

MNI BOE Preview and UK Data Insight: April 2026

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<https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2026/april-2026>

Monetary Policy Report: <https://www.bankofengland.co.uk/monetary-policy-report/2026/april-2026>

Votes for a hike possible

28 April, by *Tim Davis and Jonathan Nazar*

Updated with analyst views (see pages 3-10)

The dust has now settled on the week's data releases and there is something for everyone on the MPC. We look for a 7-2 or 6-3 vote split for an on hold decision at next week's MPC meeting.

What the hawks see

For those with a more hawkish disposition, the DMP's 1-year ahead own price expectation and 1-year CPI expectations were both uncomfortably high and there was a marginally more upside pressure on core services CPI. The Brightmine data also pointed to wage settlements coming in higher than last year while activity data hasn't been as soft as expected (seen in both official ONS data for the first couple of months of the year and the flash PMI output indices).

We had already flagged that in our base case Mann and Pill would vote for a hike next week, with a risk of Lombardelli. We don't think there will be any other MPC members who would vote for a hike next week, but we think the DMP data in particular does increase the probability of 2-3 votes for a hike.

The view of those who want to "wait and see"

For those wanting more evidence before stepping in a hawkish direction, private regular wage growth is tracking below the BOE's Q1 forecast (putting us in a better pre-war starting position). Core inflation was broadly in line with expectations (higher services offset by lower core goods prices) with little hard evidence of other prices impacted in the March data (albeit it is still very soon). The DMP survey pointed to wage expectations and stable 3-year CPI expectations from firms while the Agents' Survey reported only limited impacts from the Iran war outside of higher prices for fuel and oil-related products. The Agents survey also noted that around 80% of pay settlements are now agreed around 3½% and although firms need to pass on some price rises (because their profit margins are already squeezed) they are worried about impacting demand and hence "they are likely to increase prices cautiously, keeping an eye on what their competitors are doing."

The bottom line to this is we think the majority of MPC members are likely to remain in wait and see mode and don't think that the recent data has materially increased the probability of a hike over the next few meetings. We think that we'd need to see some movement higher on the wage growth expectations for the DMP to trigger a hike, with the majority of the MPC still thinking that policy is restrictive here. But the more dovish MPC members will probably look at the likely Q1 undershoot in the private regular wage series based on Tuesday's data for now and take some comfort in the fact that wage growth still looks to be returning to more "normal" levels. In terms of communication next week, we still expect a "wait and see" approach to the statement. But the DMP data will potentially polarise the individual paragraphs in the Minutes next week.

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Recent MPC commentary

Pill's comments on 17 April to us sound very much like he is justifying why he will likely vote for a hike next week. We now consider him to be the most hawkish member on the MPC. Mann's comments last week focused on her being an "activist" member and she had already suggested in the March minutes that she would consider a vote for a hike in upcoming meetings. She also focused on 3.5% being an important threshold. If that was exceeded - which seems very likely in the summer - she would likely also vote for a hike. We would not be surprised for her to join Pill in voting for a hike in April. We haven't heard yet from Lombardelli, we would position her as the next most hawkish member based on her March paragraph and prior views. We are not sure if she will vote for an April hike or not.

Greene seems unlikely to be persuaded to vote for a hike in April given her comments last week (she seems to remain on the fence, wanting more evidence of potential second round effects before committing to a hike). We still consider her more hawkish than Bailey. Bailey for us remains the likely swing voter - and seems in the wait and see camp. (Although it's not clear whether Dhingra's March paragraph in which she laid out extreme scenarios in which she could either hike or cut should be considered - she may well have changed to a bit of a wildcard here too).

Breeden and Ramsden we haven't heard from on monetary policy since the March Minutes, but we would be surprised if they favoured a hike any time soon. Taylor's comments last week confirm that he is not considering an imminent hike.

Monetary Policy Statement Likely to be Rather Non-Committal

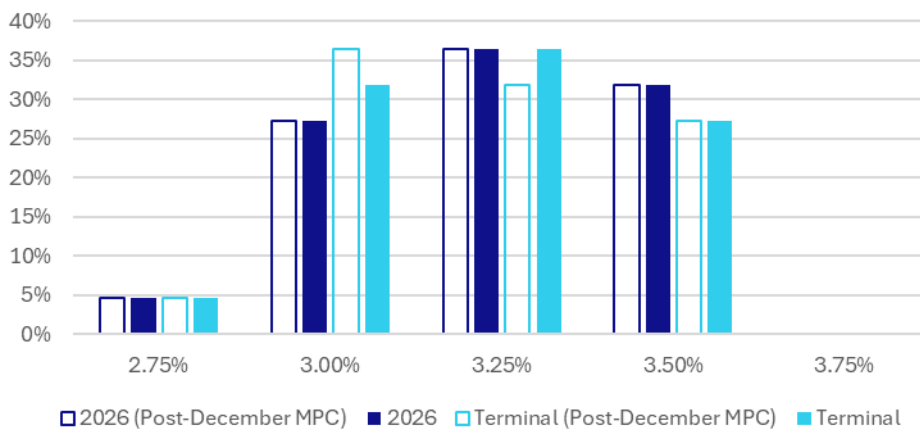
In terms of the opening statement, we don't think there is enough agreement within the MPC as to whether the risks of second round effects are higher than downside risks to inflation from a potentially slowing economy and therefore expect the guidance to remain very non-committal.

We don't expect there will be any explicit reference to next month's meeting and would be surprised to see an explicit push back of market pricing in the Monetary Policy Statement (although this may be possible in either the press conference or some individual member paragraphs).

Summary of Analyst Views

- All of the analyst previews we have read look for an April on hold decision.
- Just under half 8/18 (44%) of the sellside views that we have read that specific voting expectations look for an 8-1 vote split (with Pill hawkishly dissenting). The remaining analysts were split evenly (5/18 each, 28%) between a unanimous 9-0 vote and a 7-2 vote split. For 3/5 they saw Pill and Greene as hawkish dissenters in their base case, BNP Paribas expect Pill and Mann while Barclays expects Pill and Lombardelli.
- Most analysts did not really see much chance of any dovish dissent but Deutsche Bank noted the possibility of a 3-way split with the possibility for one member to vote for a cut.
- Analysts generally expect similar guidance to the March meeting, albeit without any specific references to the June meeting and potentially with a little more focus on downside risks.
- There isn't much focus on the Bank's central projections here at all, with much more focus on potential scenario analysis. We haven't seen any discussion of energy bills increasing the 3-year ahead CPI forecast in the analyst previews that we have read.
- Analysts remain split over the next move. In terms of the outlook for 2026, a small majority (13/24) expect the MPC to remain on hold at 3.75%. 5/24 still look for a cut this year – all in Q4. 6/24 see the next move as a hike in their base case with 4 of these expecting an April 25bp increase, Daiwa expecting a Q3 first hike and NatWest Markets expect a first hike in November.
- In terms of those looking for hikes Daiwa, JP Morgan and Rabobank look for a single 25bp increase in their base case while Bank of America, BNP Paribas and NatWest Markets all expect 2x25bp hikes.

Analyst Forecasts of End-Year Bank Rate



Analyst MPR Projection Expectations

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	2026	2027	2028
Bank of America	0.7%	1.2%	
Barclays	1.0%	1.2%	1.9%
Deutsche	0.9%	0.9%	1.8%
HSBC	0.8%	0.8%	1.8%
JP Morgan	0.7%	1.1%	1.9%
Goldman Sachs	Q2-27: 0.9%	Q2-28: 1.8%	Q2-29: 1.8%
NatWest Markets	Q2-27: 1.0%	Q2-28: 1.5%	Q2-29: 1.8%
Prior	0.9%	1.5%	1.9%

Source: Bank of England, MNI

Analyst MPR Projection Expectations

mni	Headline CPI			
	Peak	1-Year	2-Year	3-Year
Bank of America	3.5%	2.4%	2.0%	2.0%
Barclays	3.5%	2.4%	1.9%	1.8%
Deutsche		2.9%	2.2%	1.9%
Goldman Sachs	3.4%	2.4%	1.6%	1.7%
HSBC		2.8%	1.9%	1.9%
JP Morgan	3.5%	3.0%	2.0%	1.9%
NatWest Markets		3.1%	2.1%	2.0%
Median	3.5%	2.8%	2.0%	1.9%
Prior (Q1-27/28/29)		1.7%	1.8%	2.0%
Prior Q2 (Q2-27/28)		2.0%	2.0%	

Source: Bank of England, MNI

Summary of Analyst Views (Sorted by Hawkish to Dovish)



