

16 December 2008**Coverage**
United Kingdom**Theme**
The Economy

Inflation falls to 4.1 per cent

Consumer Prices Index (CPI) annual inflation fell to 4.1 per cent in November, down from 4.5 per cent in October.

For the second consecutive month the largest downward contribution came from transport costs, which fell from an annual rate of 4.3 per cent in October to 1.3 per cent in November. This was mainly due to the price of fuels and lubricants, which fell this year but rose a year ago.

The average price of petrol fell by 9.3 pence per litre between October and November this year, to stand at 95.2 pence, compared with a rise of 3.5 pence last year. Diesel prices fell by 7.5 pence per litre this year to stand at 108.8 pence, compared with a rise of 5.0 pence last year. There was also a fall in the price of second-hand cars compared with a rise a year ago.

Partially offsetting these effects was a large upward pressure from air fares due to smaller seasonal price reductions than a year ago. The effect came from the cost of European and, to a lesser extent, domestic flights.

There was a further large downward pressure from housing and household services due to heating oil prices falling this year but rising a year ago reflecting movements in the price of crude oil. The largest upward pressure on the CPI annual rate came from food and non-alcoholic beverages, which rose from 10.1 per cent in October to 10.6 per cent in November.

This was mainly due to fruit and vegetables, with contributions from across a range of fresh and processed products.

Fruit inflation doubled from 5.4 per cent in October to 10.8 per cent in November, while vegetables rose from 9.9 per cent to 13.9 per cent. These effects were partially offset by milk, cheese and eggs, and bread and cereals, where prices rose by less than a year ago.

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Office for National Statistics
Government Buildings
Cardiff Road
Newport
NP10 8XG

Contact

Media Relations 0845 604 1858
Out of office 07867 906 553

CPI Enquiries 01633 456900
CPI recorded message 01633 456961

Statistician
Philip Gooding 01633 455896
Philip.Gooding@ons.gov.uk

www.statistics.gov.uk

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RPI inflation slowed to 3.0 per cent in November, down from 4.2 per cent in October. The main factors affecting the CPI also affected the RPI. Additionally, there were large downward contributions from mortgage interest payments and house depreciation which are excluded from the CPI.

RPIX inflation – the all items RPI excluding mortgage interest payments – was 3.9 per cent in November, down from 4.7 per cent in October.

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/pdfdir/cpi1208.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 temporary reduction in VAT to 15 per cent will make collection of CPI/RPI price information more difficult, because in many cases shops are applying the VAT reduction at the till. We are taking steps to adjust prices collected to take account of those VAT reductions that are applied in this way. This process involves additional work and may delay publication of December CPI/RPI results scheduled for publication on 20 January by up to two weeks. We expect to announce on 12 January whether or not there will be a delay.

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.