

Bank of England

Monetary Policy Summary and minutes of the Monetary Policy Committee meeting ending on 18 March 2026

19 March 2026

These are the minutes of the Monetary Policy Committee meeting ending on 18 March 2026.

They are available at <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2026/march-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 29 April will be published on 30 April 2026.

Monetary Policy Summary, March 2026

At its meeting ending on 18 March 2026, the Monetary Policy Committee (MPC) voted unanimously to maintain Bank Rate at 3.75%.

Conflict in the Middle East has caused a significant increase in global energy and other commodity prices, which will affect households' fuel and utility prices and have indirect effects via businesses' costs. Prior to this, there had been continued disinflation in domestic prices and wages. CPI inflation will be higher in the near term as a result of the new shock to the economy.

Monetary policy cannot influence global energy prices but aims to ensure that the economic adjustment to them occurs in a way that achieves the 2% target sustainably. The MPC is alert to the increased risk of domestic inflationary pressures through second-round effects in wage and price-setting, the risk of which will be greater the longer higher energy prices persist. The MPC is also assessing the implications for inflation of the weakening in economic activity that is likely to result from higher energy costs.

The Committee will continue to monitor closely the situation in the Middle East and its impact on global energy supply and energy prices. It 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 18 March 2026

1: Before turning to its immediate policy decision, the Monetary Policy Committee (MPC) discussed recent developments in global economic and financial conditions, the immediate implications for the UK economy, and how these developments could affect the medium-term outlook and the MPC's strategy.

Global economic and financial conditions

1: Since the Committee's February meeting, the main development had been the outbreak of conflict between Israel and the United States, and Iran. The conflict had spread to other parts of the Middle East, with energy infrastructure targeted. Prior to the conflict, there had otherwise been limited news in the global economy since the February Monetary Policy Report.

2: Shipping through the Strait of Hormuz, through which around one-fifth of global oil and liquefied natural gas supply flowed, had almost ground to a halt following some Iranian attacks on vessels attempting transit. The most significant economic impact of developments in the Strait had been a sharp rise in both the level and volatility of energy prices, alongside upward pressure on a range of other commodity prices, such as fertiliser and helium¹ gas.

3: Oil prices had increased significantly since the previous MPC meeting. The Brent crude spot price in the run-up to the MPC meeting on 18 March had been over \$100 per barrel. This was around 60% higher than at the time of the February Report and the highest level since 2022, when oil prices had last increased by a comparable magnitude.

4: The Dutch Title Transfer Facility spot price, a measure of European wholesale gas prices, in the run-up to the MPC meeting on 18 March had been over €50 per MWh. This was around 60% higher than its pre-conflict level earlier in the year. Prices of futures contracts for UK natural gas, which would feed into the next Ofgem price cap for July to September, had increased on average by 35 to 40%. While the recent increase in wholesale gas prices had been substantial, prices had remained well below the peaks they had eventually reached in the period following Russia's invasion of Ukraine in 2022.

¹ Correction made on 19 March 2026. This sentence originally referred to neon.

5: The negative impact of the closure of the Strait of Hormuz on global oil supply would only be partially offset by the announcement of a coordinated release of strategic oil reserves by the member countries of the International Energy Agency. These reserves would likely be made available to the market over a period of several weeks and would take time to be transported to refineries.

6: It remained to be seen how long the conflict would last. The duration of the reduced supply of energy from the Middle East was therefore uncertain. Notwithstanding that uncertainty, intelligence from market participants suggested that their central expectation was for a relatively short-lived conflict. In that context, members noted upside risks to oil and gas prices looking ahead. Energy supply would take time to recover even if the conflict abated. Efforts to rebuild stocks, as well as greater awareness of vulnerabilities in the global energy network, could sustain higher oil and gas prices. Distributions implied by financial market options also suggested that upside risks to oil and gas prices had increased significantly, at least over the next few months.

7: The conflict had generally led to increased volatility and a deterioration in risk sentiment in financial markets relative to the Committee's previous meeting. Equity prices across advanced economies had fallen back since the conflict began. UK equity prices were overall little changed since the February Report, having increased ahead of the outbreak of hostilities before declining thereafter. Spreads on investment-grade and high-yield corporate bonds had widened since the conflict began. The sterling effective exchange rate index was little changed since the February Report, while the US dollar had strengthened somewhat.

