Business

Need to know

1 Voters do not think Rehri scan is responsible for falling inflation, even though he said last week that he had imposed tariffs declining to their lowest level since Russia invaded Ukraine 18 months ago. A YouGov poll for The Times found 8 per cent of voters credited government policy for the fall. Inflation dropped to 6.8 per cent in July. Pages 12-13

2 Landlords and housing associations that are setting up businesses in their rented homes must make an exception for the children, the government has said. Page 13

3 Listed companies could be required to hold more share buybacks, such as £50 billion from their traditional staff pension schemes if the government goes ahead with a reform floated in the Mansion House speech last month. Page 37

4 Asking prices on Rightmove are falling at the fastest rate since the summer of 2016 as sellers become more hesitant about valuing their homes. The average asking price for homes listed on the online property portal has fallen by 1.9 per cent this month to £346,989. Page 37

5 More than a dozen sports stars, including the England cricketers Joe Root and Jonny Bairstow, have entered the venture capital investing efforts in a deal that will give them more involvement in the firms they back. The entrepreneurs are founding partners of The Players Fund, a £140 million venture capital fund. Page 40

6 Technology companies should help to reimburse the victims of social media purchase scams, bosses at Barclays have said. Their call comes after figures from the bank revealed a jump in the number of social media scams affecting British shoppers. Page 40

7 A reform of the government’s apprenticeship levy would help to promote social mobility and secure the future of the economy, Peter Macnab, chief executive of the health and beauty retailer Superdrug, has claimed. Page 40

8 The Crosbys Inn in Co Down, Ireland’s oldest thatched pub and was named country pub of the year in 2017 by BBC Countryfile Magazine. Yet Vincent Hart, 52, its owner, has faced a 14-year fight for compensation for what he claims is his mistreatment at the hands of Ulster Bank after a £75,000 fixed-rate loan to fund the purchase of a competitor’s pub was defaulted. Pages 42-43

9 The threat of strikes in Australia causing disruption to the world’s gas supplies moved a step closer as workers warned that there could be a walkout at coal-fired power stations by the start of next month. Page 40

10 Twenty-five years after the dotcom boom took off, the UK remains mired in a technology slump over artificial intelligence and other emerging technologies. The 34 per cent rise in the value of the Nasdaq in the first half of the year was outstripped by the 41 per cent clampdown over artificial intelligence and other emerging technologies. Pages 44-45

Bosses scramble not to miss

The technology needs tweaking but it’s here to stay. In a series of three articles, Kate Prescott looks to the future.

The response to ChatGPT has been so huge that some in the technology industry speak of the world as “pre” and “post” its introduction. People outside the sector are taking notice, too, when Josh Wolfe, an entrepreneur based in London, hosted a get-together in May for those trying to get their heads around generative artificial intelligence. 35 people attended; next month he has a second event that he hopes will sell out. Page 37

Generative artificial intelligence, or Gen AI, works by creating images or human-like answers from text prompts: “Large language models”, the so-called LLMs, are trained on reams of copy from the internet, allowing them to detect language patterns and related “polysemy” sentences. As well as ChatGPT, the chatbot created by OpenAI, a start-up backed by Microsoft, we now have Google’s Bard, Meta’s Llama and Amazon’s Claude. According to Benedict Evans, a technology analyst, it is like having an army of a million interns: they can do all sorts of jobs for you, but you still need to do the work. Nevertheless, chief executives are rushing to harness the technology, even if they are not sure how to do it. Some business leaders have described Gen AI as “bewildering” and have complained: “We’re all like rabbits in the headlights.” Page 37

A pile of LinkedIn marketing director at Boston Consulting Group and the chairman of Cambridge Enterprise, Cambridge University’s commercialisation body, said: “There’s not a single CEO among our clients where it’s not on one of the top two or three things they’re looking at. The good ones are trying to get a measured approach because the techs not fully there yet. There’s a danger of people rushing ahead but because new things keep coming up and it’s extremely expensive.” Page 40

