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Bulletin:

Ratings On Australia's State Of Victoria Unchanged After State Budget Announcement

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MELBOURNE (Standard & Poor's) May 7, 2013--Standard & Poor's Ratings Services said today that its 'AAA/Stable/A-1+' issuer credit ratings on the State of Victoria are not immediately affected by the Victorian government's announcement of its 2013-2014 budget. We consider that the fiscal 2014 budget is largely in line with our expectations for the rating level.

In our opinion, despite further downward revisions of its revenues (from both its own-sources and GST transfers from the Commonwealth of Australia), the Victoria government's budgetary performance remains solid. The government has responded to these revenue pressures by constraining expenditure and introducing a number of revenue measures. We expect that these policies will ensure the general government accrual operating position remains in surplus over the forecast period, while the non-financial public sector will record small accrual operating deficits in fiscals 2013-2015. Gross debt is expected to increase significantly in fiscal 2013 (primarily due to the inclusion of the desalination plant finance lease on the state's balance sheet) before stabilizing over the forecast period. Standard & Poor's considers this level of debt as being consistent with the 'AAA' rating assigned to the state.

In Standard & Poor's view, today's budget is consistent with our expectation that the government will continue to deliver on its fiscal strategy, which targets operating surpluses and fully cash funding future infrastructure. Providing the state continues to demonstrate a high level of fiscal discipline, downside pressure to the rating is low.

AUSTRALIA

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