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Coverage
United Kingdom
Theme
The Economy

Gas and electricity price rises fuel inflation

Figures from the Office for National Statistics today show that the consumer prices index (CPI) annual inflation – the Government's target measure – was 2.5 per cent in February up from 2.2 per cent in January.

The largest upward pressure came from housing and household services as recent gas and electricity price rises took effect.

Part of the impact for this upward pressure came from a change in the way prices are recorded. Last year energy price changes were phased in gradually over a four month period but now any increases in the tariff rate are implemented in full at the time they are introduced by the energy company.

There was also a small upward effect on the inflation rate from alcohol and tobacco with cigarette and beer prices rising by more than a year ago.

Another upward contribution came from recording media such as pre-recorded DVDs, although this was partly offset by downward contributions from games, toys and hobbies, and cultural services, such as live music events.

There was a small upward effect from milk, cheese and egg prices which rose by 17.6 per cent, the largest increase since records began in 1997.

The largest downward contribution came from food and non-alcoholic beverages, particularly fruit and vegetables. Vegetable prices rose by less than a year ago and fruit prices fell compared with a rise a year ago, with the largest impact coming from strawberries.

Other downward contributions came from air and sea fares which rose by less than a year ago and a fall in landline telephone charges.

The retail prices index (RPI) inflation figures for February show no change from January at 4.1 per cent.

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The main factors affecting the CPI also affected the RPI, but in the RPI there were offsetting effects from mortgage interest payments, which have risen by less than a year ago, and from house depreciation.

RPIX inflation – the all items RPI excluding mortgage interest payments – was 3.7 per cent in February, up from 3.4 per cent in January.

As an internationally comparable measure of inflation, the CPI shows that the UK inflation rate in February, at 2.5 per cent, was below the provisional figure for the European Union as a whole of 3.4 per cent.

BACKGROUND NOTES

1. More details of these figures are found in the Consumer Price Indices first release published today at: <http://www.statistics.gov.uk/pdfdir/cpi0308.pdf>
2. The CPI is the main United Kingdom domestic measure of inflation for macroeconomic purposes. The uses of RPI include indexation of pensions, state benefits and index-linked gilts. Both measure the average change from month to month in the prices of consumer goods and services purchased in the UK, although there are differences in coverage and methodology. A detailed description of these differences is given in the paper entitled *The New Inflation Target: the Statistical Perspective*. This paper is available on the National Statistics website at:
<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=10913>
3. Both the CPI and the RPI are compiled each month using the same underlying price data, based on a large and representative selection of more than 650 separate goods and services for which price movements are measured in around 150 areas throughout the UK. Around 120,000 separate price quotations are used each month to compile the indices.
4. The Government's target for the inflation rate is 2.0 per cent - based on the CPI measure.
5. The next release of the CPI and RPI will be on 15 April 2008.
6. **National Statistics** are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference. © Crown copyright 2008.