

## **PUBLICATION OF THE DMO'S FINANCING REMIT FOR 2008-09**

The DMO's financing remit for 2008-09 has been published today as part of the Budget 2008 announcements. The main points are summarised below.

### **Debt issuance by the DMO**

The DMO plans to raise £85.8billion<sup>1</sup> in 2008-09; split as follows:

- Gilt sales: £80.0 billion in 41 auctions.
- Net Treasury bill sales: £5.8 billion.

### **Planned gilt sales**

Gilt sales will comprise:

- £25.0 billion short conventional gilt sales in 7 auctions;
- £12.8 billion medium conventional gilt sales in 5 auctions;
- £24.2 billion long conventional gilt sales in 11 auctions;
- £18.0 billion index-linked gilt sales in 18 auctions.

### **Dates for quarterly gilt issuance announcements**

With the exception of the first quarter, the consultation meetings (and the subsequent quarterly calendar announcements) will be held one month prior to the quarter-end (i.e. in May, August and November 2008) to continue to provide a greater degree of predictability and pre-commitment throughout the year.

Following the quarterly consultation meetings on 17 March 2008, further details of the conventional gilt auction scheduled for Thursday 3 April 2008 will be announced by the DMO at 3.30pm on Tuesday 25 March.

The details of the remaining auctions scheduled for April - June 2008 will be announced by the DMO at 3.30pm on Monday 31 March 2008.

### **Gilt auction calendar**

The gilt auction calendar is reproduced at Table 1 below. As far as possible the DMO will aim to schedule long-dated conventional auctions early in a month and long-dated index-linked auctions towards the end of a month.

### **Switch auctions, conversion offers, syndicated offerings**

The DMO has no current plans to hold any switch auctions, conversion offers, or syndicated offerings in 2008-09.

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<sup>1</sup> All amounts in this announcement are in cash terms (unless otherwise indicated).

## Treasury bill sales

The stock of Treasury bills in market hands is scheduled to rise by £5.8 billion in 2008-09, increasing the planned stock at end-March 2009 to £22.0 billion. The DMO has discretion to vary the Treasury bill stock over the end of the financial year in line with its cash management operational requirements. Any difference between the outturn and the target for 2008-09 will be reported in April 2009, along with any wider implications for the DMO's financing remit in 2009-10 arising from the publication of the outturn for the 2008-09 CGNCR.

## Changes to the financing requirement

The Debt and Reserves Management Report (DRMR) 2008-09 includes new forecasts for the Central Government Net Cash Requirement (CGNCR) of £37.7 billion for 2007-08 and £59.3 billion in 2008-09. The CGNCR for 2008-09 reflects the Government's decision to refinance the Bank of England's loan to Northern Rock through a Treasury loan to Northern Rock. The net amount outstanding of that loan at 31 March 2009 is expected to be £14.0 billion. This refinancing is required to comply with restrictions in the Treaty establishing the European Community on central bank financing of government undertakings.

- **2007-08**

The other main changes impacting on financing in 2007-08 are:

- an increase of £1.4 billion in forecast net sales by National Savings & Investments (NS&I), taking their contribution to financing to £5.6 billion;
- an increase of £0.7 billion in Treasury bill sales relative to the PBR forecast (as a result of bilateral sales of bills with maturities beyond 31 March 2008).
- a repayment of £6.0 billion in the Ways and Means advance, which was financed in 2007-08 as part of the DMO's Exchequer cash management operations.

As a result of these and other minor adjustments, the DMO is forecast to end the current financial year with a short-term net cash position of -£3.7 billion (£4.2 billion below plan). The resulting need to refinance this negative cash position adds £4.2 billion to the gross financing requirement in 2008-09<sup>2</sup>.

- **2008-09**

The gross financing requirement for 2008-09 is forecast to be £82.8 billion. This includes the estimated sterling refinancing of the \$3 billion bond issued by the Bank of England in 2003 (to finance the UK's foreign exchange reserves), which matures on 8 July 2008, and a small increase in the hedged reserves. After taking account of National Savings & Investments' estimated net contribution to financing of £4.0 billion, the net financing requirement for the DMO is forecast to be £78.8 billion.

This is being financed by gilt sales of £80.0 billion and Treasury bill sales of £5.8 billion. Gross debt issuance by the DMO is, therefore, expected to be £85.8 billion, with the

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<sup>2</sup> This is set out in the planned short-term financing adjustment line in the financing arithmetic (see Table 2)

additional sum raised (in excess of the net financing requirement) being required to meet a further planned repayment of up to £7.0 billion of the Ways and Means Advance.

