COOLABAH CAPITAL INVESTMENTS™
THE INTELLECTUAL EDGE: MAKING EVERY BASIS POINT COUNT

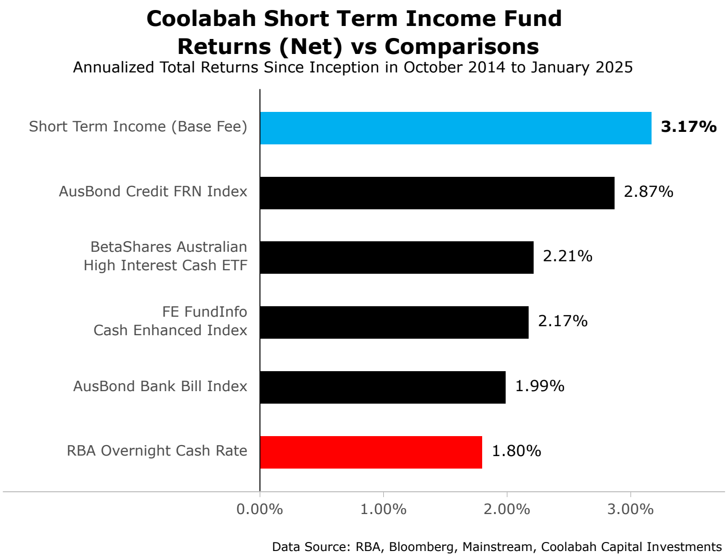
Fund: **Coolabah Short Term Income Fund - Base Fee Class**
Strategy: **Short-Term Fixed-Interest**
Return (since Oct. 2014): **4.09% pa gross (3.17% pa net)**
Net return volatility (since Oct. 2014): **0.82% pa**

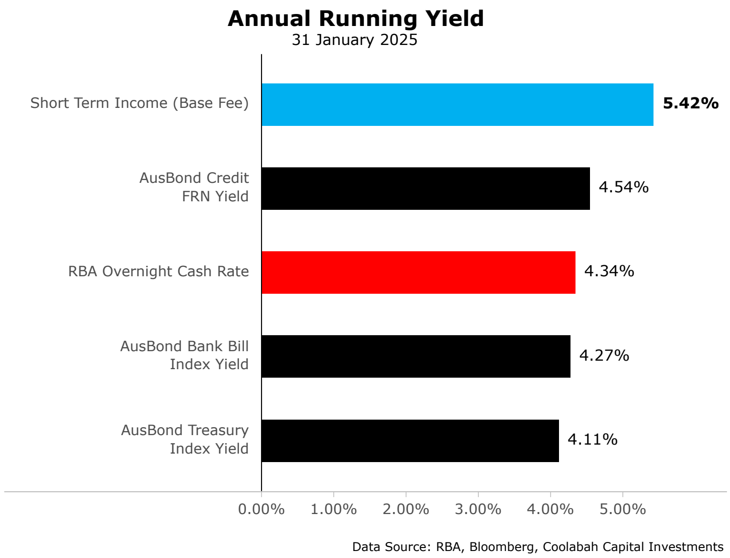
## January 2025

**Objective:** An independently-rated/recommended strategy targeting low-risk cash and fixed-income returns that exceed the RBA's cash rate by 1.5%-3.0% pa after fees, over rolling 12 month periods.

**Strategy:** We actively invest in a diversified portfolio of Australian deposits, investment grade floating-rate notes and hybrid securities with a weighted-average "A" credit rating. We do not invest in fixed-rate bonds (unless interest rate risk is hedged), direct loans, use leverage, or take currency risk. We add value via active asset-selection using a range of valuation models with the aim of (1) delivering lower portfolio volatility than traditional bond funds and (2) providing superior risk-adjusted returns, or alpha, without explicitly seeking interest rate risk, credit risk or liquidity risk. The strategy is managed by Coolabah Capital Investments, which is a specialist active credit manager.

| Period Ending 2025-01-31 | Gross Return (Base) | Net Return (Base)† | RBA Cash Rate | Gross Excess Return‡ | Net Excess Return (Base)†‡ |
|---|---|---|---|---|---|
| **1 month** | **0.51%** | **0.44%** | **0.36%** | **0.15%** | **0.08%** |
| 3 months | 1.51% | 1.28% | 1.08% | 0.43% | 0.21% |
| 6 months | 3.23% | 2.77% | 2.16% | 1.06% | 0.60% |
| **1 year** | **6.88%** | **5.93%** | **4.34%** | **2.53%** | **1.58%** |
| 3 years pa | 5.17% | 4.24% | 3.25% | 1.92% | 0.99% |
| 5 years pa | 4.02% | 3.11% | 1.98% | 2.04% | 1.12% |
| 10 years pa | 4.04% | 3.12% | 1.78% | 2.27% | 1.34% |
| **Inception pa Oct. 2014** | **4.09%** | **3.17%** | **1.80%** | **2.29%** | **1.37%** |




† Net returns are calculated from the historic gross returns using the current fee structure as displayed in the Product Disclosure Statement. ‡ The Excess Return columns represent the gross and net return above the RBA cash rate.



| | | | |
|---|---|---|---|
| Net Monthly Returns > RBA Overnight Cash Rate | 78% | Modified Interest Rate Duration | < 0.1 years |
| Portfolio Weight to Cash Accounts | 2.5% | Gearing Permitted? | No |
| Portfolio Weight to Bonds | 97.3% | 1 Year Av. Portfolio Weight to Cash | 3.2% |
| Av. Portfolio Credit Rating | A+ | Portfolio Weight to AT1 Hybrids | 0.0% |
| Portfolio MSCI ESG Rating | A | Cash Accounts + RBA Repo-Eligible Debt | 62.4% |
| No. Cash Accounts | 8 | Net Annual Volatility (since incep.) | 0.82% |
| No. Notes and Bonds | 157 | Net Sharpe Ratio (since incep.) | 1.66x |
| Av. Interest Rate (Gross Running Yield) | 5.42% | **Ratings:** Recommended (Zenith); Superior - Relatively Simple (Foresight Analytics) | |

