Department of Treasury and Finance

Internal Memorandum

To: Gary Swain and Dean Burgess

Through: s36

From:

Date: 3 September 2024

Subject: 2024-25 Budget impact on credit ratings

Document reference: s35

s35

- Tasmania currently holds an assigned rating of Aa2 with a stable outlook from Moody's. The Aa2 rating is the third highest rating available under the Moody's rating system.

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- Tasmania currently holds a AA+ rating with a stable outlook from S&P. The AA+ rating is the second highest rating available under the S&P rating system.

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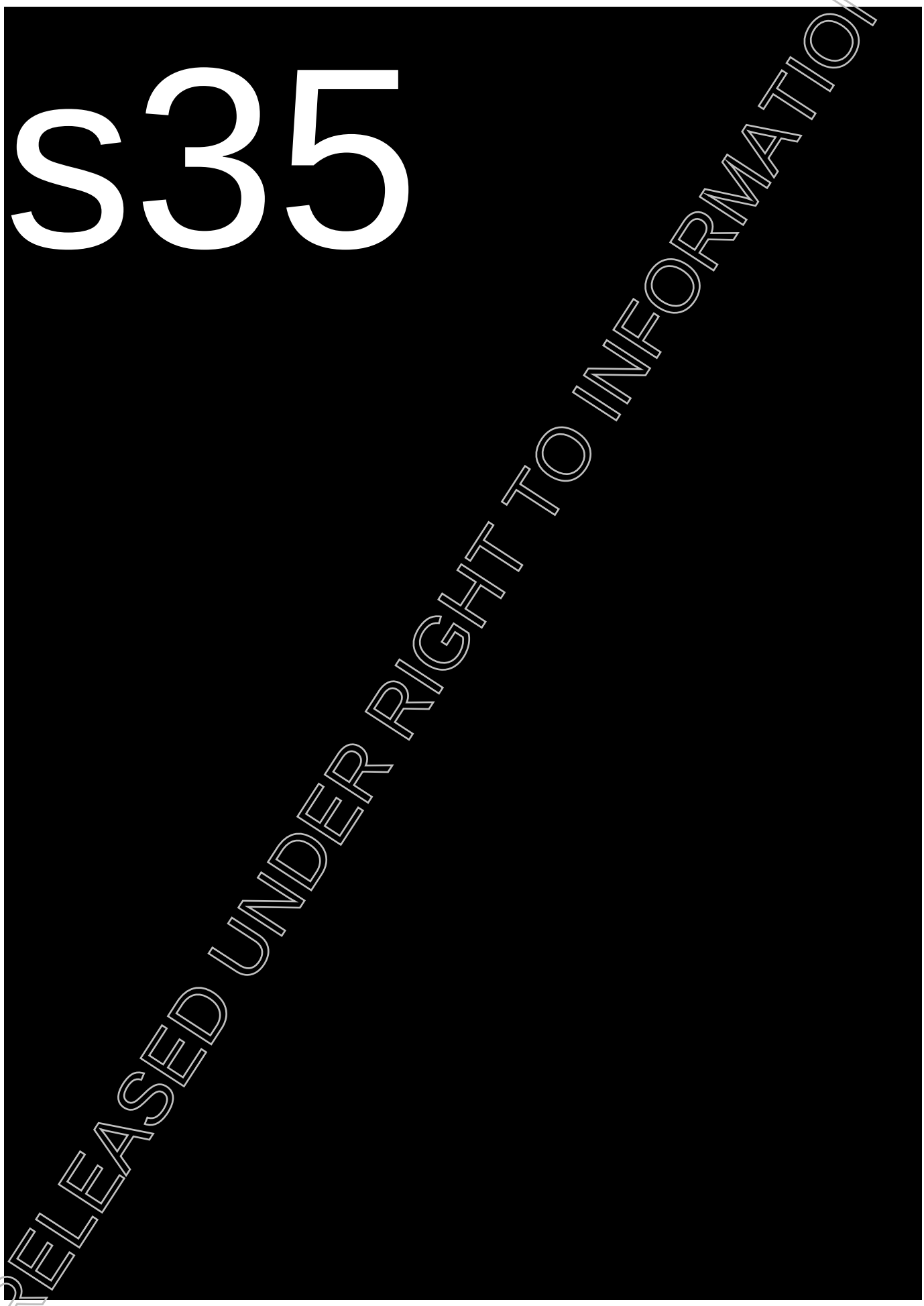

