Bank of England

Monetary Policy Summary and minutes of the Monetary Policy Committee meeting ending on 16 September 2026

17 September 2026

These are the minutes of the Monetary Policy Committee meeting ending on 16 September 2026.

They are available at https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2026/september-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 4 November will be published on 5 November 2026.

Monetary Policy Summary, September 2026

At its meeting ending on 16 September 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%.

Protracted conflict in the Middle East has contributed to further increases in crude and refined energy prices since the previous meeting, which remain more volatile and higher than pre-conflict. UK CPI inflation increased to 3.1% in August and is likely to rise further over coming quarters. Monetary policy is being set to ensure inflation comes down to 2% sustainably as the economy adjusts to the energy shock. The policy stance required to achieve this will depend on the scale and duration of the shock and how it propagates through the economy.

There has been little evidence so far of material second-round effects in price and wage-setting. However, the risk of such effects, against which policy needs to lean, is greater the longer higher energy prices persist or are more volatile. Activity has been slightly stronger than expected, although soft labour market conditions, and the higher interest rates faced by households and businesses since the conflict began, will act to reduce inflation over time. Overall, the Committee judges that the risks to the inflation outlook are tilted to the upside, and more so than at the time of the July Monetary Policy Report, although 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.

At this meeting, the MPC also voted unanimously to reduce the stock of UK government bond purchases held for monetary policy purposes, and financed by the issuance of central bank reserves, to zero. This will be conducted through a multi-year plan, such that the remaining stock is unwound at an annual average pace of £46 billion by the end of 2034, through annual sales of £20 billion alongside maturing gilts.

Minutes of the Monetary Policy Committee meeting ending on 16 September 2026

1. Before turning to its immediate policy decisions, the Monetary Policy Committee (MPC) discussed recent developments in global and UK economic and financial conditions, and how these could affect the medium-term outlook and the MPC's Bank Rate decision. The Committee also discussed its plan for quantitative tightening.

Global economic and financial conditions

2. Global energy prices had risen significantly since the July Monetary Policy Report and had continued to be volatile, reflecting events in the Middle East and in Ukraine and Russia. The spot prices of Brent crude and UK wholesale gas had risen by 36% and 78% respectively since the period leading up to the July Report. At close of business on 14 September, the Brent oil price had reached $106 per barrel and the UK wholesale gas price had reached 207 pence per therm. Futures curves continued to slope downwards for both oil and gas, although if there were to be a resolution to the conflict it was likely that any normalisation of energy supply would be slow and gradual.

3. Pressures on refineries in several countries meant that crack spreads – the difference between the prices of refined petroleum products and Brent crude oil – had remained well above their pre-conflict levels. The prices of gasoline, diesel and jet fuel had all increased since the July Report to a broadly similar extent as for Brent crude.

4. Increases in oil, gas and refined product prices since the start of the conflict were already having a direct impact on consumer price inflation in major economies. However, as was the case for the United Kingdom, there was not yet judged to have been a significant impact of the energy shock on other consumer goods prices in the euro area or the United States through firms' supply chains. These effects were expected to build over the next few quarters.

5. The Committee continued to be attentive to other sources of price pressure in the global economy, which could present additional upside risks to UK inflation via import prices. The S&P index for global agricultural and livestock prices had already risen by around 5% since the July Report, and could be pushed higher if harvests were affected adversely by an unusually severe El Niño event. And the continued significant demand for artificial intelligence (AI)-related technology goods and primary products was driving price pressures for affected sectors.

6. UK financial conditions had tightened further since the July Report, driven by increases in short-term overnight index swap (OIS) rates. There had been similar moves in these rates in the United States and in the euro area. As had been the case since February, this co-movement reflected the global nature of the energy supply shock and its implications for inflation.

7. There had continued to be full and fast pass-through from increases in short-term OIS rates to key lending rates faced by UK households and businesses. These rates had remained materially higher than prior to the conflict. For example, the quoted rate on two-year fixed-rate mortgages was around 95 basis points higher than prior to the conflict.

8. Nearly all respondents to the September Market Participants Survey (MaPS), which had closed on 4 September, had expected Bank Rate to remain unchanged at this MPC meeting. Beyond that, median expectations had implied a prolonged period of unchanged Bank Rate. By contrast, the UK short-term interest rate curve was upward sloping and had risen further since the MaPS response window had closed, peaking at around 4.9% by end-2027. Market intelligence gathered in recent days indicated that the perceived probability of near-term increases in Bank Rate had risen. Beyond the near term, elevated risk premia were thought to remain a material contributor to the upward slope in the market curve. That was consistent with increased volatility across energy and interest rate markets since the onset of the conflict.

