

## **AUTUMN STATEMENT 2016: UPDATE TO THE DMO FINANCING REMIT 2016-17 AND CHANGES TO AUCTIONS SCHEDULED FOR DECEMBER 2016**

1. The 2016-17 Net Financing Requirement (NFR) for the UK Debt Management Office (DMO) is rising by £20.6 billion (cash<sup>1</sup>), compared with the figure published in April 2016, to £152.1 billion.
2. The increase will be financed by additional gilt sales of £15.0 billion and additional net Treasury bill sales of £5.6 billion. Four additional gilt auctions and one additional syndication are planned.
3. This remit revision reflects the publication today of the Office for Budget Responsibility's (OBR) November 2016 "Economic and fiscal outlook" (EFO) forecast for the Central Government Net Cash Requirement (CGNCR) (excluding NRAM plc, Bradford and Bingley (B&B) and Network Rail (NR)) for 2016-17. The new forecast, at £85.7 billion is £23.6 billion higher than the forecast published at Budget 2016. Part of the Gross Financing Requirement (GFR) is being met by a £3.0 billion increase in the forecast net contribution to financing in 2016-17 by NS&I.

### **Changes to planned gilt sales**

4. The £15.0 billion increase in gilt sales takes the total of planned outright gilt sales in 2016-17 to £146.5 billion. The split of additional planned gilt sales is shown in Table 1 below.
5. The new post-Autumn Statement (AS) gilt issuance split is also shown in Table 1 and is compared with a pre-AS split, which shows the impact of transfers out of the unallocated portion of issuance in the financial year to-date. The post-AS split is also compared with that announced at the previous remit revision in April (which maintained the Budget 2016 split). Finally, Table 1 shows the marginal associated changes to the new planned skew of issuance compared with the April remit revision.

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<sup>1</sup> All figures are in cash terms unless stated otherwise.

**Table 1: Changes to the planned split of gilt issuance**

Splits (£bn)	April revision	Pre-AS position	Post-AS	Increase at AS
Short	31.0	31.8	37.8	6.0
Medium	25.2	25.7	28.7	3.0
Long	36.8	38.7	43.0	4.3
Index-linked	30.5	33.7	35.4	1.7
Unallocated	8.0	1.6	1.6	0.0
	131.5	131.5	146.5	15.0
Splits (%)	April revision	Pre-AS position	Post-AS	Change v April
Short	23.6	24.2	25.8	2.2
Medium	19.2	19.5	19.6	0.4
Long	28.0	29.4	29.3	1.3
Index-linked	23.2	25.6	24.2	1.0
Unallocated	6.1	1.2	1.1	-5.0
<i>Figures may not sum due to rounding</i>				

**Changes to planned gilt operations****a) Gilt auctions**

6. Planned gilt sales via auction are increasing by £10.7 billion to £110.2 billion. Two additional short auctions are planned, together with one additional medium auction and one index-linked auction. The split between maturities and types of gilt at auction is shown in Table 2, together with associated average auction sizes (for comparison the average auction sizes at the April 2015 remit revision are also shown).

**Table 2: Increases to the gilt auction programme and associated average auction sizes**

(£bn)	Increase to target	New targets	Average auction sizes pre-AS	Average auction sizes post-AS	Average sizes April 2015
Short	6.0	37.8	2.60	2.76	4.15
Medium	3.0	28.7	2.17	2.33	3.28
Long	0.3	27.8	2.06	2.13	2.27
Index-linked	1.4	15.9	1.24	1.28	1.37
	<b>10.7</b>	<b>110.2</b>			

7. Four additional gilt auction dates have been scheduled for:

- Thursday 1 December 2016
- Thursday 12 January 2017
- Tuesday 31 January 2017
- Tuesday 28 March 2017

8. The gilt auction calendar for December 2016 is being revised to accommodate the above changes as follows:

- The auction of 0½% Treasury Gilt 2022 previously planned for 6 December 2016 is being moved to the new auction date of 1 December 2016. The size and other terms of this auction will be announced at 3.30pm on 23 November 2016;
- The auction of 1½% Treasury Gilt 2026 previously planned for 14 December 2016 is being moved to 6 December 2016;
- An additional index-linked auction will be held on 14 December 2016. The DMO will seek views on the maturity to be sold on this date in the agendas for the next consultation meetings being published at 3.30pm on 23 November and we plan to announce the choice of gilt at 3.30pm on Friday 25 November 2016.

9. The maturity schedule for the three additional conventional auctions in the final quarter of the financial year will also be covered as part of the expanded auction calendar at the forthcoming consultation meetings. The updated planned calendar of gilt sales by auction for the remainder of 2016-17 is shown at Annex C.

#### **b) Gilt syndication programme**

10. Planned gilt sales via syndication are rising by £4.3 billion to a minimum of £32.1 billion, split as follows:

- a. Long conventional gilts: £14.3 billion - an increase of £4.0 billion.
- b. Index-linked gilts: £17.8 billion - an increase of £0.3 billion.

11. It is planned that one additional syndication for a long conventional gilt will be scheduled in the final quarter of the financial year. It is, therefore, currently planned that both an index-linked and a conventional gilt syndication will be held in that quarter. The scheduling of the syndication programme in the final quarter will be discussed at the forthcoming consultation meetings.

### c) Unallocated gilt issuance

12. The size of the remaining unallocated portion of the supplementary gilt issuance programme remains unchanged at £1.6 billion.

#### Treasury bill sales

13. At Budget 2016 it was anticipated that Treasury bill sales would not make a net contribution to meeting the DMO's financing requirement in 2016-17. However, in light of the increase in the financing requirement announced today, it is now planned that the total stock of Treasury bills used for debt management purposes will rise by £5.6 billion this financial year. The revised planning assumption for the level of the Treasury bill stock for debt management purposes at end-March 2017 is £71.6 billion.

