

17 April 2007

**Coverage**  
United Kingdom  
**Theme**  
The Economy

## CPI at record 3.1 per cent, RPI at 4.8 per cent

CPI annual inflation – the Government’s target measure – was 3.1 per cent in March, up from 2.8 per cent in February, today’s figures from the Office for National Statistics show.

The largest upward effect on the CPI annual rate came from food and non-alcoholic beverages. Shop-bought milk prices increased by over 2 per cent in March, compared with a fall of around 8 per cent last year when supermarkets cut prices. Small upward effects came from bread and cereals and meat, where prices rose in March but fell a year ago. A partially offsetting downward contribution came from fruit, as prices fell by more than a year ago.

Further large upward contributions came from:

- Furniture, household equipment and routine maintenance, where the monthly increase in prices for furniture and furnishings in March was a record at around 10 per cent, and from major household appliances, where prices rose in March but fell a year ago;
- Recreation and culture, where prices for computer games increased this year contrasting with decreases in March 2006, and cultural services, where admission prices for theatres and live music events rose in March but fell last year; and
- Transport, where petrol prices rose by nearly 2.5 pence per litre in March compared with little change a year ago.

A large downward effect on the CPI annual rate came from housing and household services, mainly due to gas and, to a lesser extent, electricity. Gas prices fell over the month and electricity prices showed little change. In March 2006, tariffs for both gas and electricity rose by around 3 per cent.

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RPI inflation rose to 4.8 per cent in March, from 4.6 per cent in February and was influenced by many similar factors to those that affected the CPI. Housing costs that are excluded from CPI had a small upward contribution to the change in the RPI annual rate, mainly due to depreciation costs, which rose this year but fell a year ago, reflecting movements in the smoothed house price index used to calculate this component.

RPIX inflation – the all items RPI excluding mortgage interest payments – was 3.9 per cent in March, up from 3.7 per cent in February.

As an internationally comparable measure of inflation, the CPI shows that the UK inflation rate is above average for the European Union as a whole. The provisional inflation rate for the EU 27 in March was 2.2 per cent, compared with the UK rate of 3.1 per cent for the corresponding period.

## 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/cpi0407.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. Prior to 10 December 2003, the CPI was published in the UK as the harmonised index of consumer prices (HICP).
5. The next release of the CPI and RPI will be on 15 May 2007.
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