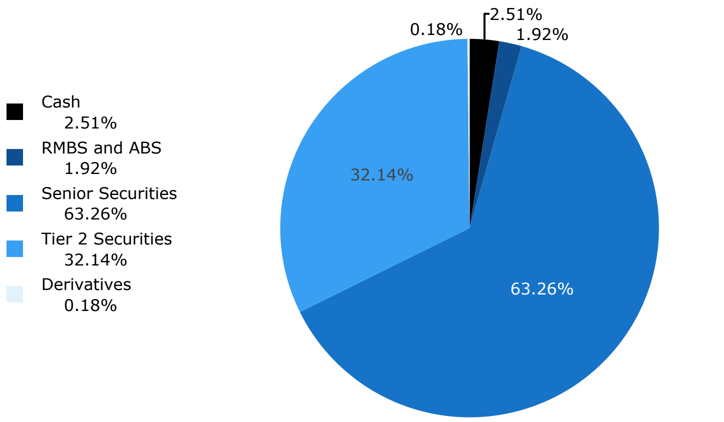
Signatory of: PRI Principles for Responsible Investment

Zenith RECOMMENDED

SUPERIOR RELATIVELY SIMPLE Foresight Analytics

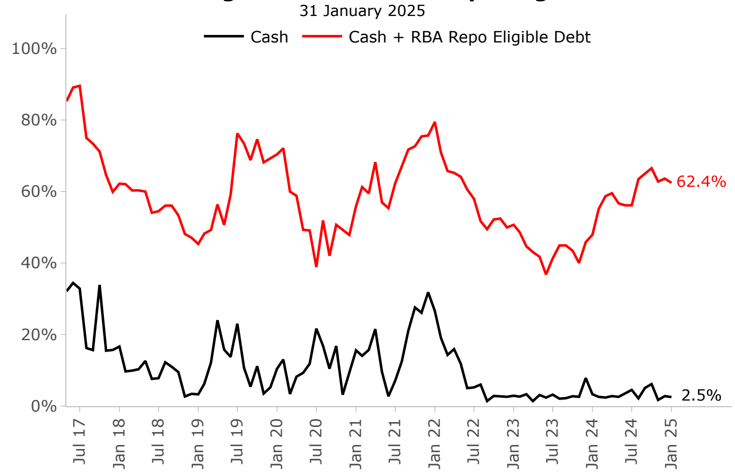
MSCI ESG RATINGS A
CCC B BB BBB A AA AAA
Asset weighted average rating

**Coolabah Short Term Income Fund Portfolio Composition (NAV)**
31 January 2025



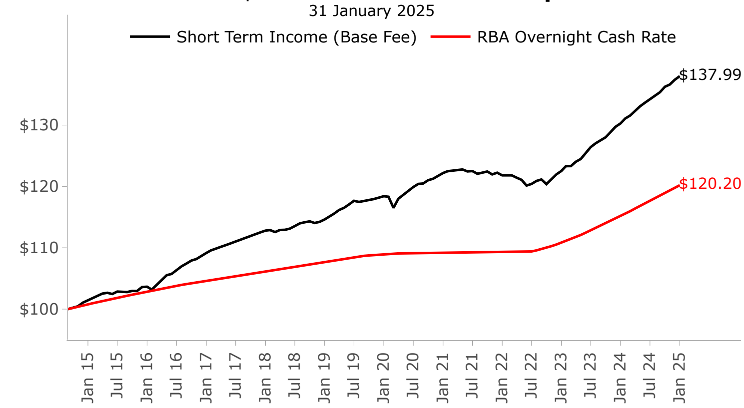

Data Source: Coolabah Capital Investments

**Portfolio Weights: Cash + RBA Repo Eligible Debt**
31 January 2025




Data Source: Coolabah Capital Investments


**Value of $100 Invested since Inception**
31 January 2025




Data Source: Bloomberg, Coolabah Capital Investments



**The since inception gross (net) return of 4.09% pa gross (3.17% pa net)** is the total annual return earned by the fund since Oct. 2014, including interest income and movements in the price of the bond portfolio after all fund fees (assuming net returns are calculated from the historic gross returns using the current fee structure as displayed in the Product Disclosure Statement). The net return quoted applies to the Coolabah Short Term Income Fund - Base Fee Class, with quarterly distributions reinvested. Investment return will vary depending upon investment date and any additional investments and withdrawals made. **The annualised volatility estimate of 0.82% pa** is based on the standard deviation of net daily returns since inception, which are then annualised, attributable to the Coolabah Short Term Income Fund - Base Fee Class.

| | | | |
|---|---|---|---|
| Portfolio Managers | Christopher Joye, Ashley Kabel, Roger Douglas, Fionn O'Leary (Coolabah Capital Investments) | | |
| APIR Code | ETL8504AU | Fund Inception | 30-Sep-14 |
| mFund Code | - | Distributions | Quarterly |
| Morningstar Ticker | | Unit Pricing | Daily (earnings accrue daily) |
| Asset-Class | Short-Term Fixed-Interest | Min. Investment | $1,000 |
| Target Return | Net 1.5%-3.0% pa over RBA cash rate | Withdrawals | Daily Requests (funds normally in 3 days) |
| Investment Manager | Coolabah Capital Investments (Retail) | Buy/Sell Spread | 0.00%/0.025% |
| Responsible Entity | Equity Trustees | Mgt. & Admin Fee | 0.89% pa |
| Custodian | Citigroup | Perf. Fee | Nill |

**Portfolio commentary:** **In January, the zero-duration daily liquidity Coolabah Short Term Income Fund (STIN) returned 0.51% gross (0.44% net), outperforming the RBA Overnight Cash Rate (0.36%), the BetaShares High Interest Cash (AAA) ETF (0.38%), the AusBond Bank Bill Index (0.38%), and the FE Cash Enhanced Index (0.41%). Over the previous 12 months, STIN returned 6.88% gross (5.93% net), outperforming the RBA Overnight Cash Rate (4.34%), the AusBond Bank Bill Index (4.48%), the BetaShares High Interest Cash (AAA) ETF (4.55%), and the FE Cash Enhanced Index (5.04%). STIN ended January with a running yield of 5.42% pa, a weighted-average credit rating of A+, and a portfolio weighted average MSCI ESG rating of A.**

**Since the inception of STIN 10.3 years ago in October 2014, it has returned 4.09% pa gross (3.17% pa net), outperforming the RBA Overnight Cash Rate (1.80% pa), the AusBond Bank Bill Index (1.99% pa), the FE Cash Enhanced Index (2.17% pa), and the BetaShares High Interest Cash (AAA) ETF (2.21% pa).** Since inception, STIN's Sharpe Ratio, which measures risk-adjusted returns, has been 2.78x gross (1.66x net). While STIN's return volatility since inception has been low at around 0.82% pa (measured using daily returns), as a daily liquidity product with assets that are marked-to-market using executable prices, volatility does exist. This contrasts with illiquid credit (eg, loans and high yield bonds) wherein assets that have very high risk can appear to have remarkably low volatility, which is, in fact, just a mirage explained by the inability to properly value these assets using executable prices.

