

Queensland Budget 2025-26

A cautious and predictable first budget

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BUDGET OUTLOOK

"Not austerity", sounds the bells of 1 William Street. The economy is steady. A new Government is in charge. So why is the deficit getting deeper?

True to its word, the Crisafulli Government is not Newman. This is reflected in its first budget. It projects a \$8.6 billion operating deficit, and no sign of return to surplus in the forward estimates. **The bottom line is that this is a cautious and predictable budget, with many risks remaining on the table.**

The Crisafulli Government has promised a plan that is "not austerity", and on that it has delivered. Taxes will not change. Many short-term measures inherited from the previous Government will remain. Some new long-term investments are being introduced. However, a strengthening Queensland economy will not prevent these commitments – and a controversial GST distribution change – from deepening the deficit.

A positive outlook for the economy's vital signs

The Government estimates GSP growth to be 2.5% in 2024-25, with an increase in growth from 2023-24 being attributable to strong public sector activity. GSP forward estimates have also been revised upwards since the last Budget, reflecting an expectation that continuing public demand and strengthening private sector spending will support GSP growth.

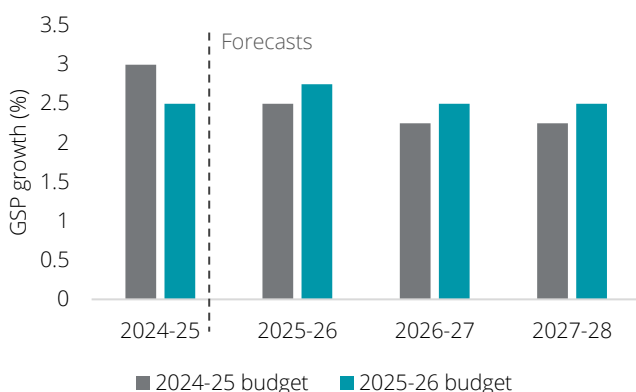
Consistent with the Mid-Year Fiscal and Economic Review (MYFER), headline inflation in Queensland is expected to fall to 2.0% in 2024-25 – it notes that this is low after successive years of high inflation that peaked at 7.3%. Also consistent is an expectation for inflation to jump to 3.3% in 2025-26 – a result of the unwinding of the previous Government's electricity rebate. Nonetheless, ongoing inflation forecasts thereafter retain the stability of the previous Budget, falling to below 2.5% and settling there over the forward estimates.

However, there are downside risks to be mindful of

The Government estimates that natural disasters and protectionist trade policies across the globe have knocked ¾ of a percentage point off Queensland GSP growth in 2024-25, and detracted from the 3% GSP growth forecast featured in last year's Budget.

Nonetheless, the outlook for GSP from 2025-26 onwards has improved since the last Budget, reflecting an expectation that private sector spending will strengthen – and that, as per modelling presented in the 2025-26 Federal Budget – tariffs won't get in the way. While a positive outlook, its downside risks

Chart 1: Missed the target this year, but there's always next
Difference between GSP growth forecasts, 2024-25 and 2025-26 Budgets



are particularly large, with trade wars and risks of slowdowns in China and the US reflecting uncertainty not seen since COVID-19.

And revenues – a question of sustainability?

With such a positive economic outlook, one would think that the outlook for Government revenue has improved. However, the Budget paints a less positive picture on this score. It states that there are "sustained revenue challenges", with key state revenues (taxes, royalties, and GST) expected to fall by 0.6% to 2025-26.

The primary driver of this outlook is a decrease in the State's slice of the GST pie, resulting from the Commonwealth Grants Commission's (CGC's) 2025 GST Review. Queensland was the biggest loser of the review this year – a result of both high recent coal royalties and revisions to CGC's methodology, such as the consideration of high COVID-19 related expenses from our southern neighbours. The latter has been a source of contention between the State and the Commonwealth.

Featured alongside a decrease in GST distribution in 2025-26 is a projected flatlining of royalties. Nonetheless, a flat outlook actually reflects a \$1.4 billion upwards revision from MYFER projections. Indeed, while Queensland is nearing the end of the coal price gravy train, a low Australian dollar has delayed it by a year.