Institution	Post-March MPC Meeting	Pre-April MPC Meeting	First hike	Peak rate	Next cut	Trough rate	Vote split
BNP Paribas		7-2 vote with Pill and Mann "most likely to start voting for hikes." Guidance "expected to remain broadly unchanged." "Base case assumes that two rate hikes from the BoE are likely to be delivered over the coming months, starting from June."	Jun-26	4.25%			7-2
Bank of America	"Our base case assumes cuts in June and September based on energy prices reversing in the next couple of months but conviction is reducing. If energy prices stay elevated for longer (which current energy future prices suggest), risks of cuts not materializing this year will rise."	7-2 vote with Pill and Greene (risk Greene is on hold). Door kept open to modest hikes but BOE to say "markets were right to trim aggressive hike expectations." Expect 25bp hikes in Jun26 and Jul27 "but it's a close call" before quarterly cuts from Q2-27 to 3.50% "with risks of 3.25%."	Jun-26	4.25%	Q2-27	3.50%	7-2
JP Morgan	"Hikes in April and July, taking rates to 4.25%. We expect inflation will fall back next year, but not until the spring. We are putting two cuts in the forecast, but not until 2Q and 4Q of 2027. That... still leaves the level restrictive. That is consistent with the idea that there will be some lingering inflation effects from the current shock which prevent the BoE from fully normalizing."	"Expect 7-2, with Pill and Greene dissenting. Mann, Lombardelli "candidates too". Expect 25bp hike in Jun26 when have "more clarity on geopolitics, the size of the likely increase in household energy bills in July, and will be able to observe the sentiment, inflation and wage data up to and including April. We continue to see two cuts next year, which would take rates down to 3.5%."	Jun-26	4.00%	2027	3.50%	7-2
Rabobank	"This is an MPC that is not prepared to fully look through this supply shock, except in the case of a very short-lived conflict... not our team's base case. We have therefore now included one 25bp hike in our forecast, possibly as soon as April." Then forecast cuts in Nov26, Feb26, Apr27 to 3.25% terminal.	While we still expect one further rate hike to demonstrate vigilance, we continue to believe the bar for a renewed hiking cycle is high." Rabobank pencil in a June 25bp hike. "Looking further ahead, we expect such a move to be reversed relatively quickly once this crisis subsides and circumstances permit." Forecast cuts in Nov26, Feb27 and Apr27 to terminal 3.25%.	Jun-26	4.00%	Nov-26	3.25%	
Daiwa	"While Governor Bailey cautioned jumping to conclusions about the future path of interest rates, a hike as soon as the next meeting on 30 April - when the BoE will have updated macroeconomic projections would seem a decent bet if events at the Strait of Hormuz and pressures in energy markets have not been defused." Forecast cut back to 3.75% in 2027.	"Perhaps only" Pill will vote for a hike. Base case is for a 25bp hike in Q3-26 ("July at the earliest") to a peak of 4.00% with cuts to a trough of 3.50% in 2027.	Q3-26	4.00%	2027	3.50%	
NatWest Markets	"We formally remove our forecast for a final 25bp cut in April and project a 25bp rise in Bank Rate to 4.0% in Q4. If (when?) policy tightening commences in response to second-round inflation, a terminal rate of 4½% in spring 2027 would be a reasonable expectation at this juncture."	9-0 vote with risks skewed towards dovish dissent (Taylor / Dhingra) but non-negligible probability of a vote for hike (Mann). See hikes in modal base case - but not until later this year - 25bp hikes Nov26 and Feb27 to 4.25%. "A 'mean' or risk-weighted forecast would be ~35bp of easing over the next 12 months."	Nov-26	4.25%			9-0
BMO	"Difficult to gauge what the BoE will do in coming months. To quote Fed Chair Powell, "We just don't know!" But if this conflict lasts and the jump in energy costs feeds into inflation expectations, the BoE will act. There will be more information by the April 30 meeting. For now, the Bank will stay the course but will pounce if needed."	Last week's "data raise the likelihood that [the] MPC will deliver one or more votes in favour of a rate rise (with a majority for unchanged, of course) signalling a hardening probability of rate hikes during 2026." "BoE rate hikes cannot be ruled out, but we expect [it] to stay on hold for the rest of the year."		On hold at 3.75%			
Danske	"Even if energy prices normalise through April and May, the BoE will likely not know enough about second round effects by mid-June... We call for two more rate cuts, in July 2026 and February 2027."	"We pencil in no rate changes for the coming 12 months but with risks tilted towards hikes."		On hold at 3.75%			
HSBC	7-2 vote but "A 6-3 or 5-4 vote might serve the purpose of suggesting to the market that it has gone a little far in pricing out cuts, if that is indeed the Committee's view. But for now, we think it might prefer wait and see." "Big questions... upside risks" to 3.00% year-end forecast.	9-0 vote with risk of 8-1 or 7-2. "On hold "in our 'good' case, throughout this year. But given the possibility of a re-escalation in the Middle East conflict, and the possible emergence of second round effects on inflation, policy rate risks are skewed to the upside."		On hold at 3.75%			9-0
Nomura	"We've removed our two expected rate cuts, forecasting Bank Rate remaining at 3.75% through Q4 2027, but have not added hikes as we expect fragile GDP growth."	8-1 vote with Pill most likely dissenter. "Our view is for no policy moves from the Bank of England between now and the end of next year, i.e. Bank Rate remaining at 3.75%, which we - as well as the BoE - think is around 50bp above the middle of the neutral range." Risks are skewed to the upside in the near-term and downside further ahead.		On hold at 3.75%			8-1
Barclays	"The MPC's tone made a hawkish shift, opening up the possibility of hikes, but leaving the forward-path uncertain. Based on four separate frameworks, we think the more likely outcome is the MPC stays on hold for the rest of 2026 at 3.75%."	7-2 vote with Pill joined by Lombardelli (less conviction on latter). Guidance to repeat that BOE stands ready to act but to fall short of giving even directional guidance around future meetings." Base case for BOE to remain on hold through 2026 and 2027.		On hold at 3.75%			7-2
Citi	"Could be a 7-2 vote for a hold, or even a 6-3. The exact split matters less than the split itself." Risk of unanimous on hold decision. "Now see the terminal rate for this cycle to be 3.25%, with cuts in June and September. This, however, relies on our base case - which is highly uncertain - to play out."	8-1 vote with Pill dissenting. "We think there is also no case, as things stand, to cut this year. Instead, leaving rates on hold at their current, restrictive level, remains our base case for 2026."		On hold at 3.75%			8-1
Morgan Stanley	"We move into our alternative scenario, of no cuts this year and a prolonged BoE hold. In the case of a very swift resolution in the Middle East... we would see some chance of a cut in 4Q26... even in the case of more sustained disruption to oil and gas supply out of the Middle East (i.e. beyond this next month), we would not see policy tightening as plausible in 1H26."	8-1 with Pill dissenting "with risks more tilted towards a 9:0 vote, than a 6:3 or 5:4." "In this MPR, we think scenarios and policy rules will take centre stage." Base case is for Bank Rate on hold until end 2027.		On hold at 3.75%			8-1
RBC	"We remove the two rate cuts from the MPC path that, ahead of today's meeting, we had pushed back to later this year. For the moment, the most likely path for policy from here would appear to be the MPC holding rates for the rest of this year."	8-1 vote with Pill the sole dissenter. "The comments from the Governor, in particular, suggest an adjustment of the MPC's language, retaining a readiness to act but reflecting a more "wait and see" (or data dependent) approach." "We are forecasting Bank Rate to remain on hold for the foreseeable future."		On hold at 3.75%			8-1
Deutsche	"Should a cease-fire materialise and fiscal policy curb inflation" prior to April meeting, on hold at 3.75% in 2026. "Rate cuts could resume as early as Q2-27" with terminal 3.25%. "Without fiscal support or a cease-fire in motion... the first rate hike could come as early as June/July, with rate moves taking place on a quarterly basis at first... could see a peak in Bank Rate of 4.5-4.75%."	8-1 vote with Pill dissenting but two-way risk of 7-2 or three-way split with one member voting for cut. Expect "no change in Bank Rate this year. And we expect rate cuts to resume in Q2-27" to neutral 3.25%. Risks skewed to more rate hikes. "We will reassess our call following the April decision."		Q2-27	3.25%		8-1
Goldman Sachs	Expect MPC "to remain on hold throughout 2026, whereas we had expected quarterly cuts from July 2027, taking Bank Rate to its 3% neutral level." Benign scenario: 2x25bp cuts this year and one in 2027 to 3.00% neutral. Adverse scenario: "market pricing of 75bp of hikes seems reasonable."	7-2 vote with Pill and Greene dissent but don't rule out Lombardelli and Mann. Expect on hold through 2026 before cutting to 3.00% in 2027. "The risks around our baseline view are clearly tilted in a hawkish direction."		2027	3.00%		7-2
Société Générale	Base case: "the BoE keeps rates unchanged throughout the year, followed by 75bp worth of cuts in 2027, taking Bank Rate to its 3% neutral level." Benign scenario: 2x25bp cuts this year and one in 2027 to 3.00% neutral. Adverse scenario: "market pricing of 75bp of hikes seems reasonable."	9-0 vote as "April is too early for hawkish members to favour a hike given the uncertainty over the duration of the conflict." "Slack in the economy should restrain second-round effects, allowing the MPC to remain on hold throughout 2026, followed by 75bp of easing in 2027."		2027	3.00%		9-0
Santander	"Our base case remains for the BoE to stay on hold at 3.75% all year, although the chance of a hike or two is growing the more the Iran conflict extends and escalates."	8-1 "with Pill dissenting in favour of a 25bp hike." "Our baseline sees the BoE on hold through 2026, before cutting to 3.50% in 1Q27. But if we receive further confirmation that the energy shock is set to worsen and is here to stay, clearly the risks of summer hikes will loom larger."		Q1-27	3.50%		8-1
ING	"In a scenario where prices do settle a bit lower into Q2 - aligned with ING's wider energy base case - then we think the bar to hike is probably higher than markets think. In that scenario, we suspect we'd be looking at a prolonged pause." Official base case for cuts in Jun26 and Sep26.	8-1 vote with Pill dissenting; risk of Greene, or less likely, Mann. "Don't think the Bank will hike rates this year - not at the current level of energy prices. We expect rates to stay at 3.75% in April and June, and for the rest of 2026."		Q1-27	3.25%		8-1
TD Securities	"The MPC will want to normalize rates eventually to what we deem a neutral rate of 3.50%, but the timing remains exceptionally unclear. We pencil in November, but there are clear risks on both sides... there is clear scope for the MPC to hike rates in the second half of this year, rather than cut."	9-0 vote: "Taylor, as a dove, has not demonstrated a desire to cut in face of uncertainty, and even the most staunch hawks like Pill and Greene are not signaling a need for imminent hikes." Base case looks for cut in Nov26 to terminal 3.50%.		Nov-26	3.50%		9-0
UBS	Expect rate cuts in Nov26 and Feb27. "Sooner cuts if "a larger than expected growth (and labour market) fallout [or] "tight touch" fiscal response... [but] any signs of second-round effects are likely to delay interest rate cuts... see the bar for BoE hikes as relatively high."	9-0 vote. "April may be too soon to form a firm conclusion about the risk of second-round effects." "Our baseline remains that the Bank is likely to stay on hold over the coming months, before delivering two interest rate cuts, in November 2026 and February 2027. The risks are two-sided."		Nov-26	3.25%		
Jefferies	"While the outlook remains highly uncertain, our base case remains that rate cuts are delayed, not derailed." Base case remains cuts in Jun26, Jul26 and Nov26.	"See 9-0 as the most likely outcome, but risks around the vote split are asymmetric: an 8-1 or even 7-2 outcome is plausible. Base case is for 25bp cuts in November, February 2027 and April 2027 to a terminal 3.00%."		Nov-26	3.00%		9-0
Berenberg	Base case remains cut in Jun26 and 2xH2-26 cuts to 3.00% by year-end. If "energy prices remain high for six months, we think that rate hikes would deal a larger than necessary hit to the economy to get inflation back down... would expect the BoE to keep rates unchanged before lowering them in 2027."	8-1 with Pill dissenting. "Very different economic conditions to those that prevailed in 2022 suggest that rate hikes are unnecessary, and that the BoE will eventually be able to resume cuts... As our baseline scenario, we expect the Strait of Hormuz to reopen soon. If so, inflation can fall below 2% in H2 2027 and the BoE can resume interest rate cuts in Q4" to terminal 3.00%		Q4-26	3.00%		8-1
UniCredit	"Subdued UK economic activity and a deteriorating labour market is likely to mean second-round effects are not particularly large. We therefore think financial markets have gone too far in pricing rate hikes for the BoE, the bar for which seems quite high for a slim majority of MPC members."	"We expect one rate cut at the end of the year, as, in our view, the chances of sizeable second-round effects are low amid a clearly deteriorating labour market." UniCredit's base case looks for 25bp cuts in Q4-26, Q1-27, Q2-27 and Q3-27 to a terminal 2.75%."		Q4-26	2.75%		

