

News in Review

25 March 2026

"Whatever happens, our job is to make sure inflation gets back to its 2% target"



Last week, the Monetary Policy Committee (MPC) voted to maintain Bank Rate at 3.75%. Before the war broke out in Iran, many experts had been expecting to see a reduction this month, but concerns about the conflict's economic impact have put any potential cuts on hold.

All members of the MPC voted to keep rates unchanged, marking the first unanimous decision in four and a half years. Some members said they were planning to vote for a cut before the escalation of geopolitical tensions. The war in the Middle East has put pressure on global oil and gas supplies, as shipping through the Strait of Hormuz has effectively halted. As a result, the Bank of England (BoE) expects that inflation could rise to as high as 3.5% in July. Inflationary pressures had previously been reducing, having eased to 3% in January.

BoE Governor Andrew Bailey commented, *"War in the Middle East has pushed up energy prices. You can already see that at the petrol pump and, if it lasts, it will feed into higher household energy bills later in the year."* He added, *"Whatever happens, our job is to make sure inflation gets back to its 2% target."* Some financial markets are anticipating a rise in Bank Rate in the coming months, but Bailey warned against jumping to *"strong conclusions about raising interest rates."*

On Tuesday, the Chancellor announced in the Commons that the government intend to provide support to *"those who need it most"* in the face of potentially escalating energy bills as a result of the Middle East conflict.

With the full impact of the conflict on the economy uncertain, Rachel Reeves said contingency planning was in progress for *"every eventuality."*

Pay growth slows

Recent figures from the Office for National Statistics (ONS) have shown that pay is growing at the slowest rate in over five years. Between November 2025 and January 2026, annual growth in employee earnings (excluding bonuses) was 3.8%, down from the previous figure of 4.1%. Looking ahead to April 2026, the National Living Wage will rise from £12.21 to £12.71 for those aged 21 and over.

Chancellor invests in AI

Chancellor Rachel Reeves gave her second Mais Lecture to business leaders last week, outlining the government's strategy for the UK economy over the next decade. Reeves focused on the tech sector as a key driver of potential economic growth, announcing a £2.5bn investment in artificial intelligence (AI) and quantum computing. This is part of a promise to *"achieve the fastest AI adoption in the G7."* Reeves also pledged to double the government's investment into the Oxford-Cambridge Growth Corridor, which will *"unleash the potential of our science and technology powerhouses."* The Chancellor also shared plans to strengthen ties with the EU and align with its regulations where it may be beneficial for businesses.

John Foster at the Confederation of British Industry (CBI) commented, *"Amid global uncertainty, businesses will welcome the Chancellor's clear focus on the drivers of sustained growth by addressing the UK's longstanding productivity problem."*

Backing the UK's strengths in AI and quantum, accelerating the OxCam corridor and strengthening ties with the EU together form a coherent set of next steps for advancing the UK's growth mission - combining world-class innovation, place-based investment, and access to key markets."

Modest house price growth

In February, house prices rose annually by 1.6%, according to the latest figures from e.surv Chartered Surveyors. The average UK property is now priced at £329,000. Scotland was the strongest performing region with annual growth of 4.3%, followed by the North West and Wales, both recording growth of 3.4%. Overall, the data indicates that housing activity strengthened in the first two months of the year, but geopolitical tensions have caused uncertainty in recent weeks. Some lenders are adjusting their mortgage rates, which has made the market more unpredictable for borrowers.

First-time buyers are getting older

New research has found that the average age of a first-time buyer in England has risen to 34. When records began in the mid-1990s, the typical age of a new homeowner was 29, which highlights that getting on the property ladder has become increasingly challenging. Now, only 6% of FTBs are under 25, compared to 23% in the mid-1990s. Also, over half (52%) now need two or more full-time salaries to buy a home, up from 40% in 1994/95.

Here to help

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