Question on Notice

No. 859

Asked on 15 June 2018

MRS D FRECKLINGTON ASKED DEPUTY PREMIER, TREASURER AND MINISTER FOR ABORIGINAL AND TORRES STRAIT ISLANDER PARTNERSHIPS (HON J TRAD)—

QUESTION:

With reference to the Non-financial Public Sector's debt servicing costs—

Will the Treasurer advise (reported separately by financial year) the forecasted Non-financial Public Sector's annual interest expense under a Queensland Treasury Corporation rating of AAA?

ANSWER:

The Queensland Government is responsibly managing the state's finances. Our borrowings are stable and sustainable and allow us to deliver the infrastructure that our growing state needs to support jobs and services for Queensland.

General government debt as a percentage of gross state product (GSP) peaked at 14 per cent in 2014-15. It has fallen substantially under the Palaszczuk Government and is expected to stabilise at around 10 per cent of GSP across the forward estimates.

In 2017-18, general government debt is the lowest since 2011-12. In fact, general government debt in 2021-22 will still be lower than it was in 2014-15. The proportion of revenue that we spend on servicing our debt has also fallen. It peaked in 2013-14 at 4.71 per cent, but is now below 3 per cent and remains so over the forward estimates.

The state's credit rating is not the only factor that determines borrowing costs. The market yield for 10 year Queensland Treasury Corporation bonds as at 1 July 2015 was 3.62 per cent and at 3 July 2017 was 3.18 per cent, demonstrating that rates have been relatively range bound with a decline of 44 basis points over the period.

In the General Government Sector, a reduction in borrowings combined with lower rates since 2014-15 have contributed to the estimated actual interest expense that is $907 million lower than projected in the 2014-15 Budget.

Treasury does not regularly forecast different credit ratings scenarios across the forward estimates for the non-financial public sector.