

Inflation climbs to highest level in five years in November

Rose to 3.1% according to ONS



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[@KennethGoso](#) 12 December 2017

Inflation rose to 3.1% in November, according to the Office for National Statistics (ONS), beating previous estimates that it would hold steady at 3%.

Figures from the ONS released this morning said the 12-month UK Consumer Prices Index (CPI) reached 3.1% in November, the highest level in five years and the first time it has risen above 3% since March 2012.

The move could lead to Bank of England governor penning a letter to Chancellor Philip Hammond to explain why it is more than 1% away from the 2% target.

The ONS said the largest upward contribution to change in the CPI rate came from air fares, which fell between October and November but by less than a year ago.

Rising prices for a range of recreational and cultural goods and services, most notably computer games, also had an upward effect.

However, falling prices in the miscellaneous goods and services category, which includes financial services, provided the largest offsetting downward contribution.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month rate was 2.8% in November 2017, unchanged from October 2017.

Prudential retirement expert Vince Smith-Hughes said the news was worrying for pensioners.

"Rising prices have squeezed the incomes of pensioners and the biggest concern for people living on a fixed income is how much they draw from their pension.

"Drawing too much from their pension fund too quickly increases the chance that they prematurely exhaust their savings in retirement.

"Rising energy prices will also alarm pensioners as the cold weather forces them to use more of their income on heating costs."

Aberdeen Standard Investments chief economist Lucy O'Carroll said the figure was slightly higher than expected and would prompt a letter from Bank of England governor Mark Carney to the Chancellor explaining why inflation has overshot its target by this margin and what the Bank will do about it.

She said: "It is quite possible that inflation is now close to its peak. But some of the latest surveys suggest that service sector costs and prices are rising. Given how dominant services are in the economy, this could feed through to inflation overall.

"That means that further interest rate rises are definitely not off the table. The Bank of England has a tricky tightrope to walk.

"Too much inflation could threaten the Bank's credibility and therefore its grip on the economy. But they need to keep consumer spending, the engine of the UK economy, chugging along too.

"If inflation keeps creeping up or remains elevated, then the chances of the engine sputtering rise incrementally."