

Rating agency downgrades Western Australia's credit rating

by: *SALLY GLAETZER The Mercury* -August 26, 2014 12:00AM



WA Premier Colin Barnett has been critical of Tasmania's economy. *Source: News Corp Australia*

WESTERN Australia has been knocked off its high horse by yet another rating agency downgrading the state's credit rating, bringing it in line with Tasmania.

Moody's Investors Service yesterday downgraded WA's credit rating from AAA to AA1, similar to Standard & Poor's decision last year to drop the State from AAA+ to AA+.

WA now has credit ratings equal to Tasmania's, the state WA Federal Liberal MP Don Randall once labelled "a leech on the teat" of his state.

WA Premier Colin Barnett has argued since 2011 that Tasmania had failed to build its own economy and deserved to lose part of its GST share, labelling the island state "Australia's national park".

Credit ratings are based on States' economy and outlook, debt management and fiscal strategy and they influence the interest rate paid on State debt.

Moody's accused Mr Barnett's government of lacking "fiscal resolve" as mining investment eased.

Hobart economist Charles Badenach from Main Street Financial Solutions said it was unwise for a boom state to criticise another because economic conditions would always change.

"We need to be careful not to think that the status quo will exist forever," Mr Badenach said. "There's always been booms and ... busts."

He said Tasmania had its challenges but was forging ahead in many areas.

"In many ways Tasmania is an island of excellence in a sea of global mediocrity and in time the world will realise this," Mr Badenach said.

“We offer world-class products, services and solutions and it is an exciting time to be a Tasmanian.”

Prominent economist Saul Eslake said Tasmania’s credit ratings could suffer in the future if the formula for the carve-up of GST between states was altered.

“Realistically that set of (GST) arrangements is under threat,” Mr Eslake said.

He said he would not criticise the Treasurer Peter Gutwein for “keeping promises” and not cutting too hard in Thursday’s State Budget, but tougher decisions would be needed long term.

Mr Barnett’s media adviser said the WA Premier did not have time to respond to the Mercury yesterday.