

Market Release

10 November 2020

SAFA Annual Funding Program 2020-21

Key Budget Indicators

South Australia's 2020-21 State Budget was presented by the Treasurer on 10 November 2020. The [Budget Papers](#) contain further information on the State's general government and public non-financial corporations sector's activities.

The net debt of the non-financial public sector was \$17.452 billion at 30 June 2020, 5.6% (\$0.925 billion) higher than the \$16.527 billion estimated at the December 2019 Mid-Year Budget Review. The deterioration mainly reflects an estimated contraction of real GSP of 1.75% due to the impact of drought, bushfires and the COVID-19 pandemic.

Key indicators from the 2020-21 Budget are outlined in the table below.

	Final 2020	Budget 2021	Estimate 2022	Estimate 2023	Estimate 2024
General Government					
Net operating balance (\$m)	-1 485	-2 590	-1 423	-435	406
Net lending/borrowing (\$m)	-2 244	-3 771	-3 465	-2 107	-1 885
Net debt (\$m)	10 537	15 270	19 366	22 043	24 489
Public non-financial corporations					
Net operating balance (\$m)	-233	-385	-342	-348	-187
Net lending/borrowing (\$m)	-28	-791	-538	-370	-76
Net debt (\$m)	7 014	7 866	8 389	8 741	8 773
Non-financial public sector					
Net operating balance (\$m)	-1 949	-3 031	-1 823	-848	130
Net lending/borrowing (\$m)	-2 506	-4 622	-4 070	-2 551	-2 052
Net debt (\$m)	17 452	23 038	27 662	30 695	33 171

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

	2018-19 Actual	2019-20 Estimate	2020-21 Forecast	2021-22 Projection	2022-23 Projection	2023-24 Projection
Australia¹						
GDP	2.2	-0.3	-1 ½	4 ¾	2 ¾	3
South Australia						
GSP	1.4	-1 ¾	- ¾	4 ¼	3	3
State Final Demand	1.8	-1.6 ²	-1 ¼	4 ¾	3	3
Employment	1.5	-0.6 ²	0	2	1 ½	1 ½
Adelaide CPI	1.5	1.8 ²	1 ½	1 ¼	1 ½	1 ¾

SAFA's 2020-21 Funding Strategy and updated November intentions

The 2019-20 Mid-Year Budget review forecast a term debt requirement of \$3 billion. During the 2019-20 Financial Year, the South Australian Government Financing Authority (SAFA) borrowed \$5.261 billion in a combination of long term fixed and floating rate bonds. Relative to the final budget numbers, SAFA pre-funded its 2020-21 financial year requirement by \$1.336 billion.

SAFA estimates that it will borrow \$6.25 billion of term debt during the 2020-21 financial year, excluding any pre-funding it may undertake for future year requirements. To date, SAFA has accessed markets for \$2.89 billion of term funding.

Subject to market conditions, SAFA will issue \$500 million each of the September 2024 and July 2026 Select Lines during the second half of November via tender.

Outstanding short-term debt is expected to be maintained at a level of \$2.5 billion during the 2020-21 financial year, with the additional liquidity beyond the previous \$2 billion target held to manage the growth in the overall debt position.

¹ Australia forecasts from Commonwealth Government's 2020-21 Budget, Budget Strategy and Outlook, Budget Paper No. 1.

² Australian Bureau of Statistics actual outcomes 2019-20

SAFA's Funding Estimate

	MYBR	Actual 2020	Budget 2021	Estimate 2022	Estimate 2023	Estimate 2024
SA Public Sector (\$b)	1.6	3.9	5.6	4.6	3.0	2.5
Pre-funding of SA Public Sector (\$b)	-0.6	-0.6	-1.3			
Funding future term maturities (\$b)	2.0	2.0	2.0	3.0	2.8	2.4
Total term funding (\$b)	3.0	5.3	6.3	7.6	5.8	4.9
Commercial Paper (\$b)	1.0	1.6	1.5	1.0	0.5	0.0
1 year AONIA FRN (\$b)	1.0	0.9	1.0	1.5	2.0	2.5
Total short-term funding (\$b)	2.0	2.5	2.5	2.5	2.5	2.5
Total funding task (\$b)	5.0	7.8	8.8	10.1	8.3	7.4

SAFA's forward estimates for the SA Public Sector term 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.

Subject to market conditions, SAFA will continue to focus its term issuance on benchmark sized fixed rate Select Lines. SAFA's short term issuance will comprise of 1-year AONIA FRNs and commercial paper.