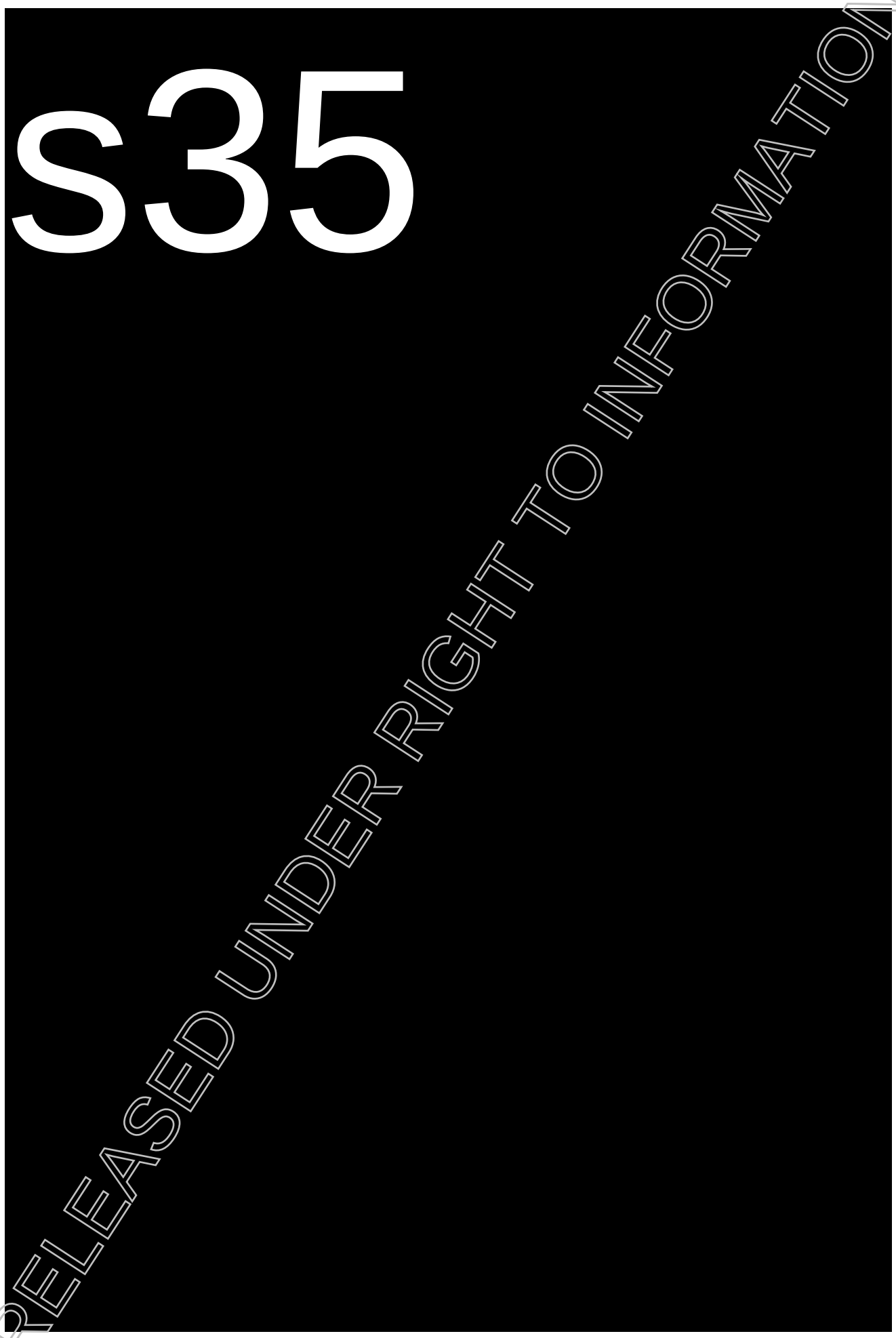

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Appendix A

Moody's Factor 1 - Economy

	Weight	aaa	aa	a	baa	ba	b	caa	ca
Factor: Economy (25%)									
Regional Income (Regional GDP per capita in terms of purchasing power parity (PPP) terms, in international dollars)[1]	15%	≥ 65,000	65,000 - 48,000	48,000 - 35,000	35,000 - 22,000	22,000 - 14,000	14,000 - 8,000	8,000 - 4,000	< 4,000
Economic Growth	5%	Extremely strong to very strong structural economic growth.	Very strong to moderately strong structural economic growth.	Moderately strong structural economic growth.	Moderate structural economic growth.	Weak structural economic growth.	Weak to no structural economic growth.	No structural economic growth.	Structural economic decline.
Economic Diversification	5%	Extremely well-diversified economy, with no discernable concentration in any sector.	Very well-diversified economy, with very little concentration in any sector.	Well-diversified economy, with some concentration in stable sectors.	Moderately diversified economy, with moderate concentration in stable sectors.	Limited economic diversification, with concentration in a few, mostly stable sectors.	Limited economic diversification, with concentration in a few, mostly unstable sectors.	Concentration in unstable sectors.	Concentration in a single weak or declining sector.

Moody's Factor 3 - Financial Performance

	Weight	aaa	aa	a	baa	ba	b	caa	ca
Factor: Financial Performance (20%)									
Operating Margin (Primary Operating Balance / Operating Revenue)[2]	10%	≥ 25%	25% - 18%	18% - 10%	10% - 5%	5% - (3)%	(3)% - (10)%	(10)% - (20)%	< (20)%
