Bank of England

Monetary Policy Summary and minutes of the Monetary Policy Committee meeting ending on 29 July 2026

30 July 2026

These are the minutes of the Monetary Policy Committee meeting ending on 29 July 2026.

They are available at https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2026/july-2026.

The Bank of England Act 1998 gives the Bank of England operational responsibility for setting monetary policy to meet the Government's inflation target. Operational decisions are taken by the Bank's Monetary Policy Committee. The minutes of the Committee meeting ending on 16 September will be published on 17 September 2026.

Monetary Policy Summary, July 2026

At its meeting ending on 29 July 2026, the Monetary Policy Committee (MPC) voted by a majority of 6–3 to maintain Bank Rate at 3.75%. Three members voted to increase Bank Rate by 0.25 percentage points, to 4%.

In response to events in the Middle East, crude and refined energy prices have remained volatile and higher than pre-conflict. The impact of the energy shock on the UK economy remains uncertain. Monetary policy cannot influence energy prices but is being set to ensure that the economic adjustment to them occurs in a way that achieves the 2% inflation target sustainably. The policy stance required to achieve this will depend on the scale and duration of the shock, and how it propagates through the economy including via financial conditions.

CPI inflation has fallen to 2.6% since the previous meeting, although it is expected to rise later this year as the effects of higher energy prices continue to pass through. The risk of material second-round effects in price and wage-setting, against which policy needs to lean, is greater the longer higher energy prices persist. There is little evidence so far to suggest such effects, and there have continued to be clear signs of underlying disinflation in recent data. Loose labour market conditions, and higher interest rates faced by households and businesses than prior to the conflict, will also act to reduce inflation over time. The Committee judges that the risks to the inflation outlook are tilted to the upside relative to the central projection in the July Monetary Policy Report, but there remains scope for the outlook to change materially as events in the Middle East unfold.

The Committee judges that it is appropriate to maintain Bank Rate at this meeting. The Committee stands ready to act as necessary to ensure that CPI inflation remains on track to meet the 2% target in the medium term.

Minutes of the Monetary Policy Committee meeting ending on 29 July 2026

1. Before turning to its immediate policy decision, the Monetary Policy Committee (MPC) discussed key economic developments and its judgements around them, as well as its views on monetary policy strategy. The latest data and analysis underpinning these topics were set out in the accompanying July 2026 Monetary Policy Report.

The Committee's discussions

2. At this meeting, the Committee discussed developments in global energy prices, the uncertainty surrounding the prospects for them and the implications for near-term inflation. It also discussed the extent of disinflation and slack in the economy, the potential scale of second-round effects and broader global factors as possible drivers of future inflation.

3. The conflict in the Middle East, and its impact on energy prices and the UK economy, remained the dominant source of uncertainty for the inflation outlook. In the run-up to this meeting, oil and gas prices were materially higher than pre-conflict. The Brent crude front-month future and the UK front-month natural gas future were $84 per barrel and 136 pence per therm respectively as at close of business on 28 July. In the June CPI outturn of 2.6%, motor fuel prices had contributed 0.6 percentage points to CPI inflation. Inflation was expected to rise further this year from the direct and indirect effects of higher energy prices. Volatility in energy prices would correspond to volatility in this near-term inflation outlook. Members continued to look through direct effects. But policy would need to guard particularly against second-round effects that created inflation persistence, while considering any trade-off with weaker economic activity. The risk of material second-round effects would depend on the scale and duration of the energy shock, which remained uncertain.

4. All members agreed that risks to the paths of energy prices remained skewed to the upside. Energy markets had been volatile, and there was concern that repeated re-escalations of the conflict could prolong this volatility. This could generate further upward pressure on energy prices, with uncertainty over how long this could linger. The release of strategic oil reserves and substitution between energy sources had been restraining more acute oil price increases, but could not mitigate the shock indefinitely. And gas and refined product prices, which were salient for households and businesses, had been less tempered by these mitigants owing to supply constraints. The Committee therefore remained attentive to the risk that consumer energy prices could stay elevated for longer, even if for most members the range of likely near-term global energy price paths had probably narrowed

relative to the more extreme levels considered at the time of the April Monetary Policy Report.

5. In evaluating the impact of these developments on inflation, all members acknowledged that there had been sustained disinflation pre-conflict. Although above the 2% target, CPI inflation had fallen since the April Report, accounted for largely by continued moderation in services and food inflation. Abating domestic inflationary pressures had been supported by slowing wage growth and a soft labour market. Some members also noted that the absence of a monetary overhang was helping to create a more benign starting point for the energy shock compared to some previous episodes.

