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City & Business

Late Easter set to send inflation jumping to 2.6%

By **Ben Wood**

HOUSEHOLDS are facing a further jump in inflation as the weakened pound, utility price hikes and the timing of the Easter holidays drive up the cost of living.

The Consumer Price Index measure of inflation is expected to reach 2.6 per cent in April – the highest rate since September 2013 – when official figures are released tomorrow.

It would mean the squeeze on consumer spending continued last month following a temporary respite in February and March when CPI paused at 2.3 per cent.

Samuel Tombs, chief UK economist at Pantheon Macroeconomics, said

> **'Prices for airline travel tend to rise sharply at Easter'**

CPI could even reach 2.7 per cent, with upward pressure coming from the airline industry.

Airline prices are expected to have soared last month because the Easter holidays fell in April this year rather than in March in 2016.

He said: "Prices for airline travel tend to rise sharply around the Easter holidays, which will add 0.2 per cent to the inflation rate."

The way the Office for National Statistics measures prices means Npower and Scottish Power's decision to increase gas and electricity prices in March will also have an impact on April's CPI rate.

"Government changes to vehicle excise duty in April also made it more expensive to buy a new car than before," he added. "Retailers will be continuing to pass on higher import prices to consumers, adding another 0.1 per cent to the rate as sterling's shock comes through."

The Bank of England said in its latest inflation report that CPI would peak at 3 per cent later this year as the pound's slump since the Brexit vote causes price tags to increase.

Despite inflation's upward march, the bank's Monetary Policy Committee voted to keep interest rates unchanged on Thursday, with outgoing policymaker Kristin Forbes remaining the sole dissenter.

However, the minutes suggested the next move in rates would still be a rise, with other MPC members repeating that it would take "little further upside news" to consider joining Ms Forbes in voting for a hike.

The Bank said the pound's gains after the General Election would help inflation drop back in 2018 and 2019.

Howard Archer, chief UK and European economist at IHS Markit, said: "We see inflation easing back from a peak of 3 per cent in late 2017/early-2018 to 2.6 per cent at the end of 2018 and 2.3 per cent at the end of 2019.

"This is due to the impact of sterling's marked drop waning, as well as muted economic activity."

Inflation held steady in March after rising prices on food and clothing were offset by a drop in the cost of flights and fuel. The biggest rise came from food and non-alcoholic beverages.

Economists had expected the UK economy to slow at the start of this year as consumers tighten their belts in the face of rising inflation.

However, the initial estimate for first quarter gross domestic product came in at a lower-than-expected 0.3 per cent.

FIRMS URGED TO COME CLEAN ON INTERVIEWS

Picture: Alamy

JUST THE JOB: Employers are being urged to pass on feedback

EMPLOYERS should be required to share feedback with candidates after a job interview, a group is urging.

Most jobseekers who attend an interview never receive any information back from the managers who question them, said graduate careers app Debut.

Preparing for another interview is difficult if people don't know how they performed, said Debut.

A survey of 1,000 people aged between 18 and 23 found that half had to take a day's annual leave to attend an interview, spending an average of £41 on travel and new clothes. Charlie Taylor, founder of Debut, said: "Feedback is powerful, and anyone who takes the time to attend an interview is entitled to it.

"There has been a real shift in the role played by the candidate and the employer during an interview in the last decade, with the panel grilling being replaced by a chemistry session approach.

"It's now time that employers saw the holistic value in giving feedback – it will have a positive impact on the quality of candidates in the future and eventually the UK workforce will benefit as more people will be in employment."

What the Sunday papers say

SUNDAY EXPRESS
ENERGY giant SSE will intensify the row over Prime Minister Theresa May's plan to implement price caps this week, when it is expected to unveil soaring profits and shareholder payouts.
VICTORIA'S Secret owner L Brands will say that its sales slumped during the first quarter and its profits tumbled 41.5 per cent this week, analysts say.
BUSINESS rates need to be tackled by the next government to boost small firms, according to two of Britain's best-known entrepreneurs, Sir Richard Branson and Theo Paphitis.

SUNDAY TIMES
THE European Court of Justice is set to pave the way for a hard Brexit by handing 38 national and regional parliaments the power to veto trade deals.
GLAXO Smith Kline is preparing investors for an expansion of its consumer healthcare business through an £8billion deal with Swiss rival Novartis.

