial corporations have widened slightly. Despite this, yields on bank and non-financial corporate bonds have declined at shorter tenors as the decline in risk-free rates more than offset wider spreads (Graph 2.7). The similar widening in spreads across higher and lower rated corporate bonds is consistent with only a modest revision in market participants’ outlook for the Australian economy.

Graph 2.6



Graph 2.7



Corporate bond issuance has resumed after a brief hiatus.

International developments and heightened volatility led to a brief pause in non-financial corporate bond issuance and a longer pause in sizeable bond issuance from Australian banks (Graph 2.8). Such pauses are rare outside of year-end holiday periods. However, this followed strong non-financial corporate issuance earlier in the year. Issuance resumed in late April for non-financial corporations, which have issued mostly offshore in euros. Similarly, there was a lengthy pause in bond issuance from Australian banks starting around mid-March, which was longer than typically seen ahead of banks' reporting of half-yearly results. Liaison with market participants suggests that the domestic market remains open to bank and non-financial corporate issuers, albeit with more challenging deal execution due to continued uncertainty. Many issuers are well funded for the months ahead and are waiting for spreads to narrow further before resuming issuance; some are also turning to bank credit, which liaison suggests is currently a more attractive source of funding for large corporations as spreads in wholesale markets have widened.

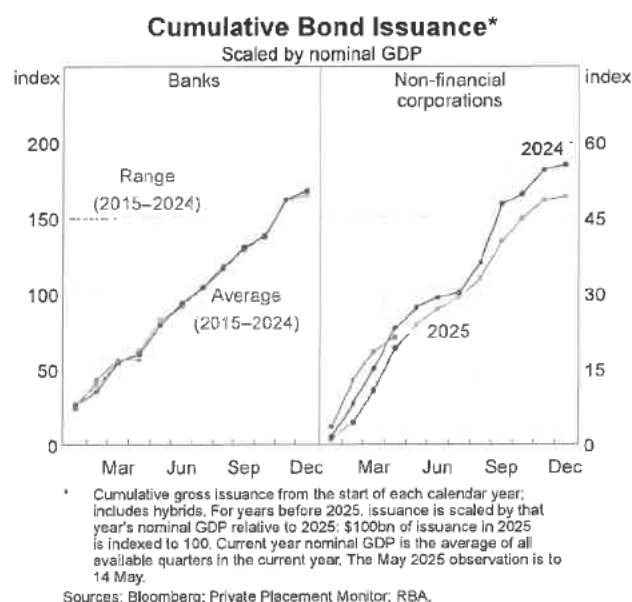
Securitisation issuance – a key source of funding for non-bank lenders – has also slowed significantly since April, following strong volumes in the March quarter. Some issuers paused their in-progress deals

because of market conditions. Issuance resumed in May, at wider spreads in line with trends observed in other wholesale funding markets.

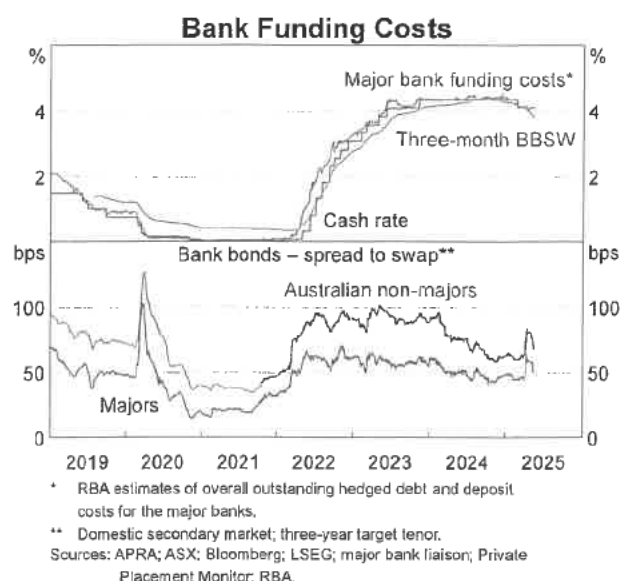
Bank funding costs have declined since the cash rate was reduced in February and as expectations for the path of the cash rate have decreased further.

Bank funding costs have declined since February (Graph 2.9). In part, this reflects banks having passed the February reduction in the cash rate through to rates paid on deposits. It also reflects a decline in bank bill swap rates (BBSW) – to which much of banks' funding costs are ultimately linked – driven by a decline in market participants' expectations for the path of the cash rate. Spreads between bank bond yields and the swap rate widened following the US trade policy announcements but have since narrowed in line with international developments; even at their widest, they remained well below levels reached during the pandemic. Interest rates on overnight repo – which banks use in managing their liquidity – increased a little in April following the announcements and as the RBA increased its open market operation (OMO) pricing (relative to the cash rate target).

Graph 2.8



Graph 2.9



Even if there were a significant economic downturn, the banking sector is well placed to absorb large losses and continue lending to households and businesses.² Banks remain well funded following strong issuance last year, despite the pause in bond issuance discussed above, and continue to maintain capital and liquidity buffers well above regulatory requirements.

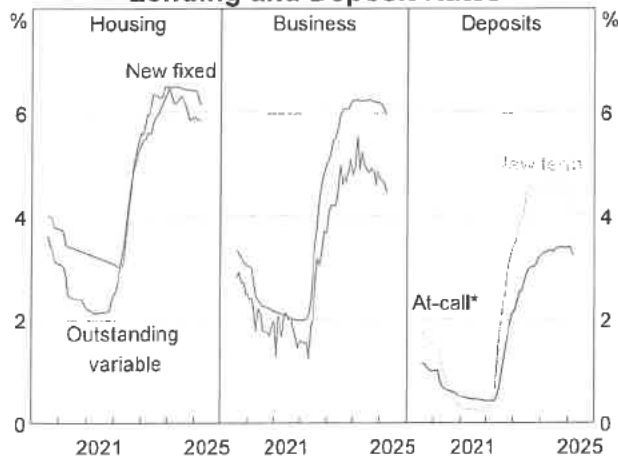
Lenders passed through the February cash rate reduction to lending and deposit rates.

Average new and outstanding variable mortgage rates declined by around 25 basis points over February and March, reflecting the pass-through of the February cash rate reduction (Graph 2.10).

The average interest rate on new fixed-rate mortgage lending was little changed over the March quarter but is 65 basis points below its early 2024 peak. Business lending rates have also declined alongside declines in BBSW rates. Banks have also lowered at-call and term deposit rates, reflecting the cash rate reduction and declines in short-term market rates.

Graph 2.10

Lending and Deposit Rates



* Includes deposits in housing loan offset accounts.
Sources: APRA; RBA.

Since April, there have been further reductions in advertised interest rates on fixed-rate mortgages alongside declines in swap rates. Some lenders have reduced advertised interest rates on some fixed-rate mortgage products by more than 50 basis points over 2025 to date. However, these reductions have had little effect on overall household financial conditions because most mortgage lending has been variable rate; in March, less than 3 per cent of new mortgage lending was fixed-rate. Banks also reduced advertised interest rates on term deposits in April alongside declines in BBSW, though these reductions were generally smaller and less widespread than those on fixed-rate mortgages.

Scheduled mortgage payments decreased following the February cash rate reduction but remain high.

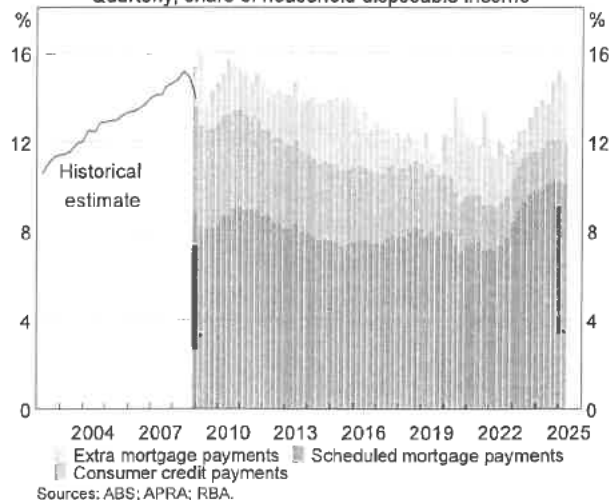
Scheduled principal and interest mortgage payments decreased in the March quarter to 10.1 per cent of household disposable income.

However, the value of scheduled mortgage and consumer credit payments as a share of household disposable income remains around its highest level since 2012 (Graph 2.11, blue and green bars) – and payments into mortgage offset and redraw accounts (Graph 2.11, grey bars) remain above their pre-pandemic average. The share of borrowers that are behind on their loan repayments remains low.³

Graph 2.11

Selected Claims on Household Income

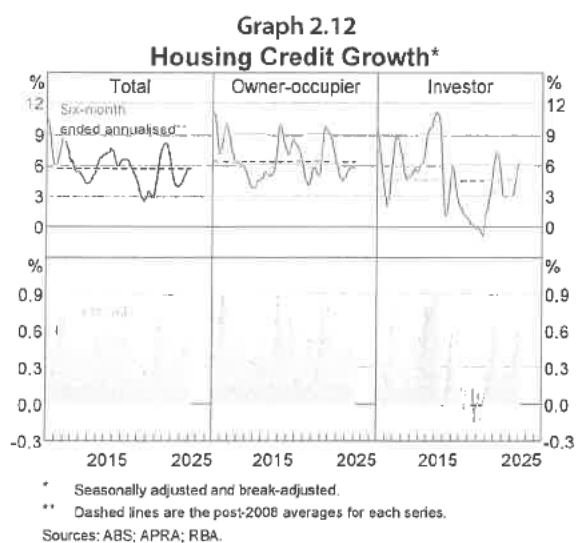
Quarterly; share of household disposable income



Sources: ABS; APRA; RBA.

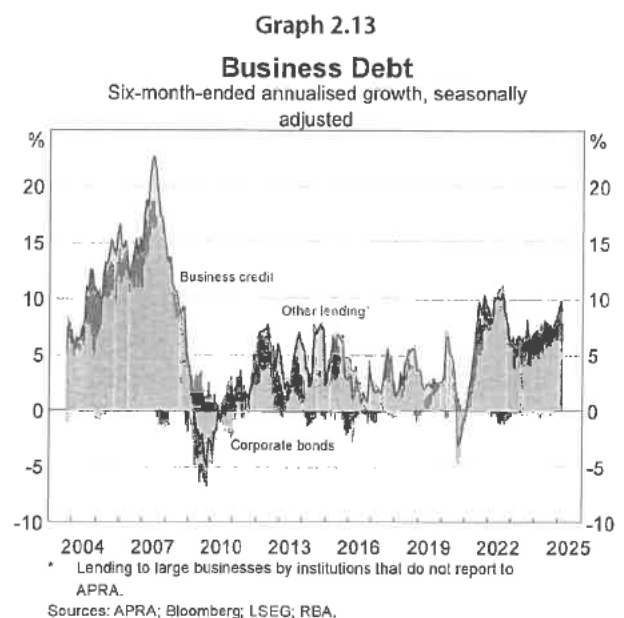
Household credit growth remained steady over the March quarter, while the household credit to income ratio declined further.

Housing credit growth was little changed over the March quarter alongside soft housing price growth. Owner-occupier credit growth declined slightly over this period, offsetting increased growth in investor credit (Graph 2.12). Overall housing credit growth remains around its post-2008 average. Despite continued growth in housing credit, overall household credit (including personal credit) declined further as a share of household disposable income over the quarter to December 2024.



Growth in business debt remained strong in the March quarter.

Business debt growth remained strong in the March quarter in six-month-ended terms (Graph 2.13). Business credit growth has been broadly based across industries, supported by strong competition among lenders for business customers. Business debt has increased slightly as a share of nominal GDP since mid-2023. Profit margins for most businesses remain around pre-pandemic levels, which has supported businesses' borrowing and debt-servicing capacity.



Endnotes

- 1 See RBA (2025), 'Chapter 1: The Global Macro-Financial Environment', *Financial Stability Review*, April.
- 2 See RBA (2025), 'Chapter 3: Resilience of the Australian Financial System', *Financial Stability Review*, April.
- 3 See RBA (2025), 'Chapter 2: Resilience of Australian Households and Businesses', *Financial Stability Review*, April.



Chapter 3

Australian Economic Conditions

Summary

- **Economic activity in Australia has evolved broadly as expected in the February Statement, though the data mostly pre-date the escalation in international trade tensions.** GDP growth increased in the December quarter, and in year-ended terms looks to have picked up a little further in March. There appears to have been slightly less growth in household spending in the March quarter than had been expected in February, partly reflecting the impact of flooding in Queensland and New South Wales.
- **Underlying inflation has continued to ease in year-ended terms, as expected.** Trimmed mean inflation was 0.7 per cent in the March quarter and 2.9 per cent in year-ended terms, returning to the 2–3 per cent range for the first time since late 2021. There has been a broad-based easing in underlying inflation over the past year. Services inflation eased to around its historical average in early 2025, while new dwelling costs continued to decline.
- **Headline inflation was unchanged at 2.4 per cent in year-ended terms in the March quarter.** The quarterly rate picked up strongly to 0.9 per cent, reflecting the unwinding of some government subsidies to households.
- **While there are limited data available for the June quarter, recent international developments have had only a modest impact on timely indicators of domestic activity.** Surveys and liaison suggest that business and consumer sentiment has been little changed. While liaison contacts have noted concerns about the outlook, they have reported that domestic conditions generally remain favourable and that global developments have had limited direct effect on their investment or employment decisions.
- **Housing market conditions eased over most of 2024 but had stabilised before the reduction in the cash rate in February.** Since then, seasonally adjusted monthly housing price growth has remained relatively stable, suggesting that it is yet to respond materially to easier borrowing conditions.
- **Labour market conditions are still assessed to be tight and have not eased materially since mid-2024. Broader capacity pressures have likely eased.** Overall, there remains considerable uncertainty around estimates of spare capacity. Recent unemployment outcomes have been in line with the February forecasts. The unemployment rate has been steady at around its current level of 4.1 per cent since the middle of last year while the underemployment rate has declined a little over that period. The share of firms reporting that labour availability is constraining output remains elevated. The participation rate and employment-to-population ratio are around their

levels in late 2024. Timely indicators of labour demand, such as job advertisements, have been little changed in recent months. This suggests recent international developments have not yet had a material impact on the Australian labour market.