UK current economic conditions

9. Twelve-month CPI inflation had been 3.1% in August, triggering the exchange of open letters between the Governor and the Chancellor of the Exchequer that was being published alongside these minutes. Around 0.7 percentage points of the 1.1 percentage point overshoot relative to the 2% target was driven by the direct effects of energy prices, mostly motor fuels. Services inflation had been 3.4% in August, unchanged from July, but down from 4.5% in March. Measures of underlying CPI inflation had remained above target-consistent rates.

10. Annual growth in private sector regular Average Weekly Earnings in the three months to July had been 2.9%, a little above expectations at the time of the July Report but down from 3.3% at the start of the year. That measure had continued to be pushed down by temporary compositional effects. Other indicators, including pay settlements and timelier HMRC indicators were higher, collectively suggesting that underlying private sector wage growth was around 3½%, slightly above the target-consistent estimate presented in the February 2026 Report.

11. Although underlying disinflation had continued over the course of the year, the near-term outlook for inflation remained very sensitive to short-term movements in energy prices.

Based on energy prices as at close of business on 14 September, the direct contribution of energy prices to inflation was expected to increase over coming quarters, reflecting recent further increases in wholesale oil, gas and electricity costs. Ofgem's headline energy price cap for October to December would be increased to £1,723, somewhat higher than expected at the time of the July Report, and the cap was now expected to rise substantially further in 2027 Q1, all else equal.

12. The indirect impact of higher energy prices through firms' supply chains onto CPI inflation was judged to have been small to date, and less than expected at the start of the conflict. This was particularly evident in weaker-than-expected food price inflation. For example, the Bank's Agents had reported that annual food inflation was now expected to be around 4% at the end of 2026, compared with previous expectations of 6-7% in April. However, there were judged to be upside risks to food inflation going into 2027, owing to energy developments and also because of the impact of drought conditions in Europe and the potential impact of El Niño. Overall, it was possible that indirect effects from energy on CPI inflation had just been delayed rather than diminished. Those effects were expected to increase over the coming months, but the degree and timing would depend on the extent to which firms could pass through energy costs in the current demand environment.

13. Based on energy prices as at close of business on 14 September, CPI inflation was expected to increase to around 3¾% in 2026 Q4, compared with 3.2% at the time of the July Report, and to reach slightly above 4% in 2027 Q1.

14. Households' inflation expectations had remained elevated and sensitive to movements in energy prices. The Citi/YouGov measure had increased between July and August at both the one and five-year horizons, reversing some of the easing seen in recent months. Household inflation expectations in the Bank/Savanta Inflation Attitudes Survey had fallen back between May and August, notably at the one-year horizon, but caution was needed in interpreting movements between May and August given the recent change in survey provider. Firms' own-price expectations, for example as reported in the DMP survey, had remained elevated.

15. It was unclear at this stage to what extent households' and firms' reactions to higher energy prices might feed into higher wage settlements. DMP respondents had reported that they expected one-year-ahead wage growth of 3.4%, which had been stable since before the start of the conflict. Some Agents' contacts had suggested that 2027 pay settlements would be broadly in line with or slightly lower than 2026. However, higher-than-expected inflation was one factor judged likely by companies to push up settlements relative to where they otherwise would have been. The Committee would continue to monitor actively a range of indicators of potential second-round effects, using the framework and indicators set out in Boxes A and B in the July Report.

16. UK GDP had increased by 0.4% in 2026 Q2, 0.1 percentage points higher than had been expected in the July Report. In July, monthly GDP had risen by 0.4%, also above expectations, and with a strong contribution from business-to-business services. Although there remained headwinds to demand from the conflict, growth had proven somewhat more resilient than had been expected. The S&P Global UK composite output PMI had edged up in August, and there had been increases in some measures of business optimism and consumer confidence. A Bank staff update of the Q3 GDP projection for the news in the July monthly release implied GDP growth of 0.4% in 2026 Q3, higher than the 0.1% rate projected at the time of the July Report, although business surveys had continued to point to somewhat weaker growth.

