

## TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY 2006/07

### 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 as at 13 January 2006.

	Q /E1 2006	Q /E2 2006	Q /E3 2006	Q /E4 2006	Q /E1 2007	Q /E2 2007	Q /E3 2007	Q /E4 2007	Q /E1 2008	Q /E2 2008	Q /E3 2008	Q /E4 2008	Q /E1 2009	Q /E2 2009
<b>Base rate</b>	4.50%	4.25%	4.25%	4.00%	4.25%	4.50%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
<b>5yr Gilt Yield</b>	4.00%	4.00%	4.00%	4.25%	4.50%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
<b>10yr PW IB Rate</b>	4.25%	4.25%	4.50%	4.50%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	5.00%	4.75%	4.50%
<b>25yr PW IB Rate</b>	4.25%	4.25%	4.25%	4.50%	4.50%	4.75%	4.75%	4.75%	4.75%	5.00%	5.00%	5.00%	4.75%	4.50%
<b>50yr PW IB Rate</b>	4.00%	4.00%	4.00%	4.25%	4.25%	4.50%	4.50%	4.50%	4.75%	4.75%	4.75%	4.75%	4.50%	4.25%

**Capital Economics** interest rate forecast as at 13 January 2006.

	Q /E1 2006	Q /E2 2006	Q /E3 2006	Q /E4 2006	Q /E1 2007	Q /E2 2007	Q /E3 2007	Q /E4 2007
<b>Base Rate</b>	4.25%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
<b>5yr gilt yield</b>	4.10%	4.00%	3.90%	3.80%	4.00%	4.10%	4.30%	4.40%
<b>10 yr PW IB rate</b>	4.25%	4.15%	4.25%	4.35%	4.55%	4.75%	4.85%	4.75%
<b>25 yr PW IB rate</b>	4.25%	4.25%	4.35%	4.45%	4.45%	4.55%	4.65%	4.65%
<b>50 yr PW IB rate</b>	3.95%	3.95%	4.05%	4.15%	4.15%	4.25%	4.35%	4.35%

**UBS** Economic interest rate forecast (for quarter ends) as at 13 January 2006.

	Q/E1 2006	Q/E2 2006	Q/E3 2006	Q/E4 2006	Q/E1 2007	Q/E2 2007	Q/E3 2007	Q/E4 2007
<b>Base Rate</b>	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
<b>10 yr PWLB rate</b>	4.25%	4.35%	4.45%	4.55%	4.60%	4.60%	4.65%	4.65%
<b>25 yr PWLB rate</b>	4.15%	4.45%	4.55%	4.65%	4.70%	4.75%	4.80%	4.85%
<b>50 yr PWLB rate</b>	4.05%	4.45%	4.61%	4.74%	4.80%	4.86%	4.91%	4.97%

## **2. SURVEY OF ECONOMIC FORECASTS**

**HM Treasury** – December 2005 summary of forecasts of 26 City and 14 academic analysts for Q4 2005 and 2006. (2007 – 2009 are as at November 2005 but are based on 18 forecasts)

	Repo	Quarter ended		annual average repo rate		
		Q 4 2005	Q 4 2006	ave. 2007	ave. 2008	ave. 2009
<b>Indep. forecasters BoE Base Rate</b>	4.50%	4.49%	4.29%	4.39%	4.54%	4.60%
<b>Highest base rate</b>	4.50%	4.55%	5.00%	5.40%	5.90%	6.20%
<b>Low est base rate</b>	4.50%	4.20%	3.50%	3.75%	3.75%	3.75%