



Central bank depository.

The Mideast war keeps policymakers conflicted.

SEI's view

The U.S.-Israel-Iran conflict has entered its third month, and global central banks remain in a precarious position. Headline inflation is beginning to reflect the impact of higher oil prices, with motorists increasingly feeling “pain at the pump.” In contrast, core inflation measures have remained relatively contained globally, as the second-order effects of the energy-driven supply shock have yet to meaningfully pass through to less-volatile components. In the U.S., recent economic data releases have generally been positive, with consumers continuing to spend despite persistent geopolitical uncertainty and negative headlines. It now appears that Kevin Warsh will soon be confirmed as the next Federal Reserve (Fed) chair. At his final press conference, current Fed Chair Jerome Powell confirmed that he will remain on as a governor—the first chair to take this step since Marriner Eccles in 1948. Powell has cited legal challenges and growing questions around Fed independence as key factors behind his decision. Warsh has been vocal about his preference for a lower federal funds rate, although his ability to build consensus across the Federal Open Market Committee (FOMC) remains an open question. The Fed voted to keep the federal funds rate on hold in April, in line with other major central banks. However, in a hawkish shift, three FOMC members dissented from language in the post meeting statement that suggested the central bank would resume cutting interest rates. Conversely, one FOMC member favored a 25-basis-point (0.25%) rate cut. SEI continues to expect that the Fed will remain on hold in the near term. Elsewhere, stagflation risks remain elevated, particularly in energy-vulnerable regions such as the U.K. and Europe, where stubborn inflation pressures intersect with sluggish economic growth. We continue to view these regions as the most susceptible to further near-term monetary policy tightening should the conflict prove to be prolonged and energy prices remain elevated.

Federal Reserve (Fed)



- At Jerome Powell’s final meeting as Fed)Chair, the FOMC, in a split vote, maintained the federal funds rate in a range of 3.50%-3.75% following its meeting on April 28-29. FOMC member Stephen Miran favored a 0.25% rate cut. Three other FOMC members supported the rate decision, but were not on board with noting the central bank’s policy easing bias in the Fed’s statement.
- In a statement announcing the rate decision, the FOMC said, “The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of [its] goals,” citing the Middle East conflict’s possible risks to the U.S. economy.
- During a news conference following the FOMC meeting, Powell indicated that he would remain a Fed governor at least at least until the resolution of the legal proceedings that the Trump administration has implemented regarding Powell’s testimony to Congress last year about the cost of the Fed’s renovation of two buildings at its headquarters in Washington, D.C. Powell’s term as a Fed governor expires on January 31, 2028.

European Central Bank (ECB)



- The ECB left its benchmark interest rate unchanged at 2.00% for its seventh consecutive meeting on April 30, citing the Mideast conflict’s impact on the European economy.
- In a news release, the ECB’s Governing Council commented, “The war in the Middle East has led to a sharp increase in energy prices, pushing up inflation and weighing on economic sentiment... The longer the war continues and the longer energy prices remain high, the stronger is the likely impact on broader inflation and the economy.”
- In prepared remarks for a news conference following the rate announcement, ECB President Christine Lagarde and Vice President Luis de Guindos said, “The incoming information suggests that the conflict is weighing on economic activity. Surveys point to slowing growth, and consumers and businesses have become less confident about the future since the war began.”

Bank of England (BOE)



- At its meeting on April 30, the BOE voted by a margin of 8-1 to maintain the Bank Rate at a three-year low of 3.75%, citing the ongoing Mideast war. Monetary Policy Committee (MPC) member Huw Pill supported a 25-basis-point (0.25%) rate increase.
- The MPC stated, “The conflict in the Middle East means that prospects for global energy prices are highly uncertain. Monetary policy cannot influence energy prices but will be set to ensure that the economic adjustment to them occurs in a way that achieves the 2% inflation target sustainably. The policy stance required to achieve this will depend on the scale and duration of the shock, and how it propagates through the economy.”
- The central bank’s announcement provided insights into the views of the MPC members. BOE Governor Andrew Bailey said, “The increase in energy prices from conflict in the Middle East represents a supply shock. So far, this shock differs from 2022 as the increase in energy prices has been smaller, monetary policy started more restrictive and the labour market is weaker.”

Bank of Japan (BOJ)



- At its meeting on April 27-28 (local time), the BOJ voted by a 6-3 margin to maintain its benchmark interest rate at 0.75%. Three board members favored a rate increase to 100-basis-point (1.00%)—the largest number of monetary policy dissents since January 2016.
- In a statement announcing the rate decision, the central bank emphasized the Middle East war’s risks to the economy. “For the time being, it is necessary to pay particular attention to the impact of the future course of the situation in the Middle East on financial and foreign exchange markets and on Japan’s economic activity and prices.”
- At a news conference following the meeting, BOJ Governor Kazuo Ueda stated that the central bank continues to gauge the Mideast conflict’s impact on Japan’s economy. “If inflationary risks could materialize or if they heighten significantly, we could raise interest rates on condition that downside economic risks or the risk of a sharp economic worsening are limited,” he said.

Bank of Canada (BOC)



- The BOC maintained its policy rate at 2.25% at its April 29 meeting.
- In a statement announcing the monetary policy decision, the central bank noted the continued economic impact of the Iran war. “The evolving conflict in the Middle East is causing heightened volatility and U.S. trade policy continues to reshape global trade patterns. Both are ongoing sources of uncertainty,” the BOC said.
- At a news conference following the interest-rate announcement, BOC Governor Tiff Macklem commented that if oil prices remain elevated and boost inflation, the central bank will consider implementing interest-rate hikes. “If things evolve broadly in line with the outlook we have presented, and in particular, oil prices come down broadly in line with the futures curve, something close to the policy rate that we have today is probably about right,” he said.

Summary table

Central Bank	Current Rate	Prior Rate	Change	Next Meeting
Fed	3.50%-3.75%	3.50%-3.75%	Unchanged	June 16-17, 2026
ECB	2.00%	2.00%	Unchanged	June 10-11, 2026
BOE	3.75%	3.75%	Unchanged	June 18, 2026
BOJ	0.75%	0.75%	Unchanged	June 15-16, 2026
BOC	2.25%	2.25%	Unchanged	June 10, 2026

Sources: Fed, ECB, BOE, BOJ, BOC. As of April 30, 2026.

GLOSSARY AND INDEX DEFINITIONS

For financial term and index definitions, please see: <https://www.seic.com/ent/imu-communications-financial-glossary>

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