

## Burgenland (State of)

**Primary Credit Analyst:**

Thomas Fischinger, Frankfurt (49) 69-33-999-243; thomas\_fischinger@standardandpoors.com

**Secondary Credit Analyst:**

Alois Strasser, Frankfurt (49) 69-33-999-240; alois\_strasser@standardandpoors.com

### Table Of Contents

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Major Rating Factors

Rationale

Outlook

Comparative Analysis

# Burgenland (State of)

## Major Rating Factors

### Strengths:

- Solid budgetary performance despite the recession.
- Low and stable direct debt burden.
- Excellent access to liquidity.
- Strong system support in Austria.

### Weaknesses:

- Relatively low wealth levels for a western European region.
- High contingent liabilities from guarantees for outsourced entities.

### Issuer Credit Rating

AA+/Stable/A-1+

## Rationale

The ratings on the Austrian State of Burgenland are based on the state's solid budgetary performance, with only small deficits of up to 4.2% of total adjusted revenues until 2011. Standard & Poor's Ratings Services believes that Burgenland will post a deficit after capital expenditures for 2009--the first time since 2003--but that it will return to structurally balanced accounts after the elections in May 2010. Burgenland has a very low and stable direct debt burden: 23.1% of operating revenues expected for 2009. The state benefits from its excellent access to liquidity via the Federal Treasury Agency, which offers loans to Austrian states.

The ratings also benefit from Austria's strong intergovernmental system of support, which enables consensus-based cooperation between the central government and the states. We do not expect the distribution of responsibilities or revenues to change over the next few years.

The ratings are limited by Burgenland's relatively low wealth levels per capita. GDP per capita was 66.3% of the Austrian average, equivalent to 81.2% of the EU-27 average, which is low for a western European region. In addition, we regard as weaknesses the state's relatively high contingent liabilities, for example, guarantees for the debt of outsourced companies and open legal proceedings due to the sale of the state bank.

### Liquidity

Burgenland's liquidity situation is excellent, in our opinion. Cash flows are evenly spread and predictable, with regular dates for large incoming and outgoing payments. The state is legally entitled to access funds from the federal treasury, which we view as a key credit strength for all Austrian states. Moreover, the state has investments equivalent to about 28.5% of total expenditures, which could easily be sold if necessary.

## Outlook

The outlook is stable. We believe Burgenland will be able to cope with the effects of the economic recession and the consequent tax shortfalls, enabling it to return to balanced accounts. In addition, we believe that the state's excellent access to liquidity will not change. Moreover, we believe that a potential miss of the state's obligations according to the national stability pact will have no consequences for the state, as we expect most governments in Austria to miss

these goals in 2010.

We could revise the outlook to negative if the supportive system support in Austria changes or the Burgenland's contingent liabilities resulted in effective expenditures.

Conversely, we could raise the ratings over the medium term if Burgenland's regional economy manages to catch up to the national average or if the state's companies reduce debt. We currently regard both developments as unlikely.

## Comparative Analysis

In an international comparison, Burgenland benefits from a very low direct debt burden, an excellent access to liquidity, a stable and sound budgetary performance, and a well-established cooperation between the different layers of government, which combined more than offset the weaker economic fundamentals of the state.

The state's budgetary performance is similar to the median for the 'AA' rating category. Both international peers, the Canadian Province of Saskatchewan (AA+/Stable/A-1+) and the British Woking Borough Council (AA/Negative/--) are economically stronger than Burgenland. However, in our opinion this is offset by the strong system support in Austria and Burgenland's low direct debt burden.

