

The DMO's financing remit 2001-02

Allison Holland

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Fiscal Policy Framework

- Government fiscal rules imply a 'prudent and stable' net debt:GDP ratio at or below 40% over the cycle.
- Over the cycle, Government will only borrow to finance net public sector investment.



Financing Policy

- UK Government borrows to finance its net cash requirement
 - + maturing bonds
 - + any net increase in the foreign exchange reservesthrough issues of bonds, bills and retail debt.



Financing arithmetic

Forecast financing requirement 2000-01 and 2001-02

(£ billions)	<u>2000-01</u>	<u>2001-02</u>
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
Planned short term debt sales	-21.8	9.9



Financing remit 2001-02

- Gilt sales of £13.5bn
 - £5bn longs
 - £4.75bn mediums
 - £3.75bn index-linked
- Buybacks of £1bn
- Increase in stock of Treasury bills of £5bn
- Reduction in the net cash surplus position of £4.9bn



Gilt sales & auction calendar

(£ billions)	<u>2000-01</u>	<u>2001-02</u>
<u>Planned gilt sales</u>		
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
Total gilt sales	10.0	13.5
Provisional auction dates		
<u>Index-linked</u>	<u>Conventionals</u>	
Wednesday 25 April 2001	Thursday 24 May 2001	
Wednesday 25 July 2001	Wednesday 26 September 2001	
Wednesday 25 October 2001*	Wednesday 28 November 2001*	
Thursday 24 January 2002*	Wednesday 27 March 2002*	
*subject to confirmation following the Chancellor's decision on the Budgetary timetable		



Short term debt

(£ billions)	2000-01		2001-02	
	Change	Level (end FY)	Change	Level (end FY)
<u>Short term debt</u>				
Ways & Means	-3.6	13.4	0.0	13.4
T bill stock	-6.5	3.5	5.0	8.5
DMO net cash position	-11.7	11.7	4.9	6.8
Total short term debt sales	-21.8		9.9	



IL accrual adjustment

- Inflation uplift that accrues from the date of issue or each re-opening to redemption date is counted in the CGNCR at redemption
- Inflation uplift accrued from the date of first issue up to the point of re-opening is counted in the redemptions total (this year identified separately for clarity)
- The first time since 1996 that this accrual has been significant (£0.2bn)



IL accruals adjustment - 2½% IL 2001

(£mn)							
Issue / reopening date	Issue amount	Relevant index month on issue	RPI (rebased)	Accrued IL uplift on issue	IL uplift accrued between issue date	Redemption amount (218.5846 per 100)	
26/08/1982	250	Dec-81	78.3	-	296.46	546.46	
07/09/1983	100	Jan-83	82.6	5.54	113.05	218.58	
17/12/1984	150	Apr-84	88.6	19.87	158.01	327.88	
17/05/1985	150	Sep-84	90.1	22.68	155.19	327.88	
20/09/1985	100	Jan-85	91.2	16.52	102.07	218.58	
18/11/1986	50	Mar-86	96.7	11.79	47.50	109.29	
10/11/1987	100	Mar-87	100.6	28.52	90.07	218.58	
10/05/1991	100	Sep-90	129.3	65.18	53.40	218.58	
24/01/1992	150	May-91	133.5	105.82	72.05	327.88	
16/10/1992	100	Feb-92	136.3	74.13	44.46	218.58	
27/01/1993	100	May-92	139.3	77.96	40.63	218.58	
30/12/1993	150	Apr-93	140.6	119.43	58.45	327.88	
28/11/1994	100	Mar-94	142.5	82.05	36.54	218.58	
08/09/1995	100	Jan-95	146.0	86.52	32.07	218.58	
01/04/1996	150	Aug-95	149.9	137.25	40.63	327.88	
11/07/1996	150	Nov-95	149.8	137.06	40.82	327.88	
15/10/1996	150	Feb-96	150.9	139.17	38.71	327.88	
Total	2,150			1,129	1,420	4,700	



Contingencies

- Financing requirement less than forecast:
 - increase buybacks, possibly through reverse auctions (up to £1.5bn)
 - reduce gilt sales
 - reduce the planned increase in the stock of Treasury bills
 - accommodating the change in the net cash position
 - some reduction in the Ways & Means advance (by up to £1bn)



Contingencies (ii)

- Financing requirement greater than forecast:
 - increase gilt sales
 - increase further the stock of Treasury bills
 - increasing the rundown of the DMO's net cash position
- These contingencies are not in any particular order. The decision on which contingency to trigger will be taken in light of market circumstances at the time



Financing remit 2001-02 - other points to note

- Consultation on IG switch auctions
- Consultation on possible redesign of index-linked gilts that would apply to any new issues (no new issue prior to 2002-03)
- Possible new set of coupon dates on any new stocks issued in 2001-02



Future financing needs

Future financing projections			
(£ billion)	2001-02	2002-03	2003-04
CGNCR projections**	0.3	5.2	16.3
ILG accrual adjustments	1.1		1.7
Gilt Redemptions	16.7	17.3	19.6
Prefinancing fx debt	1.3	0	0
Gilt buybacks	1.0	0	0
Gross financing requirement	20.4	22.5	37.6
<i>** CGNCR as % of GDP</i>		<i>0.5</i>	<i>1.5</i>
<i>GDP</i>		<i>1,036</i>	<i>1,085</i>

