



QUEENSLAND

Cairns

Brisbane

Gold Coast

GREAT BARRIER REEF

Queensland

OVERVIEW

Queensland is Australia's second largest state by land area, covering more than 22 per cent of the continent. The economy is the third largest in Australia, after New South Wales and Victoria.

Queensland's natural wonder, the Great Barrier Reef, extends over some 2,000km, covering more than a quarter of the state's 7,400km of coastline. With a population of 4.55 million, more than 20 per cent of Australians live in Queensland. Some 2.5 million Queenslanders live in the state's south-east corner.

Queensland – Quick facts

Land area	1.73 million km ²
Queensland population (December 2011)	4.51 million
Brisbane population* (June 2011)	2.07 million
Language	English
Currency	Australian dollar (AUD)
Gross State Product (year end June 2011)	AUD255 billion (USD269 billion)
Gross State Product, annual growth rate (five year average to 2010-11)	2.63%
Flight time: Brisbane to Sydney	1.5 hours
Workforce** (May 2012)	2.3 million
Inflation rate (year end March 2012)	1.3%
Overseas visitors (year end March 2012)	1.9 million

* Statistical Division ABS cat.no.3101.0.

** Total number of people employed.

Sources: Queensland Treasury, Office of Economic and Statistical Research, Tourism Research Australia and the Australian Bureau of Statistics.

Queensland's economic standing

QUEENSLAND GOVERNMENT'S ECONOMIC PRINCIPLES

- Strong and stable public finances
- Economic diversity – four pillars – resources, agriculture, tourism and construction
- Invigorate investment by reducing regulation and improving approval processes
- Tax policies that encourage business and employment growth
- Bigger role for private sector innovation in public policy and services

Queensland's economy is diversified across many sectors. Natural resources are traditionally the largest single sector but the natural disasters in early 2011 disrupted the production in that sector.

Sources: Australian Bureau of Statistics

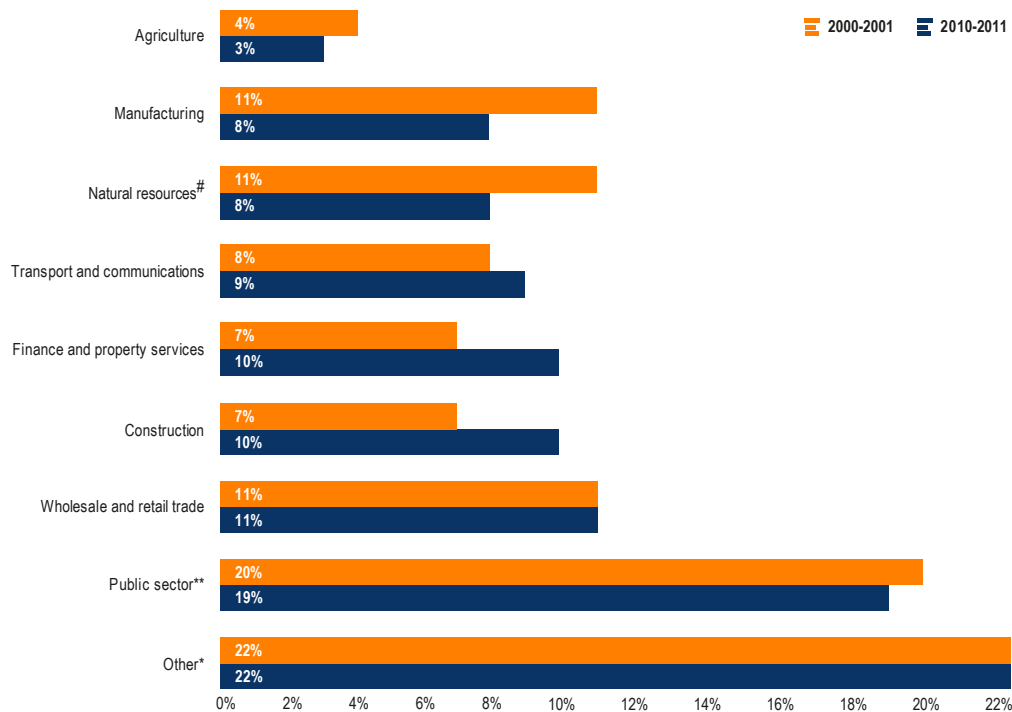
* Natural resources includes the extraction of naturally occurring mineral solids, such as coal and ores; liquid minerals, such as crude petroleum; and gases, such as natural gas.

** Other includes: dwellings; professional, scientific and technical services, accommodation and food services; other services; administrative and support services; arts and recreation.

*** Public sector includes: health; education; public administration and safety.

DIVERSE ECONOMY

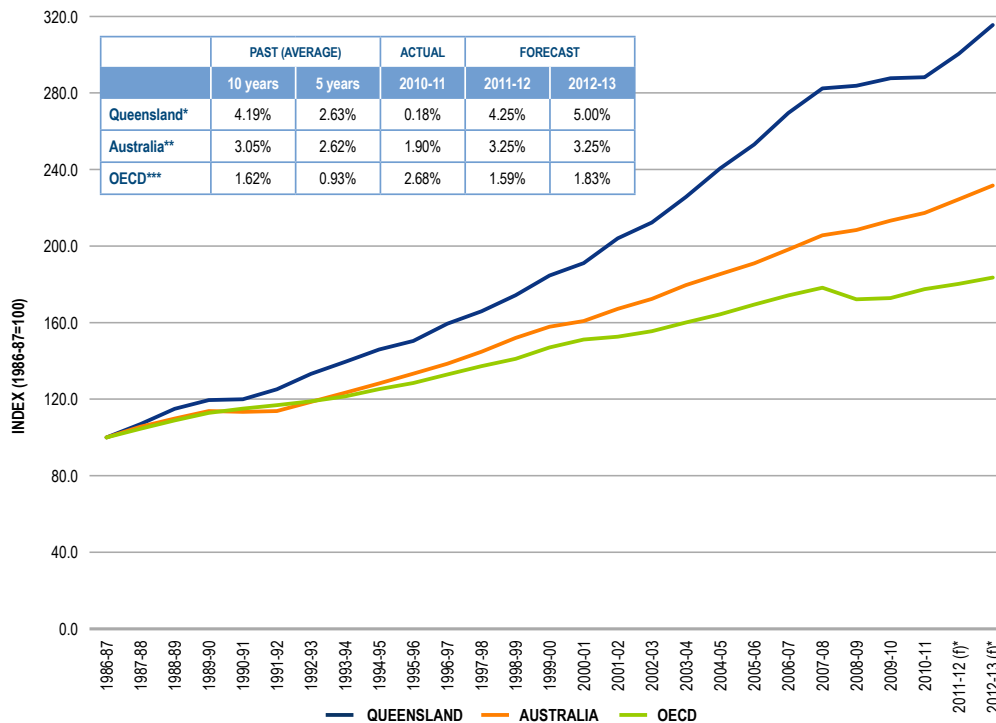
Figure 8: Queensland's economic output by sector



Over the past 25 years
Queensland's economy has grown
rapidly; exceeding the average
growth for both Australia and
OECD member countries.

