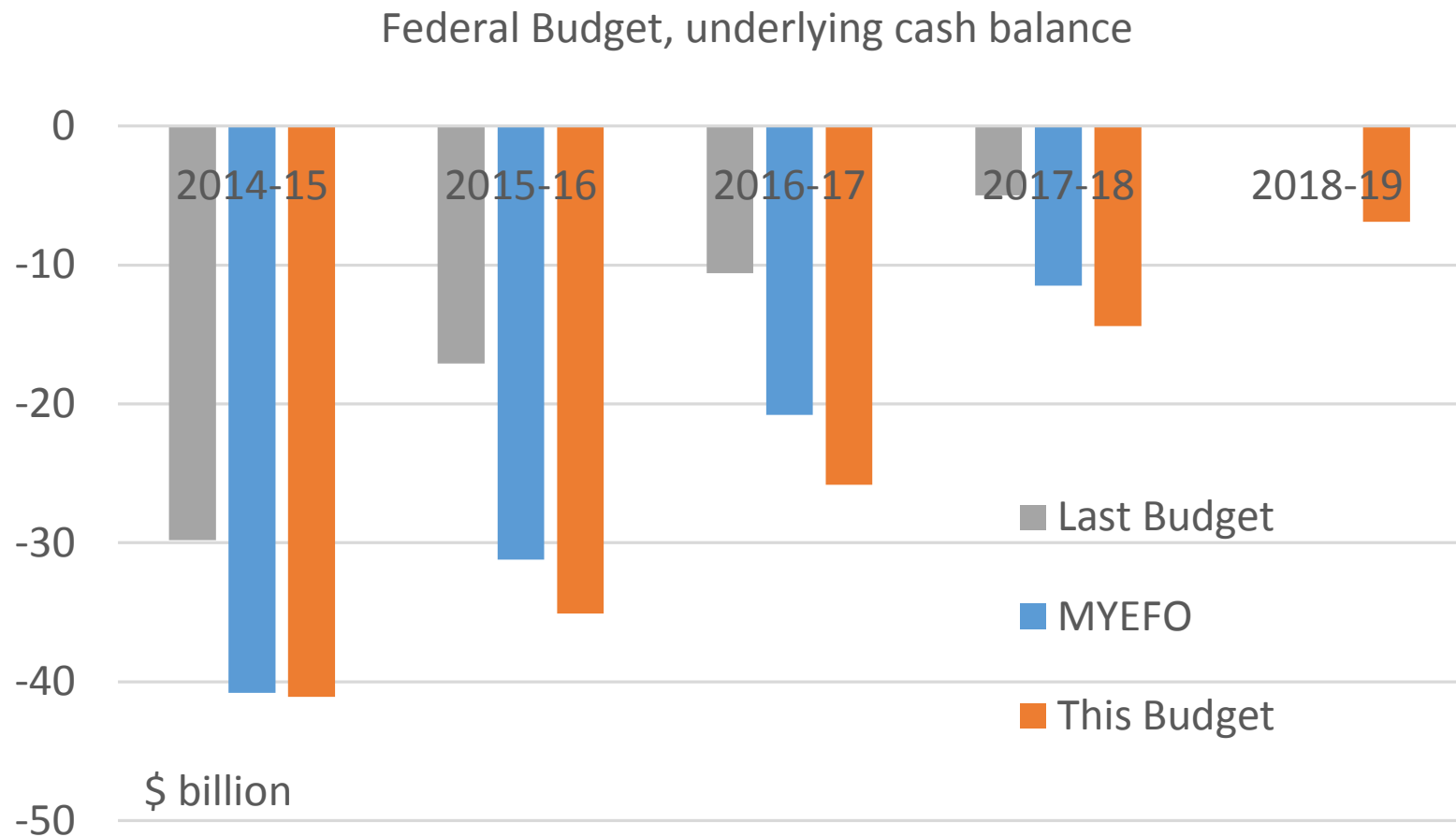




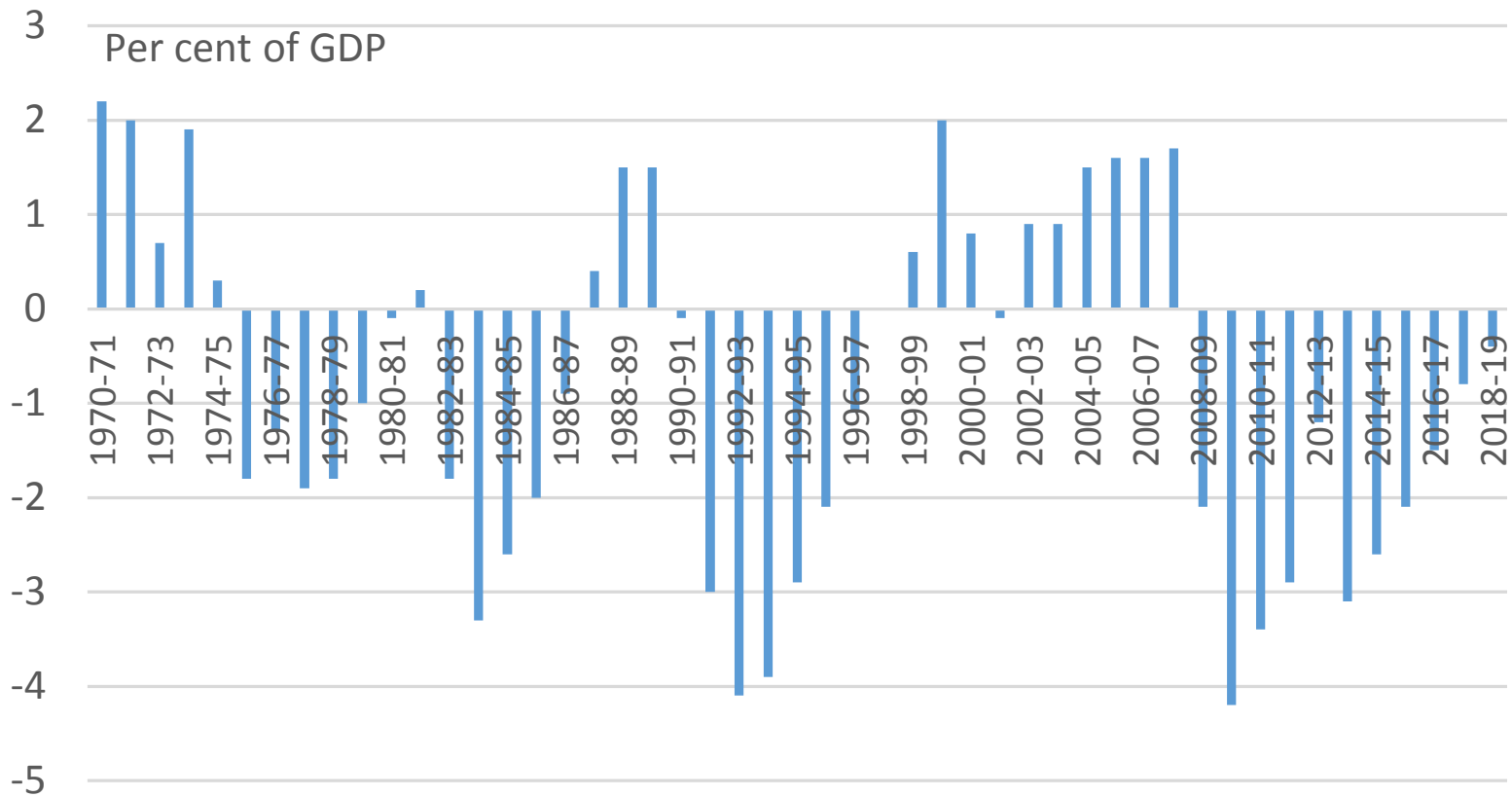
Federal Budget 2015-16

No surplus forecast in forward estimates



Commonwealth in deficit 30 out of 49 years

Underlying cash balance (surplus/deficit)



