

## PBR 2007: Revision to the DMO financing remit 2007-08

There are no changes to planned gilt sales in 2007-08 arising from the publication today of the Pre-Budget Report 2007; these remain at £58.4 billion. The gilt auction calendar is also unchanged.

Treasury bill sales are being reduced by £1.6 billion compared to plans announced at Budget 2007 (as adjusted on 23 April 2007<sup>1</sup>). The planned end-March 2008 stock of Treasury bills is now £15.5 billion.

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The latest projections for the public finances have been published today in the Chancellor of the Exchequer's Pre-Budget Report (PBR). The net financing requirement for the DMO has fallen by £1.6 billion to £58.3 billion - this reflects:

- a revised forecast for the Central Government Net Cash Requirement (CGNCR) of £37.3 billion (£0.3 billion lower than the forecast at Budget 2007);
- a revised forecast contribution to financing by National Savings and Investments of £4.2 billion (£1.4 billion higher than the forecast at Budget 2007); and
- secondary market purchases of "rump" gilts by the DMO of £0.1 billion.

The reduced net financing requirement is being met by a reduction of £1.6 billion in planned Treasury bill sales. The planned stock of Treasury bills in market hands is now expected to fall by £0.1 billion in 2007-08 in contrast to plans for an increase of £1.5 billion announced on 23 April.

Planned gilt sales remain unchanged at £58.4 billion, split as follows:

- Short-dated conventional: £10.0 billion (4 auctions)
- Medium-dated conventional: £10.0 billion (4 auctions)
- Long-dated conventional: £ 23.4 billion (11 auctions)
- Index-linked: £15.0 billion (15 auctions)

The revised financing arithmetic is presented in the table below.

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<sup>1</sup> Budget 2007 plans for an increase of £1.4 billion in Treasury bill stocks in 2007-08 were adjusted on 23 April 2007 on the publication of the outturn CGNCR for 2006-07, which was £0.1 billion higher than the forecast at Budget 2007. The resultant increase in the net financing requirement for 2007-08 was met by increasing planned Treasury bill sales to £1.5 billion.

(£bn)	Budget 07*	PBR 07	Changes
CGNCR	37.6	37.3	-0.3
Gilt redemptions	29.2	29.2	
Financing for reserves	0.0	0.0	
Buy-backs	0.0	0.1	0.1
Planned short-term financing adjustment <sup>1</sup>	-4.1	-4.1	
<b>Financing requirement</b>	<b>62.7</b>	<b>62.5</b>	
Less			
NS&I	2.8	4.2	1.4
<b>Net financing requirement</b>	<b>59.9</b>	<b>58.3</b>	<b>-1.6</b>
Financed by			
<b>1. Debt issuance by the DMO</b>			
<b>a) Treasury bills</b>	<b>1.5</b>	<b>-0.1</b>	<b>-1.6</b>
<b>b) Gilt sales</b>	<b>58.4</b>	<b>58.4</b>	
Split:			
<b>Short-dated conventionals</b>	<b>10.0</b>	<b>10.0</b>	
<b>Medium-dated conventionals</b>	<b>10.0</b>	<b>10.0</b>	
<b>Long-dated conventionals</b>	<b>23.4</b>	<b>23.4</b>	
<b>Index-linked gilts</b>	<b>15.0</b>	<b>15.0</b>	
<b>2. Other planned change in short term debt<sup>2</sup></b>			
Ways and Means	0.0	0.0	
<b>3. Unanticipated change in short term cash position<sup>3</sup></b>	<b>0.0</b>	<b>0.0</b>	
<b>Total financing</b>	<b>59.9</b>	<b>58.3</b>	
<b>Short-term debt levels at end of financial year</b>			
T bill stock (in market hands)	17.1	15.5	-1.6
Ways and Means	13.4	13.4	
DMO net cash position	0.5	0.5	
<i>1. To accommodate changes to the current year's financing requirement resulting from (i) publication of the previous year's outturn CGNCR and/or (ii) carry over of unanticipated changes to the cash position from the previous year.</i>			
<i>2. Total planned changes to short-term debt are the sum of: (i) the planned short-term financing adjustment, (ii) Treasury bill sales and (iii) changes to the level of Ways and Means.</i>			
<i>3. A negative (positive) number indicates an increase in (reduction of) the financing requirement for the following financial year.</i>			

\*reflecting the (+£0.1 billion) adjustment to planned Treasury bill sales announced on 23 April.

## Illustrative gross financing projections

Updated PBR projections of the CGNCR from 2008-09 to 2012-13 (derived from the published figures expressed as a percentage of GDP beyond 2008-09) are shown in the table below. These have been added to the redemption totals for the years in question to produce illustrative gross financing requirements. **These are not gilt sales forecasts and make no assumptions about the contribution to financing by NS&I, Treasury bill sales, or any short-term financing adjustment.**

Illustrative financing projections (PBR 2007)					
£bn	2008-09	2009-10	2010-11	2011-12	2012-13
CGNCR projections	<b>38</b>	<b>38</b>	<b>33</b>	<b>34</b>	<b>29</b>
Redemptions	17	16	30	27	8
Financing Requirement*	55	54	63	61	37
<b>CGNCR change since Budget 2007</b>	<b>8</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>na</b>
<i>*indicative gross financing requirements.</i>					

## Gilt sales and the current remit

Progress of gilt sales against the current remit is shown in the table below.

Gilt sales v remit at 9 October 2007 (£ millions).					
	Conventional Gilts			Index-linked gilts	Total
	Short (1-7 yrs)	Medium (7-15yrs)	Long (15 yrs+)		
<b>Gilt sales to date</b>	<b>4,969</b>	<b>4,918</b>	<b>12,736</b>	<b>6,976</b>	<b>29,599</b>
Total planned sales	10,000	10,000	23,400	15,000	58,400
Sales remaining	5,031	5,082	10,664	8,024	28,801
Auctions remaining	2	2	5	8	17

The next gilt auction, of £1,200 million (nominal) of 1 $\frac{7}{8}$ % Index-linked Treasury Gilt 2022 will be held tomorrow, Wednesday 10 October 2007.