

15 May 2007

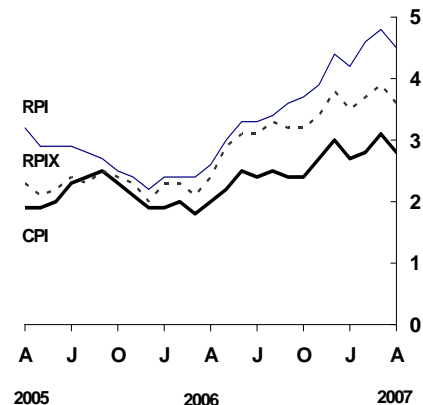
Coverage
United Kingdom
Theme
The Economy

Consumer price indices April 2007

In the year to April, the consumer prices index (CPI) rose by 2.8 per cent, down from 3.1 per cent in March.

In the year to April, the all items retail prices index (RPI) rose by 4.5 per cent, down from 4.8 per cent in March.

Over the same period, the all items RPI excluding mortgage interest payments (RPIX) rose by 3.6 per cent, down from 3.9 per cent in March.



Issued by
National Statistics
1 Drummond Gate
London SW1V 2QQ

Telephone
Press Office 020 7533 5725
Public Enquiries 0845 601 3034
CPI/RPI Enquiries 020 7533 5874
CPI/RPI recorded
message 020 7533 5866
E-mail cpi@ons.gov.uk

Statistician
Jim O'Donoghue 020 7533 5849
jim.o'donoghue@ons.gov.uk

Internet
www.statistics.gov.uk

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	Consumer prices index (CPI)		All items retail prices index (RPI)		All items RPI excluding mortgage interest payments (RPIX)	
	Index (2005 =100)	Per cent change over 12 months	Index (Jan 1987 =100)	Per cent change over 12 months	Index (Jan 1987 =100)	Per cent change over 12 months
2006 Nov	103.4	2.7	201.1	3.9	196.2	3.4
Dec	104.0	3.0	202.7	4.4	197.4	3.8
2007 Jan	103.2	2.7	201.6	4.2	196.1	3.5
Feb	103.7	2.8	203.1	4.6	197.1	3.7
Mar	104.2	3.1	204.4	4.8	198.3	3.9
Apr	104.5	2.8	205.4	4.5	199.3	3.6

Main contributions to the change in the 12-month rate¹

CPI

The largest downward effect on the CPI annual rate came from housing and household services, with average gas and electricity bills falling this year but rising a year ago. There was also a large downward effect from miscellaneous goods and services, mainly due to financial services. This year, foreign exchange commission rates fell following the abolition of a charge from one major bank; last year, by contrast, commission rates rose. There were also small downward effects from overdraft fees, appliances and products for personal care and from other services not elsewhere covered.

Small downward effects came from:

- Furniture and household goods, mainly due to steeper cuts in the price of furniture this year, particularly bedroom furniture. This follows a record month-on-month increase in furniture prices in March 2007;
- Transport, mainly due to a large downward effect from air travel, particularly long haul routes. Fares rose by less than a year ago when the price collection period for air fares coincided with the Easter holiday period, which was not the case this year. A large partially offsetting upward effect came from passenger transport by road where bus prices rose this year but fell a year ago following the introduction of free off-peak local bus travel in England for disabled people and those aged over 60. There was also a small upward effect from sea travel with fares rising by more than a year ago;
- Recreation and culture, where there were small downward effects from data processing equipment, cultural services, and package holidays. Partially offsetting small upward effects came from games, toys and hobbies, mainly due to computer games, and recording media; and
- Communication, mainly due to reductions in mobile phone and cable telephone call charges.

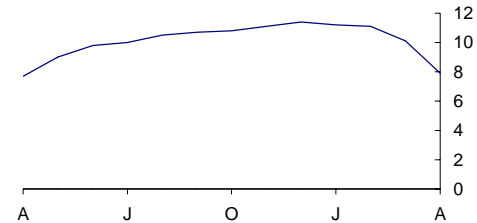
The largest upward effect on the CPI annual rate came from clothing and footwear, with prices rising this year on most men's and women's clothing items, following the introduction of higher priced replacement stock. Last year, by contrast, there was a mixture of special offers and higher prices.

There were also large upward effects from:

- Restaurants and hotels, with prices rising by more than a year ago for most items within the restaurants and cafes group, particularly for on-sales of alcohol; and
- Food and non-alcoholic beverages, mainly due to prices of vegetables rising this year, in large part reflecting limited supplies of some produce, but falling a year ago.