**Strategy commentary:** Returns in January were solid across most strategies with the daily liquidity, A+ rated, floating-rate Long Short Opportunities Fund leading the way, up 0.70% to 0.71% net, followed by the daily liquidity, A+ rated and floating-rate Long Short Credit Fund (0.61% to 0.63% net) and Floating Rate High Yield Fund (0.59% to 0.61% net).

Performance over the 12 months to 31 January has been similarly robust: the Long Short Opportunities Fund delivered 10.31% to 10.55% net; the Long Short Credit Fund returned 9.63% to 9.86% net; and the domestically focussed Floating-Rate High Yield Fund furnished 9.18% to 9.42% net.

These three products also carry the highest running yields across our strategy suite led by Long Short Opportunities (7.7%), Floating-Rate High Yield (7.4%), and Long Short Credit (6.8%).

Yields of around 7-8% per annum on A+ rated high-grade bond portfolios compete healthily with illiquid and default-prone private credit products that finance sub-prime real estate and corporate borrowers. The latter are struggling in an environment that has been punctuated by record bankruptcies driven by fragile borrowers who incorrectly assumed rates would remain low for long.

Whereas Coolabah's two long/short strategies are globally focussed, the Floating-Rate High Yield Fund is only permitted to allocate to Aussie dollar securities. In February, Coolabah will be launching a very similar ETF version of this strategy called the Global Floating-Rate High Yield Fund, which will have the ability to buy and sell securities in Australia and overseas.

After generally taking profits and derisking into the end of 2024 in anticipation of an uptick in bond supply in the first month of 2025, January did not disappoint. There was significant new issuance with US$188 billion of deals priced in the US dollar market alone, which was 27% higher than the prior four-year average.

Coolabah was characteristically active, supporting 53 new government, sub-sovereign, corporate and financial bond issues in numerous currencies, including USD, EUR, GBP, and AUD, and allocating approximately $3 billion across these securities.

Trading global markets requires a large and internationally distributed team. Coolabah now encompasses offices in Miami, London, Auckland, Sydney and Melbourne, staffed by 11 traders/portfolio managers and 17 analysts with a total of 50 full-time executives.

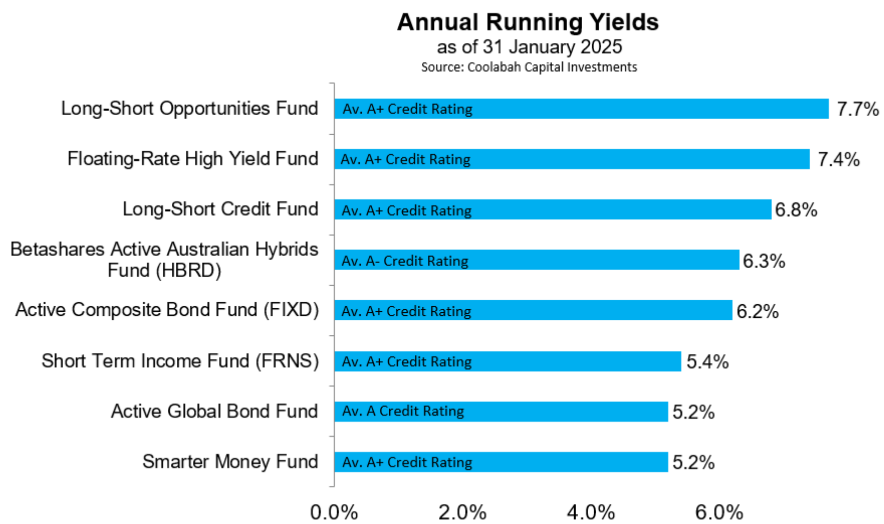
**Strategy commentary cont'd:** From a macro perspective, our biggest concern remains the spectre of higher long-term interest rates as bond market bandits demand greater risk premia (or term premia). By this we mean more compensation for enormous public debt issuance, fiscal policy uncertainty, and inflation volatility.

Coolabah has been particularly focussed on US fiscal and interest rate dynamics. Since late 2023, we have asserted that the Fed will struggle to deliver the hefty rate cuts that were priced into markets. In early 2024, around 175bps of cuts were priced for that year, yet the Fed only delivered 100bps. Most of the cuts for 2025 have been removed altogether with the Fed doing a 180 degree turn and shifting to a wait-and-see mode on monetary policy.

