

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 View interest rate forecast – January 2005

	Q/E1 2005	Q/E2 2005	Q/E3 2005	Q/E4 2005	Q/E1 2006	Q/E2 2006	Q/E3 2006	Q/E4 2006	Q/E1 2007	Q/E2 2007	Q/E3 2007
Base Rate	5.00%	5.00%	4.75%	4.75%	4.50%	4.50%	4.25%	4.25%	4.25%	4.50%	4.50%
5 yr Gilt Yield	4.75%	4.75%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.75%	4.75%
10 yr PWLB Rate	5.00%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
25 yr PWLB Rate	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%

UBS Economic interest rate forecast (for quarter ends) - January 2005

	Q/E1 2005	Q/E2 2005	Q/E3 2005	Q/E4 2005	Q/E1 2006	Q/E2 2006	Q/E3 2006	Q/E4 2006
Base Rate	4.75%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
10 yr PWLB rate	4.70%	4.60%	4.65%	4.70%	4.70%	4.70%	4.70%	4.70%
25 yr PWLB rate	4.55%	4.55%	4.60%	4.65%	4.65%	4.65%	4.65%	4.65%

Capital Economics interest rate forecast – January 2005

	Q/E1 2005	Q/E2 2005	Q/E3 2005	Q/E4 2005	Q/E1 2006	Q/E2 2006	Q/E3 2006	Q/E4 2006
Base Rate	4.75%	4.50%	4.25%	4.00%	3.75%	3.50%	3.50%	3.50%
5yr gilt yield	4.40%	4.30%	4.20%	4.00%	3.80%	3.60%	3.70%	3.80%
10 yr PWLB rate	4.55%	4.45%	4.45%	4.35%	4.25%	4.15%	4.25%	4.35%
25 yr PWLB rate	4.50%	4.40%	4.50%	4.45%	4.50%	4.50%	4.55%	4.55%

2. SURVEY OF ECONOMIC FORECASTS

HM Treasury – 19.01.2005 summary of forecasts of 25 City and 14 academic analysts for Q4 2004 and 2005. (2006 – 2008 are as at November 2004 but are based on 11 forecasts)

	Repo	Quarter ended		annual average repo rate		
		Q4 2004	Q4 2005	ave. 2006	ave. 2007	ave. 2008
Indep. forecasters						
BoE Base Rate	4.75%	4.77%	4.71%	4.81%	4.82%	4.76%
Highest base rate	4.75%	5.00%	5.25%	5.50%	5.25%	5.25%
Lowest base rate	4.75%	4.75%	3.90%	4.10%	4.10%	3.80%