

Bulletin:

Sound Fiscal Management Maintained In Victoria's 2006-2007 Budget Update

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MELBOURNE (Standard & Poor's) Dec. 20, 2006--Standard & Poor's Ratings Services today said that Victoria's 2006-2007 Budget Update released today is consistent with the state's 'AAA/A-1+' rating.

"In net terms, little has changed since the release of the budget in May 2006," said credit analyst Danielle Westwater of the Public Finance Ratings group. "Additional spending, partly as a result of election commitments, has been pretty much offset by greater than expected revenues".

Victoria's Budget Update tracks closely to its initial budget, even when including the government's election commitments. This is the result of greater than previously forecast expenditure being matched by greater than previously forecast revenues.

Election spending by the government has not led to any significant financial divergence from where the government had forecast itself back in May, despite election policy announcements of about A\$50 million per year factored into the Budget Update. Indeed, consolidated operating surpluses are now expected to average A\$377 million over the four years to 2010, compared with the previously forecast A\$374 million at budget time. This is the result of higher than forecast revenues from taxation and Commonwealth grants, which have largely offset the additional expenditure.

"Downside potential on the state's rating remains low," said Ms. Westwater. "Indeed, the state's forecast position and the government's

commitment to its medium-term fiscal strategy offer strong support to the ratings on the state."

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