

Summary of April 2026 Monetary Policy Committee Report

The current medium term financial plan was based on the Office for Budget Responsibility (OBR) forecasts for inflation in the November 2025 Economic and Fiscal Outlook. This had a central forecast for CPI inflation peaking at 3.9% in quarter 3 2025, falling to steadily hereafter (3.6% Q4 2025, 3.2% Q1 2026, 2.4% Q2 2026, 2.3% Q3 2026 and 2.1%/2.0% thereafter). The March 2026 OBR forecasts were largely the same although the report acknowledged that the escalating conflict in the Middle East occurred as the report was being finalised and could have a significant impact on global and UK economies.

The April 2026 Bank of England quarterly Monetary Policy Committee report identified that the conflict has already had an impact on energy prices and produced revised inflation projections based on 3 scenarios:

- A) Short term impact with no secondary effect
- B) Six month impact with modest additional secondary effects
- C) Long term impact with stronger and more persistent additional secondary effects

All 3 scenarios have slightly lower inflation in Q4 2025 (3.4%) and Q1 2026 (3.1%) than previous OBR forecasts. Scenarios A and B had higher forecast for the remainder of 2026 (3.1%, 3.3% and 3.6%/3.7%).

- Scenario A then has rate of inflation reducing in 2027 (3.4% Q1, 2.9% Q2 and 2.3% Q3) with inflation below the 2% target from Q4 2027 onwards.
- Scenario B has rate of inflation falling more slowly throughout in 2027 (3.6% Q1, 3.2% Q2, 2.8% Q3 and 2.3% Q4) and remaining at 2% target from Q1 2028 onwards.

Scenario C has much more significant impact over the medium term (3.6% Q2, rising sharply to 5.2% Q3, and 6.0% Q4). Q1 2027 rises further to 6.2% and then the rate falls more slowly thereafter to 5.6% Q2, 4.1% Q3, and 3.5% Q4. The forecast from 2028 onwards is above the 2% target (3.0% to 2.6%)