

15 April 2008

Coverage
United Kingdom

Theme
The Economy



CPI inflation unchanged at 2.5 per cent Consumer Price Indices

CPI annual inflation – the Government’s target measure – was 2.5 per cent in March, unchanged from February, figures from the Office for National Statistics showed today.

The largest downward contribution to change in the CPI annual rate came from furniture, household equipment and maintenance where the price of furniture and furnishings rose by less than a year ago. The main effects came from bedroom and kitchen furniture where a mix of recoveries and sales were observed this year compared with more general price increases a year ago.

A further large downward contribution came from recreation and culture, principally from games, toys and hobbies where the prices of computer games and pre-school activity toys in particular fell this year but rose a year ago.

The largest upward contribution to change in the CPI annual rate came from transport costs. This was principally due to passenger air travel on European and, to a lesser extent, long-haul routes with fares rising this year compared with falls a year ago. The annual rate for transport costs for March was 7.0 per cent, up from 6.2 per cent last month – the highest since records began in 1997.

There was also a large upward contribution from housing and household services due to changes in the price of heating oil and gas. The price of heating oil rose by more than a year ago while gas bills were unchanged this year but fell a year ago.

RPI inflation fell to 3.8 per cent in March, down from 4.1 per cent in February. The main factors affecting the CPI also affected the RPI. Additionally, there was a large downward contribution from housing. The effect came mainly from mortgage interest payments as lenders passed on February’s quarter point decrease in the Bank rate and, to

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Next publication date
13 May 2008

a lesser extent, from house depreciation which fell this year but rose a year ago. Both mortgage interest payments and depreciation are excluded from the CPI.

RPIX inflation – the all items RPI excluding mortgage interest payments – was 3.5 per cent in March, down from 3.7 per cent in February.

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/cpi0408.pdf>
2. 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.
3. The Government's target for the inflation rate is 2.0 per cent - based on the CPI measure.
4. The next release of the CPI and RPI will be on 13 May 2008.
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