

DMO WEB ANNOUNCEMENT: 5 DECEMBER 2005

PBR 2005: REVISION TO THE DMO FINANCING REMIT 2005-06

The latest projections for the public finances have been published today in the Pre-Budget Report (PBR). The forecast for the Central Government Net Cash Requirement (CGNCR) in 2005-06 has increased by £3.1¹ billion to £43.3 billion.

The net financing requirement for the DMO has increased by £2.6 billion to £51.2 billion following an increase of £0.7 billion in the forecast contribution to financing by National Savings & Investments (NS&I). See table 1 below for the revised financing arithmetic.

The increased net financing requirement is being met by:

- An increase in planned gilt sales of £1.2 billion, split as follows:
 - short conventionals: £0.2 billion (new annual total £12.3 billion)
 - medium conventionals: £0.2 billion (new annual total £11.3 billion)
 - index-linked: £0.8 billion (new annual total £10.8 billion)
- an increase in planned Treasury bill sales of £1.2 billion; implying a reduction of £1.1 billion in the stock of Treasury bills over this financial year.

These changes take the total of planned gilt sales in 2005-06 to £52.3 billion and the planned level of Treasury bill stocks at end-March 2006 to £19.2 billion.

One additional index-linked gilt auction will be held on Wednesday 14 December 2005. The gilt to be auctioned on that date will be 4½ % Index-linked Treasury Stock 2030.

The size of the auction on 14 December 2005 will be announced by the DMO at 3.30pm on Tuesday 6 December 2005.

In the final quarter of the financial year there will be four conventional auctions, one short, two medium and one long; and three index-linked auctions. The revised gilt auction calendar is shown in the table below. More details about the Q4 2005-06 gilt auction calendar will be announced by the DMO at 3.30pm on Friday 16 December 2005, following the regular quarterly consultation meetings with market participants on Monday 12 December.

Date	Gilt
Wednesday 7 December 2005	4¼% Treasury Gilt 2055. £2.25bn (nom).
Wednesday 14 December 2005	4½ % Index-linked Treasury Stock 2030
Tuesday 10 January 2006	Conventional
Tuesday 24 January 2006	Index-linked
Thursday 26 January 2006	Conventional
Tuesday 7 February 2006	Index-linked
Thursday 16 February* 2006	Conventional
Wednesday 1 March* 2006	Conventional
Tuesday 7 March* 2006	Index-linked

* dates subject to confirmation following the Chancellor's decision on the Budgetary timetable.

¹ All figures are cash unless otherwise stated.

Table 1 revised financing arithmetic

2005-06 Financing arithmetic (£bn)	April	PBR
CGNCR	40.2	43.3
Redemptions	14.6	14.6
Financing for reserves	0.0	0.0
Buy-backs	0.0	0.0
Planned short-term financing adjustment ¹	-2.7	-2.5
Financing requirement	52.1	55.4
Less		
NS&I contribution to financing	3.5	4.2
Net Financing requirement	48.6	51.2
Financed by		
1. Debt issuance by the DMO		
a) T bills	-2.5	-1.1
b) Gilt sales	51.1	52.3
of which		
Short conventionals	12.1	12.3
Medium conventionals	11.1	11.3
Long conventionals	17.9	17.9
Index-linked	10.0	10.8
2. Other planned change in short term debt²		
Ways and Means	0.0	0.0
3. Unanticipated change in short term cash position³	0.0	0.0
Total financing	48.6	51.2
Short-term debt levels at end of financial year		
T bill stock (in market hands)	18.0	19.2
Ways and Means	13.4	13.4
DMO net cash position	0.2	0.2
<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. The latest figure has been adjusted to account for £0.2bn of purchases of Treasury bills by the DMO in March which reduced the end 2004-05 cash position and increased the net financing requirement in 2005-06 accordingly</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>		

The PBR also includes projections of the CGNCR from 2006-07 to 2010-11 (in terms of a percentage of GDP beyond 2006-07). The implied CGNCRs below have been added to the redemption totals to produce illustrative gross financing requirements for the next five financial years. These are **not** gilt sales forecasts and make no assumptions about the contribution to financing by NS&I or the volume of Treasury bill sales.

Table 2 illustrative gross financing requirements.

Illustrative financing projections (<i>figures may not sum due to rounding</i>)					
£bn	2006-07	2007-08	2008-09	2009-10	2010-11
CGNCR projections	40	37	31	33	29
Redemptions	30	29	18	16	20
Financing Requirement*	70	66	49	49	49
CGNCR change since Budget	6	5	1	1	na