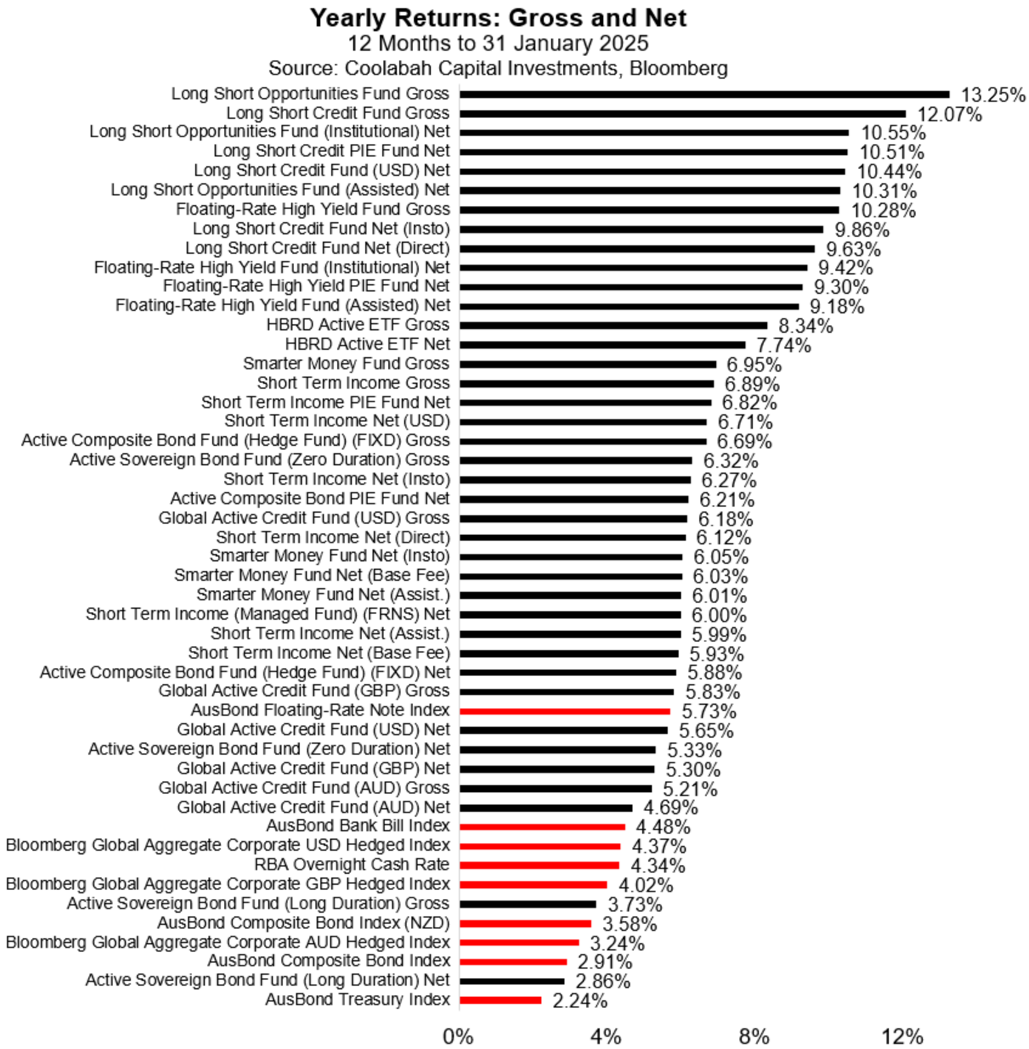
Coolabah's concern is that President Trump has promised tax cuts that will cost US$9.5 trillion. To pay for these, Trump must implement his tariffs or face a potential fiscal crisis. Even assuming a worst case scenario of a 20% global tariff on all imports and a 60% tariff on Chinese imports, which markets do not expect, Trump would only raise US$4.5 trillion, or less than half the cost of his tax cuts according to the Brookings Institution. This would boost the US budget deficit to 7.25% of GDP over the next 10 years. It would also increase the US debt to GDP ratio from 98% in 2024 to 129%. If more modest tariffs are implemented, these fiscal outcomes are worse.

Then overlay Peterson Institute modelling of the inflation and interest rate impacts of Trump's tariff and human deportation programs, and the picture seems very grim. According to this research, which ignores tax cuts, deregulation, and fiscal reform, inflation could be 7-8 percentage points higher and the Fed's policy rate 3-4 percentage points above where it would otherwise be.

One hope is that Elon Musk slashes public waste. While Coolabah believes there is huge promise here, Trump has to date insulated almost two-thirds of US government spending from these cuts. And yet Musk wants to reduce spending by US$1 trillion or 15% in total. Something has to give.



### Strategy commentary cont'd:



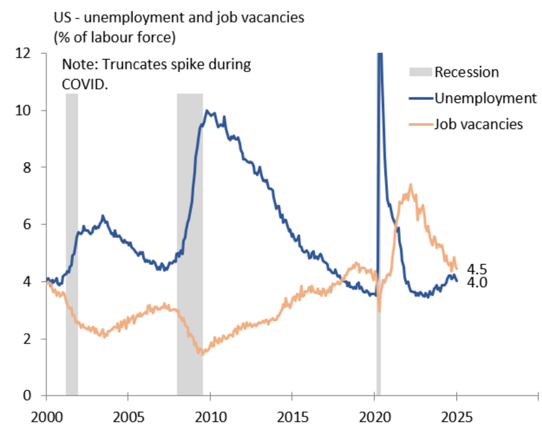

### US unemployment rate ticks down to 4.0% in January

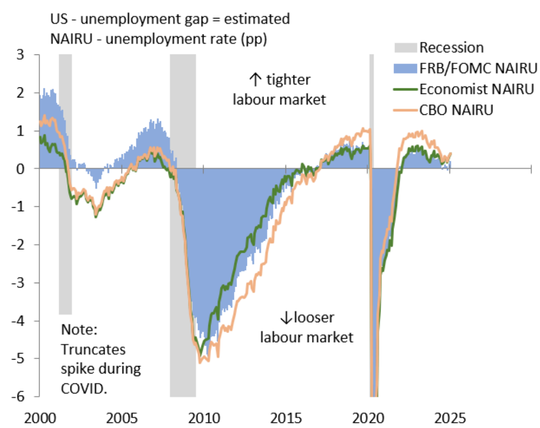
The US labour market remained solid in January. The number of payroll jobs grew more slowly in the month, slightly below market forecasts. But recent growth was revised up even as benchmark revisions lowered the level of jobs by about 0.5-0.75 million over the past year. The unemployment rate ticked down to 4.0%, which is the lowest level since May, down slightly from its recent peak of 4.2% and below all estimates of the US NAIRU. The numbers are consistent with the Fed remaining on hold, where the FOMC will be more focused on Trump policies (Trump recently said he could impose tariffs on Japan depending on what happens to the US's bilateral trade deficit, while the Canadian press reported that their prime minister said in a closed-door meeting that "Trump's threat to annex Canada 'is a real thing' motivated by his desire to tap into the country's critical minerals").

The number of payroll jobs rose by 0.1% in January, down from 0.3% in December (previously 0.2%). Annual growth was unchanged at 1.3%, while trend annualised monthly growth was 1.75% (previously 1.5%). Benchmark revisions saw the level of payroll jobs revised lower by about 0.5-0.7 million from January last year onwards, which was somewhat less than had been expected.