Forecasts & projections seem reasonable

But assume luck in avoiding recession continues

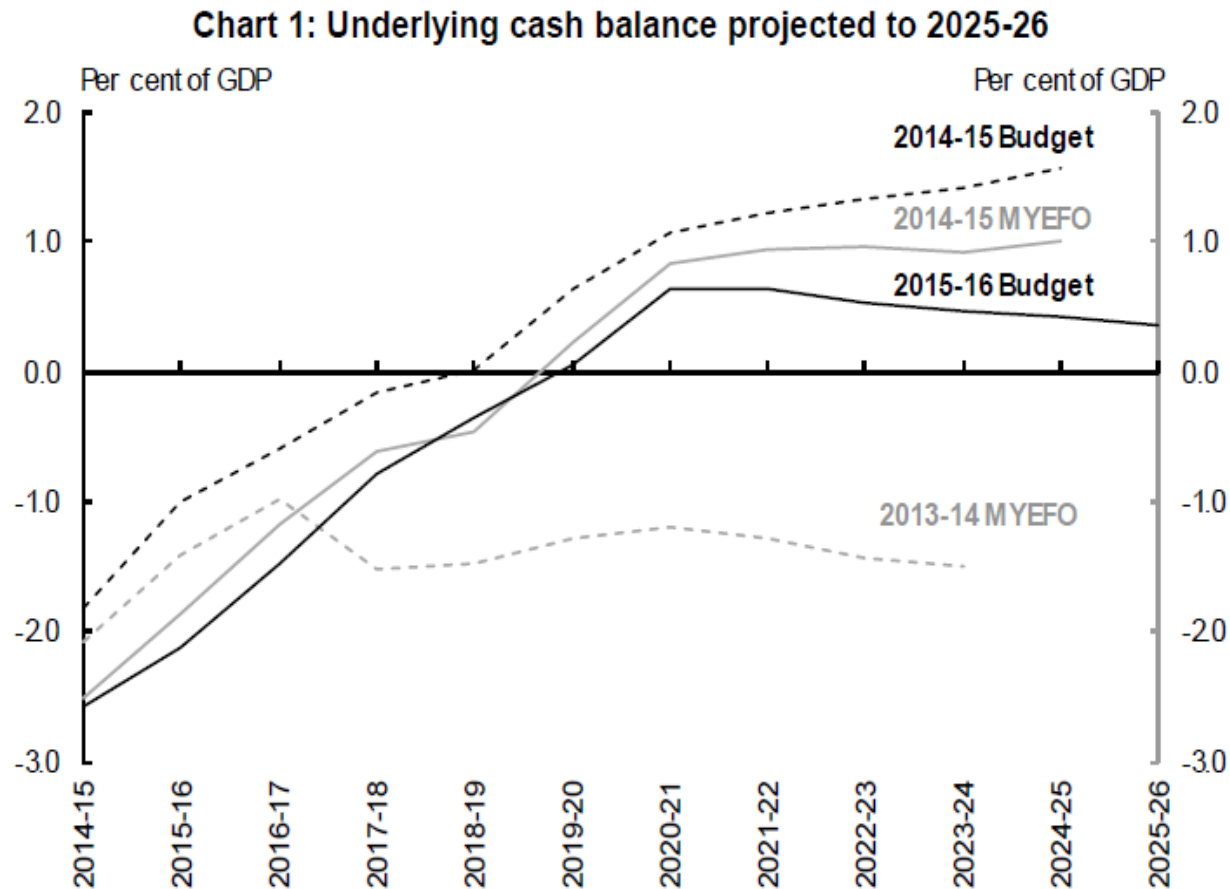
Table 2: Major economic parameters^(a)

	Outcomes	Forecasts			Projections	
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Real GDP	2.5	2 1/2	2 3/4	3 1/4	3 1/2	3 1/2
Employment	0.7	1 1/2	1 1/2	2	2	2
Unemployment rate	5.9	6 1/4	6 1/2	6 1/4	6	5 3/4
Consumer price index	3.0	1 3/4	2 1/2	2 1/2	2 1/2	2 1/2
Wage price index	2.5	2 1/2	2 1/2	2 3/4	2 3/4	3 1/4
Nominal GDP	4.0	1 1/2	3 1/4	5 1/2	5 1/4	5 1/2

(a) Year average unless otherwise stated. In 2013-14 to 2016-17, employment, the wage price index and the consumer price index are through the year growth to the June quarter. The unemployment rate is the rate for the June quarter.

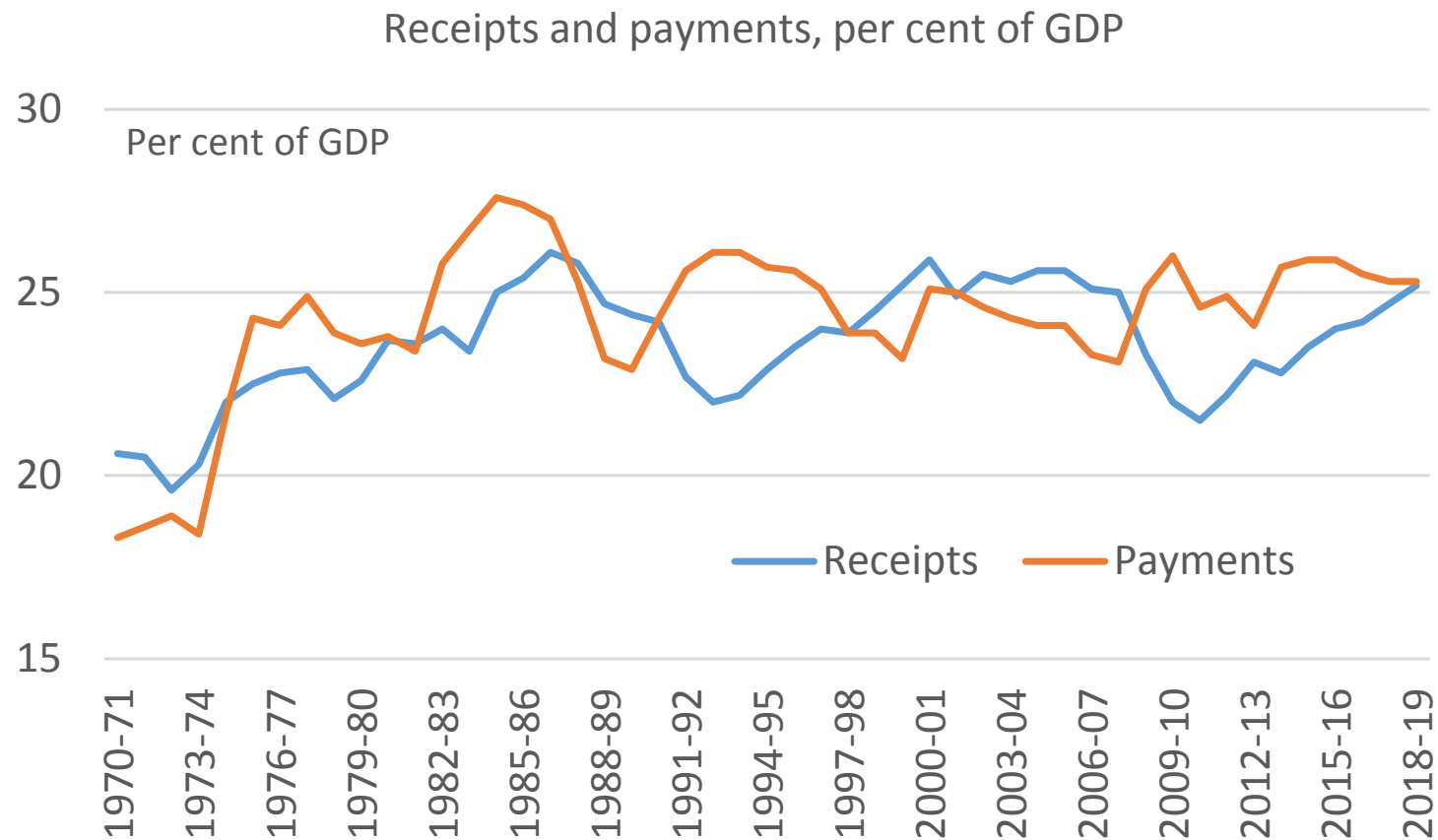
Source: ABS Cat. No. 5206.0, 6202.0, 6345.0, 6401.0 and Treasury.