GROWTH

Figure 9: Economic growth comparisons



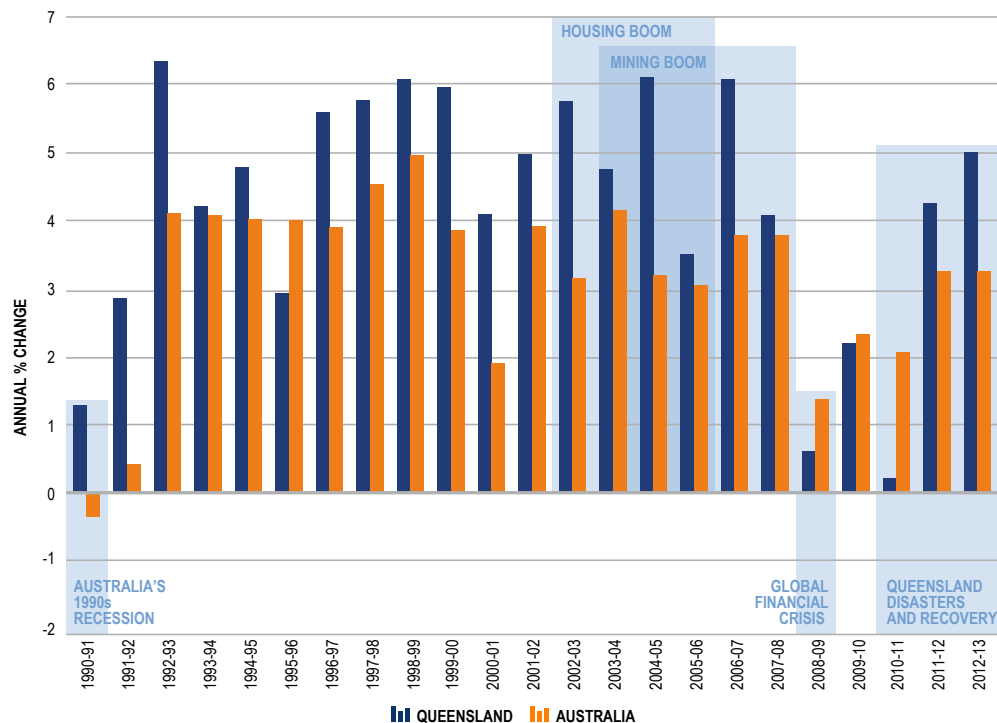
* From Queensland Government 2011-12 MYFER, released 13 January 2012.

** From Australian Government 2012-13 Budget released 08 May 2012.

*** From the OECD Economic Outlook Database.

Despite natural disasters in 2010-11, Queensland's economic growth rate is expected to rise above its long-run trend as well as above the national average rate, over coming years.

Figure 10: Queensland's economic growth compared to Australia's



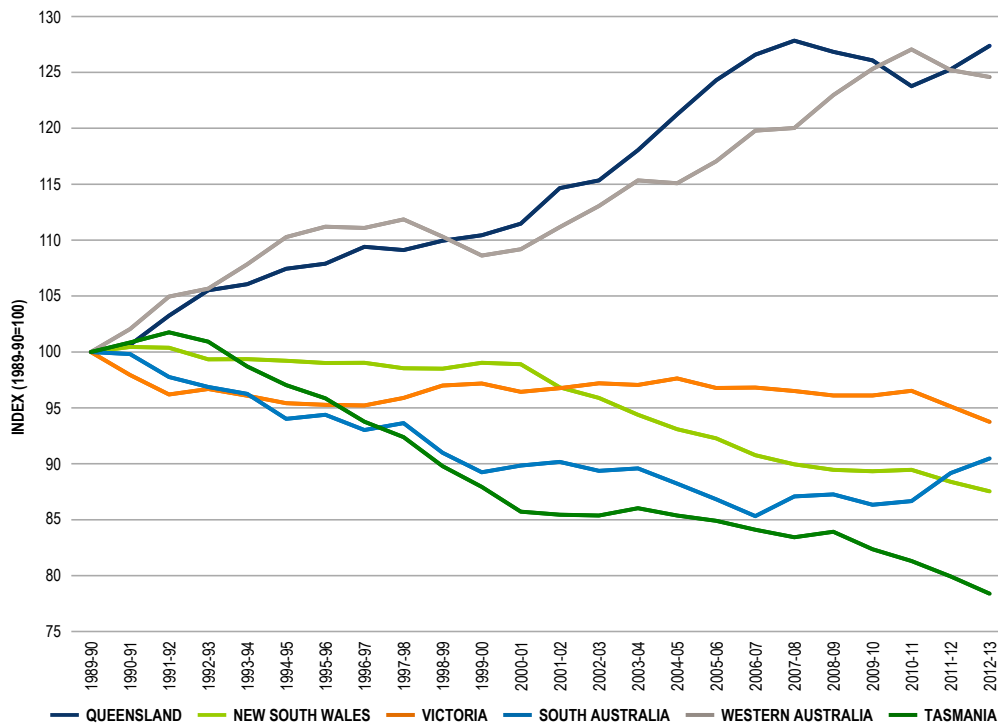
2011-12 to 2012-13 are forecasts.

Source: Australian Bureau of Statistics,
Australian Government Budget, released
08 May 2012 and Queensland Government
MYFER, released 13 January 2012.

Strong investment and growth in recent years have accelerated Queensland economic activity relative to the rest of Australia.

NATIONAL OUTPUT

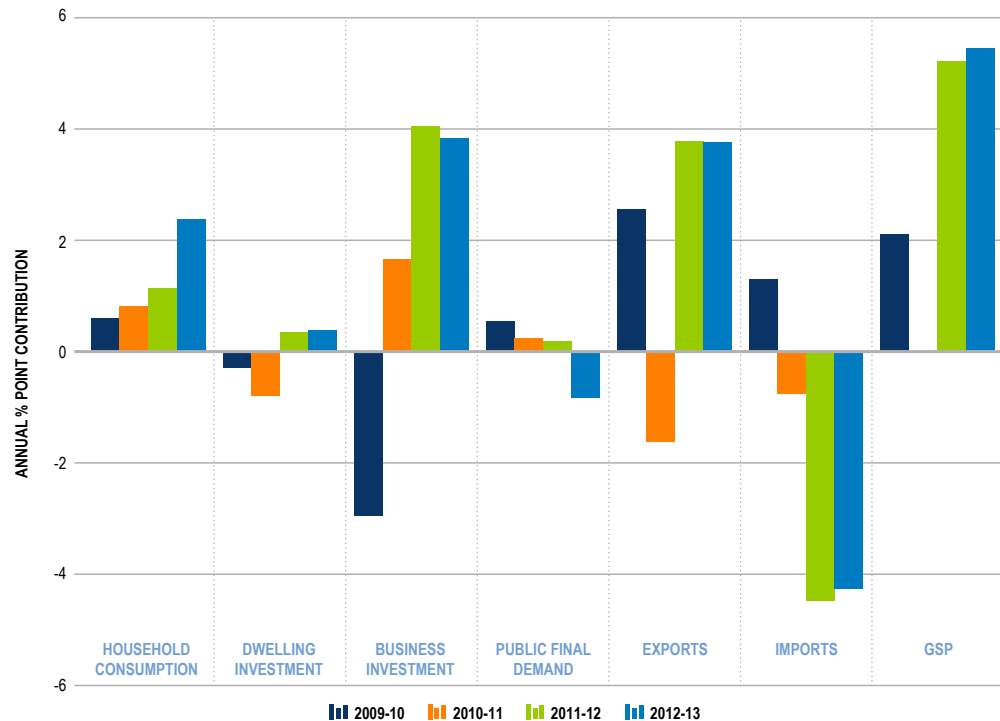
Figure 11: Share of national output by state



Source: Australian Bureau of Statistics.
Forecasts from various State Budgets and
mid-year reviews.

