

Retail Prices Index (RPI): Price Indicators used in 2003

In order to keep the Retail Prices Index (RPI) representative of consumer spending patterns, it is important to keep under review the actual items that are priced in compiling the RPI. This article explains how and why these items are chosen and lists the items used for the 2003 price collection.

The RPI shopping basket

The most useful way to think about the RPI is to imagine a 'shopping basket' full of goods and services on which people typically spend their money. The basket of goods and services is kept fixed for a year at a time so that from month to month the RPI only reflects changes in price. We review the basket each year to keep it as up to date as possible, and to reflect changes in buying patterns and the establishment of new products. Items are dropped from the basket when they become more difficult to find in the shops or no longer typical of what most people spend their money on.

When these changes occur, the collectors price both the old items and the new items in the January price collection. The figures for each year can then be linked together to produce longer term price indices, and meaningful comparisons between different years can be made. This procedure ensures that when items are dropped or added to the basket the index is not distorted.

Price indicators

So the key question is what to include in the basket? It would be both impractical and unnecessary to measure price changes of every item bought by every household. In practice, it is sufficient to select a number of representative items to give a measure of the price movements of a broad range of similar items. We call these items *indicators*.

Within each of the 85 sections of the index, a number of items are selected for pricing in such a way that the price movements of the indicators selected, when taken together, give a good estimate of the change of the level of prices of the section as a whole. For example, there are seven indicators for bread which, when combined together, give an estimate of the overall change in prices of bread. The prices of more than 650 indicators are collected each month to compile the RPI.

The prices collected for the RPI have to be 'weighted' together to produce the index, with the weight given to a section of the index being based on the importance of that entire section in our spending, and not just the importance of the items chosen as indicators. Thus the relative importance (or weight) given to bread in our typical shopping basket will reflect average household spending on bread products as a whole and not just average expenditure on the seven indicators. An article on updating the weights for 2003 will appear on the National Statistics website, www.statistics.gov.uk/rpi on 15 April 2003.

The selection of price indicators

A number of factors need to be taken into account when choosing price indicators. Firstly, they must be easy to find, and representative of the latest spending patterns. Secondly, the number and type of indicators needs to take account of both the weight of each section and the variability of the price indicators over time and relative to each other. Thirdly, indicators should be available for purchase throughout the year (except for items that are clearly seasonal).

For example, in the case of petrol and oil, it is only necessary to monitor three price indicators: unleaded petrol/ultra low sulphur petrol, ultra low sulphur diesel and motor oil. These give a comprehensive coverage of petrol and oil products and the weights to attach to each indicator are relatively easy to determine from the expenditure of the different types of fuel. Thus while a reasonable sample of quotes is required to get reliable figures for this important section of the index, the number of indicators needed is small relative to the weight of the section. In contrast, the fresh fruit section of the index, which has a weight of around one-seventh of that for petrol and oil, has twelve price indicators. This is mainly because, whilst price movements for fruit as a whole may be no more volatile than for petrol, there is considerable variation between different fruits as well as between different shops.

Within each section there is usually a point at which the choice of indicators and the precise weights attached to them becomes a matter of judgement. For example, within the fruit section, avocado pears and peaches are together taken to represent stone fruits, although other representations would be possible and equally valid using for example cherries or nectarines.

Indicators should be well defined so that changes in the recorded prices from month to month reflect only the changes in price, not any changes in the products observed. However, sometimes a relatively wide definition is used to accommodate rapidly changing consumer tastes, for instance clothing where fashions can change very rapidly. If the definitions were too specific in these cases it would be very difficult for the price collectors to find the examples of the items in the shops.

ONS puts a lot of effort into ensuring the RPI is up to date and representative of consumer spending patterns. Commodity analysts keep in touch throughout the year with market trends and report back to the office as they see the retail environment changing. We also monitor press reports and trade journals and get feedback from the people who go out to collect prices in shops across the UK each month.

Another major source of information comes from the diaries filled in by people taking part in the ONS Expenditure and Food Survey. This new continuous survey, formed in April 2001 by merging the Family Expenditure Survey and National Food Survey, records expenditure patterns of private households. The information allows the ONS to ensure that the goods and services that the average household spends its money on are appropriately represented in the basket.

Changes in the 2003 collection

The contents of the RPI basket have been changed with effect from February's index. These changes have been made to ensure that the basket remains up-to-date and continues to mirror changing consumer spending patterns. As a result of this work, around 30 new items have been added to the basket, and a similar number dropped, so that the basket still contain around 650 individual items.

The changes to the 2003 RPI basket show increasing use of takeaways and convenience foods plus the growth of the high street coffee shops. It also now tracks prices for diet drink powder and slimming club as people continue to increase spending on trying to lose weight.