17. Labour demand had remained weak and there was still judged to be a margin of slack in the labour market. The unemployment rate was estimated to have been 4.9% in the three months to July, unchanged since the three months to April, although there had been an operational error temporarily reducing LFS achieved sample sizes in May and June leading to an increased use of imputation for those months. At the time of the July Report, the baseline projection for slack in the economy was for a small increase during the second half of the year. However, some timely indicators of employment growth, such as the KPMG/REC measure of hiring and the S&P Global Employment PMI had edged up in August, consistent with the recent resilience of activity. While judgements about the overall level of slack in the economy were very uncertain, it was now judged likely that there had been some stabilisation in slack.

Overview and the Committee’s discussions on Bank Rate

18. Protracted 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. As was outlined in the July Monetary Policy Report and Minutes, the path for UK inflation was being shaped by the size and duration of the energy price shock, and whether energy prices would affect wage and price-setting behaviour and feed through into broad-based inflationary pressures. The Committee had judged in July that the risk of strong inflationary pressures was greater than the risk of weak inflationary pressures. Monetary policy could not influence global energy prices, but was being set to ensure that the economic adjustment to them occurred in a way that achieved the 2% inflation target sustainably. This involved setting policy to balance the costs of leaning too little against potential inflationary pressures and the costs to economic activity by leaning too much.

19. At this meeting, the Committee’s discussions focused on: developments in energy prices and their implications for the near-term inflation outlook; medium-term risks to inflation and the prospects for second-round effects; the degree to which economic slack would continue

to restrain inflationary pressures; and, taking all the risks together, what this implied for the setting of monetary policy.

20. The Committee noted that conflict in the Middle East appeared to have become more protracted than had been expected previously, without signs of a clear resolution. There had also been continued conflict in Ukraine, with energy production infrastructure damaged in Russia. Consequently, energy prices had increased significantly further since July, raising the prospects of a higher and more volatile near-term inflation outlook. A mechanical update to Bank staff's short-term inflation projection suggested that CPI inflation could now reach slightly over 4% in early 2027. Developments in wholesale and refined oil and gas prices had almost entirely accounted for this upward news relative to the July Report.

21. The Committee continued to consider the scenarios that had been set out in the July Monetary Policy Report. Oil and gas price paths in the July adverse scenario were judged to be a reasonable proxy for a state of the world in which the conflict continued, perhaps in an episodic manner and with no clear resolution, leading to a very persistent energy shock. The adverse scenario had also assumed stronger and more persistent additional second-round effects relative to the central projection. Members acknowledged that it was difficult to assign any probability to future outcomes for energy prices with confidence given the unpredictable geopolitical environment. Nevertheless, given the passage of time since the onset of the conflict, most members placed more weight on energy prices staying higher for longer in the absence of a lasting de-escalation. Members noted that current spot energy prices were closer to those in the July adverse scenario than those that had been assumed in the July central projection, although futures curves had so far remained lower than in the adverse scenario beyond the near term.

22. In assessing how developments in energy prices could affect inflation beyond the near term, the Committee was also drawing a distinction between pre-conflict developments that were contributing to the continued moderation in underlying inflation, and their forward-looking concerns around second-round effects which were not yet evident in the data but could be exacerbated by the latest developments in energy prices.

23. There had been little sign so far of indirect effects from higher energy prices through to other goods prices, and in particular food inflation had been moderating. Members discussed whether this was a sign of either diminished, or simply delayed, indirect effects. It was possible that these data outturns had reflected mitigants such as firms' energy reserves drawdowns, their ability to absorb cost increases in their margins or their use of hedging strategies. These were only temporary buffers, however, which were likely to delay cost pressures passing through into higher prices if the conflict persisted.

24. Members noted that there was still little evidence emerging of second-round effects in wage and price-setting, although such effects typically only emerged with a longer lag and no indicators could yet be expected to reflect the latest increases in energy prices. Over the course of the year, wage inflation had generally been moderating, and forward-looking indicators on price and wage-setting from the DMP and Agents' intelligence had not risen unduly. The Committee nevertheless judged that the risk of material second-round effects had increased since July, and was likely to increase further to the extent that energy prices remained elevated for longer. The persistence of above-target CPI inflation in the run-up to a wage-setting round could increase inflationary pressures, particularly if inflation exceeded thresholds at which households' and businesses' attentiveness to inflation had typically increased, and given the salience of energy and food prices for households.