Business investment and household consumption are expected to be the biggest contributors to Queensland's economic growth in the next few years.

Figure 12: Contributions to growth in Queensland's Gross State Product¹ (actual and forecast)



1. CVM, 2008-09 reference year, 2011-12 and 2012-13 are forecasts.

Sources: Queensland Treasury.

Queensland's employment growth rate has consistently exceeded that of the national economy. Over the forecast period, employment growth in Queensland is again expected to exceed the national average.

Sources: State forecasts from Queensland Government 2011-12 MYFER, released 12 January 2012.

National forecasts are from Australian Government 2012-13 Budget released 08 May 2012.

State employment projections from 2011-12 State Budget

LABOUR MARKET

Figure 13: Queensland's employment growth compared to Australia's

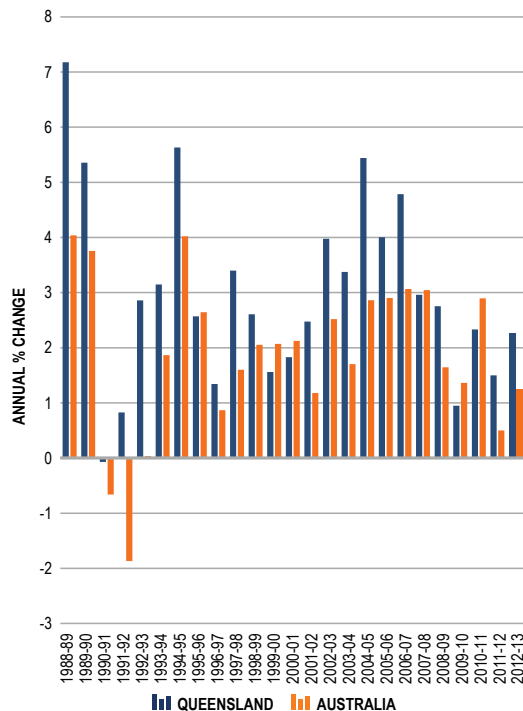
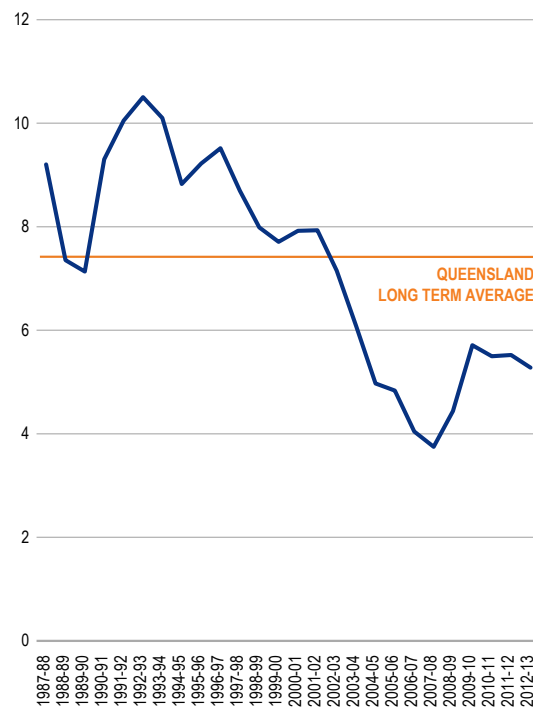


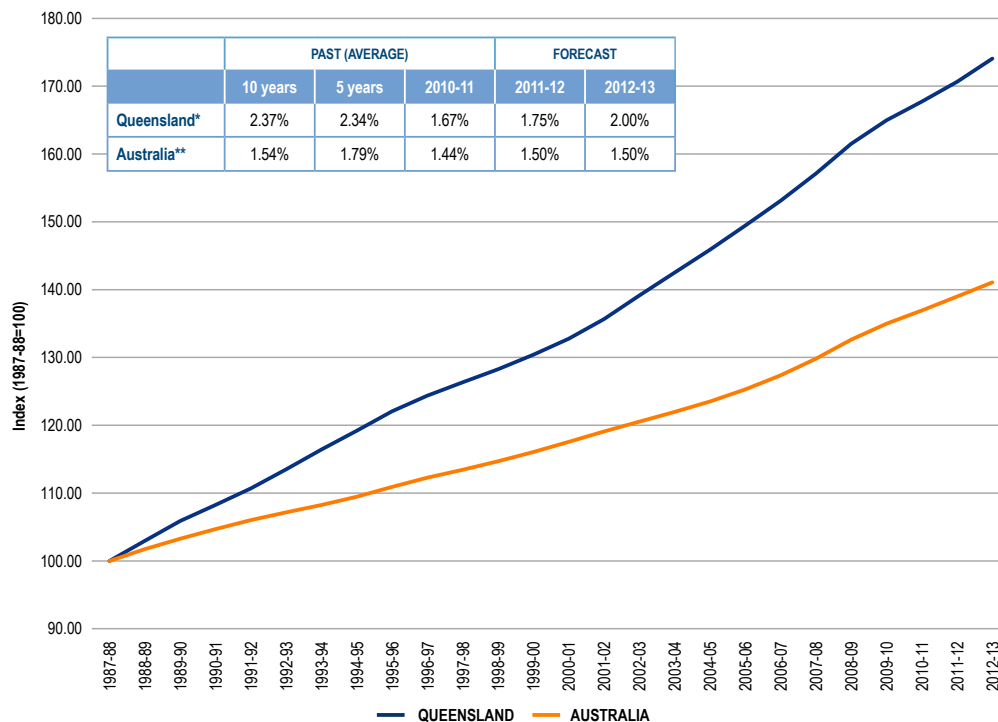
Figure 14: Queensland's unemployment rate



Solid population growth has underpinned Queensland's strong economic growth.

DEMOGRAPHICS

Figure 15: Queensland's population growth compared to Australia's



* From 2011-12 Queensland MYFER, released 13 January 2012.

** National Forecasts from Australian Government 2012-13 Budget released 08 May 2012. Forecast growth rates are year to 31 December.

In 2010-11, exports made up around one-third of the Queensland economy. Around four-fifths of Queensland's exports are goods with the remainder being services. Coal is Queensland's largest single export.

Around three-quarters of Queensland's goods exports go overseas, with the remainder going elsewhere in Australia.

The Asian region remains by far Queensland's most important export market.

Source: Australian Bureau of Statistics, Queensland Government Office of Economics and Statistical Research.