Liquidity Ratio (Cash and Cash Equivalents/ Operating Revenue)[3]	5%	≥ 25%	25% - 20%	20% - 15%	15% - 10%	10% - 5%	5% - 2.5%	2.5% - 0.5%	< 0.5%
Ease of Access to Funding	5%	Unquestioned access to an extremely deep domestic capital market, with a broad and diverse range of investors. And Very strong access to private sector bank funding, public sector funding, and foreign currency funding.	Very strong access to an extremely deep domestic capital market, with a broad and diverse range of investors. And Strong access to private sector bank funding, public sector funding and foreign currency funding.	Strong access to a deep domestic capital market, with a reasonably broad and diverse range of investors. Reliable access to private sector bank funding and public sector funding; intermittent access to foreign currency funding.	Reliable access to a well-developed domestic capital market, with a reasonably diverse range of investors. Generally reliable access to private sector bank funding and public sector funding.	Intermittent access to the domestic capital market, which is relatively narrow and underdeveloped. Somewhat reliable access to private sector bank funding and public sector funding.	Limited access to the domestic capital market, which is relatively narrow and underdeveloped. Intermittent access to private sector bank funding and public sector funding.	Very limited access to the domestic capital market; very limited access to private sector bank funding. Intermittent access to public sector funding.	Virtually no access to the domestic capital market and private sector bank funding. Very limited access to public sector funding.