Longer-run projections nowhere near as reliable



Source: 2015-16 Budget Paper 1

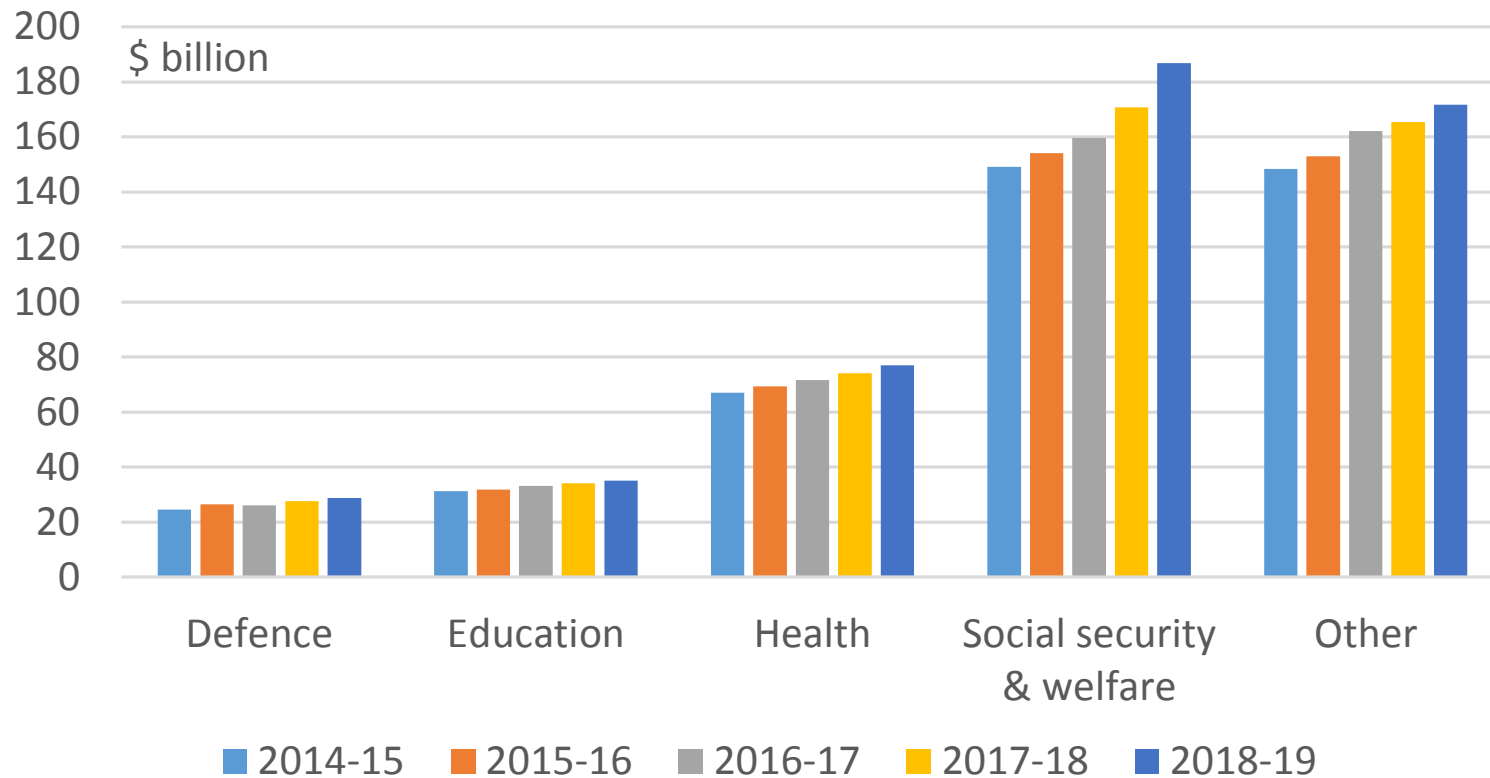
Govt maintaining spending at relatively high levels



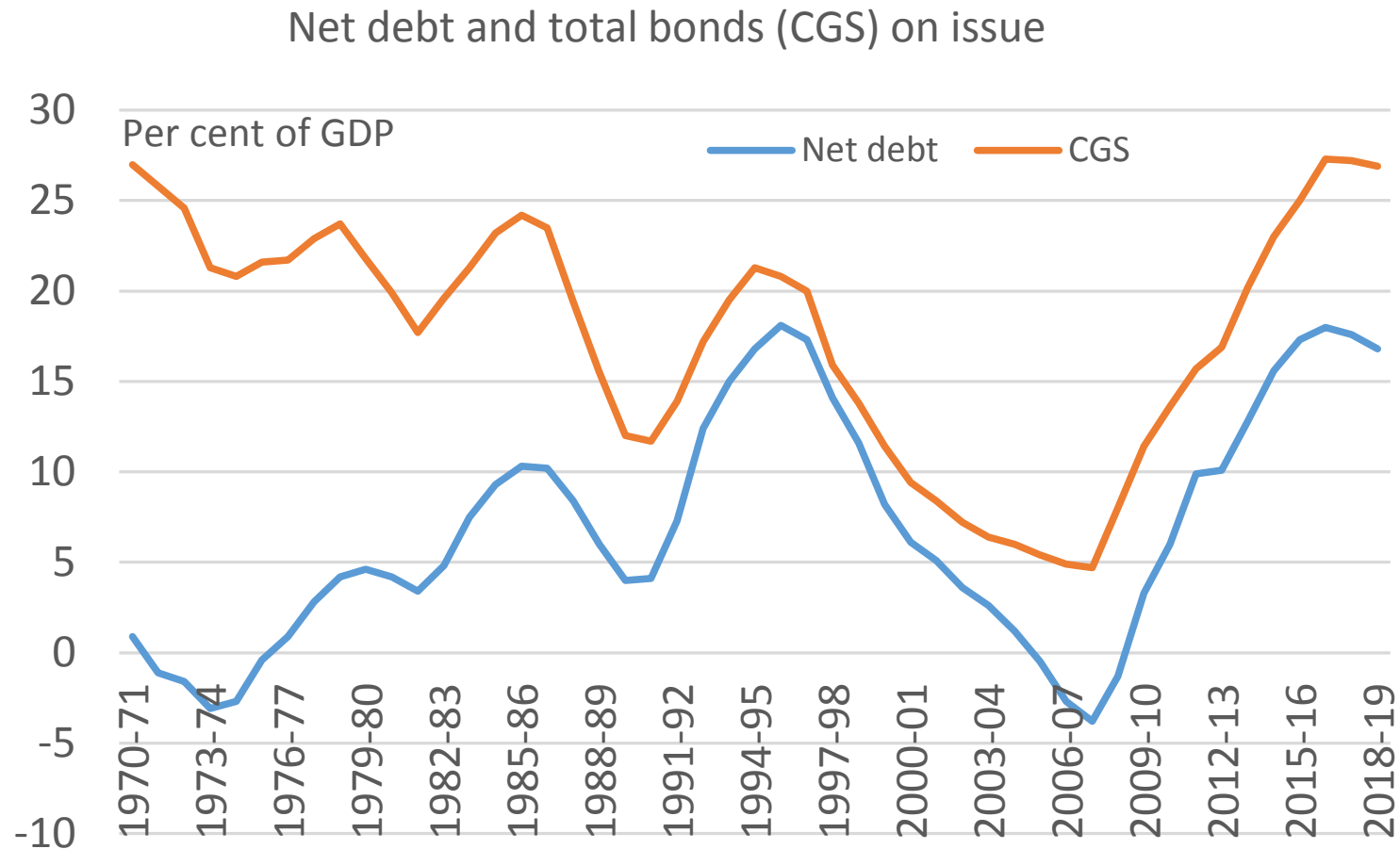
Social security & welfare big growth area and risk