Despite the interest in LLMs, in the most recent annual survey on AI, published by McKinsey this month, a third of those asked said their organisations were using Gen AI regularly in one form or another. A quarter told the consultancy that it was on their board’s agendas and 40 per cent planned to increase their investment in the technology. They cited cost-cutting, increasing productivity and generating business as the main reasons for using the technology at work, and personally. Pages 42-43

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One third of organisations are using generative AI regularly

Source: McKinsey

Fake it till you make it

$9.7trn

Potential annual economic benefit of generative AI

Source: McKinsey

$800bn

of enterprise and consumer spending over the next decade will come from AI

Source: Websoltech Securities

Case studies

WPP

While some companies in the creative industries are nervous about using generative AI, WPP jumped in early on. The advertising conglomerate is using the technology to create, personalise and manage advertising.

In a campaign, an AI version of Jennifer Lopez, the film star and singer, called “Jen AI”, was built for Virgin Voyages, above. It used the technology, showing a short film of a perfect avatar of the star being made to talk and act on a studio. To encourage interaction, people could create a “Jen AI” holiday invitation on the website, with Lopez speaking their name and that of a friend or partner.

Mark Read, WPP’s chief executive, said: “I see this as like the period when the internet was evolving between 1995 to 2000. You see the potential for doing things we thought only humans could do — write text, produce ads and that’s fundamentally different from what they had done before.”

Read has weekly meetings with the strategy teams to develop and implement the technology. “It has the power to transform what we do and to change the structure of an industry which hasn’t changed in a hundred years,” he said.

“One of the most amazing things about the large language models is they democratically access tech. At low cost, you can leverage billions of dollars in research and development. There has never been a revolution like this. I’d encourage businesses to experiment at how they can use it to solve problems.”

Sage

The FYSE 100 business accounting software company has a division looking at AI for five years, creating products that can scan transactions and look for possible errors. It has two products in development.

The first is an email tool for accountants, being tested by a few hundred businesses, that can read

products to market quickly by scanning drug discovery filings from other firms. It helps employees to do this work, but in future this task will be automated, using SnapGPT to swallow and digest large amounts of unstructured data from legal documents.

At Boston Consulting, Chowdhury said Gen AI which needed “tweaking” had cut research time for a consultant from a couple of days to two hours. However, it is an expensive tool. “We’ve almost gone back to the time-share world, where you’re paying per call to the computer,” he said. “Some Big Tech companies are saying that if everybody took this up at scale, they don’t have enough computer power to do it.”

Peter Nikey, the entrepreneur, advises companies on how to use LLMs. He believes businesses need to think of them as a humanitarian: “You wouldn’t expect a person to retrieve information without training or tools;
Refund social media scam victims, tech firms urged

Technology companies should help to reimburse the victims of social media purchase scams, bosses at Barclays have said. Their call comes after figures from the bank revealed a jump in the number of social media scams affecting British shoppers.

Purchase scams, where people buy a "good" or product that never arrives or is not as advertised, account for about 4 per cent of all reported scams, the research showed. Barclays said that 97 per cent of screwing scams in the UK are conducted online, with the average loss amounting to £400.

The bank has called for action to prevent such scams, demanding further action from social media companies. The bank was called for a victim reimbursement fund to be set up.

Barclays said that systems and platforms are used to perpetrate scams, including technology companies' failure to act on reports of such scams. At present, victims are reimbursed only by funding from banks, Barclays said.

The bank also called for the creation of a cross-industry group within the Home Office to deal with the issue in order to co-ordinate better with regulators, industry groups and companies to improve the services on offer.

"We are committed to supporting our customers and helping to stop fraud at its source," said the bank.

Jeremy Powell is set to be among the leading speakers in Wyoming on Tuesday. He will discuss the week ahead for the region's economy.

The world's leading central banks will gather this week for the annual Jackson Hole symposium hosted by the Federal Reserve.

