

MARKET RELEASE

SAFA'S INDICATIVE FUNDING REQUIREMENT FOR 2017-18

The 2017-18 South Australian State Budget was presented by the Treasurer, the Hon. Tom Koutsantonis MP, on 22 June 2017.

Key General Government sector budget indicators:

	2016-17 Estimated Result	2017-18 Budget	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Operating Statement					
Net operating balance (\$m)	239	72	132	193	462
Net lending/borrowing (\$m)	-2,595	228	-685	-203	72
Balance Sheet					
Net debt (\$m)	6,297	6,072	6,733	6,808	6,687
Net debt to revenue (%)	34.5	31.7	34.9	34.8	33.1

The State is projected to run a net operating balance during 2017-18 of \$72 million, with a net lending surplus of \$228 million.

Net debt in the public trading enterprises is forecast to grow \$330 million to \$7 870 million, while the total non-financial public sector net debt is forecast to grow by \$105 million to \$13 942 million.

SAFA's Indicative Funding Program for 2017-18:

Funding Requirements	\$'b
New client loans	0.1
Select Line maturities	2.0
Short term funding	2.0
Pre-funding/liquidity	0.7
Gross Funding Requirement	4.8

SAFA's funding strategy over 2017-18 will continue to focus on Fixed and Floating Select Lines, Promissory Notes and Euro Commercial Paper. Currently, SAFA has no intention of issuing inflation-linked bonds or accessing offshore term funding via an EMTN programme.

During 2017-18, SAFA anticipates that it will have fully funded its December 2018 Select Line 12 months prior to maturity as per its revised liquidity guidelines introduced during 2016-17.

It is SAFA's intention to tap into its existing Select Line issues during the year to build liquidity in each Select Line up to its target \$2 billion, and will also investigate issuing a new 2028 fixed rate bond during the course of year subject to client requirements and investor demand.

SAFA continues to investigate options around issuing a short dated OIS based FRN and may consider buy backs of its shortest dated Select Line.

SAFA is projecting additional term debt issuance of up to \$0.7 billion as it seeks to increase its pre-funding to align with revised liquidity guidelines.

SAFA will undertake discussions with its Dealer Panel and investors on the timing and size of this issuance (and buybacks) that is likely to generate the strongest investor demand.

SAFA's projected outstandings by instrument type:

Instrument	22 June 2017 \$b	June 2018 \$b	June 2019 \$b
Select Lines – Fixed & FRN	17.0	17.8	19.8
FRN – Short Dated	Nil	0.1	0.1
Short term funding	2.0	2.0	2.0
Total	19.0	19.9	20.9

During 2016-17 SAFA issued \$3.75 billion of term debt. Above its projected forecast of \$3.5 billion. Short term issuance was in line with projections at \$2 billion. The increase in term funding was due to balance sheet risk management and not any change to new money requirements. This pre-funding has been subtracted from SAFA's 2017-18 term funding requirements.

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

For enquiries please contact:

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