* Comprises mainly agricultural commodities

Economic drivers

EXPORTS

Figure 16: Queensland's merchandise exports by commodity

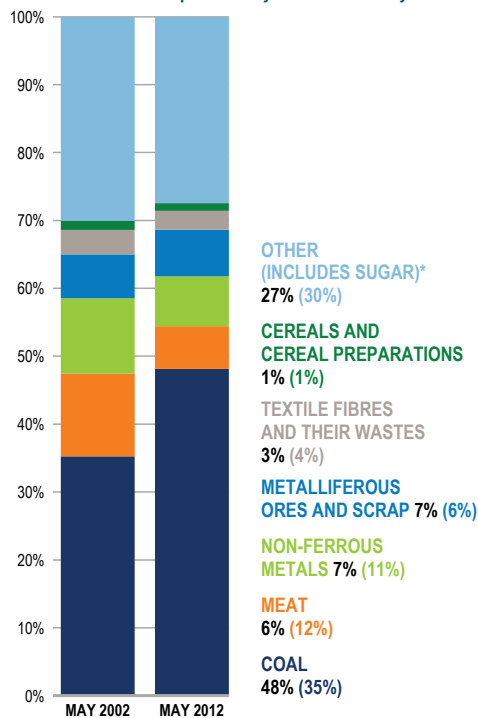
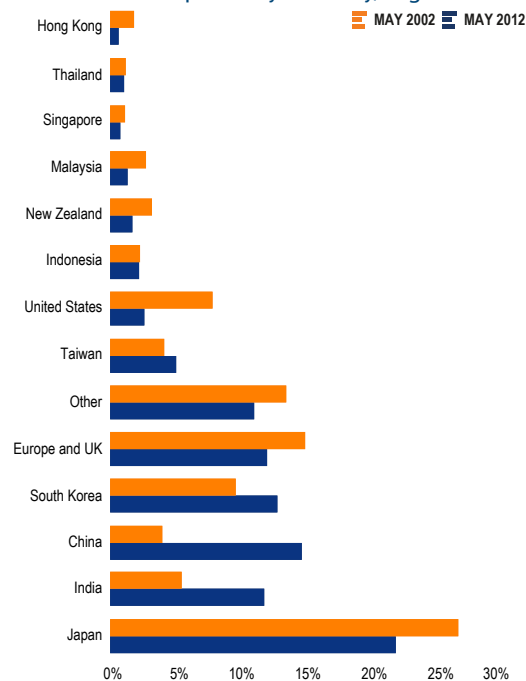


Figure 17: Queensland's merchandise exports by country/region



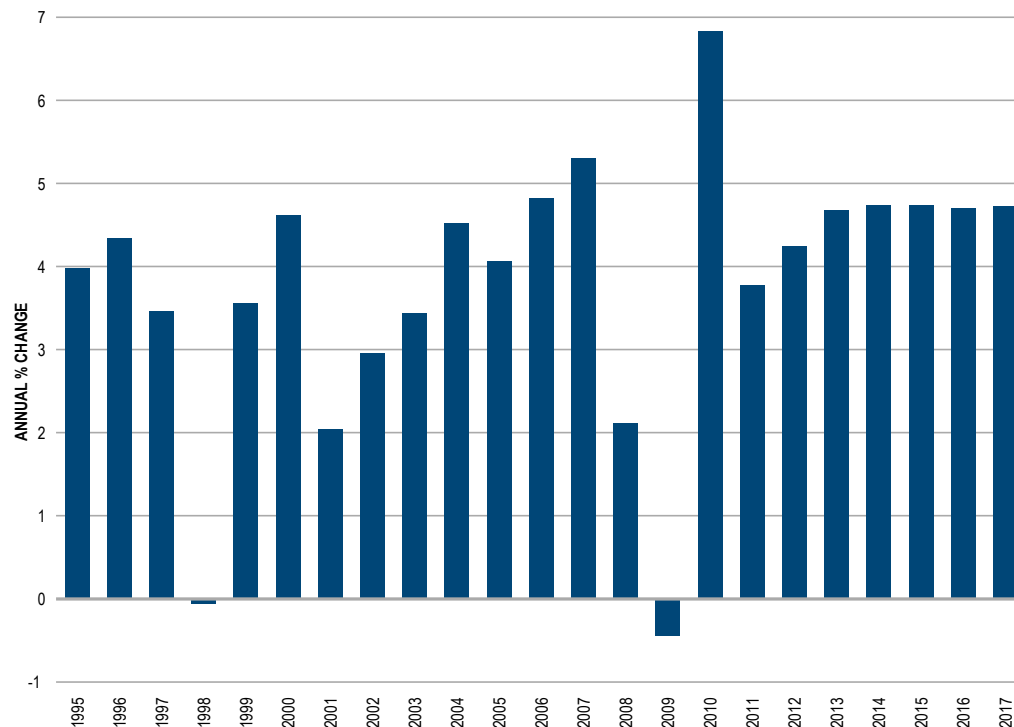
Queensland's economic prospects are closely linked to that of its major trading partners. Consistently strong economic growth outcomes are forecast for Queensland's major trading partners over coming years. This should underpin the State's economic recovery.

Note: Forecasts constructed assuming most recent top 10 destinations remain fixed over forecast period and that the trading partners not part of the top 10 grow in line with the global average. Also assumed that trading partners have same year-on-year growth.

Source: Australian Bureau of Statistics, IMF, QTC

TRADING PARTNERS

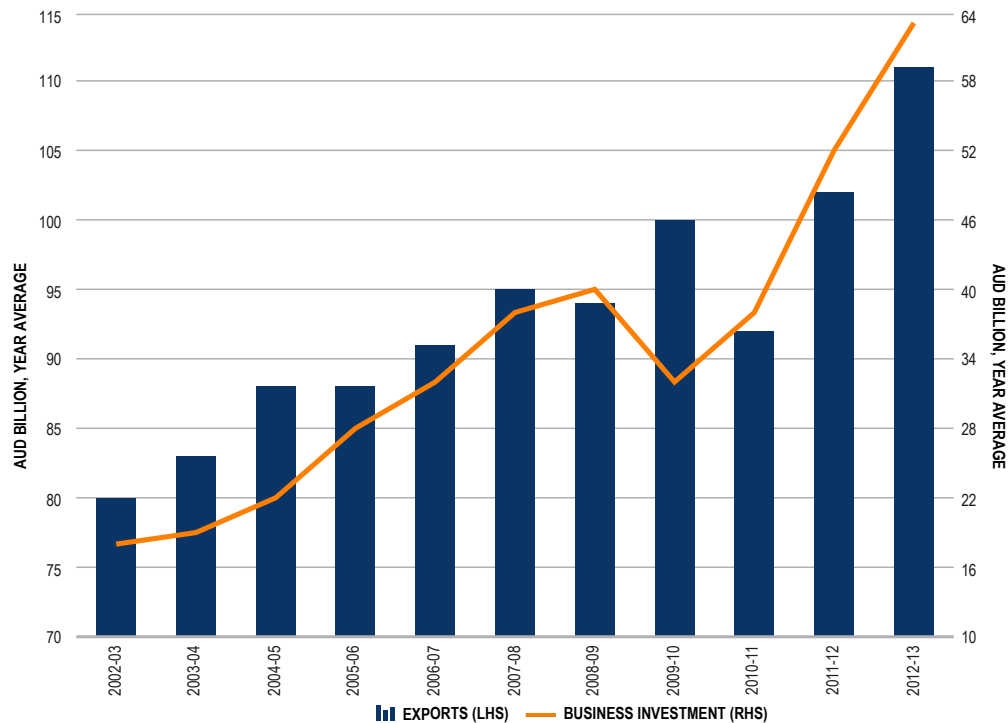
Figure 18: Economic growth performance of Queensland's major trading partners



Business investment and exports are expected to drive Queensland's economic growth in coming years.

