



BANK OF ENGLAND

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Ben Broadbent
Deputy Governor, Monetary Policy

20 December 2018

Dear Mike

Proposed changes to RPI in 2019

I refer to your letter of 14 November 2018 addressed to Chris Young and Rhys Phillips, which covers the following planned changes to the Retail Prices Index (RPI): mobile phone charges; a periodic review of the location boundaries wherein prices are collected; the 2019 annual update of the basket of RPI items; and the migration of some of ONS' systems to different platforms.

A senior committee at the Bank under my chairmanship has considered whether any of those would constitute a fundamental change in the RPI that would be materially detrimental to the interests of holders of relevant index-linked gilts. This pertains to the ONS's and the Bank's obligations under Section 21 of the Statistics and Registration Services Act 2007.

Committee members reflected on the proposal to include in the RPI (and CPI and CPIH) price changes during fixed period mobile phone contracts linked to inflation. The committee agreed that this is not a change to the coverage or basic calculation of the RPI and eliminate an existing small bias in the inflation data.

As in previous years, committee members concluded that both the basket update and review of location boundaries represent the sort of routine 'maintenance' changes that ought to be expected to ensure that the RPI remains consistent with its purpose.

Finally committee members considered the migration of some ONS functions to alternative platforms. As you note in your letter, the migration will not result in any change to methodology nor have any impact on published indices.

In summary, the committee were content with the conclusion that none of the planned changes referenced above represent fundamental changes to the coverage or basic calculation of the RPI, nor can they be expected to be materially detrimental to the holders of relevant index-linked bonds.

A copy of this letter goes to Vanessa MacDougall and Daniel Gallagher at the Treasury, to Jonathan Athow and Darren Morgan at ONS, and to Chris Young, Rhys Phillips, Julia Giese and Bradley Speigner at the Bank of England.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ben Broadbent'.

Ben Broadbent
Deputy Governor, Monetary Policy