8: The market-implied path for Bank Rate had increased significantly since the February Report. Alongside developments in other asset prices, this meant that overall financial conditions had tightened. A large majority of responses to the Bank's latest Market Participants Survey, which had been submitted between 4 and 6 March, expected no change in Bank Rate at this meeting, similar to market pricing. Beyond the near term, the latest market-implied path for Bank Rate sloped slightly upwards over 2026. Market intelligence gathered by Bank staff emphasised that market participants were recalibrating the balance of risks to the path for Bank Rate in light of the rise in energy prices. In the run-up to this MPC meeting, the market-implied path for ECB policy rates had suggested some tightening this year. The path for US policy rates had suggested some loosening, albeit less so than prior to the outbreak of the conflict.

9: The US Supreme Court ruling in relation to the International Emergency Economic Powers Act (IEEPA) had led the US administration to replace previously imposed IEEPA tariffs with a new temporary, uniform 10% tariff on all trade partners under alternative authority. While the direct macroeconomic implications for the UK of the lower US effective tariff rate appeared

small, uncertainty around the medium-term outlook for US trade policy had increased somewhat, though remaining well below levels seen in 2025.

UK current economic conditions

10: There had been only limited news in the near-term domestic outlook prior to the Middle East conflict. Twelve-month UK CPI inflation had fallen to 3.0% in January from 3.4% in December. This was 0.1 percentage points above the short-term forecast published in the February Report, largely due to a smaller-than-expected fall in services inflation. Services consumer price inflation had been 4.4% in January, 0.2 percentage points above the February Report forecast. Higher frequency measures of underlying services inflation had picked up a little. In light of this data news, CPI inflation was now expected to be a little over 3% in February.

11: Volatility in oil and gas prices had made the short-term outlook for inflation particularly uncertain, but recent increases in energy prices would delay the return of CPI inflation to the 2% target that had been expected at the time of the February Report. The immediate effect would be through higher fuel prices. Based on energy prices as of close of business on 16 March, CPI inflation was now expected to be close to 3½% in March, almost ½ percentage point higher than expected in the February Report.

12: CPI inflation had previously been projected to fall in 2026 Q2, as previous one-off price increases in April 2025 dropped out of the year-on-year comparison alongside the disinflationary effect of the 2025 Budget. Given higher fuel prices, the decline between Q1 and Q2 was now projected to be modest. CPI inflation was expected to be around 3% in Q2 rather than 2.1% in the February Report.

13: Higher wholesale gas prices would have minimal impact on household utility bills in the near term because the Ofgem price cap for April to June had already been determined. However, if current wholesale conditions persisted, they were likely to feed through mechanically into a higher price cap from July. Based on the oil and gas futures curves as of 16 March, Bank staff projections suggested that the direct contribution of energy prices to CPI inflation in 2026 Q3 would be around ¾ percentage points.

14: If they were to occur quickly, indirect effects from firms passing on higher energy costs to consumer prices could further push up CPI inflation by around ¼ percentage point in 2026 Q3. The eventual scale and timing of such indirect effects was uncertain. Taken together with the expected direct effects, and conditioned on energy prices in the run-up to this meeting, CPI inflation could increase to up to 3½% in Q3.

15: It was too early to judge how large any second-round effects from the new energy price shock would be through wage and price-setting. Prior to recent developments in energy prices, annual growth in private sector regular Average Weekly Earnings in the three months to January had been 3.3%, below the forecast in the February Report. An updated estimate by the Bank's Agents suggested that basic private sector pay settlements were now expected to average 3.6% over 2026, 0.2 percentage points higher than the estimate that had been available at the time of the February Report.

16: There had been some declines in inflation expectations ahead of the Middle East conflict. The latest Bank/Ipsos and Citi measures of year-ahead expected inflation had both fallen. The Decision Maker Panel survey had reported that firms' year-ahead own-price inflation expectations in the three months to February had edged down slightly. Timelier financial market-based measures of inflation compensation had increased since the conflict started, with near-term measures having increased markedly and by much more so than medium-term measures.

17: UK GDP had expanded by 0.1% in 2025 Q4, slightly below the 0.2% rate expected in the February Report. Notwithstanding some divergence in the signal from different business surveys, activity had remained subdued in 2026 Q1 with monthly GDP flat in January. Bank staff continued to estimate that underlying quarterly GDP growth for Q1 would be around 0.1 to 0.2%.

18: Labour demand had remained weak. The Labour Force Survey unemployment rate had been 5.2% in the three months to January, unchanged from December and close to the expectation in the February Report. Employment growth had remained subdued, while the vacancies-to-unemployment ratio had remained below the Bank staff estimate of its equilibrium rate.

