

# Overview

Queensland led the nation in its health response and economic recovery from COVID-19, with the state's domestic economy growing much faster than the rest of Australia. Queensland has created significantly more jobs than any other jurisdiction since the onset of the pandemic.

Queensland families, communities, businesses and the state's economy have also continued to show resilience and strength in the face of the Omicron outbreak, devastating floods and increasing global geopolitical uncertainty across the first half of 2022.

Building on the rapid and strong recovery from the COVID-19 crisis, the 2022–23 Queensland Budget will help further enhance employment opportunities for all Queenslanders, foster and support private sector investment and growth, maintain Queensland's enviable lifestyle, and deliver record levels of infrastructure investment and funding for essential services.

To drive these outcomes, this year's Budget provides substantial capital investment and funding in areas such as health, energy transformation, social and economic infrastructure, education, family services, justice and policing, protecting the environment and reducing the cost of living.

This includes a \$59.126 billion infrastructure investment program over the 4 years to 2025–26 to enhance the state's productive capacity, improve service delivery and sustain jobs across all regions of the state.

Importantly, the Budget also provides \$6.8 billion in concessions (including subsidies, discounts and rebates) to individuals and families to ease cost of living pressures and reduce costs for business.

In line with the Queensland Government's economic strategy, this investment will continue to drive improved economic, employment and social outcomes for all Queenslanders over coming years and decades, as Queensland sets its sights on the milestone of hosting the Brisbane 2032 Olympic and Paralympic Games.

Queensland's strong economy and labour market performance is also supporting an enhanced fiscal outlook, consistent with the government's fiscal principles to drive improved fiscal performance over the medium term. The 2022–23 Budget presents a lower net debt burden compared to the 2021–22 Budget Update, expenses growth that continues to be lower than revenue growth, and an expectation that, over time, operational cash surpluses will be making a growing and material contribution towards the funding of investment in non-financial assets.

## **Queensland's budget priorities**

Queensland's nation-leading response to COVID-19 has underpinned the state's strong economic and labour market recovery.

While Queensland continues to transition from recovery to a focus on creating more, productive jobs in more industries across Queensland, the 2022–23 Queensland Budget still puts the health of Queenslanders first.

This budget provides a record \$23.6 billion in 2022–23 for the Queensland health system to help meet growing demand. This includes operating funding of \$22.044 billion for health and ambulance services, a 5.6 per cent increase from 2021–22. This significant boost to health funding will support thousands of additional frontline staff including doctors, nurses and paramedics.

The Mental Health Select Committee has recommended that the Queensland Government increase funding for mental health services and create a dedicated funding stream for mental health. This Budget provides \$1.645 billion in operating funding over 5 years for improved mental health services. To fund the enhancements to mental health services, the Queensland Government will introduce a mental health levy to provide a sustainable funding source for the additional mental health related services and investment.

This budget also commits to a transformational investment of \$9.785 billion over the next 6 years to boost health system capacity. The substantial capital investment in health is part of a \$59.126 billion capital program over 4 years to 2025–26, estimated to support around 48,000 construction jobs across the state in 2022–23, which will provide the essential social and economic infrastructure needed for the state's growing population.

Queensland is leveraging off the momentum of its strong recovery from COVID-19 and driving a growing economy through 3 priorities: more jobs in more industries; better services; and protecting Queenslanders' lifestyle.

*More jobs in more industries* - The government's economic strategy will build on Queensland's traditional strengths and comparative advantages to support the creation of more employment opportunities and well-paid high-value jobs in traditional, emerging and new industries across all regions of the state.

This includes opportunities to drive a growing, innovative economy and create jobs in industries such as new energy, new economy minerals, advanced manufacturing including defence and biomedical products, agriculture, tourism, research and education services, and creative and design industries. The 2022–23 Budget contains a provision for the Queensland Energy Plan—to be released later in 2022—which will chart a course to ensure a sustainable and affordable energy future for the state.

By getting the state's economic settings and enablers right, the economic strategy will underpin the enhanced competitiveness and productivity of Queensland businesses so they can take advantage of these opportunities, enabling them to grow, invest, innovate, export and employ.

These key enablers of a thriving economy include: expanded trade opportunities, a larger skilled workforce, enhanced innovation and digitalisation, continued investment in public and private infrastructure, strengthened Environmental, Social and Governance credentials, and a competitive investment environment.

To enhance Queensland's trade opportunities, a new Queensland Trade and Investment Strategy will be backed by \$150 million over 10 years, while flagship industry development programs under the \$3.34 billion Queensland Jobs Fund will continue to facilitate investment and enable Queensland businesses and industries to prosper.

*Better services* – A growing economy will allow the government to continue investing in critical health, education, social and justice services, thereby increasing living standards for all Queenslanders. These services also help provide the skills and wellbeing needed to enable individuals to participate in the economy and their community.

To support quality learning and education outcomes, this budget provides \$19.6 billion for education and training in 2022–23, including significant investments in new schools, upgraded campus facilities, and additional classrooms at schools experiencing increased enrolment.

