Government of South Australia

SAFA

MEDIA RELEASE

South Australian Government Financing Authority
State Administration Centre
200 Victoria Square
Adelaide SA 5000

SAFA'S FUNDING REQUIREMENT FOR 2016-17

The 2016-17 South Australian State Budget was presented by the Treasurer, the Hon. Tom Koutsantonis MP on July 7, 2016.

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

	2016-17 Budget $'m	2017-18 Estimate $'m	2018-19 Estimate $'m	2019-20 Estimate $'m
Operating Statement				
Net operating balance ($m)	**254**	**415**	**464**	**466**
Net lending ($m)	**-2,436**	**-310**	**44**	**52**
Balance Sheet				
Net debt ($m)	**6,246**	**6,561**	**6,541**	**6,536**
Net debt to revenue (%)	**34.2**	**34.7**	**34.5**	**33.7**

The State is projected to run a net operating balance during 2016-17 of $254 million, with an increase in net lending of $2,436 million. The increase in net lending is due to the new Royal Adelaide Hospital being recognised on the State's balance sheet as a finance lease liability for $2.8 billion. Further net operating surpluses are forecast over the forward estimates.

Borrowing by the public non-financial corporations is forecast at $683 million, while the general government sector is expected to repay $624 million (net of the NRAH) during 2016-17.

SAFA is projecting the following indicative funding program:

INDICATIVE FUNDING PROGRAM 2016-17

Funding Requirements	$’bn
New Client Loans	**0.1**
Select Line maturities	**0.0**
PN and ECP rollovers	**2.0**
Pre-Funding/Liquidity	**3.4**
Gross Funding Requirement	**5.5**

SAFA’s funding strategy over 2016-17 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 2016-17 or accessing offshore term funding via an EMTN programme.

During 2016-17, SAFA anticipates that it will refinance the September 2017 Select Line maturity via issuing into the existing 2025 and 2026 Select Lines and potentially creating new Select Lines in 2022, 2024 and 2027 subject to client needs and investor demand. It has not yet been determined whether the new Select Lines will be of Fixed or FRN format. SAFA may also issue a short dated OIS based FRN should conditions prove favourable. SAFA anticipates that the maximum amount in any Select Line will remain capped at $2.5 billion, although SAFA will be targeting to have outstandings up to $2 billion in each line as soon as feasible.

SAFA may opt to retire a portion of the September 2017 Select Line to assist with its liquidity management.

SAFA is projecting further term debt issuance of up to $1 billion as it seeks to increase its pre-funding to align with revised liquidity guidelines.

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.

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

Instrument	7 July 2016 $'bn	June 2017 Projection $'bn	June 2018 Projection $'bn
Select Lines – Fixed & FRN	13.7	17.1	17.0
FRN – Short Dated	Nil	0.1	0.1
P-notes	2.3	1.9	2.1
ECP	Nil	0.1	0.1
Total	**16.0**	**19.2**	**19.3**

SAFA's current PN outstandings are above the level initially projected out to end June 2016. The increase in short term funding during the 2015-16 year was due to a run up in liquid assets. Unwinding of this increased short term liquidity will reduce SAFA's projected debt levels, although noting SAFA's intentions to increase its term issuance for liquidity management purposes.

For enquiries please contact:
Andrew Kennedy, Director Treasury Services on (08) 82269840.

July 7, 2016