

Market Release

2 June 2022

SAFA's 2021-22 Funding Outcome

The 2021-22 SA State Budget forecast the governments long term debt requirement of \$5.25 billion to meet client new money and the refinancing of existing debt. This included its pre-funded position.

This estimate was revised to \$4.0 billion following the Mid-Year Budget Review with an additional financing requirement of \$200 million for the June 2023 AONIA issued in December 2021.

During the 2021-22 Financial Year to Date, the South Australian Government Financing Authority (SAFA) has borrowed \$4.20 billion in a combination of long term fixed and floating rate bonds. Additionally, SAFA holds \$2.87 billion of short term debt in the form of commercial paper and short dated AONIA-Linked notes, versus a \$2.50 billion target.

SAFA's 2022-23 Annual Funding Program

South Australia's 2022-23 State Budget was presented by the Treasurer on 2 June 2022. The [Budget Papers](#) contain further information on the State's general government and public non-financial corporations sector's activities.

SAFA forecasts its FY2022-23 long term financing task to be \$6.6 billion, inclusive of \$0.2 billion of pre-funding conducted in the FY2021-22 year-to-date.

Key indicators from the 2022-23 Budget are outlined in the table below.

	MYBR 2021-22	Estimate 2021-22	Budget 2022-23	Estimate 2023-24	Estimate 2024-25	Estimate 2025-26
General Government						
Net operating balance (\$m)	-1 590	-1 733	233	487	606	643
Net lending/borrowing (\$m)	-2 902	-3 002	-1 650	-2 087	-1 419	-1 466
Net debt (\$m)	16 807	16 930	19 003	21 606	23 441	25 220
Public non-financial corporations						
Net operating balance (\$m)	-343	-306	-352	-218	-157	-62
Net lending/borrowing (\$m)	-654	-464	-610	-393	-47	-37
Net debt (\$m)	7 976	7 778	8 319	8 549	8 573	8 646
Non-financial public sector						
Net operating balance (\$m)	-1 981	-2 088	-225	173	339	466
Net lending/borrowing (\$m)	-3 612	-3 603	-2 369	-2 573	-1 579	-1 619
Net debt (\$m)	24 699	24 710	27 324	30 153	32 012	33 862

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

	2020-21 Actual	2021-22 Estimate	2022-23 Forecast	2023-24 Projection	2024-25 Projection	2025-26 Projection
Australia¹						
GDP	1.5	4 ¼	3 ½	2 ½	2 ½	2 ½
South Australia						
GSP	3.9	3	2 ¼	2 ¼	2 ¼	2 ¼
State Final Demand	3.8	3 ¼	2 ½	2 ¼	2 ¼	2 ¼
Employment	0.9	3 ¼	1	1	1	1
Adelaide CPI	1.5	4	5	3 ¼	2 ¾	2 ¾

¹ Australia forecasts from Commonwealth Government's 2022-23 Budget, Budget Strategy and Outlook, Budget Paper No. 1.

SAFA's 2022-23 Funding Strategy

SAFA's Funding Estimate.

	Actual 2020-21	Estimate 2021-22	Budget 2022-23	Estimate 2023-24	Estimate 2024-25	Estimate 2025-26
SA Public Sector (\$b)	5.3	2.8	2.6	2.8	1.9	1.9
Pre-funding of SA Public Sector (\$b)	-1.3	-0.8	-0.2			
Funding future term maturities (\$b)	1.9	2.0	4.2	3.4	4.0	3.2
Total term funding (\$b)	5.9	4.0	6.6	6.2	5.9	5.1
Commercial Paper (\$b)	2.0	1.5	1.8	1.8	2.8	1.5
1 year AONIA FRN's (\$b)	0.9	1.0	1.0	1.0	1.2	1.5
Total short-term funding (\$b)	2.9	2.5	2.8	2.8	3.0	3.0
Total funding task (\$b)	8.8	6.5	9.4	9.0	8.9	8.1

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.

To meet its 2022-23 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 billion (an increase from the previous \$3.5 billion target), and manage up to an initial \$3.0 billion in the odd calendar years without adding to existing odd year fixed rate lines. 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 2038 fixed rate Select Line bond and a new June 2027 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 shortest 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.

