

## **PUBLICATION OF THE DMO REMIT FOR 2003-04. WEBSITE ANNOUNCEMENT**

The DMO remit for 2003-04, published on 9 April 2003 in the Debt and Reserves Management Report 2003-04, includes an increase of £7.4 billion in planned gilt sales in 2003-04, taking them to £47.4 billion, compared with the provisional remit published on 20 March 2003. All sale figures are cash unless stated otherwise.

The Budget forecasts show an increase in the CGNCRs for both 2002-03 and 2003-04 as follows (compared with the PBR forecasts published on 27 November 2002 that were used as the basis for the DMO provisional remit):

- 2002-03 CGNCR increased by £2.7 billion to £21.4 billion.
- 2003-04 CGNCR increased by £5.1 billion to £35.3 billion.

The net financing requirements for the two years have risen as follows:

- 2002-03 by £2.4 billion to £38.3 billion.
- 2003-04 by £5.0 billion to £54.8 billion.

See the revised financing tables below.

The increasing financing requirements have led to the activation of the contingencies published in the DMO provisional remit as follows:

### **Gilt sales**

Planned gilt sales have been increased by £7.4 billion to £47.4 billion, split as follows:

- increased short conventional sales of £3.0 billion to £16.4 billion;
- increased medium conventional sales of £2.4 billion to £13.2 billion;
- increased long conventional sales of £2.0 billion to £11.3 billion.

Index-linked gilt sales remain unchanged at £6.5 billion.

A further auction date of 14 August has been added to accommodate the increase in conventional sales taking the total number of planned auctions to 23 - 5 each of short, medium and long conventionals and 8 of index-linked.

### **Short term debt sales**

As provided for in the provisional remit, the increased financing requirement for 2002-03 was accommodated in the level of short-term debt sales. Because Treasury bill sales for 2002-03 were fixed when the size of the final tender of the financial year was announced on 21 March, this increased financing requirement was accommodated by a faster unwind of the DMO's net cash position than had been anticipated in the provisional remit. The unwind increased by £2.5 billion (compared with the forecast in the provisional remit) to £6.7 billion, reducing the forecast level of the DMO cash position at end-March 2003 to £4.5 billion. This adjustment has fed through into lower short-term debt sales (and hence higher gilt sales) in 2003-04.

Any subsequent adjustment to the CGNCR outturn for 2002-03 (which will be published on 21 April 2003) will also be accommodated in the net cash position.

The planned increase in Treasury bill stocks in 2003-04 remains at £3.2 billion, i.e. unchanged from the provisional remit (resulting in a planned stock at end-March 2004 of £18.2 billion).

### Remit contingencies

The DMO remit includes contingencies that can be triggered in the event that the financing requirement changes. These are:

#### In the event that the financing requirement falls:

- a reduction in planned Treasury bill sales by up to £2.0 billion;
- a reduction in planned conventional gilt sales broadly in proportion to the maturity split outlined in the remit.

#### In the event that the financing requirement rises:

- an increase in planned Treasury bill sales by up to £2.0 billion;
- an increase in planned conventional gilt sales broadly in proportion to the maturity split outlined in the remit (this may include an ultra-short (2-3year) maturity gilt).

### The revised financing arithmetic for 2002-03 and 2003-04

The financing arithmetic (£ billions)	2002-03 20-Mar-03	2002-03 Budget 2003	2003-04 20-Mar-03	2003-04 Budget 2003
<b>CGNCR forecast</b>	18.7	21.4	30.2	35.3
Gilt redemptions	17.0	17.0	21.1	21.1
Buy-backs	0.3	0.4	0.0	0.0
<b>Financing Requirement</b>	36.0	38.8	51.3	56.4
<i>less</i>				
National Savings and Investments	0.2	0.7	1.5	1.5
DMO cash deposit at Bank of England	-0.1	-0.2	0.0	0.1
<b>Net Financing Requirement</b>	35.9	38.3	49.8	54.8
<b>1. Planned gilts sales</b>	26.4	26.3	40.0	47.4
<i>of which:</i>				
Short conventional	8.5	8.4	13.4	16.4
Medium conventional	5.6	5.6	10.8	13.2
Long conventional	7.7	7.7	9.3	11.3
Index-linked	4.6	4.6	6.5	6.5
<b>2. Planned net short-term debt sales</b>	9.5	12.0	9.8	7.4
<i>of which:</i>				
Change in Ways & Means	0.0	0.0	0.0	0.0
Change in T bill stock	5.3	5.3	3.2	3.2
Change in DMO net cash position**	4.2	6.7	6.6	4.2
<b>Short term debt levels</b>				
Ways & Means at end of FY	13.4	13.4	13.4	13.4
T bill stock at end of FY	15.0	15.0	18.2	18.2
DMO net cash position***	6.9	4.5	0.2	0.2
** excluding changes in the DMO's deposit at the Bank of England				
*** including the DMO cash deposit at the Bank of England				

## The gilt auction calendar 2003-04

Gilt Auction Calendar 2003-04	
Date	Type
Wednesday 16 April 2003	2 1/2% Index-linked Treasury 2009
Thursday 24 April 2003	5% Treasury 2014
Tuesday 13 May 2003	New conventional Treasury 2009
Wednesday 28 May 2003	4 1/4% Treasury 2036
Thursday 12 June 2003	5% Treasury 2014
Tuesday 24 June 2003	2 1/2% Index-linked Treasury 2024
Thursday 26 June 2003	New conventional Treasury 2009
Wednesday 2 July 2003	Conventional
Wednesday 16 July 2003	Index-linked
Tuesday 29 July 2003	Conventional
Thursday 14 August 2003	Conventional
Wednesday 10 September 2003	Conventional
Tuesday 23 September 2003	Index-linked
Thursday 25 September 2003	Conventional
Wednesday 15 October 2003	Conventional
Thursday 23 October 2003*	Index-linked
Wednesday 29 October 2003*	Conventional
Tuesday 25 November 2003*	Conventional
Wednesday 10 December 2003	Index-linked
Tuesday 13 January 2004	Index-linked
Wednesday 28 January 2004	conventional
Tuesday 24 February 2004*	Index-linked
Wednesday 24 March 2004*	Conventional

\*Subject to confirmation following the Chancellor's decisions on the Budgetary timetable

## Future GCNCR forecasts

The Budget contains new forecasts of the GCNCR (expressed as a percentage of GDP) for the years to 2007-08. The implied cash numbers are shown in the table below together with the forecast redemption totals to produce *illustrative* gross financing requirements for the years in question. (These take no account of any other possible contributions to financing e.g. from National Savings & Investments, short-term debt sales etc).

Illustrative financing projections				
£bn	2004-05	2005-06	2006-07	2007-08
GCNCR projections (Budget)	28	26	28	26
Redemptions	15	15	18	24
<b>Financing Requirement*</b>	<b>43</b>	<b>41</b>	<b>46</b>	<b>50</b>
<b>Change since PBR</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>4</b>

*\*indicative gross financing requirement*

The Debt and Reserves Management Report 2003-04, including the full version of the DMO remit for 2003-04, will be available on the DMO website at [www.dmo.gov.uk/remit/drmr2003\\_04.htm](http://www.dmo.gov.uk/remit/drmr2003_04.htm).