Moody's Factor 4 - Leverage

Factor: Leverage (25%)									
Debt Burden (Net Direct and Indirect Debt / Operating Revenue)[4]	15%	≤ 20%	20% - 60%	60% - 110%	110% - 170%	170% - 240%	240% - 310%	310% - 380%	> 380%
Interest Burden (Interest Payments / Operating Revenue)[5]	10%	≤ 0.5%	0.5% - 1.5%	1.5% - 3%	3% - 5%	5% - 8%	8% - 12%	12% - 18%	> 18%

Numeric equivalents for qualitative factor and sub-factor scores

aaa	aa	a	baa	ba	b	caa	ca
1	3	6	9	12	15	18	20

Ranges of numeric equivalents for quantitative factor and sub-factor scores

aaa	aa	a	baa	ba	b	caa	ca
0.5 - 1.5	1.5 - 4.5	4.5 - 7.5	7.5 - 10.5	10.5 - 13.5	13.5 - 16.5	16.5 - 19.5	19.5 - 20.5

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Tasmanian Government

Minute to the Treasurer **Critical Date:** Urgent

Subject: s35 Outlook for Tasmania's credit rating following the 2024-25 Budget

s35

Hon Michael Ferguson MP
Deputy Premier
Treasurer

Recommendation:

s35

Gary Swain
Secretary

20 September 2024

Background:

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Following the release of the 2024-25 Budget, Moody's published a short comment detailing its initial reactions. S&P did not publish a press release following the release of the Budget, although its comments have been observed in local media (as published in the Examiner on 18 September 2024).

There were no ratings actions taken following the release of the 2024-25 Budget. s35

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Document reference: 24/204771

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Tasmanian Government

Minute to the Treasurer **Critical Date:** Urgent

Subject: Tasmania's credit rating status - June 2024

s35

Hon Michael Ferguson MP
Deputy Premier
Treasurer

14/6/24.

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Recommendation:

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Gary Swain
Secretary

11 June 2024

Key points:

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- Tasmania's credit ratings are currently, Standard & Poor's AA+ (Stable) and Moody's' Investor Services Aa2 (Stable). These ratings are unchanged since August 2016 (when the State was downgraded by Moody's).

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- In response to the 2023-24 Revised Estimates Report neither rating agency made any public comment.

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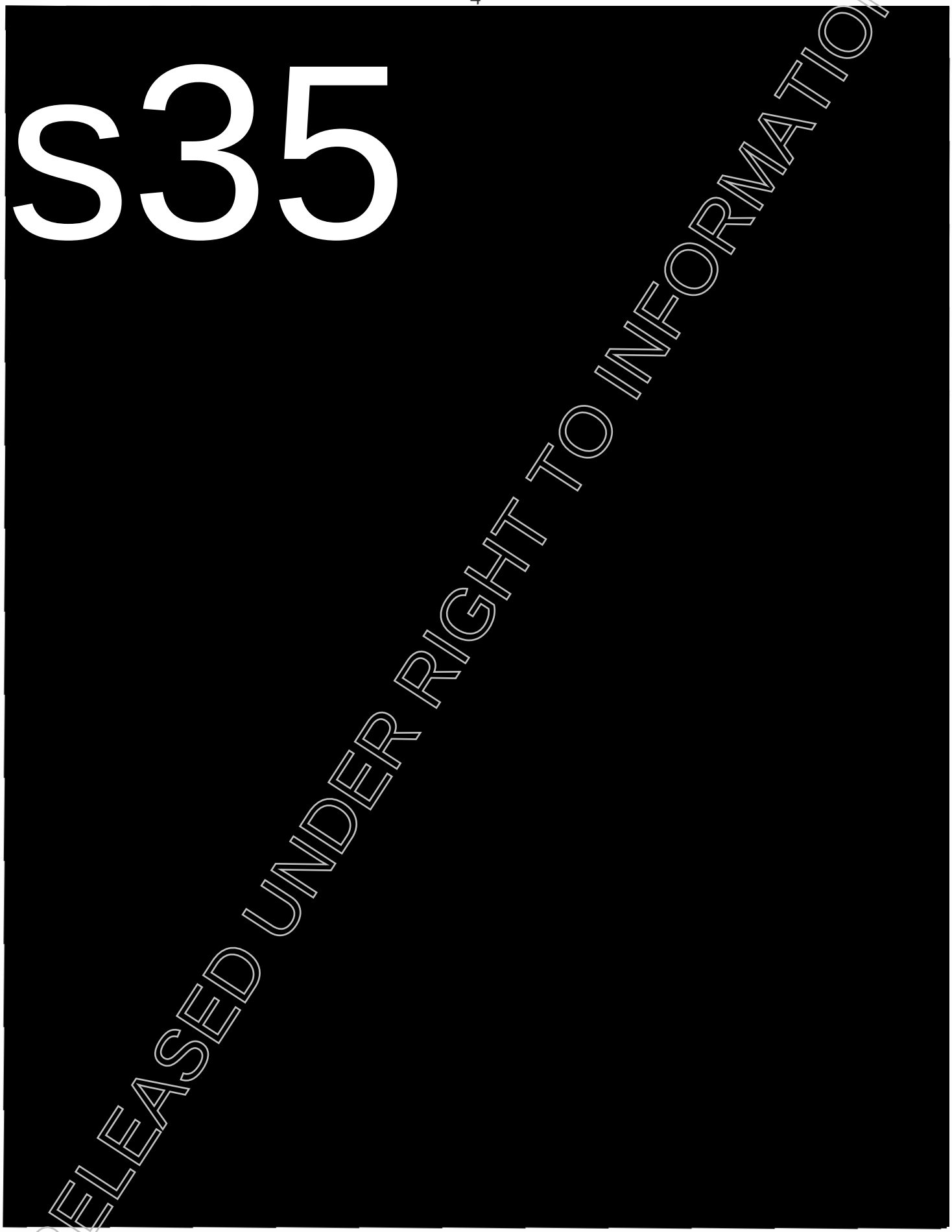