The latest financing arithmetic for 2007-08 and 2008-09 is reproduced at Table 2. Also reproduced at Table 3 are illustrative financing projections out to 2011-12.

**Table 1: Gilt auction calendar 2008-09**

Gilt auction calendar 2008-09	
Date	Type
<b>2008</b>	
03-April	Conventional
08-April	Index-linked
17-April	Conventional
24-April	Index-linked
15-May	Conventional
22-May	Index-linked
03-June	Conventional
10-June	Index-linked
12-June	Conventional
24-June	Index-linked
02-July	Conventional
08-July	Index-linked
17-July	Conventional
24-July	Index-linked
29-July	Conventional
05-August	Conventional
14-August	Index-linked
02-September	Conventional
10-September	Conventional
23-September	Index-linked
25-September	Conventional
01-October	Conventional
07-October	Index-linked
16-October	Conventional
28-October	Index-linked
04-November	Conventional
20-November	Conventional
25-November	Index-linked
02-December	Conventional
09-December	Index-linked
11-December	Conventional
<b>2009</b>	
13-January	Conventional
15-January	Index-linked
27-January	Index-linked
03-February	Conventional
12-February	Index-linked
24-February	Index-linked
26-February	Conventional
03-March	Conventional
10-March	Conventional
26-March	Index-linked

**Table 2: Financing arithmetic 2007-08 and 2008-09**

(£bn)	2007-08	2008-09
CGNCR	37.7	59.3
Gilt redemptions <sup>1</sup>	29.2	17.3
Financing for reserves	0.0	2.0
Buy-backs	0.1	0.0
Planned short-term financing adjustment <sup>2</sup>	-4.1	4.2
<b>Financing requirement</b>	<b>62.9</b>	<b>82.8</b>
Less		
NS&I	5.6	4.0
<b>Net financing requirement</b>	<b>57.3</b>	<b>78.8</b>
Financed by		
<b>1. Debt issuance by the DMO</b>		
<b>a) Treasury bills</b>	<b>0.6</b>	<b>5.8</b>
<b>b) Gilt sales</b>	<b>58.5</b>	<b>80.0</b>
Split:		
<b>Short-dated conventionals</b>	10.1	25.0
<b>Medium-dated conventionals</b>	10.0	12.8
<b>Long-dated conventionals</b>	23.4	24.2
<b>Index-linked gilts</b>	15.0	18.0
<b>2. Other planned change in short term debt<sup>3</sup></b>		
Ways and Means	-6.0	-7.0
<b>3. Change in short term cash position<sup>4</sup></b>	-4.2	0.0
<b>Total financing</b>	<b>53.1</b>	<b>78.8</b>
<b>Short-term debt levels at end of financial year</b>		
T bill stock (in market hands)	16.2	22.0
Ways and Means	7.4	0.4
DMO net cash position	-3.7	0.5
<i>1 5½% 2008-12 is assumed to redeem in September 2008.</i>		
<i>2. To accommodate changes to the current year's financing requirement resulting from (i) publication of the previous year's outturn CGNCR and/or (ii) 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) Treasury bill sales and (iii) changes to the level of Ways and Means.</i>		
<i>4. A negative (positive) number indicates an increase in (reduction of) the financing requirement for the following financial year.</i>		

**Table 3: illustrative financing projections**

<b>Illustrative financing projections (Budget 2008)</b>				
£bn	2009-10	2010-11	2011-12	2012-13
<b>CGNCR projections</b>	<b>49</b>	<b>40</b>	<b>40</b>	<b>32</b>
<b>Gilt redemptions</b>	<b>17</b>	<b>30</b>	<b>27</b>	<b>13</b>
<b>Financing requirement*</b>	<b>66</b>	<b>70</b>	<b>67</b>	<b>45</b>
<b>CGNCR change since PBR 2007</b>	<b>11</b>	<b>7</b>	<b>6</b>	<b>3</b>
<i>*indicative gross financing requirements.</i>				

More details about the Government's financing programme for 2008-09 and the DMO remit are included in the Debt and Reserves Management Report (DRMR) 2008-09, which can be found at:  
[www.dmo.gov.uk/documentview.aspx?docname=remit/drmr0809.pdf](http://www.dmo.gov.uk/documentview.aspx?docname=remit/drmr0809.pdf)