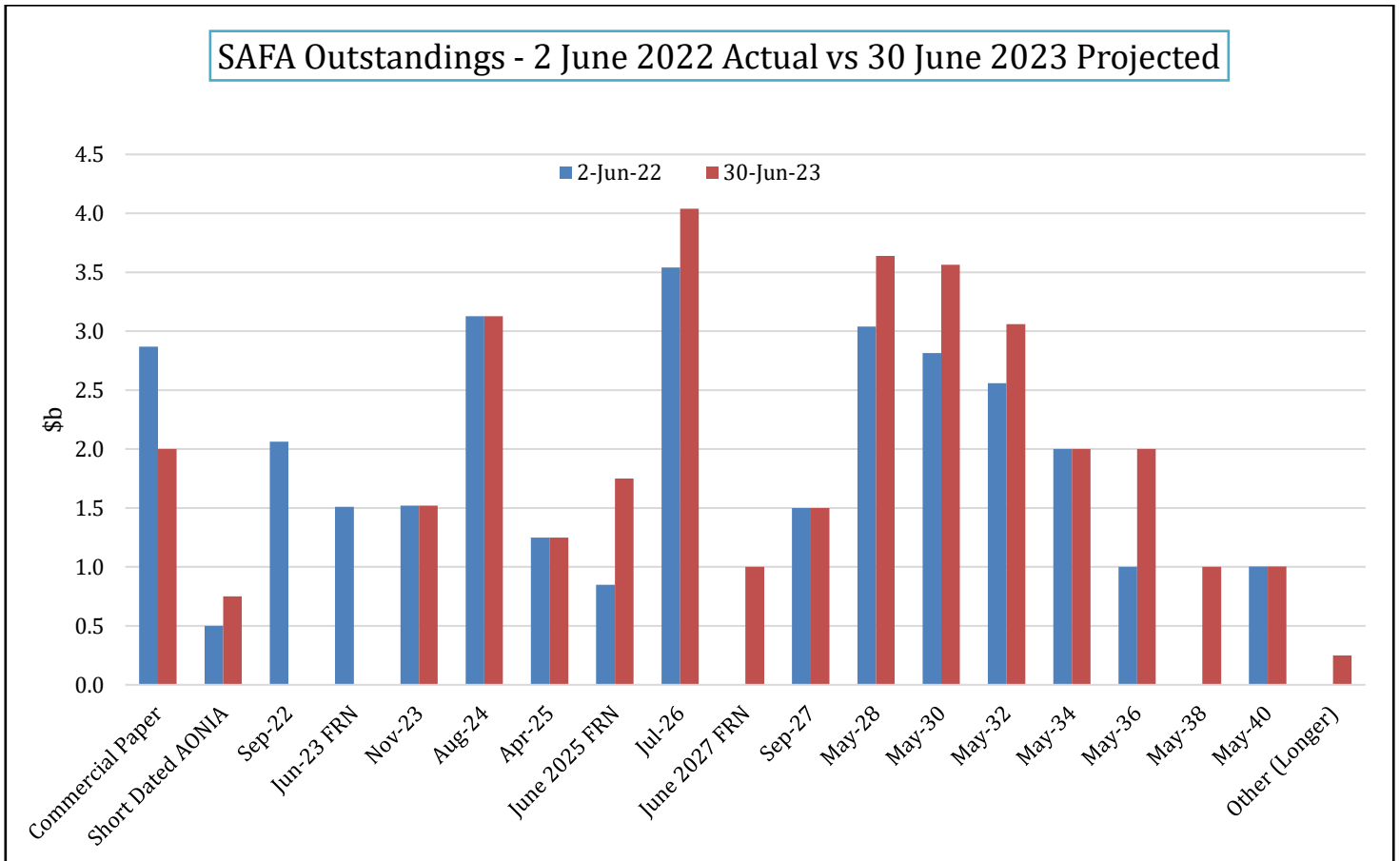
SAFA will continue to provide weekly updates around its outstandings, funding intentions, and market activities should its funding requirements or funding strategy change.

SAFA does not intend to issue any labelled ESG debt as it continues to focus on its strategic objective of delivering a Sustainability Framework for its bond issuance program.

SAFA's current and projected outstanding debt by instrument type:

	2-June-2021	Budget 2022-23	Estimate 2023-24	Estimate 2024-25	Estimate 2025-26
Term debt (\$b)	27.8	30.7	35.4	35.2	40.2
Short term debt (\$b)	2.9	2.8	2.8	3.0	3.0
Total debt outstanding (\$b)	30.7	33.5	38.2	38.2	43.2

Forecast 30 June 2023 SAFA debt maturity profile:



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