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News in Review

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“The right balance is likely to change depending on how events unfold”

The Monetary Policy Committee (MPC) voted to hold Bank Rate at 3.75% last week, however the Bank of England (BoE) suggested that increases could be on the horizon due to the inflationary pressures caused by the Middle East conflict.

Eight members of the MPC were in favour of maintaining Bank Rate at the lowest level since February 2023, while one member voted to increase rates to 4%. The BoE noted that, while global energy and oil shortages have caused inflation to rise, the labour market is loosening; although this is not ideal for UK workers, it could help limit the risk of high inflation.

Andrew Bailey, Governor of the BoE, explained that there is great uncertainty about the extent of the second-round effects of the energy price shock. The MPC is therefore working hard to find a balance between being too responsive to the rise in global energy prices and not responding enough. Bailey commented, *“the right balance is likely to change depending on how events unfold.”* He added, *“We will continue to monitor the situation in the Middle East and how it affects the UK economy and inflation very closely.”* In its report, the Bank warned that, if the energy price shock persists, there is likely to be a *‘forceful tightening in monetary policy.’*

The National Institute of Economic and Social Research (Niesr) warned that the UK could face a recession this year, with the economy potentially shrinking by £68bn by the end of 2027.

Fuel prices surged again last week after peace talks stalled between the United States and Iran.

Brent crude reached \$126 a barrel, the highest level since 2022, before tempering at month end. From Monday the US started guiding vessels out of the Strait of Hormuz as part of Trump's *‘Project Freedom.’* This has since been paused according to President Trump, to see if a peace deal with Iran *“can be finalised.”*

Business confidence declines but shows optimism and stability

In April, overall business confidence dropped to 44% according to the latest Lloyds Business Barometer. While this is down 11 points from the month before, it is still above the long-term average of 30%. Economic confidence also recorded the largest decline since April 2020. However, businesses are still showing some optimism, with many seeing growth opportunities in the year ahead. Plus, 39% were hoping to enter new markets, which is a decline from 43% in March but still a significant proportion.

Hann-Ju Jo, Senior Economist at Lloyds Commercial Banking, commented, *“What’s encouraging to see is that firms’ own internal measures have remained more stable this month, suggesting that they are adept at weathering uncertainty without resorting to significant changes.”*

Housing market shows resilience in April

The latest data from Rightmove indicates that the housing market has shown resilience in response to economic uncertainty.

In April, buyer demand was down 7% when compared with the previous year – this is consistent with February and March of this year, where levels were also 7% lower than last year due to Stamp Duty changes and the timing of Easter. Buyers therefore seem to be relatively resilient in the face of higher mortgage rates, perhaps because average earnings are up 3.9% year-on-year, thus outpacing asking prices which are down 0.9% annually. The latest house price data also surprised the experts, as Nationwide recorded annual house price growth of 3.0% in April, up from 2.2% in March.

Meanwhile, raised mortgage rates mean that the typical advertised monthly rent in the UK (£1,547) is now cheaper than the average mortgage payment (£1,670), the first time this has happened since June 2025.

Jerome Powell to remain on Fed board

Jerome Powell’s term as Chair of the Federal Reserve ends on 15 May after eight years in the role, but he announced last week that he will remain on the Board as a Governor. Powell, who faced criticism from the Trump administration, had been the subject of a criminal investigation due to alleged building cost overruns. The investigation was closed in April, however US Attorney Jeanine Pirro said she would *“not hesitate”* to reopen it. Powell said, *“I will not leave the board until this investigation is well and truly over with transparency and finality.”*

Here to help

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

***The value of investments can go down as well as up and you may not get back the full amount you invested.
The past is not a guide to future performance and past performance may not necessarily be repeated.
All details are correct at time of writing (06 May 2026)***