INTEREST RATE FORECAST

	Mar 23 %	Jun 23 %	Sep 23 %	Dec 23 %	Mar 24 %	Jun 24 %	Sep 24 %	Dec 24 %	Mar 25 %	Jun 25 %	Sep 25 %	Dec 25 %
Bank Rate	**4.25**	**4.25**	**4.25**	**4.25**	**4.00**	**3.75**	**3.50**	**3.25**	**3.00**	**3.00**	**3.00**	**3.00**
3-mth Money Market	**4.40**	**4.40**	**4.40**	**4.35**	**4.15**	**4.10**	**4.00**	**3.75**	**3.50**	**3.40**	**3.40**	**3.40**
5-yr Gilt Yield	**3.20**	**3.20**	**3.20**	**3.20**	**3.10**	**3.10**	**3.10**	**3.00**	**3.00**	**3.00**	**3.00**	**3.10**
10-yr Gilt Yield	**3.30**	**3.30**	**3.30**	**3.30**	**3.20**	**3.20**	**3.20**	**3.20**	**3.20**	**3.20**	**3.20**	**3.20**
20-yr Gilt Yield	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**
50-yr Gilt Yield	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**

The forecast is based on the following underlying assumptions:

- The Bank of England's Monetary Policy Committee (MPC) increased interest rates to 4.00% in February 2023. Arlingclose, the Council's Treasury Management advisors, are forecasting that there will be a further rise in March 2023 and that rates will stay at this level until the last quarter of 2023/24, when it will start to decrease, and they forecast that it will still be at a level of 3% by December 2025.
- Headline inflation will continue to fall as pressures from energy and other external costs ease. Potentially more persistent domestic inflationary pressures are likely to remain strong over the next few quarters and it is uncertain if and when these will abate.
- While the MPC remains concerned that domestic inflationary pressures will remain elevated, the CPI rate is projected to fall below the target in the medium term as monetary tightening takes its toll on the economy.
- The lagged effect of the sharp tightening of monetary policy, higher mortgage rates, widespread strike action, alongside high inflation, will continue to put pressure on household income.
- Workforce shortage in the labour market in contributing to low unemployment (albeit with higher inactivity) and higher wages. While real wage growth is negative high nominal wage growth has increased company costs and allowed them to pass these through to consumers, particularly in the services sector. The labour market is expected to remain week as demand for labour ebbs, and the Bank Rate will remain high until both services inflation and nominal wage growth declines.
- Global bond yields remain volatile as investors price in slower growth and easier monetary policy, amid continuing resilience in headline economic data (particularly in the US labour market) and Central Bank push back on expectations for rate cuts in 2023. The Federal Reserve wants to see persistently higher policy rates and the European Central Bank remains in forceful tightening mode.

- Gilt yields will be supported by both significant new bond supply quantitative tightening and hawkish central banks offsetting the downward effects of declining inflation and growth.