

Report to the Treasury Select Committee
Huw Pill
Bank of England Chief Economist and Member of the Monetary Policy Committee
13th February 2026

A. Economic and monetary developments and voting record

1. Monetary policy since August 2024 can be characterised by the gradual and careful removal of policy restrictiveness. Since the August 2024 MPC meeting, the Committee has been engaged in a cycle of cuts to Bank Rate from its post-pandemic peak and has continued to lower the stock of gilts held in the APF.
2. The reduction in policy restrictiveness was allowed by a rapid fall in headline CPI inflation from its 11% peak in October-2022, to close to 2% target levels by the autumn of 2024. While much of that decline in inflation reflected the unwinding of the external shocks to energy, food and tradable goods prices that drove the initial inflation surge, the Committee judged that restrictive monetary policy had also played an important role in containing second-round effects and stabilising longer-term inflation expectations.
3. In August 2024, I voted to hold rates at 5.25%, dissenting from the majority decision to cut and favouring a later start to the cutting cycle. My preference to keep rates on hold for somewhat longer reflected my assessment that more persistent components of inflation — particularly nominal wage growth and domestic services inflation — still posed upside risks.
4. Given these considerations, I supported a *cautious* adjustment in the monetary policy stance, recognising that the time had come to begin reducing rates but also guarding against lowering Bank Rate “too quickly or by too much” during the disinflation process. On that basis, I favoured an approach to the withdrawal of policy restriction from September 2024 that was labelled “*gradual and cautious*” rather than “*gradual and careful*.” In practice, this implied pointing to a slower than 25bp per quarter pace of Bank Rate cuts over the coming year.

5. Consistent with this view, I voted for a measured pace of rate cuts. Between August 2024 and today, I have voted twice for 25bp reductions. On those two occasions — November 2024 and February 2025 — I emphasised the need for gradualism, with a path somewhat to the hawkish side of a 25bp-per-quarter benchmark. Since the February 2025 meeting, I have voted to hold Bank Rate unchanged, thus accommodating cuts implemented by the majority while signalling a preference for a slower pace of Bank Rate reductions. I have viewed holding Bank Rate as preferable to reversing cuts that have been implemented, on the basis that the still restrictive stance of policy could be maintained if further cuts proceeded more slowly.
6. My assessment has been that the underlying process of disinflation after the pandemic and invasion has remained intact over the last 18 months, albeit with domestic underlying inflationary pressures (as captured in pay growth and services inflation) continuing to prove stubborn.
7. I have consistently emphasized that the higher-than-expected inflation is driven not by new upside shocks, but by a supply side of the economy that was more inflationary than we had assumed. Recent analysis, set out in the BoE's MPR Box B, goes some way in corroborating this. It showed that the prevalence of firms with a high degree of wage bargaining was much higher than official estimates of the share of private sector employees covered by explicit collective agreements. This suggests that we may have underestimated the degree of intrinsic persistence in wage and price setting.
8. That is not to say there have not been some upside shocks over the last 18 months — NICs, and the National Living Wage — may have boosted inflation and related indicators more than envisioned. The analysis I cited also sheds light on the prevalence of firms with wage bargaining structures that exhibit high sensitivity to labour cost shocks, suggesting that the pass-through to wages and prices was much higher than perhaps the MPC, as a collective, had assumed.

9. Assessing the drivers of inflation persistence has been complicated by mixed signals from incoming data. Weakness in activity over the past 18 months has been most evident in market-facing sectors, where past monetary tightness and heightened uncertainty have weighed on activity. While real-time interpretation of moves in key variables — whether driven by demand or supply shocks — is inherently difficult, it has been particularly challenging over this period as the data presented a large degree of dispersion. Data was subject to substantial revisions and there were many examples of dispersion between indicators measuring the same variables (for instance between LFS and payrolls; or GDP growth versus activity surveys).
10. Viewed through the lower-frequency lens I favour, this mixed data picture did not lead me to revise my economic outlook and therefore my policy stance for the past 18 months has been consistent. After a prolonged period of above-target inflation, I placed greater weight on the risk of underestimating intrinsic inflation persistence than on the risk of a temporary undershoot of the inflation target.
11. Regarding the balance sheet, I voted to reduce the stock of gilts held for monetary policy purposes by £100bn per year in both September 2024 and August 2025, dissenting from the majority preference for a slower pace on the latter occasion. I attach a high weight to maintaining continuity and consistency in our approach to QT. On my reading, concerns about gilt market functioning have been overstated in the discussion of whether to moderate the pace of QT, and the role of QT in managing any such dysfunction.

B. The Economic Outlook

12. Following its meeting on 5 February, the MPC published a new [Monetary Policy Report](#), including its latest economic forecasts. These projections represent the Committee's collective view rather than my detailed personal assessment. That said, they are not far from my own current outlook. The MPC expects headline CPI inflation, as per its central projection which is conditional on the market curve, to return to target earlier than we had anticipated a year ago.