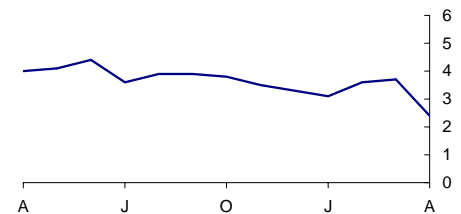
Housing and household services

CPI percentage changes over 12 months



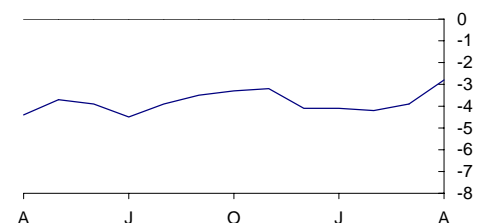
Miscellaneous goods and services

CPI percentage changes over 12 months



Clothing and footwear

CPI percentage changes over 12 months



¹ The CPI and RPI use different classification systems. Background Note 11 shows how, for each of the two indices, the main categories contributing to changes in the 12-month rate relate to each other

RPI

The largest downward contribution to the change in the RPI annual rate came from fuel and light where, as in the CPI, average gas and electricity bills fell this year but rose a year ago.

There were also large downward contributions from:

- Household services, where there was a large downward contribution from fees and subscriptions, mainly due to changes in foreign exchange commission rates. There was also a small downward contribution from telephone charges;
- Household goods, where furniture prices fell by more than a year ago for most items, especially bedroom furniture. There was also a small, partially offsetting, upward contribution from electrical appliances where, as in March, prices rose this year but fell a year ago; and
- Leisure services, due to changes in the cost of entertainment and recreation, particularly admission costs for live music events, and foreign holidays where the cost of late-booked holidays fell this year but rose a year ago.

A small downward contribution came from personal goods and services with prices overall rising by less than last year.

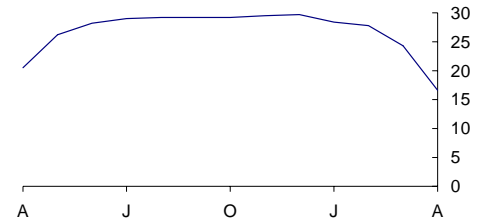
A large upward contribution to the change in the RPI annual rate came from clothing and footwear, with prices rising by more than a year ago, particularly for men's and women's clothing, following the introduction of higher priced replacement stock.

There was also a large upward contribution from food, with seasonal food prices rising this year but falling a year ago, particularly for other fresh vegetables. A partially offsetting downward effect came from non-seasonal food where small downward contributions from beef, imported lamb and processed fish were partially offset by small upward contributions from poultry, milk and soft drinks; and

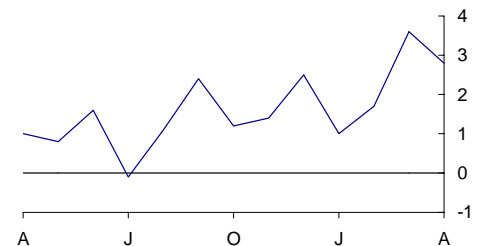
Small upward effects came from:

- Alcoholic drinks, where prices rose this year by more than a year ago, especially for beer on-sales;
- Motoring expenditure, mainly due to vehicle excise duty which rose by more than a year ago; and
- Leisure goods, where prices overall fell by less than a year ago.

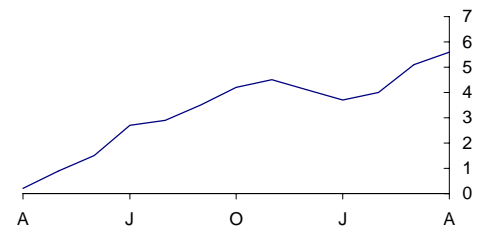
Fuel and light
RPI percentage changes over 12 months



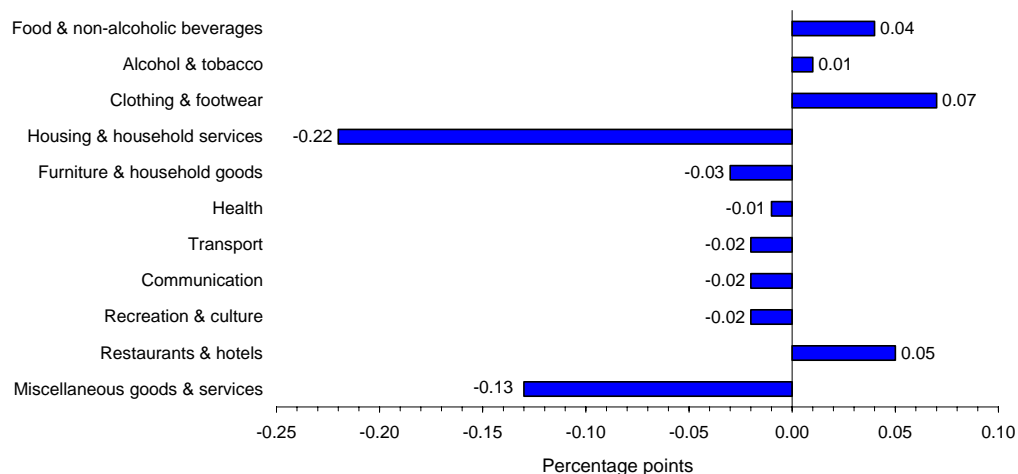
Household goods
RPI percentage changes over 12 months



