

Annex B

INTEREST RATE FORECASTS

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final forecast represents summarised figures drawn from the population of all major City banks and academic institutions. The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

1. INDIVIDUAL FORECASTS

Sector interest rate forecast – 24 December 2007

Rate (%)	2007/08		2008/09				2009/10				2010/11			
(Mean Rounded)	Now	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Bank Rate	5.50	5.25	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
5yr PWLB	4.85	4.70	4.65	4.55	4.55	4.60	4.70	4.75	4.80	4.80	4.80	4.85	4.85	4.85
10yr PWLB	4.92	4.70	4.60	4.55	4.55	4.55	4.55	4.60	4.70	4.75	4.75	4.80	4.80	4.80
25yr PWLB	4.69	4.60	4.55	4.50	4.50	4.55	4.55	4.60	4.65	4.70	4.70	4.70	4.70	4.75
50yr PWLB	4.57	4.50	4.45	4.45	4.45	4.45	4.45	4.50	4.50	4.55	4.55	4.55	4.55	4.60

Capital Economics interest rate forecast – 12 December 2007

Rate (%)	2007/08	2008/09				2009/10			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Bank Rate	5.50	5.25	5.00	4.75	4.50	4.25	4.00	4.00	4.00
5yr PWLB	4.65	4.45	4.35	4.05	3.95	4.05	4.25	4.35	4.75
10yr PWLB	4.65	4.45	4.25	4.15	4.15	4.25	4.45	4.65	4.85
25yr PWLB	4.65	4.55	4.45	4.45	4.35	4.45	4.55	4.75	4.94
50yr PWLB	4.55	4.55	4.45	4.35	4.25	4.35	4.55	4.65	4.75

UBS interest rate forecast (for quarter ends) – 12 December 2007

Rate (%)	2007/08	2008/09			
	Q4	Q1	Q2	Q3	Q4
Bank Rate	5.50	5.25	5.00	4.75	4.50
10yr PWLB	5.19	5.23	5.25	5.30	5.35
25yr PWLB	4.70	4.75	4.80	4.85	4.90
50yr PWLB	4.55	4.60	4.65	4.70	4.75

2. SURVEY OF ECONOMIC FORECASTS

HM Treasury – November 2007 summary of forecasts of 24 City and 13 academic analysts for Q4 2007 and 2008. (2009 – 2011 are based on 21 forecasts)

Bank Rate (%)		Quarter Ended		Annual Average Bank Rate		
Forecasts	Actual	Q4 2007	Q4 2008	ave. 2009	ave. 2010	ave. 2011
Median	5.75	5.80	5.30	5.24	5.22	5.26
Highest	5.75	5.80	6.30	6.00	6.00	6.00
Lowest	5.75	5.30	4.80	4.50	4.06	4.00