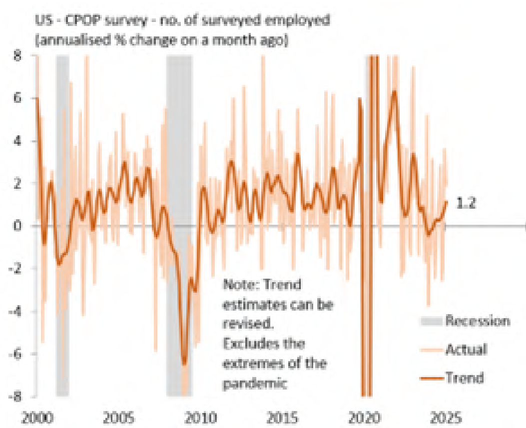
**Strategy commentary cont'd:** The unemployment rate edged down from 4.1% in December to 4.0% in January. This is the lowest level of unemployment since May and is down slightly from last year's peak of 4.2%. Surveyed employment rose by 0.2% after adjusting the published increase of 1.4% that was distorted by the introduction of new population benchmarks (oddly, the BLS never adjusts the level of published employment for these periodic structural breaks in employment), with annual growth edging up to 0.4%.

The unemployment rate is below all estimates of the NAIRU, where the median FOMC estimate of the NAIRU is about 4.25% and the CBO and median surveyed economist estimates are both around 4.5%.





### Strategy commentary cont'd: Low inflation likely pushes the RBA over the line for a February rate cut

The RBA will probably cut rates given lower-than-expected underlying inflation. The RBA board meets on 17 and 18 February and will release updated forecasts when it announces its policy decision on the second day.

At this stage, the board will probably act on its recently-adopted easing bias, cutting the cash rate by 25bp from 4.35% to 4.1% given underlying inflation came in lower than forecast in Q4 (the board will also be under immense political pressure to cut rates given that the federal election must be held by May and poor polls for the government).

The trimmed mean CPI rose by 0.5% in Q4 after a 0.8% increase in Q3, which was below the RBA staff forecast of 0.7%, with annual inflation slowing from 3.6% to 3.2% (seasonal reanalysis of the data saw the annual inflation rate in Q3 revised up marginally from 3.5%).

Substantial direct government subsidies – which are treated as an effective price reduction by the ABS – held down headline inflation in the quarter, while electricity subsidies alone took about 0.1pp off trimmed mean inflation in Q4 by changing the distribution of price changes.

The Q4 outcome was the largest downside surprise for the RBA in a year and suggests that the staff should tweak the year-ahead forecast for inflation in the February Statement on Monetary Policy, although perhaps not by much given that a simple extrapolation of the monthly core CPI excluding electricity suggests that the trimmed mean CPI could rise by about 0.6-0.7% in Q1, close to the staff's November forecast.

Assuming that the RBA does cut rates next month, it seems likely that the eventual easing cycle should be relatively shallow, barring global extreme fall-out from Trump policies.

This is reflected in the RBA estimating the neutral cash rate at about 3.50% and with the resilience of the labour market, where a 4% unemployment rate is well below the 4.75% staff midpoint estimate of the NAIRU.

In terms of the other detail of the CPI report, our experimental measures of trimmed mean goods and services inflation both improved sharply in Q4, with annualised goods inflation easing to 0.75% and services inflation slowing to 3%.

The broader goods/split of the monthly headline CPI tells a similar story of weaker goods inflation, albeit with more persistent services inflation.

By item, ignoring the temporary effect of the subsidies, perhaps the most encouraging sign for the RBA was the slight fall in new home prices in Q4, which are the largest component of the CPI basket, marking the first decline since 2021.

Figure 1: Market forecasts versus outcome for the quarterly CPI

| (Q4 2024) | Previous | Revised | Forecasts: Consensus | Range | RBA (Nov-24) | Actual | Market surprise | RBA surprise |
|---|---|---|---|---|---|---|---|---|
| **Headline CPI (not seasonally adjusted)** | | | | | | | | |
| - % qoq | 0.2 | 0.2 | 0.4 | 0.0 to 0.6 | 0.4 | 0.2 | ▼ | ▼ |
| - % yoy | 2.8 | 2.8 | 2.6 | 2.2 to 2.8 | 2.6 | 2.4 | ▼ | ▼ |
| **Headline CPI (seasonally adjusted)** | | | | | | | | |
| - % qoq | 0.1 | 0.1 | 0.5 | 0.1 to 0.7 | 0.5 | 0.3 | ▼ | ▼ |
| - % yoy | 2.9 | 2.9 | 2.6 | 2.2 to 2.8 | 2.6 | 2.4 | ▼ | ▼ |
| **Trimmed mean CPI** | | | | | | | | |
| - % qoq | 0.8 | 0.8 | 0.6 | 0.4 to 0.8 | 0.7 | 0.5 | ▼ | ▼ |
| - % yoy | 3.5 | 3.6 | 3.3 | 3.1 to 3.5 | 3.4 | 3.2 | ▼ | ▼ |

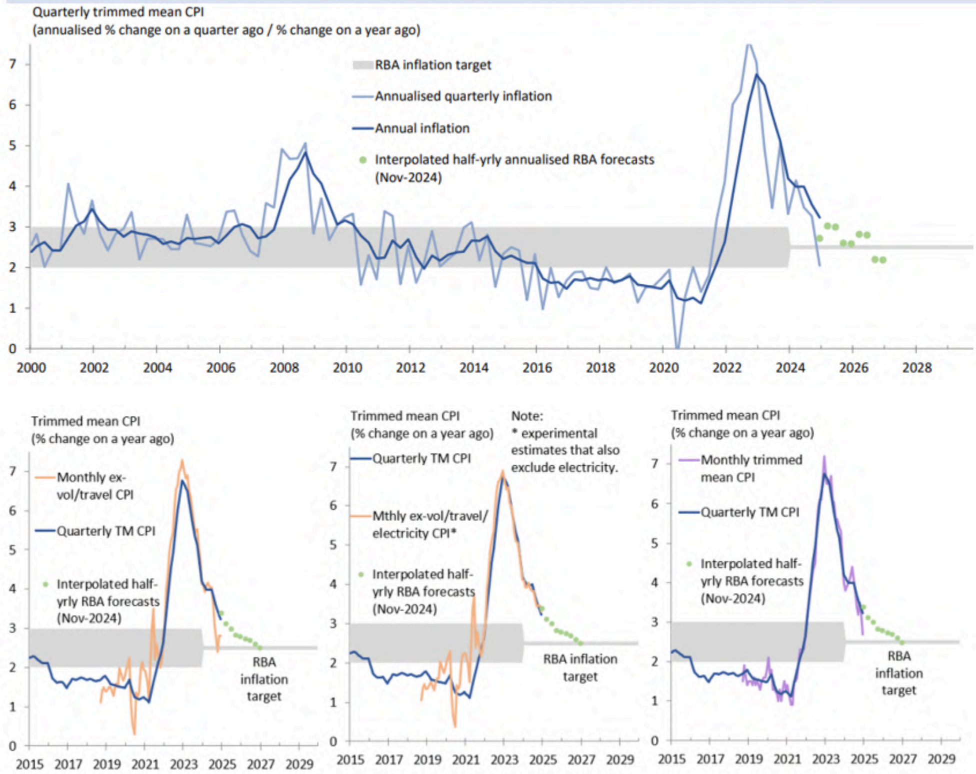
## Strategy commentary cont'd:

Figure 2: Market forecasts versus outcome for the monthly CPI

| (Dec-2024) | Previous | Revised | Consensus forecast: Forecast | Consensus forecast: Range | Actual | Market surprise |
|---|---|---|---|---|---|---|
| **Headline CPI (not seasonally adjusted)** | | | | | | |
| - % change on the previous month | 0.5 | 0.5 | 0.8 | .. | 0.8 | ▲ |
| - % 3-month ma change | -0.1 | -0.1 | 0.3 | .. | 0.2 | ▼ |
| - % change on a year ago | 2.3 | 2.3 | 2.5 | .. | 2.5 | - |
| **Seasonally adjusted headline CPI** | | | | | | |
| - % change on the previous month | 0.5 | 0.5 | 0.0 | .. | 0.2 | ▲ |
| - % 3-month ma change | 0.0 | -0.1 | 0.3 | .. | 0.2 | ▼ |
| - % change on a year ago | 2.5 | 2.4 | 2.5 | .. | 2.5 | - |
| **Seasonally adjusted ex-volatile items and holiday travel CPI (trimmed mean CPI proxy)** | | | | | | |
| - % change on the previous month | 0.6 | 0.6 | .. | .. | 0.2 | |
| - % 3-month ma change | 0.1 | 0.1 | .. | .. | 0.3 | |
| - % change on a year ago | 2.8 | 2.8 | .. | .. | 2.8 | |
| **Seasonally adjusted ex-volatile items, holiday travel and electricity CPI (experimental)** | | | | | | |
| - % change on the previous month | 0.2 | 0.2 | .. | .. | 0.2 | |
| - % 3-month ma change | 0.6 | 0.6 | .. | .. | 0.5 | |
| - % change on a year ago | 3.5 | 3.5 | .. | .. | 3.3 | |
| **Trimmed mean CPI** | | | | | | |
| - % change on a year ago | 3.2 | 3.2 | .. | .. | 2.7 | |

*Note: ".." not available. RBA forecasts are interpolated from half-yearly estimates of annual inflation in the latest Statement on Monetary Policy.*
*Source: Australian Bureau of Statistics, Bloomberg, Reserve Bank of Australia, Coolabah Capital Investments*

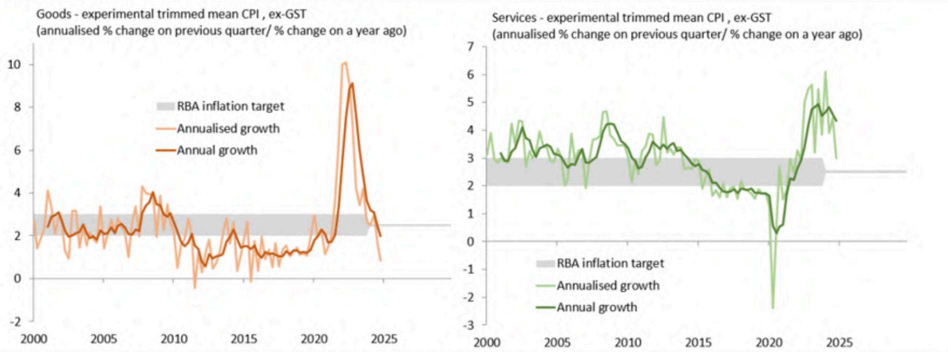
Figure 3: Underlying inflation was lower than both RBA and market forecasts in Q4




*Source: Australian Bureau of Statistics, Reserve Bank of Australia, Coolabah Capital Investments*

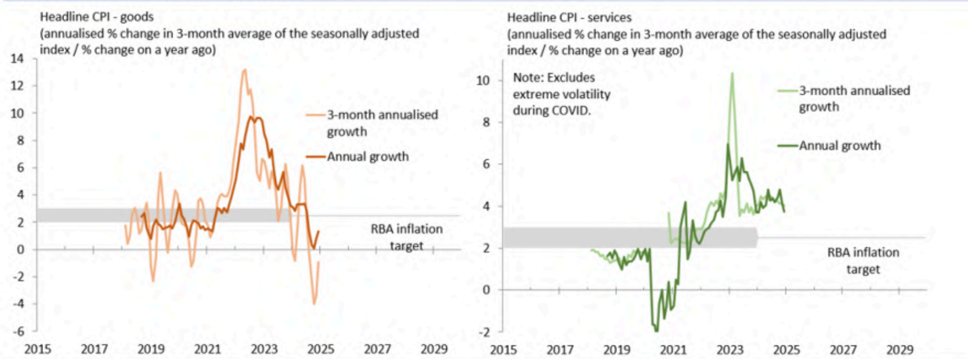
**Strategy commentary cont'd:**

Figure 4: CCI's experimental measures of trimmed mean goods inflation slowed sharply in Q4, while trimmed mean services inflation also improved in the quarter




*Source: Australian Bureau of Statistics, Reserve Bank of Australia, Coolabah Capital Investments*

Figure 5: The goods/services split of the monthly headline CPI tells a similar story for goods prices, but shows more persistent services inflation




*Source: Australian Bureau of Statistics, Reserve Bank of Australia, Coolabah Capital Investments*

**Trump starts a global trade war**

Barring last-minute changes, the US is imposing punitive tariffs on its close ally Canada, Mexico, and China, with a EU tariff to come.

The US government is imposing substantial tariffs on imports of goods from its longstanding ally Canada, as well as Mexico and China, with President Trump adding that he would "absolutely" impose a "very substantial" tariff on imports from the European Union at a later date.

Barring last-minute changes, the tariffs take effect soon. Canada will be hit with split tariffs, with 10% on oil and gas and 25% on all other goods. Mexico is subject to a 25% tariff and the additional tariff on Chinese goods is 10%.

