

## ESTIMATED EFFECT OF THE MARCH 2008 BUDGET ON THE CONSUMER PRICES INDEX (CPI) AND RETAIL PRICES INDEX (RPI)

Changes	Percentage points contribution to 1-month change		Timing of effect
	CPI	RPI	
<b>Changes to excise duties<sup>1</sup></b>			
<u>Tobacco</u>			
Duties up in line with inflation <sup>2</sup> (up 11p on a packet of 20 cigarettes, 4p on 5 cigars, 11p on 25g of hand-rolling tobacco)	+0.05	+0.06	12 Mar 2008
<u>Alcohol</u>			
Duty on spirits, duty on beer, cider and still and sparkling wine have increased 6 per cent above inflation <sup>2</sup> (up 4p on a pint of beer, 3p on a litre of cider, 14p on a bottle of still wine, 18p on a bottle of sparkling wine, 55p on a bottle of spirits and 3p on a bottle of spirits-based ready to drinks)	+0.12	+0.11	17 Mar 2008
<u>Vehicle Excise Duties<sup>3</sup></u>			
VED for cars registered after 1 <sup>st</sup> March 2001: Band A unchanged (£0), Band B unchanged (£35), Bands C- F increased by £5 (£120, £145, £170 and £210 respectively), Band G for new cars registered from 23 <sup>rd</sup> March 2006, increased by £100 (£400). For cars registered prior to 1 <sup>st</sup> March 2001: VED increased by £5 for all car types.	n/a	+0.02	13 Mar 2008
<u>Road Fuel<sup>4</sup></u>			
Duty rates on ultra low sulphur petrol and diesel up 2.4p per litre	+0.08	+0.10	1 Oct 2008

### Footnotes

1. Changes in duty rates are inclusive of VAT, and, for cigarettes, ad valorem tax.
2. Duty increases expressed in real terms are based on HM Treasury projections of the RPI inflation rate in September 2008 (3.2 per cent).
3. Vehicle excise duty is not included in the CPI.
4. The March 2008 Budget announced that the planned increases in road fuel duties from 1<sup>st</sup> April 2008 have been delayed to 1<sup>st</sup> October 2008. The estimated effect is included in the above figures. The increase of 2.4p per litre refers to the increase in duty plus VAT.

*[Please note: This note is prepared simply as a helpful guide to users of the Consumer Prices Index and Retail Prices Index. The Office for National Statistics accepts no liability whatsoever for losses of any kind arising as a result of reliance on this note. ]*

## Comparison of measures in the 2007 and 2008 Budgets

Change	Percentage points contribution to 1-month change			
	Consumer Prices Index		Retail Prices Index	
	<u>March 2007</u> <u>Budget</u>	<u>March 2008</u> <u>Budget<sup>1</sup></u>	<u>March 2007</u> <u>Budget</u>	<u>March 2008</u> <u>Budget<sup>1</sup></u>
<u>Excise duties</u>				
Tobacco	+0.06	+0.05	+0.06	+0.06
Alcohol	+0.03	+0.12	+0.03	+0.11
Vehicle excise duty <sup>2</sup>	n/a	n/a	+0.04	+0.02
Road Fuel <sup>1</sup>	+0.10	+0.08	+0.09	+0.10
<b>Total effect of Budget measures<sup>3</sup></b>	<b>+0.19</b>	<b>+0.25</b>	<b>+0.22</b>	<b>+0.29</b>

### *Footnotes*

1. The March 2008 Budget announced that the planned increases in road fuel duties from 1<sup>st</sup> April 2008 have been delayed to 1<sup>st</sup> October 2008. The estimated effect is included in the above figures.
2. Vehicle excise duty is not included in the CPI.
3. The overall effect is calculated as the sum of the individual rounded effects shown in the table.

### Effect on the CPI 12-month rate

The overall increase to the CPI of the measures announced in this year's Budget is estimated to be about 0.25 percentage points<sup>1</sup>, compared with 0.19 percentage points for last year. Overall, therefore, the net effect on the CPI 12-month rate is estimated to be approximately +0.06 percentage points.

### Effect on the RPI 12-month rate

The overall increase to the RPI of the measures announced in this year's Budget is estimated to be about 0.29 percentage points<sup>1</sup>, compared with 0.22 percentage points for last year. Overall, therefore, the net effect on the RPI 12-month rate is estimated to be approximately +0.07 percentage points.

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1. This includes the planned increases in road fuel duties, which have been delayed to October 2008.

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The following table shows the likely timing of effects on the CPI and RPI 12-month rates, assuming all announced changes are passed on immediately and in full to consumers as soon as they come into effect. In practice, this is unlikely: for instance, changes to tobacco and alcohol duties generally affect the index over a period of several months as stocks deplete.

**Cumulative effects on the all items CPI 12-month rate of the last two Budgets**

<b>CPI Date</b>	<b>Change</b>	<b>Effect</b>	<b>Cumulative Effect<sup>1</sup></b>
April 2008	Increase in tobacco duties	+0.05	
	Increase in alcohol duties	+0.12	
	Last year's increases in tobacco duties drop out of 12 month comparison	-0.06	
	Last year's increases in alcohol duties drop out of 12 month comparison	-0.03	+0.08
October 2008	Increase in road fuel duties	+0.08	
	Last year's increases in road fuel duties drop out of 12 month comparison	-0.10	+0.06

*Footnotes.*

1. The cumulative effect is calculated as the sum of the individual rounded effects shown in the table.

**Cumulative effects on the all items RPI 12-month rate of the last two Budgets**

<b>RPI Date</b>	<b>Change</b>	<b>Effect</b>	<b>Cumulative Effect<sup>1</sup></b>
April 2008	Increase in tobacco duties	+0.06	
	Increase in alcohol duties	+0.11	
	Increase in vehicle excise duties	+0.02	
	Last year's increases in tobacco drop out of 12 month comparison	-0.06	
	Last year's increases in alcohol drop out of 12 month comparison	-0.03	
	Last year's increases in vehicle excise duties drop out of 12 month comparison	-0.04	+0.06
October 2008	Increase in road fuel duties	+0.10	
	Last year's increases in road fuel duties drop out of 12 month comparison	-0.09	+0.07

*Footnote.*

1. The cumulative effect is calculated as the sum of the individual rounded effects shown in the table.

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## **Background Notes**

1. The consumer prices index (CPI) is the main United Kingdom domestic measure of inflation for macroeconomic purposes; the inflation target for the United Kingdom is expressed in terms of the CPI. The uses of the retail prices index (RPI) include indexation of pensions, state benefits and index-linked gilts, as well as the revalorisation of excise duties.
2. The effects of the Budgets shown in this note are estimates only.
3. Percentage point contributions to the CPI and RPI 1-month change are based on average retail prices as measured in the January 2008 indices, the latest available. The effects expressed in pence may differ from those calculated by other sources or as announced in the Budget.
4. No estimate has been made of any price changes resulting from other Budget measures, direct or otherwise.

## **For more information**

Contact Simon Woodsford    Tel: 01633 455917 / E-mail: [simon.woodsford@ons.gov.uk](mailto:simon.woodsford@ons.gov.uk)

**Simon Woodsford / Kevin Smith**

Prices Division, Office for National Statistics

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