INVESTMENT

Figure 19: Queensland's business investment and exports



2011-12 to 2012-13 are forecasts.

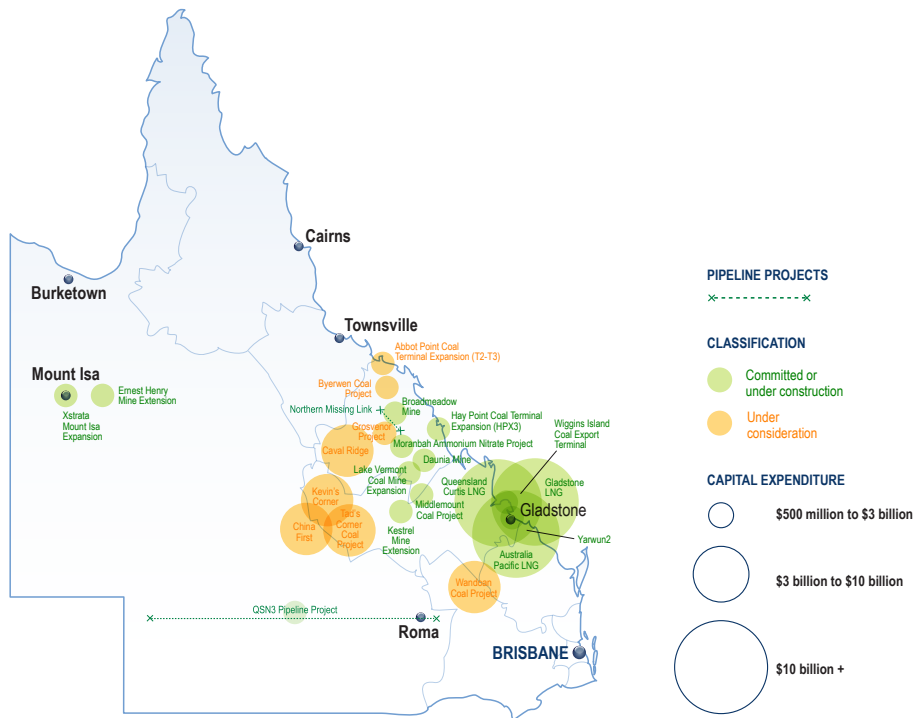
Source: Queensland Treasury and Australian Bureau of Statistics.



QUEENSLAND
TREASURY
CORPORATION

Liquefied natural gas and coal projects underpin the large volume of investment expected in Queensland in coming years.

Figure 20: Queensland's major infrastructure projects



Source: Queensland Treasury.

Queensland's fiscal position

QUEENSLAND GOVERNMENT'S FISCAL PRINCIPLES

The Queensland Government has adopted the following principles as the prime determinant for its fiscal strategy:

Principle 1: Stabilise, then significantly reduce, debt

- Return the budget to operating surplus by 2014-15 and pay down debt
- Subject major capital projects to cost benefit analysis
- Put in place a plan to regain the AAA credit rating to reduce the cost of borrowing
- Ensure expenses growth does not exceed revenue growth

Principle 2: Achieve and maintain a General Government sector fiscal balance by 2014-15

- A positive fiscal balance ensures funds are available for investment and/or debt reduction

QUEENSLAND GOVERNMENT'S FISCAL PRINCIPLES *continued*

Principle 3: Maintain a competitive tax environment for business

- Despite increases in taxes over the past decade, Queensland maintains a relatively competitive tax environment for business

Principle 4: Target full funding of long-term liabilities, such as superannuation in accordance with actuarial advice

- The Government is committed to ensuring Queensland's employee entitlements remain fully funded

Total grants* (including those from the Australian Government) of AUD21.9 billion are expected to account for 49% of Queensland's total government revenue in 2010-11.

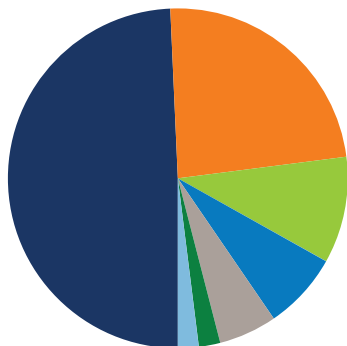
NOTE: THESE CHARTS WILL BE UPDATED FOLLOWING THE RELEASE OF QUEENSLAND'S STATE BUDGET ON 11 SEPTEMBER 2012.

* This comprises the taxes and levies listed in Figure 22. Source: Queensland 2011-12 MYFER, released 13 January 2012.

Grants from the Australian Government are almost evenly split between general and specific purpose payments. General purpose payments include GST revenue grants and associated payments, are 'untied' and used for both recurrent and capital purposes. Specific purpose payments are used to meet Australian Government and shared policy objectives.

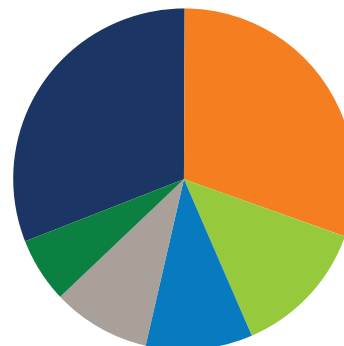
BUDGETED REVENUES

Figure 21: Queensland budgeted revenues 2011-12



GRANTS INCLUDING FROM AUSTRALIAN GOVERNMENT# 49%
TAXATION REVENUE* 24%
SALES OF GOODS AND SERVICES 10%
ROYALTIES AND LAND RENTS 7%
INTEREST INCOME 6%
OTHER REVENUE 2%
DIVIDEND AND TAX EQUIVALENT REVENUE 2%
TOTAL ESTIMATED BUDGETED REVENUE: AUD44.4 BILLION

Figure 22: Queensland budgeted taxation revenues 2011-12



PAYROLL TAX 31%
DUTIES 30%
MOTOR VEHICLE REGISTRATION 13%
LAND TAX 10%
GAMBLING TAXES AND LEVIES 9%
OTHER TAXES 6%
TOTAL ESTIMATED BUDGETED TAXATION REVENUE: AUD10.5 BILLION

Queensland is currently receiving slightly less from the Australian Government than would be the case if all states and territories had equal sized populations.