25. In addition, broader global cost pressures could interact with each other and sustain inflationary persistence. Food prices could increase further owing to adverse weather events as well as continued conflict in the Middle East and Ukraine, disrupting agricultural exports and raising fertiliser prices. Demand for AI components could also push up import prices. There could be some offsetting factors, including disinflationary pressures owing to trade diversion.

26. The Committee also discussed other domestic factors that had been and could continue to restrain inflationary pressures. Members continued to judge that weakness in economic activity and soft labour market conditions would help to contain the strength of second-round effects from higher energy prices, with a range of views around whether this would impart sufficient disinflation. Most members acknowledged that there were signs of stabilisation in the margin of slack that had been opening up, underlined by resilience in activity data and some steadying in employment indicators. For some members, it was premature to put too much weight on this stabilisation, particularly on the basis of volatile data.

27. The Committee noted that financial conditions, and consequently the interest rates faced by households and business, had tightened since the start of the conflict and by further since July. This would help to lean against inflationary pressures, although members placed different weights on whether this tightening in financial conditions would endure in the coming months if there were no increase in Bank Rate. While the upward skew of inflation risks appeared to be pushing up market participants' mean Bank Rate expectations in the near term, the upward slope in the OIS curve beyond that was accounted for to a greater extent by risk premia. For most members, movements in UK short-term market interest rates since the conflict had begun, which were still passing through to retail rates, were imparting a broadly sufficient degree of monetary policy restraint, and reflected appropriately the uncertainty around the inflation outlook. For other members, risk premia were not a substitute for

changing the level of Bank Rate, including as they were partly driven by factors not related to the UK economy. These premia could therefore change in an unpredictable way.

28. Taken together, the Committee judged that risks to the inflation outlook were tilted further to the upside compared with at the time of the previous MPC meeting. And there was the possibility of a less stark trade-off between weak output and rising inflation in coming quarters. Given the lags with which second-round effects appeared, it was not appropriate to wait too long for evidence of such effects before responding with policy. Nevertheless, the geopolitical environment was highly uncertain and there remained scope for the inflation outlook to change materially as events unfolded.

29. Six members (Andrew Bailey, Sarah Breeden, Swati Dhingra, Clare Lombardelli, Dave Ramsden and Alan Taylor) preferred to maintain Bank Rate at 3.75% at this meeting. These members were concerned about recent developments in a range of energy prices and their impact on holding CPI inflation above target for longer than had been previously expected. Domestic activity and tight financial conditions were restraining inflationary pressures, but the risk of second-round effects was growing in the absence of a lasting resolution of the conflict. Two members in this group (Swati Dhingra and Alan Taylor) acknowledged these risks, but placed particular weight on the role of slack in moderating inflation, evidence of restrained pass-through of costs to prices, and the restrictive level of Bank Rate, all of which would allow more time to observe further evidence.

30. 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 noted that the escalation and duration of the Middle East conflict continued to raise energy and food prices. Global factors such as AI supply constraints and El Niño would provide inflationary pressure as well. A projected surge in inflation would peak in early 2027, just as wage settlements were agreed. A mitigating factor for second-round effects, slack in the labour market and economy, appeared to have peaked already given stronger GDP growth and indications of an expansion in employment. This increased the likelihood of meaningful second-round effects emerging. For these members, risk management was appropriate. They believed that a proactive increase in Bank Rate would help anchor inflation expectations. 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 to economic activity than vice versa.

The Committee's discussions on the reduction in the stock of UK government bond purchases held for monetary policy purposes

31. In line with the commitment made in the August 2022 MPC minutes, the Committee had again reviewed the pace of reduction in the stock of UK government bonds (gilts) held for monetary policy purposes in the Asset Purchase Facility (APF), a process known as quantitative tightening (QT).

32. QT had continued to meet the Committee's objective of reducing the risk of a ratchet upwards in the size of the Bank of England's balance sheet over time, increasing the headroom and flexibility available to the Bank to use its balance sheet in the future if needed.

33. The MPC had continued to be guided by a set of key principles. First, the Committee intended to use Bank Rate as its active policy tool when adjusting the stance of monetary policy. Second, sales would be conducted so as not to disrupt the functioning of financial markets, and only in appropriate conditions. Third, to help achieve that, sales would be conducted in a gradual and predictable manner over a period of time.