6. Members took varying degrees of reassurance from what this past disinflation implied for the inflation outlook. For most members, past disinflation was consistent with a margin of economic slack. This slack would continue to constrain the strength of inflation persistence in the medium term. For other members, this past disinflation was either not informative about future inflation, or in spite of it there was a significant risk of second-round effects taking hold. All members agreed that the likelihood of material second-round effects was the key uncertainty surrounding the appropriate policy response to bring inflation back to target in the medium term.

7. The Committee agreed that there had been little evidence of material second-round effects so far. It noted that, given lags in pass-through, this could not be taken as a strong signal about their future emergence, especially given measurement challenges. Renewed escalations in the Middle East could also change the assessment. For some members, the absence of adverse developments so far in key indicators including inflation expectations, own-price expectations in the DMP survey, wage-price feedback and food inflation, pointed to a likelihood of limited second-round effects to come. Other members derived little signal from current data given the lagged nature of second-round effects, particularly so for wage-setting dynamics for which indications of 2027 pay settlements were yet to come. And members were concerned to varying degrees that higher energy prices were occurring against a backdrop of persistent above-target inflation as well as elevated household attentiveness to inflation outturns. Taken together, this warranted caution in placing too much weight on initial evidence in determining the possibility of stronger second-round effects.

8. The Committee would continue to monitor the evolution of a wide range of forward-looking data and intelligence to allow timely assessments of the inflation outlook. Box A in the July Report set out a framework, a fuller set of monitoring indicators and analytical approaches that the Committee would continue to consider in evaluating second-round effects.

9. More broadly than the energy shock, global factors pointed to an economic environment that risked being more inflationary in future. While some factors appeared to be exerting some downward pressure on UK inflation at the moment, for example trade diversion due to higher global trade tariffs, some posed upside risks. These included strong demand for AI-related components creating sector-specific price pressures and the impact of El Niño on global food prices. While these risks might not materialise, or occur at the same time, the Committee noted that some could interact with one another and with commodity price developments in potentially inflationary ways. The Committee would continue to monitor these dynamics and their implications for the inflation outlook.

10. Taking all of the risks into account, the MPC judged that the risk of strong inflationary pressures was greater than the risk of weak inflationary pressures, although there remained a high degree of uncertainty around the outlook. The central projection for the economy and two scenarios were set out in the July Report. The central projection was conditioned on the 15 day average of energy price paths to 20 July and assumed moderate additional second-round effects. The adverse scenario was consistent with the likelihood of repeated re-escalations of the conflict with no clear resolution, resulting in persistently higher energy prices, and with an assumption of much stronger second-round effects. The milder scenario assumed lower energy prices around those that had been observed around the beginning of July, consistent with a more durable de-escalation of the conflict. In this case, additional second-round effects did not emerge and, in addition, household consumption was assumed to be weaker leading to softer demand and inflation pressures.

11. Members noted that monetary policy could need to react before the risks around inflation persistence materialised conclusively. There were two dimensions in considering the appropriate policy stance: the level of current monetary policy restrictiveness, and the degree to which policy should guard pre-emptively against the possibility of worse outcomes. Both considerations involved balancing the costs of leaning too little against inflation persistence against costs to economic activity by leaning too much.

12. In considering the appropriate level for Bank Rate, members noted that financial conditions had tightened materially compared with prior to the conflict, which had increased financing costs faced by households and firms. Members discussed the extent to which the tightening in financial conditions reflected ongoing uncertainty and a perception from market participants that risks to Bank Rate were skewed to the upside.

The immediate policy decision

13. The MPC sets monetary policy to meet the 2% inflation target sustainably.

14. Six members (Andrew Bailey, Sarah Breeden, Swati Dhingra, Clare Lombardelli, Dave Ramsden and Alan Taylor) preferred to maintain Bank Rate at this meeting. Holding Bank Rate, combined with the significant tightening of financial conditions that had occurred since the conflict started, was providing sufficient insurance against the upside risks to inflation stemming from fluctuations in energy prices. This would allow time to observe further evidence, preserving the option to change Bank Rate in future were the evidence to warrant it. Members recognised the potential need for additional policy restraint were signs of material second-round effects to emerge. But they also noted that the policy strategy could change were upside risks to inflation to subside durably and the underlying disinflation process to continue.

15. Three members (Megan Greene, Catherine L Mann and Huw Pill) preferred a 0.25 percentage point increase in Bank Rate at this meeting. These members were less reassured on the underlying disinflationary process, were concerned that second-round effects could be material, and thought it relevant that inflation had exceeded the 2% target for more than five years. For these members, uncertainty about how the conflict would evolve remained high, and so a risk management strategy was appropriate. They believed that a proactive increase in Bank Rate would reduce the probability of second-round effects setting in. Further, research found that setting policy as if there were stronger second-round effects and course correcting if needed, would prove to be less costly than vice versa.

16. The Chair invited the Committee to vote on the proposition that:

Bank Rate should be maintained at 3.75%.

