Report to:	**Audit and Standards Committee**
Date:	**18 January 2021**
Title:	**Treasury Management**
Report of:	**Chief Finance Officer**
Ward(s):	**All**
Purpose of report:	**To present details of recent Treasury Management activity.**
Officer recommendation(s):	**To note and recommend that Cabinet accepts that Treasury Management Activity for the period 1 November to 31 December 2020 has been in accordance with the approved Treasury Strategies.**
Reasons for recommendations:	**Requirement of CIPFA Treasury Management in the Public Sector Code of Practice (the Code) and this has to be reported to Full Council.**
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1. Introduction

1.1 The Council's approved Treasury Strategy Statement requires the Audit and Standards Committee to review details of Treasury Strategy transactions against the criteria set out in the Strategy and make observations to Cabinet as appropriate.

1.2 The Treasury Strategy Statement also requires the Audit and Standards Committee to review a formal summary report detailing the recent Treasury Management activity before it is considered by Council, in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy.

2. Treasury Management Activity

2.1 The timetable for reporting Treasury Management activity in 2020/21 is shown in the table below. This takes into account the timescale for the publication of each Committee agenda and is on the basis that it is preferable to report on activity for complete months. Any extraordinary activity taking place between the close of the reporting period and the date of the Audit and Standards Committee meeting will be reported verbally at that meeting.

Meeting date	Reporting period for transactions
6 July 2020	1 March to 30 June 2020 (*meeting cancelled*)
14 September 2020	1 April to 31 August 2020 (*revised reporting period*)
16 November 2020	1 September to 31 October 2020
18 January 2021	1 November to 31 December 2020
8 March 2021	1 January to 28 February 2021

2.2 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held between1 November to 31 December 2020 and identifies the long-term credit rating of counterparties at the date of investment. It is important to note that credit ratings are only one of the criteria that are taken into account when determining whether a potential counterparty is suitable. All the deposits met the necessary criteria the minimum rating required for deposits made after 1 April 2018 is long term A- (Fitch).

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term Rating
248920	Telford & Wrekin Council	16 Sep 20	18 Jan 21	124	3,000,000	0.08	*
249020	RB Windsor & Maidenhead	30 Nov 20	19 Jan 21	50	5,000,000	0.03	*

*UK Government body and therefore not subject to credit rating

2.3 Fixed Term Deposits which have matured in the reporting period – there is no fixed term deposits which have matured since 1 November 2020. At no stage did the total amount held by any counterparty exceed the approved limit set out in the Investment Strategy. The average rate of interest earned on deposits held in the period 1 November to 31 December 2020 was 0.05%, below the average bank base rate for the period of 0.10%. |

2.4 Use of Deposit accounts

In addition to the fixed term deposits, the Council has made use of the following interest bearing accounts in the period covered by this report, with the average amount held being £4.711m generating interest of approximately £0.8k.

	Balance at 31 Dec 2020 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	£5,000	£5,000	0.08*
Lloyds Bank Corporate Account	£ 442	£1,162	0.00
Lloyds Bank Call Account	£ 10	£3,259	0.01**

*rate change wef 02/11/20
**rate change wef 01/12/20

2.5 Use of Money Market Funds

Details of the amounts held in the two Money Market Fund (MMF) accounts used by the Council are shown below. The approved Investment Strategy allows a maximum investment of £10m in each fund, and at no time was this limit exceeded.

	Balance at 31 Dec '20 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	£10,000	8,400	0.15
Deutsche Managed Sterling Fund	£8,501	7,180	0.19

