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## Cheaper fuel drives down inflation

Cheaper transport costs saw the Consumer Prices Index (CPI) annual inflation fall to 4.5 per cent in October, down from 5.2 per cent in September.

This deceleration by 0.7 percentage points is the biggest slow-down since January 1997 when official CPI records began and the largest since April 1992, based on constructed historical data.

Transport inflation fell to 4.3 per cent in October, from 7.6 per cent in September. This 3.3 percentage point deceleration is the largest slow-down since CPI records began. It was triggered by a sharp fall in the price of crude oil.

The average price of petrol fell by 7.1 pence per litre between September and October this year, to stand at 104.5 pence, compared with a rise of 2.7 pence last year. Diesel prices fell by 7.0 pence per litre this year, to stand at 116.3 pence.

There was also a fall in the price of both air transport and sea transport. The effect from air fares came mainly from the cost of European flights.

There was another large downward contribution from food and non-alcoholic beverages. The effect came largely from the cost of meat, which fell this year compared with a rise last year. Meat inflation fell, to 14.3 per cent in October, from 19.1 per cent in September. Prices fell for a range of pork products and beef prices fell, with discounting in supermarkets.

Retail Prices Index (RPI) inflation slowed to 4.2 per cent in October, down from 5.0 per cent in September. This is the largest slow-down in annual RPI inflation since January 1993.

The main factors affecting the CPI also affected the RPI. Additionally, there was a large downward contribution from housing with the main effect coming from house depreciation, which is excluded from the CPI. Housing fell from 1.5 per cent in September to 1.2 per cent in October.

RPIX inflation – the all items RPI excluding mortgage interest payments – was 4.7 per cent in October, down from 5.5 per cent in September. This is the largest annual inflation fall since April 1991.

As an internationally comparable measure of inflation, the CPI shows that the UK inflation rate in October, at 4.5 per cent, was above the provisional figure for the European Union as a whole of 3.7 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/pdffdir/cpi1108.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. For further information please go to our website at:  
<http://www.ons.gov.uk/about/newsroom/statements/measuring-the-cost-of-living.html>
3. The Government's target for the inflation rate is 2.0 per cent - based on the CPI measure.

4. ONS has a personal inflation calculator on its website as a guide for the public to measure their own inflation. For further details go to: <http://www.statistics.gov.uk/pic/>
5. The next release of the CPI and RPI will be on 16 December 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.