Pensions and NDIS the big drivers

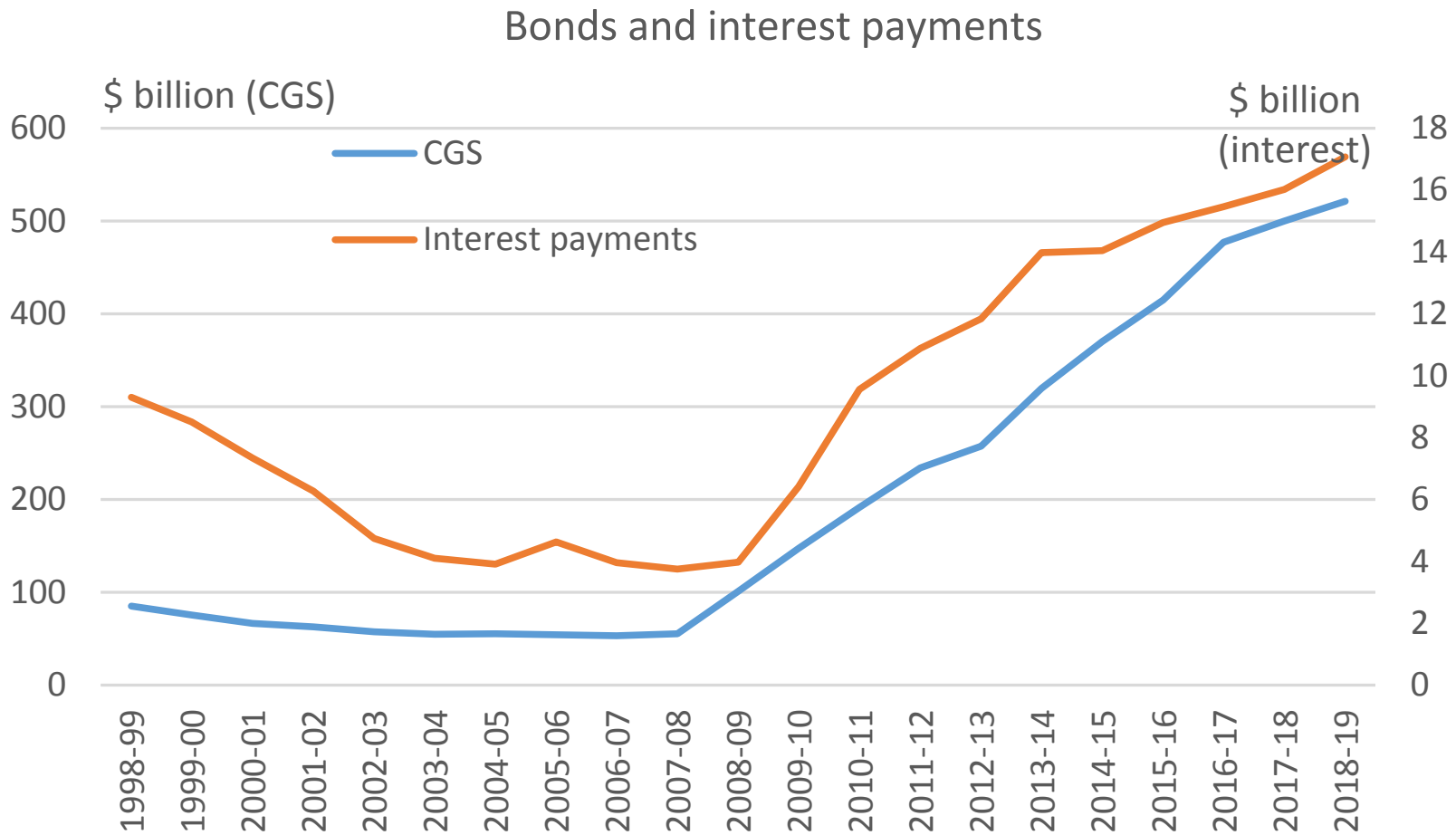
Commonwealth expenses by function



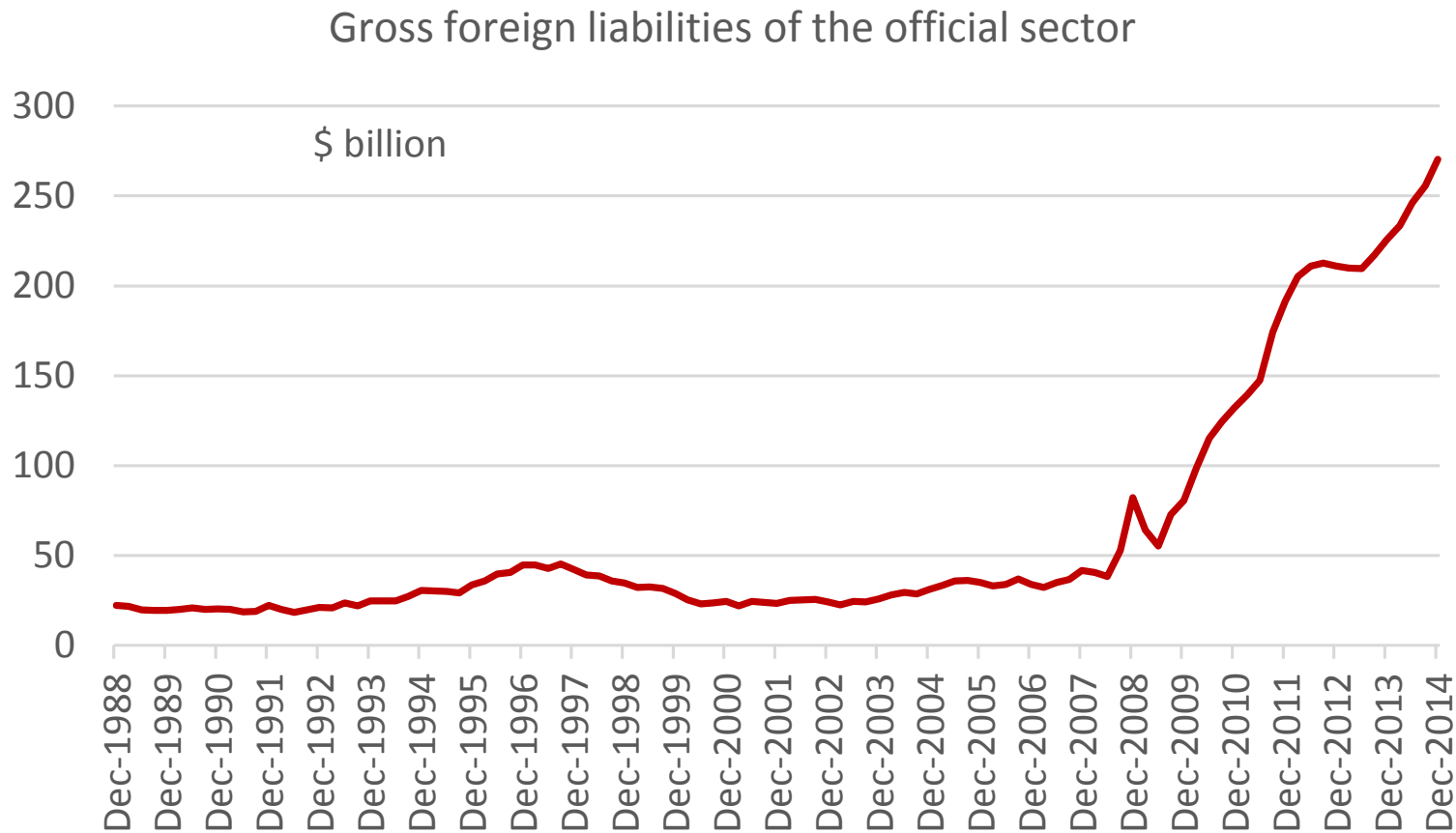
Debt projected to stop climbing later this decade