34. The Committee had set out its latest assessment of QT in the July 2026 Monetary Policy Report. In common with other advanced economies, UK term premia on long-term government bonds had risen since QT had commenced in February 2022, by an estimated 200 basis points. That primarily reflected global economic policy uncertainty, high issuance of government bonds across countries and structural changes within the UK bond market that had reduced demand for long-term government debt. Bank staff estimates suggested that QT had accounted for a modest part of that increase in term premia, around 20-30 basis points. Over the past year, the gilt market had continued to function in an orderly manner, with liquidity proportionate to volatility. In setting Bank Rate, the MPC had taken account of financial market conditions that had reflected the effects of announced and expected QT. The tightening effect from QT would have led to a slightly lower path for Bank Rate, all else equal.

35. The unwind of the APF from its peak of £895 billion in February 2022 to £488 billion in September 2026 had occurred through a sequence of annual MPC decisions. Over the previous 12 months, following the MPC's September 2025 QT pace decision, the stock of gilts held for monetary policy purposes had been reduced by £70 billion, of which £21 billion had been through gilt sales.

36. The MPC discussed the merits of setting out a more forward-looking plan for the remainder of QT that would reinforce its key principles. In particular, a multi-year plan would reinforce the pace of QT being gradual and predictable. Members discussed the extent to which a multi-year plan should embody a fixed intended pace of unwind, which would provide

more certainty and clarity over the future QT path, or instead retain some flexibility to adjust the pace of unwind in response to evolving market conditions. On balance, most MPC members judged that the benefits of a fixed intended pace of unwind and the predictability that entailed would outweigh the loss of flexibility.

37. This multi-year plan should only be reconsidered under very specific circumstances and with a high bar to do so, as had been the case for the MPC's annual decisions. That was in order to remain consistent with the principles that Bank Rate should be the active monetary policy tool, and that QT pace should be predictable. The Bank would only amend the fixed pace of unwind under two circumstances. First, if the MPC judged that potential movements in Bank Rate alone were insufficient to meet the inflation target. Or, second, if markets were judged by the Bank to be very distressed. The Financial Policy Committee would have a role in this second circumstance through its assessment of financial stability. Outside of these circumstances, the removal of uncertainty over future QT would mean that the intended path for QT was more likely to be embedded into financial conditions shortly after the announcement of the multi-year plan. Going forward, this would enable the MPC to take QT into account better when setting Bank Rate as the active instrument of monetary policy. It would also limit the impact of the remainder of QT on gilt yields beyond the initial announcement effect.

38. In formulating a multi-year plan for QT, the Committee considered the case for fully unwinding the remaining stock of UK government bond purchases held for monetary policy purposes. Such an approach would respect the principle that the stock of assets purchased under quantitative easing (QE) is not permanent.

39. As with all its previous decisions on QT, members emphasised the importance of the MPC deciding the stock of gilts held for monetary policy purposes. This remained a key feature of the UK's economic framework and essential for the effective delivery of monetary policy. In light of the MPC's multi-year plan, some portion of the remaining portfolio of gilts held for monetary policy purposes in the APF would likely become less aligned with market demand as unwind continued. The Bank had therefore reviewed its approach to implementation. The Bank had engaged with HM Treasury (HMT) and the Debt Management Office (DMO) to consider a model whereby the MPC's decision could instead be implemented through APF sales to the Government. The MPC had been informed by the Bank of this model, which remained subject to a final decision to proceed. With regard to this issue, the Committee considered important institutional questions regarding the potential interaction between monetary and fiscal actions and the independence of MPC decision-making over monetary policy. This led to a robust discussion around the balance of costs and benefits within the wider package of measures announced in relation to the Bank's implementation of QT, as set out in the Governor's letter to the Chancellor of the Exchequer.

On balance, all members of the Committee judged that its multi-year plan would achieve the desired rundown of the asset portfolio accumulated via QE while maintaining monetary policy independence.

40. The MPC decided to reduce the stock of gilts held for monetary policy purposes to zero. This implied that the Bank needed to return to the issue of the appropriate long-term backing asset for the issuance of banknotes. In 2006, the Bank had concluded that gilts were an appropriate backing asset, given the enduring demand for banknotes. Given the MPC's decision, the Bank, in consultation with HMT, would set aside and retain £120 billion of the longest-dated gilts in the APF to back current and future banknote issuance, as set out in more detail in an accompanying Bank Insights article.

41. After setting aside the £120 billion of bonds to back the issuance of banknotes, the remaining gilts spanned a range of maturities, with the longest gilt not maturing until 2049. The MPC therefore judged that sales remained necessary for its portfolio of gilts held for monetary policy purposes to be unwound in full in a timely manner.