Source: Analyst Reviews and MNI

Note: View changes in bold

Note: Sorted by timing of first hike, then total number of hikes. For those not forecasting hikes, sorted by timing of next cut, then end-2026 rate, then timing of next two subsequent cuts, then terminal rate, then date reached, then balance of risks (if specified).

Analysts' Key Comments (A-Z)

Bank of America

- Vote split: 7-2: "Pill has noted recently that rates may need to rise to contain the threat of inflation and warned against a wait and see approach. Greene has suggested that inflation risks are paramount for her and rising price pressures in April PMIs could tilt her to vote for a hike. There are risks for 8-1 if Greene needs further evidence before acting."
- Guidance: "Door can be kept open to modest hikes if energy prices stay elevated by highlighting that a "larger or prolonged shock, which risked greater second-round effects, would require a more restrictive stance". But we also expect the BoE to temper this message by noting that markets were right to trim aggressive hike expectations and that labour market/growth outlook is weaker than 2022 to avoid significant tightening of financial conditions."
- CPI forecasts: Peak: 3.5%, 1-year 2.4%, 2-year 2.0%, 3-year 2.0%
- GDP forecasts: 2026 0.7%, 2027 1.2%
- Future policy: "Given our expectation of higher energy prices persisting through the year, we expect two hikes in June and July, with risks of one, but it's a close call. We then expect three quarterly cuts from Q2 2027 to 3.5%, with risks of 3.25%. The ceasefire potentially increases risk of one and done hike and risk of earlier/faster cuts in 2027. Our call for hikes is a close call, given growth concerns and BoE messaging. If by mid-year, the shock subsides and it looks like energy prices are moving lower or labour market/economy worsens materially, then chances will rise that the BoE looks through the shock."

Barclays

- Vote split: 7-2: "Pill could be joined by another dissenter: DG Clare Lombardelli."
 - "Pill laid out a case for tightening policy and doing so without delay if one puts more weight on the risk of second-round effects and does not expect significantly more information clarity to be gained in the coming months. Under his framework, we think it would be rational to vote to hike at this meeting"
 - Lombardelli "has previously been clear she is sceptical that the current stance of policy is restrictive and that she weighs the risk of second-round effects heavily... we have less conviction in her falling on the side of dissent."
 - "If there were to be another addition, we think it would most likely be Megan Greene... Based on our understanding of her activist reaction function—hold while you are uncertain, and then move in large size when you feel you have sufficient clarity—we think it would be inconsistent for Catherine Mann to vote to hike at this meeting."
- Guidance: "We expect a clear message to be repeated that the MPC stands ready to act as necessary, which will allow it to keep the optionality to hike in the future, even if the baseline for the marginal voter is as described by the quote from Governor Bailey at the top of this note. However, we expect the MPC to fall short of giving even directional guidance around future meetings."
- CPI forecasts: Peak: 3.5%, 1-year 2.4%, 2-year 1.9%, 3-year 1.8%
- GDP forecasts: 2026 1.0%, 2027 1.2%, 2028 1.9%
- Future policy: Base case looks for the BOE to remain on hold through 2026 and 2027

Berenberg

- Vote split: 8-1. "The PMI survey for April pointed to resilient sales growth and a concerning rise in services price inflation, sufficient to spook the BoE's hawkish Chief Economist Huw Pill into voting for a hike."
- Future policy: "Very different economic conditions to those that prevailed in 2022 suggest that rate hikes are unnecessary, and that the BoE will eventually be able to resume cuts... As our baseline scenario, we

expect the Strait of Hormuz to reopen soon. If so, inflation can fall below 2% in H2 2027 and the BoE can resume interest rate cuts in Q4." Berenberg looks for a terminal 3.00% in 2027.