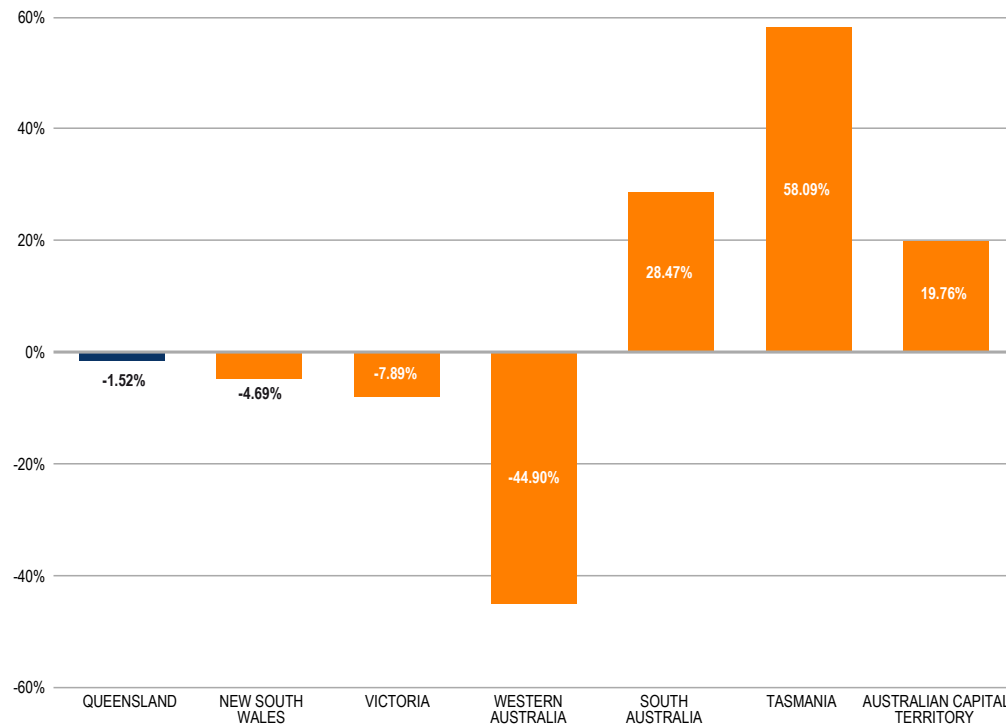
The chart does not include the Northern Territory, which has a corresponding deviation from population share of 452.82%.

Payments to states and territories from the Australian Government are made according to the principal of Horizontal Fiscal Equalisation (HFE). HFE is defined in Appendix D.

Source: Commonwealth Grants Commission 2012 Update.

PAYMENTS FROM AUSTRALIAN GOVERNMENT

Figure 23: Total Australian Government payments to all states and territories, deviation from population share (2012-13)



AUSTRALIAN GOVERNMENT FISCAL SUPPORT

The Australian Government provides explicit financial support to all Australian states and territories in the form of:

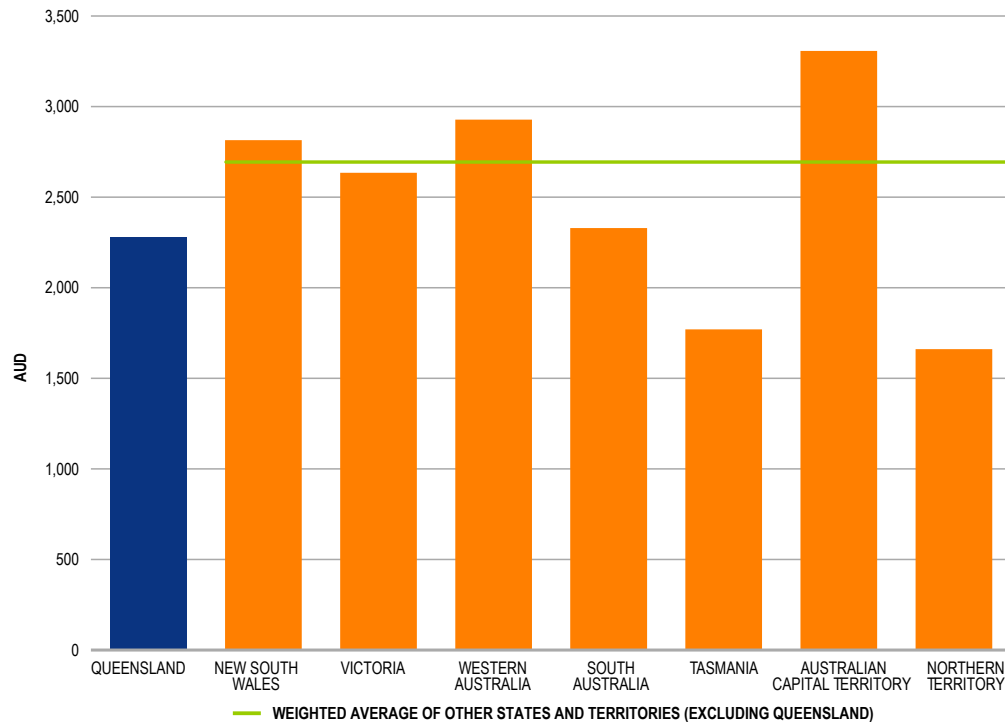
- The payment of grants. (In Queensland this accounts for 50 per cent of revenue).
- The Horizontal Fiscal Equalisation scheme, which seeks to reduce the revenue-raising and cost disparities between the Australian states and territories.
- The Australian Government's National Disaster Relief and Recovery Arrangements, which provides reimbursement for eligible costs for natural disasters. (These arrangements are currently providing Queensland with 75 per cent reimbursement for the eligible costs relating to the summer of 2010-11 natural disasters.)
- The offer of a time limited, voluntary guarantee over Australian state and territory borrowings from July 2009 to December 2010. *(See Appendix C)*

See Appendix D for more information on tax sharing arrangements.

Queensland's taxation environment is favourable compared to other Australian states and territories.

TAXATION

Figure 24: Tax per capita by states and territories (2011-12)

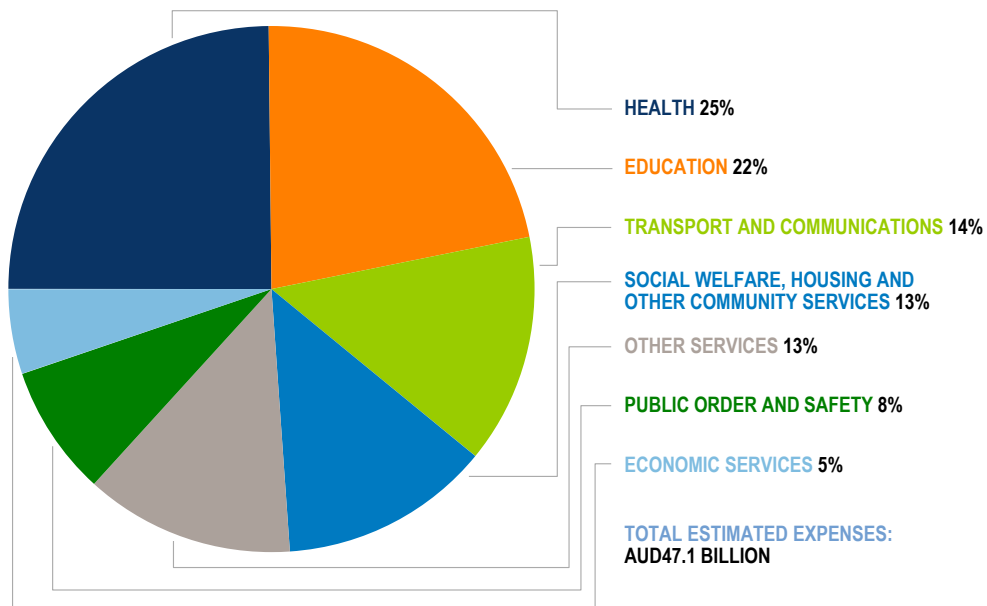


Source: All data from 2012-13 Budgets except Queensland which is from 2011-12 MYFER.

