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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 6, 2014--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 fiscal year ending June 30, 2015 budget. The budget is largely in line with our expectations.

In our view, the Victorian government's budgetary performance is benefiting from several years of strong fiscal discipline, as evidenced by expenditure increasing less than revenue growth. As a consequence of this fiscal discipline, the Victorian government has introduced some modest revenue and expenditure measures without significantly affecting either its budgetary performance or debt burden. Further supporting the state's fiscal position is the stabilization of its own-source revenues. We expect that the government's commitment to fiscal discipline will ensure the general government accrual operating position remains in surplus over the forecast period, while the non-financial public sector will return to accrual operating surpluses in fiscal 2014.

We expect the state's total tax-supported debt to remain relatively stable at under 90% of adjusted operating revenues over the forward estimates, as the government moves closer to cash funding infrastructure through operating surpluses and potential sales of assets such as the Port of Melbourne. Standard & Poor's considers this level of debt to be consistent with the 'AAA' rating on the state.

We consider downside pressure to the rating to be low, providing the state continues to demonstrate a high level of fiscal discipline.

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AUSTRALIA

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