- **Year-ended wages growth increased slightly to 3.4 per cent in the March quarter, as expected in the February *Statement*, but remains lower than a year earlier.**

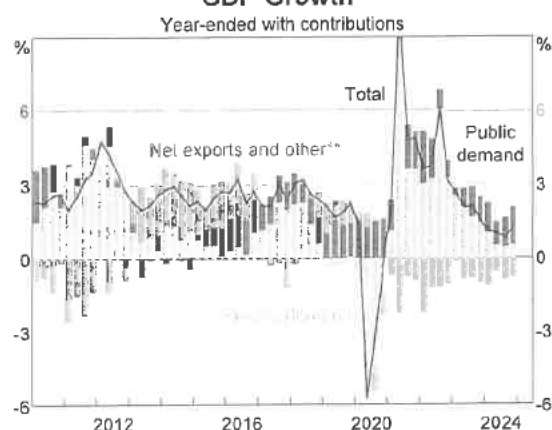
Looking through the effects of administered wage decisions, growth in private sector nominal wages has declined over the past year. Public sector wages growth continues to be volatile and recent strength has been driven by several large enterprise agreements. Unit labour cost growth – a comprehensive, though more volatile, measure of labour cost pressures – remains elevated, reflecting persistently weak productivity growth.

3.1 Domestic economic activity

Australian GDP growth over the December and March quarters together looks to have been broadly as expected, though recent data suggest there was slightly less growth in household spending in the March quarter than anticipated in the February *Statement*.

GDP grew by 0.6 per cent in the December quarter, a touch above our expectation of 0.5 per cent in the February *Statement*, supporting our view that a modest recovery in domestic demand was underway. Public demand accounted for around half of GDP growth in the quarter (Graph 3.1). Recent growth in public consumption has been driven by spending on social benefit programs like the National Disability Insurance Scheme (NDIS) and aged care as well as electricity subsidies to households. Continued strength in public investment has reflected spending on defence and public infrastructure projects.

Graph 3.1
GDP Growth*



Sources: ABS; RBA.

Timely data suggest that GDP growth in the March quarter is likely to have been a little weaker than forecast in the February *Statement*. Part of this reflects temporary effects from flooding in New South Wales and Queensland (see Box B: The Impact of the Recent Floods on the Australian Economy). Abstracting from the effect of the floods, household spending growth looks to have been slightly weaker than expected (see below for more details). Partial data suggest net trade will detract from GDP growth in the quarter, driven by solid growth in imports and a decline in services exports.

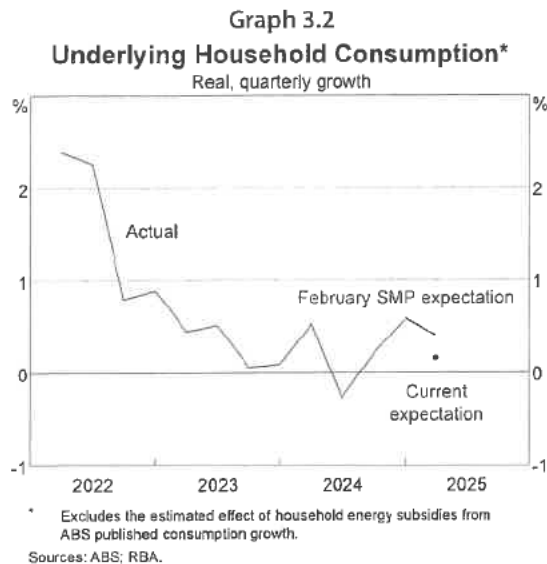
Household spending continued to grow in early 2025, though by a little less than expected in the February *Statement*.

Household consumption grew by 0.4 per cent in the December quarter of 2024, broadly in line with our February forecast. In underlying terms (abstracting from electricity subsidies), household consumption growth was slightly stronger at around 0.5 per cent. Growth was broadly based, with increases recorded across discretionary and essential spending categories. Some of the strength in consumption in the December quarter likely reflected price-sensitive consumers concentrating their spending in promotional periods. The further increase in real incomes in the quarter, driven by labour income, also supported spending growth.

While growth in underlying household consumption had been expected to moderate in the March quarter as promotional periods ended, timely indicators suggest it may have eased by a little more than anticipated in the February *Statement*.

The nominal ABS household spending indicator pointed to a decrease in spending on promotion-affected categories in the March quarter, as expected. However, growth in other discretionary household consumption categories (such as eating out) also looks to have eased, which could suggest that momentum in household consumption growth is a little weaker than previously judged. Part of the easing in aggregate growth also reflects the effects of recent flooding, which is expected to have been temporary. Overall, underlying household

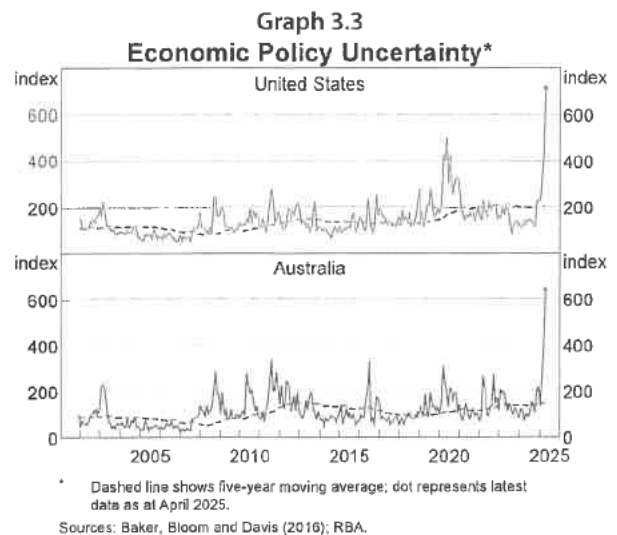
consumption growth is now expected to have eased to 0.2 per cent in the March quarter, a little slower than the 0.4 per cent expected in the February *Statement* (Graph 3.2). This is broadly consistent with liaison reports that retail conditions have not picked up much since late 2024. Contacts continue to indicate that consumers remain price sensitive, with this behaviour expected to persist for some time.



While there are few data available for the June quarter, recent international developments have had only a modest impact on timely indicators of domestic activity.

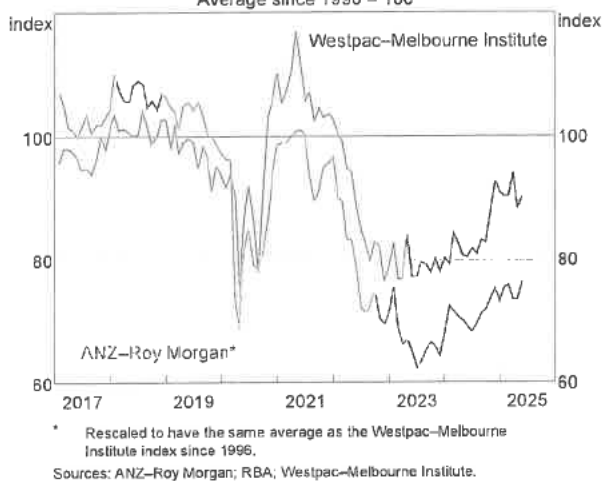
There is limited economic activity data available for the June quarter to date and liaison contacts generally report that it is still too early to assess the likely implications for their business from recent international developments (see Box C: Insights from Liaison). The direct effects of announced US tariffs on Australian exports are expected to be small, though there are a range of indirect effects that could affect Australia's trade (see Box A: How Might Tariffs Affect Australian Trade?).

Australian economic activity could also be affected by increasing uncertainty. The escalation of trade tensions has increased policy uncertainty in Australia in the June quarter (Graph 3.3). High levels of uncertainty can lead firms to delay investment decisions that would be costly to reverse, because it increases the value of waiting for additional information. Similarly, some households may delay large purchases and increase precautionary savings. There is some empirical evidence, including for Australia, that high uncertainty leads to a decline in business investment, with negative but smaller effects on employment, household consumption and inflation.¹



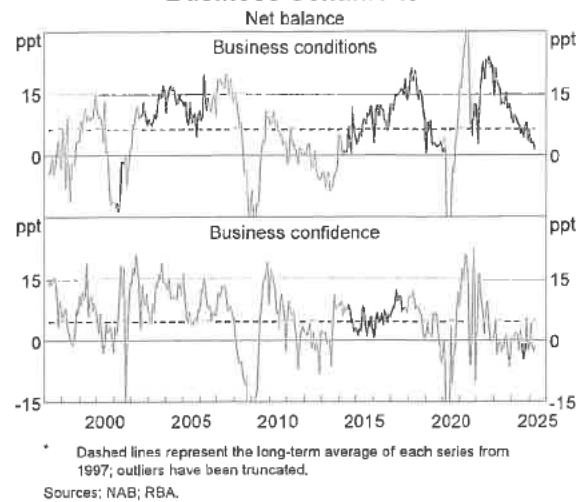
The recent escalation in trade tensions so far appears to have had a limited impact on consumer sentiment in Australia, which remains above its post-pandemic lows. Consumer sentiment indicators had risen solidly over the second half of 2024, supported by the pick-up in real household incomes, but have remained relatively stable since the start of the year (Graph 3.4). Since the start of April, when global trade tensions escalated sharply, consumer sentiment has been more resilient in Australia than in a number of other advanced economies (see Chapter 1: In Depth – Global Economy and Financial Markets).

Graph 3.4
Headline Consumer Sentiment
Average since 1996 = 100



Business sentiment also shows little sign of having been affected by global developments, though it remains below long-term averages and uncertainty about the outlook has increased. Surveyed business conditions, which have trended downwards since mid-2022, declined slightly in April (Graph 3.5). Business confidence (a forward-looking indicator) edged up slightly in April despite global developments, though it remained negative. Prior to April, firms in surveys cited wage costs, consumer demand and margin pressure as key factors contributing to weaker business conditions and confidence.

Graph 3.5
Business Sentiment*



Conditions reported by firms in the liaison program have been relatively steady over recent months.

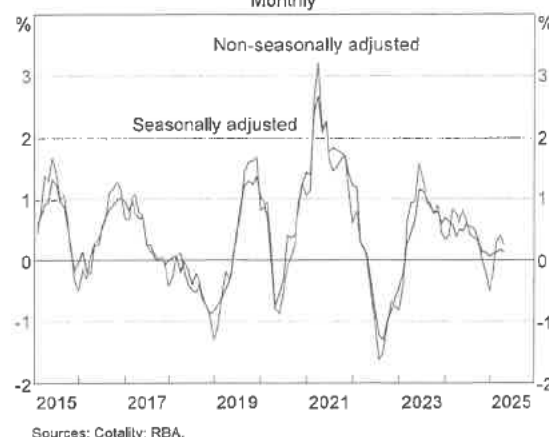
Few firms in the RBA's liaison program have reported any changes to their investment plans in response to recent international developments. Some liaison contacts have continued to cite elevated input costs (particularly in the construction sector) as a key factor weighing on investment intentions. Firms also report that investment in large renewable energy projects continues to be pushed back. Nevertheless, investment related to the energy transition, together with investment in computer software and data centres, was an important driver of overall business investment over the past year. This was offset by weakness in machinery and equipment and buildings investment to leave business investment broadly flat over 2024.

Housing market conditions have been stable in recent months after easing over most of 2024.

New dwelling investment was steady in the December quarter and was broadly in line with its average level over the past few years. Weak commencements and capacity constraints in the finishing stages of the construction process held back activity, but this weakness was broadly offset by projects in the pipeline moving closer to completion. Building approvals for higher density construction have picked up since the start of 2024, although the level of approvals and commencements remains low on a per capita basis; liaison contacts have noted that high costs challenge the feasibility of some higher density construction. Detached commencements decreased in the December quarter after increasing earlier in the year, reflecting subdued demand for new home sales.

Housing price growth has been steady at a relatively low rate. The reduction in the cash rate in February is yet to have a noticeable impact on aggregate housing market indicators. After seasonal adjustment, housing prices increased at an annualised rate of around 1 per cent in April, similar to growth rates observed since October and in line with expectations in the February *Statement* (Graph 3.6). While housing prices typically respond relatively quickly to interest rate changes, the speed and size of the response depends on the expected path of future interest rates and other macroeconomic variables.²

Graph 3.6
Housing Price Growth
Monthly



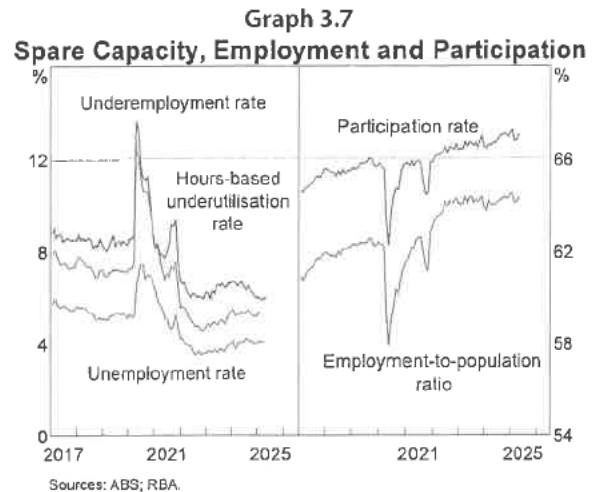
3.2 Labour market and wages

Overall labour market conditions and wages growth have been broadly as expected in the February *Statement*.

Conditions in the labour market have been steady in recent months. The unemployment rate has been little changed so far this year, as anticipated in the February *Statement*. Some labour market indicators that appeared to be tightening in late 2024 have since stabilised. Measures of job ads – which tend to lead changes in the unemployment rate – had been steady or eased only slightly leading up to the escalation of trade tensions in early April and have remained broadly stable since. With labour market conditions steady recently, we continue to assess that the labour market is tight, although there is considerable uncertainty around estimates of full employment (see section 3.3 Assessment of Spare Capacity). The rate at which workers move between jobs has continued to trend downwards over recent quarters, which might indicate less upwards pressure on wages growth and inflation than implied by the unemployment rate. Nevertheless, recent wages growth outcomes have been in line with expectations in the February *Statement*, though growth in unit labour costs remains high and has been stronger than expected.

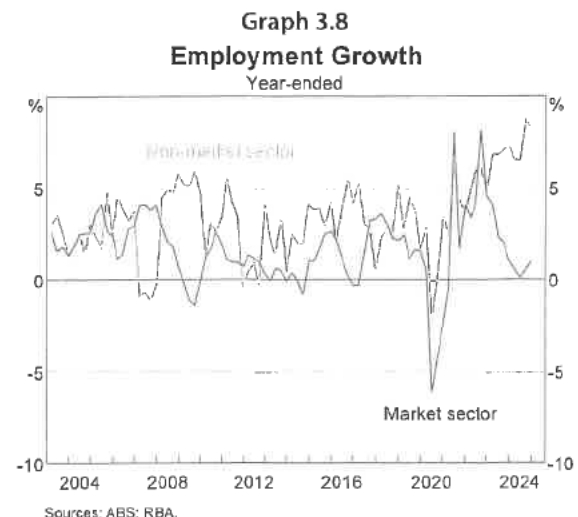
Many labour market indicators have stabilised recently.

The unemployment rate was 4.1 per cent in April, as expected in the February *Statement*, and is little changed since mid-2024 (Graph 3.7). The underemployment rate had been declining over the second half of 2024 but has stabilised since the start of the year at 6.0 per cent, close to its level in late 2022. Other measures of labour underutilisation, including the hours-based underutilisation rate – a broader measure of spare capacity – and the medium-term unemployment rate have largely tracked sideways since the start of the year.