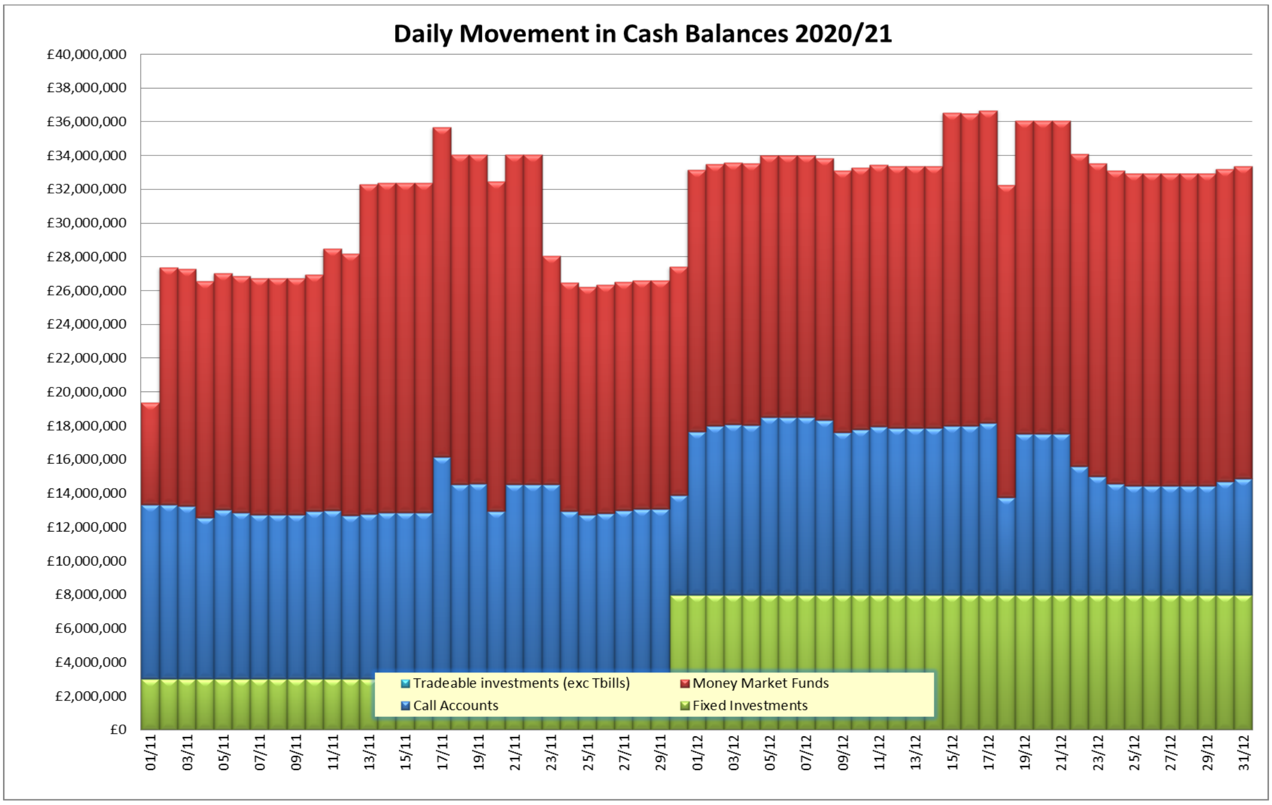
2.6 Treasury Bills (T-Bills)
There were no Treasury Bills held as at 31 December 2020, and there was no activity in the period.

2.7 Secured Investments
There were no Secured Investments as at 31 December 2020.

2.8 Tradeable Investments
There were no Tradeable Investments as at 31 December 2020, and there was no activity in the period.

3. Overall investment position

3.1 The chart below summarises the Council's investment position over the period 1 November to 31 December 2020. It shows the total sums invested each day as Fixed Term deposits, amounts held in Deposit accounts and Money Market Funds.



4. Annual Investment Strategy

4.1 The Treasury Management Strategy Statement (TMSS) for 2020/21 which includes the Annual Investment strategy, was approved by the Full Council on Wednesday, 19th February. It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity;
- Yield.

Approved limits within the Annual Investment Strategy were not breached during the period ending 31 December 2020, except for the balance held with Lloyds Bank, which exceeded the £5m limit for 13 days during the period.

4.2 Investment rates available in the market have continued at historically low levels. Investment funds are available on a temporary basis and arise mainly from the timing of the precept payments, receipts of grants and the progress of the capital programme.

4.3 As shown by the interest rate forecasts, it is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates are barely above zero now that Bank Rate is at 0.10%, while some entities, including more recently the Debt Management Account Deposit Facility (DMADF), are offering negative rates of return in some shorter time periods. Given this risky environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31st March 2023, investment returns are expected to remain low.

Negative investment rates

4.4 While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the Covid crisis; this has caused some local authorities to have sudden large increases in investment balances searching for an investment home, some of which was only very short-term until those sums were able to be passed on.

4.5 As for money market funds (MMFs), yields have continued to drift lower. Some managers have suggested that they might resort to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a glut of money swilling around at the very short end of the market.

4.6 Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

5. Borrowing

5.1 The current account with Lloyds Bank generally remained with credit limits throughout most of the period with the following exceptions:

Exceptions:

1 November to 31 December 2020 – excess funds of between £1m and £15m.

The Council's long term borrowing in the reporting period is £56.673m.

Interest Rate Forecast

5.2 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Following the conclusion of the HM Treasury review of PWLB margins over gilt yields on 25.11.20, all forecasts below now include the 1% reduction in the non-HRA Certainty Rate (now gilt yields plus 80bps):

Link Group Interest Rate View 9.11.20													
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

5.3 The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2024 as economic recovery is expected to be only gradual.

5.4 **GILT YIELDS / PWLB RATES**. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields.