17. Six members (Andrew Bailey, Sarah Breeden, Swati Dhingra, Clare Lombardelli, Dave Ramsden and Alan Taylor) voted in favour of the proposition. Three members (Megan Greene, Catherine L Mann and Huw Pill) voted against the proposition, preferring to increase Bank Rate by 0.25 percentage points, to 4%.

MPC members' views

18. Members set out the rationale underpinning their individual votes on Bank Rate.

Members are listed alphabetically under each vote grouping. References in parentheses relate to boxes in the July 2026 Monetary Policy Report. References to scenarios relate to those set out in Section 3 of the July Report.

Votes to maintain Bank Rate at 3.75%

Andrew Bailey: Events in the Middle East mean that the short-run path of inflation is uncertain owing to volatile energy prices. The possibility of repeated resumptions of conflict, combined with lower than usual European gas stock levels and a fall in global refining output, mean that risks to energy prices lie to the upside. Set against that, the process of underlying disinflation that was intact prior to the conflict remains in train. That provides some tentative evidence that inherited inflation persistence may be weaker than had been presumed. Alongside this, the labour market continues to ease, and the demand environment remains soft. There is little evidence yet of second-round effects (Boxes A and B), although it is too early to take much comfort from that. Financial conditions have tightened since the onset of the conflict (Box F). These conditions and the upward sloping yield curve, which in part reflects the energy-related upside risks to inflation, are weighing on any nascent inflation pressures. Holding Bank Rate is appropriate as global conditions look to be more uncertain and inflationary, while domestic conditions are on balance more benign as regards the prospects for inflation.

Sarah Breeden: Energy prices have been volatile since June. For monetary policy, what matters is the scale and duration of these shocks and how they propagate through the economy. Incoming data show underlying disinflation to have been firmly on track, consistent with weak demand and a loose labour market. Neither staff's new granular measure of underlying inflation (Box C) nor broad money developments (Box E) signal upside inflation risks. Together with staff's monitoring of second-round effects (Box B), that gives me greater confidence that such effects should be limited, although it remains early days. While my confidence around the domestic inflationary environment has increased, risks to global prices have shifted to the upside. Geopolitical tensions remain unresolved, gas and refined fuel prices are high, and global supply shocks – including those related to climate and AI (Box D) – could reinforce one another, increasing the likelihood of more material second-round effects. Financial conditions facing households and businesses have tightened materially since the onset of the conflict, and consistent with the baseline, provide sufficient restrictiveness for now. Looking ahead, I will continue to focus on how second-round effects are likely to evolve.

Swati Dhingra: The eventual size, persistence and propagation of the energy shock remain highly uncertain. So far, evidence suggests that inflationary pressures are more upstream, concentrated in a limited number of sectors, and do not yet appear to be broadening materially (Boxes B and C). The domestic economy is unlikely to amplify second-round effects as demand remains subdued, the labour market continues to loosen with vacancies below pre-pandemic levels and margins are not expanding in a way that magnifies the shock.

An increase in Bank Rate now would be disproportionate as, unlike 2022, the starting point for this shock is much softer and the policy stance is more restrictive. I continue to see value in waiting for a clearer read on the energy shock in the coming months before deciding whether a change in policy is required, given the broad range of possible outcomes. We will learn more about first-round energy effects and 2027 wage-setting towards the end of this year. This would still allow time for monetary policy to mitigate second-round effects as needed at that point.

Clare Lombardelli: The outlook for UK inflation is being driven by global factors interacting with a weakening domestic environment. Indirect and second-round effects of previous higher energy prices remain a concern, exacerbated by the reemergence of elevated energy prices. Second-round effects take time to appear (Boxes A and B) but could be significant. Their current absence is informative but not conclusive. Recent data show underlying disinflation continuing and the looser labour market and weak pricing power should help limit propagation. The stance of monetary policy is restrictive, more so once broader financial conditions and the further underlying disinflation are factored in. This provides sensible risk management given the inflationary impulse from higher energy prices. Policy would need to be adjusted were there to be evidence of risks of significant second-round effects, including from persistently higher energy prices.

Dave Ramsden: There are two distinct aspects to the outlook, pulling in different directions. On the one hand, I see clear upside risks to inflation from the global environment, with the potential for a prolonged disruption to energy prices from repeated energy shocks, though perhaps smaller in amplitude than first considered in March and April. Alongside that, bottlenecks in AI supply chains and the impact of El Niño on food prices may add to inflationary pressures (Box D). On the other hand, domestic developments point to a more benign inflationary outlook (Box C), where inflation would have been likely to return to target absent the shocks from the conflict in the Middle East. And an early assessment of second-round effects (Box B) suggests they are more likely than not to be limited. The policy stance is currently delivering the restrictiveness necessary to weigh against the upside risks posed by the global environment. I will keep the degree of restrictiveness under review as we continue to learn more about the upside risks to inflation. If they were to crystallise, a hike in Bank Rate may be warranted. If the risks were to subside and the underlying disinflation process continued, I would consider resuming the cutting cycle.