42. In deciding a multi-year plan for QT, the Committee considered the merits of unwinding the remaining stock of UK government bonds held for monetary policy purposes through a constant annual pace of sales, alongside maturing gilts. Members recognised that there was relatively limited variation in the value of maturing gilts in coming years, such that a constant sales pace would deliver a relatively constant annual reduction in the overall outstanding stock of gilts. In addition, members discussed how a relatively faster pace of unwind could allow the MPC to meet its objectives for QT sooner and would be more feasible with sales to Government, but also presented a greater risk of breaching the MPC's QT principle that sales should not disrupt the functioning of financial markets. A relatively slower pace of unwind would mean QT taking somewhat longer to conclude, but presented a lower risk of disruption to financial market functioning.

43. The Financial Policy Committee (FPC) had been briefed on the MPC's deliberations.

44. All members agreed at this meeting that the Bank of England should reduce the stock of UK government bond purchases held for monetary policy purposes, and financed by the issuance of central bank reserves, to zero. They also agreed this should be conducted through annual sales of £20 billion per year, alongside maturities. For some members, the involvement of the DMO in gilt sales and its ability to retire bonds increased the size of annual active sales that could be comfortably conducted without disrupting markets. Waiting to choose a number for active sales until the DMO's involvement was made clear would allow the Bank to shrink the balance sheet faster. However, withholding a number until there was clarity on the DMO's involvement meant that markets could not effectively price the entire extensive package of QT changes. At a time when bond markets globally had been volatile,

this risked destabilising markets. That risk outweighed the benefit of comfortably selling more gilts annually and shrinking the balance sheet faster.

45. After setting aside £120 billion of bonds to back the issuance of banknotes, the MPC's outstanding stock of gilts held for monetary policy purposes to be unwound in full was £368 billion. The Bank would allow gilts maturing by the date at which QT was expected to be complete to do so passively, totalling £222 billion. The remainder of £146 billion would be sold. Given the MPC's intended annual sales pace of £20 billion alongside anticipated redemptions, this would correspond to an average annual reduction of £46 billion in the stock of UK government bonds held for monetary policy purposes until September 2034, when QT was expected to be complete.

The immediate policy decisions

46. The Chair invited the Committee to vote on the propositions that:

> Bank Rate should be maintained at 3.75%; and
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> The Bank of England should reduce the stock of UK government bond purchases held for monetary policy purposes, and financed by the issuance of central bank reserves, to zero. This should be conducted through a multi-year plan, such that the remaining stock of £368 billion of bonds held for monetary policy purposes is unwound at an annual average pace of £46 billion by the end of 2034, through annual sales of £20 billion alongside maturing gilts.

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

48. The Committee voted unanimously in favour of the second proposition.

MPC members' views on Bank Rate

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

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

Votes to maintain Bank Rate at 3.75%

Andrew Bailey: There has been a material increase in energy prices since July, with a consequent effect on the near-term inflation outlook. The risk for energy prices, and thus inflation, continues to be on the upside. The geopolitics of the situation makes the upside risk more prominent with a seeming loss of urgency to find solutions. Indirect energy pass-through has so far been weaker than we had expected, however, and there continues to be very limited evidence of emerging second-round effect though it is still early days. Domestic inflationary pressures have continued to ease. The labour market continues to be soft, with pay in line with expectations, though some forward-looking indicators of hiring have picked up. Weather conditions are likely to push up food price inflation. With risks to energy and food prices more to the upside, second-round effects could materialise more strongly. Financial conditions will continue to work to push down on inflation, and holding Bank Rate is appropriate at this meeting. But if the conflict in the Middle East persists for an extended period, as appears to be the case, and the risk of second-round effects emerging increases, it is likely that policy may have to tighten.

Sarah Breeden: The near-term outlook for inflation has shifted significantly since July. Oil, gas and refined products prices have risen further as tensions in the Middle East have re-escalated with little sign of a rapid or durable resolution. Set against this, indirect energy pass-through has been weaker than expected so far and, although early days, there has been little sign yet of material second-round effects taking hold. What matters is the outlook for such effects. While recent data suggest activity and the labour market have proved more resilient than expected, domestic slack and the restrictiveness of financial conditions should continue to lean against inflationary dynamics becoming embedded. But the scale and likely duration of the energy price shock has increased and there is the potential for more global shocks – related to climate, food prices and AI. These make material second-round effects more likely, particularly if inflation approaches levels associated with non-linear effects. The tightening in financial conditions seen since the onset of the conflict has so far given us time to observe how the shock plays out. Material uncertainty is likely to continue, but if risks to the outlook for second-round effects crystallise, it becomes increasingly appropriate for Bank Rate to respond.

