

Bank of England

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

Ben Broadbent
Deputy Governor, Monetary Policy

12 January 2024

Dear Matt

Proposed changes to RPI in 2024

I refer to your letter dated 11 December, addressed to Andrea Rosen and Simon Kirby, covering the following planned changes to the Retail Prices Index (RPI):

- i) the 2024 annual update of the basket of RPI items (including both the contents and their associated expenditure weights); and
- ii) the annual refresh of location rotation and re-enumeration.

A senior committee at the Bank under my chairmanship (the Committee) has considered whether either of these changes constitutes a “fundamental change” in the RPI which would be “materially detrimental” to the interests of holders of relevant index-linked gilts (ILGs). This pertains to the ONS's and the Bank's obligations under Section 21 of the Statistics and Registration Service Act 2007.

The Committee's view is that **these items do not represent a fundamental change in the coverage or basic calculation of the RPI and would not, on the balance of probabilities, be materially detrimental to the interests of holders of relevant ILGs**. Committee members concluded that both the annual update of the basket of RPI items and the annual refresh of location rotation and re-enumeration are the sort of routine “maintenance” changes required to ensure the RPI remains consistent with its purpose.

The Committee noted that changes to three foreign holiday items which appear in the RPI (hotels, self-catering, and cruises) will be implemented in 2024. As your letter notes, this change was proposed by the ONS last year as the new method requires a year's worth of base prices before indices can be calculated, and the Committee's assessment at the time, conveyed in my letter dated 6 February 2023, was that the change did not represent a fundamental change in the coverage or basic calculation of

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RPI and would not be materially detrimental to the interests of holders of relevant ILGs.

A copy of this letter goes to Mike Keoghan, Grant Fitzner, Jason Zawadzki, Michael Hardie and Chris Jenkins at the ONS, Thomas Yeomans at HM Treasury, and to Andrea Rosen, Carleton Webb and Simon Kirby at the Bank of England.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ben Broadbent". The signature is written in a cursive, slightly slanted style.

Ben Broadbent