Alan Taylor: The inflation outlook is shaped by opposing forces: benign, disinflationary background trends in domestic conditions versus incoming, volatile global shocks of unclear magnitude and duration. On the latter, especially conflict-related energy shocks, there is no evidence so far of second-round effects, but we continue to monitor them. These external risks are important and justify an upside-skewed scenario. But they are not the only risks that matter for policy thinking. In contrast, domestic inflation pressures continue to abate, with wage and private-sector AWE growth reaching target-consistent rates and recent CPI numbers surprising to the downside. The backdrop is one of greater slack, restrictive monetary conditions, cautious households and firms, and limited fiscal space. The economy is drifting further toward deficient demand, with material risk of larger output gaps, labour-market scarring, and a slowdown in growth over the next year or two. In that context, the possibility of downside surprises, and painful trade-offs, remains relevant. For me, the more likely outcomes sit between the baseline and milder scenario, albeit with a long right tail; keeping Bank rate on hold, at a higher level now than the pre-conflict implied path, gives insurance for now, before resuming cuts when and if geopolitical uncertainty clears.

Votes to increase Bank Rate to 4%

Megan Greene: There remains considerable uncertainty about the evolution of the conflict in Iran and its impact on the UK economy. Incoming data suggests the disinflation process has continued and the real side of the economy remains soft. Some recent forward-looking surveys have been collected during a peace deal and a conflict, making it difficult to parse signal from noise. Unsurprisingly, there has been scant evidence of second-round effects, but I expect some to emerge. There have been successive negative supply shocks, inflation has remained above target for roughly five years and inflation is likely to reach the threshold at which business and household expectations are more sensitive to outturns. Other supply risks loom as well, including a second energy choke point in the Red Sea, El Niño and supply constraints for AI-related hardware. As in June, there is significant uncertainty about which projection or scenario is most likely and I believe a risk management strategy is appropriate. Staff analysis illustrates that setting policy as if there are stronger second-round effects and course correcting if they prove to be smaller is less costly than vice versa. Furthermore, a proactive hike in Bank Rate may reduce the probability that second-round effects set in.

Catherine L Mann: Most indicators of nominal conditions have continued to moderate, although near-term inflation estimates skirt the inflation attentiveness threshold at which research suggests stronger second-round effects, which would build on an inflation rate that has remained above target for five years. That said, the key change in the environment for my decision is the collapse of the US-Iran Memorandum of Understanding, the widening of the Middle East conflict, and the associated volatility in energy prices. This ‘sporadic continuance’ of the conflict that I hypothesised last month appears to be the state of play. The shocks and volatility transmit through salience and production costs to affect expectations and price setting behaviours to impart an upward ratchet to CPI inflation. A variety of research methods concludes that Bank Rate should be higher than 3.75% to return inflation to the 2% target sustainably. Other research emphasises that the costs of leaning against upside risks that fail to materialise would be smaller than the cost of leaning too little against upside risks. Notwithstanding moderately restrictive nominal financial conditions, reinforcing policy credibility when faced with inflationary shocks implies that a 25 basis point increase in Bank Rate is appropriate at this time.

Huw Pill: While energy prices remain volatile, risks to achieving the inflation target lie firmly to the upside. It is comforting that, so far, staff analysis has identified neither a broad money overhang (Box E) nor second-round effects associated with the de-anchoring of longer-term inflation expectations. Nonetheless, I remain concerned about more insidious second-round effects driven by catch-up dynamics in wage and price setting. While these may be slower to emerge, they could prove more lasting and create greater intrinsic inflation persistence. Structural shifts in the economy have rendered the UK more vulnerable to such catch-up effects and are also associated with a less benign view of pre-conflict underlying inflation. The profound uncertainty surrounding the energy price outlook is likely to be prolonged and of unknown duration, rendering efforts to fine-tune the economy with monetary policy hazardous. As a result, it is appropriate to raise Bank Rate now, thereby cutting through noise in commodity and asset price developments to offer a clear and unambiguous signal of our willingness and ability to address upside risks to inflation stemming from events in the Gulf. This would place us in the best position to manage risks to the inflation target as they emerge.

Operational considerations

19. On 17 July, the stock of UK government bonds held for monetary policy purposes was £491 billion.

20. The following members of the Committee were present:

Andrew Bailey, Chair
Sarah Breeden
Swati Dhingra
Megan Greene
Clare Lombardelli
Catherine L Mann
Huw Pill
Dave Ramsden
Alan Taylor

Brian Bell was present as the Treasury representative.

David Roberts was present on 21 July and 27 July, as an observer for the purpose of exercising oversight functions in his role as a member of the Bank's Court of Directors.