

DMO WEB ANNOUNCEMENT: 16 MARCH 2005

DMO Remit 2005-06 – including issuance of ultra-long gilts

The DMO's Remit for 2005-06 has been published today as part of the Budget 2005 announcements. The main points are summarised below – more details of the Remit are included in the Debt and Reserves Management Report (DRMR) 2005-06. The DMO is also publishing today its response to the consultation on ultra-long gilt issuance (see below).

Gilt sales

Gilt sales of £53.5 billion are planned for 2005-06 – split as follows:

- £12.5 billion of short conventionals - in 4 auctions
- £11.5 billion of medium conventionals - in 4 auctions
- £18.5 billion of long conventionals* - in 7 auctions
- £11.0 billion of index-linked gilts* - in 11 auctions

* Long conventional and index-linked gilts may include issuance of ultra-long gilts, with a maturity of up to circa 50-years.

The auction calendar is reproduced at Table 1 below

Treasury bill sales

The stock of Treasury bills in market hands is scheduled to fall by £1.0 billion in 2005-06, taking the planned stock at-end March 2006 to £19.5 billion.

Changes to the financing requirement

The DRMR includes new forecasts for the CGNCR of £42.9 billion for 2004-05 and £40.2 billion in 2005-06. These are increases of £3.2 billion and £4.2 billion since the forecasts published in the 2004 Pre-Budget Report (PBR). Other changes contributing to financing in 2004-05 since PBR are:

- an increase of £2.0 billion in Treasury bill sales, taking the planned end-March stock to £20.5 billion;
- an increase of £0.1 billion secondary market gilt purchases by the DMO.

The gross financing requirement for 2005-06 is forecast to be £54.7 billion. After taking account of National Savings & Investments' estimated net contribution to financing of £3.5 billion, the net financing requirement is forecast to be £51.2 billion. This is being financed by gilt sales of £53.5 billion, and a net reduction in short-term debt levels of £2.3 billion (comprising a reduction in the stock of Treasury bills of £1.0 billion and an increase in the DMO net cash position of £1.3 billion). The financing tables for 2004-05 and 2005-06 are reproduced at Table 2 below. Also reproduced at Table 3 below are illustrative financing projections out to 2009-10.

Ultra-long gilt consultation

The DMO's response to the ultra-long gilt consultation is published today and is available at www.dmo.gov.uk/gilts/public/consdoc160305.pdf The main conclusions which have been incorporated into the DMO Remit for 2005-06 are:

- From 2005-06, the DMO may issue conventional and index-linked gilts with maturities of up to approximately 50-years;
- Ultra-long conventional gilts may be issued from the first quarter of 2005-06 but new index-linked gilts with a three-month lag will not be issued before the second quarter;
- Decisions on specific maturities for the total issuance in any one quarter will be announced at the end of the preceding quarter, in the regular quarterly announcement on gilt issuance plans; and
- The DMO will **not** issue conventional or index-linked annuity type gilts in 2005-06 or in the near future.

Table 1: Gilt auction calendar

Date	Type
2005	
12 April	Index-linked
14 April	Conventional
28 April	Conventional
24 May	Index-linked
26 May	Conventional
7 June	Conventional
23 June	Index-linked
14 July	Conventional
26 July	Index-linked
2 August	Conventional
6 September	Conventional
22 September	Index-linked
27 September	Conventional
11 October	Index-linked
13 October	Conventional
25 October	Index-linked
8 November ¹	Conventional
24 November ¹	Index-linked
6 December ¹	Conventional
2006	
10 January	Conventional
24 January	Index-linked
26 January	Conventional
7 February	Index-linked
16 February ¹	Conventional
1 March ¹	Conventional
7 March ¹	Index-linked
1. Subject to confirmation following the Chancellor's decisions on the Budgetary timetable. In the event that the General Election is held in the week of an auction date(s), the DMO will reschedule the auction(s).	

Table 2: Financing arithmetic

The financing arithmetic (£bn)	2004-05	2005-06
CGNCR forecast	42.9	40.2
Gilt redemptions	14.7	14.5
Financing for the Official Reserves	0.0	0.0
Buy-backs	0.1	0.0
Financing Requirement	57.7	54.7
<i>less</i>		
National Savings and Investments	2.0	3.5
DMO cash deposit at the Bank of England	0.0	0.0
Net Financing Requirement	55.7	51.2
Financed by:		
1. Debt Issuance by the DMO		
a) Change in T bill stock	1.2	-1.0
b) Planned gilt sales	50.3	53.5
<i>of which:</i>		
Short conventional	17.6	12.5
Medium conventional	10.2	11.5
Long conventional	14.5	18.5
Index-linked	8.0	11.0
2. Planned changes in Govt short term cash position		
Change in Ways & Means	0.0	0.0
Change in short-term cash position ¹	4.2	-1.3
Net change in short-term debt²	5.4	-2.3
3. Unanticipated changes in net short-term debt		
Change in DMO net cash position ¹	-1.3	-
Short term debt levels		
T bill stock at end of FY	20.5	19.5
Ways & Means at end of FY	13.4	13.4
DMO net cash position ³ at end of FY	-1.1	0.2
<i>Figures may not sum due to rounding</i>		
<i>1. Including changes in the DMO's cash deposit at the Bank of England</i>		
<i>2. Includes planned change to Treasury bill stock</i>		
<i>3. Including the DMO cash deposit at the Bank of England</i>		

Table 3: Illustrative financing projections

Illustrative financing projections (figures may not sum due to rounding)					
£bn	2005-06	2006-07	2007-08	2008-09	2009-10
CGNCR projections	40	34	32	30	32
Redemptions	15	30	29	15	16
Financing Requirement*	55	64	61	45	48
CGNCR change since PBR	4	2	3	5	4
<i>*indicative gross financing requirements 2006-07 onwards</i>					