Swati Dhingra: My view of the outlook remains largely unchanged since July, though recent events have amplified the adverse supply shock. Rolling re-escalation of conflict in the Middle East underscores the continuing uncertainty around the size, persistence and transmission of higher energy prices. Monetary policy needs to respond in a timely way to the emergence of self-sustaining second-round effects. Several factors provide insurance against such effects building imminently. Bank Rate remains materially higher than in peer European economies, financial conditions have tightened rapidly since the conflict began, and domestic demand remains subdued. I therefore continue to see value in waiting for a clearer read on the durable scale of the shock over the coming months, including evidence on first-round energy effects and the conditions for 2027 wage and price-setting. This would still allow time to adjust Bank Rate appropriately to mitigate second-round effects, while avoiding pre-emptive tightening before there is greater clarity on first-round effects. So far, there are limited signs that upstream price pressures are broadening materially, despite sharp increases in imported input prices. With consumption subdued, vacancies below pre-pandemic levels and margins not expanding, the domestic economy appears unlikely to sustain second-round effects that would magnify the initial impulse.

Clare Lombardelli: Continued volatility in energy markets dominates the inflation outlook. Oil and gas prices are currently closer to those in the July adverse scenario, leading to a higher and more uncertain future path for inflation. The impact of the conflict to date has been more limited than expected on both sides of the inflation and activity trade-off. Pass-through to indirect effects of higher energy prices has been slower, and growth and the labour market have been more resilient than expected. Financial conditions are restrictive and that is leaning against the risks to inflation. But the longer high and volatile energy prices persist, the more inflationary pressure is building: indirect effects will be higher and the risk of second-round effects in price and wage-setting increases. The balance of risks to inflation has shifted more to the upside since our last policy decision. The outlook for energy prices is uncertain and could change in the coming weeks, but the case for raising Bank Rate is building the longer the conflict continues without lasting resolution.

Dave Ramsden: Protracted conflict in the Middle East continues to be the predominant driver of the near-term inflation outlook. Energy price paths as embodied in the July adverse scenario appear more likely the longer the conflict continues. External risks from global conflicts, extreme weather events and AI supply chain pressures have the potential to combine to generate more volatile and longer-lasting above-target inflation. Meanwhile, domestically generated inflationary pressures continue to appear to be relatively benign and slack is still evident in a range of indicators, with little to suggest second-round effects are imminent. At the same time, food price inflation has been weaker than expected in recent months. Nevertheless, there do seem to be some tentative indications of a bottoming out in labour market easing, activity continues to be surprisingly resilient, and external pressures may start to push up on food prices. So there is more risk that domestically generated price pressures could start to emerge in the near future. Overall, the risks to the inflation outlook have tilted more to the upside. Whilst the policy stance continues to provide restrictiveness, were upside pressures on the inflation outlook to continue to build, there could be a case for increasing Bank Rate.

Alan Taylor: My view is that additional tightening is not warranted at present. Monetary policy is already firmly restrictive: Bank Rate remains materially above my estimate of neutral at 3%, while an elevated curve bears down via mortgage and other lending rates. (The curve is now higher, at all maturities at and beyond the two-year point, than at the final hike of the 2022-23 cycle when inflation stood at 6.8%.) These conditions provide meaningful insurance against the risk that the energy shock becomes embedded in wages and prices. The shock is real, and risks are skewed upwards. But policy should respond to evidence of propagation rather than mechanically to volatile ticks in headline energy prices. So far, that evidence is limited. We see subdued domestic demand, substantial slack, normalising wages, and steady underlying inflation. I therefore favour holding while monitoring closely whether expectations, wages, prices, and margins begin to react. Clearly, any evidence of emergent second-round effects would build the case for tightening. Equally, if geopolitical tensions abate and inflation pressures ease, an easing of policy should be in sight. The right approach is therefore vigilant, conditional, and disciplined, with the burden of proof resting on clear evidence that second-round effects are en route.