[redacted]

Other jurisdictions

Since 2020, rating agencies have taken action on a number of Australian jurisdictions, including:

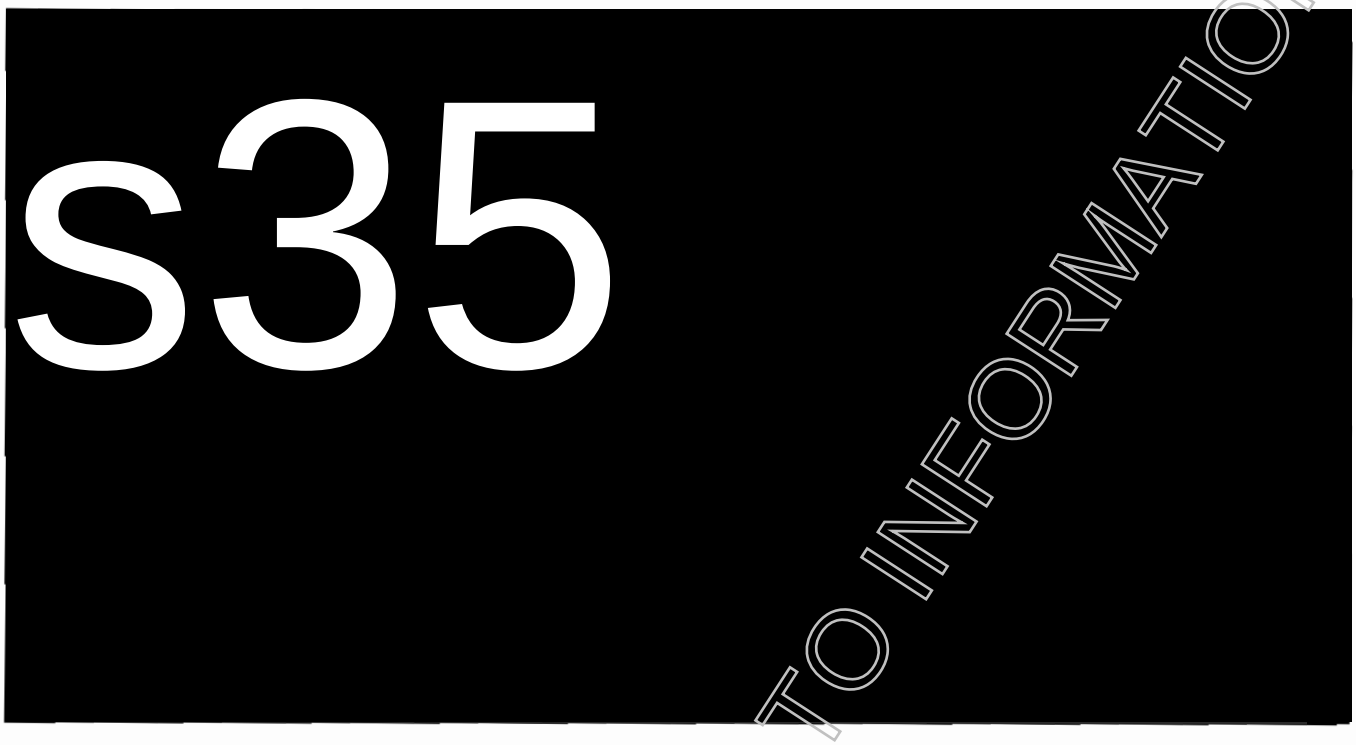
- Victoria, which was downgraded to AA (Stable) by S&P in December 2020, as well as being downgraded by Moody's to Aa2 (Stable) in May 2022; and
- the Australian Capital Territory, which was downgraded by S&P to AA+ (Stable) in September 2023.