The Queensland Government is also committed to supporting vulnerable Queenslanders across the state by meeting increased demand for child protection services, delivering the Youth Justice Strategy, strengthening social services, and enhancing women's economic security and safety.

As Queensland continues its transition from recovery to ongoing growth and prosperity, these priorities will ensure every Queenslander shares in the benefits of the state's thriving economy.

*Protecting our Queensland lifestyle* - The economic strategy will deliver a growing economy in a balanced way, by protecting Queensland's great lifestyle, alleviating cost of living pressures, investing in transport infrastructure and taking care of the environment.

This will position Queensland to showcase its great lifestyle at the Brisbane 2032 Olympic and Paralympic Games. In addition to the direct benefits and jobs from Brisbane 2032, the event will create ongoing benefits through increased trade and investment activity.

Cost-of-living pressures, including higher inflation, are being experienced around the world. This Budget provides \$6.8 billion in concessions for Queenslanders in 2022–23, including \$385 million for a \$175 Cost of Living Rebate on Queensland households' power bills to provide support for households. The Budget also includes \$200 million over 3 years in growth infrastructure to unlock housing supply, including \$150 million for the Catalyst Infrastructure Fund.

The 2022–23 Queensland Budget also includes a range of initiatives to protect the natural environment that underpins the state's economy and supports the quality of life of Queenslanders. This includes \$262.5 million over 4 years to continue delivery of *Queensland's Protected Area Strategy 2020–2030*, providing conservation and carbon positive outcomes.

### **Economic outlook**

Queensland's economy and labour market has outperformed the rest of the nation since the onset of the COVID-19 pandemic, including the largest rise in employment in the country, with 206,000 more Queenslanders employed in May 2022 than before the pandemic.

Strong demand, particularly for goods, combined with severe supply chain disruptions saw global inflationary pressures surge in the latter half of 2021.

Surges in Omicron variant cases, major flooding in South East Queensland and the Russian invasion of Ukraine and subsequent global sanctions have all impacted the supply side of the Queensland economy in the first half of 2022 and exacerbated inflationary pressures.

In particular, the overall economic impact of the floods in February/March 2022 is estimated to be around \$1 billion or ¼ percentage point of Queensland's Gross State Product.

Despite these shocks, Queensland's domestic economy continued to grow in the first quarter of 2022, to be 7.8 per cent higher than its pre-pandemic level, maintaining its stronger performance compared with the major southern states since the onset of the COVID-19 crisis.

While Queensland has recently experienced subdued population growth, the state has seen elevated levels of interstate migration which has helped support overall activity. In net terms, more than 40,000 people moved from interstate to Queensland over the year to September quarter 2021 and this momentum is expected to have carried through to the final quarter of 2021.

On balance, after rising 2.0 per cent in 2020–21, the Queensland economy is forecast to grow solidly, by a further 3 per cent, in 2021–22 and then average 2¾ per cent per annum growth over the rest of the forward estimates.

Consistent with the ongoing robust growth in domestic activity, year-average employment is forecast to grow by 4¾ per cent in 2021–22, its strongest growth in 15 years, followed by further solid employment growth of 3 per cent in 2022–23.

After falling to 4½ per cent in 2021–22, the state's unemployment rate is forecast to remain low across the rest of the forward estimates, between 4 and 4¼ per cent, as sustained employment growth and a pick-up in wages growth keep the participation rate elevated.

Reflecting higher housing costs, global oil prices and ongoing supply chain disruptions, consumer price inflation in Brisbane is forecast to remain elevated in the medium term, in particular in 2021–22 and 2022–23. Inflation is then expected to return to within the RBA's target band for national inflation of 2 to 3 per cent over the remainder of the forward estimates. This reflects a combination of factors, including the gradual easing of global supply chain constraints and a slowing in growth of fuel and food prices as global oil prices return to more sustainable levels and agricultural production recovers from the impacts of recent floods.

The key risks to the outlook are centred around global geopolitics and potential ongoing impacts of the pandemic, as well as the global and national inflationary and interest rate settings.

In particular, there is a risk that any extended conflict in Ukraine could result in a decline in global growth and have negative implications for Queensland over the medium term. The International Monetary Fund and World Bank have both downgraded their latest global growth forecasts, partly as a result of this conflict.

**Overview Table 1 Queensland economic forecasts/projections<sup>1</sup>**

	Actuals		Forecasts		Projections	
	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26
<b>Gross state product<sup>2</sup></b>	<b>2.0</b>	<b>3</b>	<b>2¾</b>	<b>2¾</b>	<b>2¾</b>	<b>2¾</b>
Employment <sup>3</sup>	2.4	4¾	3	1½	1½	1½
Unemployment rate <sup>4</sup>	6.8	4½	4	4¼	4¼	4¼
Inflation <sup>5</sup>	2.1	5¼	3¾	2½	2½	2½
Wage Price Index	1.6	2½	3½	3½	3½	3½
Population	1	1¼	1½	1½	1½	1½
Notes:						
1. Unless otherwise stated, all figures are annual percentage changes.						
2. Chain volume measure (CVM), 2019–20 reference year.						
3. Comparable through the year seasonally adjusted employment growth rates to the June quarter are 9.9 per cent, 4¼ per cent, 1¼ per cent, 2 per cent, 1½ per cent and 1½ per cent, from June quarter 2021 to June quarter 2026 respectively.						
4. Per cent, year-average.						
5. Brisbane, per cent, year-average.						
<i>Sources: ABS Annual State Accounts, National, State and Territory Population, Labour Force, Wage Price Index, Consumer Price Index, and Queensland Treasury.</i>						

