**THE UK DEBT MANAGEMENT OFFICE'S FINANCING REMIT FOR 2025-26**

**MINUTES OF ANNUAL CONSULTATION MEETINGS WITH GEMMs AND GILT INVESTORS HELD AT HM TREASURY ON 20 JANUARY 2025**

The Economic Secretary to the Treasury chaired consultation meetings held annually with representatives of the Gilt-edged Market Makers (GEMMs) and gilt investors on 20 January 2025. Officials from HM Treasury and the UK Debt Management Office (DMO) also took part. These meetings provided gilt market participants with the opportunity to inform HM Treasury's decisions regarding the DMO's financing remit for 2025-26.

The gross financing requirement for 2025-26 is currently projected to be £299.6 billion, as published alongside the Office for Budget Responsibility's (OBR's) Economic and Fiscal Outlook (EFO) on 30 October 2024. The DMO's financing remit for 2025-26 will be published alongside the Spring forecast on 26 March 2025, following an updated OBR EFO.

The Economic Secretary opened both meetings by thanking attendees for their commitment to the gilt market in 2024-25.

The main points arising at the meetings are summarised below.

## GEMMs

### 2024-25

Some GEMMs noted that the financing remit had been delivered smoothly in 2024-25 despite the sometimes volatile market environment and the large amount of supply that the market had been required to absorb.

### 2025-26

Strong support was expressed for a reduction in the duration of conventional gilt issuance in 2025-26 relative to the current year, with most of those who offered an opinion advocating for an increased proportion of short and medium gilts and a proportionate reduction in long gilts. Some attendees cited declining structural demand for gilts from the UK pension sector as a factor in their recommendation to reduce long issuance.

A number of attendees suggested that the proportion of index-linked gilt issuance could again be set at a reduced level in 2025-26 relative to previous years, with waning pension fund demand again noted as a driver for this recommendation.

Attendees noted the importance of maintaining some flexibility in the delivery of the remit, in particular to address uncertainty about market conditions. Views were expressed that the size of the unallocated portion of issuance could be increased in 2025-26 in order to assist with smooth delivery of the financing remit. There were also calls for more regular use of gilt tenders as a means to deliver financing in response to demand and market conditions.

Continued issuance of green gilts next year was supported by attendees with many suggesting that one or more new green gilts should be launched, taking into account that the two existing green gilts were approaching benchmark size. Participants in the meeting suggested maturities could be launched across conventional sectors of the curve, with 5- and 20-year maturities most frequently mentioned.

Some participants recommended that the average sizes of gilt auctions could be increased in 2025-26 relative to the current year, with a few suggestions that individual gilt lines could also be built to larger sizes.

A number of attendees suggested that issuance of Treasury bills could make a positive net contribution to financing in 2025-26, with isolated calls for issuance of 9- and 12-month maturities.

**<u>Gilt investors</u>**

**2024-25**

Those investors who provided a view noted that the financing remit had been delivered smoothly so far in 2024-25 despite volatile market conditions during the year.

**2025-26**

Most attendees supported an increase in issuance of shorter maturity conventional gilts and a commensurate reduction in long conventional gilt issuance, with some citing an expectation that there would be a likely decline in demand for longer maturity gilts in 2025-26, in particular from the domestic pension fund sector. Participants also noted robust demand at medium maturities.

The majority of investors who provided recommendations suggested that the proportion of index-linked gilt issuance in 2025-26 should be maintained at broadly the same level as in 2024-25, with isolated calls for the proportion to be reduced.

There was support for continued issuance of green gilts in 2025-26; those investors who expressed an opinion were supportive of building out the green gilt yield curve next year. Support was expressed, in particular, for the launch of new green gilts in the 5-year and 15- to 20-year maturity sectors.

Those investors who provided a view favoured expanding the size of the unallocated portion of issuance in 2025-26 relative to the current year as a means to increase the amount of flexibility available for the DMO to respond in-year to changes in the profile of gilt demand. Some attendees also advocated for the greater use of gilt tenders next year as a means to implement a somewhat more flexible approach to issuance, with a few calls to supply low coupon, or off-the-run, gilts via this issuance method.

Mixed views were expressed about the number and sizes of syndications that could be scheduled in 2025-26, although most participants were supportive of their continued use next year. There were also isolated calls for auctions to be scheduled less frequently but in larger sizes than in 2024-25.

Several attendees commented that retail investors were increasingly interested in investing in the gilt market.

Investors who offered an opinion generally supported increased supply of Treasury bills in 2025-26 relative to the current year, with some citing strength of demand and others suggesting there was scope to develop the market further.

**21 January 2025**