19: It was too early to assess the full impact of recent developments in the Middle East on bank lending conditions in the United Kingdom. Term Overnight Indexed Swap rates had increased to levels previously seen in early 2025. Some mortgage lenders had increased the interest rates quoted on new mortgage products as a result. Despite a slowing in January, annual growth in the M4ex measure of broad money had remained robust at 3.6%.

Overview and the Committee's discussions

20: The recent conflict in the Middle East, and the consequent disruption to oil and gas supply, had led to a significant increase in wholesale energy prices since the MPC's previous meeting. Monetary policy could not influence global energy prices but aimed to ensure that

the economic adjustment to these prices occurred in a way that achieved the 2% inflation target sustainably.

21: Prior to these events, there had been continued disinflation in the UK. This partly reflected the restrictive stance of monetary policy, and was consistent with subdued economic growth and building slack in the labour market.

22: In light of the new, and potentially large, external supply shock, the Committee's discussions at this meeting focused on: what was known at this stage and what was likely to be known in the near future; its approach to considering the risks around a new medium-term outlook; and the potential implications for monetary policy.

23: The near-term outlook for CPI inflation had risen relative to the February Report projection. Increased energy prices would impact near-term inflation directly via increased household fuel and utilities prices, and indirectly as business' energy-related costs would also be affected. Preliminary staff estimates, based on energy price developments in the run-up to this meeting, indicated that CPI inflation was now likely to be between 3 and 3½% over the next couple of quarters. In the February Report, CPI had previously been expected to fall back to around the 2% target from April, partly owing to measures in Budget 2025.

24: The first-round impact on inflation from global factors would depend on the scale and duration of the conflict, and its impact on energy and other commodities markets. The Committee noted that even a short-lived conflict was likely to lead to a delay in restoring energy production back to normal levels, as well as the possibility of lingering instability, that could leave energy prices elevated for a period of time. A more protracted conflict could result in broader supply chain disruptions that could push up inflation further, for example owing to disrupted air and sea transport logistics, impacts on fertiliser supply, and trade disruption.

25: Taking into account the lags with which changes in Bank Rate were transmitted, the most important factor in setting policy would be how medium-term inflation was affected by this supply shock. The MPC was assessing a range of risks to medium-term inflation in both directions, although upside risks appeared to have increased most notably since February.

26: The MPC was alert to the increased risk of domestic inflationary pressures through second-round effects in wage and price-setting, the risk of which would be greater the longer higher energy prices persisted. Energy and food prices, which were expected to rise, were particularly salient for households' formation of inflation expectations. And households and businesses could have a heightened sensitivity to any new inflationary shock, following

successive negative supply shocks in recent times. This could lead to self-perpetuating behaviour in wage and price dynamics, which could embed domestic inflationary pressures.

27: The MPC was also assessing the implications for inflation from the weakening in economic activity that was likely to result from higher energy costs. In contrast to the energy price shock in 2022, this shock was occurring at a point when growth was below potential and the economy was operating with a margin of spare capacity. Increases in household fuel and utility costs, and other prices, would squeeze real incomes. Household and business confidence could deteriorate and precautionary saving could rise, further weighing on demand. This could result in a more rapid or larger rise in unemployment. These factors could widen the output gap somewhat, potentially constraining second-round effects.

28: Monetary policy had been judged to have been somewhat restrictive prior to the shock. The market-implied path for Bank Rate had shifted up significantly since the MPC's previous meeting, and financial conditions had tightened. Against that backdrop, the Committee would continue to monitor and assess developments closely.

29: Members agreed that developments over the next six weeks could shed light on the likely scale and duration of the conflict, as well as providing some early evidence on the likely propagation of the shock. There was a range of possibilities for how monetary policy might need to respond to different developments and risks. A larger or more protracted shock, which risked greater second-round effects in wage and price setting, would require a more restrictive policy stance. Conversely, policy would need to be less restrictive if the shock was very short-lived, or if there were to be a larger opening up of slack in the economy that was expected to reduce medium-term inflationary pressures. The MPC would act as necessary to ensure the 2% target was met sustainably.

The immediate policy decision

30: The Committee turned to its policy decision at this meeting.

31: All members preferred to maintain Bank Rate at 3.75% at this meeting. The Committee would have more information and analysis ahead of its next meeting on the evolution and impact of the conflict. The Committee would continue to monitor closely the situation in the Middle East and its impact on global energy supply and energy prices, and the UK inflation outlook. All members stood ready to act as necessary to ensure that CPI inflation remained on track to meet the 2% target in the medium term.

