

Market Release

15 June 2023

SAFA's FY 2022-23 Funding Outcome

The FY 2022-23 SA State Budget forecasted the government's long term debt requirement of \$6.60 billion to meet client new money and the refinancing of existing debt. This included its pre-funded position.

This estimate was revised to \$4.80 billion following the Mid-Year Budget Review on 16 December 2022.

During the 2022-23 financial year to date, the South Australian Government Financing Authority (SAFA) has borrowed a face value amount of \$6.20 billion in a combination of long term fixed and floating rate bonds and notes, for a cash amount of \$5.65 billion. Additionally, SAFA has \$3.00 billion of short term debt outstanding versus a \$2.50 - \$3.00 billion target.

SAFA's FY 2023-24 Annual Funding Program

South Australia's FY 2023-24 State Budget was presented by the Treasurer on 15 June 2023. The [Budget Papers](#) contain further information on the State's general government and public financial and non-financial corporations sector's activities.

SAFA forecasts its FY 2023-24 long term financing task to be for a cash value of \$5.4 billion, after adjusting for \$0.3 billion of pre-funding conducted in the FY 2022-23 year-to-date.

This pre-funding amount varies from the MYBR forecast due a revision to the estimated FY 2022-23 result.

Key indicators from the 2023-24 Budget are outlined in the table below.

	2022-23 Estimated Result	2023-24 Budget	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Operating statement					
Net operating balance – GG sector (\$m)	-249	250	512	552	639
Net lending – GG sector (\$m)	-1 485	- 1 846	-1 611	-2 569	-2 734
Operating revenue and expenses					
Revenue nominal growth – GG sector (%)	4.0	7.9	2.0	3.3	4.2
Expenses nominal growth – GG sector (%)	1.5	5.8	1.1	3.3	3.9
Balance Sheet					
Net debt – GG sector (\$m)	17 859	20 293	22 488	25 433	28 579
Net debt to revenue – GG sector (%)	72.4	76.3	82.8	90.7	97.8
Net debt – NFP sector (\$m)	26 043	29 074	31 537	34 563	37 563
Net debt to revenue – NFP sector (%)	100.5	104.4	110.6	117.4	121.6
Unfunded superannuation (\$m)	7 052	6 598	6 114	5 597	5 046

Key economic indicators – Australia and South Australia real growth rates.
(per cent per annum, year averages)

	2021-22 Actual	2022-23 Estimate	2023-24 Forecast	2024-25 Projection	2025-26 Projection	2026-27 Projection
Australia¹						
GDP	3.7	3 ¼	1 ½	2 ¼	2 ¾	2 ¾
South Australia						
Gross State Product	5.1	3 ½	1	1 ¾	2	2
State Final Demand	5.6	2 ½	1 ¼	1 ¾	2	2
Employment	3.9	3	1	¾	1	1
Adelaide CPI	4.2	7 ¾	3 ¾	3 ¼	2 ¾	2 ½

¹ Australia forecasts from Commonwealth Government's 2023-24 Budget, Budget Strategy and Outlook, Budget Paper No. 1. Table 1.1

SAFA's 2023-24 Funding Strategy

SAFA's Funding Estimate in cash value terms:

	Budget 2022-23	MYBR 2022-23	Budget 2023-24	Estimate 2024-25	Estimate 2025-26	Estimate 2026-27
SA Public Sector (\$b)	2.6	1.5	3.0	2.5	3.0	3.0
Pre-funding of SA Public Sector (\$b)	-0.2	-0.9*	-0.3**			
Funding future term maturities (\$b)	4.2	4.2	2.7	3.2	3.7	4.4
Long term funding (\$b)	6.6	4.8	5.4	5.7	6.7	7.4
Additional pre-funding (\$b)		0.7				
Total long term funding (\$b)		5.5	5.4			
Total short term funding (\$b)	2.8	2.8	3.0	3.2	3.5	3.7
Gross funding task (\$b)	9.4	8.3	8.4	8.9	10.2	11.1

*Due to revision to FY2021-22 final outcome

**Due to revision to FY2022-23 estimated outcome

SAFA's forward estimates for the SA Public Sector funding requirement are based on changes in the net debt position of the non-financial public sector, adjusted for leases and changes to accounting standards.

To meet its 2023-24 funding task, SAFA will:

- Continue to tap existing even year Select Lines via syndicated placements or public tenders with a view to building those liquid benchmark lines to approximately \$4.0-4.5 billion, and manage up to \$3.0-3.5 billion in the odd calendar years. Existing odd year fixed lines (2025 and 2027) will not be increased. AONIA-Linked floating rate notes will supplement all odd year maturities;
- Continue to be 100% funded for a term debt maturity 12 months prior;
- Issue a new May 2029 fixed rate Select Line bond and a new June 2029 AONIA-Linked FRN;
- Extend the maturity profile of SAFA's debt out to 30 years in even calendar year maturities if market conditions, investor appetite and client borrowing requirements align; and
- Consider buybacks of SAFA's short dated Select Line/s to help manage refinancing risk.