BMO

- Vote split: Last week's "data raise the likelihood that [the] MPC will deliver one or more votes in favour of a rate rise (with a majority for unchanged, of course) signalling a hardening probability of rate hikes during 2026."
- Guidance: "noncommittal on policy, but hawkishly cautioning that much will depend on the duration of the Middle East war and how long it will take for shipping to resume on the Strait of Hormuz and for infrastructure to be operational again."
- Future policy: "BoE rate hikes cannot be ruled out, but we expect [it] to stay on hold for the rest of the year."

BNP Paribas

- Vote split: 7-2: "Huw Pill and Catherine Mann are the board members most likely to start voting for hikes"
 - "For the rest of the committee members, we think they will lean on the "option-value of waiting" given the backdrop of uncertainty... We anticipate their individual guidance will be reminiscent of the March meeting minutes, with a clear focus on inflation expectations and second-round effects."
- Guidance: "Expected to remain broadly unchanged, albeit with some hawkish lean, keeping the door open to rate hikes and maintaining full optionality around the trajectory for policy."
- CPI forecasts: 1-year 3.1%, 2-year 2.0%
- GDP forecasts: 2026 0.7%, 2027 1.0%
- Rather than central projections "we think MPC communications will instead focus on the scenario analysis, given the uncertain outlook."
- Future policy: "base case assumes that two rate hikes from the BoE are likely to be delivered over the coming months, starting from June."

Citi

- Vote split: "Difficult to call... but we think an 8-1 split is likely. In this outcome, Pill is the dissenting vote."
- Future policy: "We think there is also no case, as things stand, to cut this year. Instead, leaving rates on hold at their current, restrictive level, remains our base case for 2026."

Daiwa

- Vote split: "The views of external members Mann and Greene – who were for a time amongst the MPC's more hawkish cohort – have become more balanced. And perhaps only Chief Economist Pill, who remains concerned about recent structural changes in the UK economy, might be willing to vote against inaction in favour of more restrictiveness now."
- Future policy: "Should clearer evidence of spillovers into expectations and selling prices present itself, the MPC may collectively decide that more restriction is eventually required. For now, however, we do not expect that time to come until the next publication of BoE forecasts in July at the earliest."
 - Daiwa's base case is for a 25bp hike in Q3-26 to a peak of 4.00% with cuts to a trough of 3.50% in 2027.

Danske Bank

- Future policy: "We pencil in no rate changes for the coming 12 months but with risks tilted towards hikes."

Deutsche Bank

- Vote split: 8-1 with Pill dissent
 - “Two-sided risks” of either 7-2 “or a three-way split, with maybe one MPC member opting for a rate cut in the wake of potential non-linear shocks to the labour market and growth.!”
- Guidance: “think the Bank will add some optionality to its guidance. Put simply, we expect to see some state-contingency in the Bank’s messaging while leaving open the possibility of policy action in the near-term.”
- CPI forecasts: 1-year 3.0%, 2-year 2.2%, 3-year 1.9%
- GDP forecasts: 2026 0.9%, 2027 0.9%, 2028 1.8%
- Future policy: “No change in Bank Rate this year. And we expect rate cuts to resume in Q2-27. We see no change to our long-held estimate of neutral (3.25%), and expect policy to settle there over the course of the next year.”
 - “Risks are skewed in one direction over the near-term: to rate hikes. The latest Agents and DMP surveys echo stronger notes of price pass-through and have even started to challenge our assessment of modest to little second-round effects. We will reassess our call following the April decision.”

Goldman Sachs

- Vote split: “7-2 vote looks most likely, with Chief Economist Pill and external member Greene preferring a 25bp hike.”
 - “Pill’s latest comments argued that a wait-and-see strategy is inappropriate given risks of inflation persistence... Greene’s vote seems more uncertain, especially given that she had noted earlier in April that the data paint a “mixed picture” on persistence risks. But we think that signs of stronger price pressures in PMI and DMP figures released since those remarks will lead her to support a hike, especially given that she had suggested that the MPC could risk being too late by waiting for definitive evidence on second-round effects.”
 - “We expect Lombardelli and Mann to support a hold, but it is hard to rule out either supporting raising Bank Rate.”
- Guidance: “The Committee will probably want to keep its options open for the upcoming meetings but adopt a more measured tone than in March to limit the risk of a sharp market reaction. One option would be for the Committee to indicate that it remains ready to act as necessary to keep inflation on course to reach the target but emphasise in the policy summary that the stance is already somewhat restrictive.”
- CPI forecasts: Peak: 3.4%, 1-year 2.4%, 2-year 1.6%, 3-year 1.7%
- GDP forecasts: 1-year 0.9%, 2-year 1.8%, 3-year 1.8%
- Future policy: “Expect the MPC to remain on hold in 2026 as the Committee balances elevated headline inflation with a weaker labour market and an already restrictive monetary policy stance. We then expect the Committee to lower Bank Rate to a 3% terminal rate in 2027. The risks around our baseline view are clearly tilted in a hawkish direction.”

HSBC

- Vote split: “Expect a 9-0 vote to keep Bank Rate on hold at 3.75% in April, albeit with the risk of one or two votes for a hike”
- Guidance: “The MPC may want to sound a slightly less hawkish note in its messaging, after surprising the market in March.”
- CPI forecasts: 1-year 2.8%, 2-year 1.9%, 3-year 1.9%
- GDP forecasts: 2026 0.75%, 2027 0.75%, 2028 1.75%

- Future policy: On hold “in our 'good' case, throughout this year. But given the possibility of a re-escalation in the Middle East conflict, and the possible emergence of second round effects on inflation, policy rate risks are skewed to the upside.”

ING

- Vote split: 8-1: “Expect at least one official – Chief Economist Huw Pill – to vote for a rate hike. Megan Greene, and less likely, Catherine Mann.”
- “We doubt the Bank will meaningfully push back against market expectations”
- CPI forecasts: Peak: Close to 4%
- Future policy: “Don’t think the Bank will hike rates this year – not at the current level of energy prices. We expect rates to stay at 3.75% in April and June, and for the rest of 2026.”

Jefferies

- Vote split: “See 9-0 as the most likely outcome, but risks around the vote split are asymmetric: an 8-1 or even 7-2 outcome is plausible, with Huw Pill the most likely dissenter in favour of a hike and a chance that Catherine Mann joins him.”
- Future policy: “Policy is already firmly restrictive, giving the Bank scope to wait and assess the persistence of the shock. Additional hikes would risk suppressing activity without delivering meaningful further progress on medium-term inflation.”
 - Base case is for 25bp cuts in November, February 2027 and April 2027 to a terminal 3.00%.

JP Morgan

- Vote split: “Expect a 7-2, with Pill and Greene dissenting for higher rates. Mann and Lombardelli are candidates too, although they have said less since the conflict.”
 - “We assume Bailey will adjust his paragraph in the minutes to emphasise more of the growth risks alluded to in his Reuters interview.”
- Guidance: “One potential adjustment to the statement guidance would be to reiterate the same willingness to “act” but instead make the growth risks sound more prominent in its thinking rather than merely as an afterthought. One example would be to state clearly that there are “significant two-sided risks to the outlook” but then go on to say that it “stands ready to act as necessary””
- CPI forecasts: Peak: 3.5%, 1-year 3.0%, 2-year 2.0%, 3-year 1.9%
- GDP forecasts: 2026 0.7%, 2027 1.1%, 2028 1.9%, 2029 1.8%
- Future policy: JP Morgan last changed its BOE call on 1 April: “Bailey’s comments suggest April is too soon for a majority for a hike to develop, and we now shift to expecting one hike in June. By this time the BoE will have more clarity on geopolitics, the size of the likely increase in household energy bills in July, and will be able to observe the sentiment, inflation and wage data up to and including April. We continue to see two cuts next year, which would take rates down to 3.5%.”

Morgan Stanley

- Vote split: 8-1 with Pill voting for a hike “with risks more tilted towards a 9:0 vote, than a 6:3 or 5:4.”
- Guidance: “assume a more prominent role vs. March for caveats around acting in a manner that takes into account the impact of tighter policy on growth.”
- “In this MPR, we think scenarios and policy rules will take centre stage.”
- “Expect to see the BoE as using the Riksbank as a template. Their March MPR mixed higher commodity prices and second round effects in the upside scenario that they judged as warranting near-term hikes. Their downside scenario, meanwhile, featured the same market-based commodity prices as their base case, but assumed a bigger hit to growth and lesser second-round effects; in this scenario, near-term cuts were warranted.”
- Future policy: Base case is for Bank Rate on hold until end 2027.

