

MARKET RELEASE

SAFA's REVISED Funding Requirement for 2017-18

The 2017-18 South Australian Mid-Year Budget Review (MYBR) was presented by the Treasurer, the Hon. Tom Koutsantonis MP on 21 December 2017. The MYBR contains adjustments to projected revenues and expenditure over the current financial year and forward estimates.

A summary of the key General Government sector MYBR indicators are set out below:

	2017-18	2018-19	2019-20	2020-21
	\$'m	\$'m	\$'m	\$'m
Operating Statement				
<u>Net operating balance (\$m)</u>				
Budget	72	132	193	462
MYBR	12	14	110	334
Change since 2017-18 Budget	-59	-118	-83	-128
<u>Net lending (\$m)</u>				
Budget	228	-685	-203	72
MYBR	1,065	-996	-583	-390
Change since 2017-18 Budget	837	-311	-380	-462
Balance Sheet				
<u>Net debt (\$m)</u>				
Budget	6,072	6,733	6,808	6,687
MYBR	4,914	5,873	6,315	6,638
Change since 2017-18 Budget	-1,158	-861	-493	-48
<u>Net debt to revenue (%)</u>				
Budget	31.7	34.9	34.8	33.1
MYBR	25.6	30.5	32.3	32.9
Change since 2017-18 Budget	-6.1	-4.4	-2.5	-0.2

The combined non-financial public sector (NFPS) net debt as at 30 June 2018 is expected to be \$12.8 billion, a \$1.2 billion improvement since the 2017-18 Budget, which is primarily the result of additional proceeds from the Land Services commercialisation transaction and a better than forecast fiscal outcome in the General Government sector in 2016-17.

As a result, SAFA's 2017-18 gross financing task will be revised lower by \$1,200 million to \$3.6 billion, with SAFA decreasing its pre-funding/liquidity requirement by \$1,200 million.

SAFA is projecting the following updated indicative funding program:

Indicative REVISED Funding Program 2017-18

Funding Requirements	\$'bn	Change
New Client Loans	0.1	0.0
Select Line maturities	2.0	0.0
PN and ECP rollovers	2.0	0.0
Pre-Funding/Liquidity	-0.5	-1.2
Gross Funding Requirement	3.6	-1.2

SAFA's funding strategy 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 in 2017-18 or accessing offshore term funding via an EMTN program.

To date SAFA has issued \$1.25 billion of the revised \$2.0 billion term financing requirement and will continue to engage its panel banks and investors and update markets via its regular monthly announcement of its issuance intentions.

The table below highlights SAFA's projected outstandings by instrument type:

Instrument	21 Dec 2017 \$'bn	End June 2018 Projection \$'bn	End June 2019 Projection \$'bn
Select Lines – Fixed & FRN	16.3	17.0	18.0
P-notes & ECP	2.0	2.0	2.0
Total	18.3	19.0	20.0

During 2017-18, SAFA has already added \$500 million to its existing September 2022 and \$750 million to its July 2026 Fixed Rate Select Lines, and subject to market conditions and client demand will investigate increasing the August 2024 Fixed Rate Select Line during Q1 2018, although will postpone the proposed new 2028 until early in 2018-19 in line with the revised funding forecast.

SAFA is continuing to investigate the issuance of a short dated OIS based FRN.

SAFA anticipates that the maximum amount in any Select Line will remain capped at \$2.0 billion, and will be targeting to have outstandings up to this level in each line as soon as feasible.

For enquiries please contact:

Andrew Kennedy, Director Treasury Services on (08) 82269840.

21 December 2017