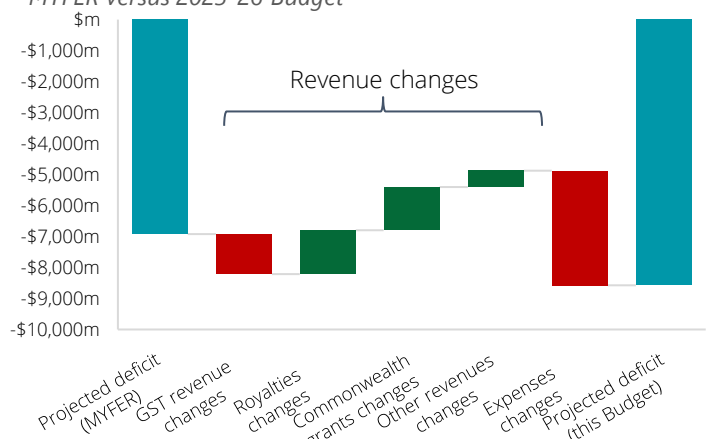
Further, these "revenue challenges" are not all beyond the fiscal levers of Queensland Government. It also reflects a goal of the current Government to differentiate itself from the austerity ghosts of its past.

One of the selling points of the current Budget is that it is one with no new or increased taxes.

And the forecast is - deficit

So, with revisions to royalties counteracting the GST changes, and little changes to taxation – how did we end up with a deepened deficit? The answer doesn't lie in revenues. Rather, it's a \$3.7 billion increase in projected Government expenses since MYFER. Further, while the Budget is forecasting an improvement over the MYFER estimates, to the operating balance from 2026-27 to 2027-28, this deficit forecast is not expected to clear up even in 2028-29. Indeed, it may be time to start heeding S&P's credit warnings.

Chart 2: Deeper in deficit
Revisions to Queensland's projected 2025-26 deficit, 2024-25 MYFER versus 2025-26 Budget



Source: Queensland Treasury, 2025-26 Budget

SHORT-TERM MEASURES

Something old and something new in the face of continued cost-of-living pressures faced by Queenslanders.

For the first LNP budget in over a decade, the Crisafulli Government has chosen to prioritise spending on housing, cost-of-living relief and Olympic and Paralympic infrastructure. In line with this, the budget provides \$8.5 billion worth of cost-of-living concessions to Queenslanders in 2025-26. While this is a notable, the targeted nature of the spending signals that the new government is adopting a cautious approach to its first budget.

What has changed from the previous Government's cost of living measures?

Normally, the first budget of a new Government contains a series of measures that seeks to differentiate itself from the previous Government. While several of the previous Government signature cost-of-living measures have been discontinued (e.g., 20% reduction in vehicle registration fees, \$1,000 electricity rebates), these were largely temporary measures for 2024-25. The Government has also mitigated the impact of the expiry of the electricity rebate for vulnerable households through restoring the annual indexation.

In addition, many cost-of-living measures across a range of policy areas survived the change in Government such as the signature 50 cent public transport fares and the \$200 sports voucher for children aged between five and 17 (now known as the Play on! Voucher) (Table 1).

What new cost of living measures has the Government funded?

New funding includes \$100 payments for each student attending primary school to help families cover the cost of essentials. Rebates of up to \$3,500 that could be used towards the installation of solar panels on rental properties represent the delivery of the Government's election commitment).

To reduce the deposit gap for first home buyers, the Government has announced a Boost to Buy scheme, where it will contribute up to 30% equity to help buyers with a 2% deposit purchase their first house.

It is worth noting, however, that the scheme is limited to 1,000 homes, features income limits for qualifying singles and couples, and is limited to properties worth up to \$1 million. And with over 20,000 first home buyer new loan commitments each year in Queensland, this will only lower accessibility barriers for a small percentage of would-be buyers.

A shift towards targeted support could expose more Queenslanders to the impact of higher prices

Compared to the last Budget, new costs of living measures target specific groups such as young families, instead of adopting a broad-brush approach to funding allocation. Due to this, Queensland households that sit outside of these targeted groups might feel the pinch of higher prices in the short-term.

Relieving households but maintaining pressure on the Government budget

Excluding one off concessions, the total value of concessions in 2025-26 has risen 3.2% from the estimated actual expenditure in 2024-25, recognising that Queensland households, particularly those that will receive the targeted measures, are continuing to experience acute cost-of-living pressures.

Although these measures would be welcomed by many Queenslanders doing it tough, this package treats the symptoms, rather than the underlying causes of cost-of-living pressures – stagnant productivity growth and stubborn inflation driven by supply-side problems, whilst contributing to the budget deficit.

