

PRE-BUDGET REPORT: REVISION TO THE DMO REMIT 2002-03

The latest projections for the public finances have been published in the Chancellor's Pre-Budget Report (PBR). The forecast of the CGNCR for 2002-03 has increased by £5.2 billion to £18.7 billion¹. The net financing requirement has increased by £5.0 billion² to £37.1 billion. The DMO plans to meet the additional financing requirement by:

- an increase of £3.8 billion in planned gilt sales and
- an increased run-down of £1.2 billion in the DMO's net short-term cash position.

A revised financing table is published below along with the latest projections of future CGNCRs.

Changes to planned gilt sales

Planned gilt sales are being increased by £3.8 billion to £26.2 billion, this is being achieved by:

- adding a further short conventional gilt auction: planned short gilt sales are being increased by £3.0 billion to £8.5 billion.
- increasing planned long conventional gilt sales by £0.8 billion to £7.7 billion. (See the separate announcement about the details of the auction of 5% Treasury Stock 2025 on 3 December.)
- the additional gilt auction will be held on Wednesday 15 January 2003.

Gilt auction calendar

The details of the stocks to be auctioned in the final quarter of the current financial year will be the subject of consultation with gilts market participants on 9 December and will be announced by the DMO at 3.30pm on Friday 20 December. Following today's announcement the gilt auction calendar for the remainder of the current financial year is:

Date	Stock
Tuesday 3 December 2002	5% 2025 (£2.75 billion nominal)
Wednesday 15 January 2003	Conventional
Wednesday 22 January 2003	Index-linked
Wednesday 26 February 2003*	Conventional
Wednesday 26 March 2003*	Conventional

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

¹ All figures are cash unless otherwise stated.

² Secondary market net gilt purchases of £0.3 billion and a reduction of £0.5 billion in NS&I's expected de-financing have impacted on the net financing requirement.

Changes to planned levels of short-term debt

- The planned run-down of the DMO's net short-term cash position is being increased by £1.2 billion to £6.6 billion, taking the planned outstanding level to £4.4 billion at the end of March 2003.
- There is no change to the planned level of Treasury bill sales in 2002-03; the planned end-March 2003 level of Treasury bill stocks remains at £14.0 billion.

The revised gilt financing arithmetic

The financing arithmetic (£ billions)	2002-03 Budget	2002-03 PBR
CGNCR forecast	13.5	18.7
Prefinancing forex debt	0.0	0.0
Gilt redemptions	17.0	17.0
Buy-backs	0.0	0.3
Financing Requirement	30.5	36.0
<i>less</i>		
National Savings and Investments	-1.5	-1.0
DMO cash deposit at Bank of England	-0.1	-0.1
Net Financing Requirement	32.1	37.1
<i>Financed by:</i>		
1. Planned gilts sales	22.4	26.2
<i>of which:</i>		
Short conventional	5.5	8.5
Medium conventional	5.5	5.5
Long conventional	6.9	7.7
Index-linked	4.5	4.5
2. Planned net short-term debt sales	9.7	10.9
<i>of which:</i>		
Change in Ways & Means	0.0	0.0
Change in T bill stock	4.3	4.3
Change in DMO net cash position*	5.4	6.6
Short term debt levels		
Ways & Means at end of FY	13.4	13.4
T bill stock at end of FY	14.0	14.0
DMO net cash position**	5.6	4.4
<i>*excluding changes in the DMO's deposit at the Bank of England</i>		
<i>** including the DMO cash deposit at the Bank of England</i>		

The PBR also includes forecasts of the CGNCR in future years; these are reflected in the table below (£ billion):

£ bn		2003-04	2004-05	2005-06	2006-07	2007-08
Redemptions		20.6	15.2	14.6	18.3	24.0
CGNCR	Budget 2002	17.8	16.3	20.3	24.3	n.a.
	PBR	30.2	21.9	21.2	24.0	21.6