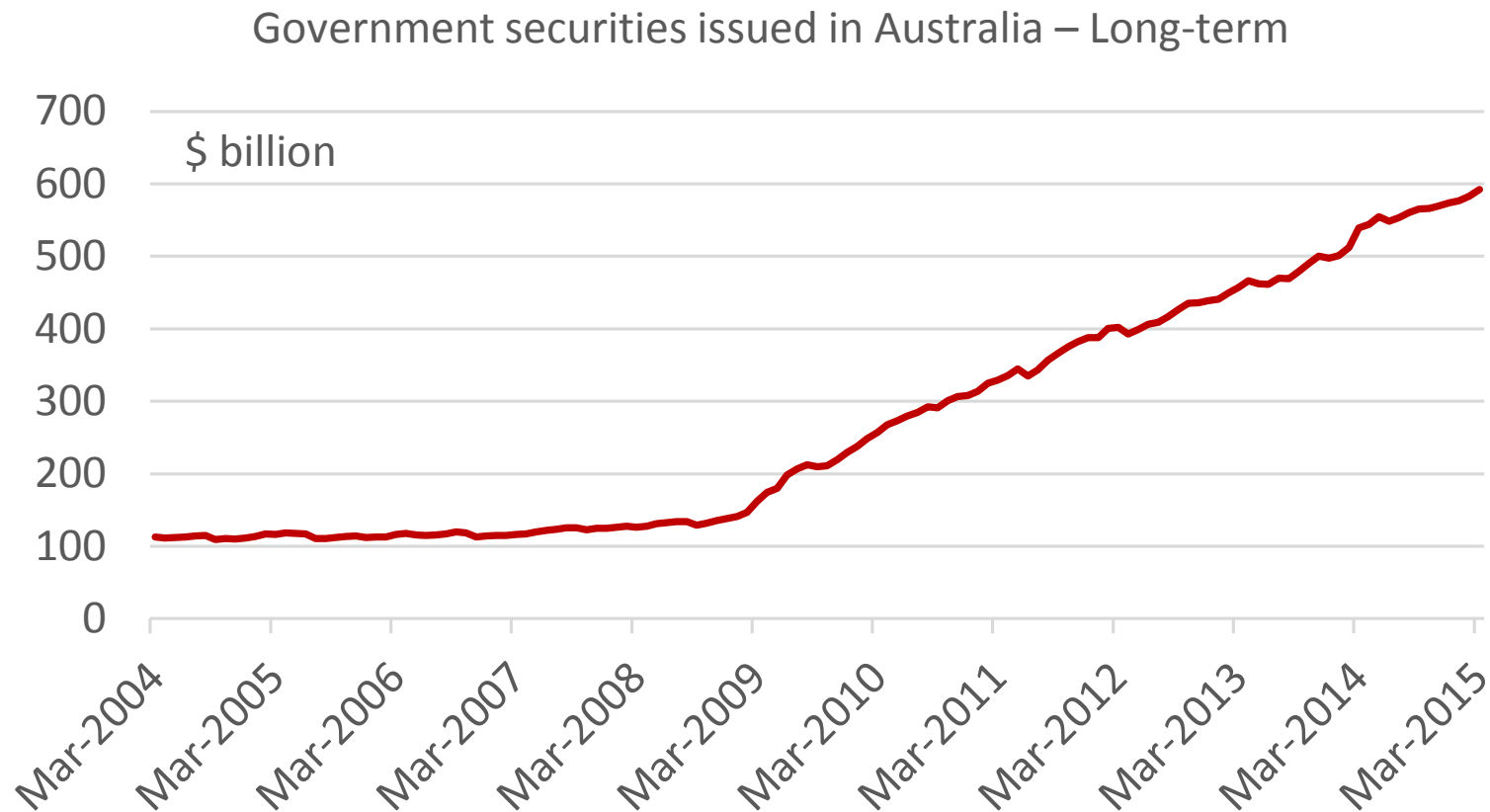
Interest payments absorbing over \$10 billion more