President Trump warned that the US could raise tariff rates further if any country retaliates, where Canada has announced a 25% tariff that applies to an increasing coverage of imported US goods over time. Mexico has signalled it will impose tariffs, while China will lodge a largely symbolic case against the US with the World Trade Organisation as it simultaneously takes tariff and non-tariff countermeasures (historically China has gone about one-for-one with changes in US tariff rates).

The White House said the tariffs were mainly in response to the flow of illegal drugs, specifically fentanyl. However, this argument does not tally with the varying tariffs applying to different countries, in that US government research notes that the bulk of fentanyl comes from Mexico, with China and India the main suppliers of the chemicals needed to manufacture the drug. Fentanyl sourced from Canada is negligible.

Another discrepancy concerns how the 10% tariff on China is only a fraction of Trump's election promise of a 60% additional rate. This could reflect the influence of Musk, where Tesla has a large manufacturing plant in China, with China and the US evenly accounting for the vast bulk of Tesla sales.

**Strategy commentary cont'd:** Canada, Mexico and China account for 42% of US imports of goods, such that the Trump tariffs should increase the effective US tariff rate from 2.5% to 10%, which would be the highest level since World War 2.

Adding in the European Union raises the import share to 61%, such that the effective tariff rate would reach 15% - which would be the highest rate since the Great Depression – on the arbitrary assumption of a "very substantial" 25% tariff on the region.

Goods account for 31% of US consumer spending, such that the tariffs on Canada, Mexico, and China would boost headline PCE inflation by about 1.25pp, building to about 2pp if a similarly punitive tariff is imposed on the European Union.

There are also likely to be significant disruptions to supply chains in key industries such as the auto sector, where some inputs into production cross the US border several times.

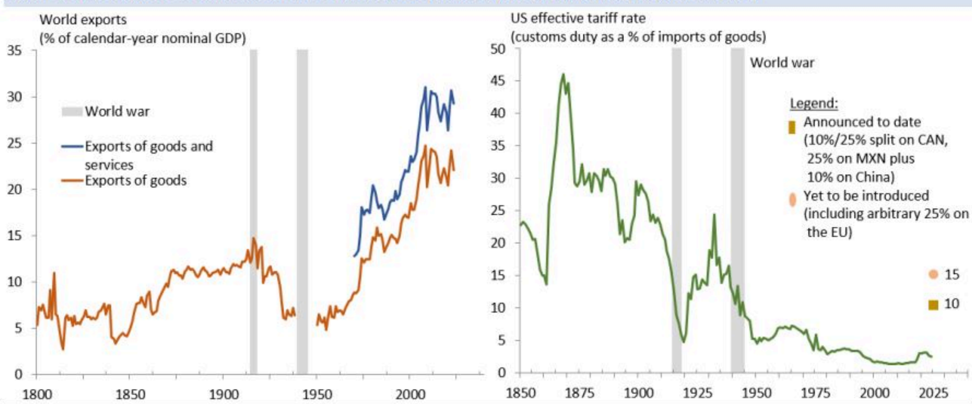
Importantly, these preliminary estimates of the potential impact on inflation should be treated as upper bounds because the effect on consumer prices will likely be diluted by some companies absorbing part of the increase in tariffs along the production chain, particularly when the US demand for imported goods should contract sharply, along with movements in exchange rates and possible substantial changes to the scope of the tariffs at a later date.

On the latter point, the tariffs could be subject to legal challenges, while companies will seek waivers. President Trump could also water down the tariffs, or even scrap them, depending on the reaction of the public and the stock market.

Nonetheless, the clear risk for the Federal Reserve is that a sustained increase in tariffs raises expected inflation, which would boost ongoing inflation. Early survey data already show that consumers who view tariffs negatively have materially higher short-term inflation expectations and slightly higher long-term expectations.

Unless the US government backs off at the last moment, the American tariffs should see at least a partial unwinding of globalisation, where globalisation has broadly peaked over recent years. This points to higher average inflation at the margin, as globalisation has helped central banks in restraining world price pressures.

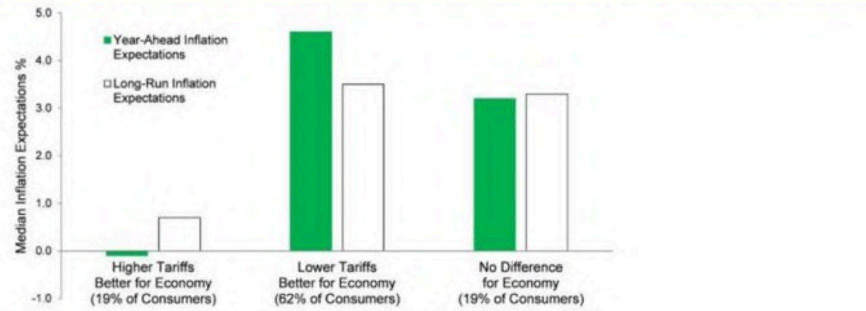
Figure 1: The largest US tariffs in decades should see at least a partial unwinding of globalisation




*Source: Bureau of Economic Analysis, Department of Commerce, Federal Reserve Bank of St Louis, Federico-Tena World Trade Historical Database, International Monetary Fund, World Trade Organisation, Coolabah Capital Investments*

**Strategy commentary cont'd:**

Figure 2: US consumers who have a negative view of tariffs have higher inflation expectations




*Source: University of Michigan*

**QLD's budget "black hole" a catalyst for government action**

The new state government is forecasting a substantially worse budget outlook, with a massive increase in public debt.

Queensland has seen a substantial blow-out in its budget position according to the mid-year update provided by the new state government.

Budget blow-outs were understandably common at the height of COVID, but this significant deterioration has been driven by the recently-elected government factoring in what it regards as more realistic costings for spending on health, education, child services and infrastructure (state GST revenue is also lower, while spending, including interest payments, is generally higher).

Underfunding of government policies is a common problem for both Commonwealth and state budgets, even though some governments try to deal with the issue by using contingency reserves and the like.

In this case, the revisions are substantial, such that the new government should use the budget "black hole" as a catalyst for cutting spending and raising taxes in this year's budget, a practice more usually seen at the Commonwealth level.

This strategy is clear from the update stating that, "the 2025-26 Budget will be developed in a methodical manner with the objective to deliver a safe and secure pathway to drive budget improvement, with lower debt than under the policy settings of the former government".

