

Market Release

18 June 2019

SAFA Annual Funding Program 2019-20

Key Budget Indicators

South Australia's 2019-20 State Budget was presented by the Treasurer on 18 June 2019. The [Budget Papers](#) contain further information on the activities of the State's general government and public non-financial corporations sector.

The net debt of the non-financial public sector is expected to be \$13.5 billion at 30 June 2019. The improvement of around \$0.7 billion to the 2018-19 Budget primarily reflecting a pull forward of Commonwealth Government national partnership (NP) grants for existing infrastructure projects.

Key indicators from the Budget are outlined in the table below.

	Forecast 2019	Budget 2020	Estimate 2021	Estimate 2022	Estimate 2023
General Government					
Net operating balance (\$m)	101	94	105	142	251
Net lending/borrowing (\$m)	- 579	-1 069	- 654	- 989	- 585
Net debt (\$m)	6 289	9 468	10 752	12 278	13 208
Public non-financial corporations					
Net operating balance (\$m)	392	- 278	- 318	- 283	- 291
Net lending/borrowing (\$m)	130	25	- 178	- 219	- 262
Net debt (\$m)	7 258	7 291	7 444	7 707	8 094
Non-financial public sector					
Net operating balance (\$m)	493	- 371	- 401	- 343	- 267
Net lending/borrowing (\$m)	- 449	-1 233	-1 018	-1 416	-1 079
Net debt (\$m)	13 547	16 713	18 154	19 949	21 271

New Accounting Standards for revenue and leases will take effect from 1 July 2019. The impact of those changes on the State's net debt figures is incorporated into the table on the previous page.

The impact of the new accounting standards on net debt is summarised below.

Impact on net debt	Budget 2020	Estimate 2021	Estimate 2022	Estimate 2023
General government sector (\$m)	1 233	1 174	1 047	922
Non-financial public sector (\$m)	1 337	1 266	1 120	977

SAFA's 2019-20 Funding Strategy

The South Australian Government Financing Authority (SAFA) estimates that it will borrow AUD3.2 billion of term debt during the 2019-20 financial years. Outstanding short-term debt is expected to be maintained at a level of AUD2 billion during the financial year.

	MYBR	Forecast 2019	Budget 2020	Estimate 2021	Estimate 2022	Estimate 2023
SA Public Sector (\$b)	1.3	1.3	1.8	1.4	1.6	1.2
Pre-funding of SA Public Sector (\$b)			-0.6			
Funding future term maturities (\$b)	2.4	2.4	2.0	1.6	0.8	3.2
Total term funding (\$b)	3.7	3.7	3.2	3.0	2.5	4.4
Commercial Paper (\$b)	2.0	2.0	1.0	0.5	0.0	0.0
1 year AONIA FRN (\$b)	0.1	0.5	1.0	1.5	2.0	2.0
Total short-term funding (\$b)	2.1	2.5	2.0	2.0	2.0	2.0
Total funding task (\$b)	5.8	6.2	5.2	5.0	4.5	6.4

SAFA's forward estimates for the SA Public Sector term funding requirement are based on changes in the net debt position of the sector after adjusting for net movement in leases. The SA Public Sector number for 2019-20 includes an improved 2018-19 Budget position.

Subject to market conditions, SAFA will continue to focus its term issuance on fixed rate Select Lines. SAFA short term issuance will comprise of 1-year AONIA FRNs and commercial paper for its funding requirements. Currently, SAFA has no intention to issue inflation-linked bonds or access offshore term funding via an EMTN program.

SAFA's 2019-20 funding strategy is likely to include:

- Continue to tap existing even year Select Lines with a view to building those liquid benchmark lines to \$3 billion
- Subject to client requirements investigate the option of issuing a new 2032 fixed rate Select Line bond
- Extend the maturity profile of SAFA's debt out to 15 years
- Investigate buybacks of SAFA's shortest dated Select Line.

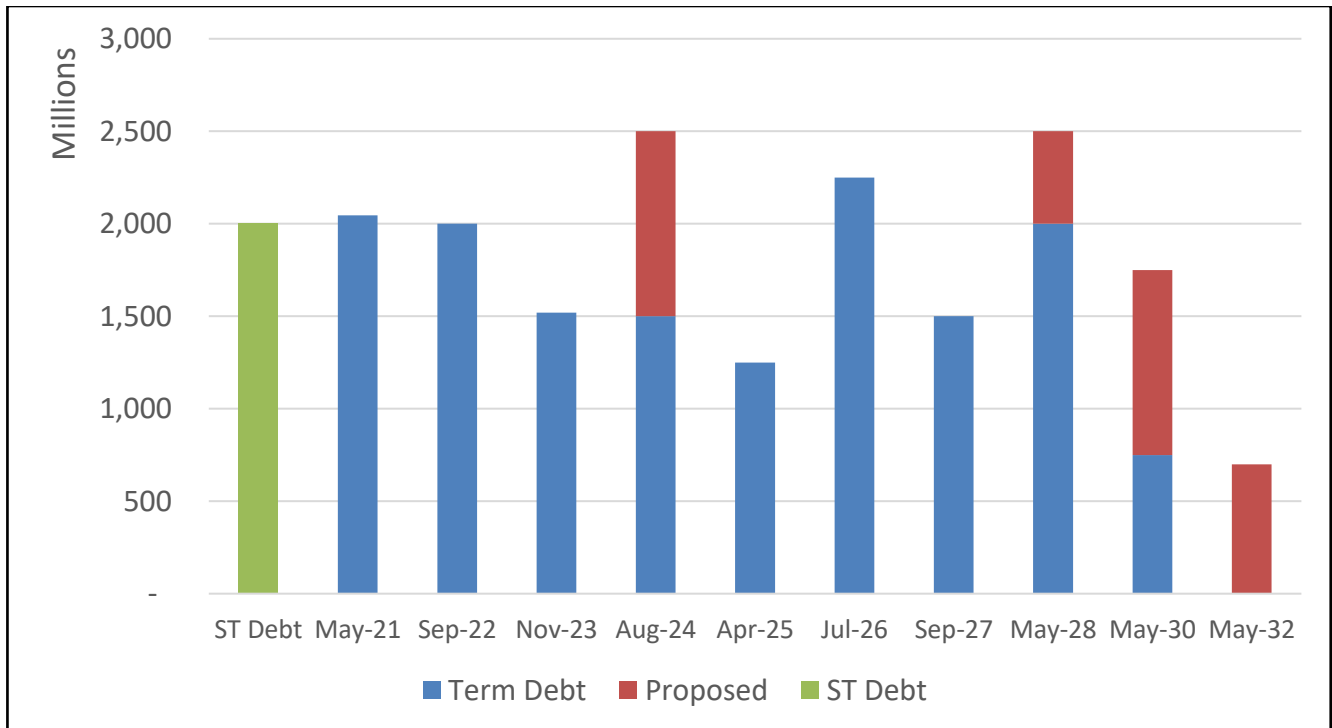
SAFA will continue to provide monthly updates around its funding intentions, and update markets should its funding requirements change.

SAFA's projected outstanding debt by instrument type is summarised below.

	18-Jun-19	Budget 2020	Estimate 2021	Estimate 2022	Estimate 2023
Term debt (\$b)	18.8	18.0	19.0	21.4	24.2
Short term debt (\$b)	2.6*	2.0	2.0	2.0	2.0
Total debt outstanding (\$b)	21.4	20.0	21.0	23.4	26.2

* Short term debt is above \$2 billion target due to the issuance of a 1-year AONIA FRN in June 2019.

Forecast 2020 SAFA term debt maturity profile



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