*Local language version.* A full report in German may be obtained by sending an email to [PublicFinanceEurope@standardandpoors.com](mailto:PublicFinanceEurope@standardandpoors.com)

**Table 1**

Burgenland (State of) 2008 Peer Comparison					
	Burgenland (State of)	AA Median	Saskatchewan (Province of)	Styria (State of)	Woking Borough Council
Issuer credit rating	AA+/Stable/A-1+		AA+/Stable/A-1+	AA+/Stable/A-1+	AA/Negative/--
<b>Three-year averages, using actual results only</b>					
Operating balance (% of operating revenues)	5.4	12.8	15.4	10.0	5.3*
Balance after capital expenditures (% of total revenues)	7.2	(0.7)	8.8	(4.7)	(19.9)*
Capital expenditures (% of total expenditures)	19.1	18.3	7.4	23.4	27.0*
Transfers received (% of total revenues)	34.1	22.9	15.9	26.8	27.6*
<b>2008 (mil. €)</b>					
Total revenues	1,080.5	N/A	8,614.8*	4,481.8	110.5*
Modifiable revenues (% of operating revenues)	15.5	65.9	87.3*	5.4	64.9*
Direct debt (at year-end)	206.8	N/A	2,811.5*	780.0	155.2*
Direct debt (% of operating revenues)	23.3	46.7	33.4*	19.3	144.7*
Direct debt (% of GDP)	3.2	5.1	6.9*	2.2	0.1¶
Tax-supported debt (% of conso oper revenues)	23.3	N/A	34.0*	(71.2)	96.4*
Net financial liabilities (% of conso oper rev)¶¶	175.3	N/A	46.5*	(16.0)	139.0*

Table 1

Burgenland (State of) 2008 Peer Comparison (cont.)					
Interest (% of operating revenues)	1.9	2.4	6.1*	0.7	4.9*
Debt service (% of oper revenues)	1.9	N/A	11.9*	2.4	(2.7)*
Free cash & liquid assets as % debt service	15.4§	N/A	244.0*	53.2§	(355.8)*
Population	280,088§	699,330§	1,016,000	1,206,129§	90,700¶
Unemployment rate (%)	3.7§	6.0§	4.1	3.7§	3.6§
GDP (nominal) per capita, unscaled	20,550.2¶	N/A	37,931.5	26,870.2¶	28,787.8¶
GDP per capita (% of national average)	N.A.	N.A.	132.0¶	85.6**	90.1**
GDP (real) growth (%)	1.9**	2.4*	4.4	3.4**	N.A.
Total revenues (% of GDP)	16.05 [2008]	13.4 [2008]	17.31 [2008]	12.57 [2008]	0.14 [2006]

\*Figures for 2009. ¶Figures for 2006. §Figures for 2007. \*\*Figures for 2005. N.A.--Not available. N/A--Not applicable. ¶¶This ratio is calculated using Standard & Poor's estimates of unfunded pension liabilities for Austrian states.

