

BUDGET 2004: DMO REMIT FOR 2004-05

The DMO's remit for 2004-05 has been published today as part of the Budget 2004 announcements. The main points are summarised below – more details are included in the Debt and Reserves Management Report (DRMR) 2004-05 published today by HM Treasury.

Gilt sales

Gilt sales of £48.0 billion are planned for 2004-05 – split as follows:

- £15.0 billion short conventionals - in 5 auctions.
- £10.5 billion medium conventionals - in 4 auctions.
- £14.5 billion long conventionals - in 6 auctions.
- £8.0 billion index-linked gilts - in 10 auctions.

The auction calendar is reproduced below.

Changes to the financing requirement

The DRMR includes new forecasts for the CGNCR of £42.3 billion for 2003-04 and £35.6 billion for 2004-05. These are increases of £1.8 billion and £2.3 billion respectively since the forecasts published in the 2003 Pre-Budget Report (PBR).

Other changes contributing to financing in 2003-04 since PBR include:

- an increase of £0.2 billion (to £1.8 billion) in the sterling proceeds from the financing of the Official Reserves in 2003-04;
- an increase of £0.7 billion to (£3.7 billion) in National Savings & Investments' (NS&I) contribution to financing in 2003-04; and
- an increase of £1.0 billion in Treasury bill sales in 2003-04, taking the planned end-March stock to £19.3 billion.

The gross financing requirement for 2004-05 is forecast to be £50.3 billion. After taking account of NS&I's estimated net contribution to financing of £2.0 billion, the net financing requirement for 2004-05 is forecast to be £48.3 billion. This is being financed by planned gilt sales of £48.0 billion, an increase in Treasury bill sales of £0.1 billion and other short-term debt sales of £0.2 billion. The financing tables for 2003-04 and 2004-05 are reproduced below.

Contingencies

Rising (falling) financing requirements will be met by increasing (reducing) planned gilt sales broadly in proportion to the split planned in the remit – subject to considerations about debt portfolio objectives and evolving market conditions. Treasury bill sales may also be revised accordingly.

a) The gilt auction calendar 2004-05

Date	Type
Thursday 22 April 2004	Conventional
Wednesday 28 April 2004	Index-linked
Thursday 20 May 2004	Index-linked
Tuesday 25 May 2004	Conventional
Thursday 27 May 2004	Conventional
Thursday 17 June 2004	Conventional
Thursday 24 June 2004	Index-linked
Thursday 15 July 2004	Conventional
Thursday 22 July 2004	Conventional
Wednesday 28 July 2004	Index-linked
Thursday 12 August 2004	Conventional
Thursday 16 September 2004	Conventional
Tuesday 28 September 2004	Index-linked
Thursday 14 October 2004	Conventional
Tuesday 26 October 2004*	Index-linked
Thursday 28 October 2004*	Conventional
Thursday 18 November 2004*	Conventional
Wednesday 24 November 2004*	Index-linked
Wednesday 1 December 2004*	Conventional
Wednesday 12 January 2005	Index-linked
Thursday 27 January 2005	Conventional
Wednesday 2 February 2005	Index-linked
Thursday 24 February 2005*	Conventional
Wednesday 2 March 2005*	Index-linked
Thursday 24 March 2005*	Conventional
*Subject to confirmation following the Chancellor's decisions on the Budgetary timetable	

b) The financing requirement 2003-04 and 2004-05

The financing arithmetic (£ billions)	2003-04	2004-05
CGNCR forecast	42.3	35.6
Gilt redemptions	21.1	14.7
Financing for the Official Reserves	-1.8	0.0
Buy-backs	0.2	0.0
Financing Requirement	61.8	50.3
<i>less</i>		
National Savings and Investments	3.7	2.0
DMO cash deposit at Bank of England	0.1	0.0
Net Financing Requirement	58.0	48.3
1. Planned gilts sales	49.8	48.0
<i>of which:</i>		
Short conventional	18.8	15.0
Medium conventional	13.1	10.5
Long conventional	11.4	14.5
Index-linked	6.5	8.0
2. Planned net short-term debt sales	8.2	0.3
<i>of which:</i>		
Change in T bill stock	4.3	0.1
Change in Ways & Means	0.0	0.0
Change in residual net cash position**	3.9	0.2
Short term debt levels		
T bill stock at end of FY	19.3	19.4
Ways & Means at end of FY	13.4	13.4
Residual net cash position***	0.4	0.2
<i>Figures may not sum due to rounding</i>		
<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>		

c) Illustrative financing projections

Illustrative financing projections					
£bn	2004-05	2005-06	2006-07	2007-08	2008-09
CGNCR projections (PBR)	36	33	31	27	23
Redemptions	15	15	24	29	15
Financing Requirement*	50	48	55	56	38
CGNCR change since PBR	2	1	-1	-1	-3
<i>*indicative gross financing requirements 2005-06 onwards</i>					

A copy of the Debt and Reserves Management Report 2004-05 appears in the remit section of this website.