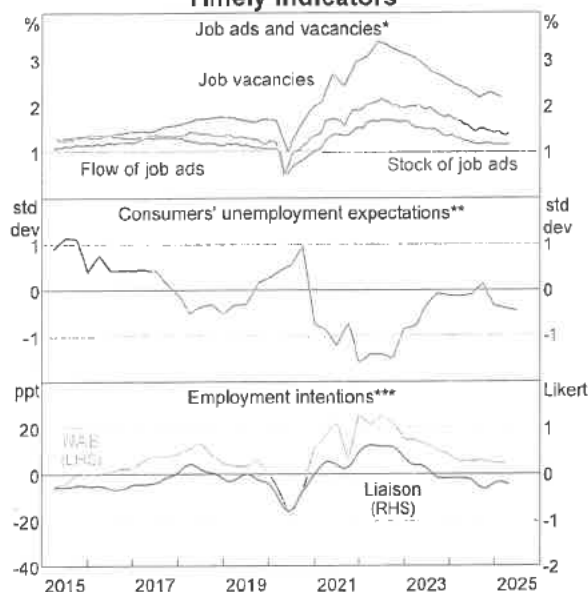
Employment growth has been solid since the start of the year, notwithstanding monthly volatility.

The employment-to-population ratio rose to 64.3 per cent in April to be around its level in late 2024. Industry-level data (available up to December 2024) suggest that the non-market sector, which includes the health care and education industries, continued to support aggregate year-ended employment growth through to late 2024 (Graph 3.8). Year-ended employment growth in the market sector has recovered slightly from subdued levels, consistent with the gradual pick-up in GDP growth. The participation rate – the share of the working age population either employed or searching for a job – increased to 67.1 per cent in April to be around historical highs. The longer run trend of higher female participation continues to support recent participation rate outcomes.



Timely indicators of labour demand suggest that the recent escalation in global trade tensions has not yet had a material impact on the Australian labour market (Graph 3.9). Following the escalation in trade tensions in April, measures of job advertisements and households' unemployment expectations have been broadly stable. Contacts in the RBA's liaison program have not generally changed their hiring intentions in response to these global developments. We will continue to monitor these indicators closely in the period ahead, as the impact of heightened global policy uncertainty on the Australian labour market becomes clearer.

Graph 3.9
Timely Indicators



* As a share of the labour force.

** Standard deviations from 1980–2025 average; an increase indicates more consumers expect unemployment to rise over the year ahead; quarter average; survey by Westpac–Melbourne Institute; seasonally adjusted by the RBA; June quarter 2025 outcome is the average of the April and May 2025 outcomes.

*** Deviation from long-run average.

Sources: ABS; ANZ–Indeed; JSA; NAB; RBA; Westpac–Melbourne Institute.

Wages growth, on a year-ended basis, has moderated over the past year.

Wages growth ticked up slightly to 3.4 per cent in the March quarter, as expected in February. Quarterly growth in private sector wages picked up to 0.9 per cent in March, largely reflecting increases to the award wages of childcare and aged care workers (Graph 3.10). Public sector wages growth increased, owing primarily to several large agreements. The finalisation of some agreements had been delayed in previous quarters and has contributed to volatility in recent Wage Price Index (WPI) outcomes.

Graph 3.10

Wage Price Index Growth by Sector



* Non-seasonally adjusted.

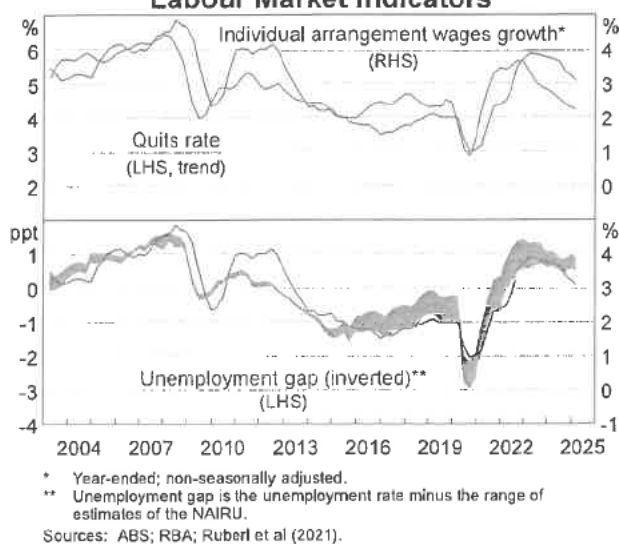
Source: ABS.

Looking through the effects of administered wage decisions, underlying growth in private sector wages was little changed in the March quarter but was lower than a year ago. Wages growth has eased for workers paid under individual arrangements, whose wages tend to be the most responsive to labour market conditions (Graph 3.11). The rate at which workers have moved between jobs – as reflected in the number of quits as a share of filled jobs – has declined in trend terms in recent quarters. In part, this may suggest fewer opportunities for workers to switch jobs, consistent with market sector employment growth being soft over the past year. The decline in the quits rate may also reflect reduced willingness by workers to switch jobs, consistent with weak consumer sentiment. The decline in labour mobility suggests that inter-firm competition to attract and retain staff may have eased, and so there

may be less upward pressure on wages – and less tightness in the labour market – than implied by other indicators, such as the unemployment rate (see Chapter 4: Outlook). In liaison, some firms have noted that the recent decline in inflation has contributed to slower wage growth. To date, liaison contacts report that uncertainty relating to the global trade environment has not materially affected their expectations for wages growth.

Graph 3.11

Wages Growth and Labour Market Indicators



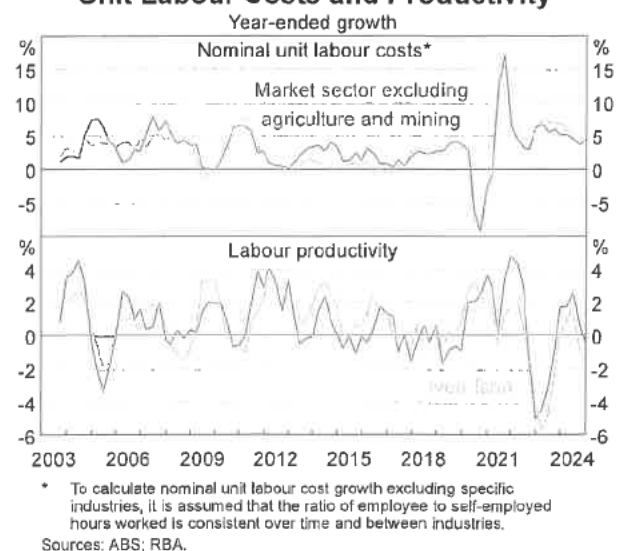
Unit labour costs growth increased in the December quarter, with the high growth rate underpinned by weak productivity outcomes.

Growth in the national accounts measure of average earnings per hour (AENA) increased slightly in the December quarter and was stronger than growth in the WPI. Growth in AENA was stronger than expected over the year to December, increasing to 3.7 per cent. Compared with WPI growth, this measure provides a broader picture of earnings growth for employees, including changes in bonuses, overtime and other payments, as well as the impact of workers transitioning to jobs with different levels of pay. These additional factors make average earnings per hour a more comprehensive indicator of labour costs, with a stronger link to unit labour costs. However, this measure is more volatile than the WPI, and so provides a noisier read on wage pressures arising from tightness in the labour market.

Year-ended growth in unit labour costs rose to 5.4 per cent in the December quarter, which is both elevated and stronger than expected in the February Statement (Graph 3.12). The increase, from 4.5 per cent in the September quarter, was driven by weaker labour productivity growth and the stronger-than-expected outcome for average earnings growth (as discussed above). Unit labour costs growth for the market sector, excluding the mining and agriculture industries, was a little lower than in the non-farm sector as a whole at 4.6 per cent over the year to the December quarter. That reflects the fact that measured productivity growth in the market sector has been less weak than in the non-farm sector. Elevated market and non-farm sector unit labour cost growth are both consistent with the judgement that labour market conditions overall remain relatively tight.

Graph 3.12

Unit Labour Costs and Productivity



Productivity growth remains weak, weighing on the growth of the economy's supply capacity.

Non-farm labour productivity decreased by 1.5 per cent over the year to the December quarter

(Graph 3.12). Market sector (excluding agriculture and mining) labour productivity fell by 0.1 per cent over the same period. Labour productivity is around its 2015 level. The earlier recovery in the capital-to-labour ratio has stalled in recent quarters. Multifactor productivity (MFP), which is the part of labour productivity growth not due to changes in the capital-to-labour ratio and which reflects how efficiently inputs are being used, remained very weak; MFP declined by 1.4 per cent over the year to the December quarter.

3.3 Assessment of spare capacity

We assess that labour market conditions have remained tight over recent quarters, while broader capacity pressures have eased somewhat – though these assessments are uncertain.

A range of information – including labour market and labour cost data, business surveys and model estimates – continue to suggest the labour market is tight. Looking through the monthly volatility, most labour market outcomes have remained broadly stable in recent months. Survey measures of firms' capacity utilisation and model-based estimates of the output gap indicate that ongoing economy-wide capacity pressures have continued to ease modestly. As noted in previous *Statements*, as demand and supply move closer to balance it is harder to be sure that the output gap is positive because estimates of spare capacity – in the labour market and the economy as a whole – are inherently uncertain. Although our assessment of full

employment has not changed, there continues to be a risk that we have overestimated the extent of excess demand in the labour market.

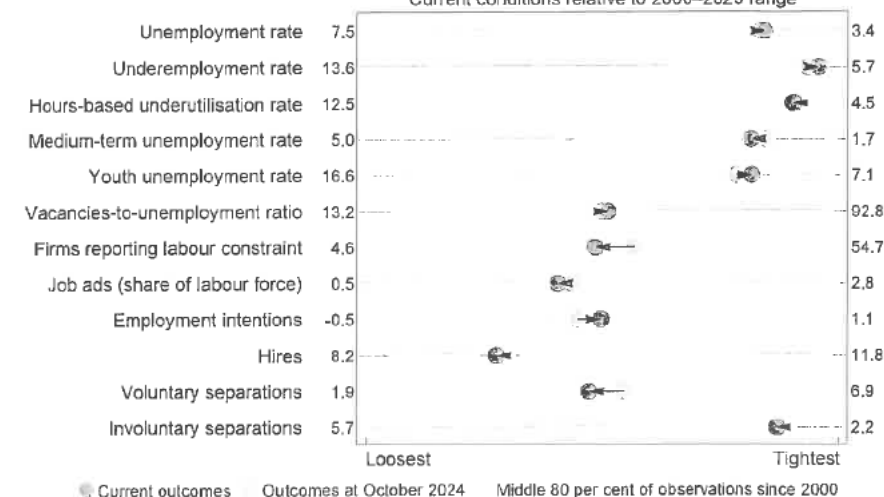
A range of indicators suggests that the labour market was still tight relative to full employment, prior to the recent escalation in trade tensions.

Indicators of spare capacity in the labour market, including the ratio of vacancies to unemployed workers and the share of firms reporting labour as a constraint on output, had stabilised at somewhat elevated levels (Graph 3.13). Similarly, the unemployment rate is little changed from the middle of last year, while the underemployment rate has fallen since then but stabilised since the start of the year. On the other hand, measures of job mobility have continued to decline, suggesting inter-firm competition to attract and retain staff has eased. This may imply less upwards pressure on wages growth and inflation than suggested by other labour market indicators, such as the unemployment rate. We will wait for more data to assess whether the softening in these measures and recent international developments have implications for labour market tightness. For now, labour market conditions are assessed as being little changed from six months ago.

Graph 3.13

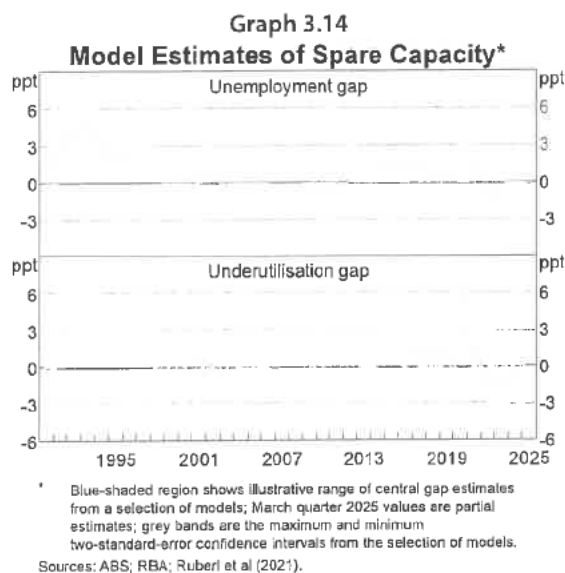
Full Employment Indicators

Current conditions relative to 2000–2025 range



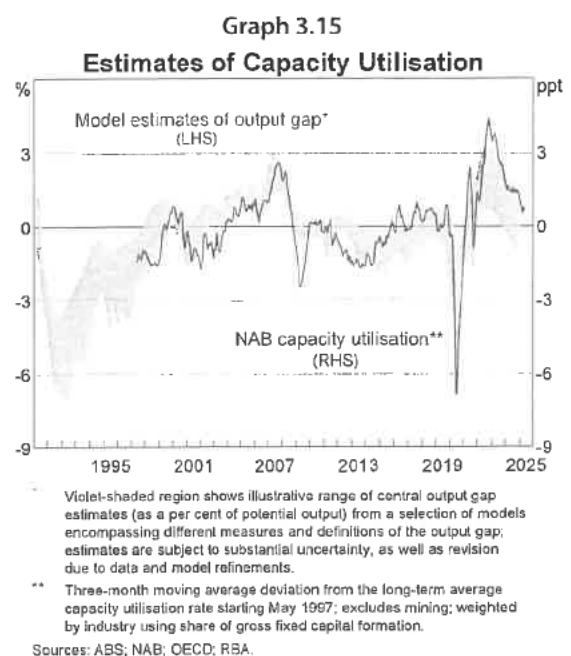
Sources: ABS; JSA; NAB; RBA.

Model-based estimates also suggest that the labour market remains tighter than full employment, with both the unemployment rate and the broader hours-based underutilisation rate remaining lower than our estimates of their full-employment levels. Estimates of spare capacity have remained broadly stable since mid-2024 and recent data have been in line with the assessment in the February *Statement* (Graph 3.14). Each of the model estimates in the suite that we consider implies that the labour market is tighter than full employment; however, there is also substantial estimation uncertainty around each estimate (indicated by the grey range in Graph 3.14).



A range of model-based estimates and data suggest the output gap was positive in the December quarter, though there is a high degree of uncertainty around this assessment (Graph 3.15).