"The meeting in Wyoming will run from Thursday to Saturday and will address the theme of "Critical shifts in the global economy". Leading central bankers from the United States, Britain and the eurozone will meet at a time when financial markets are bracing for further interest rate rises to quell inflation. They are braced for at least two more rate rises from the Bank of England and one each from the Fed and European Central Bank in the coming months.

This year investors' attention is likely to be focused on Jerome Powell, the Fed chief, who is set to be among the symposium's speakers. Seth Carpenter, a global chief economist at Morgan Stanley, said Powell may use his speech to keep the Fed's options open for further rate hikes, without precommitting to any moves before September's rate decisions. Aditya Bhat, Bank of America, said Powell would use his appearance to highlight that interest rates "remain restrictive for an extended period", adding "he will likely note that although there has been progress on the inflation front, there is still a lot more work to be done."

TOMORROW

Will there be surprises in John Wood Group profits? The Aberdeen-based engineering and construction contractor's share price has risen by nearly 8 per cent after Apollo Global Management offered to pay £7 billion in the form of a potential £1.7 billion takeover deal in May, but Wood's shares are still up more than 6 per cent since the start of 2021. Ken Gilchrist, chief executive, has stuck to his strategy of steady, sustainable improvements and an update last month forecast that first-half reverse would rise 15 per cent to $2.3 billion with earnings before interest, tax and other charges up by 5 per cent to $1.9 billion. Analysts expect full-year revenue to be about $5.3 billion. Interims: Cognos, Empresaria, John Wood Group

CONTINUED FROM PAGE 37

Surplus pensions to be targeted year. "The funding patterns have flipped," Trinley said. "Some companies that had the biggest deficits now have the largest surpluses." While few listed companies have yet to publish up-to-date numbers on their pension fund finances, high street banks such as HSBC and NatWest and supermarket groups including Sainsbury's and Tesco are among FTSE 100 groups that could be beneficiaries.

The Pensions Regulator set out an improvement in the finances of Britain's 3,000 defined-benefit schemes in its annual report on the state of pensions in April. However, analysts warn that around a quarter of all DB schemes may now have sufficient assets to buy out their liabilities if the companies were to stop funding.

The pensions regulator has estimated that more than a third of FTSE 350 defined-benefit schemes were fully funded or had surplus balances in 2020. But while this trend has persisted, new data from the regulator shows that in 2021, the number of schemes with a surplus fell to 29.4 per cent from 33.2 per cent in 2020.

The trend is likely to continue, with the number of schemes with a surplus expected to fall further in 2022. The regulator has warned that the rise in funding deficits could lead to higher contributions from employers, which could in turn lead to higher wages and prices.

The government has announced plans to cap pension contributions, but the regulator has warned that this could lead to higher contributions from employers, which could in turn lead to higher wages and prices.

Interims: Cognos, Empresaria, John Wood Group

TUESDAY

Recruiters have been much quieter this year than they were in the past two years and Hays's share price reflects that, down more than 15 per cent in the year to date. When the agency reports its annual results investors, already know that it will reveal an operating profit of about £20 million, a fall of 7 per cent from last year.

The decline would have been steeper if it did not make most of its money from placing temporary workers. Hays' business model has held up better than permanent hires, given the reluctance of companies to make recruitment commitments in an uncertain economic climate. Rather than laying off workers, the City will be looking for companies to bring them back to work.

In an update last month, Hays said there remained "reduced client and candidate confidence", a line that has been repeated by many of its rivals this year. The update also revealed that Hays had £353 million of cash on hand. Even though conditions are uncertain, Steve Woolf, an analyst at Numis, thinks its bosses might look to return some of that "via a buyback or special dividend."

CRH, the Dublin-based building materials group, is due to report its interim results weeks before a switch of its primary listing to the United States. The company is set to leave the Irish stock exchange on September 25 and will move its primary listing to New York, but will maintain a standard listing on the London Stock Exchange. Interims CRH, Harbour Energy, Macfarlanes up by 5 per cent to $10.5 million. Analysts expect full-year revenue to be about $38.5 million. Interims: Cognos, Empresaria, John Wood Group

FRIDAY

There are no big company announcements scheduled