- “We are near-certain that the Bank would maintain its tightening bias at least until the July meeting (i.e. should the Strait of Hormuz be opened prior to the June meeting, we would not expect a swift BoE pivot).”
- “In a scenario where the July forecast can adopt lower commodity futures with a greater degree of certainty is one where cuts start creeping back in as a possibility - although we think from November, at the very earliest, and from February 2027 as a bit more of a likely outcome.”
- “In a scenario where disruptions in the supply of oil and gas persist for months, and commodity prices readjust higher, we think hikes become likely - we think 2-3 hikes look probable in this scenario” starting possibly as soon as June but “modal call” would be July.

NatWest Markets

- Vote split: 9-0. “The risks are tilted towards dovish dissent (Taylor and/or Dhingra) but there is also a non-negligible probability of a vote for a hike (Mann).”
- Guidance: “Unlikely to be revised in any material way at this stage (relative to the March MPC Minutes or subsequent comments by policymakers), though the bizarrely hawkish market reaction following the March MPC might solicit some enhanced clarity about the likely near-term path for Bank Rate.”
- CPI forecasts: 1-year 3.1%, 2-year 2.1%, 3-year 2.0%
- GDP forecasts: 1-year 1.0%, 2-year 1.5%, 3-year 1.8%
- Future policy: “We see upside risks for Bank Rate, though not until the tail-end of this year when nascent evidence on second-round effects emerges. Our ‘modal’ forecast is for two 25bp rises (Q4 2026 and Q1 2027) but a ‘mean’ or risk-weighted forecast would be ~35bp of easing over the next 12 months.”

Nomura

- Vote split: “8-1 vote for a hold is likely, with Pill being the lone voice for a rate hike this time.”
- Guidance: “One possible way in which guidance could be updated is for the MPC to be more explicit about what data are on its radar, and what it might take for the Bank to raise rates.”
- Future policy: “Our view is for no policy moves from the Bank of England between now and the end of next year, i.e. Bank Rate remaining at 3.75%, which we – as well as the BoE – think is around 50bp above the middle of the neutral range.”
 - “We see the risks to official UK rates being to the upside in the near-term and to the downside further ahead. However, should such risks materialise (hikes followed by cuts) it may not be a ‘policy mistake’; rather the Bank being nimble in initially taking out insurance against second-round inflation effects, then having to reverse course thereafter.”

Rabobank

- Future policy: “While we still expect one further rate hike to demonstrate vigilance, we continue to believe the bar for a renewed hiking cycle is high.” Rabobank pencil in a June 25bp hike.
 - “Looking further ahead, we expect such a move to be reversed relatively quickly once this crisis subsides and circumstances permit. That would allow the MPC to return to its earlier plan of (what we thought was) delivering two rate cuts later this year. This view is based on labour market weakness, which requires a more neutral policy stance.” Rabobank’s central case sees cuts in November, February 2027 and April 2027 to 3.25%.

RBC

- Vote split: 8-1 with Pill the sole dissenter.
- Guidance: “The comments from the Governor, in particular, suggest an adjustment of the MPC’s language, retaining a readiness to act but reflecting a more ‘wait and see’ (or data dependent) approach.”
- Future policy: “We are forecasting Bank Rate to remain on hold for the foreseeable future.”

Santander

- Vote split: 8-1 “with Pill dissenting in favour of a 25bp hike.”
- Future policy: “Our baseline sees the BoE on hold through 2026, before cutting to 3.50% in 1Q27. But if we receive further confirmation that the energy shock is set to worsen and is here to stay, clearly the risks of summer hikes will loom larger, as the BoE frets that first-round inflation could be too big to avoid second-round effects.”

Societe Generale

- Vote split: 9-0 “April is too early for hawkish members to favour a hike given the uncertainty over the duration of the conflict. June appears more likely to see a dissenter emerge, if things remain as they are.”
- Guidance: “central messaging is unlikely to change materially. However, the guidance may acknowledge that energy prices have eased since March, particularly gas, and that negotiations to end the war are ongoing, modestly tilting the overall tone in a more dovish direction compared with the March meeting.”
- Future policy: “Slack in the economy should restrain second-round effects, allowing the MPC to remain on hold throughout 2026, followed by 75bp of easing in 2027.”

TD Securities

- Vote split: 9-0. “Taylor, as a dove, has not demonstrated a desire to cut in face of uncertainty, and even the most staunch hawks like Pill and Greene are not signaling a need for imminent hikes.”
- Guidance: “See limited changes to the statement.”
- Future policy: “The risk of stagflation hitting the UK harder than other economies is high, and we continue to favour a rate cut, not hikes. Timing remains uncertain, but we expect a final 25bps cut in November this year.”

UBS

- Vote split: 9-0. “April may be too soon to form a firm conclusion about the risk of second-round effects.”
- Guidance: “Anticipate that the Committee will reiterate the message from the previous meeting that it “stands ready to act as necessary to ensure that CPI inflation remains on track to meet the 2% target in the medium term.””
- CPI forecasts: “Around 1.8% in Q4-27 and Q4-28”
- Future policy: “Our baseline remains that the Bank is likely to stay on hold over the coming months, before delivering two interest rate cuts, in November 2026 and February 2027. The risks are two-sided.”

UniCredit

- Future policy: “We expect one rate cut at the end of the year, as, in our view, the chances of sizeable second-round effects are low amid a clearly deteriorating labour market.”
 - UniCredit’s base case looks for 25bp cuts in Q4-26, Q1-27, Q2-27 and Q3-27 to a terminal 2.75%.

Labour Market Data Review

Our main takeaways from the labour market data are that private regular pay appears to be moving back in line with pre-pandemic levels, employment was a little softer on the LFS data with payrolls data also a little on the soft side (including revisions). The sharp move lower in the unemployment rate makes us again question the reliability of the LFS data.

Private regular pay was surprisingly low Private regular pay on the single month for February came in at 2.79%Y/Y. This was not quite enough to see the 3-month figure come in lower than the MNI median on a rounded basis (3.2%Y/Y), but it was very close given the unrounded print was 3.16%. To put that single month print number into context – it is the softest print since October 2020. Also the 2015-2019 average is 2.85%Y/Y - so the 2.79% single month print is very much back in line with historical norms (see chart).

There is of course only a third of the survey sampled in a single month, but looking at it a couple of different ways it still looks soft. If we take a simple average of the first two months of Q1, they currently average 3.03%Y/Y. Alternatively if we look at the Y/Y rate in February compared to November (when the same cohort was last surveyed) there was a 0.48ppt deceleration, while for January compared to October there was a 0.27ppt deceleration. If we take the mid-point of these, we would see a single month print of 3.06%Y/Y in March – which would leave the Q1 average at 3.04%Y/Y. Even with a 0.27ppt deceleration, there would be a single month print of 3.16% which would see a Q1 average of 3.07%Y/Y.

Remember that the BOE forecast for Q1 (made in the February MPR) was 3.47% - so based on those three simple calculations we would be looking at an undershoot or around 0.4ppt. That would be significant, and probably would have increased calls for a cut (had it not been for the Iran war of course).

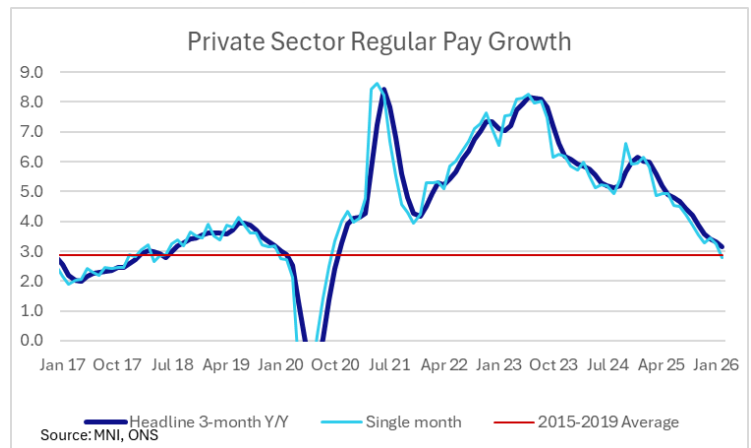
Labour Market Summary

	Latest Dec-		Bloomberg		Prior (Nov- Jan)	Unrevised (Nov-Jan)
	Feb	MNI Median	MNI Mean	Consensus	Jan	
Total AWE	3.78	3.6	3.58	3.6	4.10	3.92
AWE ex bonus	3.55	3.5	3.53	3.5	3.85	3.82
Private sector AWE	3.49				3.69	3.48
Private AWE ex bonus	3.16	3.2	3.20	3.2	3.32	3.31
Public sector AWE	5.17				5.95	5.85
Public AWE ex bonus	5.17				6.02	5.92
Unemployment rate	4.93	5.2	5.18	5.2	5.17	5.17
Economic activity rate	79.02				79.28	79.28
Employment rate	75.04				75.09	75.09
Employment change (3m/3m)	24	35	32	35	84	84
Redundancy rate (per 000)	4.59				4.48	4.48
Redundancy level	136				133	133

