



BANK OF ENGLAND

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Ben Broadbent
Deputy Governor, Monetary Policy

20 December 2021

Dear Michael

Proposed changes to RPI in 2022

I refer to your letter of 1 December 2021 addressed to Simon Hayes and Rhys Phillips, which covers the following planned changes to the Retail Prices Index (RPI): the 2022 annual update of the basket of RPI items, amendments to the calculation of air fare inflation and the resumption of the refresh of the areas sampled for local price collections.

A senior committee at the Bank under my chairmanship has considered whether any of these would constitute a “fundamental change” to the RPI that is also “materially detrimental” to the interests of holders of the relevant index-linked gilts. This pertains to the ONS’s and the Bank’s obligations under Section 21 of the Statistics and Registration Service Act 2007.

Committee members concluded that the basket update and annual refresh of the areas sampled for local price collections represent the sort of routine “maintenance” change that ought to be expected to ensure that the RPI remains consistent with its purpose. Committee members also agreed that introducing weights for short haul and domestic air fares is not a change to the coverage or basic calculation of the RPI as it aligns the calculations for short haul and domestic routes with the approach for long haul routes already in use in the RPI.

The Committee has previously considered the continued migration of some ONS functions to alternative platforms and the move towards using automated price collection tools. In my letter dated 10 December 2019¹, I noted that the Committee judged that the proposed change would not affect the data sample or processing of the data following collection. However, where any of the planned alternative data sources or methodologies affect RPI, the Committee will consider these when plans have been confirmed and proposed.

In summary, the Committee was of the view that none of the planned changes referenced above for 2022 constitute fundamental changes to the coverage or basic calculation of the RPI, nor would they be materially detrimental to the holders of relevant index-linked gilts.

A copy of this letter goes to Daniel Gallagher and Thomas Yeomans at HM Treasury, to Sam Beckett, Grant Fitzner and Helen Sands at the ONS, and to Simon Hayes, Rhys Phillips, Simon Kirby, Carleton Webb and Sarah Illingworth at the Bank of England.

Yours sincerely

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

Deputy Governor, Monetary Policy

¹ <https://www.ons.gov.uk/news/statementsandletters/correspondenceonproposedchangestogetheretailpriceindexrpi>