

DMO SCREEN ANNOUNCEMENT: POST BUDGET on 7 MARCH: DMO REMIT 2001-02

The key points of the new DMO remit are:

Operations

- Planned gilt sales of £13.5 billion (cash), comprising:
 - £9.75 billion (cash) of conventional gilt issuance split between £4.75 billion medium and £5.0 billion long maturities and;
 - £3.75 billion (cash) of index-linked gilts (2009 maturity or longer).
- Any new medium maturity conventional gilt may be built up by switches and conversions. The DMO may in future convert out of gilts with up to £5.5 billion (nominal) in issue (previously £5.0 billion).
- Possible new coupon dates.
- Up to £1.0 billion of debt may be bought back through secondary market net purchases (not reverse auctions).
- A planned increase in Treasury bill stock of £5.0 billion to £8.5 billion.
- DMO's net cash position is forecast to be run down by £4.9 billion.

Contingencies

- In the event of a falling financing requirement, HM Treasury will consider extending the programme of debt buy-backs, including reverse auctions, (up to £1.5 billion), reducing the planned increase in the Treasury bill stock, reducing gilt sales, accommodating the surplus in the DMO's net cash position and some repayment (up to £1.0 billion) of the Ways and Means advance at the Bank of England.
- In the event of a rising financing requirement, HM Treasury will consider increasing planned gilt sales, running down further the DMO's net cash position and increasing the planned stock of Treasury bills.

Market consultations

- The DMO will consult the market about the introduction of index-linked gilt switch auctions – in time for introduction by July 2001.
- The DMO will also consult the market about a possible redesign to apply to new issues of index-linked gilts, but does not envisage issuing any redesigned index-linked gilts before the 2002-03 financial year.

The Budget gilt financing arithmetic and the outright gilt auction calendar are set out below.

Forecast financing requirement 2000-01 and 2001-02

(£ billions)	2000-01	2001-02
CGNCR	-33.3	0.3
Accrued uplift on IL 2001		1.1
Prefinancing forex debt	9.3	1.3
Gilt redemptions	18.6	16.7
Buy-backs	5.5	1.0
Net short term debt adjustment	-12.8	
Financing Requirement	-12.7	20.4
<i>less</i>		
National Savings	-0.7	-3.0
DMO Cash Deposit	-0.2	
Net Financing Requirement	-11.8	23.4
<i>Financed by:</i>		
Planned gilts sales	10.0	13.5
<i>of which</i>		
Short conventionals	0.0	0.00
Medium conventionals	0.0	4.75
Long conventionals	6.5	5.00
Index-linked gilts	3.5	3.75
Planned short term debt sales	-21.8	9.9
Short term debt		
Change in Ways & Means	-3.6	0.0
Change in T bill stock	-6.5	5.0
Change in DMO net cash position	-11.7	4.9
Total	-21.8	9.9
Short term debt levels		
Ways & Means at end of FY	13.4	13.4
T bill stock at end of FY	3.5	8.5
DMO net cash position at end of FY	11.7	6.8

Outright gilt auction calendar 2001-02

Date	Type
Wednesday 25 April 2001	Index-linked
Thursday 24 May 2001	Conventional
Wednesday 25 July 2001	Index-linked
Wednesday 26 September 2001	Conventional
Wednesday 24 October 2001*	Index-linked
Wednesday 28 November 2001*	Conventional
Thursday 24 January 2002	Index-linked
Wednesday 27 March 2002*	Conventional

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

This screen announcement, together with the Debt & Reserves Management Report 2001-02, including the complete DMO remit, will be appearing on the DMO website www.dmo.gov.uk.