



BANK OF ENGLAND

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Ben Broadbent
Deputy Governor, Monetary Policy

10 January 2018

Dear Mike

Proposed changes to RPI in 2018

I refer to your letter of 7 December 2017 addressed to Chris Young and Sarah John, which covers the following planned changes to the Retail Prices Index (RPI): the 2018 annual update of the basket of RPI items; a periodic review of the location boundaries wherein prices are collected; the migration of some of ONS' systems to different platforms; and the potential for reduced validation of price quotes for fruit and vegetables.

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.

As in previous years, the committee 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.

The committee then discussed 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.

Finally, the committee noted that work conducted by ONS to test the potential effects of reduced validation of fruit and vegetable prices indicated that the effect on the RPI would be negligible.

In summary, the committee concluded 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 Nicholas Vaughan at ONS, and to Chris Young and Sarah John at the Bank of England.

Yours sincerely

A handwritten signature in black ink that reads 'Ben Broadbent'.

Ben Broadbent
Deputy Governor, Monetary Policy