Changes in consumer behaviour affect not only the RPI basket of goods but also where the goods are priced, and as data collected by ONS on internet usage show, households are making increasing use of the internet for ordering goods and services. ONS is expanding further the scope of the RPI internet price collection, to include a range of food, alcohol and household consumables bought from major supermarkets.

The February index also provides an opportunity to review RPI methodology. From February 2003 a specific price index for air fares has been introduced for the first time into the Other Travel section in the RPI. The index is the same as that currently used in the HICP. Previously, expenditure on air fares had been implicitly represented by the overall index for the Other Travel section. From the March index the Other Travel section will also include London congestion charging. In line with usual practice, this is being included in the first month in which it has an impact on the RPI.

The changes include:

In	Out
Food	
Round lettuce	Frozen fish in sauce
Dried potted snack	Tinned spaghetti
Diet-aid drink powder	
Catering	
Takeaway caffe latte from coffee shops	
Takeaway burger in bun	
Takeaway kebab	

In	Out
Alcohol	
Draught premium lager	Brown ale
Household goods	
Flat pack bookcase	Vinyl floor covering
Complete dry dog food	Fixed telephone
Single serve cat food	Dog mixer
Annual booster injection for dog	Dry cat food
	Cat litter
Household services	
	Women's shoe repair
	Laundrette charge
Clothing and footwear	
	Women's slip
	Men's belt
Personal goods and services	
Designer spectacles	Battery powered clock
Dental insurance	Silver charm
Hair gel	
Shower gel	
Slimming clubs	
Motoring expenditure	
Automatic car wash	Lead replacement petrol
Fares and other travel costs	
Air fares	
Leisure goods	
Car CD/radio autochanger	Electronic keyboard
Decorative outdoor plant pot	
Leisure services	
Golf non-member green fees	
Horseracing admissions	

The table below lists the items chosen as indicators used in compiling the 2003 index.

GROUP	SECTION	ITEMS PRICED AS INDICATORS IN 2003
FOOD	BREAD	Large white loaves (sliced and unsliced), small brown loaf, large wholemeal loaf, bread rolls, pitta bread and french stick/baguette
	CEREALS	Flour, rice, pasta, selected breakfast cereals and cereal snacks
	BISCUITS & CAKES	Various biscuits (eg plain and chocolate-coated), crackers and cakes (eg fruit pies, sponge cakes, doughnuts and pack of individually wrapped cakes)
	BEEF	Specified cuts: rump steak, braising steak, mince and topside, and beefburgers
	HOME-KILLED LAMB	Specified cuts: loin chops and shoulder
	IMPORTED LAMB	Specified cuts: loin chops and leg
	PORK	Specified cuts: loin chops and shoulder
	BACON	Gammon and back rashers
	POULTRY	Fresh/chilled and frozen whole chicken and chicken Pieces and frozen turkey
	OTHER MEAT	Pork sausages, various cooked and canned meats, and various meat pies
	FRESH FISH	White fish and salmon fillets
	PROCESSED FISH	Canned tuna, fish fingers and frozen prawns
	BUTTER	Home-produced and imported butter
	OILS & FATS	Margarine/low fat spread and cooking oil
	CHEESE	Cheddar (home-produced and imported), selected speciality cheese and cheese spread and slices
	EGGS	Various sized eggs
	MILK	Various quantities of full-fat, semi-skimmed and Skimmed (both shop-bought and delivered)
MILK PRODUCTS	Yoghurt, fresh cream, flavoured milk, powdered baby formula, fromage frais and chilled pot dessert	
TEA	Tea bags	
SOFT DRINKS	Various pure fruit juices, squashes, lemonade, cola, energy drinks, other fizzy drinks and mineral water	
SUGAR & PRESERVES	Sugar and various jams	