13. Based on the available data, I expect the disinflation process to continue, with CPI inflation falling close to 2% in the spring. Much of this reflects developments in energy prices and the downward impact of measures announced in the November Budget particularly a downward contribution from utility prices. This should be reinforced by softer administered and regulated prices, indirect tax effects, and the fading impact of the NICs changes. External inflationary pressures — particularly global food and commodity prices — also remain subdued and supportive of this trend down.

14. Consistent with my previous comments, I will continue to monitor data closely for signs of persistence in inflation components that are sensitive to supply-side conditions. Private-sector AWE wage growth slowed to below 4% in the three months to November, though this was partly due to base effects, and public-sector pay growth remains firm. Other indicators like the Agents' pay survey, services inflation, and short- and medium-term inflation expectations do suggest upside risks to inflation coming back to target. For instance, although the Agents' pay survey showed end-2025 pay growth well below 2024 levels, there was significant upward drift of around 1pp over the past 15 months in Agents' contacts' assessment of the end-2025 position. An upward drift is also exhibited in other indicators such as DMP own-price expectations or wage expectations and household medium-term inflation expectations.

15. At the same time, this must be balanced against signs of loosening in the labour market. The unemployment rate has risen in recent months, and recruitment difficulties have eased.

16. My view is that we should use the expected decline back to 2% to target to anchor inflation expectations. It is not a time for complacency. We should also be symmetric: if we looked through the temporary hump in inflation during 2025, we should similarly look through the trough expected in spring 2026. We should look towards what the lasting effect on underlying inflation would be once the impact of fiscal measures fade.

17. Importantly, monetary policy cannot assume responsibility for improving the supply side of the economy. Efforts to do so would be ill-advised — both because they would likely be ineffective and because they risk distracting policymakers from their central mandate: meeting the inflation target. By maintaining price stability, the MPC helps to create an environment in which the private sector, as well as other policy authorities, can make long-term investment decisions that drive innovation, dynamism, productivity, and ultimately living standards.
18. Despite my preference for continued caution in the pace of further Bank Rate reductions, I draw some comfort from medium-term inflation dynamics. Longer-term market measures of inflation and low-frequency broad money developments are broadly consistent with historical conditions associated with price stability.
19. That said, part of the strength of broad money growth is driven by bank lending to other financial corporations. To the extent that this is associated with an accumulation of leverage via the gilt repo market to fund hedge fund basis trades (and in a context of high levels of public debt and fiscal and institutional uncertainties at home and abroad), the risk of a market-led disruption to monetary policy transmission and/or renewed pressure to orient monetary policy actions to objectives beyond the price stability mandate remain considerable.

C. Changes to monetary policy processes

20. Over the last 18 months, the Bank has also been implementing the Bernanke Review recommendations as part of a wider transformation programme. The Review examined the MPC's forecasting processes and communications. It concluded that the Bank of England's MPC, like many central banks, has faced significant challenges in forecasting UK inflation in recent years, but that the central role of the forecast within the UK framework presents a specific set of strategic and communication challenges that must be addressed as we strengthen the framework.

21. Since autumn 2025, we have adjusted how we communicate monetary policy externally. This includes a more flexible Monetary Policy Report incorporating a broader range of inputs; a shorter and sharper Monetary Policy Summary reflecting the Committee's collective decisions; and space within the Minutes for individual members to outline their views on the economy and policy path, and to indicate what staff analysis informed their key judgements. I set out these changes in speeches last autumn (see [here](#) and [here](#)).

22. At the same time, some challenges remain. As an institution, we continue to grapple with difficult questions raised by Professor Bernanke regarding the use of scenarios and policy rules in the monetary policy framework. These are areas where there is a need for further work, particularly in building up the internal analytical capacity.

23. As discussed in my [speech](#) at the Institute of Chartered Accountants and the accompanying *Quarterly Bulletin* article, a menu of possible uses of scenarios has been developed. As my speech also emphasises, the process of reforming and strengthening the monetary policy framework – perhaps in particular in this domain – is an evolutionary rather than revolutionary one.

Annex: List of public speeches and other external engagement

17/10/2025	Evolving UK monetary policy in an evolving world	Institute of Chartered Accountants of England and Wales annual conference Thriving in Transformation, London
08/10/2025	Uncertainty, structural change and monetary policy strategy	The Maxwell Fry Lecture of the Money, Macro and Finance Society given at the University of Birmingham
23/09/2025	On QT	Inaugural Pictet Research Institute Symposium 2025 Geneva
20/05/2025	The courage not to act	Barclays, London
04/10/2024	Cross-checking	Institute of Chartered Accountants for England and Wales annual conference, London

Feb 2025-Feb 2026

Citizen panel / Community Forums	1 (Belfast)
Press Interviews	1 (Reuters)
Regional visits	6 (Central Southern, South West, South East and East Anglia, Northern Ireland, East Midlands, West Midlands)
MPR Stakeholders/Agency Briefings	4