#### Illustrative gross financing projections

14. The OBR's November 2016 EFO includes updated forecasts for the CGNCR ex NRAM, B&B and NR from 2017-18 to 2021-22. Revised illustrative gross financing requirements are shown in Table 3 below. These include forecasts of gilt redemptions in these years (which make no assumptions about future gilt issuance) and planned financing for the reserves.

15. The illustrative gross financing requirements below are not gilt sales forecasts; they make no assumptions about any contributions to financing from net Treasury bill sales or NS&I.

**Table 3: Illustrative gross financing requirements**

£ billion	2017-18	2018-19	2019-20	2020-21	2021-22
CGNCR (ex NRAM, B&B and NR)	48.3	52.9	30.1	41.8	38.8
Gilt redemptions	79.5	67.3	93.2	97.2	79.3
Planned financing for the reserves	6.0	6.0	6.0	0.0	0.0
<b>Illustrative gross financing requirement</b>	<b>133.8</b>	<b>126.1</b>	<b>129.2</b>	<b>139.0</b>	<b>118.1</b>
<i>Figures may not sum due to rounding</i>					

16. The re-stated financing arithmetic for 2016-17 is at Annex A.

17. The planned split of gilt issuance by type, maturity and method of issuance is at Annex B.

18. The revised auction calendar for the remainder of the financial year is at Annex C.

## Annex A: Financing arithmetic 2016-17

£ billion	April 2016-17 <sup>1</sup>	Autumn Statement 2016-17
CGNCR (ex NRAM, B&B and NR) <sup>2</sup>	62.1	85.7
Gilt redemptions	69.9	69.9
Planned financing for the reserves	6.0	6.0
Financing adjustment carried forward from previous financial years	-0.4	-0.4
<b>Gross Financing Requirement</b>	<b>137.7</b>	<b>161.3</b>
<i>Less:</i>		
NS&I net financing	6.0	9.0
Other financing <sup>3</sup>	0.2	0.2
<b>Net Financing Requirement (NFR) for the DMO</b>	<b>131.5</b>	<b>152.1</b>
The DMO's NFR will be financed through:		
<b>Gilt sales, through sales of:</b>		
- Short conventional gilts	31.0	37.8
- Medium conventional gilts	25.2	28.7
- Long conventional gilts	36.8	43.0
- Index-linked gilts	30.5	35.4
- Unallocated amount of gilts	8.0	1.6
<b>Total gilt sales for debt financing</b>	<b>131.5</b>	<b>146.5</b>
<b>Total net contribution of Treasury bills for debt financing</b>	<b>0.0</b>	<b>5.6</b>
<b>Total financing</b>	<b>131.5</b>	<b>152.1</b>
DMO net cash position	0.5	0.5
<i>Figures may not sum due to rounding.</i>		
<sup>1</sup> Following the Budget, the financing arithmetic is updated in April of each financial year. This reflects the outturn of the previous year's CGNCR (ex NRAM, B&B and NR), which changes the financing adjustment and the gross financing requirement.		
<sup>2</sup> Central Government net cash requirement (excluding NRAM plc, Bradford and Bingley and Network Rail).		
<sup>3</sup> Prior to publication of the end-year outturn in April each year, this financing item will only comprise estimated revenue from coinage.		

## Annex B: Currently planned split of gilt issuance by type, maturity and method of issue

	Auction	Syndication	Gilt tender sales to-date	Unallocated remaining	Total
<b>Short conventional</b>					
£ billion	37.8	0.0	0.0		37.8
Per cent					25.8%
<b>Medium conventional</b>					
£ billion	28.7	0.0	0.0		28.7
Per cent					19.6%
<b>Long conventional</b>					
£ billion	27.8	14.3	0.9		43.0
Per cent					29.3%
<b>Index-linked</b>					
£ billion	15.9	17.8	1.7		35.4
Per cent					24.2%
<b>Unallocated</b>					
£ billion				1.6	1.6
Per cent					1.1%
<b>Total £ billion</b>	<b>110.2</b>	<b>32.1</b>	<b>2.6</b>	<b>1.6</b>	<b>146.5</b>
<b>Total per cent</b>	<b>75.2%</b>	<b>21.9%</b>	<b>1.8%</b>	<b>1.1%</b>	
<i>Figures may not sum due to rounding</i>					

**Annex C: Planned gilt auction calendar December 2016-March 2017 (new dates in bold). The choices of gilts to be sold in January-March 2017 will be announced at 3.30pm on Friday 2 December 2016**

<b>Date*</b>	<b>Gilt</b>
<b>Thursday 1 December</b>	0½% Treasury Gilt 2022 (moved from 6 December)
Tuesday 6 December	1½% Treasury Gilt 2026 (moved from 14 December)
Wednesday 7 December	1½% Treasury Gilt 2047
Wednesday 14 December	An index-linked gilt (choice to be announced on 25 November)
Thursday 5 January	A conventional gilt
Tuesday 10 January	An index-linked gilt
<b>Thursday 12 January</b>	A conventional gilt
Wednesday 18 January	A conventional gilt
<b>Tuesday 31 January</b>	A conventional gilt
Tuesday 7 February	A conventional gilt
Thursday 9 February	A conventional gilt
Wednesday 15 February	An index-linked gilt
Tuesday 21 February	A conventional gilt
Thursday 2 March	A conventional gilt
Tuesday 7 March	A conventional gilt
Thursday 9 March	An index-linked gilt
Tuesday 14 March	A conventional gilt
<b>Tuesday 28 March</b>	A conventional gilt

\*Dates in January-March 2017 are subject to confirmation depending on the Chancellor's decision on the timing of the next fiscal event.