To meet its 2020-21 funding task, SAFA will:

- Continue to tap existing even year Select Lines with a view to building those liquid benchmark lines to approximately \$3 billion, or to manage up to AUD3 billion in the odd calendar year via a combination of fixed and floating rate debt;
- Continue to be 100% funded for a term debt maturity 12 months prior (80% funded 15 months prior);
- Issue a new 2034 fixed rate Select Line bond subject to firming client requirements;
- Extend the maturity profile of SAFA's debt beyond its existing 20 year maturity if market conditions are favourable; and
- Investigate buybacks of SAFA's shortest dated Select Line/s to mitigate refinancing risk.

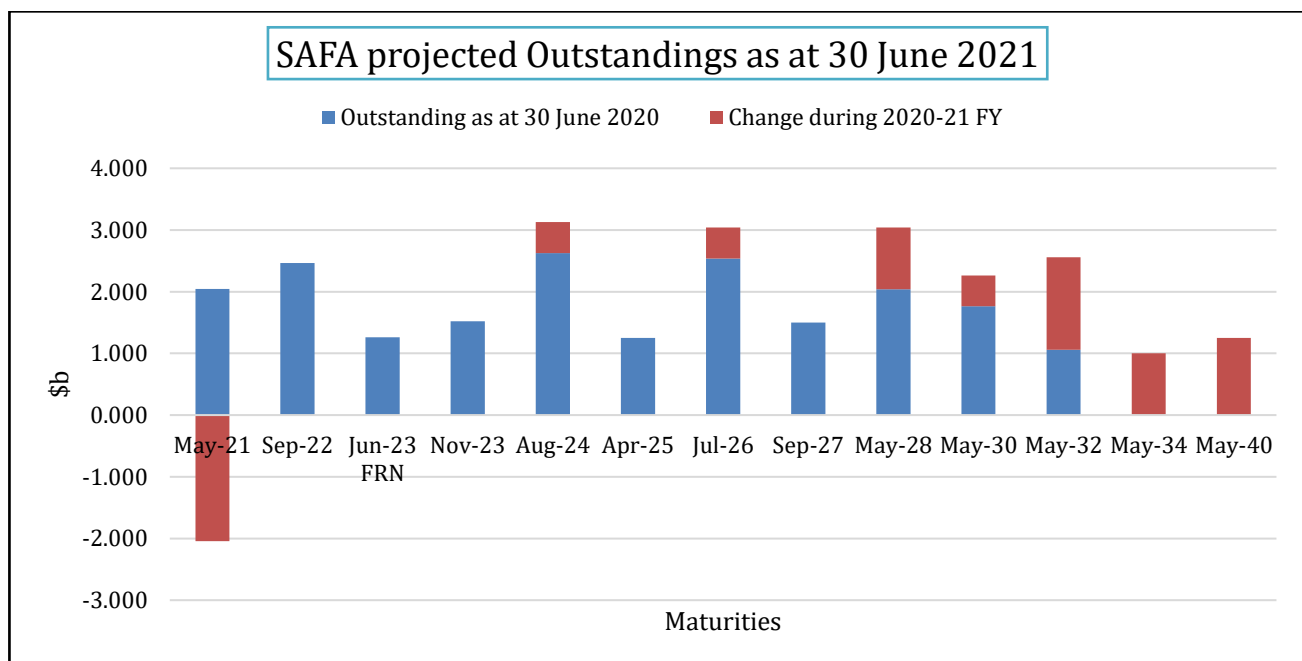
SAFA has no current intention to issue inflation-linked bonds or to access offshore term funding via an EMTN program.

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

SAFA's projected outstanding debt by instrument type:

	30-June-2020	Budget 2021	Estimate 2022	Estimate 2023	Estimate 2024
Term debt (\$b)	20.1	24.3	31.8	34.0	37.5
Short term debt (\$b)	2.5	2.5	2.5	3.0	3.0
Total debt outstanding (\$b)	22.6	26.8	34.3	37.0	40.5

Forecast 30 June 2021 SAFA term debt maturity profile:



Note that during 2020-21 financial year to date SAFA has issued the following term debt:

Month	Coupon (%)	Maturity	Volume (\$b)
August 2020	1.75	May-2032	1.000
Aug-Oct 2020	2.25	May-2040	0.890
September 2020	3.00	May-2028	1.000
Total			2.890

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