SUNDAY TELEGRAPH
COMPLEX and generous share awards for senior executives should be scrapped and replaced with simpler, less lucrative incentives, according to one of the City's top fund managers.
CHINESE suitors are vying to hop into bed with mattress retailer Dreams in a £400million takeover.

OBSERVER
IN A significant departure from usual City form, telecoms group BT slashed its chief executive's pay package by £4million last week as a result of an accounting scandal, and revealed it was to axe 4,000 jobs worldwide.

British start-ups a hit with Murray

TENNIS star Andy Murray has backed two fledgling British companies on crowd-funding platform Seedrs, including a firm behind the world's first flat-folding helmet.

The world No1 has ploughed undisclosed amounts of cash into tech start-up Den and helmet company Morpher, taking the Scot's portfolio on Seedrs to more than 20 companies.

Morpher, which produces helmets that fold and unfold, has raised over £659,000 in total from almost 400 investors.

Den, meanwhile, dubs itself a Smart Home system that will "reduce your bills, alert you if you leave the TV on and warn you if your nan's in trouble".

The company has now raised more than £2.1million on Seedrs.

Murray said: "Den is exactly the kind of innovative smart technology households around the globe will utilise in the future."

Robots muscle into jobs market

ROBOTS are taking over an increasing numbers of jobs, with automation replacing posts such as pharmacy assistants, travel agents and translators, a study reveals.

Two-thirds of the fastest-declining jobs are linked to increased automation and technological advances, said jobs site Adzuna. Illustrators and writers also feature in a list of declining occupations caused by automation.

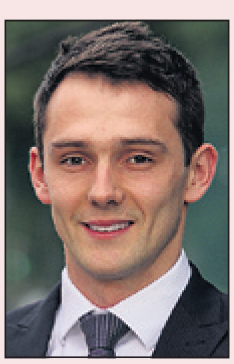
In contrast, there are a number of other occupations that are growing, including nail technicians and retail security officers.

Doug Monro, co-founder of Adzuna, said: "The robots are not just coming, they are here already – in our pockets, workplaces and homes.

"Automation is already replacing jobs and could be set to replace some roles, like translators and travel agents.

"But, at least in the short term, artificial intelligence advances seem to be creating new jobs just as fast."

++THE SHARE HUNTER++GEORGE SALMON++HARGREAVES LANSDOWN++



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Will May's energy cap fit with Centrica?

LAST WEEK saw plenty of news for investors in Centrica, the parent of British Gas.

Monday brought a brief trading update covering the first quarter of the year. This was followed by confirmation the Conservatives plan to introduce a cap on energy prices, while the leaked Labour manifesto included plans to re-nationalise parts of the energy industry.

Despite warmer than normal weather in the first quarter, resulting in lower energy consumption, chief executive Iain Conn was pleased with Centrica's progress.

Cost savings continue to be made, and the group remains on track to meet its operational targets this year. Debts are falling and cash flows look set to improve.

After losing about 400,000 customers last year, another 261,000 left British Gas in the quarter. However, the exodus came as a result of the end of a 'collective switch' deal, where a third party negotiates on behalf of customers.

Centrica is now more focused on the value of customers, not just numbers. Service metrics are improving, and revenue from smart products was up 30 per cent to the end of April. More than 600,000 Hive hubs have been installed, and more than 900,000 connected products have been sold. In recent years, Centrica has moved away from the more volatile world of oil and gas exploration and production, with the focus moving towards its retail divisions, led by British Gas here and Direct Energy in the US.

With this in mind, the Conservatives' pledge to cap prices must be annoying for the group, to say the least. Theresa May's plans involve the imposition of a maximum price, managed by Ofgem. Limiting prices is clearly not good news. Nonetheless, with the best part of 30 million customers, Centrica should still be capable of growing profits, provided the details of the price cap are not too punitive. The shares currently offer a yield of around 6.2 per cent, and analysts are pencilling in a few years of steady dividend increases. However, with a dilutive share placing and 30 per cent dividend cut still fresh in memory, there might be a few nervous jitters among investors if execution is anything less than assured from here on.

"This article is designed for investors who make their own decisions without advice, if unsure whether an investment is right for you, you should seek advice. Shares can rise and fall in value so you could get back less than you invest."