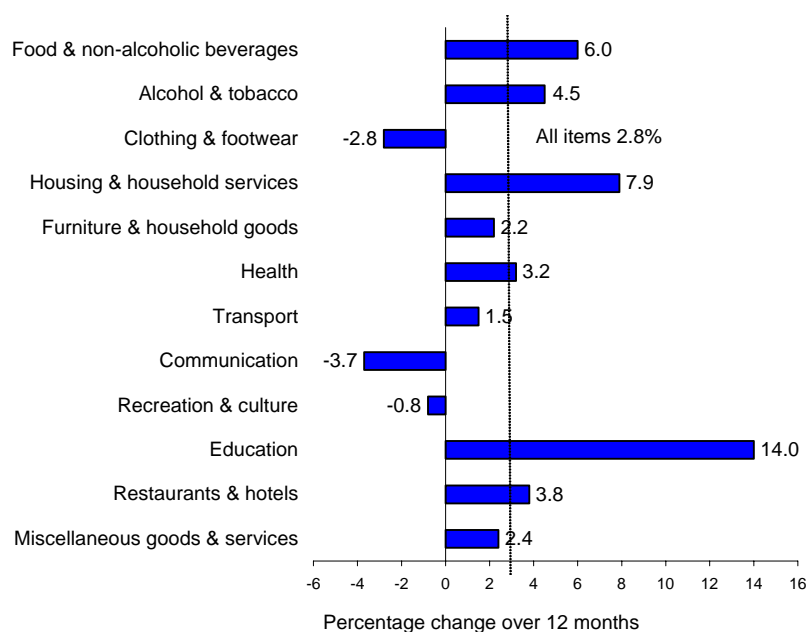
Food
RPI percentage changes over 12 months



CPI main contributions¹ to the change in the all items 12-month rate between March 2007 and April 2007 (-0.3 percentage points).