Recent GDP outcomes remain higher than estimates of potential output, suggesting that aggregate demand continued to exceed the capacity of the economy to sustainably supply goods and services. Model estimates indicate that the output gap continued to narrow in the December quarter, but at a slower pace than seen in previous quarters and at a slightly slower pace than expected at the February *Statement*. The change was primarily driven by tight labour market outcomes during late 2024 and is consistent with the pick-up in aggregate demand over that period, alongside weak trend productivity growth continuing to constrain growth in aggregate supply. The range of model estimates for the output gap remains wide, reflecting differences in how individual models interpret the data, with each model estimate also subject to considerable estimation uncertainty that is not captured by the range in Graph 3.15. The model-based assessment is consistent with the NAB measure of capacity utilisation, which remained above its historical average (in three-month average terms) in the December quarter, suggesting businesses were still using their labour and capital resources at higher-than-normal rates to meet demand. The monthly NAB measure has declined in early 2025, consistent with a continued gradual easing of economy-wide capacity pressures.



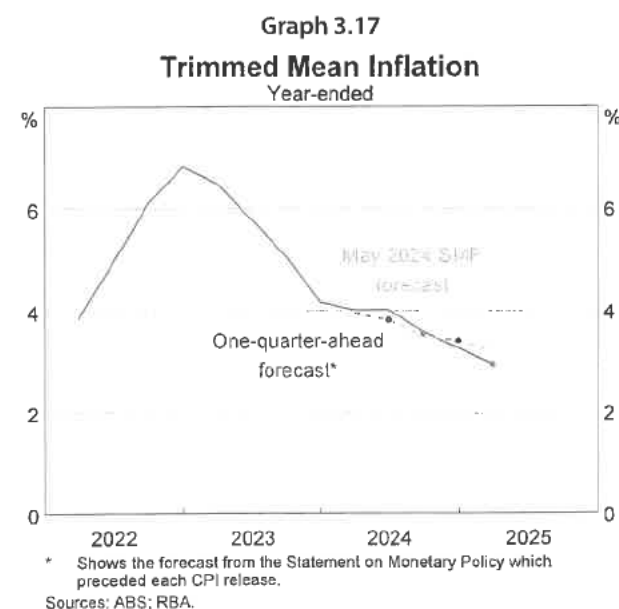
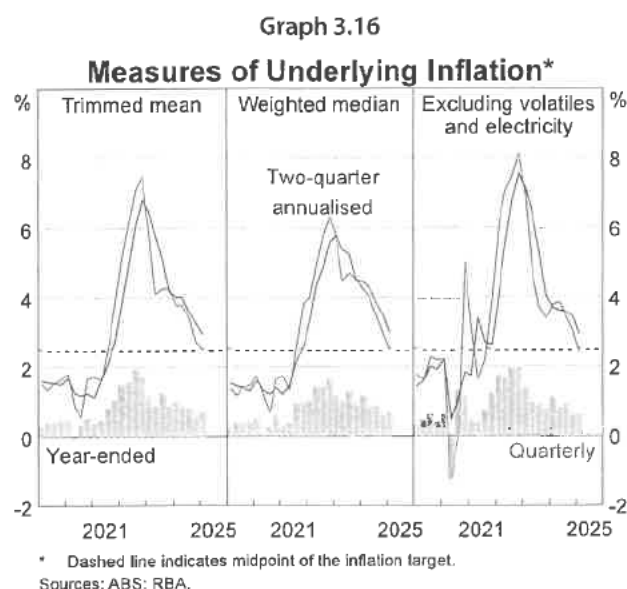
3.4 Inflation

Underlying inflation returned to the 2–3 per cent range in the March quarter, as expected in the *February Statement*.

Trimmed mean inflation was 0.7 per cent in the March quarter and 2.9 per cent over the year, as expected in the *February Statement* (Graph 3.16). Quarterly trimmed mean inflation picked up from 0.5 per cent in the December quarter of 2024. The pick-up in quarterly terms reflected the unwinding of temporary factors, including government cost-of-living measures and an adjustment made by the ABS to the childcare inflation series to correct for past errors, as well as some strong start-of-year administered price increases. Market services inflation eased by slightly more than expected in the *February Statement*, with the disinflation being broadly based. As noted in the *February Statement*, downward pressure on firms' margins may be weighing on inflation at present, with some firms reporting in liaison that weak demand has limited their ability to pass increases in input costs fully through to output prices. Declining new dwelling construction prices have continued to be a driver of the moderation in underlying inflation alongside increased discounting by builders. The recent flooding events in Queensland and New South Wales have had minimal effects on inflation (see Box B: The Impact of the Recent Floods on the Australian Economy).

Over the past year the easing in inflation has proceeded broadly as expected, or a little quicker. Each of the previous four outcomes for underlying inflation has been in line with one-quarter-ahead expectations from the preceding *Statement*. Underlying inflation is nevertheless a little lower than was expected a year ago, and upside risks to inflation have not materialised (Graph 3.17).

Headline inflation in the March quarter was unchanged in year-ended terms at 2.4 per cent and continued to be affected by government subsidies to households. Headline inflation increased to 0.9 per cent in the March quarter (seasonally adjusted), largely reflecting the unwinding of state electricity rebates in Queensland and Western Australia, along with

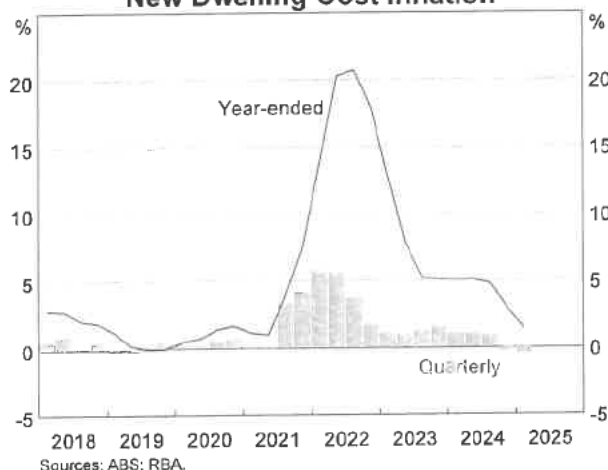


the other temporary factors that also drove the pick-up in trimmed mean inflation. However, the past effects of electricity rebates continued to weigh on year-ended headline inflation, and rebates overall are estimated to have subtracted around 0.2 percentage points from year-ended inflation in the March quarter.

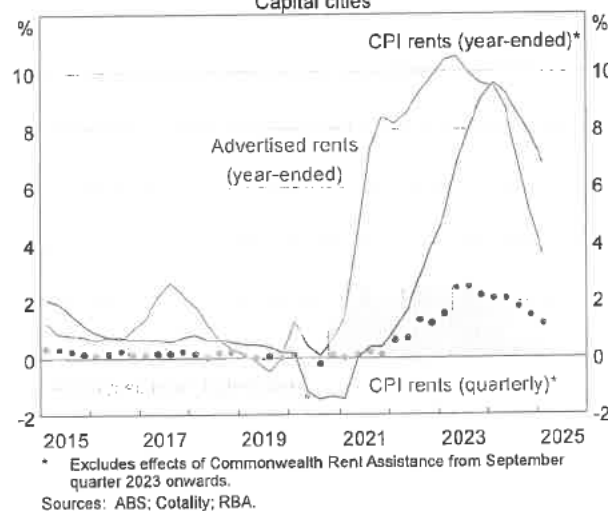
Housing inflation continued to ease in the March quarter in year-ended terms, owing to a slowing in inflation for new dwelling costs and rents.

New dwelling construction prices declined in the March quarter, to be 1.4 per cent higher over the year (Graph 3.18). This is consistent with information from liaison that weakness in demand for building new houses is contributing to builders offering discounts and that improvements in labour availability are easing pressures on labour costs.

Graph 3.18
New Dwelling Cost Inflation



Graph 3.19
Rent Inflation
Capital cities



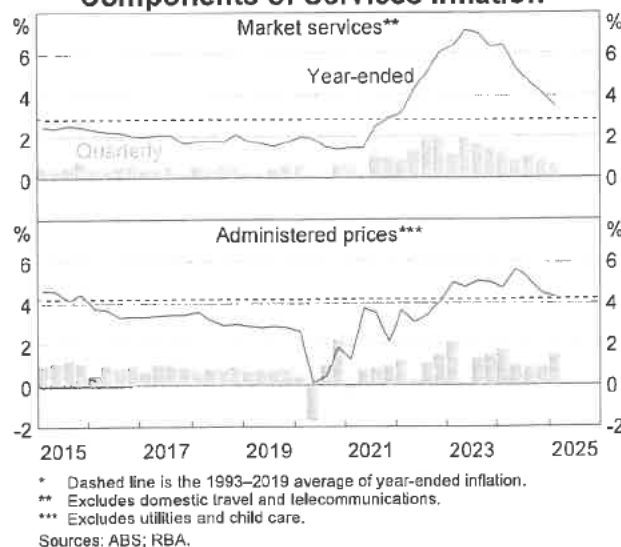
CPI rent inflation eased to 5.5 per cent over the year to the March quarter, consistent with the earlier slowing in advertised rents growth (Graph 3.19). Growth in advertised rents has stabilised over recent months, consistent with the recent stabilisation of rental vacancy rates. This suggests that CPI rent inflation could also stabilise in the period ahead.

Services inflation moderated further in the March quarter.

Market services inflation (excluding domestic travel and telecommunications) eased to 3.5 per cent over the year to March, slowing by slightly more than expected in the February Statement (Graph 3.20).

The broad-based disinflation in recent quarters has seen the quarterly pace of market services inflation decline to around its inflation-targeting average rate. Insurance price inflation has eased notably from previously elevated rates, and absent further shocks this is likely to stabilise around historical average rates over the next year. Inflation for goods and services with administered prices (excluding utilities) rose strongly in the March quarter, partly reflecting strong start-of-year price increases in education and health, though indexation effects have lowered the year-ended rate overall.

Graph 3.20
Components of Services Inflation*

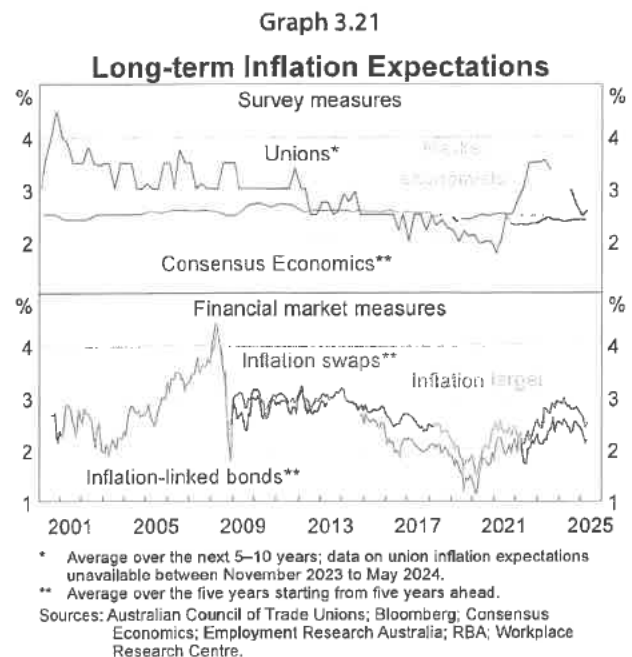


Goods inflation has eased over the past year; it is too early to see any effects of recent international developments.

Year-ended inflation for retail goods slowed in the March quarter. The quarterly pace of inflation remained broadly stable, in line with expectations in the February *Statement*. Quarterly groceries inflation remained around historical average levels in the March quarter, and quarterly consumer durables inflation has remained stable at low rates recently. Cyclone Alfred had a limited impact on these outcomes (see Box B: The Impact of Recent Floods on the Australian Economy). Retail contacts in the liaison program report that it is still too early to see any impact of global trade developments on either import or retail prices.

Inflation expectations remain consistent with achieving the inflation target over time.

Survey and financial market measures of short-term inflation expectations have declined from their mid-2022 peaks, consistent with declines in actual inflation (Graph 3.21). Survey measures of households' short-term inflation expectations appear mostly unaffected by the tariff announcements, although the series are volatile. Financial market measures of inflation compensation remain close to survey measures of medium- and long-term expectations. Unions' long-term inflation expectations have also declined to be close to the midpoint of the target range. Overall, our assessment is that long-term inflation expectations remain anchored at the target.



Endnotes

- For example, see Bloom N (2009), 'The Impact of Uncertainty Shocks', *Econometrica*, 77(3), pp 623–685; Moore A (2016), 'Measuring Economic Uncertainty and Its Effects', RBA Research Discussion Paper No 2016-01.
- See Saunders T and Tulip P (2019), 'A Model of the Australian Housing Market', RBA Research Discussion Paper No 2019-01.

Box A: How Might Tariffs Affect Australian Trade?

Higher tariffs and trade policy uncertainty are likely to result in slower global growth and lower global prices for traded goods, alongside changes to the pattern of trade. This Box focuses on how recent international developments may affect Australian export demand and import prices, including how the impact on Australian trade flows and prices may depend on the composition of our imports and exports.

On balance, the effect of higher tariffs on Australian exports is expected to be relatively small and largely on prices rather than volumes. This is because Australia's exports are dominated by resources for which Australia is a relatively low-cost producer, and because Chinese fiscal policy is expected to support commodity prices.

International developments are expected to weigh on the global prices of Australian imports. The relatively high share of Australia's imports coming from China suggests there is scope for the price of manufactured goods imports to decline if high US tariffs on China result in trade redirection to Australia. The relatively small size of Australia's manufacturing sector should limit the drag on domestic activity from this increased competition from imports. The small share of Australian imports coming from the United States will limit any direct exposure to higher US production costs and prices.

These judgements are uncertain; the outlook for Australian trade will ultimately depend on the level of tariffs, how trading patterns change, whether changing trade patterns induce supply disruptions, movements in the Australian dollar exchange rate, and the effect of trade policy uncertainty on global activity (see Chapter 1: In Depth – Global Economy and Financial Markets; Chapter 4: Outlook).

Slower global growth is expected to result in somewhat lower prices for Australia's exports but to have limited impact on export volumes.

A slowing in global growth is expected to result in reduced demand for Australian exports and lower export prices, though these impacts will be mitigated by Chinese fiscal stimulus. Compared with other advanced economies, a relatively large share of Australia's goods exports is comprised of resources and agricultural goods (Graph A.1). China is the most important destination for Australian exports, accounting for 45 per cent of resource exports and 30 per cent of total exports. While weaker global demand is expected to weigh on tradable goods prices, economic policy measures in China are expected to support demand for Australian resources. The Chinese policy measures are expected to have a significant investment component, which would support demand for steel and therefore for Australian iron ore and metallurgical coal. Indeed, iron ore prices have been relatively stable since the first US announcement of tariffs in early April, and Consensus forecasts of iron ore prices have only declined a little.

Slower global growth is expected to have a limited impact on Australia's resource export volumes.

Since Australia is a low-cost producer of some bulk commodities and agricultural products, many Australian exporters are expected to remain profitable and maintain production volumes even if prices fall somewhat. Volumes of services and other goods exports may be more affected by the decline in global growth, but these comprise a smaller share of Australia's exports. Overall, we expect the impact of lower global growth on Australian exports to be small and to mostly affect export prices rather than export volumes.

