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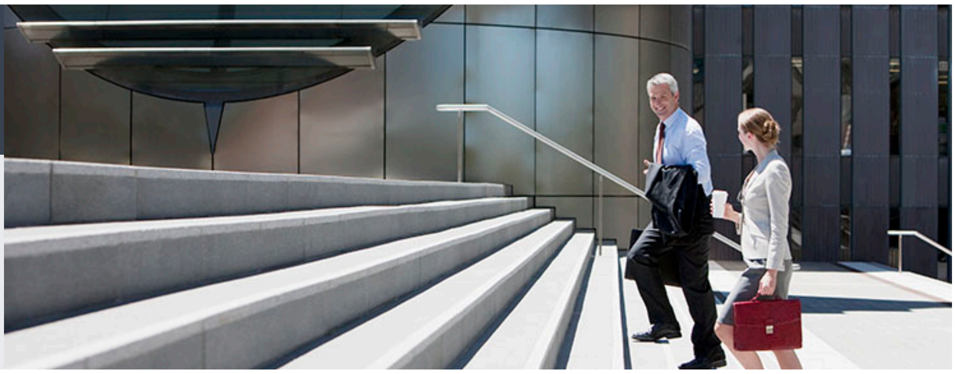
News in Review

23 September 2026

"Economic momentum has proven more resilient than expected"



Last week, the Monetary Policy Committee (MPC) voted to hold Bank Rate at 3.75% for the sixth time in a row. Members of the Committee voted by a majority of 6 - 3 to maintain the rate, with three dissenting members voting for a 0.25 percentage point increase to 4%. The Bank of England (BoE) warned there could be future rises if energy prices remain high.

In its MPC summary, the BoE said it expects inflation to rise further in the coming months. While there is not yet clear evidence of second-round effects, the MPC judged that the risk is higher than in July, although it remains dependent on how events unfold in the Middle East. It may therefore become necessary to increase Bank Rate to help bring inflation down to the target of 2%.

The latest data from the Office for National Statistics (ONS) shows that annual inflation reached 3.1% in August, up from 2.9% in July. Transport prices were a key driver, with motor fuels rising annually by 23.0% and the average price of petrol hitting the highest level since November 2022. Food inflation remained at 1.3%, which is the lowest level since September 2021.

At their meeting, the MPC voted unanimously to reduce to zero the stock of UK government bond purchases held for monetary policy purposes and financed through the issuance of central bank reserves (quantitative easing). This will be implemented through a multi-year programme, under which the remaining stock will be unwound at an average annual pace of £46bn through to the end of 2034.

Alpesh Paleja, CBI Deputy Chief Economist, commented on the latest MPC decision, *"The Bank of England has kept interest rates unchanged, but risks to the outlook for inflation have sharpened. Oil and gas prices have risen sharply, economic momentum has proven more resilient than expected, and there are early signs that wage settlements for the year ahead show little sign of easing."* With the Budget approaching, Paleja notes that, *"the Chancellor has little room for a significant fiscal easing."*

The next MPC meeting is scheduled to conclude on 5 November.

US interest rates rise

In the US, the Federal Reserve is also working to slow inflation, resulting in the first rate increase since 2023. Last week, the Fed voted unanimously to increase interest rates by 25 basis points, so they now sit in a range between 3.75%-4%. This is contrary to President Trump's wishes, who is in support of a rate cut. However, Kevin Warsh, the new Fed Chair, said that *"inflation is too high and has been for too long."* Fed officials predict a median rate of 4.1% for 2026 and 2027.

Chancellor attempts to strengthen EU ties

Chancellor John Healey has urged the EU to include the UK in its 'Made in Europe' programme, which is designed to protect industries from unfair international competition. The government is concerned that the scheme would lock firms out of EU supply chains if British goods are not categorised as European.

In a meeting with EU finance ministers last week, Healey therefore requested that the programme is designed to be a good deal for all, rather than *"erecting new barriers."*

World leaders converge

The United Nations General Assembly has kicked off in New York, with heads of state and government descending from around the world to attend the week-long event. Donald Trump and Andy Burnham met face-to-face for the first time, the Prime Minister also had meetings with Ursula von der Leyen and Volodymyr Zelenskyy. Key topics for the Assembly include global conflict, climate change, gender inequality and artificial intelligence.

Buyers are cautious ahead of Budget

Research from House Buyer Bureau has highlighted that the upcoming Budget has caused uncertainty among many homebuyers. Over a quarter (27%) have delayed or paused their property search ahead of the Chancellor's announcement, while 21% are yet to decide what to do. Meanwhile, 52% are carrying on with their search as planned. This may affect sellers who are already having to price competitively in order to secure a sale.

State Pension forecast

According to HMRC, one in eight adults have never checked their State Pension forecast. The government's service helps people check how much State Pension they could get and how they could increase it. Forty-five to 54-year-olds are the least likely to have used this tool, even though this is a key age for retirement and pension planning. HMRC is therefore urging people to check.

Here to help

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