

# Market Release

10 December 2019

## SAFA Revised Funding Program 2019-20

### Key Budget Indicators

The [2019-20 South Australian Mid-Year Budget Review \(MYBR\)](#) was released by the Treasurer, the Hon. Rob Lucas MLC on 9 December 2019. The MYBR contains adjustments to projected revenues 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 since the 2019-20 Budget.

General Government fiscal outlook – Budget and Mid-Year Budget Review (\$million)

	2019-20	2020-21	2021-22	2022-23
<b>Net operating balance</b>				
Budget	94	105	142	251
<b>MYBR</b>	<b>91</b>	<b>68</b>	<b>176</b>	<b>104</b>
Change since 2019-20 budget	-2	-36	34	-147
<b>Net lending</b>				
Budget	-1 069	-654	-989	-585
<b>MYBR</b>	<b>-835</b>	<b>-1 179</b>	<b>-1 187</b>	<b>-766</b>
Change since 2019-20 budget	234	-525	-197	-181
<b>Net debt</b>				
Budget	9 468	10 752	12 278	13 208
<b>MYBR</b>	<b>9 284</b>	<b>11 104</b>	<b>12 840</b>	<b>13 980</b>
Change since 2019-20 budget	-183	352	562	772
<b>Net debt to revenue ratio (%)</b>				
Budget	46.9	52.3	57.8	59.7
<b>MYBR</b>	<b>44.3</b>	<b>52.2</b>	<b>58.4</b>	<b>61.6</b>
Change since 2019-20 budget	-2.5	-0.2	0.6	1.9
<b>Unfunded superannuation</b>				
Budget	12 358	11 782	11 170	10 520
<b>MYBR</b>	<b>14 166</b>	<b>13 466</b>	<b>12 728</b>	<b>11 952</b>
Change since 2019-20 budget	1 808	1 684	1 559	1 432

Note: Totals may not add due to rounding

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

	2018-19 Actual	2019-20 Budget Forecast	2019-20 Revised Forecast	2020-21 Projection	2021-22 Projection	2022-23 Projection
<b>Australia*</b>						
Gross Domestic Product (GDP)	2.0	2 ¾	n.a.	n.a.	n.a.	n.a.
<b>South Australia</b>						
Gross State Product (GSP)	1.4	2 ½	1 ¾	2 ¼	2 ¼	2 ¼
State Final Demand (SFD)	1.6	2	1 ¾	2 ¼	2 ¼	2 ¼
Employment	1.4	1	1	1	1	1
Adelaide Consumer Price Index	1.6	1 ¾	1 ¾	1 ¾	2	2 ¼

\*The Commonwealth Government will provide revised forecasts at their Mid-Year Economic and Fiscal Outlook.

Key balance sheet indicators – Non-financial public sector net debt

\$m	As at 30 June					
	2019 Outcome	2020 Budget	2020 MYBR	2021 Estimate	2022 Estimate	2023 Estimate
<b>Net debt</b>	13 084	16 713*	16 527*	18 758	20 792	22 242
Change from Budget			-187	604	843	971
% of total revenue	60.5	78.2	74.9	83.0	89.2	92.7

\*Note the change in accounting standards as described in Appendix F of the 2019-20 Budget (Budget Paper 3) impacted the 2020 forecast by an estimated \$1 337 million for the NFPS.

**The 2019-20 MYBR sees an improvement in the NFPS net debt position of \$187 million. As a result, SAFA's 2019-20 gross term funding requirement will be revised lower by \$200 million to \$3 billion.**

To date, SAFA has issued \$1.5 billion via a \$500 million tender of the September 2024 Select Line in August, and a \$1 billion syndicated placement of the May 2030 in November.

SAFA's term debt financing will continue to focus on:

- Tapping of existing even year Select Lines with a view to building up these benchmark lines to \$3 billion;
- Subject to client funding requirements and investor demand, investigate the issuance of a new 2032 fixed rate Select Line bond; and
- Considering the issuance of longer dated debt.

SAFA's short term refinancing remains unchanged at \$2 billion, and will include a blend of 1 year AONIA FRN issuance and Commercial and Euro-Commercial paper.

SAFA is projecting the following updated indicative 2019-20 funding program:

<b>Funding Requirements (\$b)</b>	<b>Original 2019-20</b>	<b>MYBR 2019-20</b>	<b>Change</b>
SA Public Sector	1.8	1.6	-0.2
Pre-funding of SA Public Sector	-0.6	-0.6	0.0
Funding future term maturities	2.0	2.0	0.0
<b>Total term funding</b>	<b>3.2</b>	<b>3.0</b>	<b>-0.2</b>
Commercial Paper	1.0	1.0	0.0
1 year AONIA FRN	1.0	1.0	0.0
<b>Total short-term funding</b>	<b>2.0</b>	<b>2.0</b>	<b>0.0</b>
<b>Total Funding Task</b>	<b>5.2</b>	<b>5.0</b>	<b>-0.2</b>

SAFA is projecting the following updated forward term funding requirement:

<b>Funding Requirements (\$b)</b>	<b>Original 2019-20</b>	<b>MYBR 2019-20</b>	<b>Estimate 2020-21</b>	<b>Estimate 2021-22</b>	<b>Estimate 2022-23</b>
SA Public Sector	1.8	1.6	2.0	1.8	1.4
Pre-funding of SA Public Sector	-0.6	-0.6			
Funding future term maturities	2.0	2.0	1.6	0.8	3.2
<b>Total term funding</b>	<b>3.2</b>	<b>3.2</b>	<b>3.6</b>	<b>2.6</b>	<b>4.6</b>
Commercial Paper	1.0	1.0	0.5	0.5	0.5
1 year AONIA FRN	1.0	1.0	1.5	2.0	2.0
Total short-term funding	2.0	2.0	2.0	2.5	2.5
<b>Total Funding Task</b>	<b>5.2</b>	<b>5.0</b>	<b>5.6</b>	<b>5.1</b>	<b>7.1</b>

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 monthly announcement of its issuance intentions and any other material changes that may affect its funding program.

For enquiries, please contact:

Andrew Kennedy, Director Treasury Services on (08) 8226 9840  
Donald Munro, Manager Treasury Services on (08) 8226 9441  
Davide Caravaglio, Treasury Analyst on (08) 8226 9411