

## 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 one 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 Treasury Services interest rate forecast – 06/01/11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Bank rate	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.25%	2.75%	3.00%	3.25%	3.25%
3 month LIBID	0.60%	0.70%	0.80%	1.00%	1.25%	1.50%	1.75%	2.00%	2.50%	3.00%	3.25%	3.50%	3.50%
6 month LIBID	0.90%	1.00%	1.10%	1.20%	1.50%	1.80%	2.10%	2.40%	2.80%	3.20%	3.50%	3.80%	4.00%
12 month LIBID	1.40%	1.50%	1.60%	1.80%	2.10%	2.40%	2.70%	3.00%	3.20%	3.40%	3.65%	4.00%	4.20%
5yr PWLB rate	3.30%	3.30%	3.40%	3.50%	3.60%	3.80%	3.90%	4.10%	4.30%	4.60%	4.80%	4.90%	5.00%
10yr PWLB rate	4.40%	4.40%	4.40%	4.50%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%	5.40%	5.40%
25yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.40%	5.40%	5.40%	5.50%	5.50%	5.60%	5.70%	5.70%
50yr PWLB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.40%	5.40%	5.40%	5.50%	5.50%	5.60%	5.70%	5.70%

##### Capital Economics interest rate forecast – 12.01.11

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.50%	2.00%
5yr PWLB rate	3.20%	3.20%	3.00%	2.75%	2.75%	2.90%	3.00%	3.20%	3.40%	3.60%	3.90%	4.20%
10yr PWLB rate	4.75%	4.75%	4.25%	3.75%	3.75%	3.75%	3.75%	3.75%	3.90%	4.00%	4.30%	4.60%
25yr PWLB rate	5.25%	5.25%	4.85%	4.65%	4.65%	4.65%	4.65%	4.65%	4.75%	4.85%	5.10%	5.30%
50yr PWLB rate	5.30%	5.30%	5.20%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.10%	5.20%	5.30%

**UBS interest rate forecast (for quarter ends) – 06/01/11**

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
<b>Bank rate</b>	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%
<b>10yr PWLB rate</b>	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%
<b>25yr PWLB rate</b>	5.25%	5.30%	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%
<b>50yr PWLB rate</b>	5.35%	5.40%	5.45%	5.50%	5.55%	5.60%	5.65%	5.70%

**2. SURVEY OF ECONOMIC FORECASTS**

**HM Treasury December 2010**

The current Q4 2010 and 2011 forecasts are based on the December 2010 report. Forecasts for 2010 – 2014 are based on 32 forecasts in the last quarterly forecast – in November 2010.

<b>BANK RATE FORECASTS</b>	<b>quarter ended</b>			<b>annual average Bank Rate</b>			
	<b>actual</b>	<b>Q4 2011</b>		<b>ave. 2011</b>	<b>ave. 2012</b>	<b>ave. 2013</b>	<b>ave. 2014</b>
<b>Median</b>	0.50%	2.00%		0.90%	1.60%	2.40%	3.00%
<b>Highest</b>	0.50%	0.50%		2.10%	3.10%	3.60%	4.50%
<b>Lowest</b>	0.50%	0.80%		0.50%	0.50%	0.60%	1.20%