

24 April 2012

CGNCR OUTTURN 2011-12: REVISION TO THE DMO'S FINANCING REMIT 2012-13

The Government's net financing requirement for 2012-13 has fallen by £3.9 billion (to £162.5 billion) compared to the forecast at Budget 2012. Compared to the plans announced at the Budget on 21 March 2012, the lower net financing requirement will be met by:

- lower gilt sales of £3.3 billion and
- lower net Treasury bill sales of £0.6 billion.

A) Gilt Sales

2. Planned gilt sales in 2012-13 are being reduced by £3.3 billion to £164.4 billion. As a consequence, the conventional gilt auction previously scheduled for 20 December 2012 has been cancelled.

3. The reductions to planned gilt sales by type and maturity compared to the plans announced at Budget 2012 are shown in the table below.

(£bn)	Budget 2012	Reduction	New Target
Short	51.6	1.2	50.4
Medium	34.9	0.4	34.5
Long	37.6	0.4	37.2
Index-linked	36.1	0.8	35.3
Mini-tenders	7.5	0.5	7.0
	167.7	3.3	164.4

4. The reductions to planned gilt sales by method of distribution are shown in the table below.

(£bn)	Budget 2012	Reduction	New Target
Auctions	126.7	1.8	124.9
Syndications	33.5	1.0	32.5
Mini-tenders	7.5	0.5	7.0
	167.7	3.3	164.4

5. One short conventional gilt auction is being cancelled, reducing the total number of planned auctions to 44 (11 short, 10 medium, 11 long and 12 index-linked). The £1.0 billion reduction in planned gilt sales via syndications is split equally between long conventional and index-linked gilts.

6. The revised planned structure of outright gilt issuance is shown in the table below.

(£ billion)	Auction	Syndication	Mini-tender	Total
Short conventional				
£ billion	50.4			50.4
Per cent				30.7%
Medium conventional				
£ billion	34.5			34.5
Per cent				21.0%
Long conventional				
£ billion	23.7	13.5		37.2
Per cent				22.6%
Index-linked				
£ billion	16.3	19.0		35.3
Per cent				21.5%
Total	124.9	32.5	7.0	164.4
	76.0%	19.8%	4.3%	

B) Treasury bills

6. The Treasury bill stock in 2012-13 is being reduced by a further £0.6 billion (from -£1.3 billion to -£1.9 billion) to offset £0.6 billion of additional sales of Treasury bills on a bilateral basis that took place in the second half of March 2012. These additional sales raised the Treasury bill stock at end-March 2012 to £70.4 billion. The planned Treasury bill stock at end-March 2013 remains unchanged at £68.5 billion, as published at Budget 2012.

C) Changes to the financing requirement

7. The factors accounting for the reduction in the 2012-13 net financing requirement since Budget 2012 are:

- the CGNCR outturn for 2011-12 of £126.4 billion, is £3.5 billion lower than forecast at Budget 2012;
- the contribution to net financing from Treasury bills in 2011-12 of £6.8 billion is £0.6 billion higher than forecast at Budget 2012; and
- the contribution to financing in 2011-12 from National Savings & Investments of £4.0 billion is now forecast to be £0.3 billion lower than was forecast at Budget 2012.



8. The updated financing arithmetic is at Annex A
9. Current gilt sales (excluding the proceeds from today's syndicated offering of 3¾% 2052) relative to the new remit targets are at Annex B.
10. This announcement will be appearing on the DMO website at www.dmo.gov.uk



