DMO REMIT 2002-03

There are no substantive changes to the DMO's remit for 2002-03 in light of the new public finances forecast published in today's Budget. Planned gilt sales have been reduced by £0.6 billion to £22.4 billion (cash) (by reducing long conventional issuance). All other changes are reflected in the size of the DMO's net cash position.

The run down of the cash position in 2002-03 has been increased by £0.4 billion to £5.4 billion leaving a target balance the end of March 2003 of £5.7 billion (£3.0 billion higher than forecast on 14 March 2002 when the DMO's provisional remit was published). Other key points to note are:

2001-02

- The outturn for the CGNCR is £3.4 billion lower at £2.9 billion and the net financing requirement is also £3.4 billion lower at £22.3 billion.

- The lower CGNCR outturn for 2001-02 has resulted in a lower than forecast run down in the size of the DMO's net cash position. At end-March 2002, the DMO's net cash position was £11.0 billion (£3.3 billion higher than forecast on 14 March 2002). The other changes to the financing arithmetic in 2001-02 are:

  i. a slightly higher level of debt buy-backs (£0.6 billion as opposed to £0.5 billion);

  ii. a slightly higher run down of DMO's cash deposit at the Bank of England (£0.4 billion as opposed to £0.3 billion).[1]

2002-03

- The forecast net financing requirement has fallen by £0.2 billion to £32.1 billion since 14 March. This has been caused by a combination of:

  i. a reduction of £0.1 billion in the forecast CGNCR to £13.5 billion;

  ii. a reduction of £0.2 billion to £17.0 billion in the expected level of gilt redemptions (as a consequence of purchases of near maturity gilts by the DMO in March 2002);

  iii. the need to refinance the DMO's cash deposit at the Bank of England by £0.1 billion (to restore it to its target level of £0.2 billion).

[1] The DMO's cash deposit at the Bank of England is targeted to be £200 million. It ended the 2000-01 financial year at £0.5 billion and the financing arithmetic for 2001-02 assumed it would be run down by £0.3 billion to return it the target level. The outturn on 28 March was £0.1 billion.

Over the financial years 2001-02 and 2002-03 the financing requirement has fallen by £3.6 billion compared to the forecasts on 14 March. £3.0 billion of this has been taken account of by the change in the level of the DMO's net cash position at end-March 2003, the remainder by a reduction in long conventional gilt sales of £0.6 billion (cash) to £6.9 billion (cash).

The revised financing arithmetic is below:

The financing arithmetic (£ billions)	**2001-02**	**2002-03**
CGNCR forecast	**2.9**	**13.5**
Prefinancing forex debt	1.2	0.0
Gilt redemptions	17.8	17.0
Buy-backs	0.6	0.0
Financing Requirement	**22.5**	**30.5**
less		
NS&I contribution	-0.2	-1.5
Change in DMO cash deposit at BoE	0.4	-0.1
Net Financing Requirement	**22.3**	**32.1**
Financed by:		
1. Planned gilts sales	**13.7**	**22.4**
of which:		
Short conventional	0.0	5.5
Medium conventional	4.8	5.5
Long conventional	5.4	6.9
Index-linked	3.7	4.5
2. Planned net short-term debt sales	**8.6**	**9.7**
Change in Ways & Means	0.0	0.0
Change in T bill stock	6.4	4.3
Change in DMO net cash position*	2.2	5.4
Short term debt levels		
Ways & Means at end of FY	13.4	13.4
T bill stock at end of FY	9.7	14.0
DMO net cash position**	11.0	5.7
*excluding changes in the DMO's deposit at the Bank of England.		
** including DMO cash deposit at the Bank of England.		
Figures may not sum due to rounding.		