Notwithstanding likely policy action, significant risks remain. In the near term, state government workers are pushing for higher wages, while in the medium term the cost of hosting the Olympics in 2032 could greatly exceed expectations and place significant pressure on the budget.

With relatively little change in the economic outlook, the huge spending revisions underpin much larger budget deficits across the forecast horizon, leading to a massive increase in public debt based on current policy settings.

The expected non-financial public sector cash deficit – which is the broadest measure of the budget balance – for 2024-25 has been revised from $19bn to $26bn, before fluctuating between $28bn and $31bn over the remaining three financial years of the forecast horizon (previously expected to narrow from $18bn to $10bn).

Gross public debt, as measured by non-financial public sector borrowings, is expected to balloon from $128bn in 2024-25 to $218bn in 2027-28 (previously a forecast increase from $125bn to $172bn).

To place this in perspective, Queensland debt will almost match the forecast borrowings of the two larger states by the end of the forecast period, where Victorian debt is expected to reach $258bn in 2027-28 and with New South Wales debt standing at $250bn (by way of comparison, Commonwealth securities on issue are forecast to reach $1.2tr by that time).

**Strategy commentary cont'd:** Put differently, Queensland's non-financial public sector debt is forecast to rise from $23K per person in 2024-25 – which is the lowest debt burden of the three largest states – to $39K per person in 2027-28, which would exceed the expected burden of all other states, including Victoria at $37K.

Queensland Treasury Corporation has updated its issuance programme. On current policy settings, issuance of term debt for 2024-25 has been revised from $24.9bn to $26.9bn, with annual issuance for 2025-26 raised from $32.3bn to $41.9bn (the later years have seen even larger revisions to $44bn per annum).

Figure 1: The dimensions of Queensland's budget "black hole"

| | | '23-24 | '24-25(f) | '25-26(f) | '26-27(f) | '27-28(f) |
|---|---|---|---|---|---|---|
| **Non-financial public sector (NFPS) cash budget balance** | | | | | | |
| **Revenue** | | | | | | |
| - total | $b | 104.5 | 103.0 | 104.9 | 108.8 | 114.6 |
| | % yoy | | -1.5 | 1.9 | 3.7 | 9.2 |
| **Payments** | | | | | | |
| - current | $b | 93.0 | 102.4 | 103.7 | 109.3 | 113.7 |
| - capex etc | $b | 17.9 | 26.4 | 28.8 | 30.0 | 29.6 |
| - total | $b | 110.9 | 128.8 | 132.6 | 139.3 | 143.3 |
| | % yoy | | 16.1 | 3.0 | 5.1 | 8.1 |
| **Budget balance** | | | | | | |
| - operating balanc | $b | 11.5 | 0.6 | 1.2 | -0.6 | 0.9 |
| - capex etc | $b | 17.9 | 26.4 | 28.8 | 30.0 | 29.6 |
| - budget balance | $b | -6.4 | -25.8 | -27.7 | -30.6 | -28.7 |
| **Revisions to the components of the NFPS budget balance** | | | | | | |
| - revenue | $b | 1.1 | 0.8 | 1.0 | 1.1 | 0.5 |
| - payments | | | | | | |
| : current paymen | $b | -3.1 | 4.5 | 7.2 | 10.9 | 11.4 |
| : capex etc | $b | -0.7 | 3.5 | 3.0 | 5.3 | 7.4 |
| : total | $b | -3.8 | 8.0 | 10.2 | 16.2 | 18.8 |
| - budget balance | $b | 4.9 | -7.2 | -9.2 | -15.1 | -18.3 |

| | | '23-24 | '24-25(f) | '25-26(f) | '26-27(f) | '27-28(f) |
|---|---|---|---|---|---|---|
| **Key economic forecasts** | | | | | | |
| - real GSP | % yoy | 2.1 | 2½ | 2½ | .. | .. |
| - employment | % yoy | 3 | 2½ | 1½ | .. | .. |
| - unemployment | % | 4.1 | 4¼ | 4½ | .. | .. |
| - wage price index | % yoy | 4.7 | 3¾ | 3½ | .. | .. |
| - CPI inflation | % yoy | 4.1 | 2 | 3¼ | .. | .. |
| **Revenue from mining royalties** | | | | | | |
| - previous | $b | 11.2 | 8.4 | 6.6 | 6.1 | 5.9 |
| - now | $b | 12.8 | 8.0 | 6.6 | 6.1 | 6.0 |
| - revision | $b | 1.5 | -0.4 | .. | .. | 0.1 |
| **Non-financial public sector annual net borrowing** | | | | | | |
| - previous | $b | 3.3 | 16.0 | 18.6 | 15.4 | 11.2 |
| - now | $b | 3.9 | 18.3 | 27.7 | 30.4 | 29.7 |
| - revision | $b | 0.6 | 2.3 | 9.1 | 15.1 | 18.5 |
| **Non-financial public sector stock of borrowing** | | | | | | |
| - previous | $b | 108.6 | 124.7 | 143.6 | 159.9 | 172.0 |
| - now | $b | 106.4 | 128.1 | 156.2 | 187.4 | 217.8 |
| - revision | $b | -2.2 | 3.4 | 12.6 | 27.6 | 45.8 |
| **QTC term funding task** | | | | | | |
| - previous | $b | .. | 24.9 | 32.3 | 28.7 | 24.6 |
| - now | $b | .. | 26.9 | 41.9 | 44.1 | 44.2 |
| - revision | $b | .. | 2.0 | 9.6 | 15.4 | 19.6 |

*Source: Queensland Treasury, Coolabah Capital Investments*

Figure 2: Queensland will have the largest public debt burden unless action in taken in this year's budget

| | '24-25(f) | '25-26(f) | '26-27(f) | '27-28(f) |
|---|---|---|---|---|
| **Non-financial public sector debt per person ($'000)** | | | | |
| New South Wales | 24 | 26 | 28 | 29 |
| Victoria | 30 | 33 | 35 | 37 |
| Queensland | 23 | 28 | 34 | 39 |
| Western Australia | 16 | 17 | 18 | 18 |
| South Australia | 24 | 26 | 29 | 31 |
| Tasmania | 20 | 23 | 27 | 30 |

*Source: Queensland Treasury, Coolabah Capital Investments*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