



BANK OF ENGLAND

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Ben Broadbent
Deputy Governor, Monetary Policy

10 December 2020

Dear Mike

Proposed changes to RPI in 2021

I refer to your letter of 30 November 2020 addressed to Simon Hayes and Rhys Phillips, which covers the following planned changes to the Retail Prices Index (RPI): the 2020 annual update of the basket of RPI items; amendments to the method for estimating shop-type weights; the decision to not refresh 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 both the basket update and the amendment to the methodology for the annual updates of shop-type weights represent the sort of routine “maintenance” change that ought to be expected to ensure that the RPI remains consistent with its purpose. The decision to not refresh the local collection samples as a result of Covid restrictions means there is no change to this element of the RPI because it will not affect the population, expenditure or products sampled.

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, the planned introduction of alternative data sources and new methods from 2023 will require us to make an assessment at that time.

In summary, the committee was of the view that none of the planned 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 James Benford and Daniel Gallagher at HM Treasury, to Sam Beckett, Jonathan Athow and Grant Fitzner at the ONS, and to Simon Hayes, Rhys Phillips, Simon Kirby and Sarah Illingworth at the Bank of England.

Yours sincerely

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

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