	SWEETS & CHOCOLATES	Various selected popular brands of sweets, chocolates and mints
	UNPROCESSED POTATOES	White loose and pre-packed potatoes (old and new varieties)
	PROCESSED POTATOES	Crisps (single and multi-packs), potato flavoured snacks and frozen chips
	FRESH VEGETABLES	Fresh tomatoes, cabbages, cauliflowers, carrots, sprouts, onions, mushrooms, cucumbers, lettuce, organic vegetable and pre-packed salads
	PROCESSED VEGETABLES	Canned tomatoes, baked beans and sweet corn, and frozen peas
	FRESH FRUIT	Cooking and dessert apples, pears, bananas, strawberries, grapes, oranges, grapefruit, avocado pears, peaches, organic fruit and kiwi fruit
	PROCESSED FRUIT	Various canned fruits and salted peanuts
	OTHER FOODS	Ice cream, selected frozen, chilled and dried convenience foods, canned and packet foods (eg soups and diet aid powder), baby food, various sauces and pickles
	COFFEE & HOT DRINKS	Ground and instant coffees, and hot milk drink
CATERING	RESTAURANT MEALS	Main and sweet courses, coffee etc in restaurants, hot and cold pub meals and burgers
	CANTEEN MEALS	Prices for school meals, and staff restaurant main and sweet courses and hot snacks
	TAKE-AWAYS & SNACKS	Fish and chips, pasties, savoury pies, burgers, kebabs, sandwiches, coffee, tea, caffe latte, ethnic take-away, pizza delivery/takeaway, soft drinks and crisps
ALCOHOLIC DRINK	BEER "ON" SALES	Draught bitter, lager and stout, and bottled lager and cider
	BEER "OFF" SALES	Canned lager and draught flow bitter, bottled cider and lager
	WINES & SPIRITS "ON"	Whisky, vodka, wine, liqueurs, spirit based drink, mixer and soft drinks
	WINES & SPIRITS "OFF"	Whisky, vodka, gin, brandy, various white, red, sparkling and fortified wines and spirit based drink
TOBACCO	CIGARETTES	Selected brands
	OTHER TOBACCO	Cigars, pipe and hand rolling tobacco
HOUSING	RENT	Local authority rents and private (furnished and unfurnished) rents

	MORTGAGE INTEREST	Model of average interest payments on a typical repayment mortgage
	DEPRECIATION	Price index for houses purchased with a mortgage
	COUNCIL TAX	Average council tax bills for households in Great Britain and average rates bills in Northern Ireland
	WATER AND OTHER CHARGES	Average water, sewerage and environmental charges
	REPAIR AND MAINTENANCE CHARGES	Charges for particular jobs by plumbers, electricians and decorators, gas service charges, Local Authority repairs and maintenance charges
	DIY MATERIALS	Filler, wallpapers and paste, paints and varnish, paint brushes, various tools (eg hammer drill, screwdriver), aluminium ladder, door handle, taps, power points, ceramic tiles, pieces of timber and hire of domestic steam wallpaper stripper
	DWELLING INSURANCE AND GROUND RENT	Dwelling insurance premiums of selected companies and price index for houses purchased with a mortgage
FUEL AND LIGHT	COAL & SOLID FUELS	Various grades of coal and smokeless fuel
	ELECTRICITY	Average of the electricity companies' tariffs
	GAS	Average of the gas companies' tariffs
	OIL & OTHER FUELS	Butane gas and kerosene
HOUSEHOLD GOODS	FURNITURE	Bedroom furniture (wardrobe, beds, mattress, etc), dining room furniture (table and chairs), living room furniture (settee, armchair, sofa bed), kitchen furniture (various kitchen units), bookcase, table lamp and plastic patio set
	FURNISHINGS	Selected carpets and other floor coverings, curtains, fabric roller blinds, duvet, duvet covers, sheets and towels
	ELECTRICAL	Cooker, washing machine, fridge-freezer, microwave oven, dishwasher, vacuum cleaner, smoke alarm and selected small appliances such as telephone, iron, food processor and kettle
	OTHER HOUSEHOLD EQUIPMENT	Gas cooker, gas fire, kitchen equipment (eg ovenware, saucepan, scissors and plastic food container), tableware (eg mug, crockery set and cutlery set) and glassware
	HOUSEHOLD CONSUMABLES	Washing powder and liquid, washing-up liquid and dish washer powder, stationery (pens, writing paper, envelopes, greeting cards, printer paper, inkjet cartridge and clear sticky tape), battery, light bulbs, aluminium foil, toilet rolls, bin liners, household cream cleaner, cleaning cloths and bleach