A large part of the interest payments go to foreigners

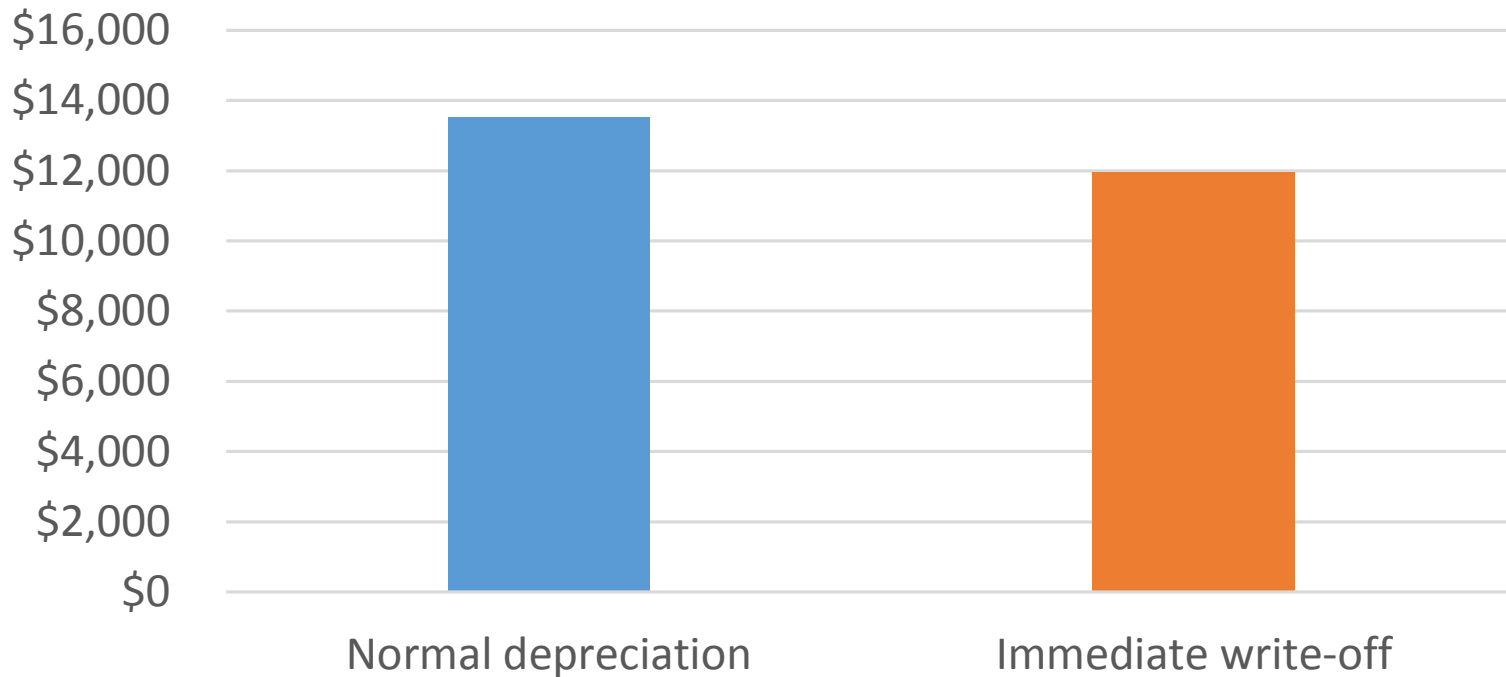


Total Government debt worrying ratings agencies



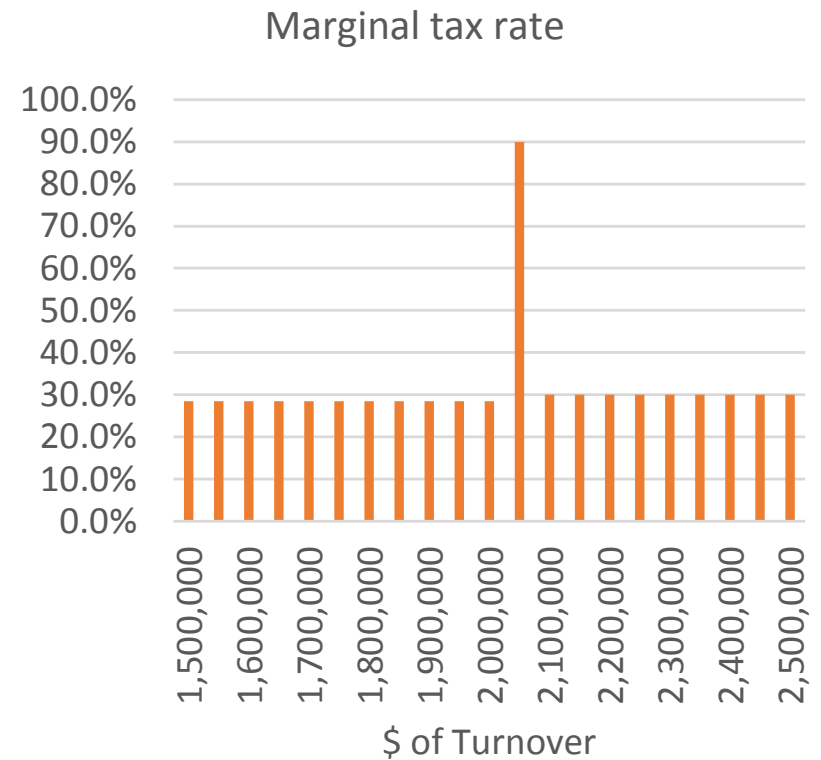
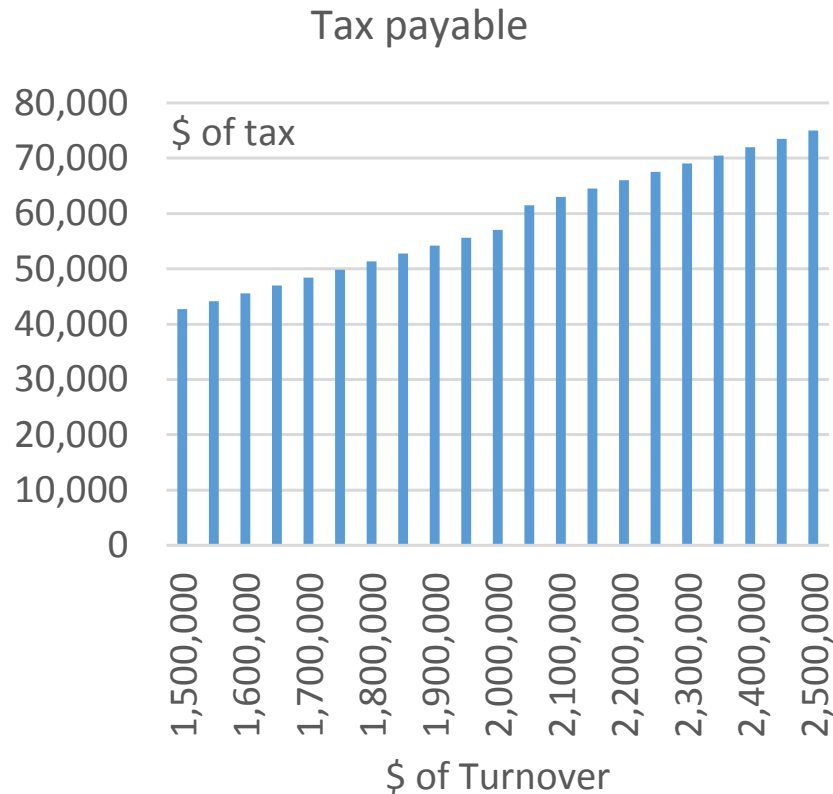
Immediate write off gives big saving

Effective cost to small business of basic Great Wall ute
(assumed price \$19K, marginal tax rate of 0.37, discount rate
of 10%)