5.5 While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been **the gradual lowering of the overall level of interest rates and bond yields in financial markets.** Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

5.6 Gilt yields had, therefore, already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields initially spiked upwards in March, we have seen yields fall sharply in response to major western central banks taking rapid policy action to deal with excessive stress in financial markets during March, and starting massive quantitative easing driven purchases of government bonds: these actions also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds.

5.7 Such unprecedented levels of issuance in "normal" times would have caused bond yields to rise sharply. **At the close on 31st December, all gilt yields from 1 to 8 years were in negative territory, while even 25-year yields were only at 0.84% and the 50 year at 0.64%.**

5.8 From the local authority borrowing perspective, HM Treasury imposed **two changes of margins over gilt yields for PWLB rates in 2019-20** without any prior warning. The first took place on 9.10.19, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11.3.20, but not for mainstream non-HRA capital schemes.

5.9 A consultation was then held with local authorities and **on 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates;** the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

5.10 As the interest forecast table for PWLB certainty rates, (gilts plus 80bps), above shows, there is likely to be little upward movement in PWLB rates over the next three years as it will take the UK a prolonged period to eliminate spare capacity in the economy so that inflation might start to become a sufficient concern for both the MPC to consider raising Bank Rate, and for gilt holders to require a higher yield.

6 Compliance with Treasury and Prudential Limits

6.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS. As at 31 December 2020, the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

Treasury Prudential Indicators	**2020/21 Estimate Indicator**	**31 December Actual Indicator**	**RAG Status/Reason**
Authorised limit for external debt (CS 4.2.3)	£117.7m	£117.7m	
Operational boundary for external debt (CS 4.2.3)	£127.7m	£127.7m	
Gross external debt (CS 4.2.2)	£137.0m	££56.6m	
Capital Financing Requirement (CS 2.3.4)	£136.9m	n/a	
Debt vs CFR under/(over) borrowing	-		
<u>Investments</u>			
Investment returns expectations	0.10%	0.05%	
Upper limit for principal sums invested for longer than 365 days			
Maturity structure of fixed rate borrowing - upper limits:			
Under 12 months	75%	75%	
12 months to 2 years	75%	75%	
2 years to 5 years	75%	75%	
5 years to 10 years	100%	100%	
10 years and above	100%	100%	
Capital expenditure (CS 2.1.4)	£11.9	n/a	
Ratio of financing costs to net revenue stream (CS 8.1.1):			

Treasury Prudential Indicators	2020/21 Estimate Indicator	31 December Actual Indicator	RAG Status/Reason
Proportion of Financing Costs to Net Revenue Stream (General Fund)	1.68%	1.68%	
Proportion of Financing Costs to Net Revenue Stream (HRA)	18.08%	18.08%	

Key: CS – 2020/21 Capital Strategy Appendix 1

7. Non-treasury investments

The non-treasury investment activity includes loans to Council-owned companies or the purchase of property assets for the purpose of income generation.

7.1 **Lewes Housing Investment Company (LHIC) -** a wholly owned subsidiary of the Council. Incorporated in July 2017, LHIC was set up to acquire, improve and let residential property at market rents. The 2020/21 Capital programme includes £2.5m as commercial loan funding to facilitate property purchases. At 31 December 2020, there had been no draw down of the loan facility.

A working capital facility loan of £100,000 has been agreed, at an interest rate of 2% above Base Rate. As at 31 December 2020, £65 of the working capital facility had been drawn down to cover administrative expenses.

7.2 **Aspiration Homes LLP (AH)** - a limited liability Partnership owned equally by Lewes District Council and Eastbourne Borough Council. Incorporated in June 2017, AH has been set up for the purpose of developing housing to be let at affordable rent. The Capital programme includes £17.5m as commercial loan funding to AH to facilitate property purchases. At 31 December 2020, £912,910 had been drawn down for the purchase of Grays School, Newhaven.

A working capital facility loan of £100,000 has been agreed, at an interest rate of 2% above Base Rate. As at 31 December 2020, £20,000 of the working capital facility had been drawn down.

8. Economic Background

8.1 As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged since 16th September 2020. A detailed economic commentary on developments during period ended 31 December 2020 is attached as **Appendix A**.

9. Financial Appraisal

9.1 All relevant implications are referred to in the above paragraphs.

10. Risk Management Implications

10.1 The risk management implication associated with this activity is explained in the approved Treasury Management Strategy. No additional implications have arisen during the period covered by this report.

