Freeze from the Bank of England as UK economy risks feeling the chill

Thursday 17 September, 2026

- The Bank of England has kept Bank Rate on hold at 3.75%.
- Policymakers voted 6-3 to make no change, with three members voting for an increase by 0.25 percentage points.
- The Fed moved first, given the US economy is growing more robustly, with resilient spending, strong productivity and investment, while demand remains weaker across the UK.

Susannah Streeter, Chief Investment Strategist, Wealth Club

“Inflation is the fever central bankers want to bring down, but the Bank of England is holding off administering the bitter medicine of an interest rate hike. The UK economy is fragile, and already feeling the chill of sluggish growth and a cooling jobs market, and for now this should offset the risks of steamy energy costs being passed easily through to hotter consumer prices. With shoppers worried about rising borrowing costs and bracing for higher bills to land, they may be less likely to spend if price tags become more expensive.

However, the longer the war with Iran continues to rage and keeps crude and gas prices elevated, the greater the chances of a hike later this year and next, especially if data shows consumer price inflation continues to rise. Already three members around the table wanted to hike rates immediately to 4%, and they may well be joined by more if the chronic energy crunch continues. So, a hike on November 5th still looks like a distinct possibility if the bonfires of inflation intensify.

The US is a more robust patient, with the spending might of AI hyperscalers pulsing through the veins of the economy, supporting strong job creation, which is why the Fed moved to douse down inflation by hiking rates yesterday.

What will this mean for borrowers and savers?

Borrowers shouldn’t assume that today’s hold means mortgage rates will stay frozen. Fixed mortgage rates are guided by swap rates, which reflect expectations for where interest rates are heading, rather than simply where Bank Rate stands today. With markets still pricing in further rate hikes, swap rates have been pushed higher, and lenders have already been raising some fixed mortgage rates. So even though the policymakers have kept their hands firmly in their pockets for now, borrowers coming off fixed deals could still face higher rates when they remortgage.

However, savers could have more time to benefit from higher rates on cash, particularly if the Bank is forced to keep rates elevated for longer, although the rates on offer will vary as banks adjust their pricing.”

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