THE UK DEBT MANAGEMENT OFFICE'S FINANCING REMIT 2024-25

MINUTES OF ANNUAL CONSULTATION MEETINGS WITH GEMMs AND GILT INVESTORS HELD AT HM TREASURY ON 29 JANUARY 2024

The Economic Secretary to the Treasury chaired consultation meetings held annually with representatives of the Gilt-edged Market Makers (GEMMs) and gilt investors on 29 January 2024. Officials from HM Treasury and the UK Debt Management Office (DMO) also took part. These meetings provided gilt market participants with the opportunity to inform HM Treasury's decisions regarding the DMO's financing remit for 2024-25.

The gross financing requirement for 2024-25 is currently projected to be £276.9 billion, as published in the Office for Budget Responsibility's (OBR's) Economic and Fiscal Outlook (EFO) on 22 November 2023. The DMO's financing remit for 2024-25 will be published alongside the Budget on 6 March 2024, following an updated OBR EFO.

The Economic Secretary opened both meetings by thanking attendees for their commitment to the gilt market in 2023-24 and also recognised the DMO's Chief Executive for his contribution to debt management over the past 20 years.

The main points arising at the meetings are summarised below.

GEMMs

2023-24

Those GEMMs who commented said that the gilt market had functioned well in 2023-24 and the financing programme had been delivered smoothly to date. A number of attendees noted that there had been a significant structural change in gilt demand, in particular noting declining demand from liability driven investors at longer maturities.

2024-25

Given the observed change in structural gilt demand, strong support was expressed for a proportionate reduction in long conventional issuance next year relative to 2023-24, with commensurate increases in the proportion of short and medium conventional gilts to be issued. Those attendees that offered an opinion also suggested that the proportion of index-linked gilts should be reduced somewhat and that the programme should be directed more towards issuance in the 10- to 20-year maturity area at the expense of longer dated index-linked gilt issuance.

Further green gilt issuance was supported by many GEMMs with a programme of around £10 billion mentioned. Support was also expressed further to build the green gilt yield curve with maturities in the 5- and/or 20-year area mentioned.

Several attendees acknowledged the value of the unallocated portion of issuance in providing flexibility to respond to demand and market developments in support of remit delivery.

There were isolated suggestions that gilt auctions could take place less frequently and in larger size with the ongoing importance of syndications also noted by a couple of attendees.

Some attendees suggested that consideration should be given to making the gilt market more accessible to retail investors, with a few GEMMs citing increased interest in purchasing gilts from retail clients.

A number of attendees suggested that issuance of Treasury bills should make a positive contribution to financing in 2024-25.

Gilt investors

2023-24

Those investors who offered a view noted that the financing remit had been delivered smoothly so far in 2023-24 and that the gilt market had functioned well.

2024-25

A number of attendees suggested that the financing remit should take into account an anticipated reduction in demand for longer maturity gilts in 2024-25 and in future years, in particular from the domestic pension fund sector. Accordingly, support was expressed for a proportionate increase in short and, particularly, medium conventional issuance next financial year. The majority of investors who provided an opinion expressed a preference for the proportion of index-linked gilt issuance in 2024-25 to be slightly reduced relative to the current year.

Continued issuance of green gilts in 2024-25 was advocated by a number of investors, with the intention to build out a green gilt yield curve in coming years. Support was expressed for the launch of new green gilts by some participants, with 5-year and 20-year maturities mentioned.

Mixed views were expressed about the number and sizes of syndications that should be scheduled in 2024-25, however they were, in general, seen as a useful means of gilt distribution that should continue to be used next year.

Investors who offered an opinion generally supported increased supply of Treasury bills in 2024-25 relative to the current year, citing strength of demand and scope to develop the market further.

30 January 2024