



## Press Release

### **Victoria's Budget Update Springs Few Surprises As New Revenues Match New Expenditures**

Melbourne, Dec. 14, 2005—Standard & Poor's Ratings Services today said the State of Victoria's 2005-2006 Budget Update supports Victoria's 'AAA' rating, with budgeted performance largely consistent with the government's previous forecasts.

“Victoria's performance is expected to remain healthy, and has absorbed the additional average A\$361 million a year expenditure to fiscal 2009, without significant financial deterioration,” said credit analyst Danielle Westwater, Standard & Poor's Sovereign & International Public Finance Ratings group.

The general government's income variations largely arise from government policy decisions, revised taxation, own-source revenue estimates, and Commonwealth grants, which average A\$368 million per year to fiscal 2009. These income variations offset new policy initiatives announced by the government since the last budget, averaging about A\$181 million per year to fiscal 2009. These policy initiatives include expenditure toward the state's *Moving Forward* initiative, which is designed to support development in provincial Victoria.

Cash deficits, forecast in the non-financial sector (NFPS)--which includes general government and government businesses--are expected to increase over the period, but will remain lower than 6% of total receipts. Victoria's strong balance sheet can absorb this slight deterioration, with net financial liabilities for the NFPS sector remaining low at about 84% of operating revenue. These liabilities aggregate net debt, unfunded superannuation liabilities, and other employee entitlements and provisions.

“Although Standard & Poor's is wary of mid-budget policy announcements that commit the government to additional expenditure, Victoria's forecast finances, and in particular its strong balance sheet, have not been adversely affected,” said Ms. Westwater. “Indeed, the state remains well entrenched in the 'AAA' rating.”

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