	PET CARE	Canned dog and cat food, complete dry dog food, single serve cat food, vets' fees, annual booster injection, kennel fees, pet flea drops and animal cage
HOUSEHOLD SERVICES	POSTAL CHARGES	Charges for letters, parcels, postal orders, etc
	TELEPHONE CHARGES	British Telecom charges for line and apparatus rentals, and for call and operator charges, cable operator charges for calls and connection fees, mobile phone charges and cost of call to directory enquiries
	DOMESTIC SERVICES	Hourly rate for domestic help, dry cleaning charges, childminder fees, driving lessons, electrical service charges, window cleaning, watch repairs and various electrical equipment repairs (eg washing machine and tv), home removals and catering for function
	FEES AND SUBSCRIPTIONS	Trade unions subscriptions, estate agents' and house conveyancing fees, surveyors' house valuation and home buyers' survey, home contents' insurance premiums, birth and death certificates, marriage licences, passport fees, bank services (overdraft fees), foreign exchange commission, charges for advertisements in local and national newspapers, private education fees, evening classes, driving test fees, subscription to Internet, solicitors' will drafting fee and basic funeral/cremation
CLOTHING	MEN'S OUTERWEAR	Suit, coat, trousers (formal and casual), casual jacket, fleece, jeans, jumper, various shirts, tracksuit bottoms, t-shirts, shorts and football shirt
	WOMEN'S OUTERWEAR	Blouses, skirts, dresses, trousers, jeans, T shirt, tops, shorts, cardigan, jackets, coats, jumper, rainwear and swimwear
	CHILDREN'S OUTERWEAR	Shirts, jeans, shorts, trousers, skirts, dresses, jacket, fleece, jumpers, sweatshirts, sports and fashion tops, and infants babygro and dungarees
	OTHER CLOTHING	Underwear (pants and bra), socks, tights, nightwear, ties, scarves, baseball caps and knitting wool
	FOOTWEAR	Various boots, shoes, sandals, trainers, wellingtons and slippers
PERSONAL GOODS AND SERVICES	PERSONAL ARTICLES	Umbrella, handbag, watches, spectacle frames, prescription lenses and contact lenses, sports bag, flower vase, picture frame, wall hanging mirror, sunglasses and various items of personal jewellery
	CHEMISTS' GOODS	NHS prescription charges, selected medicines and surgical goods (eg contact lens solution, indigestion tablets, pain killer tablets and plasters), multi-vitamins, condoms, tampons, disposable nappies, tissues, toiletries (eg toilet soap, toothpaste, deodorants, shower gel, shampoo, hair gel, permanent hair colourant, disposable razors and sunscreen cream/lotion) and various cosmetics (eg lipstick, face cream, perfume and mascara)

	PERSONAL SERVICES	Various hairdressing, dental and eye tests charges, dental insurance, subscriptions to private medical plans, residential and nursing home fees, full leg wax, delivered flowers, non-NHS medicine (physiotherapy) and slimming clubs
MOTORING EXPENDITURE	PURCHASE OF MOTOR VEHICLES	Prices of a selection of second-hand cars, new and second-hand motorcycles and mopeds and caravans
	MAINTENANCE OF MOTOR VEHICLES	Hourly labour charge for car mechanical repairs, car service, MOT test fee, selected spare parts and accessories (eg wiper blade, battery and tyres), car park charges, roadside recovery services, car steering lock and automatic car wash
	PETROL & OIL	Low sulphur and ordinary unleaded petrol, ultra low sulphur diesel and motor oil
	VEHICLE TAX & INSURANCE	Annual vehicle licence and a selection of premiums charged by a sample of motor insurance companies
FARES AND OTHER TRAVEL COSTS	RAIL FARES	British Rail, London Transport and Northern Ireland rail fares, EuroTunnel fares
	BUS & COACH FARES	Fares charged by principal bus and coach operators
	OTHER TRAVEL	Taxi and minicab fares, self-drive car and van hire, various ferry and sea fares, air fares, other means of transport (eg bicycle and boats), and road tolls
LEISURE GOODS	AUDIOVISUAL EQUIPMENT	Colour televisions (including portables), video recorder, portable CD/radio cassette player, personal CD player, hi-fi, mini-disc player, DVD player, car CD/radio, PCs, PC printer and PC peripherals
	CDs & TAPES	Pre-recorded and blank video cassettes, CDs, pre-recorded DVDs, recordable CD-R and selected CD-ROMs
	TOYS, PHOTOGRAPHIC AND SPORTS GOODS	Sports equipment (golf balls, squash racquet and football), selected toys and games (board games, soft toys, construction toys, doll, including some toys purchased over the internet), computer consoles and computer games, cameras (including disposable), film and film processing, camcorder, sleeping bag, exercise bicycle, and set of dumb-bells
	BOOKS AND NEWSPAPERS	Fiction and non-fiction paperback and hardback books (including some books purchased over the internet), national daily, Sunday and provincial newspapers, magazines and comics
	GARDENING PRODUCTS	Selected varieties of plants, bushes, cut flowers and seeds, fertiliser, compost, lawnmowers, grass/edge trimmer and garden sundries (eg garden spade, gloves and large decorative plant pot)

**LEISURE
SERVICES**

**TV LICENCES AND
RENTALS**

Television licence fees, rentals for various types of TV, DVD and video cassette recorder, rentals for video / DVD films, satellite dish and camcorder; satellite TV subscriptions, cable TV subscriptions and digital connection fee

**ENTERTAINMENT
AND RECREATION**

Admission to cinemas, theatres, dancing, football matches, historic monuments, leisure parks and other attractions, swimming pools, leisure centres, squash court hire, fees for leisure evening classes and play-groups, private health club/gym membership, and charges for exercise classes and ten-pin bowling session, golf green fees and horse racing admissions

FOREIGN HOLIDAYS

Package holidays to a representative selection of destinations from information supplied by the International Passenger Survey and holiday insurance

UK HOLIDAYS

Representative selection of UK package holidays and holiday accommodation