	Jan-Mar (flash)	Dec-Feb	Dec-Feb (unrevised)	Nov-Jan	Unrevised
	Vacancies (000s)	711	721	721	733
V-U Ratio	0.40	0.41	0.39	0.39	0.39

	March (flash)	February	Feb (Unrevised)	January	Jan (Unrevised)	December
	Payrolled employees (000s) SA	30,313	30,324	30,339	30,330	30,319
Net revisions		-15		11		9
M/M Change SA	-11.0	-5.7	20.2	8.5	6.5	3.3
M/M Change SA (MNI Median)	5					
M/M Change SA (MNI Mean)	4					
3M Change SA	-8.2	6.1	31.9	-6.9	-9.3	-27.6
6M Change SA	-35.8	-52.7	-24.3	-29.8	-30.6	-32.2
Payrolled employees (Y/Y) NSA	-64.7	-73.5	-49.4	-88.9	-95.9	-99.2
PAYE median pay (Y/Y) SA	4.34%	4.64%	4.15%	4.40%	4.44%	4.27%

Source: MNI, ONS

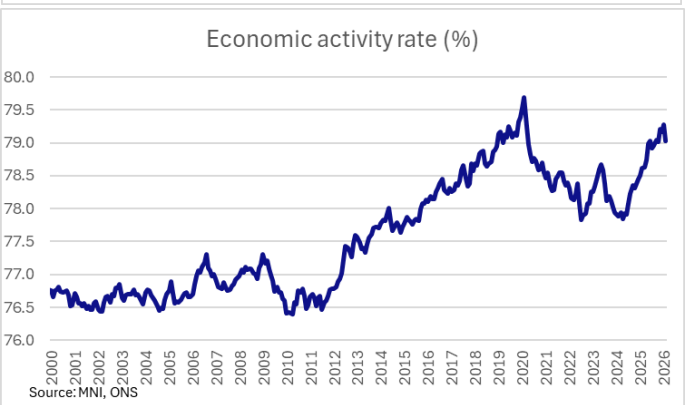
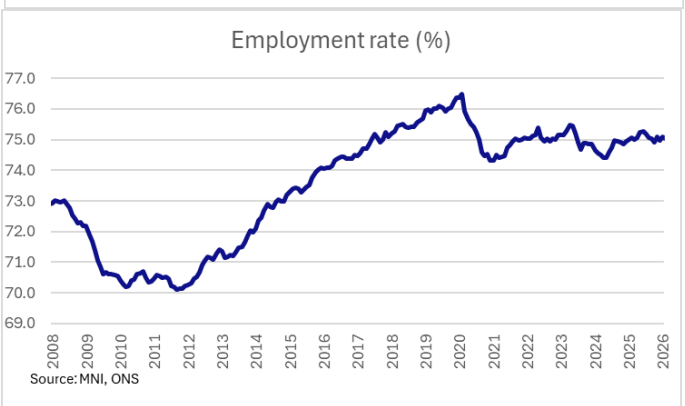
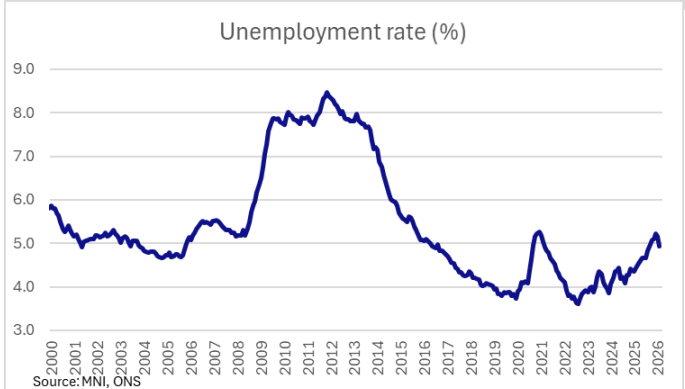
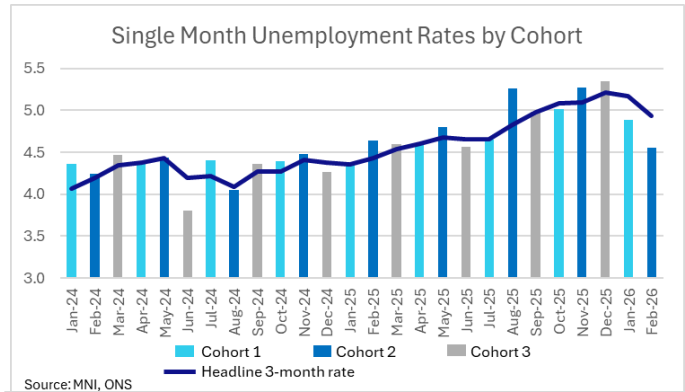


Unemployment rate fell due to participation rate change

Turning to the quantities side of the equation, the unemployment rate at 4.93% in the 3-months to February (compared to 5.17% in the 3-months to January) was a large surprise to the downside that caught the market's attention. But this isn't due to a drop in employment which rose 24k 3m/3m, softer than the 35k MNI median expectation. It also wasn't an increase in the unemployed level (which fell to 1.780m in the 3-months to February from 1.869m in the 3-months to January). Instead, it was due to a drop in the economic activity rate. Note that the headline unemployment rate is based on the 16+ reading – using the same 16+ metric, the employment rate was broadly steady at 60.68% in the 3-months to February (60.69% in the 3-months to January). However, the economic inactivity rate rose from 36.00% to 36.18%.

If we look at the working age population (the 16-64 age range that is normally used for the employment rate / inactivity rate / participation rate) the numbers are even starker. The economic activity rate (participation rate) fell to 79.02% from 79.28% (i.e. the economic inactivity rate rose from 20.72% to 20.98%).

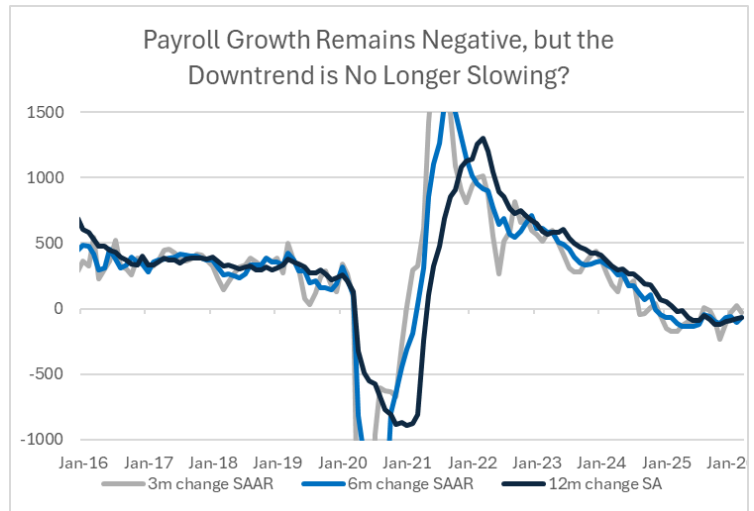
The ONS notes that “fewer students are seeking work alongside their studies”. However, we think that this is a particularly large one-month change, which makes us again question the validity of the broader LFS data. If we can take the data at face value, however, it may be that after a couple of years of large minimum wage rises (particularly for younger workers whose wages have been aligned more with those older) it has made younger workers look too expensive, with firms potentially not willing to take a chance on them. The employer national insurance increases will not have helped with the kinds of low paid jobs students would typically have taken either. So there is a plausible story here – but if that is the case it underlines that this fall in the unemployment rate seen today is not a positive sign, but one of younger workers becoming resigned to not being able to find a job and hence stopping their search.



PAYE payrolls remain soft

PAYE payrolls were softer than expected in the March flash print (-11k, expected broadly flat) while there were also downward revisions (the prior 3-months were revised down from 31.9k to 6.1k - with Feb revised from +20.2k to -5.7k).

Vacancies data again showed the first meaningful Q/Q reduction since the summer, with the 711k print for the 3-months to March the lowest since the 3-months to April 2021 (albeit only a little below the 721k in the 3-months to February). The 3-months to March did show a 29k drop in vacancies compared to the 3-months to December, however.