Health and education make up a significant proportion of the State's 2011-12 budgeted expenses.

BUDGETED EXPENSES

Figure 25: Queensland budgeted expenses 2011-12



NOTE: THIS CHART WILL BE UPDATED FOLLOWING THE RELEASE OF QUEENSLAND'S STATE BUDGET ON 11 SEPTEMBER 2012.

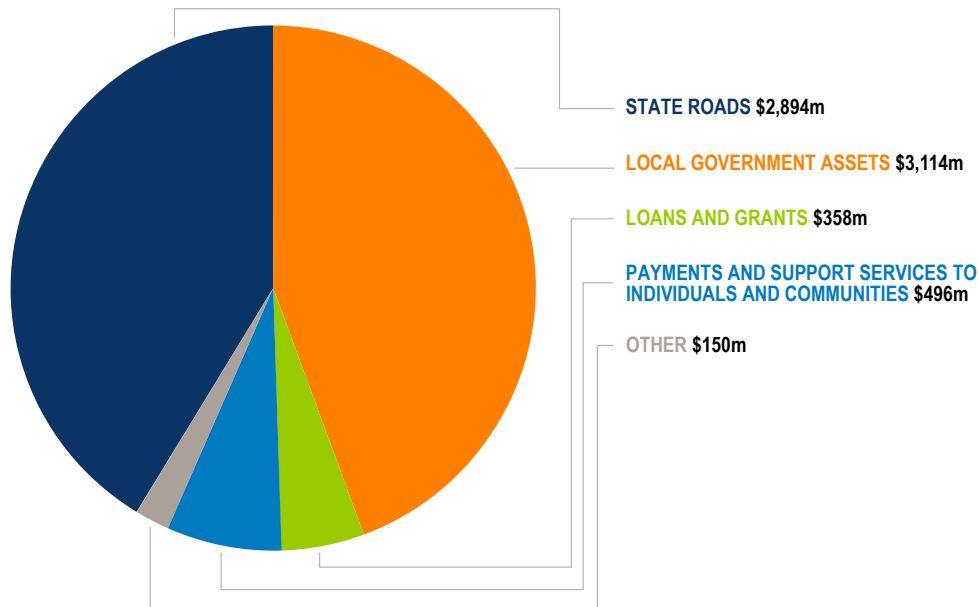
Source: Queensland Government 2011-12 Budget, released 14 June 2011.

COST OF NATURAL DISASTERS

Figure 26: Cost of Queensland's 2010-11 summer of natural disasters

The majority of the costs incurred following the 2010-11 natural disasters relate to repairing and replacing damaged roads or local government assets.

Like other states and territories, Queensland receives a reimbursement from the Australian Government of 75% of eligible costs related to natural disasters.

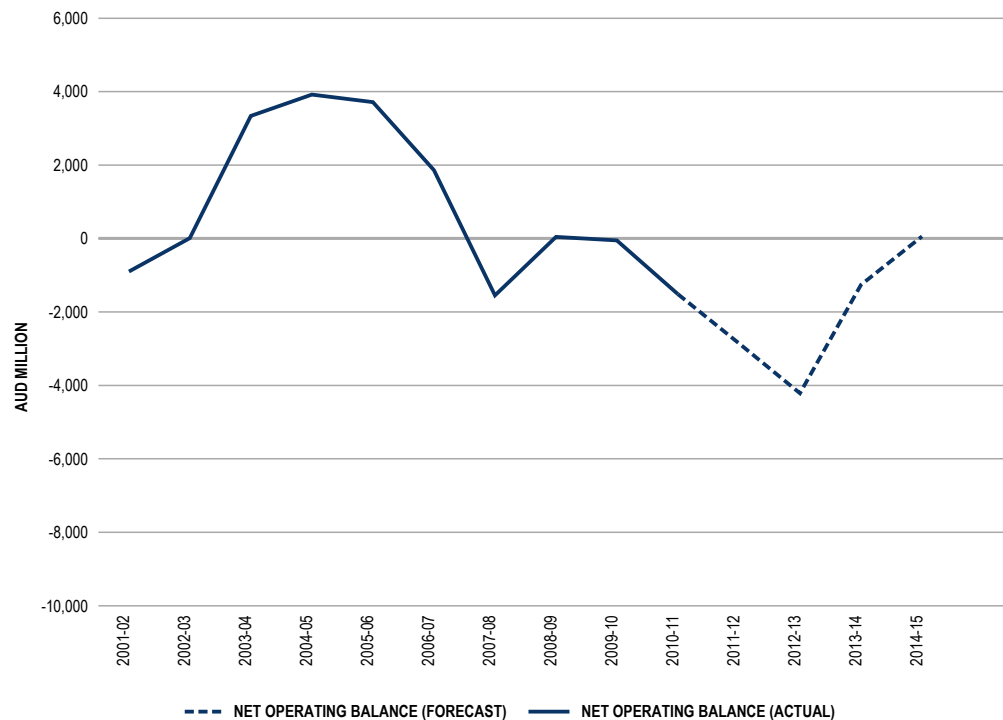


Source: Queensland Government 2011-12 MYFER, released 13 January 2012.

An operating surplus is expected to be achieved in 2014-15. Fiscal balance will replace the operating balance as the primary fiscal target of the Government.

BUDGET BALANCE

Figure 27: General government sector net operating balance

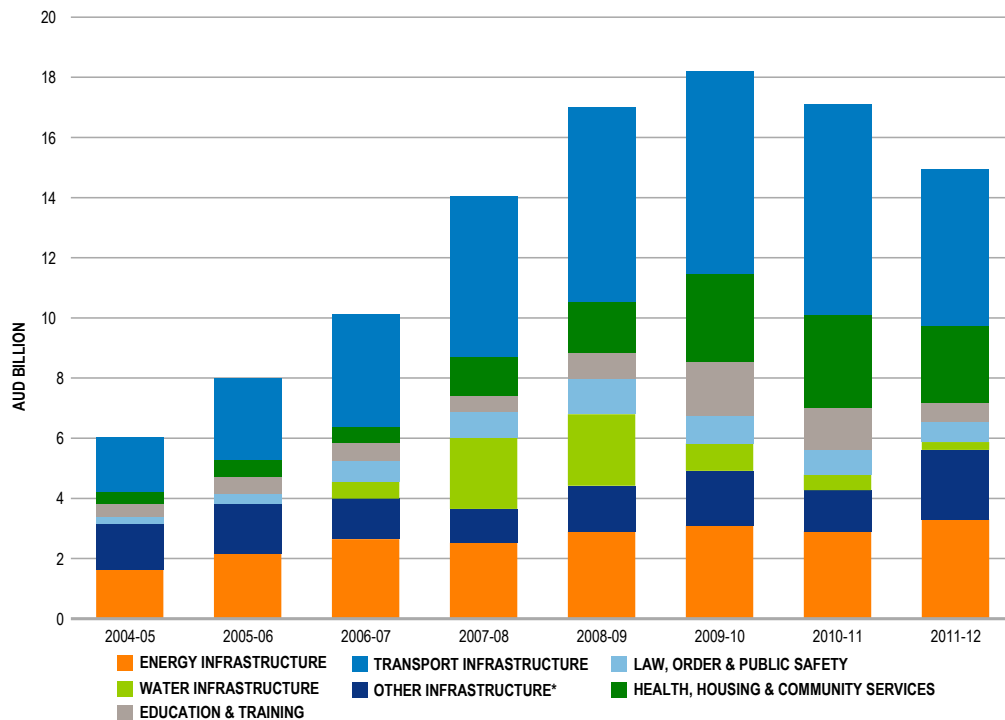


Source: Actuals - Australian Bureau of Statistics Cat. No. 5512, Forecasts - Queensland Government 2011-12 MYFER, released 13 January 2012.