### **Fiscal outlook**

The Queensland Government’s fiscal strategy continues to be framed by the Fiscal Principles that are guiding progress towards improved fiscal performance over the medium term.

The 2022–23 Budget presents a lower net debt burden compared to the 2021–22 Budget Update, expenses growth that continues to be lower than revenue growth, and an expectation that, over time, operational cash surpluses will be making a growing and material contribution towards the funding of investment in non-financial assets.

Despite the economic impacts in early 2022 from Omicron, devastating floods and the Russian invasion of Ukraine, Queensland is still positioned for strong economic growth.

Improving economic conditions since mid-2020 are translating into stronger revenue performance. Despite volatility in some revenue lines, revenue is expected to remain elevated over the forward estimates compared to the 2021–22 Budget Update.

The additional revenue in the 2022–23 Budget is being directed towards measures that address the increasing demand for key services. Over the 5 years to 2025–26, revenue is expected to grow at 4.5 per cent on average per annum, compared to 4.1 per cent for expenses.

A substantial net operating surplus of \$1.915 billion is expected for 2021–22, driven by the revenue impacts of the temporary surge in coal and oil prices and increase in housing activity. As these factors unwind, the net operating position reverts to a modest deficit across 2022–23 and 2023–24 and is then expected to return to surplus from 2024–25 consistent with previous forecasts.

Adjustments to the levels of government spending in the 2022–23 Budget are targeted to meet increasing demand for services in key sectors such as health, education and child safety. This Budget also includes substantial commitments to reduce the cost of living for Queenslanders, and significant investments to support trade development, enhance digitalisation and facilitate and attract investment and employment growth in traditional and emerging industries.

The government’s public infrastructure investment over 4 years maintains a focus on enhancing productive capacity, supporting service delivery and sustaining jobs.

The capital program continues to meet government’s \$50 billion infrastructure guarantee and to ensure a continual pipeline of key priority projects. The 4-year program from 2022–23 to 2025–26 amounts to \$59.126 billion. Over the 11 years to 2025–26, the government will have supported over \$138 billion in infrastructure works.

Forecast borrowings have been progressively revised downwards since the 2020–21 Budget due to prudent fiscal management. General government borrowings are expected to be \$3.618 billion lower by 2024–25 than forecast in the 2021–22 Budget Update, and almost \$4.480 billion lower than forecast in the 2021–22 Budget.

This has had a positive impact on the outlook for the general government net debt to revenue ratio. Compared to the 2021–22 Budget Update, the ratio is expected to be 6 percentage points lower by 2024–25. The improvement is even larger relative to the 2021–22 Budget estimate, with the net debt to revenue ratio for 2024–25 sitting 17 percentage points lower.

**Overview Table 2 Key fiscal aggregates<sup>1</sup>**

	2020–21	2021–22	2021–22	2022–23	2023–24	2024–25	2025–26
	Outcome	Budget	Est. Act.	Budget	Projection	Projection	Projection
	\$ million						
<b>General Government Sector</b>							
Revenue	62,732	63,664	72,735	73,886	75,034	76,728	78,019
Expenses	63,669	67,149	70,820	74,915	76,116	76,591	77,836
<b>Net operating balance</b>	(937)	(3,485)	1,915	(1,029)	(1,083)	137	183
PNFA <sup>2</sup>	6,835	7,800	7,533	8,478	9,106	9,439	9,264
Fiscal balance	(5,015)	(7,965)	(2,386)	(5,635)	(5,631)	(5,008)	(3,969)
Borrowings	54,078	65,041	58,215	66,459	74,224	81,102	87,284
<b>Net debt</b>	11,360	24,750	11,390	19,772	27,603	33,667	39,214

Notes:

- Numbers may not add due to rounding. Bracketed numbers represent negative amounts.
- PNFA: Purchases of non-financial assets.

General Government Sector net debt has improved over the forward estimates and over successive budgets.

The 2020–21 Budget forecast net debt in 2023–24 to reach \$50.8 billion. In this Budget, for the same year net debt is forecast to almost halve to be \$27.6 billion.

By 2025–26, net debt is forecast to be \$39.2 billion, more than \$11 billion lower and reflecting 2 additional years of managing the state’s finances.

Chart 1 highlights the substantially improved net debt position and outlook compared with the outlook at the time of the 2020–21 Budget and 2021–22 Budget.

**Overview Chart 1 Net General Government Sector debt forecasts by budget**