Votes to increase Bank Rate to 4%

Catherine L Mann: Since my vote to increase Bank Rate in July, upside risks to inflation have increased as the ‘sporadic continuance’ of conflict has ratcheted up energy prices well above the baseline from the July Report. Our short-term inflation forecast projects CPI reaching somewhat over 4% early next year, mechanically driven by energy prices and expected increases in food price inflation. Both of these are salient for households' inflation attentiveness and both will be uncomfortably high ahead of wage negotiations next spring. Core goods inflation is projected to be well above its target-consistent historical average. Activity has been stronger than expected in the first half of 2026, as investment and government spending have increased. Collectively, this suggests that financial conditions have not been particularly restrictive. However, financial conditions, particularly as measured by the OIS curve, have tightened since July. But, up until last week’s escalation in the Middle East, market participants had expected a prolonged Bank Rate hold, which was hard to square with achieving the 2% target. Raising Bank Rate is a better risk-management strategy when faced with uncertainty about inflation dynamics and second-round effects. Doing so avoids a worse outcome whereby inflation becomes embedded, which requires even tighter policy later.

Megan Greene: Since the conflict in Iran started more than six months ago, we have faced uncertainty around the path for energy prices and, relatedly, uncertainty about the extent of second-round effects. The news since July suggests a greater risk of second-round effects and inflation persistence. Energy prices remain closest to our adverse scenario, contributing to inflation already within the threshold at which business and household expectations are more attentive to inflation outcomes. Previous arguments around a limited risk of second-round effects from the conflict have hinged on economic slack. But resilience in labour demand and activity suggest slack may have already peaked. And forward-looking indicators from the DMP and Agents point to wage and price disinflation stalling above target-consistent levels – all before the recent energy price rise has really hit consumers (given the Ofgem price cap) and firms (given hedging). Beyond the conflict in Iran, persistent inflationary pressures could come from El Niño, AI-related supply constraints and the reversal of a multi-decade disinflation in global goods. Waiting for definitive evidence of second-round effects before acting would leave policy behind the curve, and we cannot rely on premia to do our work for us. I continue to think a risk-management strategy is appropriate.

Huw Pill: A 25-basis point increase in Bank Rate now sends a clear signal of the MPC's commitment to achieving its price stability mandate amidst the fog of geopolitical conflict and data noise. Admittedly, energy price developments since our previous meeting have been significant. The magnitude and persistence of the inflationary impulse stemming from events in the Middle East have proved stronger than expected in July, swelling the risk of second-round effects in a context of more resilient UK activity. But these immediate developments are only part of my motivation to increase Bank Rate. Responding to lower frequency inflationary pressures inherent in the current uncertain and volatile environment remains the key driver of my policy choice, with broader global threats (stemming from adverse weather, fiscal dynamics and AI build-out) magnifying the obvious energy price risks to the inflation outlook. Raising Bank Rate would put the MPC in a better place to address risks to price stability as these uncertainties unfold, especially since any resulting second-round effects, once entrenched, are costly to overcome. Acting decisively now cuts through in a way that bolsters the clarity and effectiveness of policy choices, thereby heading off inflationary pressures rather having to reverse them once they become ingrained.

Operational considerations

50. On 16 September, the stock of UK government bonds held for monetary policy purposes was £488 billion.

51. At this meeting, the MPC had voted to reduce the stock of UK government bond purchases held for monetary policy purposes to zero at an annual average pace of £46 billion by the end of 2034, through annual sales of £20 billion alongside maturing gilts. The Market Notice accompanying these Minutes explained which specific gilts would be sold for the remainder of QT.

52. In light of the MPC's multi-year plan, the Bank had reviewed its approach to implementation. Over the course of the year, the Bank had engaged with HM Treasury (HMT)

and the Debt Management Office (DMO) to consider a model whereby the MPC's decision could instead be implemented through APF sales to the Government. Progress would be reviewed before April 2027 such that, subject to a final decision to proceed, implementation could begin in a way that would allow it to be incorporated into the DMO's annual financing remit, as set by HMT. Further operational details would be announced in due course. Irrespective of the final decision, the Bank would announce by April 2027 the operational details through which it would implement the MPC's multi-year plan. Bank APF auctions would pause in the meantime. Regardless of the method of sales, the Bank would ensure that the MPC's agreed sales pace was implemented, subject only to amendments in the circumstances outlined by the MPC and referred to above. The MPC had been briefed in full on these operational considerations.

53. 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

Daniel Gallagher was present as the Treasury representative.