The increase in US tariffs on Australia is expected to have only a small direct effect on Australian export demand. The share of

Australia's exports that are directly exposed to higher US tariffs is small. Total exports to the United States account for around 6 per cent of Australia's total gross exports – a relatively small share – and only around 1½ per cent of GDP. Further, while the United States has imposed a 10 per cent tariff on most Australian goods, some goods are exempt (such as gold and selected pharmaceuticals) while others are subject to higher sectoral tariffs (such as steel and aluminium). Some product categories – such as aircraft parts and medical instruments – are more exposed to the tariffs, as a large share of these exports go to the United States (Graph A.2). Australia is expected to continue to export a range of products to the United States, including those for which it is difficult for US buyers to find suitable alternatives, and those where Australian goods face a tariff rate that is similar to (or lower than) that on the same goods from some other countries. Australian producers may also redirect some exports to alternative markets, as occurred when some Australian exports to China, including coal, fell sharply in 2020.¹

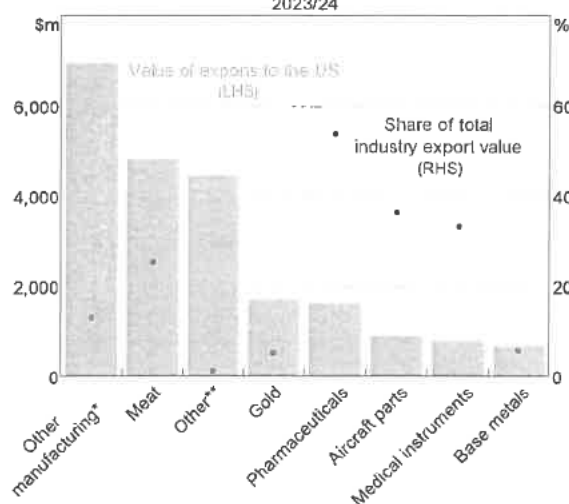
Indirect demand for Australian exports from spending in the United States is also limited.

Spending in the United States also affects Australian export demand indirectly because some Australian goods are intermediate inputs in global supply chains. For example, Australia exports iron ore to China, some of which is used to make the steel components of machinery exported from China to the United States. However, Australia's 'value-added' exports to the United States, which includes this indirect demand, remain below 10 per cent of total exports (a little over 2¼ per cent of GDP).

Graph A.1
Composition of Australia's Exports



Graph A.2
Australia's Goods Exports to the US
2023/24



* All goods exported to the US by the manufactures sector excluding aircraft parts, medical instruments, and pharmaceuticals.

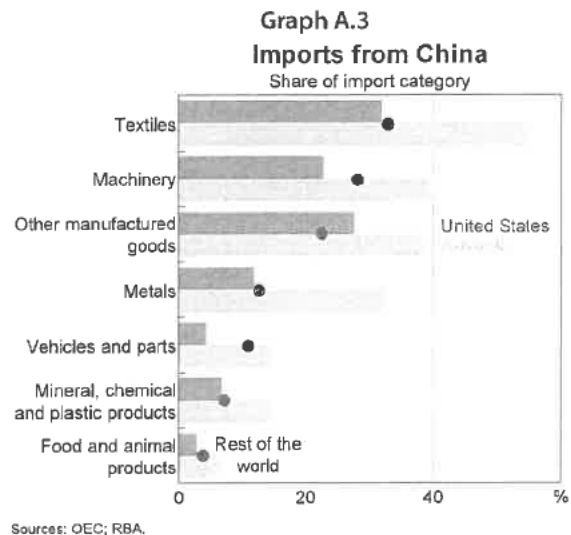
** Includes all goods exports to the US that do not fall into categories in the graph.

Sources: ABS; DFAT; RBA.

While international developments are expected to weigh on the global prices of Australian imports, there are risks on both sides.

Lower global demand is expected to weigh on global inflation of traded goods and therefore the global prices of Australian imports. Weaker global demand is expected to be the dominant effect of recent international developments for Australian import prices. However, a range of other channels could influence Australian import prices in both directions.

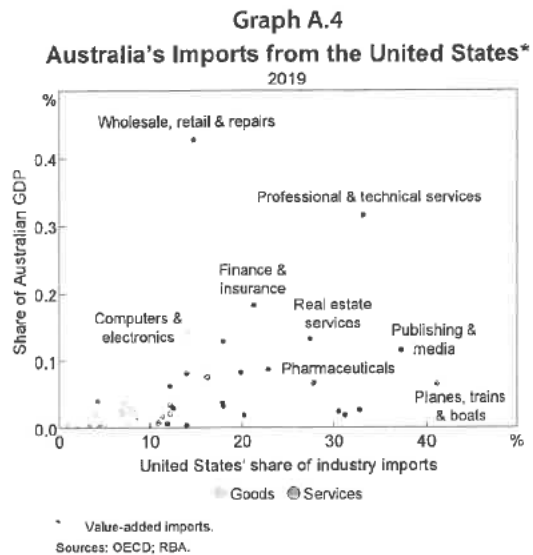
The impact of changing trading patterns on the global price of Australian imports is ambiguous, but on balance is expected to reduce them because China accounts for a large share of imports. On top of weaker global demand for tradeable goods, very high US tariffs on China could push Chinese suppliers to redirect goods to other countries, including Australia. This could increase the supply of goods from China and reduce the price that Australians pay for Chinese goods. However, US consumers will likely substitute towards imports from other countries, supporting the relative price of goods from the rest of the world. The impacts of these changing trading patterns on Australian import prices (over and above weaker aggregate demand for tradeable goods) are ambiguous and depend on a number of factors, including the composition of Australia's imports. On balance, because Australia has a higher share of Chinese products in most parts of its import basket compared with other economies, the redirection of tariff-affected exports is likely to place additional downward pressure on Australian import prices, especially in the short term while global trade flows adjust (Graph A.3).



Lower priced goods from China are unlikely to displace much Australian production, but they could benefit industries reliant on imported inputs. The United States has applied the largest tariff increase to China, so Chinese exporters may look to redirect goods to new markets or lower prices in existing markets. There is not much overlap between the tradable goods Australia produces (largely resources and agricultural goods) and those that Australia imports from China (largely manufactured goods), suggesting limited scope for lower priced imports from China to out-compete domestic production. However, there are some industries where there remains some overlap and where Australian producers could be worse off. In addition, lower goods prices relative to services could weigh on the demand for domestically produced services at the margin. On the other hand, industries that have a large share of imported inputs from China (such as clothing retailers) would benefit from lower input costs (see Box C: Insights from Liaison for more information about how Australian firms are considering global developments).

There are also several factors that could put upwards pressure on world export prices. In the short term, the reorientation of supply chains could be costly and create disruptions that put upwards pressure on prices that flow through to Australia. It is also possible that multinational corporations whose margins are compressed in markets where tariffs have been raised might seek to raise margins elsewhere, putting upwards pressure on prices in other markets such as Australia.

Higher inflation in the United States is unlikely to have a material direct impact on Australian import prices. US tariffs are likely to be inflationary for the United States in the short run (see Chapter 1: In Depth – Global Economy and Financial Markets), which could boost the prices of their goods and services exports. The effect of this on Australia is likely to be small given some Australian firms would seek alternative suppliers if prices from the United States rose materially, and imports from the United States account for only around 2½ per cent of Australian spending. However, in product categories that are highly dependent on imports from the United States, it may be more difficult to find substitutes. For example, one-third of Australia's value-added imports of professional and technical services come from the United States (Graph A.4). At an industry level, services (such as professional services) are more exposed to imports from the United States than goods industries (such as mining and agriculture).²



Developments in the Australian dollar exchange rate will continue to be a key determinant of economic outcomes here.

While we expect global goods price inflation to be lower based on recent international developments, Australia's export competitiveness and domestic inflation will also be affected by movements in the Australian dollar exchange rate. The exchange rate against the US dollar is particularly important over short horizons because most of Australia's exports and around half of imports are invoiced in US dollars. Typically, the Australian dollar depreciates in response to a downgrade in global growth or increased global risk aversion, playing an important role as a 'shock absorber'. The direct effect of a lower exchange rate is an increase in the price of goods and services produced overseas, relative to the price of goods and services produced in Australia. This lowers demand for imports and increases demand for domestically produced goods, increasing Australian economic activity.³ However, since the announcement of tariffs in early April, the Australian dollar has been little changed in trade-weighted terms amid broad-based US-dollar weakness (see Chapter 2: Australian Financial Conditions). The response of the exchange rate to future international developments, including whether the US dollar continues to depreciate during periods of heightened risk aversion, will be a key determinant of the outlook for Australian GDP and inflation (see Chapter 4: Outlook).

Endnotes

- 1 As discussed in Hauser A (2024), 'The Ghost of Christmas Yet to Come', Speech at the Australian Business Economists' Annual Dinner, Sydney, 11 December.
- 2 See Westpac (2025), 'Australian Industry Bulletin – Tariff Test: How Exposed Are Industries?', 1 May.
- 3 See RBA (undated), 'Exchange Rates and the Australian Economy', Explainer.

Box B: The Impact of the Recent Floods on the Australian Economy

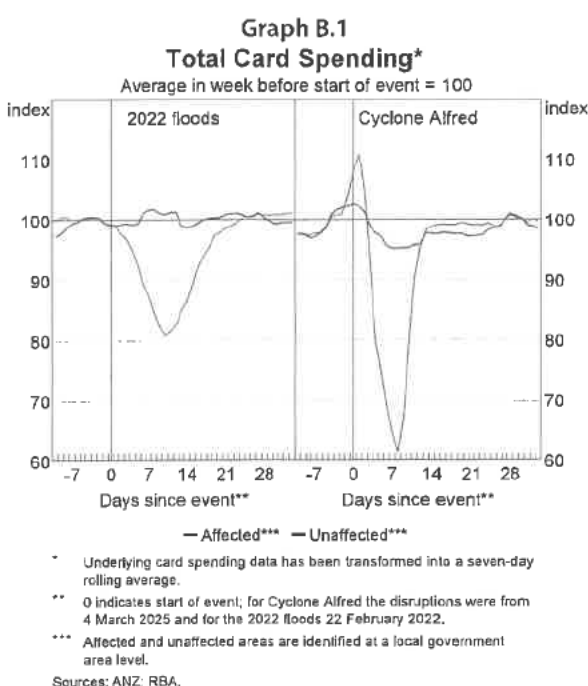
Parts of Queensland and New South Wales experienced flooding and high winds in the March quarter due to several significant weather events, including Cyclone Alfred. This Box sets out initial estimates of the effects of these events on the Australian economy.

Natural disasters such as floods and cyclones are a negative supply shock to the Australian economy as production is disrupted, and public infrastructure, homes, cars and business assets are damaged. Natural disasters can also affect the path of demand over time; typically spending is delayed but then increases as disruptions ease and the replacement of damaged assets gets under way.

Recent flooding and Cyclone Alfred likely lowered GDP growth in the March quarter.

The RBA's estimate is that the natural disasters subtracted around 0.1–0.2 percentage points from GDP growth in the March quarter. This

estimate is informed by timely card spending data showing that household spending declined sharply in the affected regions during Cyclone Alfred (Graph B.1). Compared with the 2022 Queensland and northern NSW floods, there was more stockpiling of supplies ahead of the cyclone, spending declined more sharply as there were more widespread store closures during the cyclone, and power outages disrupted spending afterwards. However, there was a faster return to normal consumption patterns than in 2022, and there was less damage to homes, businesses and infrastructure. Construction activity in southeast Queensland was halted for several days around the time of the cyclone. However, builders generally plan for wet weather in the March quarter and the construction industry had the capacity to begin repairs more quickly than in 2022. Flooding in parts of northern, central and western Queensland disrupted economic activity in some areas for an extended period. Exports were also a little lower, as floods affected some coal mines and agricultural areas, and transport was disrupted.



The fall in activity associated with the disasters could be offset by recovery spending over time. After the floods and cyclone, there was an increase in private and public spending associated with cleaning up, restocking, rebuilding and motor vehicle purchases, much of which is not captured in card spending data. Liaison with businesses suggests recovery spending commenced towards the end of the March quarter and is likely to continue into subsequent quarters, although the magnitude and timing of recovery spending is uncertain. Flooding has continued to affect activity in some areas of Queensland into the June quarter, and the recovery in some areas is likely to take some time.

The overall impact of the natural disasters on domestic prices is expected to be modest.

Replacement spending on household goods and motor vehicles is not expected to have had a significant impact on goods price inflation. There may have been some additional upward pressure on construction costs at the margin, reflecting constraints on some of the trades needed for repairs. The loss of crops had limited impact on food prices, as most of the affected produce is also grown elsewhere.

Box C: Insights from Liaison

This Box highlights key messages collected by teams based in Adelaide, Brisbane, Melbourne, Perth and Sydney during discussions with around 270 businesses, industry bodies, government agencies and community organisations from the beginning of February to mid-May 2025.

Firms generally report little change in domestic economic conditions over the past few months, with retailers continuing to report slow to moderate growth in demand. Headcount at most firms was relatively stable and is expected by firms to remain so. Labour availability continued to improve. Firms continued to report above-average increases in output prices over recent months but expect them to slow over the next 12 months, particularly for the services sector. Firms note that the recovery in domestic demand growth has so far been slower than hoped but they remain cautiously optimistic that growth will gather pace from here, despite heightened concerns about the risks to the outlook from global developments.

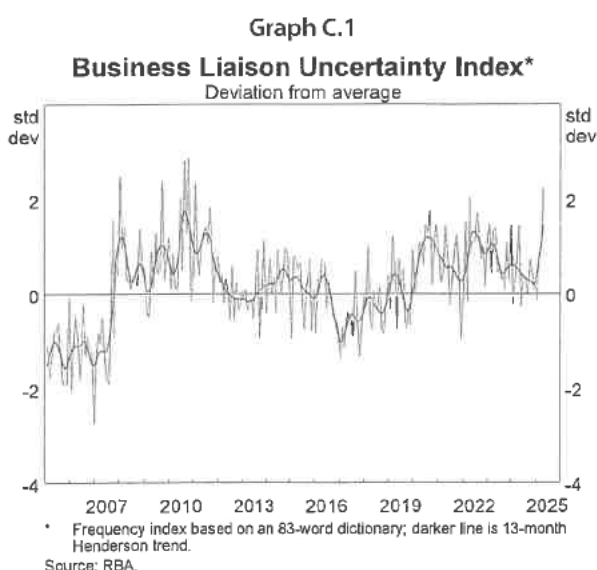
Firms in liaison report that changes to global trade policies have so far had little direct effect on revenue, their decisions or their prices. However, their uncertainty increased noticeably over recent months ahead of the Australian federal election and amid the unpredictable policy environment abroad.

Firms reported elevated uncertainty about the domestic and global outlook.