Annex A: The updated financing arithmetic 2011-12 and 2012-13

£ billions	2011-12	2012-13
Central Government Net Cash Requirement	126.4	121.0
Gilt redemptions	49.0	52.9
Financing for the Official Reserves	6.0	6.0
Gilt secondary market purchases ¹	0.0	0.0
Planned short-term financing adjustment ²	-8.6	-17.4
Gross Financing Requirement	172.8	162.5
Less:		
Contribution from National Savings & Investments	4.0	0.0
Net Financing Requirement	168.8	162.5
Financed by:		
1. Debt issuance by the DMO		
a) Treasury bills (net stock change in financial year)	6.8	-1.9
b) Gilt sales (planned outright sales)	179.4	164.4
Short-dated conventionals	60.6	50.4
Medium-dated conventionals	40.1	34.5
Long-dated conventionals	39.7	37.2
Index-linked	39.0	35.3
Mini-tenders		7.0
2. Other planned changes in short term debt³		
Ways and Means	0.0	0.0
3. Change in the DMO short term cash position⁴	17.4	0.0
Total financing	186.2	162.5
Short-term debt levels at end of financial year		
Treasury bill stock (in market hands) ⁵	70.4	68.5
Ways and Means	0.4	0.4
DMO net cash position	17.9	0.5
<i>Figures may not sum due to rounding.</i>		
<i>1. Purchases of "rump gilts", with a small nominal outstanding, in which Gilt-edged Market Makers (GEMMs) are not required to make two-way markets. The Government will not sell further amounts of such gilts to the market but the DMO is prepared, when asked by a GEMM, to make a price to purchase such gilts.</i>		
<i>2. To accommodate changes to the stated year's financing requirement resulting from: (i) publication of the previous year's CGNCR outturn, (ii) an increase in the DMO's cash position at the Bank of England, and/or (iii) carry over of unanticipated changes to the cash position from the previous year.</i>		
<i>3. Total planned changes to short-term debt are the sum of (i) the planned short-term financing adjustment, (ii) net Treasury bill sales, and (iii) changes to the level of the Ways and Means Advance.</i>		
<i>4. The change in the short-term cash position for 2011-12 (and the level of the net short term cash position at the end of the financial year) reflects changes to the public finance forecasts, any changes to financing from NS&I and Treasury bills (including those sold direct to counterparties separately from weekly tenders). It will also reflect any variances between the gilt sales outturn and plans. In addition, the change will include any impact on financing arising from other activities carried out within Government (e.g. issuance of tax instruments, transfers between central government and other sectors, and foreign exchange transactions). The zero change for the short-term cash position in 2012-13 assumes that the DMO's planning assumption for the end-year Treasury bill stock is met. A negative (positive) number here indicates an increase in (reduction in) the financing requirement for the following financial year.</i>		
<i>5. The DMO has flexibility to vary the end-financial year stock subject to its operational requirements.</i>		



Annex B: Gilt sales¹ relative to the new remit targets

Gilt sales relative to remit plans at 2011-12 CGNCR outturn (£ millions)					
	Conventional Gilts			Index-linked gilts	Total
	Short	Medium	Long		
Auction sales to-date	4,465	3,760	2,371	1,399	11,995
PAOF proceeds to-date	0	376	0	130	506
Syndication sales to-date			0	0	0
Mini-tender sales to date	0	0	0	0	0
Total gilt sales to date	4,465	4,136	2,371	1,529	12,501
Auction sales required to meet plans (excludes PAOF proceeds)	45,935	30,740	21,329	14,901	112,905
Number of auctions remaining	10	9	10	11	40
Currently required average auction sizes	4,593	3,416	2,133	1,355	
Syndication sales required to meet plan			13,500	19,000	32,500
Mini-tender sales required to meet plan					7,000
Planned gilt sales at auctions	50,400	34,500	23,700	16,300	124,900
Number of auctions scheduled	11	10	11	12	44
Planned gilt sales by syndication			13,500	19,000	32,500
Planned sales by mini-tender					7,000
Total planned supplementary gilt sales					39,500
Total planned gilt sales					164,400
Planned gilt sales at auctions	50,400	34,500	23,700	16,300	124,900
Number of auctions scheduled	11	10	11	12	44

¹ Gilt sales shown here are up to and including the proceeds from the gilt auction on 19 April 2012.