Inflation Review

March UK CPI versus Forecasts

	Headline	Core	Services	Core goods (NEIG)	Energy	Food, alcohol, tobacco	Food and Non-alc bevs	Alc bevs and tobacco
Actual March	3.32	3.15	4.48	0.79	4.94	3.60	3.71	3.27
BOE Feb MPR forecast	3.01	3.06	4.10	1.25	-1.0*	4.4*	3.83	6.0*
Surprise for BOE	0.31	0.08	0.38	-0.46	6.0	-0.78	-0.12	
MNI Median	3.3	3.2	4.3	1.2	4.6	3.5	3.4	
MNI Mean	3.27	3.20	4.33	1.19	4.46	3.43	3.42	
Bloomberg Consensus	3.3	3.2	4.3					
February	2.99	3.23	4.34	1.25	-1.02	3.37	3.32	3.56
Feb BOE Surprise	0.03	0.18	0.21	0.11	0.4*	-1.0*	-0.46	

Source: MNI, ONS, BOE

Note: BOE forecast for Energy and alcohol/tobacco calculated by MNI

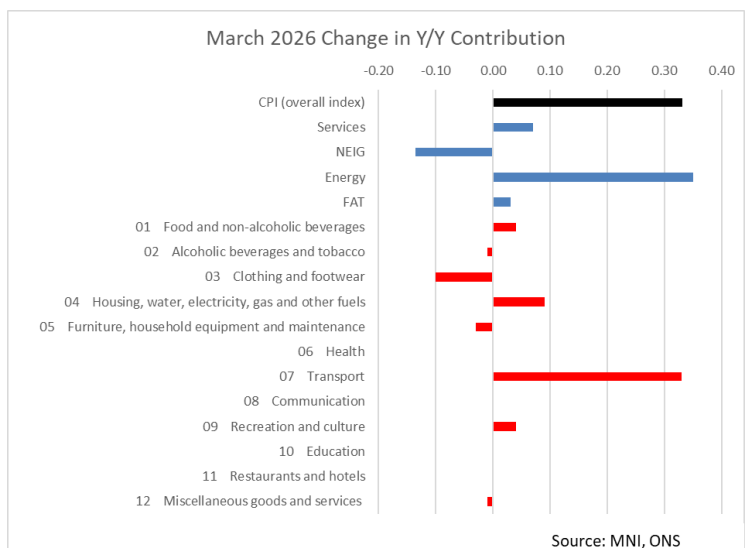
Headline CPI at 3.32%Y/Y in March was broadly in line with the MNI median (which was 3.3%Y/Y). Core CPI was also broadly in line with the MNI median at 3.15%Y/Y (MNI median 3.2%Y/Y) but this masked that services were a little higher at 4.48%Y/Y (partly on airfares at first glance, partly broad-based) while core goods prices were softer than expected at 0.79%Y/Y (MNI median 1.2%). Food prices were a little higher than expected.

The March MPC Minutes noted that CPI was expected to be close to 3½% in March “almost ½ percentage point higher than expected in the

February Report (which had a 3.01%Y/Y forecast). The outturn of 3.32%Y/Y may therefore have been a little softer than the BOE had been expecting.

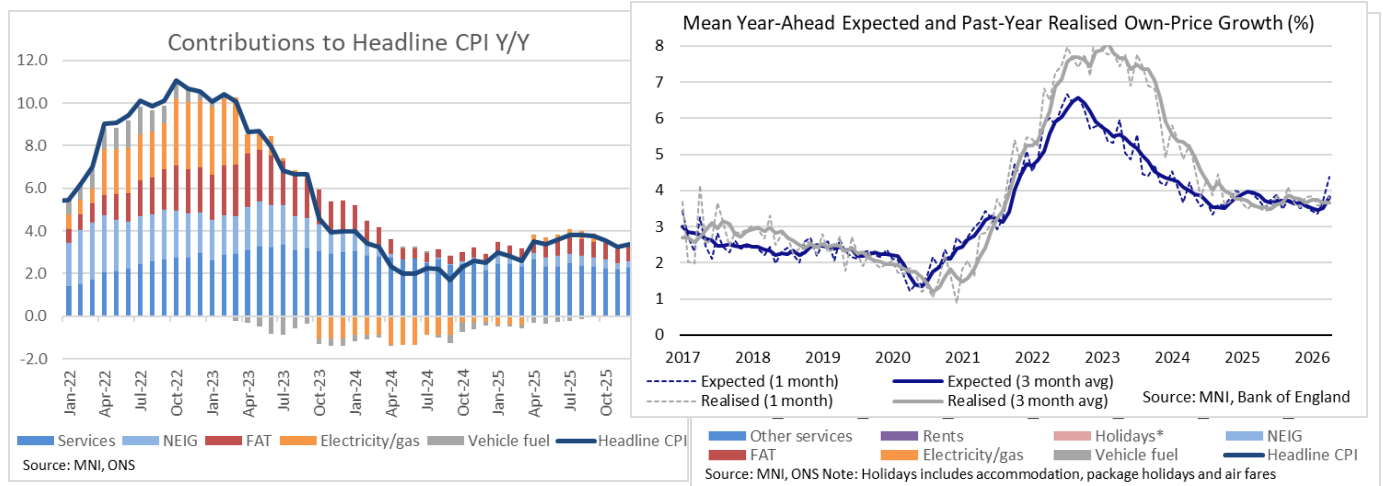
There’s nothing really in this release that makes us change our assessment of the near-term path for policy or regarding the peak. Recall that CPI is set to fall back next month as the energy price cap sees consumer energy prices fall for the April to June period.

Looking through the CPI contributions more widely:



Source: MNI, ONS

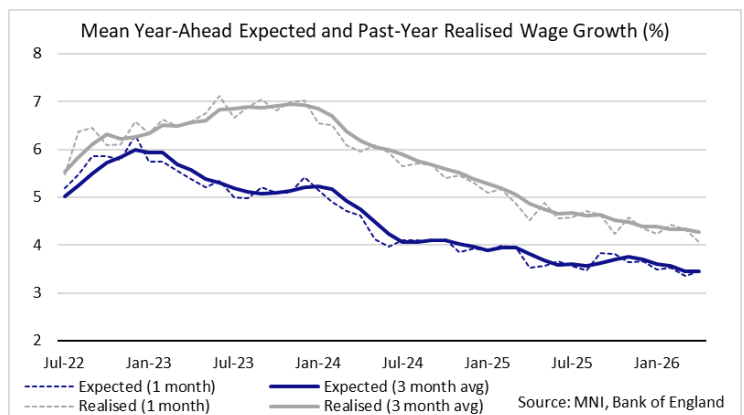
- Vehicle fuels and lubricants (i.e. Petrol and diesel) added 0.26ppt to headline CPI - we'd seen estimates of 0.25-0.3ppt. So that was in line,
- Liquid fuels (largely heating oil) added 0.08ppt to headline CPI (broadly in the middle of the estimates we'd seen from 0.05-0.10ppt).
- Electricity and gas between them added 0.01ppt to headline CPI (both up 0.3ppt in Y/Y terms versus Feb which will be due to fixes being higher or people rolling off fixes on to higher price cap tariffs).
- Air fares added 0.06ppt to headline CPI - we'd not seen enough to see a consensus on that. It was expected to be a positive addition due to Easter anyway, but that might be a little higher than some expected (with the Iran war not necessarily impacting this yet). Rail fares contributed -0.03ppt due to the national price freeze (somewhat offset by tube increases).
- Food and non-alcoholic beverages contributed 0.04ppt to the change in headline CPI.
- Games, toys and hobbies contributed 0.06ppt to headline CPI while recreation and culture contributed 0.04ppt. Maintenance and repair of motor vehicles added 0.03ppt to headline CPI. Those all seem a bit on the higher side.
- Clothing contributed -0.10ppt to headline CPI - (that was expected to be negative but not that negative), major household appliances -0.03ppt, purchase of vehicles -0.02ppt, appliances for personal care -0.02ppt. These all contributed to the soft core goods reading.



Decision Maker Panel Survey Review

The good news is that there seems to be little impact so far on wage growth and CFO's 3-year ahead CPI expectations remain in recent ranges.

