

Market Release

21 December 2023

SAFA Revised Funding Program FY2023-24

Key Mid-Year Budget Review Indicators

The [2023-24 South Australian Mid-Year Budget Review \(MYBR\)](#) was released by the Treasurer, the Hon. Stephen Mulligan MP, on 21 December 2023. The MYBR contains adjustments to projected revenue and expenditure over the current financial year and forward estimates.

The below table notes movement in the key fiscal indicators for the general government sector and non-financial public sector since the 2023-24 Budget delivered on 15 June 2023.

Fiscal outlook – Budget and Mid-Year Budget Review (\$million)

	2023-24	2024-25	2025-26	2026-27
Net operating balance – General Government				
Budget	250	512	552	639
MYBR	154	277	496	616
Change since 2023-24 budget	-96	-235	-55	-23
Net debt – General Government				
Budget	20 293	22 488	25 433	28 579
MYBR	19 547	22 410	24 982	28 074
Change since 2023-24 budget	-746	-78	-451	-504
Net debt – Non-Financial Public Sector (NFPS)				
Budget	29 074	31 537	34 563	37 563
MYBR	28 447	31 924	34 870	38 188
Change since 2023-24 budget	-627	387	307	625

Note: Totals may not add due to rounding

Compared with the 2023-24 Budget estimate, NFPS net debt is expected to be \$627 million lower at 30 June 2024, primarily as a result of an improved outcome in 2022-23, and a lower than estimated 2023-24 investing program.

As a result, SAFA's 2023-24 long-term funding requirement will be revised lower from \$5 158 million to \$4 531 million. To date, SAFA has raised \$3 061 million face value of bonds and notes for a cash consideration of \$2 681 million.

**Key economic indicators – Australia and South Australia real growth rates
(% per annum)**

	2022-23 Actual	2023-24 Budget Forecast	2023-24 Revised Forecast	2024-25 Projection	2025-26 Projection	2026-27 Projection
Australia^(a)						
Gross Domestic Product (GDP)	3.1	1½	1¾	2¼	2½	2¾
South Australia						
Gross State Product (GSP)	3.8	1	1¼	1½	1¾	2
State Final Demand (SFD)	2.8	1¼	1¾	1¼	1¾	2
Employment	3.4	1	2½	½	¾	1
Adelaide Consumer Price Index (CPI)	7.9	3¾	4¾	3½	3	2½

Note: Forecasts and projections are based on underlying national economic and state population trends, and climatic conditions impacting on farm sector production.

(a) Australian GDP forecasts as published in the 2023-24 Commonwealth Government's Mid-Year Economic and Fiscal Outlook.

SAFA is projecting the following updated indicative 2023-24 funding program:

Funding Requirements (\$b)	Original 2023-24	MYBR 2023-24	Change
SA Public Sector	3.0	2.8	-0.2
Pre-funding of SA Public Sector	-0.5	-1.0	-0.5
Funding future term maturities	2.7	2.7	0.0
Total Long-Term Funding	5.2	4.5	-0.7
Total Short-Term Funding	3.0	3.0	0.0
Total Funding Task	8.2	7.5	-0.7

SAFA is projecting the following updated forward term funding requirement:

Funding Requirements (\$B)	Original	MYBR	Estimate	Estimate	Estimate
	2023-24	2023-24	2024-25	2025-26	2026-27
SA Public Sector	3.0	2.8	3.5	2.9	3.3
Pre-funding of SA Public Sector*	-0.5	-1.0*			
Funding future term maturities	2.7	2.7	3.2	3.5	4.9
Total term funding	5.2	4.5	6.7	6.4	8.2
Change from 2023-24 Budget		-0.7	1.0	0.0	0.3
Actual Term Maturities		-1.5	-4.4	0.0	-5.5
Forecast Term Outstanding		33.2	35.9	42.6	45.6
- Face Value					
Short Term Funding	3.0	3.0	3.2	3.5	3.7
Total Funding Task	8.2	7.5	9.9	9.9	11.9

*Due to revision to previous budget forecast outcome.

Additional Information

SAFA's short-term refinancing target remains unchanged at \$3.0 billion.

SAFA's forward estimates for the SA Public Sector term funding requirement are based on changes in the net debt position of the NFPS after adjusting for net movements in leases and other items.

SAFA will continue to engage its panel banks and investors and provide updates to market via its regular weekly announcement of its outstandings and issuance intentions, and any other material changes that may affect its funding program.

FY 2023-24 Long-Term Bond Issuance - Completed

Month	Coupon	Maturity	Face Value \$'m	Cash Value \$'m	Method
July 2023	1.75%	24 May 2034	500	372	Tender
July 2023	2.25%	24 May 2040	4	2	Placement
July 2023	1.75%	24 May 2032	440	350	Tender
August 2023	NEW FRN	22 June 2029	1,042	1,041	Syndicated Placement
August 2023	2.25%	24 May 2040	3	2	Placement
August 2023	2.25%	24 May 2040	15	10	Placement
September 2023	2.25%	24 May 2040	10	6	Placement
September 2023	2.25%	24 May 2040	20	13	Placement
October 2023	4.75%	24 May 2038	1,000	866	Syndicated Placement
Total			3,061	2,681	

FY 2023-24 Long-Term Bond Issuance – Under Consideration

Coupon	Maturity	Method
New	May 2029 Sustainability Bond	Syndicated Placement

SAFA provides the following update to its debt issuance strategy:

- SAFA may undertake pre-funding during FY2023-24 and will consider pre-funding in future years to manage refinancing risk;
- consider a new fixed rate May 2029 line;
- tapping of existing even year Select Lines to circa \$4.5 billion;
- supplementing existing fixed rate issuance in the odd years with AONIA-linked floating rate term debt with a view of initially targeting \$3 billion in each maturity bucket, building to \$4 - \$4.5 billion over the forward years. Will not be tapping existing odd year fixed rate maturities; and
- considering the issuance of longer dated debt out to 2052.

SAFA's Sustainability Bond Framework

On 30 November 2023, SAFA published its Sustainability Bond Framework along with a Second Party Opinion by Sustainalytics and South Australia's Environmental, Social and Governance (ESG) Commitments document.

It is SAFA's intention to have all bonds and notes first issued since 1 July 2018 labelled as Sustainability Bonds and for all future issuance to be labelled under this Framework, including being able to issue fungibly into existing lines.

SAFA is currently obtaining an assurance over the initial pool of assets, and is seeking to have its bonds labelled as Sustainability Bonds in Bloomberg. This work is expected to be completed by the end of January 2024 and prior to SAFA potentially issuing a new May 2029 fixed rate bond in the first half of 2024.

Contact:

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