Additionally, SAFA has no current intention to issue inflation-linked bonds or to access offshore term funding via an EMTN program, however will continue to assess all funding opportunities.

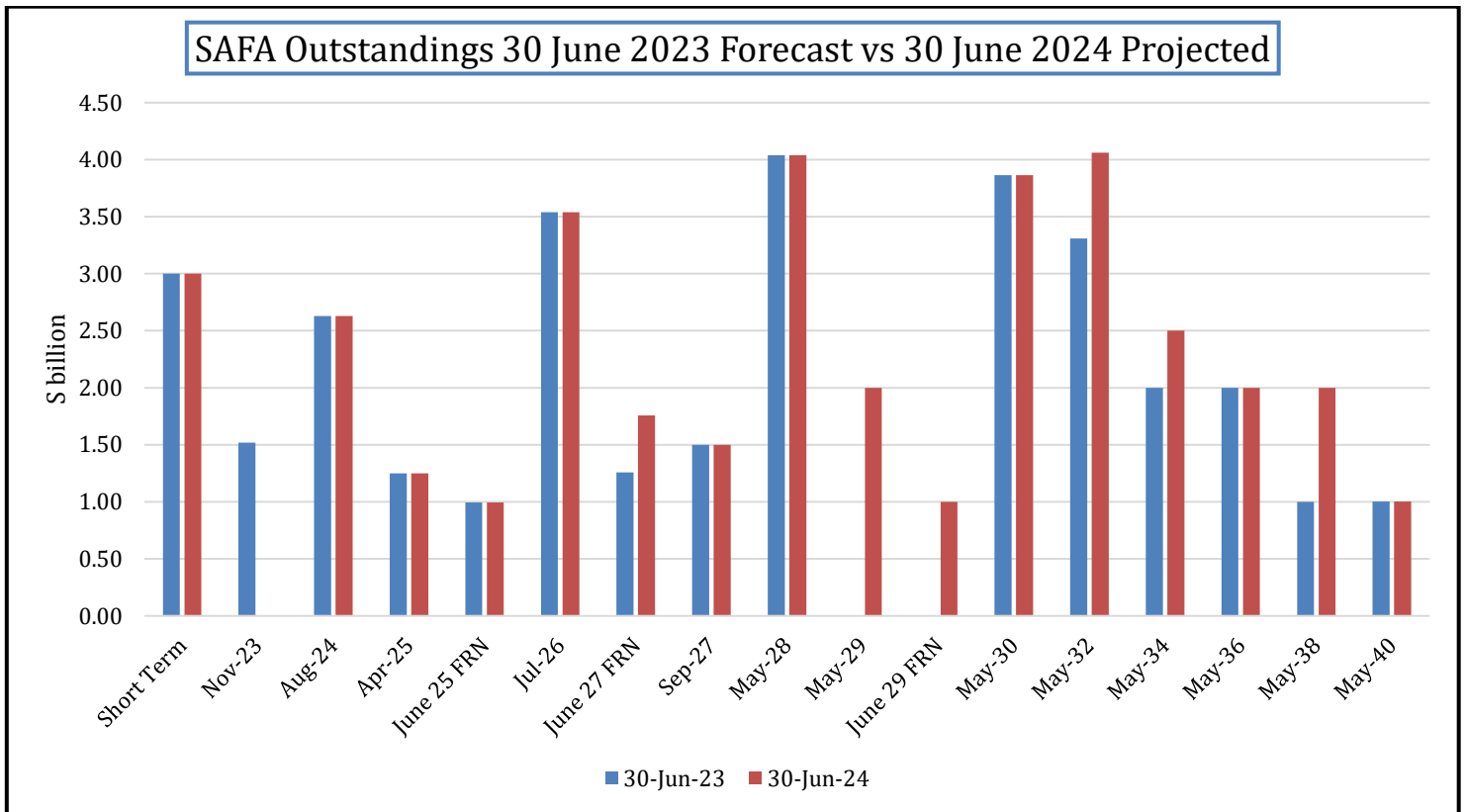
SAFA will continue to provide weekly updates around its outstandings, funding intentions, and market activities should its funding requirements or funding strategy change.

SAFA will deliver its Sustainable Financing Framework and look to issue bonds under this framework during FY 2023-24.

SAFA's current and projected outstanding debt in face value terms by instrument type:

	15-June-2023	Budget 2023-24	Estimate 2024-25	Estimate 2025-26	Estimate 2026-27
Long term debt (\$b)	29.9	34.1	35.0	41.8	43.5
Short term debt (\$b)	3.0	3.0	3.2	3.5	3.7
Total debt outstanding (\$b)	32.9	37.1	38.2	45.3	47.2

Forecast 30 June 2024 SAFA debt maturity profile (face value):



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