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## **CHANGES IN THE CALCULATION OF THE RETAIL PRICES INDEX (RPI) AND INDEX-LINKED GILTS**

Today the Office for National Statistics (ONS) publishes an article entitled "Methodological improvements in the Retail Prices Index and Consumer Prices Index from February 2005". Methodological improvements are made each year at this time as part of the ONS' programme of keeping the Consumer Prices Index (CPI) and Retail Prices Index (RPI) up-to-date and relevant.

Accordingly the National Statistician has today announced the following planned changes to the calculation of the RPI. From next month the RPI will incorporate explicit indices for laptops and pre-pay mobile telephones using hedonic regression to allow for changes in quality. Today's announcement comes a month before publication on 21 March of the annual updating of the "basket" of goods and services whose prices will be used to calculate the indices in the following year.

The prospectuses of a number of index-linked gilts contain a redemption clause that requires that the Government must offer to redeem the relevant gilt (at inflation-adjusted par) if there is a change to the way that the RPI is constructed so that "in the opinion of the Bank of England, constitutes a fundamental change in the Index [RPI] which would be materially detrimental to the interests of stockholders".

The Chancellor of the Exchequer wrote to the Governor of the Bank of England for the Bank of England's view with regard to the following index-linked gilts:

2% Index-linked 2006	2½% Index-linked 2009
2½% Index-linked 2011	2½% Index-linked 2013
2½% Index-linked 2016	2½% Index-linked 2020
2½% Index-linked 2024	4⅛% Index-linked 2030

The Governor has informed the Chancellor that, in the opinion of the Bank of England, the National Statistician's proposed changes do not constitute a

fundamental change in the Index [RPI] which would be materially detrimental to the interests of stockholders of all of the stocks listed above.

Further information regarding these methodological changes is available on the Office for National Statistics website: [www.statistics.gov.uk](http://www.statistics.gov.uk)

## **NOTES FOR EDITORS**

1. Media enquiries should be addressed to Will Straw at the Treasury press office on **020 7270 4420**.
2. Non-media enquiries should be addressed to the Treasury Public Enquiry Unit on **020 7270 4558**.
3. This press release and other Treasury publications and information are available on the Treasury website at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk). If you would like Treasury press releases to be sent to you automatically by e-mail you can subscribe to this service from the press release site on the website.