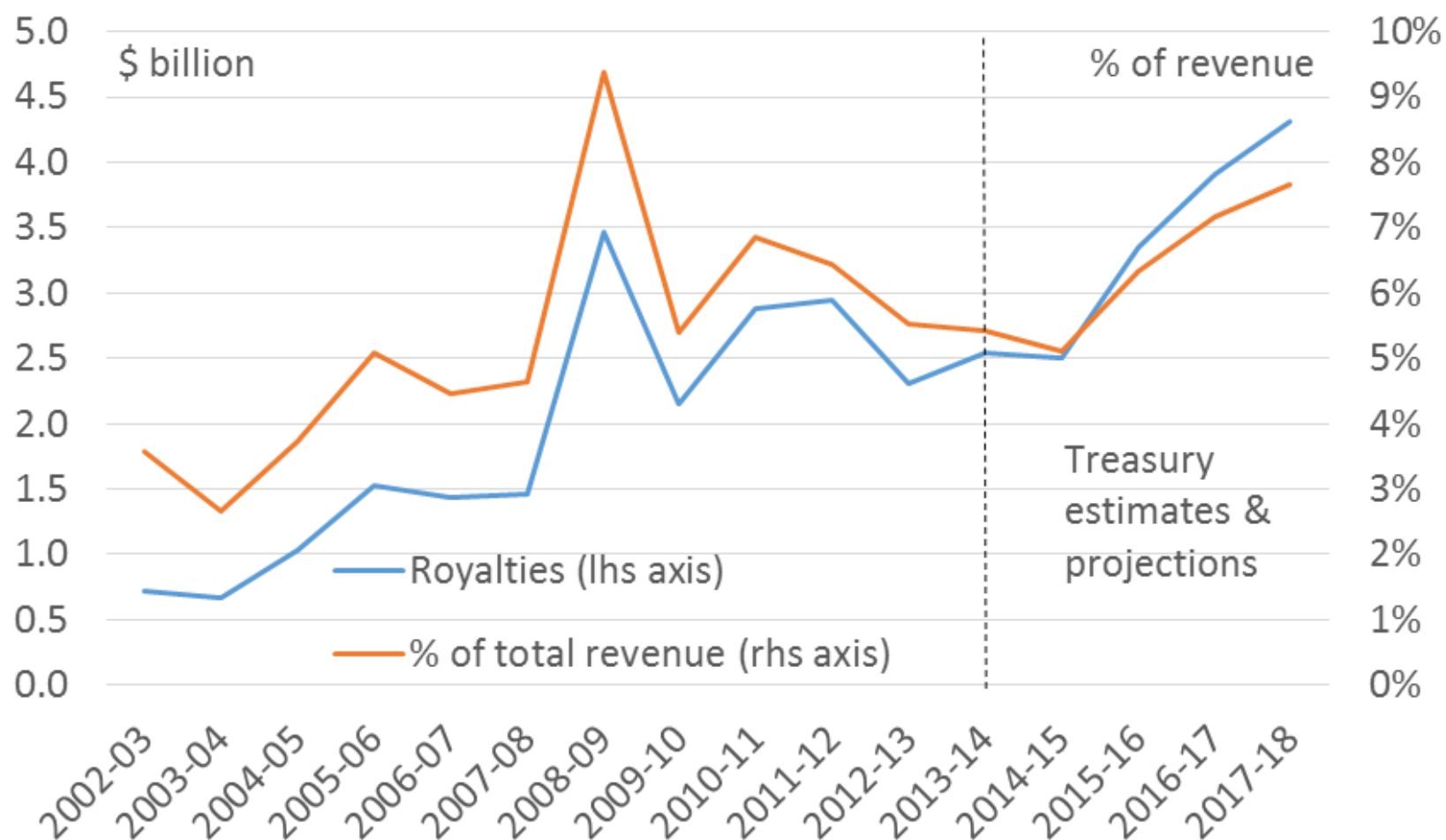


Small business company tax cut creates complexity

(Assume 10% profit margin in charts below)

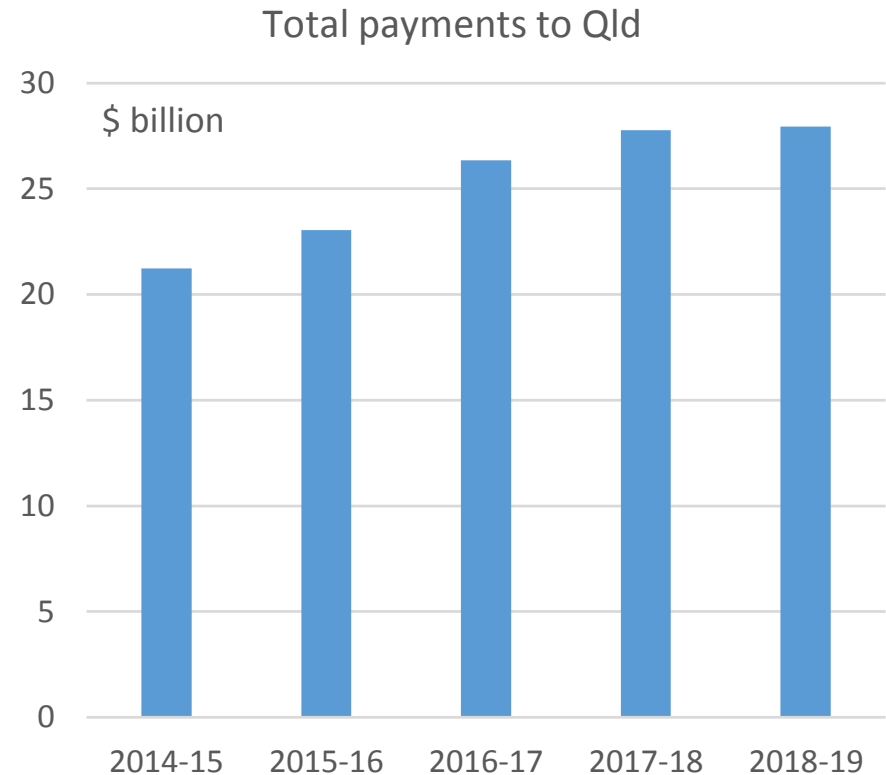
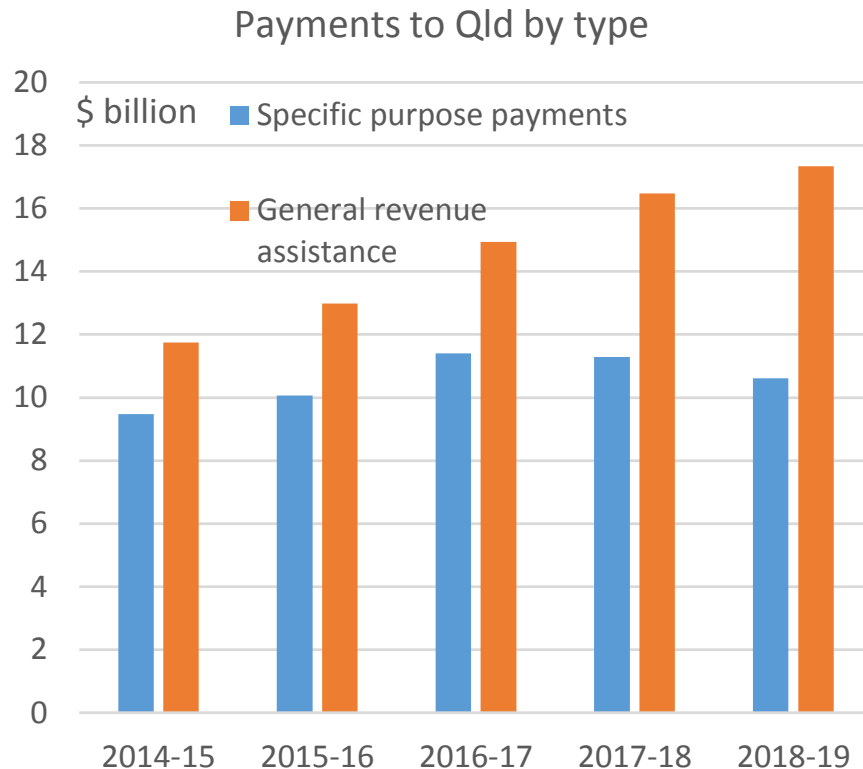