In reviewing the credit opinions published at the time in relation to the Victorian and ACT downgrades, clear similarities can be identified regarding the fiscal challenges faced by both jurisdictions. These include:

- a slower post-pandemic economic recovery than initially forecast, along with persistent operating deficits;
- sustained high infrastructure expenditure by Government and Government-owned entities, further contributing to annual fiscal deficits; and
- higher current and forecast structural Net Debt than historically observed.

It is noted that these fiscal challenges are not dissimilar to those currently faced by Tasmania.

These rating actions also provide evidence that both rating agencies are prepared to take action if and when a jurisdiction's current and forecast fiscal position deteriorates beyond acceptable levels.



Document reference: 24/112214

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Tasmanian Government

Minute to the Treasurer **Critical Date:** Urgent

Subject: Moody's updated credit opinion - August 2024

s35

3/9/24

Hon Michael Ferguson MP
Deputy Premier
Treasurer

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1. that Moody's issued an updated credit opinion for the State of Tasmania on 26 August 2024;
2. that the credit opinion maintains Tasmania's credit rating at Aa2 with a stable outlook; and
3. the attached published credit opinion.

Gary Swain
Secretary

27 August 2024

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The credit opinion was published on 26 August 2024, and maintained the State's rating of Aa2, with a stable outlook.

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List of attachments:

1. Moody's published credit opinion (26 August 2024)

Document reference: 24/186091

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Tasmanian Government

Minute to the Treasurer **Critical Date:** Urgent

Subject: Moody's Investors Service - Review of the credit ratings for the State of Tasmania and Tascorp

s35 [redacted]

29/1/24

Hon Michael Ferguson MP
Deputy Premier
Treasurer

Recommendation:

s35 [redacted]

1. that, following a recent review, Moody's has affirmed its credit ratings for the State of Tasmania and Tascorp;
2. that the review maintains Tasmania's credit rating at Aa2 with a stable outlook; and
3. the attached press release by Moody's announcing the outcome of the review.

for Gary Swain
Secretary

23 January 2024

Background:

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The rating committee review affirmed Tasmania's Aa2 credit rating with a stable outlook.

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A copy of Moody's press release is attached for your information.

Current Moody's ratings for all jurisdictions, where rated, are included in the table below.