Spending on improving Queensland's transport, health and energy services comprises the bulk of the Government's capital works program in 2011-12.

GOVERNMENT CAPITAL EXPENDITURE

Figure 28: Queensland's disaggregated state infrastructure spending



Credit ratings

RATINGS AGENCIES RATIONALE

MOODY'S Aa1/Stable/P1

Outlook: Stable as at
10 February 2012

- Strong budget flexibility, commonwealth government support, ample levels of internal liquidity, and diverse economic base with significant growth potential.
- Queensland is unique among Australian states in holding sufficient funds to fully fund its superannuation liability and the State's position remains strong when compared to its peers.

STANDARD & POOR'S AA+/Stable/A-1+

Outlook: Stable as at
4 September 2011

- A strong institutional framework benefiting state governments in Australia.
- The State's robust and diversified economy.
- Excellent financial management on very positive liquidity.

"The predicability of Commonwealth-state relations makes Australia's system one of the strongest in the world".
Standard & Poor's 2011*

"The institutional framework which encompasses the arrangements determining intergovernmental relations and jurisdictional powers and responsibilities, is well-established and stable. The institutional framework provides the Australian states and territories with policy flexibility over own source revenues and discretion over expenditure decisions thereby giving them the tools to respond to adverse budgetary developments".
Moody's February 2012**

* Source: Standard & Poor's, Ratings Direct on the Global Credit Portal, 31 March 2011.

** Source: Moody's Investor Service, Credit Analysis, Queensland (State of) Australia, 10 February 2012.

Queensland's ratio of financial assets to total liabilities indicates its relative financial strength compared with other Australian states (when including each state's investments to meet future employee entitlements for superannuation and long-service leave).

* Excluding investments in public enterprises.
Source: All data from 2012-13 Budgets except Queensland which is from 2011-12 MYFER.
See Appendix G for more information on Queensland's domestic peers.

DOMESTIC PEER COMPARISON

Figure 29: Ratio of financial assets* to total liabilities for the General Government sector (as at 30 June 2012)

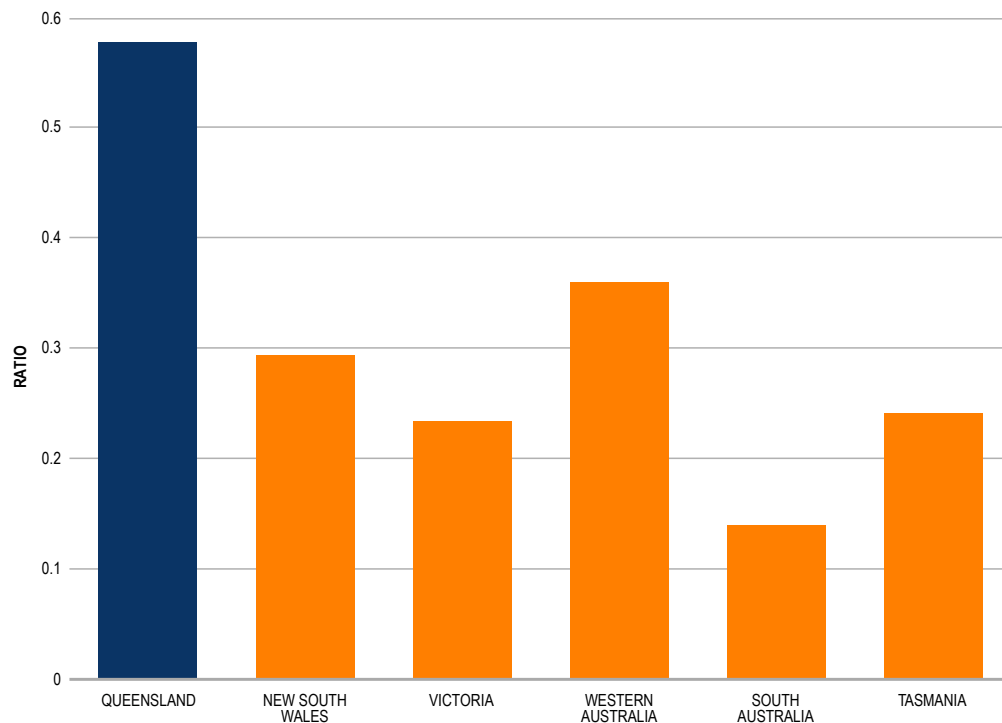


Figure 31: Queensland has a far lower level of General Government net debt, relative to operating revenue, compared to other similar international semi-sovereign issuers, according to information provided by Standard & Poor's in a recent peer comparison analysis.

Figure 32: The amount of money spent by Queensland on interest payments, when expressed as a share of revenue, is also low relative to its international peers, according to Standard & Poor's.

Figure 31
* Queensland's net debt to revenue ratio is negative as the state has established a net asset position by accumulating financial assets to meet future liabilities (eg, employee entitlements).

Source: Standard & Poor's, Ratings Direct on the Global Credit Portal, 31 March 2011.

Figure 32
Source: Standard & Poor's, Ratings Direct on the Global Credit Portal, 31 March 2011.

See Appendix H for more information on QTC's international peers.

INTERNATIONAL PEER COMPARISONS

Figure 30: Net debt to revenue ratio
(as at 30 June 2010)

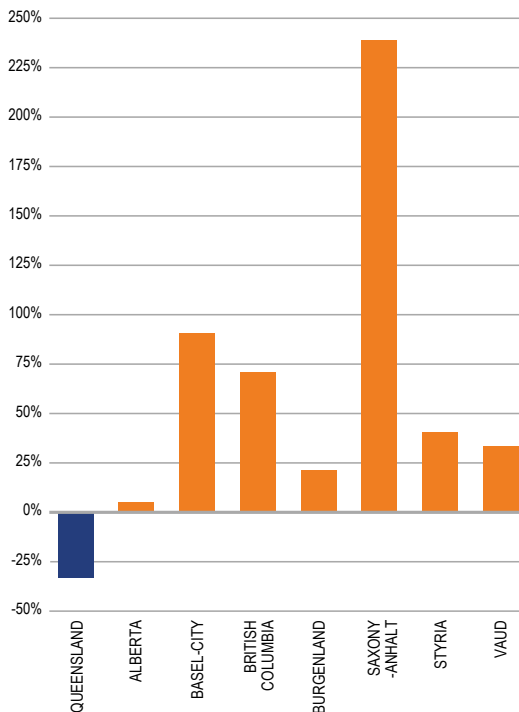


Figure 31: Interest expense/operating revenue (as at 30 June 2010)

