

AUTUMN BUDGET 2017: UPDATE TO THE DMO FINANCING REMIT 2017-18

1. The 2017-18 Net Financing Requirement (NFR) for the UK Debt Management Office (DMO) is increasing by £0.9 billion (cash¹), compared with the NFR published in April 2017, to £105.6 billion.
2. This change will be accommodated by an increase in planned gilt sales of £0.9 billion to £115.1 billion, specifically with the size of the remaining unallocated portion of gilt issuance rising by £0.9 billion to £1.7 billion. There are no changes to the remaining gilt auction or syndication programmes.
3. Planned Treasury bill issuance will remain unchanged and will make a negative net contribution of £9.5 billion to debt financing in 2017-18.
4. This remit revision reflects the publication today of the Office for Budget Responsibility's (OBR) November 2017 "Economic and fiscal outlook" (EFO) forecast for the central government net cash requirement (excluding NRAM plc, Bradford and Bingley and Network Rail) (CGNCR (ex NRAM, B&B and NR) for 2017-18. The new forecast, at £43.4 billion, represents a downward revision of £4.1 billion relative to Spring Budget 2017.
5. The revision also reflects that the forecast net financing target for NS&I in 2017-18 is being reduced by £5.0 billion to £8.0 billion.
6. The new overall proportions and absolute split of planned gilt issuance at Autumn Budget (AB) are shown in Table 1 compared with: (i) Spring Budget 2017; (ii) the post CGNCR outturn revision in April; and (iii) the position before the AB. Table 1 also reflects the impact of transfers out of the unallocated portion of issuance in the financial year to-date.

Table1. Proportion and absolute split of planned gilt issuance in 2017-18

	Spring Budget 2017	April 2017 Revision	Pre-Autumn Budget plans	Autumn Budget 2017
(%)				
Short	23.8%	23.8%	25.6%	25.4%
Medium	19.3%	19.3%	20.1%	20.0%
Long	28.1%	28.1%	29.2%	29.0%
Index-linked	23.1%	23.1%	24.3%	24.2%
<i>Unallocated</i>	<i>5.7%</i>	<i>5.7%</i>	<i>0.7%</i>	<i>1.5%</i>
(£bn)				
Short	27.4	27.2	29.2	29.2
Medium	22.2	22.0	23.0	23.0
Long	32.3	32.1	33.4	33.4
Index-linked	26.6	26.4	27.8	27.8
<i>Unallocated</i>	<i>6.6</i>	<i>6.5</i>	<i>0.8</i>	<i>1.7</i>
Total	115.1	114.2	114.2	115.1
<i>Figures may not sum due to rounding</i>				

¹ All figures are in cash terms unless stated otherwise.

Gilt syndication programme

7. As noted above, there are no changes to planned gilt sales via syndication, which remain at a minimum of £23.7 billion. In particular, it is currently planned that an index-linked gilt syndication will be held in the final quarter of the financial year, aiming to raise a minimum of £3.9 billion. The scheduling of the syndication in the January-March 2018 period will be discussed at the next consultation meetings with gilt market participants on 27 November 2017.

Treasury bill sales

8. At the Spring Budget 2017 it was anticipated that Treasury bill issuance would make a negative net contribution of £9.5 billion to debt financing in 2017-18. This remains unchanged, implying an assumed level for the Treasury bill stock for debt financing purposes at end-March 2018 of £60.0 billion.

Illustrative gross financing projections

9. Table 2 below shows illustrative gross financing projections for the CGNCR (ex NRAM, B&B and NR) from 2018-19 to 2022-23. These include forecasts of gilt redemptions in these years (which make no assumptions about future gilt issuance) and planned financing for the reserves. The illustrative gross financing requirements below are not gilt sales forecasts; they make no assumptions about any contributions to financing from net Treasury bill sales or NS&I.

Table 2. Illustrative gross financing requirements 2018-19 to 2022-23

£ billion	2018-19	2019-20	2020-21	2021-22	2022-23
CGNCR (ex NRAM, B&B and NR)	45.4	46.5	62.6	54.6	56.0
Gilt redemptions	67.3	99.1	97.6	79.3	73.3
Planned financing for the reserves	6.0	6.0	0.0	0.0	0.0
Total illustrative gross financing requirement	118.7	151.6	160.3	133.9	129.4
<i>Figures may not sum due to rounding</i>					

10. The re-stated financing arithmetic for 2017-18 is at Annex A.
11. The planned split of gilt issuance by type, maturity and issuance method is at Annex B.

Annex A: Financing arithmetic 2017-18

£ billion	2017-18 April outturn revision	2017-18 Autumn Budget
CGNCR (ex NRAM, B&B and NR) ¹	47.4	43.4
Gilt redemptions	79.5	79.5
Planned financing for the reserves	6.0	6.0
Financing adjustment carried forward from previous financial years	-15.2	-15.2
Gross Financing Requirement	117.7	113.6
<i>Less:</i>		
NS&I net financing	13.0	8.0
Other financing ²	0.0	0.0
Net Financing Requirement (NFR) for the DMO	104.7	105.6
DMO's NFR will be financed through:		
Gilt sales, through sales of:		
- Short conventional gilts	27.2	29.2
- Medium conventional gilts	22.0	23.0
- Long conventional gilts	32.1	33.4
- Index-linked gilts	26.4	27.8
- Unallocated amount of gilts	6.5	1.7
Total gilt sales for debt financing	114.2	115.1
Total net contribution of Treasury bills for debt financing	-9.5	-9.5
Total financing	104.7	105.6
DMO net cash position	0.5	0.5
<i>Figures may not sum due to rounding</i>		
¹ Central Government Net Cash Requirement (excluding NRAM plc, Bradford and Bingley and Network Rail)		
² Prior to publication of the end-year outturn in April each year, this financing item will mainly comprise estimated revenue from coinage		

Annex B: Planned split of gilt issuance by type, maturity and issuance method in 2017-18

	Auction	Syndication	Gilt tenders	Unallocated	Total
Short conventional					
£ billion	29.2	0.0	0.0		29.2
Per cent					25.4%
Medium conventional					
£ billion	23.0	0.0	0.0		23.0
Per cent					20.0%
Long conventional					
£ billion	23.1	10.3	0.0		33.4
Per cent					29.0%
Index-linked					
£ billion	14.4	13.4	0.0		27.8
Per cent					24.2%
Unallocated					
£ billion				1.7	1.7
Per cent					1.5%
Total £ billion	89.7	23.7	0.0	1.7	115.1
Total per cent	77.9%	20.6%	0.0%	1.5%	
<i>Figures may not sum due to rounding</i>					