

INTEREST RATE FORECAST

	Current %	Mar 24 %	Jun 24 %	Sep 24 %	Dec 24 %	Mar 25 %	Jun 25 %	Sep 25 %	Dec 25 %	Mar 26 %	Jun 26 %	Sep 26 %	Dec 26 %
Bank Rate	5.25	5.25	5.25	5.00	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00
3-mth Money Market	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.15	3.10	3.10
5-yr Gilt Yield	3.96	3.75	3.70	3.65	3.60	3.50	3.40	3.30	3.30	3.30	3.30	3.35	3.40
10-yr Gilt Yield	3.97	3.80	3.80	3.80	3.75	3.70	3.65	3.65	3.65	3.65	3.65	3.70	3.75
20-yr Gilt Yield	4.50	4.40	4.30	4.25	4.25	4.20	4.20	4.20	4.20	4.20	4.20	4.25	4.25
50-yr Gilt Yield	4.19	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95	3.95

The forecast is based on the following underlying assumptions:

- The Bank of England's Monetary Policy Committee (MPC) held the Bank Rate at 5.25% on 1 February 2024, with the next meeting of the MPC due on 21 March 2024. The authority's treasury adviser Arlingclose is forecasting that the chance of a cut in Bank Rate remains slim, with the second half of 2024 appearing more likely timing for the start of a relaxing cycle.
- Inflation rates are forecast to move lower over the next 12 months. By April the headline Consumer Price Index (CPI) rate will be likely be at or below the 2% target, but Arlingclose believe Bank Rate will remain unchanged until August 2024 and initially reduce slowly.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require substantial loosening in 2025 to boost activity.
- UK activity data remains relatively weak, although there has been some evidence of recovery in the services sector and housing market. Consumer confidence is low but on an improving trend; household spending on goods, though, remains under pressure.
- Global bond yields will remain volatile. Investors' expectations of near-term US rate cuts have been dealt a severe blow by the continued strength of the US economy, particularly labour markets. Investors' positioning for the timing of US monetary loosening will continue to influence movements in gilt yields.