The RBA's text-based liaison uncertainty index – which captures uncertainty expressed by firms in the liaison program – was higher in April than at any time since the global financial crisis (Graph C.1).¹ The key issues on firms' minds in discussions were heightened uncertainty related to trade, tariffs and other policies since the change in government in the United States, and uncertainty due to the federal election in Australia in the months preceding it. Following the federal election, early indications for May suggest some easing in uncertainty.

Firms see risks in both directions for their activity and prices, highlighting the extent of uncertainty about the global environment.

Some firms have noted potential opportunities in the period ahead. For example, some exporters have noted upside risks to demand for Australia's exports where they become cheaper relative to other countries that face higher US tariffs (such as for some agricultural products) or where there is reduced competition from the United States (such as for tertiary education). Additionally, some liaison contacts have noted tentative signs of increased foreign appetite for real investments in Australia because investors are reassessing the relative jurisdictional risk of Australia compared with the United States. However, some exporters are concerned that lower global growth could weigh on demand and commodity prices, and in turn their sales revenue.



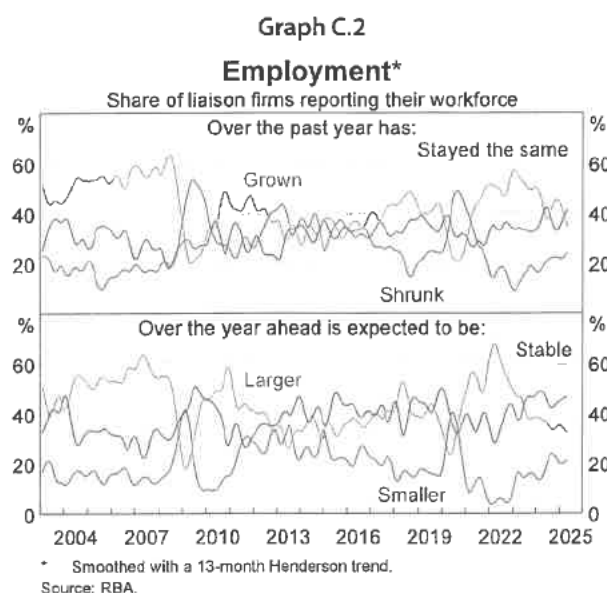
Some firms hope that a reduction in US demand for goods could flow through to an easing in imported costs for Australian firms due to lower global aggregate demand relative to supply. Other firms are concerned about upside risks to imported costs should the Australian dollar depreciate. The outlook for the exchange rate is a concern raised by many retail, manufacturing, wholesale, finance and services firms.

Many firms report that it is still too early to assess the full implications for their business from geopolitical developments and elevated uncertainty. While many firms are watching developments closely as part of their forward planning, firms have generally emphasised that they have faced few direct effects from these developments so far, and the overall tone in liaison has suggested the Australian economy has remained fairly stable over recent months.

Firms have mostly kept headcount stable and expect this to remain the case over the next 12 months.

The share of firms reporting that their headcount was stable over the past year has increased recently, as has the share intending to keep headcount stable in the year ahead (Graph C.2). Firms intending to keep headcount stable are generally reporting that they need to maintain existing capacity or are planning to restructure to try to achieve more with the same size workforce. Voluntary staff turnover continues to normalise, and firms are more easily able to find the workers they need than has been the case for some time.

These outcomes are at the margin a little softer than a few months ago; since then, the share of firms that had increased their headcount or intended to grow headcount over the next 12 months has eased a little. This suggests there has been a slight easing in intentions for further employment growth. Of those firms that have reported reducing their headcount over the recent period, the majority had let headcount decline through natural attrition or reducing non-revenue generating roles. A large share of firms that recently reported they had reduced headcount over the past year said they do not expect to reduce headcount any further over the year ahead. Around half of contacts intend to keep their headcount stable.



Price and cost outcomes for firms were little changed over the recent period and their price growth is currently expected to slow gradually.

Whether geopolitical events lead to higher or lower imported cost inflation will be an important determinant of firms' pricing pressures over the period ahead. In the first few months of 2025, firms noted concerns that the lower level of the Australian dollar since mid-2024, relative to the prior period, would put upward pressure on their cost growth over the period ahead, particularly if it continued (these concerns have abated more recently, in line with exchange rate movements). Firms continue to report above-average growth

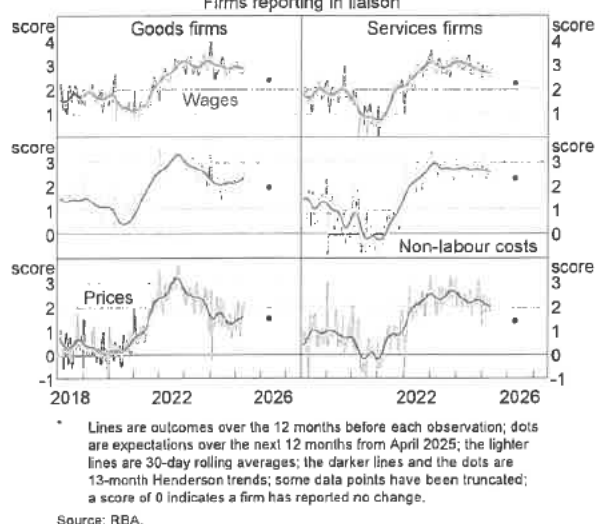
in energy prices and business insurance and technology costs, particularly subscription costs. Partly offsetting this, growth in construction costs is normalising, insurance cost growth is coming down and there are tentative signs growth in rates for land and sea freight and some technology costs will slow over the period ahead.

Liaison suggests that year-ended private sector wages growth remained at around 3¾ per cent over the past 12 months.

Expectations for year-ended wages growth over the next 12 months remain just under 3½ per cent.

Average selling price inflation was little changed over recent months. For goods firms in the liaison program, reported selling price growth picked up a little alongside ongoing input cost growth. Selling price growth among services firms eased a touch, supported by the lower wage growth in the past 12 months than the year prior. Services firms expect their selling price growth to ease more noticeably than goods firms over the coming 12 months (Graph C.3).

Graph C.3
Costs and Prices*
Firms reporting in liaison



Investment and consumption activity indicators have overall been relatively steady, though a cautiously positive tone has persisted among some contacts regarding the domestic outlook.

Investment intentions have been stable over recent months. Most firms report that they are planning to spend as much over the next 12 months as they had over the past 12 months. The share of firms looking to lower their investment over the year ahead has declined a little. For other firms, the level of construction costs has been a commonly cited factor weighing on investment intentions. Contacts report they expect softer growth in investment in vehicles, industrial property and new office space. Few firms have reported any changes to their investment plans in response to geopolitical tensions overseas, though uncertainty around domestic energy policy over the early part of this year was noted in some cases to be weighing on their energy investment decisions.

Information from residential construction firms suggests that completion of projects outstripped new sales and as such their pipeline for future activity has declined. Homebuilders have reported a moderate increase in speculative building activity – that is, building homes that are not pre-sold – over the past year, which has provided some support for activity. Most homebuilders expect to see a boost in home sales after the federal election and if there are further cuts to interest rates. That said, contacts remain concerned about affordability constraints.

Retailers continue to report slow to moderate growth in demand over recent months, consistent with a gradual recovery in private demand. Firms have so far seen little discernible reaction from consumers to the February interest rate cut. An increase in domestic student commencements for some universities and a further recovery in international tourism have also supported a cautiously positive tone persisting among some contacts recently regarding the domestic economy, despite rising concerns about the risks to the outlook from global developments.

Endnote

- 1 The business liaison uncertainty index is a text-based index that uses a dictionary of words that relate to uncertainty and the corpus of liaison meeting notes that record the views expressed by firms in meetings conducted as part of the RBA's liaison program over almost 25 years.



Chapter 4 Outlook

Summary

- **The outlook for the global economy has deteriorated since the February *Statement*. This is due to the adverse impact on global growth from higher tariffs and widespread economic and policy unpredictability.** However, with trade policies in the United States and other economies evolving rapidly, it is impossible to estimate their economic impact with any accuracy. We are therefore complementing our baseline forecast with a range of forecast scenarios to explore the possible effects on Australian economic activity and inflation under different trade policy assumptions.
- **The baseline forecast is for growth in Australia's major trading partners (MTP) to slow in 2025 and 2026.** This forecast assumes that the current set of tariffs remain in place and that policy uncertainty gradually falls over the year ahead to settle at a level higher than in the February *Statement*. As a result, MTP growth in exports, business investment and household consumption are all expected to be lower relative to the February forecast. The downgrades to GDP growth are largest for the United States and countries that have a high reliance on goods trade. The higher level of tariffs and global policy uncertainty are expected to weigh on Chinese growth, but this is expected to be largely offset by increased fiscal and monetary policy support.
- **In the baseline forecast for the Australian economy, the weaker global outlook contributes to a slightly larger increase in the unemployment rate and a slightly lower inflation rate relative to the February *Statement*.** Domestic GDP growth is still expected to pick up over the year ahead, supported by a recovery in consumption and continued strength in public demand. However, the pick-up is expected to be more gradual than previously forecast due to weaker global demand, global and domestic uncertainty and weaker momentum in consumption. The forecasts are conditioned on market expectations for a cumulative 85 basis point easing in the cash rate over the forecast period; the additional easing in the cash rate relative to the February *Statement* provides additional support to domestic activity in the face of global economic headwinds. Overall, the economy and labour market are projected to move closer to balance, although there is considerable uncertainty around this assessment. The baseline forecast for domestic inflation has been revised a little lower since the February *Statement*; underlying inflation is now expected to be around the midpoint of the 2–3 per cent range throughout much of the forecast period. The forecast for headline inflation is more volatile, largely reflecting the effects of the electricity rebates.
- **An escalation of the trade conflict is a key downside risk.** In an alternative scenario, negotiations break down and much higher levels of tariffs are imposed permanently, which would likely see global sentiment and growth fall sharply amid a disorderly fall in global and domestic asset prices. Absent a material policy response, this could see a sharp slowing in domestic GDP growth and a sharp rise in the unemployment rate.

-
- **By contrast, a swift easing in the trade conflict could reduce policy uncertainty and pose upside risks to the baseline forecast.** In this scenario, successful trade negotiations around the level of tariffs could lead to a sharp reduction in global and domestic uncertainty. Coupled with stronger policy stimulus overseas, this would result in a more pronounced recovery in domestic GDP growth and somewhat higher inflation. This could require less accommodative policy than is currently priced into market expectations for the cash rate.

4.1 The baseline forecast relative to the alternative forecast scenarios

Monetary policy affects the economy with a lag, so must always be set with an eye to how the economy is expected to evolve in the future. The RBA, like many other central banks, typically presents its economic outlook in the form of a central or baseline forecast. A baseline forecast can be thought of as the most likely single path for the domestic economy, given the technical assumptions on which the forecast is conditioned (such as the financial market-derived cash rate path). However, the economy is unlikely to evolve precisely as forecast. This is illustrated by the RBA's fan charts, which we use to indicate a range of plausible outcomes around the baseline forecast (see the graphs below for GDP, unemployment and inflation, notably the blue-shaded areas). The width of the fans is based on past forecast errors.¹

However, where there are a number of different plausible outcomes, it can make more sense to evaluate the outlook using so-called 'scenario analysis', with the baseline being one of these scenarios. The heightened level of global uncertainty and the fast pace at which international trade policies have been evolving mean we are currently in such circumstances. Depending on the outcomes of current negotiations on future tariffs, the future paths for domestic activity and inflation may evolve in very different ways. Scenarios can never provide an exhaustive list of such outcomes; instead, we base our scenarios on different assumptions around how the international environment evolves that may lead to upside and downside risks to activity and inflation in Australia.

Table 4.1 provides a summary of the baseline and alternative scenarios that we examined in this round of forecasting. Each of these is discussed in turn below.

Table 4.1: Baseline and Alternative Scenario Assumptions and Key Forecasts^(a)

	Baseline	'Trade War' Scenario	'Trade Peace' Scenario
	Higher tariffs and uncertainty relative to February <i>Statement</i>	Trade escalation provides downside risks to growth	Swift resolution provides upside risks to growth
Global assumptions			
Trade policy	Effective tariff rates remain higher than assumed in February. Average bilateral US–China tariff rates remain around their current levels. Country-level tariff rates with most of the United States' other trading partners remain at 10 per cent.	Effective tariff rates are at a higher level in 2025 than the baseline assumption. In early 2026, permanently large tariffs are implemented: 'liberation day' tariffs are reimposed and tariffs on all Chinese goods are increased to the very high levels announced in early April. All countries, including Australia, retaliate with higher tariffs.	Successful trade negotiations lead to a sharp de-escalation of the trade conflict in the near term that reduces US tariffs back to 2024 levels.
Other assumptions	Global uncertainty gradually declines. Chinese authorities mitigate the adverse impact of tariffs on economic activity using fiscal and monetary policy. Authorities in some other economies moderately ease fiscal policy, partly in response to higher US tariffs.	Uncertainty is higher and more persistent than the baseline and there is a significant shock to confidence. Fiscal stimulus in the United States and China is limited.	Global uncertainty declines sharply in the near term to around 2024 levels. Fiscal stimulus remains higher in China and the United States than expected in the February <i>Statement</i> .
Domestic forecast outcomes			
GDP	GDP growth continues to pick up over 2025 and 2026, although at a less-pronounced pace than expected in the February <i>Statement</i> .	Growth slows sharply and remains subdued in 2025 and 2026; the level of GDP is more than 3 per cent lower at the end of the forecast horizon than the baseline forecast.	Under the current market path for the cash rate, the recovery in GDP growth is more pronounced than in the baseline.
Unemployment	The unemployment rate increases a little more than expected in the February <i>Statement</i> .	The unemployment rate increases to nearly 6 per cent.	The unemployment rate remains around its current level.
Inflation	With the cash rate following the market path, underlying inflation declines to be around the midpoint of the 2–3 per cent range by the end of 2026.	With the cash rate following the market path, inflation slows continuously through the forecast period to around 2 per cent at the end of 2026.	With the cash rate following the market path, inflation remains above the midpoint of the 2–3 per cent range over the forecast period.

(a) Main technical assumptions: cash rate is assumed to follow the market path (as of 14 May) in all three scenarios. The trade-weighted index is unchanged at current levels in the baseline and 'trade peace' scenario and depreciates by 6 per cent in the 'trade war' scenario.

4.2 Key judgements for the baseline forecast

The key judgement underpinning the baseline forecasts is the assumption about the evolution of tariff policy, which is outlined in Table 4.1 and in Chapter 1: In Depth – Global Economy and Financial Markets. The three other important judgements that have been considered and debated extensively throughout the forecast process are discussed below.

Key judgement #1 – The slowing in Chinese growth will be modest, as the effects of higher tariffs and elevated uncertainty are mostly offset by increased policy stimulus.

