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News in Review

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"We have to be quite careful at this point in how we calibrate our response"

Last week, the Bank of England's Monetary Policy Committee (MPC) held Bank Rate at 4.5%, a widely expected move but one that was more emphatically supported than analysts had predicted.

At its meeting on 19 March, eight MPC members voted to maintain Bank Rate at 4.5%, with the sole dissenting voice seeking instead a quarter-percentage point reduction to 4.25%. Indeed, one member who had voted for a 0.5% cut last month, this time sided with the majority in opting to keep Bank Rate at the same level.

In announcing the outcome, the Committee noted that *'substantial progress on disinflation over the past two years [...] has allowed the MPC to withdraw gradually some degree of policy restraint,'* even if more needs to be done to *'continue to squeeze out persistent inflationary pressures.'*

Explaining its decision to take a *'wait-and-see'* approach, the MPC made reference to growing economic issues, including global trade policy uncertainty, especially in the wake of US President Donald Trump's tariff announcements. *"We have to be quite careful at this point in how we calibrate our response because we're still seeing a very gradual fall in inflation,"* Governor Andrew Bailey commented, before adding *"we need to accumulate the evidence."* The MPC has until 8 May, when its next meeting is scheduled, to do so.

Same story for the Fed

Similarly, the Federal Reserve last week held its benchmark interest rates unchanged at its March meeting, a decision that means the range of 4.25% to 4.5% hasn't shifted since December.

At the meeting, the Fed also maintained its forecast for two cuts in 2025. Commenting on the decision, Fed Chair Jerome Powell stressed the need for patience, *"We do not need to be in a hurry to adjust our policy stance, and we are well-positioned to wait for greater clarity,"* he said, adding *"the right thing to do is to wait [...] for greater clarity about what the economy's doing."*

UK wage growth stays strong

Back in the UK, the latest employment release from the Office for National Statistics (ONS) showed that wage growth had stayed strong in the three months to January.

Wages, excluding bonuses, grew by 5.9% in that period, according to the latest release, matching the strong showing a month earlier. With wage growth continuing to outstrip inflation, which stood at 3% in January, analysts note that these robust earnings could be responsible for Bank Rate staying higher for longer. Indeed, wage increases have exceeded inflation since July 2023.

Meanwhile, the rate of unemployment remained at 4.4% at the start of 2025, giving rise to a labour market that is *"relatively unchanged,"* according to Liz McKeown, ONS Director of Economic Statistics. *"The wider labour market picture is relatively unchanged, with the number of employees on payroll broadly flat in the latest period and with little growth seen over much of the last year,"* she said.

UK consumer confidence creeps higher

Confidence among UK consumers ticked upwards for a second consecutive month in March, according to the latest GfK Consumer Confidence Index, released on Friday. The Index rose to a three-month high of -19 in March. The reading remains below the survey's long-run average of -10. *"The current stability is to be welcomed but it won't take much to upset the fragile consumer mood,"* commented Neil Bellamy, GfK's Consumer Insights Director.

Chancellor to give economic update in Spring Forecast

Chancellor Rachel Reeves was expected to provide updates on her plans for welfare spending, aid and defence, among other things at the Spring Forecast on Wednesday 26 March. Ms Reeves has downplayed the Spring Forecast's significance, having committed to holding just one major economic event each year in the name of stability.

Even so, Ms Reeves faces a tricky balancing act after official figures revealed last week that government borrowing rose to £10.7bn in February. This total far outstripped the £6.5bn predicted by the government's independent forecaster and has led analysts to expect the announcement of spending cuts to meet the government's self-imposed rules for the economy.

There was a surprise announcement early on Tuesday as the Chancellor vowed £2bn in grant funding to deliver up to 18,000 new homes in England. The funding is described by the government as a *'down payment on the June spending review.'*

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.