



**BANK OF ENGLAND**

Jonathan Athow  
Deputy National Statistician, Economics Statistics  
Office for National Statistics  
Government Buildings  
Cardiff Road  
Newport  
NP10 8XG

**Ben Broadbent**  
Deputy Governor, Monetary Policy

16 April 2020

Dear Jonathan

### **Proposed RPI contingency plans in 2020 – collection changes**

I refer to your letter of 8 April 2020, which covers the contingency plans in place to ensure that inflation indices can continue to be produced during the Covid-19 pandemic. These contingency plans for the monthly price collection proposed the following temporary arrangements:

- Collecting prices online, or otherwise by phone, email or post rather than in-store;
- Being more flexible around the collection dates and making earlier replacements for missing items;
- Not attempting to collect prices for components where it is likely that zero or very few prices will be available;
- Where prices are technically available but cannot be accessed because of government restrictions, treating these as unavailable prices.

Recognising the need for the Office for National Statistics to finalise its temporary price collection arrangements ahead of the April collection date, 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 2.5% 2024 and the 4.125% 2030 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. As your letter notes, a separate decision will be required shortly on the ONS’s method for dealing with missing prices.

Committee members noted the context for the contingency arrangements under consideration. The UK government rules and advice on social distancing mean many consumer-facing firms have temporarily suspended trading, while changes in consumer demand and supply disruption mean other products are out of stock. That, coupled with safety measures requiring price collectors to stay at home, mean there will be serious challenges compiling consumer price statistics from April onwards. These extremely unusual circumstances have required the ONS to put in place temporary contingency arrangements, until existing procedures can be resumed at some point in the future, to ensure that the RPI can continue to be produced. While these measures are necessary, the Bank has assessed the ONS’s proposals in order to comply with its obligations under the 2007 Act.

In that context committee members concluded that measures to maintain price samples (including changes to mode or timing of collection) are not a change to the coverage or basic calculation of the RPI and nor would they be fundamental. The proposed temporary arrangements are in line with the ONS’s general principle that the components of the RPI should be measured as accurately as possible and reflect consumers’ spending. They are also consistent with temporary actions taken by other statistical authorities in countries affected by Covid-19. The committee noted that where recorded prices may change due to the change in channel, ONS intends to treat these as non-comparable replacements, so such price shifts will not affect the index. The arrangements are therefore unlikely to be materially detrimental to holders of relevant index-linked gilts.

Committee members also concluded that not collecting prices where very few or zero are available is not a change to the coverage or basic calculation of the RPI. This temporary change would also avoid wasting

resources attempting to collect non-existent prices. In cases where safety concerns prevent prices from being collected even where those prices are available, the committee concluded that this would not represent a change to the coverage or basic calculation of the index, nor a fundamental change, as it is not uncommon for prices to be temporarily unavailable for a variety of reasons. This change in and of itself is unlikely to be materially detrimental to holders of relevant index-linked gilts; the Bank will carry out a separate assessment of the second stage of the contingency plans on the treatment of missing prices.

In summary, the Bank's assessment is that neither of the planned temporary changes referenced above 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 Vanessa MacDougall and Daniel Gallagher at the Treasury, to Darren Morgan, Grant Fitzner, Michael Hardie and Chris Payne at the ONS, and to Simon Hayes and Rhys Phillips at the Bank of England.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ben Broadbent', written in a cursive style.

Ben Broadbent  
Deputy Governor, Monetary Policy