11. Equality Analysis

11.1 This is a routine report for which detailed Equality Analysis is not required to be undertaken.

12. Legal Implications

12.1 There are no legal implications from this report.

13. Environmental sustainability implications

13.1 This report notes the treasury management performance of the Council. There are no anticipated environmental implications from this report that would affect the Council's sustainability policy. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the treasury activities and highlights compliance with the Council's policies previously approved by members.

14. Appendix

14.1 Appendix A - Detailed economic commentary

15. Background Papers

15.1 Treasury Strategy Statements 2020/21.

Appendix A

Detailed economic commentary on developments during quarter ended 31 December 2020

Some good news came during the quarter as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK Medicines and Healthcare products Regulatory Agency (MHRA) provided authorisation for emergency supply of two COVID-19 vaccines in December and the rollout to individuals in the highest priority groups began in earnest.

A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline Having been agreed with the European Union (EU) on Christmas Eve, the Brexit trade deal was voted through the House of Commons by 521 votes to 73 and then written into law after passing through the House of Lords and given royal assent.

The Bank of England (BoE) maintained Bank Rate at 0.1% during the quarter but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its December interest rate announcement, the BoE noted that plans to roll out COVID-19 vaccines would reduce some of the downside risks to the economic outlook but that recent rises in the number of infections is likely to lead to weaker GDP growth than had been predicted in its November Monetary Policy Report.

Government initiatives continued to support the economy as the furlough (Coronavirus Job Retention) scheme was extended once again to April 2021, supporting some 10 million jobs, and meaning that by then time the government would have provided taxpayer support to jobs for over a year.

During the quarter ended 31st December 2020 *(quarter 3 of financial year 2020/21):*

- The UK and EU signed a last-minute Brexit deal;
- Effective COVID-19 vaccines were announced and started to be rolled out;
- A second lockdown in November and a strict tiering system was imposed in December;
- The MPC announced an extra £150bn of Quantitative Easing (QE);
- The Chancellor announced a new fiscal package worth £55bn (2.4% of GDP) to support the economy;
- The positive news on Brexit and vaccines boosted the pound and the FTSE 100.

- **The Brexit deal the EU and UK signed on 24.12.20 came too late to give a boost to GDP growth in Q4. In fact, GDP probably fell again in the final quarter.** The second COVID-19 lockdown imposed in November and the subsequent tier system, which kept hospitality businesses closed in much of the country, could mean that GDP fell by about 3.5% q/q in Q4. Indeed, our CE BICS Indicator suggests that the economy fell by 8.0% m/m in November and that the economy did not rebound by much in December.
- **Admittedly, consumer spending appears to have held up much better than in the previous England-wide lockdown in March/April.** Retail sales “only” fell by 3.8% m/m in November, a fraction of the 18.1% m/m fall in April. This still left them 2.7% above their pre-crisis level and there was a much smaller drop in car sales in November

than in April, (-29% m/m vs -98% m/m). What is more, the mini-boom in the housing market meant mortgage approvals rose to 104,969 in November, leaving them 43% above their pre-crisis level.

- However, much of the resilience of retail sales is because November's lockdown was less strict as schools, factories and construction sites stayed open. This meant that petrol sales held up much better, "only" falling by 16.6% m/m compared to the 51.8% m/m contraction in April. Also, firms have improved at selling online. Indeed, the value of all the goods sold on the internet rose by 6.3% m/m in November. **What is more, the more widespread Tier 4 COVID-19 restrictions, which closely resemble November's lockdown, raise the chances that the economy stagnates, if not contracts, in the first three months of 2021.**

