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PREVIEW: BoE Policy Announcement & MPR due at 12:00BST/07:00EDT on Thursday, 30th April 2026

- **Expected to maintain the Bank Rate at 3.75%. Split likely 9-0, though dovish and/or hawkish dissent is a possibility.**
- **Hold justified by the lack of clarity on the duration and size of the Middle East shock, with particular respect to second round effects.**
- **Focus will be on any clues or hints towards the timing of the next move, and the MPC's current view on market pricing.**

OVERVIEW: Expected to maintain the Bank Rate at 3.75% in what will likely be a 9-0 vote, though dissent on both the dovish and hawkish side of the MPC cannot be ruled out. The decision to hold rates is likely due to the lack of clarity on the duration and size of the shock, with particular respect to second round pricing effects. Additionally, the MPC has to weigh up the price pressures with the economic hit from the shock, to a UK economy that was subject to relatively weak domestic activity pre-conflict. April's meeting includes an MPR, where the forecasts are likely to be stagflationary in nature; however, the BoE may elect to caveat and downplay the pertinence of the baseline and any alternate forecasts, given the elevated levels of uncertainty. Thereafter, we look to the accompanying statements and press conference from Governor Bailey at 12:30BST for any insight into the timing of the next move, i.e. whether the June meeting is live, or if the MPC is biased to waiting until the July MPR. However, neither the statement nor Bailey will likely be that explicit at this stage. Instead, we look for any endorsement of market pricing, to whatever degree, something that would be of particular note given Bailey has pushed back on it on several occasions.

PREVIOUS MEETING: In March, the BoE held the Bank Rate at 3.75% as expected in a unanimous 9-0 vote. The announcement was a hawkish one given the vote split and as the statement removed language that the policy rate was likely to be reduced further. However, the Bank did retain optionality to ease in the event the Middle East shock proved short-lived. Overall, the script was one of wait-and-see, but the tone and accompanying language implied that easing is off the table in the near-term at least. No formal press conference, but Governor Bailey later that day refused to be drawn on the timing or direction of the next move; however, he did caution against making strong conclusions on hikes and said markets are getting ahead of themselves in assuming tightening.

DATA: Overall, the data is indicative of marked price pressures as a result of the Middle East conflict. However, it remains too soon to say with any real confidence if there is/will be a pass through to other areas of the economy, i.e. second round effects. And, whether the relatively robust activity data (headline April Flash PMIs, Retail Sales) is a sign of economic resilience of simply businesses/consumers frontloading activity to avoid potential further price increases and supply disruptions, action akin to that seen during COVID.

On the hawkish side of things, data since the last meeting includes an inflationary PMI series, where S&P outlined that "prices have spiked higher at a rate not previously seen" ex-COVID. Pertinently, and of concern for policymakers, the April Flash PMIs noted that "prices are rising not just because of surging energy costs, but also due to increases in charges levied for a wide variety of goods and services,..." a point that is potentially indicative of second round effects; though, it is too soon to make a definitive judgement on that. The latest DMP, 2nd-17th of April, saw year ahead CPI expectations climb to 3.5% (prev. 3.1%), and the three year view to 2.8% (prev. 2.7%); though, wage expectations actually fell on a 12 month view and respondents highlighted expectations for lower sales and employment than would have been the case without the shock.

March's CPI counters this, though it is slightly more dated data, with the headline as expected at a headline level while the core figures were cooler-than-expected, but the all important services lifted by more than expected; albeit, the timing of Easter is a caveat and the upside may be unwound in the next series. However, within the series, signs of raw material factory prices jumping M/M, given the energy surge, could be taken as an early indicator of second-round effects.

Elsewhere, Retail sales were strong in March, but a rebound from periods of wet weather and stockpiling in terms of consumer fuel purchases potentially explain this, a view evidenced by the in-line/softer-than-expected core components. Finally, the unemployment rate moved below 5% in the last update. But, the series did feature vacancies at a five year low, a further decline that potentially speaks of some uncertainty at a firm level with respect to hiring as a result of the energy shock.

COMMENTARY: Overall, the tone of policymakers is in-line with a wait-and-see approach. However, there is likely to be divergence among the MPC along the usual dovish and hawkish lines as to which areas of the economy to focus on; i.e., should the inflation, growth or labour market take the primary focus. From this, dissent is possible on both the dovish and hawkish side of things, but the lack of clear information on second round effects and the duration of the shock means the majority will likely favour being on hold. If there is a split, 8-1 with Chief Economist Pill voting for a hike is the most probable outcome, given some criticism around a wait-and-see approach; though, his issue is more the form, rather than the substance of communication. If another joins him in dissenting, Mann is the one to watch.

The general tone of recent remarks has been a desire to avoid overreacting or moving pre-emptively, with the likes of Breeden, Taylor and Bailey pushing back on pricing to varying degrees. Most explicitly, Governor Bailey has outlined on several occasions that markets have gotten ahead of themselves, a view unsurprisingly endorsed by Taylor. Interestingly, Taylor noted that the labour market reaction to the conflict/shock will be key to the BoE; see above for a summary of data. On the labour market, Mann has recently outlined a concern that the price shock could appear in wage expectations.

Unusually for the BoE, there was an FT source report which outlined that the MPC is divided about how to address energy-induced inflation and divisions are likely to return in April over how aggressive the response needs to be.

FORECASTS: Unsurprisingly, the forecasts will point to elevated inflation and lower growth in the nearterm. Given precedent, and

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the example set by peers, the BoE may also elect to provide alternative scenarios for the economy given the significant uncertainty currently present. A point which may also see the BoE, likely via Governor Bailey, downplay the significance of the new central projection.

The February forecasts had CPI peaking in Q1-2026 at 3.0%, moderating to 1.7% in Q1-2027 before returning back to the 2.0% target in Q1-2029. For growth, this troughed at 0.8% in Q1-2026 before rebounding to 1.9% in Q1-2028. Data thus far makes these forecasts stale, and while the new projections will be of note, the ongoing shock and fluid energy environment diminishes the pertinence of the projections somewhat.

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