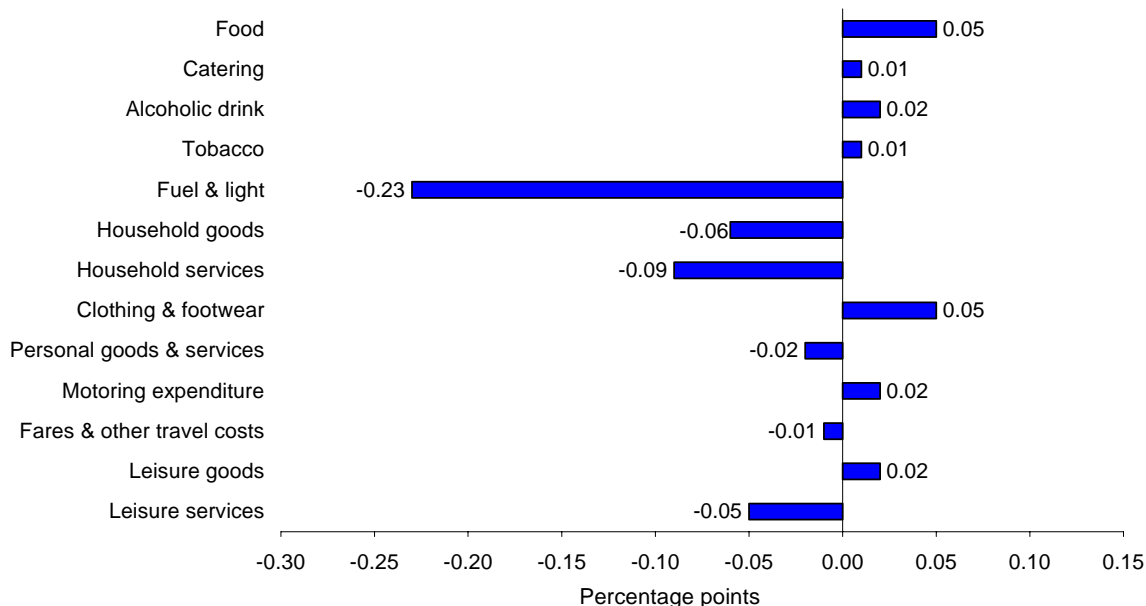


CPI comparison of the 12-month percentage changes

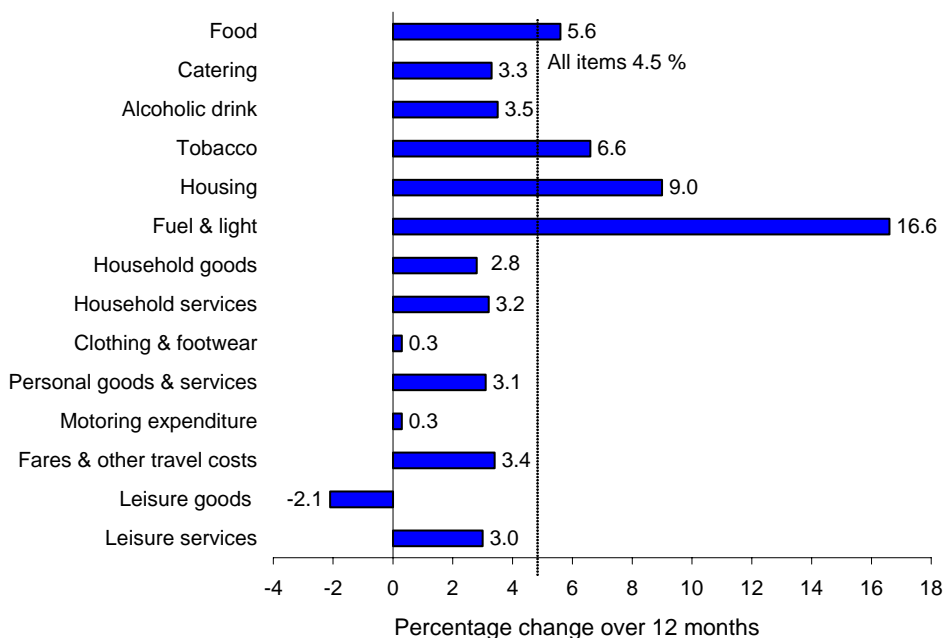


¹ Individual contributions to the change in the 12-month rate may not sum to the total due to rounding.

RPI main contributions¹ to the change in the all items 12-month rate between March 2007 and April 2007 (-0.3 percentage points).



RPI comparison of 12-month percentage changes



¹ Individual contributions to the change in the 12-month rate may not sum to the total due to rounding.

BACKGROUND NOTES

Relevance

- 1 The consumer prices index (CPI) is the main United Kingdom domestic measure of consumer price inflation for macroeconomic purposes. It forms the basis for the Government's inflation target that the Bank of England's Monetary Policy Committee (MPC) is required to achieve.
- 2 Internationally, the CPI is known as the Harmonised Index of Consumer Prices (HICP). HICPs are calculated in each Member State of the European Union, according to rules specified in a series of European Regulations developed by Eurostat in conjunction with the EU Member States. HICPs are used to compare inflation rates across the European Union. Since January 1999 it has also been used by the European Central Bank (ECB) as the measure of price stability across the euro area.
- 3 The retail prices index (RPI) is the most long-standing general purpose measure of inflation in the United Kingdom and is available from June 1947. It is used for a variety of purposes by both government and external users including the indexation of various incomes and prices and the uprating of pensions, benefits and index-linked gilts.

Methodology

- 4 The CPI and the RPI are compiled using the same underlying price data, based on a large and representative selection of around 650 individual goods and services for which price movements are measured in around 150 randomly selected areas throughout the UK. Around 120,000 separate price quotations are used every month to compile the indices. The outlets in which the prices are collected are selected randomly. Expenditure weights are held constant for one year at a time.
- 5 The selection of goods and services that are priced to compile the CPI and RPI is reviewed annually. The contents of the 2007 basket are described in an article published on the National Statistics website at:
<http://www.statistics.gov.uk/cci/article.asp?ID=1746>
The expenditure weights used to compile the indices are also updated each year. Additional details of the updated CPI and RPI weights for 2007 are available from the National Statistics website in an article entitled Consumer Prices Index and Retail Prices Index: Updating Weights for 2007
<http://www.statistics.gov.uk/cci/article.asp?id=1779>
- 6 Rates of change for the CPI are calculated from unrounded index levels, rather than on the published indices, which are rounded to one decimal place. The use of unrounded indices increases the accuracy of the calculation. The unrounded index levels are available on request. By contrast, rates of change for the RPI are calculated from the published rounded indices.