- The reduced ability of households to spend during November's lockdown meant that they repaid £1.5bn of unsecured loans in that month. But lower debt and higher savings means that consumers will be in a good position to boost spending once COVID-19 restrictions are eased.
- In response to the second lockdown, in November the Chancellor announced a further £55bn, (2.4% of GDP), of COVID-related spending in 2020/21 on top of the total £280bn, (14.5% of GDP), of policy support previously announced. He also extended the furlough scheme, which pays up to 80% of an employee's wages and was due to end on 3110.20, until 30.04.21, and announced that businesses forced to close would be able to get a grant of £3,000 per month.
- The extraordinary fiscal cost of the crisis is being reflected in public finance figures. Indeed, the government borrowed an extra £31.6bn in November, the third highest figure on record, taking total borrowing this financial year so far to £240.9bn compared to £57.4bn in the whole of 2019/20. What is more, borrowing is likely to remain high over the next few months as the new restrictions keep many businesses closed and millions of workers on the furlough scheme. We expect the budget deficit to reach about £420bn, (21.7% of GDP), in 2020/21, its highest since WW2 and slightly more than the £400bn the OBR forecast in its November report.
- **However, beyond the next few months we think the outlook is much brighter now a Brexit deal has been signed and an effective vaccine is being rolled out.** Indeed, we are now more optimistic than the OBR and the Bank of England. Admittedly, custom checks and procedures will still be required on goods moving between the UK and the EU for the first time since 1973, so there will probably be some disruption at the ports in early 2021.
- **Any disruption at the borders will probably be short-lived as firms will quickly become familiar with the new procedures.** The Brexit deal removes the uncertainty and downside risk of a no deal. and for the first time in four-and-a-half years, businesses can now plan knowing the shape of the UK/EU relationship.
- **What's more, in contrast to what most other forecasters appear to have assumed, we are not convinced that the COVID-19 crisis will significantly reduce the economy's supply capacity and prevent it from returning to the pre-crisis trend.** Our analysis suggests that permanent hits to supply are most likely to happen after recessions associated with financial crises and wars, as they reduce the supply of credit or destroy large parts of the capital stocks. Neither of those things has happened this time. As such, we expect the economy to be just 1% smaller in 2024/25 compared to if the pandemic had never happened and to get back to its pre-virus trend later in the decade.

- So, rather than running a deficit of 3.9% of GDP by 2025/26 as the OBR expects, we think the deficit may have returned to around 2.5% of GDP by then. In this case, there may not be much of a fiscal hole to fill. **In fact, the danger is that fiscal policy is tightened too soon to fill a perceived hole in the public finances caused by the crisis that never materialises.**
- As a result, we think that the £150bn of Quantitative Easing (QE) that the Bank committed to at its meeting on 4.11.20 may prove to be the last loosening of policy it will need to do. The risk to this view is that the Bank may want to respond to the latest lockdown, but even if it does, we think it will increase the pace of the asset purchases already announced, rather than increasing its total QE. The Bank is also probably not ready to implement negative rates yet so this currently limits its ability to cut rates.
- **However, unlike the financial markets, we do not think the Bank will raise rates in the next five years.** Admittedly, the end of the VAT cut for the hospitality industry on 31.3.21 and higher oil prices, will probably push inflation briefly above 2.0% in late 2021. But the time spent above 2.0% is likely to be fleeting. We expect inflation to be closer to 1.5% in 2022 than 2.0%. Even if inflation did rise to 2.0%, the Bank has said it would need to be convinced it will stay above 2.0% before it tightens policy. As such, Bank Rate may not rise above 0.10% for around five years. After all, in the minutes of its December meeting the MPC said risk management considerations implied that policy should lean strongly against downside risks to the outlook: we, therefore, expect the MPC to wait until the economy is fully recovered from the crisis before it considers raising rates.
- Record low interest rates for the next few years will keep equities looking attractive relative to bonds. The rotation away from the tech stocks which have benefited from COVID-19 lockdowns, towards more traditional consumer-facing and financial stocks, should boost UK equity prices over the next few years. But a stronger pound will keep any market exuberance in check. We expect the FTSE 100 to rise by about 13% from 6,650 now to 7,500 by end-2021.
- The key risk to our economic and financial views is if a third lockdown is implemented across the UK in Q1, (as has now been announced on 5th January, with some variations between nations). That would probably cause GDP to shrink again and would raise the risk of greater longer-term scarring effects on the economy, putting the onus on policymakers to do more. That said, we disagree with the markets' expectations that Bank Rate will be cut into negative territory in the coming months. If it were to act, we think the Bank would prop up demand through speeding up its asset purchases or boosting the uptake of its lending schemes, rather than negative rates.
- The story is similar in the eurozone where the additional COVID-19 restrictions which have been rolled out across Europe, will hamper growth in Q4 2020 and Q1 2021. However, now that a vaccine has been approved by European authorities, the economy should be able to rebound rapidly in the second half of 2021. The ECB's message that it will persist with its flexible asset purchase programme until at least early 2022, should reassure investors that there will not be a reversal of the compression of bond yields anytime soon to historically low levels.
- **Meanwhile, the outlook in the US is a bit more rosy.** The vaccine rollout there is moving along swiftly and the $900bn stimulus package passed by Congress in December means we have raised our GDP growth forecast for 2021 to 5.5%, from 5.0%. With Fed officials still projecting that inflation will only get back to 2.0% in 2023, the vast majority expect the Fed funds rate to be still at near-zero until 2024 or later.