Table 2

(Mil. €)	--Year ended Dec. 31--									
	2013e	2012e	2011e	2010e	2009e	2008	2007	2006	2005	
Exchange rate to U.S. dollar on Dec. 31	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.8	0.8	
Operating revenues	1,070.0	1,000.0	950.0	908.3	894.2	888.9	840.6	796.1	751.7	
Operating expenditures	1,020.0	950.0	915.0	878.2	848.4	838.5	782.3	766.9	750.2	
Operating balance	50.0	50.0	35.0	30.1	45.8	50.4	58.3	29.2	1.4	
Operating balance (% of operating revenues)	4.7	5.0	3.7	3.3	5.1	5.7	6.9	3.7	0.2	
Capital revenues	150.0	150.0	150.0	107.5	107.4	191.6	105.0	371.5	157.7	
Capital expenditures (capex)	200.0	200.0	200.0	180.0	162.6	222.2	148.0	188.4	156.2	
Balance after capex	0.0	0.0	(15.0)	(42.5)	(9.4)	19.8	15.3	212.3	2.9	
Balance after capex (% of total revenues)	0.0	0.0	(1.4)	(4.2)	(0.9)	1.8	1.6	18.2	0.3	
Debt repaid	0.0	0.0	25.0	25.9	0.0	0.0	80.9	76.0	0.2	
Balance after debt repayment and onlending	0.0	0.0	(40.0)	(68.4)	(9.4)	19.8	(65.6)	136.3	2.8	
Balance after debt repayment and onlending (% of total revenues)	0.0	0.0	(3.6)	(6.7)	(0.9)	1.8	(6.9)	11.7	0.3	
Gross borrowings	0.0	0.0	25.0	65.9	0.0	0.0	80.9	75.0	0.0	
Balance after borrowings	0.0	0.0	(15.0)	(2.5)	(9.4)	19.8	15.3	211.3	2.8	
Balance after borrowings (% of total revenues)	0.0	0.0	(1.4)	(0.3)	(0.9)	1.8	1.6	18.1	0.3	
Total revenues (% of GDP)	N/A	N/A	17.3	16.4	16.2	16.9	N/A	20.3	16.3	
Modifiable revenues (% of operating revenues)	100.0	100.0	100.0	11.7	13.1	15.5	15.5	16.7	17.3	
Capex (% of total expenditures)	16.4	17.4	17.9	17.0	16.1	21.0	15.9	19.7	17.2	
Operating-revenue growth (%)	7.0	5.3	4.6	1.6	6.3	5.7	5.6	5.9	4.0	
Operating-expenditure growth (%)	7.4	3.8	4.2	3.5	7.1	7.2	2.0	2.2	(2.0)	
Direct debt (debt outstanding at year-end)	246.8	246.8	246.8	246.8	206.8	206.8	206.8	206.8	207.8	
Direct debt (% of operating revenues)	23.1	24.7	26.0	27.2	23.1	23.3	24.6	26.0	27.6	
Direct debt (% of GDP)	N/A	N/A	3.9	4.0	3.4	3.2	N/A	3.6	3.7	
Tax-supported debt (% of conso oper revenues)	23.1	24.7	26.0	27.2	23.1	23.3	24.6	40.9	27.6	

Table 2

Burgenland (State of) Financial Statistics (cont.)										
Interest (% of operating revenues)	2.3	2.5	2.6	2.9	3.0	1.9	3.8	5.8	2.1	
Debt service (% of oper revenues)	2.3	2.5	5.3	5.8	3.0	1.9	13.4	15.3	2.1	

e--Estimated. N/A--Not applicable.

Table 3

Burgenland (State of) Economic Statistics										
--Year ended Dec. 31--										
(Mil. €)	2011f	2010f	2009e	2008	2007	2006	2005	2004	2003	
Population (mil.)	280.5	280.4	280.4	280.2	280.1	279.3	278.5	277.4	276.6	
Unemployment rate (%)	8.6	7.3	5.7	3.3	3.7	5.1	6.0	5.6	4.2	
GDP (nominal)	6,362.9	6,208.2	6,169.5	6,400.0	6,069.5	5,739.0	5,573.0	5,421.0	5,148.0	
GDP (nominal) per capita	22,737.7	22,291.9	22,005.8	22,837.9	21,694.1	20,550.2	20,012.5	19,540.3	18,612.7	
GDP (real) growth (%)	2.0	1.3	(3.6)	2.0	1.0	2.7	1.9	2.1	1.8	

f--Forecast. e--Estimated.

Ratings Detail (As Of February 17, 2010)*	
<b>Burgenland (State of)</b>	
Issuer Credit Rating	AA+/Stable/A-1+
<b>Issuer Credit Ratings History</b>	
09-Dec-2008	AA+/Stable/A-1+
<b>Default History</b>	
None	
<b>Population</b>	280,400 inhabitants (2009 estimate)
<b>Per Capita GDP</b>	€22,000 (2009 estimate)
<b>Current Government</b>	
Hans Niessl (Social Democrats, SPÖ) has headed the government since 2000. The current government consists of four members of the SPÖ and three members of the conservatives (ÖVP). SPÖ has an absolute majority in the regional parliament.	
<b>Election Schedule</b>	
Last: Oct. 9, 2005	
Next: May 2010	

\*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

**Additional Contact:**

International Public Finance Ratings Europe; PublicFinanceEurope@standardandpoors.com

**Additional Contact:**

International Public Finance Ratings Europe; PublicFinanceEurope@standardandpoors.com

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