

INTEREST RATE FORECAST

	Mar 22	Jun 22	Sep 22	Dec 22	Mar 23	Jun 23	Sep 23	Dec 23	Mar 24	Jun 24	Sep 24	Dec 24
	%	%	%	%	%	%	%	%	%	%	%	%
Bank Rate	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-mth Money Market	0.55	0.55	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65
5-yr Gilt Yield	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.70	0.75	0.75
10-yr Gilt Yield	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.90	0.90	0.95	0.95
20-yr Gilt Yield	1.05	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.20	1.20	1.20	1.20
50-yr Gilt Yield	0.75	0.80	0.85	0.90	0.95	1.00	1.05	1.05	1.10	1.10	1.15	1.15

The forecast is based on the following underlying assumptions:

- The global recovery from the pandemic has entered a more challenging phase. The resurgence in demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effect, increasing the likelihood of lower growth rates ahead. The advent of the Omicron variant of coronavirus is affecting activity and could to increases in prices and inflation
- The CPI inflation rate rose to 5.1% for November 2021 and is expected to rise higher in the near term. These factors prompted the MPC to raise the Bank Rate to 0.25% at the December 2021 meeting. Short term interest rate expectations remain on an upward trend.
- The Council's Treasury Management advisors, Arlingclose, expects the Bank Rate to rise to 0.5% in Q1 2022 but then remain there.
- The economic outlook appears weaker with household spending facing pressure from a combination of higher prices and tax rises. In the medium term the Omicron variant has already affected growth.
- Longer-term government bond yields remain relatively low despite the more hawkish signals from the BoE and Federal Reserve. Concerns remain amongst investors that significant monetary policy tightening in the near term will slow economic growth and prompt the need for looser monetary policy later. Geopolitical and coronavirus risks are also driving buying in safe haven assets which are financial instruments that are expected to retain, or even gain value during periods of economic downturn.