32: The Chair invited the Committee to vote on the proposition that:

- Bank Rate should be maintained at 3.75%.

33: The Committee voted unanimously in favour of the proposition.

MPC members' views

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

Members are listed alphabetically.

Votes to maintain Bank Rate at 3.75%

Andrew Bailey: Large movements in energy prices have resulted from events in the Middle East and uncertainty over the duration of supply disruptions. Monetary policy cannot reverse this shock to supply. Its resolution depends on action taken at its source to restore the safe passage of shipping through the Strait of Hormuz. Monetary policy must, however, respond to the risk of a more persistent effect on UK CPI inflation. A prolonged disruption to the supply of oil, natural gas and other commodities such as fertiliser and helium² gas increases the upside risk to inflation. The recent experience of high inflation may also make households and businesses more sensitive to a new inflationary shock. At the same time, the starting point for this shock is a real economy with limited pricing power. Holding Bank Rate at this meeting is appropriate. I will be monitoring developments extremely closely and stand ready to act as necessary to ensure that inflation remains on track to meet the 2% target in the medium term.

Sarah Breen: Conflict in the Middle East has significantly shifted the outlook for inflation. Absent this shock, the underlying disinflation process had continued broadly as I expected and, consistent with my vote in February, I would have expected to vote for a cut again in March. But the conflict will have a significant, though at this point highly uncertain, impact on inflation. I associate myself strongly with the MPC's collective assessment and communications at this meeting. Monetary policy cannot influence global energy and commodity prices, but it can and it must aim to ensure that the economic adjustment to them occurs in a way that achieves the 2% target sustainably. How that adjustment occurs is hugely uncertain, with risks to both sides, and I vote to hold at this meeting. The Committee will learn more by its April meeting about the scale and duration of the shock, as well as its possible second-round effects, and so the implications for monetary policy.

Swati Dhingra: The economic outlook is at a crossroads following hostilities in the Middle East. The UK economy will face higher energy prices, though how much higher and for how

² Correction made on 19 March 2026. This sentence originally referred to neon.

long makes all the difference. In one scenario, we could see a more modest increase in energy prices which probably slows rather than derails disinflation as limited scope exists for significant pass-through and second-round effects, given the state of the labour market and broader domestic demand environment. In another scenario, severe and longer-lasting constraints on oil and gas supply, alongside broader trade disruptions, could overwhelm orderly market adjustment. This could warrant a hold or increase in Bank Rate to stabilise price-setting dynamics albeit creating a difficult trade-off with activity following a prolonged period of weakness. If we see something resembling the lower-inflation scenario, I would expect to reduce Bank Rate, possibly quickly, over the rest of the year. For now, there is value in pausing to reassess the balance of risks to inflation from the terms-of-trade deterioration.

Megan Greene: The risk of inflation persistence has risen, perhaps significantly, in light of the negative supply shock from the war in the Middle East. Pre-conflict data showed a mixed picture for the underlying disinflationary process: the Agents revised expected average pay settlements up to 3.6% in 2026; but households' inflation expectations, while still elevated, had dropped significantly. With this new energy shock, preliminary Bank staff estimates suggest CPI inflation will rise above 3% for much of this year, above the threshold at which households are more sensitive to inflation outturns in their expectation setting. There could also be increases in fertiliser and food prices, and both energy and food prices are particularly salient for households' inflation expectations. Inflation has been above target for the best part of five years, and households and businesses are likely to be more sensitive to upside surprises in inflation given successive negative supply shocks. I believe there may be a larger trade-off now than in 2022, but that the impact of this energy shock on inflation is paramount. It is appropriate to hold Bank Rate to learn more about the size and duration of the shock, and the extent of potential second-round effects.

Clare Lombardelli: The conflict in the Middle East will be damaging for the UK economy, increasing inflation and reducing output. We are early in the process of assessment. The shock will have direct effects such as higher fuel and utility prices; indirect effects on business energy and transport costs; and broader second-round effects as the shock transmits through the economy impacting demand, supply, expectations of inflation, wage-setting and pricing behaviour. Policy coming into this shock may have been broadly neutral or mildly restrictive and there has since been some tightening of financial conditions. We will learn more in coming weeks about the shock itself and its effects. I am prepared to act as needed to address any persistent inflationary effects that may emerge.