	Moody's
New South Wales	Aaa (Stable)
Western Australia	Aaa (Stable)
Queensland	Aa1 (Stable)
South Australia	Aa1 (Stable)
Tasmania	Aa2 (Stable)
Victoria	Aa2 (Stable)
Northern Territory	Aa3 (Stable)

Document reference: 24/13760

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Department of Treasury and Finance

File Note

Date:	26 February 2024
Subject:	Proposed Change to Moody's Credit Rating Methodology
Document reference:	24/34341 - D/61552/0002

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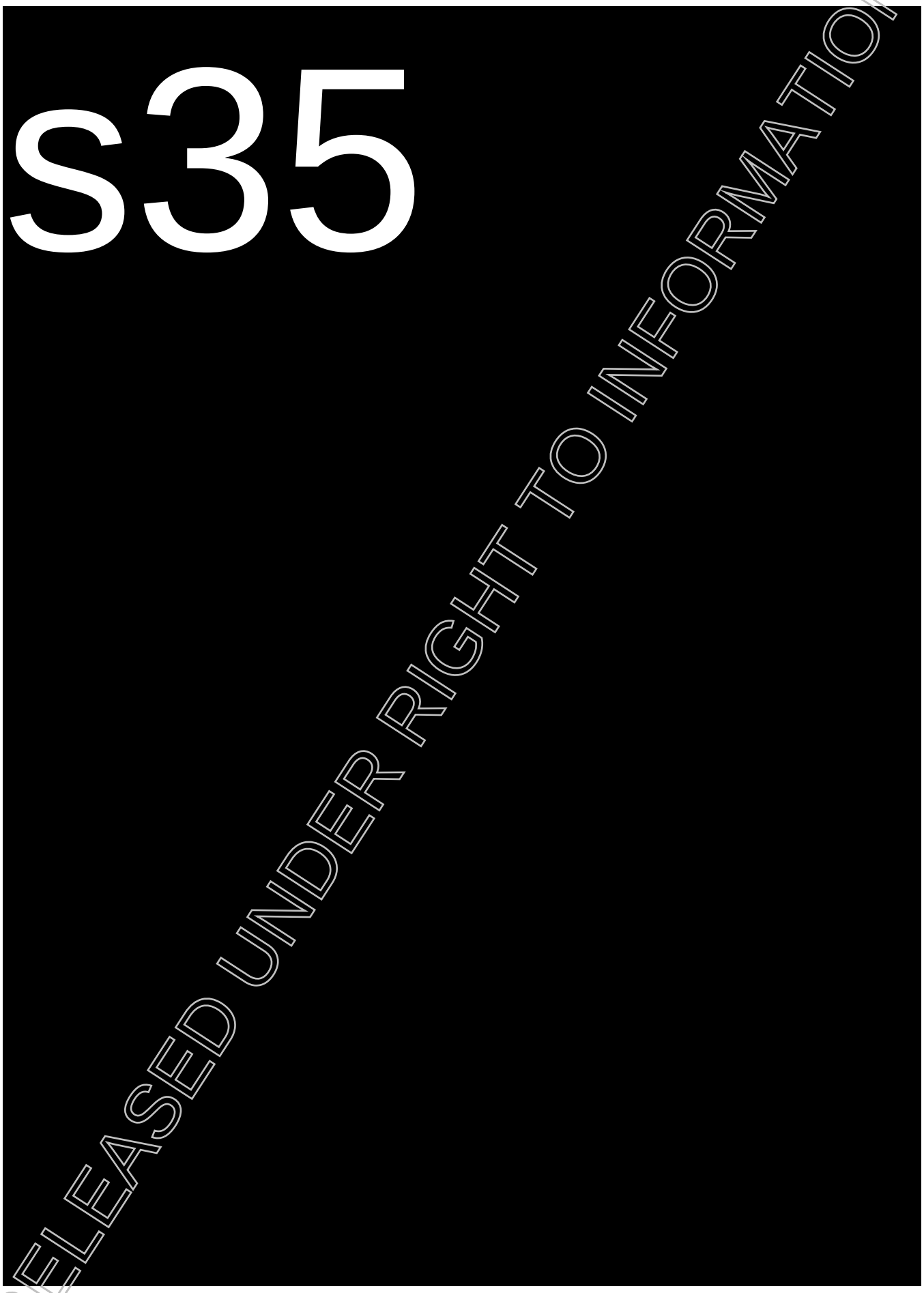

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