

Minutes of meeting with gilt investors in Scotland on 14 January 2011

Officials from the UK Debt Management Office (DMO) met representatives of Scottish-based gilt investors in Edinburgh on 14 January 2011. The meeting complemented those at HM Treasury, in London, on 11 January 2011 and was held primarily to allow investors based in Scotland to give their views on the structure of the DMO's financing remit for 2011-12. On the basis of the forecast in the Economic and Fiscal Outlook (November 2010), published by the Office for Budget Responsibility (OBR), the Central Government Net Cash Requirement (CGNCR) in 2011-12 is £120 billion. Gilt redemptions in 2011-12 are forecast to be £49 billion. On this basis, the gross financing requirement for 2011-12 would be around £169 billion (compared to £162.7 forecast for 2010-11). It is expected that most of the financing requirement will be met by the sale of gilts. The DMO's financing remit for 2011-12 will be published alongside Budget 2011 on 23 March 2011.

The main points discussed at the meeting are summarised below.

Attendees considered that the structure of the remit in 2010-11 had worked well and, in light of the latest projections published by the OBR showing an illustrative gross financing requirement in 2011-12 broadly similar to that of the current year, recommended a similar structure in 2011-12. Those present advised that there remains strong demand for gilts across the curve. The index-linked gilt market was likely to be well supported also in shorter maturities following potential reinvestment of the proceeds from the redemption of 2½% IL 2011 and the exit of 2½% IL 2016 from the over 5-year index. There was a recommendation for the DMO to consider issuing sufficient short and medium-dated gilts to meet with ongoing overseas demand. The view was also expressed that long-dated demand was likely to be focussed more on index-linked than on conventional issuance. Attendees highlighted that they felt that the syndication programme had been successful in 2010-11 and that it was now considered a well-established distribution method. There were mixed views on the use of mini-tenders in 2011-12, and there was a suggestion that the choice of candidates for mini-tender could be extended to include short-dated gilts to meet with pockets of demand.

The prospect of a DMO consultation on CPI-linked gilts at some stage in 2011-12 was encouraged as attendees considered that demand for CPI-linked bonds was likely to develop over time.