

MARKET RELEASE

SAFA'S INDICATIVE FUNDING REQUIREMENT FOR 2018-19

The 2018-19 South Australian State Budget was presented by the Treasurer, the Hon. Rob Lucas MP, on 4 September 2018.

Key General Government sector budget indicators:

	2017-18 Estimated Result	2018-19 Budget	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate
Operating Statement					
Net operating balance (\$m)	-397	48	105	166	211
Net lending/borrowing (\$m)	690	-866	-714	-651	-928
Balance Sheet					
Net debt (\$m)	5 331	6 288	7 076	7 749	8 651

The State is projected to run a net operating balance during 2018-19 of \$48 million, with a net lending deficit of \$866 million.

Net debt in the public trading enterprises is forecast to grow \$438 million to \$7 996 million, while the total non-financial public sector net debt is forecast to grow by \$1 395 million to \$14 284 million, although noting that at the 2017-18 MYBR saw a revision of the net debt estimate from \$13 942 million to \$12 782 million (2017-18 estimated result \$12 889 million) due to the result of additional proceeds from the Land Services commercialisation transaction being realised in the 2017-18 year.

SAFA's Indicative Funding Program for 2018-19:

Funding Requirements	\$'b
New client loans*	1.4
Select Line maturities	2.4
Short term funding	2.0
Pre-funding/liquidity*	0.1
Gross Funding Requirement	5.9

*noting 2017-18 MYBR revision was managed through balance sheet liquidity.

SAFA's funding strategy over 2018-19 will continue to focus on Fixed Rate 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 2018-19, SAFA anticipates that it will fully fund its February 2020 Select Line 12 months prior to maturity as per its revised liquidity guidelines introduced during 2016-17, having fully funded its December 2018 and August 2019 during 2017-18 and pre-budget 2018-19 (having issued in July 2018).

It is SAFA's intention to tap into its existing even years Select Line issues during the year to build liquidity in each Select Line beyond \$2 billion, and will also investigate issuing a new 2030 fixed rate bond during the course of the 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, although to date has not done so.

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 while meeting client borrowing requirements.

SAFA's projected outstandings by instrument type:

	4 Sept 2018 \$b	June 2019 \$b	June 2020 \$b
Select Lines – Fixed & FRN	18.1	18.9	18.0
FRN – Short Dated	Nil	0.1	1.1
Short term funding	2.0	2.0	1.0
Total	20.1	21.0	20.1

During 2017-18 SAFA issued \$2 billion of fixed rate term debt, below its initially projected forecast of \$2.8 billion as already outlined. Short term issuance was in line with projections at \$2 billion.

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

For enquiries please contact:

Andrew Kennedy, Director Treasury Services on (08) 82269840

Davide Caravaglio, Treasury Analyst on (08) 82269411

4 September 2018