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Coverage
United Kingdom
Theme
The Economy

Petrol drives up inflation

Figures from the Office for National Statistics today show that consumer prices index (CPI) annual inflation – the Government's target measure – was 2.1 per cent in October, up from September's figure of 1.8 per cent.

The main upward pressure came from changes in the price of road fuel. Petrol pump prices rose by 2.7 pence per litre in October, in large part reflecting the increase in fuel duty that came into effect on the first of the month; last year, by contrast, petrol prices fell by 5.2 pence per litre. There was also a large upward contribution from air travel, with fares to European destinations bucking the usual seasonal pattern by rising this October, whereas they fell a year ago.

A further large upward effect came from food, particularly from meat, where there were strong recoveries in the price of bacon, and from fruit, in particular from increases in the price of strawberries and bananas. Smaller upward contributions came from changes in the price of biscuits and cakes, and from eggs.

The largest downward contribution to the change in the CPI annual rate came from gas and electricity bills which both fell slightly this year as a result of the continued phasing in of tariff reductions. Over the same period last year, average gas and electricity bills rose.

Retail prices index (RPI) inflation rose to 4.2 per cent in October, up from 3.9 per cent in September. The main factors influencing the RPI were similar to those affecting the CPI. RPIX inflation – the all items RPI excluding mortgage interest payments – was 3.1 per cent in October, up from 2.8 per cent in September.

As an internationally comparable measure of inflation, the CPI shows that the UK inflation rate in September, at 1.8 per cent, was below the provisional figure for the European Union as a whole of 2.2 per cent.

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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/cpi1107.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 18 December 2007.
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