However, the flip side is the big increase in April's single month own price growth expectations and 1-year ahead CPI expectations. Firms surveyed in the April period expect to increase their own prices by 4.384% over the next year – something that will be a concern for the MPC as this is clearly above the 3.5% threshold reference by Mann in a recent speech that draws on previous BOE research that showed there were nonlinearities as CPI moved above 3.5%. Recall only a third of the respondents are surveyed each month so the 3month average is 3.817% but a whole 1/3 of that data will be from February i.e. pre-war and the knock-on effects are much clearer now than they were in March, so we judge the single month print to be more important here. We

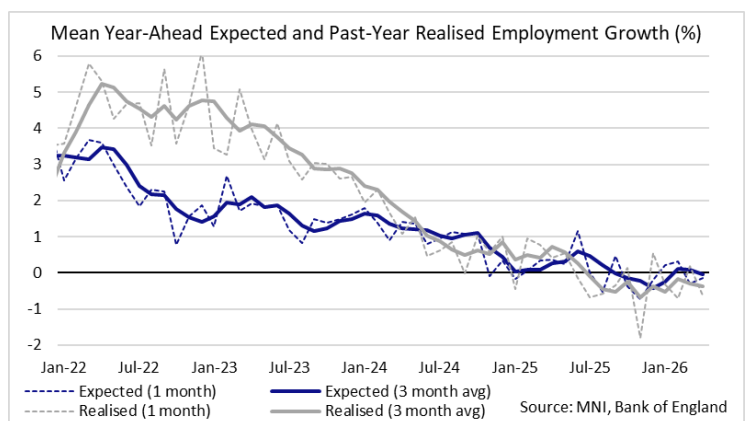


do need to caveat this all to some extent with the fact that not all the firms surveyed in the DMP are consumer-facing, so some of these impacts will be for B2B firms or be captured in the PPI rather than CPI data. In a separate question, 64% of firms expected to increase their prices (due to the energy price shock) while 68% expect profit margins to be lower (versus 6% higher margins).

The single month 1-year ahead CPI expectation rose to 3.960% from 3.504% in March and 2.985% in February. This puts the 3-month average rounding to 3.5% (from 3.1%) for the first time since February 2024. This will also be a concern to the hawks.

However, the fact that expected wage growth has not yet shown any notable increase will be a comfort (in fact the 3-month average rounded down from 3.5% to 3.4% despite only falling 0.008ppt). Again, in the separate question regarding response to the energy price shock, 26% expect to increase wages while 16% expect lower wages than otherwise.

The 3-year ahead CPI expectation is stable on the single month measure at 2.824% (2.816% in Mar, 2.722% in Feb). The 3-month average rounds to 2.8% and has been in a 2.7-3.0% range since December 2024. That will be a comfort to the MPC.



Agents' Summary of Business Conditions Survey Review Highlights

- "Despite the uncertainty, apart from the small number of contacts who trade directly with the Middle East, few report significant impacts on their output, activity and intentions yet. And any feedthrough to costs or prices so far remains modest, outside of the direct impact of higher prices for fuel and oil-related products which have been felt immediately."
- "Employment intentions are broadly flat this round having seemed to have firmed a little ahead of the Middle East conflict. The conflict is reported as a risk to employment growth by some recruiters but is not yet material. Around four-fifths of 2026 pay settlements are now agreed, with the cumulative average pay settlement running at around 3½%. There is little evidence of a Middle East effect on pay yet, although some contacts acknowledge it as an upside risk to future settlements because of the higher inflation outlook."
- "The oil price shock, together with broader-based cost rises associated with the conflict in the Middle East, is expected to offset disinflationary pressures elsewhere in consumer price inflation. But there is much uncertainty beyond the very short term. The impact on fuel and transport costs is being felt immediately. Food price inflation is likely to rise through the year. Impacts elsewhere will take longer and depend on how the balance plays out between higher costs and lower demand."
- "Contacts are now concerned that the squeeze on profit margins is likely to intensify, rather than lessen as they had been expecting."
- "On balance, contacts seem minded to pass on at least some of the cost rises that have or are expected to come through, because their profit margins are already squeezed. But they are worried that this will adversely affect demand, especially if their goods and services are not essential items. So, they are likely to increase prices cautiously, keeping an eye on what their competitors are doing."

Flash PMI Review

The flash PMIs showed another indication that the growth picture in the UK economy has not been as bad as feared over recent months, with the services index for April at 52.0 (50.0 consensus, 50.5 March), manufacturing output index at 51.8 (49.2 March) and composite output at 52.0 (49.8 consensus, 50.3 March).

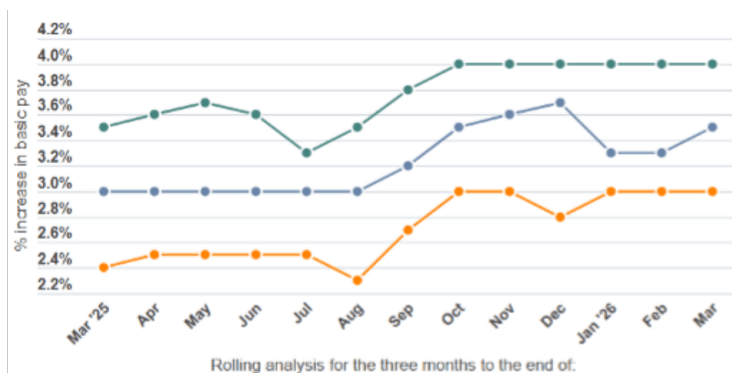
On the cost side there will be concerns, with the headline that this is the greatest single month input cost increase since July 1996, but we would note that this is a breadth indicator rather than giving any indication on the magnitude of the increase. It's not a surprise that raw material costs rose and fuel prices were higher. We place much more weight on the DMP survey.

Highlights from the press release:

- "Input cost inflation continued to accelerate sharply and was the highest since November 2022. This was led by a rapid increase in raw material prices in the manufacturing sector. Service providers also experienced a surge in cost pressures, largely due to higher fuel prices. The acceleration in service sector cost inflation since March was the greatest for a single month since this index began in July 1996."
- "Manufacturers again recorded a particularly steep increase in their input prices, linked to escalating raw material and transportation bills. Around 69% of the survey panel reported a rise in their purchasing costs in April, compared to less than 1% that indicated a decline."
- "The seasonally adjusted Input Prices Index signalled the biggest month-on-month acceleration of service sector input cost inflation since the survey began almost 30 years ago. More than half of the survey panel (58%) reported higher input prices, while only 2% noted a reduction. Anecdotal evidence overwhelmingly cited greater fuel costs in April, alongside strong wage pressures."
- "Efforts to pass on higher input costs led to another marked increase in prices charged by private sector firms in April. The rate of inflation was the highest since February 2023, reflecting sharp rises in output charges in both the manufacturing and service sectors."

Brightmine March Pay Survey Review

Brightmine median pay awards in the three months to March rose to 3.5% (from 3.3% Feb). Despite the headline increase, "Early indicators from April, however, point to a modest slowdown. Across all settlements effective in 2026 to the end of April, the median basic pay award stands at 3.2%, suggesting pay growth is beginning to ease", Brightmine notes.



Source: Brightmine

— Lower quartile — Median — Upper quartile

- Note that although the data covers Jan-Mar, early April indicators are showing some slowdown in pay growth, per Brightmine: "April is the most significant month in the pay calendar, with almost half of all settlements typically taking effect during this period. Initial analysis of awards points to a median basic pay award of 3% in this month alone, below the level seen in the first quarter."
- "Preview of April pay awards suggests employers are starting to take a more measured approach. While increases remain broadly in line with expectations, there is little evidence of upward pressure building."
- Back to the March data: deals continue to cluster around the median, as 59.4% of awards fall between 3-4% (inclusive). However, the matched-sample analysis is a little concerning as it shows 42.9% of pay awards were higher than those given to the same employee group in 2025 (34.7% were lower and 22.4% unchanged).

- Also on the concerning side is that last year's median pay in the 3-months to March saw a 3.0% increase in basic pay - which is less than the 3.5% seen this year. Both the upper and lower quartiles were higher than in the 3-months to March 2025, too - indeed, the lower quarter of 3.0% in the 3-months to March 2025 was the median pay level seen last year.
- In last month's release, Brightmine's Pay Awards Forecast survey found the median pay award forecast for 2026 was 3% (unchanged from 2025's realised median), with "little variation" - although early settlements this year have come in higher. 65% of awards were expected to be between 3-4% (versus 59.4% so far in 2026).
- More focus will be on CPI data for March (due 07:00BST), and later to the BOE's Decision Maker Panel data and Agents' Summary (both Friday 09:30BST). Our full preview of the data is here: <https://mni.marketnews.com/490gXnc>
- The Jan-Mar data covers 111 pay deals for around 373,000 UK employees between 1 Jan - 31 Mar 2026.

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