Royalties paid to the Qld Government

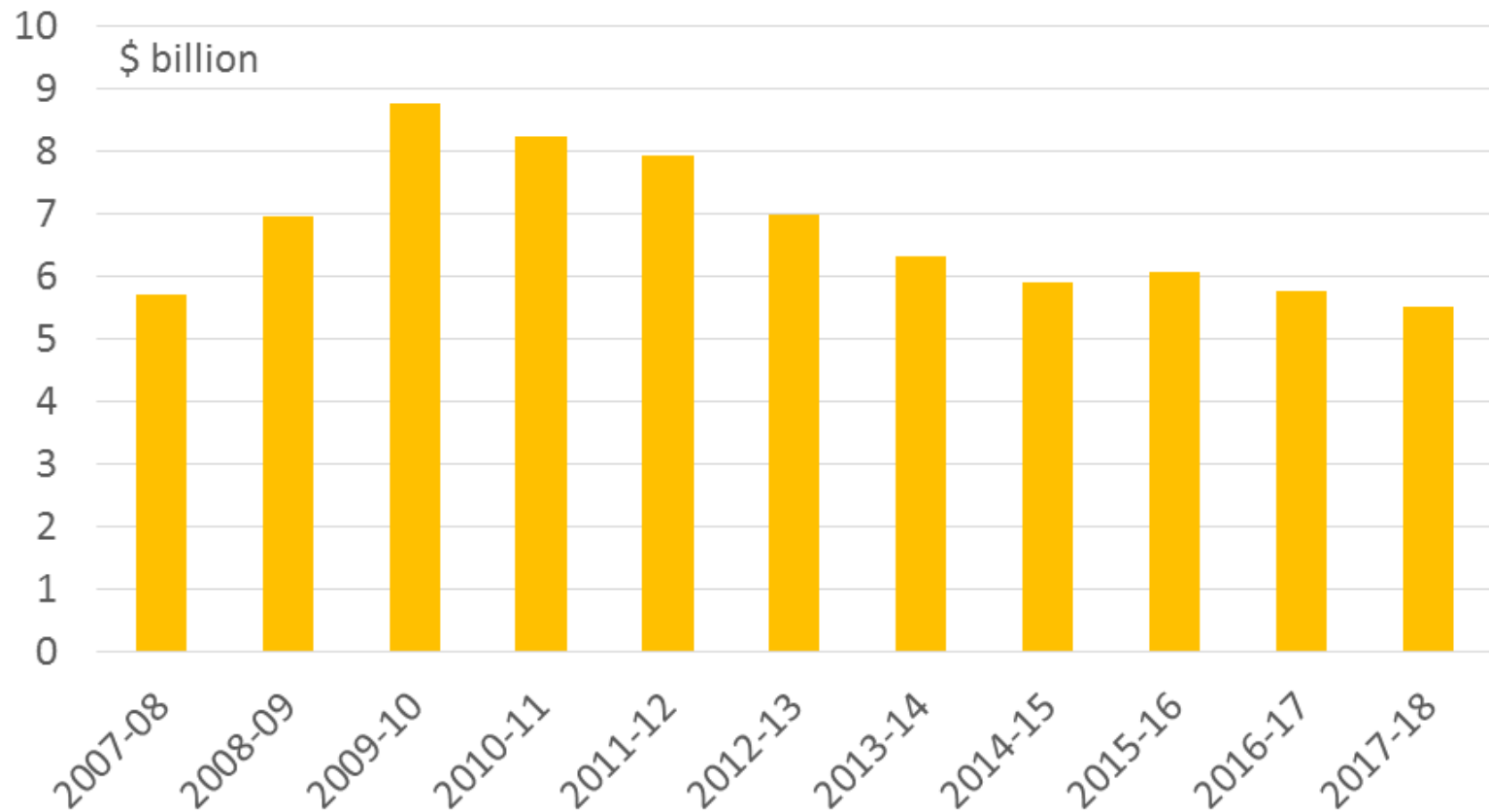


GST good for Qld, but tied grants an issue

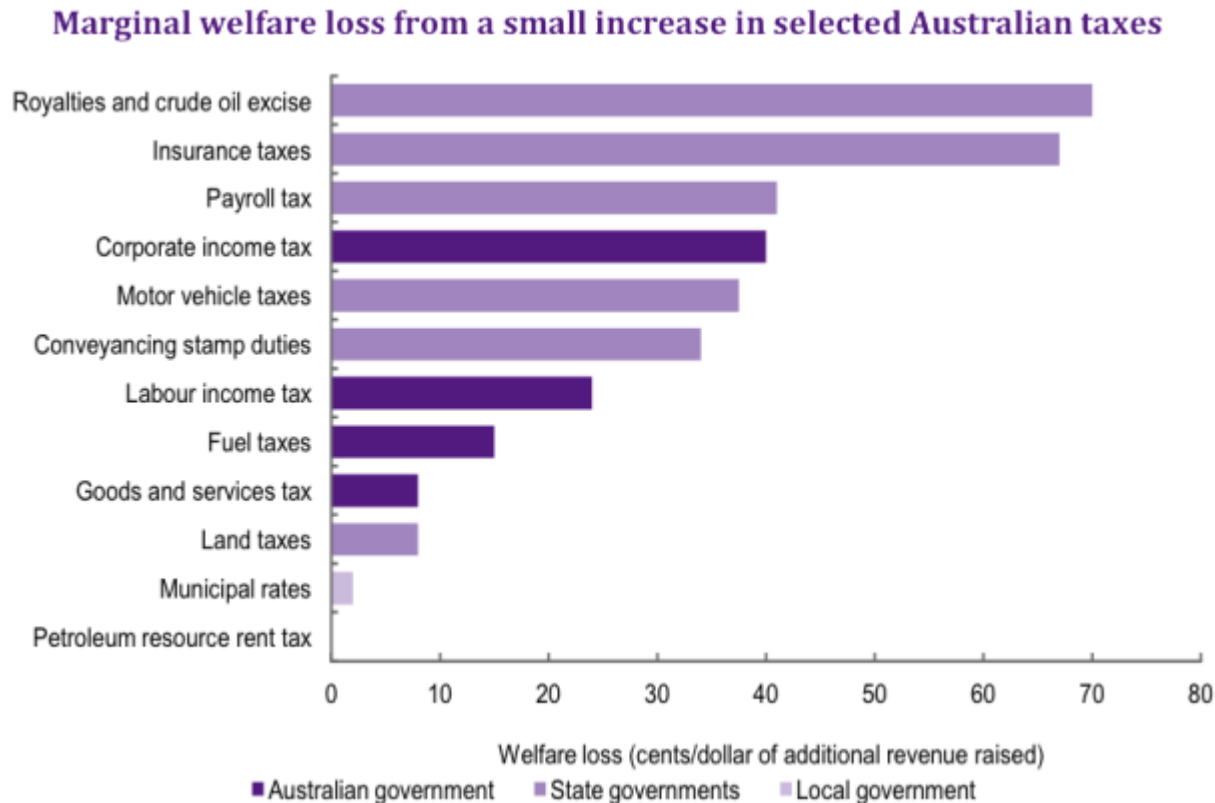
Real decline in 2018-19



Queensland Government capital expenditure, actual and projected

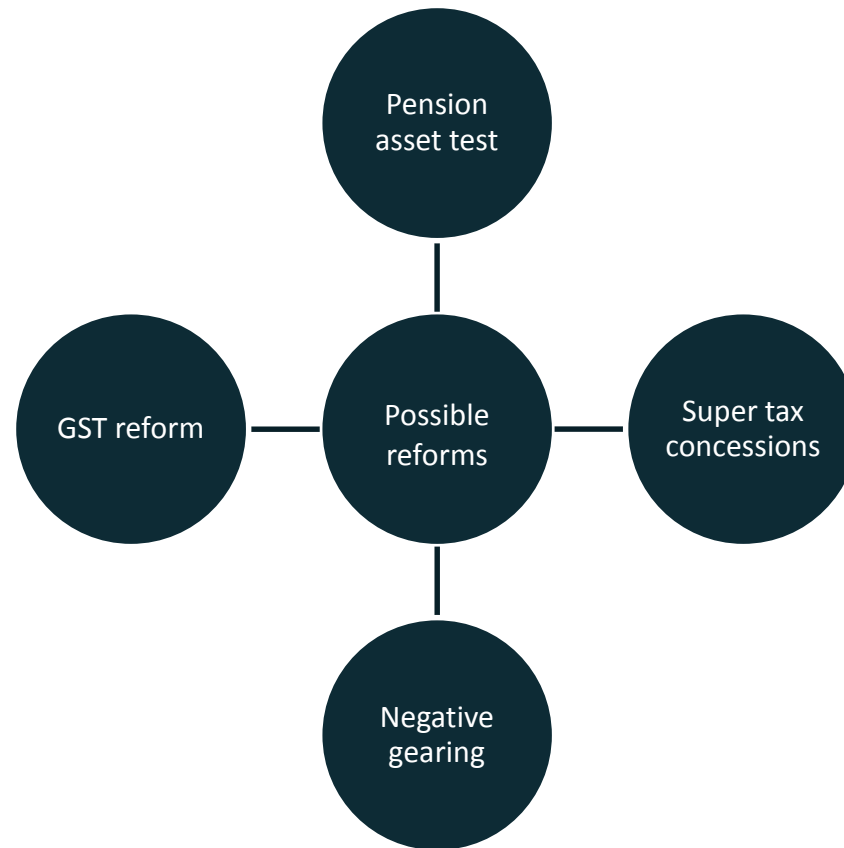


One dollar of revenue costs more than one dollar to raise



Source: Henry tax review (KPMG modelling)

Potential areas for reform



Thanks for listening

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