Catherine L Mann: Due to the conflict, the tension between rising inflation and softening activity – a configuration of data that had been relevant for my decisions earlier last year, but

which had lessened sufficiently for me to consider monetary easing – has re-emerged and could easily worsen. Sustained pressure on energy prices could re-embed the inflation persistence of the last few years, through households' salience to energy prices, firms' state-dependent pricing, staggered wage contracts, and attentiveness thresholds. Significant volatility in oil and gas prices will increase volatility in other prices, putting systematic upward pressure on inflation. On the activity side, while the Ofgem price cap limits household exposure now, a further weakening in consumer sentiment and demand could result from an increase in their precautionary saving buffers. Financial conditions have tightened considerably in nominal terms, but relatively less so in real terms, complicating assessment of restrictiveness. The new forecast and high-frequency data arriving over the coming weeks will help inform my next decision. Since the conflict may yield a sustained inflation shock, I see the balance between inflation and activity to have shifted away from considering a cut towards considering a longer hold, or even a hike at some point to lean against inflation persistence.

Huw Pill: Events in the Middle East have imparted an inflationary impulse to the UK economy via their impact on global energy prices. In the first instance, this impulse transmits through higher fuel and utilities prices (direct effects) and the pass-through of higher input costs into other consumer prices (indirect effects). Owing to lags in transmission, monetary policy can do little to dampen the resulting short-term volatility in inflation. But monetary policy must contain potential second-round effects that would otherwise exert a more lasting impact on CPI inflation. I continue to believe structural change in price and wage-setting behaviour over the past decade has made the propagation of inflationary impulses more persistent than in the past. This assessment has been reinforced by upward revisions to the Agents' pay survey, with settlements in 2026 now expected at 3.6%. As such, the potential for second-round effects following recent events in the Middle East remains substantial, justifying caution in monetary policy setting. While financial conditions have tightened in recent weeks, whether this proves sufficient to contain potential upside risks to price stability stemming from energy prices is an open question. I remain alert to those risks and stand ready to act if they intensify.

Dave Ramsden: The damaging economic shock resulting from the Middle East conflict has caused me to revisit my policy position. Data releases since the February Report have broadly been in line with my expectations, and suggested continuing disinflation, so I would have otherwise voted for a 25 basis point cut in Bank Rate at this meeting. The conflict has now led me to vote for a hold in Bank Rate. There is a high degree of uncertainty around the scale and duration of the conflict, as well as its economic impact and any subsequent second-round effects. However, I agree with our current collective assessment of the economic outlook, including the risks to inflation and to activity, as set out in the Monetary

Policy Summary and minutes. I stand ready to act as necessary to ensure that CPI inflation remains on track to meet the 2% target in the medium term.

Alan Taylor: I think it appropriate to see us pausing to take stock, but inappropriate to infer a directional shift from this meeting. Before events in the Middle East, the disinflation process was nearly complete. Slack was worsening, with inflation set to reach target, making the case for a cut. However, the energy shock perturbs the near-term environment, with uncertain consequences contingent on its magnitude and duration. In a benign scenario, we might look through a milder shock, as in 2011 when the MPC faced an energy shock against the backdrop of a weak labour market. In this scenario, inflation would be higher and then lower in the near term, but largely unchanged in the medium term (when monetary policy has traction) with activity weakening. This could imply faster and potentially deeper rate cuts, once inflation risks subside, to avoid being behind the curve. In a less benign scenario, where supply disruptions persist, the MPC faces a tougher policy trade-off between elevated inflation and even weaker activity. Given massive uncertainty around future energy prices, I currently see a high bar to hiking. I prefer to hold while we better gauge the shock. Policy can then be calibrated to deliver our 2% target, and we can take activist steps whenever needed.

Operational considerations

35: On 18 March, the stock of UK government bonds held for monetary policy purposes was £528 billion.

36: The following members of the Committee were present:

- Andrew Bailey, Chair
- Sarah Breen
- 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 as an observer for the purpose of exercising oversight functions in his role as a member of the Bank's Court of Directors.

37: Megan Greene declared to the Committee that she would be taking up a non-executive director role at Trastor Real Estate Investment Company, a Greek real estate investment company listed on the Athens stock exchange, focused on acquiring and managing commercial real estate assets in Greece. It was confirmed that Trastor has zero exposure to UK real estate. It was agreed that Megan Greene would recuse herself from any MPC papers or discussions concerning EU commercial real estate in the event that the topic was discussed by the Committee.