Our baseline forecast is for MTP growth to slow in 2025 and 2026. Our baseline forecast for Chinese growth is currently towards the upper end of the range of market economists' forecasts. This reflects our up-to-date baseline assumptions around the recent easing in tariff rates as well as our judgement that Chinese policy stimulus will offset much of the negative impact of tariffs and uncertainty on GDP growth; the Chinese authorities have communicated a growth target of 'around 5 per cent' for 2025 and a high appetite to use its policy levers to achieve that target. The possibility that further tariffs are introduced and/or that Chinese authorities are unable to offset the effect of the trade conflict presents downside risks to the domestic baseline forecast.

Key judgement #2 – Elevated global and domestic uncertainty is expected to weigh a little on domestic spending decisions.

Economic policy uncertainty has increased sharply alongside the recent escalation in global trade tensions. There is empirical evidence that increases in uncertainty weigh on private demand, over and above any effects that occur through other channels (e.g. declines in equity prices).² Heightened uncertainty increases the value of waiting for additional information and the baseline forecast assumes that uncertainty declines only gradually over the coming year (see Table 4.1). This results in some businesses delaying their investment decisions and households increasing their precautionary saving. This assumption has contributed modestly to the downward revision to forecast growth in domestic activity over 2025.

It is unclear how uncertainty will evolve going forward, and how Australian businesses and households will respond given the wide range of empirical estimates of the impact of uncertainty. At this stage, there is little evidence of any significant adverse effects of uncertainty on households and businesses in liaison or survey data. It is possible that business and household activity proves more resilient to the current level of uncertainty, with other factors proving more consequential for spending decisions (such as the assumed easing in monetary policy or because domestic policy uncertainty tends to decline once an election outcome is known). Alternatively, the effects of heightened uncertainty that have been assumed are small and could instead turn out to be larger, particularly if the trade conflict is larger or more protracted. These effects are explored in the alternative scenarios.

Key judgement #3 – Global trade developments are judged to be disinflationary in net terms for Australia.

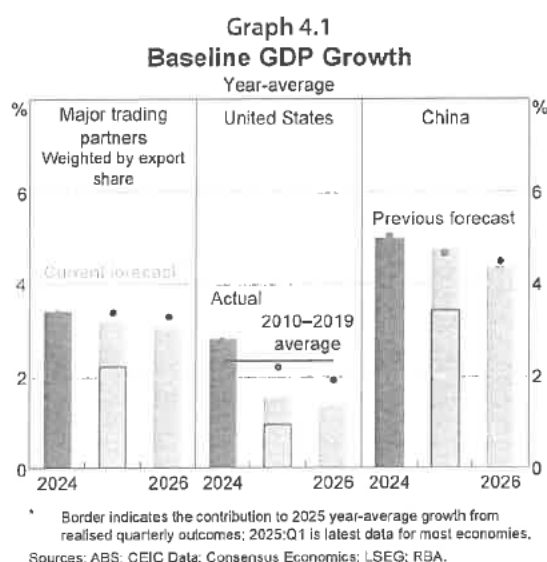
Overall, the softer outlook for domestic activity flows through to an easing in labour market conditions, which result in lower domestic inflationary pressures.

Global developments are judged to weigh on the prices of goods and services imported to Australia, although this has only a small effect on inflation in the baseline forecast. World export prices are expected to be a little lower over the next year as weaker global demand weighs on prices. There has been little change in the Australian dollar exchange rate since the February *Statement*; as such, we forecast a modest decline in imported goods prices (see Box A: How Might Tariffs Affect Australian Trade?). It is possible that an increased supply of imports to Australia leads to lower import prices as trade is diverted away from higher tariff routes. However, the trade conflict could result in substantive supply chain issues, which could raise prices for some imports. Information from the liaison program and survey data, as well as timely global trade prices data will provide guidance on this judgement over the next few months.

4.3 Baseline global outlook

GDP growth in Australia's major trading partners has been revised downwards in 2025 and 2026 relative to the February Statement.

Consistent with the deterioration in timely partial activity data in many countries, the global outlook for 2025 has been revised lower by most forecasters (Graph 4.1). The wide range in published forecasts is indicative of the pace at which trade policies have been evolving and their likely effect on growth and inflation. To ensure our MTP forecasts are relatively consistent with the latest trade developments, we have deviated to some degree from our usual practice of using Consensus forecasts for the MTP (excluding China) forecasts and instead applied some judgement to the forecasts.



The downward revision in the baseline MTP forecast reflects the impact from the assumed set of tariffs described in Table 4.1 between the United States and its trading partners, particularly China, as well as an assumed additional effect on activity from the sharp increase in trade policy uncertainty. Growth in countries that impose and face tariffs will be most affected, while all countries will be impacted by the lower global

demand from this shock. Overall, quarterly baseline MTP growth slows through 2025, before gradually picking up in 2026 as the direct effects of higher tariffs wane and uncertainty is assumed to decline, while stimulatory fiscal and monetary policy, particularly in China, is expected to continue to support growth.

Forecasts for US growth have been revised down substantially for this year and next year.

We expect quarterly growth in the United States to be weak in the second half of 2025 as the economy adjusts to higher tariffs, before picking up through 2026 as uncertainty eases. While the recent de-escalation of the US–China trade conflict likely reduces the probability, there is still some likelihood that the United States will be in recession by early 2026. Many market economists have assumed in their forecasts that the temporary personal income tax relief (scheduled to cease at the end of 2025) will be extended. Growth in most of our other trading partners, including economies in East Asia, has also been revised down but to a lesser extent than in the United States. The size of the downgrades is broadly proportional to the trade-exposure of the economy and its reliance on US demand.

The imposition of tariffs is expected to increase inflation in the United States this year. Consensus forecasters expect that this increase will be temporary and year-average inflation forecasts for 2026 have been relatively steady to date. The net impact of tariffs on inflation in most other advanced economies is expected to be relatively small, though inflation forecasts for some advanced economies were already drifting up before the spike in trade policy uncertainty (e.g. in Japan and the United Kingdom). Even if trade policy uncertainty is resolved completely, the higher tariffs will reduce the supply capacity of the global economy, weighing on potential growth and potentially adding to inflationary pressures (explored in the scenarios below).

Under the assumptions for tariffs and stimulus set out above, year-average Chinese GDP growth is projected to be 4.8 per cent in 2025 and 4.4 per cent in 2026.

The current level of US tariffs on Chinese exports and the expected impact of these on Chinese GDP growth in 2025 and 2026 are similar to what had been assumed in the February *Statement*. However, very high volatility in the level of US tariffs since February and the associated elevated policy uncertainty is likely to weigh on manufacturing investment and household consumption by more than previously expected. Offsetting this, momentum in China's economy has been stronger than expected so far in 2025, and the assumed drag from higher tariffs on Chinese economic growth is expected to be materially offset by policy stimulus. Chinese authorities confirmed a 2025 GDP growth target of 'around 5 per cent' as well as their willingness to support growth with fiscal and monetary policy at their National People's Congress in March. The authorities have indicated they will front-load fiscal stimulus announced in their 2025 budget over the coming months and will do more to support growth if needed.

4.4 Baseline domestic outlook

Australian GDP growth is expected to recover more gradually over 2025 than forecast three months ago.

The baseline forecast is for domestic activity to pick up over 2025 as consumption recovers and public demand continues to support growth (Graph 4.2).

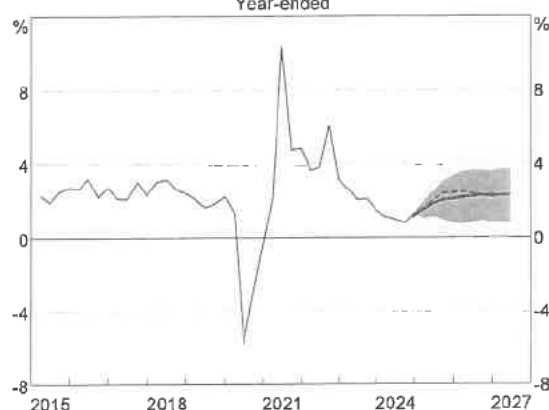
However, the recovery is expected to be more gradual than in the *February Statement*, for two reasons. First, the weaker outlook for global growth and increased policy uncertainty internationally is expected to weigh on growth in domestic activity. The lower forecasts for MTP growth and global goods prices will, all else equal, reduce demand for Australia's exports and make imports relatively more attractive. Economic policy uncertainty has increased sharply alongside recent global developments, and this is expected to prompt some households to increase their precautionary savings and some businesses to postpone some investment decisions (see Key judgement #2 above).

Second, the partial data for the March quarter suggest that the recovery in household consumption that is underway has been less pronounced than thought in February, even after accounting for the expected impacts of Cyclone Alfred and other flooding (see Box B: The Impact of the Recent Floods on the Australian Economy). We have therefore revised down our expectations for near-term consumption growth. Consumption growth is still expected to pick up to around pre-pandemic rates of growth over coming years, supported by growth in real household incomes and the assumed easing in monetary policy.

The assumed cash rate path is expected to provide support to activity amid global economic headwinds.

Financial market pricing now implies a slightly larger easing in the cash rate over the forecast period, which is expected to support aggregate household incomes and encourage dwelling and business investment by reducing borrowing costs. The exchange rate is broadly unchanged from February and is therefore providing little support to GDP growth relative to the *February Statement*; after depreciating sharply in early April following the announcement of tariffs by the US Government, this depreciation has since unwound amid improved risk sentiment and broad-based US dollar weakness (see Chapter 1: In Depth – Global Economy and Financial Markets).

Graph 4.2
Baseline GDP Growth Forecast*
Year-ended

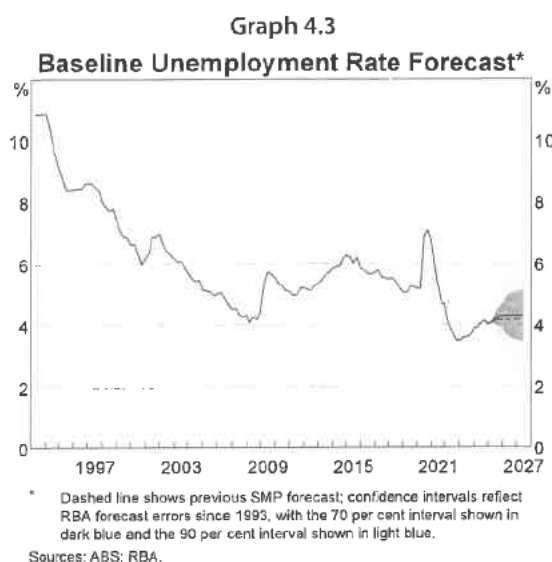


* Dashed line shows previous SMP forecast; confidence intervals reflect RBA forecast errors since 1993, with the 70 per cent interval shown in dark blue and the 90 per cent interval shown in light blue.

Sources: ABS; RBA.

Labour market conditions are expected to ease a little over the next year before stabilising at a level that is closer to balance compared with expectations in February.

The unemployment rate is expected to increase by slightly more over 2025 than expected in the *February Statement* (Graph 4.3). The unemployment rate has so far evolved as expected, remaining broadly steady at 4.1 per cent in the March quarter. Measures of hiring intentions and job ads were stable in early 2025 and remained broadly stable in April even as trade tensions escalated. Nonetheless, we expect the softer outlook for GDP growth in 2025 will result in a bit more easing in the labour market than previously thought. The unemployment rate is forecast to increase to 4.3 per cent over 2025 and is then expected to stabilise in early 2026 as GDP growth picks up further.



Employment growth is forecast to ease by more than expected at the *February Statement*. This reflects the downgrade to the outlook for GDP growth, which will weigh on labour demand. As a result, growth in employment is forecast to be below growth in the working-age population for a time. Average hours per employee are also expected to decline a little more than in the *February Statement*, as firms respond to weaker demand growth in part by reducing workers' hours. The participation rate is expected to be broadly flat over the forecast period, as the continued trend of increased

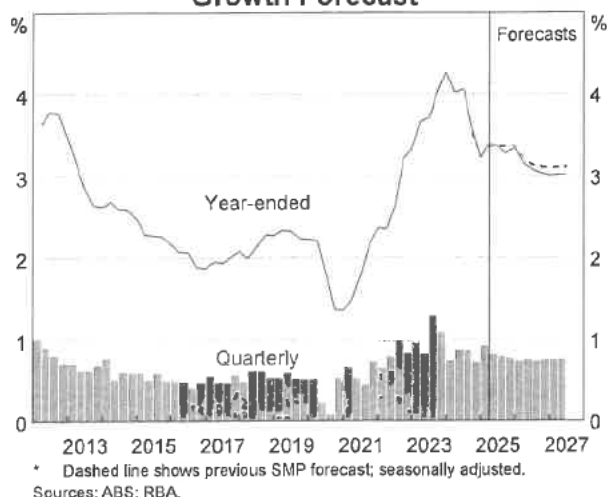
participation by females is offset by some discouraged workers leaving the labour force in response to weaker demand growth.

The baseline forecasts assume that the small increase in the unemployment rate brings the labour market closer to balance, though there is considerable uncertainty around estimates of full employment. Firms continue to report difficulties finding staff, and growth in unit labour costs is higher than is consistent with inflation being sustainably at target. At the same time, the observed decline in the rate of job-switching in the market sector might indicate less upwards pressure on wages growth and inflation than implied by the unemployment rate. Although our assessment of full employment has not been revised, our central forecasts for wages growth and inflation continue to incorporate some downwards judgement to reflect the risk that there is additional capacity in the labour market and economy more broadly.

Growth in nominal wages is expected to ease gradually over the coming year, alongside the easing in labour market conditions, before stabilising.

Private sector wages growth is expected to slow gradually in quarterly terms as conditions in the labour market ease. Wages growth is forecast to stabilise over 2026 at a slightly lower rate than previously forecast, owing to the softer outlook for the labour market relative to the *February Statement* (Graph 4.4). As in February, we have applied some downward judgement to the wages growth forecasts to incorporate the risk that we have overestimated the extent of excess demand in the labour market. Public sector wages growth is forecast to remain elevated over the remainder of 2025 – as several large agreements are renewed – before easing progressively over the remainder of the forecast period. Both the renewal of these large public sector agreements and announced administered decisions for several large awards may also contribute to increased quarterly volatility in the Wage Price Index.

Graph 4.4
Baseline Wage Price Index
Growth Forecast*



Growth in unit labour costs (ULCs) is expected to begin easing in late 2025. Growth in nominal ULCs – the measure of labour costs most relevant for firms' cost of production and so for inflation outcomes – has been elevated in recent years. However, this is expected to slow in line with easing growth in nominal wages and a projected pick-up in productivity. ULCs are expected to reach a rate broadly consistent with inflation being sustainably at the midpoint of the target range by around the middle of the forecast period; this is a little earlier than in the *February Statement*.