Table 1: Comparing signature cost of living policies

Decisions that the Crisafulli Government has taken regarding the previous Government's signature cost of living measures

Policy area	Previous Government measure	Action taken by the new Government
Transport	20% reduction in vehicle registration fees	Ended.
Education	School and Community Relief Program to provide healthy food for children during school days.	Ended.
Energy	\$1,000 electricity rebates for all Queensland households	Ended – but annual indexation will be restored for vulnerable households under the Electricity Rebate Scheme.
Transport	50 cents flat fares on public transport	Made permanent .
Housing	Doubling of the First Home Grant to \$30,000	Further extension of the boosted Grant for another 12 months.
Sports and recreation	\$200 FairPlay sports voucher for children aged 5 to 17	Renamed to \$200 Play on! Queensland voucher – and funded through forward estimates .

Measure ended by the new Government

Measure retained but modified by the new Government

Measure retained by the new Government

RECORD BREAKING SPEND TO ACHIEVE LONG-TERM PROSPERITY

The Budget lays the foundation for the new Government's long-term vision for Queensland.

The Budget prioritises generational infrastructure to place Queensland on track to realise the new Government's vision for the future. With record budgets across housing, infrastructure, education and health, and total capital investment of \$29 billion, the Budget does not shy away from a large deficit. Like nearly all the other State Governments, this strategy of not addressing underlying fiscal issues comes with risks attached.

A glimpse at Queensland's future

There are very few surprises to be seen in the 2025-26 Budget, with long-term spending aligning to the plans and stated goals of the new Government. This provides a predictable glimpse at the new Government's vision for Queensland's future before greater details and plans are released.

The new Government has previously announced an upcoming five-year energy roadmap, to chart the State's path to net zero in 25 years. In a possible sign of things to come, the 2025-26 Budget aligns emphasises the Crisafulli Government's interest in maintaining gas as a key source of power in the near to medium term, making 9 new areas available for tender for gas opportunities, and investing in new gas power plants. The Budget also formalises the new Government's Electricity Maintenance Guarantee, which provides upfront approval and funding for Queensland's state-owned generators to overhaul and maintain existing assets, including coal-fired plants, after major outages over the past few years.

Another key priority for the Government has been safety, which has also been reflected in the Budget. Long-term spending to reduce youth crime, such as \$2.4 billion to

deliver new facilities for additional prisoner capacity across Townsville and Brisbane, highlights crime and safety as a priority.

Making a move to the Olympic race

Spending and planning on the 2032 Olympics has had a slow start, and has come under significant public debate. However, the Budget has highlighted the Government's commitment to delivering the Olympics through generational infrastructure to deliver the games and to drive tourism. The Budget has also reemphasised the commitment to 'legacy', with substantial packages aimed at ensuring a grassroots community sporting legacy following the Games.

In total, the Budget allocated almost \$1 billion over the next four years towards Games delivery and infrastructure investment, double the \$0.5 billion in funding delivered in the 2024-25 budget.

What does this infrastructure investment mean for the budget deficit?

This budget builds on the previous year's, with an additional \$2 billion committed to the capital works program. However, some of the pressures facing the previous budget have softened.

Inflation has begun to ebb, and interest rates across the globe have followed suit. However, infrastructure construction remains characterised by cost blowouts and delays. Headwinds faced by the construction sector remain in place – with supply constraints and labour shortages continuing to place pressure on the capacity of the sector to deliver the significant pipeline of infrastructure projects in Queensland.

Breaking records across the portfolios



Record Housing Budget

In the context of the unceasing housing crisis, the Budget delivers record spending on housing. Many of these initiatives, such as the goals of delivering 53,300 social homes and 1 million new homes, are unchanged from the previous government. However, the Crisafulli Government promises to bring these goals forward two years – to realisation by 2044.



Record Health Budget

As Queensland's population ages, and prevalence of chronic health conditions increase, it is understandable that the health budget expands in-step. The 2024-25 budget laid out a record spend on health, however, the 2025-26 Budget has increased funding by 10%, with \$33.1 billion allocated to health. This spending focuses on health services and healthcare, but also includes additional hospital expansions and new hospital infrastructure.



Record Infrastructure Budget

This budget promised a more connected Queensland, with substantial investments across road and rail infrastructure. Greater connectivity via public transport to the Sunshine Coast and the Gold Coast are identified as key initiatives – and have both been previously announced in relation to the 2032 Olympic games.

Generational infrastructure investments like these have strong potential to support Queensland as population grows, and transport demand builds.



Record Education Budget

Education also receives a spotlight in this Budget, with 15 new schools promised to be delivered across Queensland. In total, this budget promises an additional \$1 billion on top of 2024-25 which was, at the time, also referred to as a record education budget.

However, while last year's budget focused on supporting students with disability and from low-socio economic families, the 2025-26 Budget follows the overarching call for a safer Queensland, with almost a third of the new schools to be Crime Prevention Schools.

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