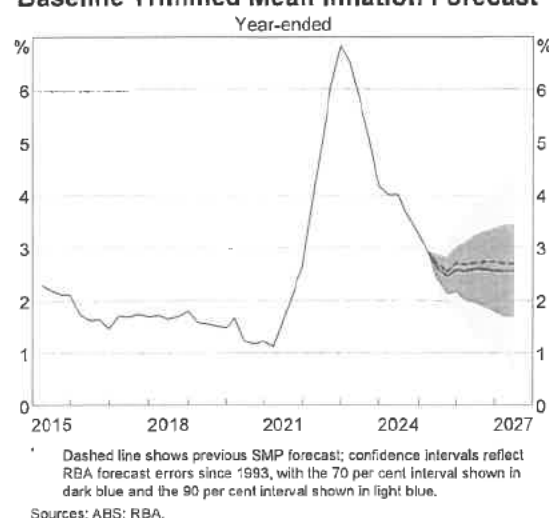
Year-ended underlying inflation is expected to remain within the 2–3 per cent range over the forecast period, and to settle at around the midpoint of that range.

The outlook for underlying inflation has been revised lower over the forecast period since the February Statement (Graph 4.5). This is consistent with the downward revision to the growth outlook and the small downward revision to import prices. The March quarter inflation data provided further confidence that housing inflation and market services inflation have fallen markedly over the past year. Inflation in new dwelling costs is expected to remain weak in the near term, partly reflecting the earlier softening in demand for new housing, before picking up alongside dwelling investment. CPI rents inflation is expected to ease as the

earlier moderation in advertised rents growth gradually flows through to the stock of rents measured in the CPI. Market services inflation is expected to be a little weaker than previously thought, reflecting the softer outlook for the labour market. In the near term, downward pressure on firms' margins may continue to weigh on inflation until demand picks up, with some firms reporting in liaison that weak demand has limited their ability to pass on cost increases to prices.

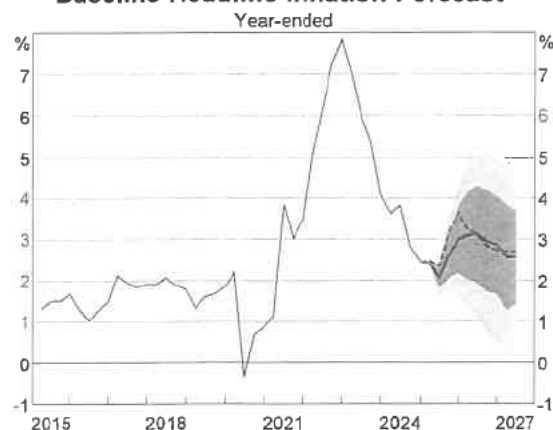
The outlook for retail goods prices is subject to considerable uncertainty due to international developments. Under the baseline forecast, we have judged that the trade scenario set out in Table 4.1 is likely to have only a small effect on domestic inflation over the forecast period (see Key judgement #3 for the baseline forecast). Similar to the *February Statement*, we have incorporated some downward judgement to the inflation forecasts due to the risk that we have overestimated the extent of excess demand in the labour market. Inflation expectations are assumed to remain consistent with achieving the inflation target over the long term.

Graph 4.5
Baseline Trimmed Mean Inflation Forecast*



Measured in headline terms, year-ended CPI inflation is expected to increase over the second half of 2025 to be above 3 per cent, before returning to around the midpoint of the target range later in the forecast period (Graph 4.6). This volatility is due to the unwinding of cost-of-living measures, such as electricity rebates (as currently budgeted). The pick-up in headline inflation has been delayed by the extension of the Electricity Bill Relief Fund in the 2025–2026 Australian Government Budget. The recent decline in oil prices is expected to weigh on headline inflation in the near term. Headline inflation is forecast to converge towards underlying inflation once these temporary factors have passed. Because headline inflation can be affected by large swings in the prices of individual items, we will continue to pay close attention to underlying measures as an indicator of momentum in consumer price inflation.³

Graph 4.6
Baseline Headline Inflation Forecast*



* Dashed line shows previous SMP forecast; confidence intervals reflect RBA forecast errors since 1993, with the 70 per cent interval shown in dark blue and the 90 per cent interval shown in light blue.

Sources: ABS; RBA.

4.5 Alternative scenarios

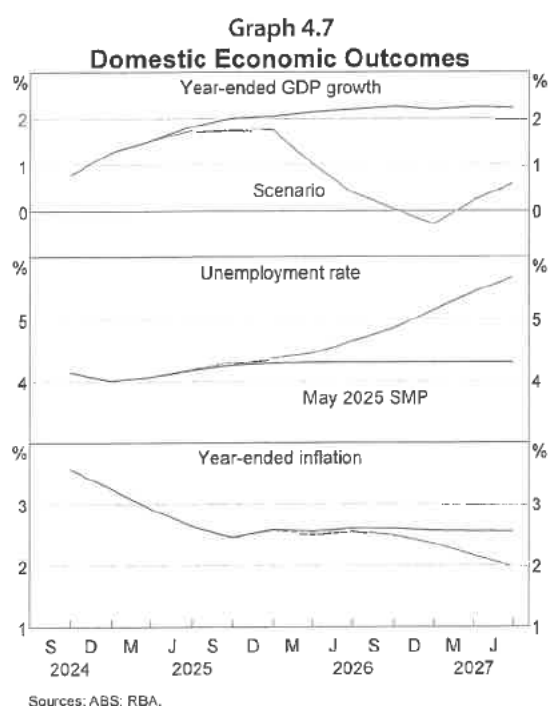
Relative to the baseline scenario, the distribution of outcomes for the global outlook are judged to be skewed to the downside. There is considerable uncertainty about the wide range of possible levels that tariffs could settle at, and uncertainty about the impact on the global economy and financial markets. There is also uncertainty around the configuration of other economic policies, such as global fiscal policies or US deregulation policies in this environment. The scenarios set out in Table 4.1 can be used to illustrate the range of possible outcomes and are discussed in more detail below.

‘Trade war’ scenario – an escalation in the trade conflict leads to a protracted trade war.

The recent US–China trade agreement removes some of the downside risks to global growth. However, it remains very possible that the current situation deteriorates into a more widespread and protracted ‘trade war’, which would present large downside risks to domestic GDP growth and lead to higher unemployment.

Using the assumptions outlined in Table 4.1, we have constructed such a scenario using the Global Economic Model from Oxford Economics and MARTIN (the RBA’s macroeconometric model). There are significant challenges in using modelling frameworks to quantify the effects of uncertainty or complexities from shocks that are outside the range typically seen. The outcomes of this scenario are as follows:

- The permanent and large increase in tariffs comes as a big surprise to financial markets, businesses and households, and triggers a large global confidence shock that leads to sharp declines in asset prices, business investment and consumption. There is a sharp and disorderly decline in asset prices in which the initial confidence shock is amplified in financial markets – for example, highly-leveraged trades could be unwound – leading to a cycle of further asset price declines.
- The level of MTP GDP is projected to be 3 per cent lower than our baseline forecast by the end of 2027 (which is a larger decline than during the global financial crisis). The level of Chinese GDP is around 4 per cent lower than our baseline forecast over the same period. This is because, in the scenario, the scope for trade diversion of Chinese exports is limited by the scale and increased coverage of tariffs and weak global demand, and because any fiscal response from Chinese authorities is assumed not to be material enough to meaningfully offset the weakness in demand.
- Inflation overseas is expected to increase in the near term as trade fragmentation leads to higher import prices for most economies, but this is temporary as the weaker GDP outcomes become disinflationary.
- The expected cash rate is fixed at the baseline assumption (and assumes a cumulative 85 basis points of easing by mid-2027). However, the Australian trade-weighted index depreciates by 6 per cent alongside weaker global growth. The level of domestic GDP is more than 3 per cent lower than the baseline forecast (Graph 4.7). Much of the decline is led by consumption and business investment from the confidence shock. Household wealth declines, while businesses become risk averse and reduce investment. The depreciation of the exchange rate provides some support to activity; however, the unemployment rate increases to nearly 6 per cent.
- The shock to domestic demand and higher unemployment weighs on wages growth and inflation, with inflation declining to around 2 per cent by the end of 2027.



It is possible that a protracted trade war leads to global inflationary pressures.

The baseline forecast and the trade war scenario described above are judged to be disinflationary for Australia as world trade prices respond to weaker global demand. However, it is also possible a protracted trade war could fuel inflationary pressures.

In a protracted trade war, a much larger share of world trade would be affected by tariffs and it would be hard for most firms to avoid the impact of higher tariffs affecting some stage of their production. Sourcing intermediate inputs would become more difficult, and it would take some time for businesses to adjust their supply chains to minimise exposure to tariffs. It is possible that, even in an environment of much weaker demand, businesses have to pass on these costs to higher prices.

There may also be inflationary pressures from a protracted trade war that take longer to appear. Higher tariffs can reduce productivity growth in affected economies via misallocation of resources, a reduction in business investment and less incentive to innovate.

Persistent inflationary pressures could emerge if incomes and demand did not moderate in line with the relatively lower supply capacity of the economy.

Finally, while longer term inflation expectations have remained relatively well anchored following the recent high-inflation period, there is a risk that a return to higher inflation before inflation had sustainably returned to the target band may see a drift higher in inflation expectations. The weaker outlook for demand and higher unemployment would make it more challenging for global central banks to tighten monetary policy to reduce inflation, which could see higher inflation expectations become entrenched.

‘Trade peace’ scenario – there is a swift resolution of the trade conflict.

A key upside risk to the global baseline forecast is a sharp de-escalation of the trade conflict. One scenario might be that successful negotiations between the United States and its key trading partners leads to a permanent resolution to the trade conflict which lowers tariffs back to 2024 levels and reduces global policy uncertainty. While the conflict to date has likely had some adverse effects on trade, business and household spending decisions, overseas growth could end up higher than in the baseline forecast if the de-escalation occurred alongside stronger-than-expected fiscal stimulus in advanced economies and China, or the introduction of non-trade policies in the United States that stimulate growth.

This scenario is likely to involve limited lasting scarring effects on Australian businesses and households from the (assumed temporary) escalation in the trade conflict over recent months. As such, it is possible that the expected recovery in domestic demand would be more pronounced than in the baseline forecast, as elevated uncertainty would no longer weigh on consumption and investment growth over 2025. This might see a re-emergence of the concerns outlined in the February *Statement* of excess demand in the labour market and the economy leading to inflationary pressures. In this scenario, less accommodative policy than is currently priced into market expectations for the cash rate may be required.

4.6 Detailed forecast information

Table 4.2 provides additional detail on the baseline forecasts of key macroeconomic variables. The forecast table from current and previous *Statements* can be viewed, and data from these tables downloaded, via the *Statement on Monetary Policy – Forecast Archive*.

Table 4.2: Detailed Baseline Forecast Table^(a)

Percentage change through the four quarters to quarter shown, unless otherwise specified^(b)

	Dec 2024	Jun 2025	Dec 2025	Jun 2026	Dec 2026	Jun 2027
Activity						
Gross domestic product	1.3	1.8	2.1	2.2	2.2	2.2
Household consumption	0.7	1.4	1.9	2.2	2.6	2.4
Dwelling investment	2.5	2.2	1.8	1.7	2.0	2.2
Business investment	0.3	0.2	0.6	1.8	2.9	3.4
Public demand	5.6	5.5	4.6	4.2	3.1	2.8
Gross national expenditure	2.3	2.2	2.5	2.7	2.8	2.7
Major trading partner (export-weighted) GDP	3.7	3.4	2.8	3.0	3.3	3.3
Trade						
Imports	5.8	1.3	3.1	3.9	4.0	3.4
Exports	1.7	1.4	1.5	1.8	1.7	1.7
Terms of trade	-4.8	-0.7	0.9	1.9	0.2	-2.1
Labour market						
Employment	2.4	2.1	1.4	1.3	1.4	1.4
Unemployment rate (quarterly, %)	4.0	4.2	4.3	4.3	4.3	4.3
Hours-based underutilisation rate (quarterly, %)	5.0	5.2	5.3	5.4	5.4	5.4
Income						
Wage Price Index	3.2	3.3	3.3	3.1	3.0	3.0
Nominal average earnings per hour (non-farm)	3.7	4.1	4.1	3.8	3.5	3.5
Real household disposable income	1.9	3.3	2.6	2.0	2.0	2.4
Inflation						
Consumer Price Index	2.4	2.1	3.0	3.1	2.9	2.6
Trimmed mean inflation	3.3	2.6	2.6	2.6	2.6	2.6
Assumptions						
Cash rate (%) ^(c)	4.3	4.0	3.4	3.2	3.2	3.2
Trade-weighted index (index) ^(d)	61.5	60.0	60.6	60.6	60.6	60.6
Brent crude oil price (US\$/bbl) ^(e)	74.2	66.2	62.8	62.8	62.8	62.8
Estimated resident population ^(f)	1.7	1.7	1.5	1.3	1.3	1.2
Memo items						
Labour productivity ^(g)	-1.5	-0.6	0.9	1.1	1.0	1.0
Household savings rate (%) ^(h)	3.8	4.4	4.8	4.3	4.3	4.2
Real Wage Price Index ⁽ⁱ⁾	0.8	1.3	0.3	0.0	0.1	0.5
Real average earnings per hour (non-farm) ⁽ⁱ⁾	1.2	2.0	1.0	0.7	0.6	1.0

- (a) Forecasts finalised on 14 May.
- (b) Forecasts are rounded to the first decimal point. Shading indicates historical data.
- (c) The cash rate is assumed to move in line with expectations derived from financial market pricing. Prior to the May 2024 *Statement*, the cash rate assumption also reflected information derived from surveys of professional economists. For more information, see *A Change to the Cash Rate Assumption Method for the Forecasts*.
- (d) The daily exchange rate (TWI) is assumed to be unchanged at its current level going forward.
- (e) Oil prices are assumed to remain constant at the current price over the current quarter. For the rest of the forecast period oil prices are expected to remain around the price implied by the six-month-forward rate.
- (f) The population assumption draws on a range of sources, including partial indicators from the Australian Bureau of Statistics, migration policies, and estimates made by the Australian Government.
- (g) GDP per hour worked (non-farm).
- (h) Household savings ratio refers to the ratio of household saving (disposable income minus consumption) to household disposable income, net of depreciation.
- (i) Real Wage Price Index and non-farm average earnings per hour worked are both deflated by Consumer Price Index.

Sources: ABS; Bloomberg; CEIC Data; Consensus Economics; LSEG; RBA.

Endnotes

- ¹ For more information on this, see Tulip P and S Wallace (2012), 'Estimates of Uncertainty around the RBA's Forecasts', RBA Research Discussion Paper No 2012-07.
- ² For example, see Bloom N (2009), 'The Impact of Uncertainty Shocks', *Econometrica*, 77(3), pp 623–685; Moore A (2016), 'Measuring Economic Uncertainty and Its Effects', RBA Research Discussion Paper No 2016-01.
- ³ See RBA (2024), 'Box C: Headline and Underlying Inflation', *Statement on Monetary Policy*, August.