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Coverage
United Kingdom

Theme
The Economy



High energy bills cause inflation to rise again

Consumer prices index (CPI) annual inflation rose to 4.7 per cent in August, up from 4.4 per cent, as rises in gas and electricity bills took effect.

Electricity prices rose 18 per cent year on year, up from 12.6 per cent in July. Gas inflation soared to 27.7 per cent year on year in August, up from 12.9 per cent in July.

Two major energy suppliers increased their gas and electricity tariffs at the end of July.

Food inflation continued to move upwards, reaching a record 14.5 per cent on the year, up from 13.7 per cent in July. This was largely due to a rise in cereals and breads, particularly breakfast cereals and pizzas. Bread and cereals rose to 17.4 per cent on the year, up from 15.9 per cent in July.

Meat prices increased once again, reaching 17.1 per cent year on year, up from 16.3 per cent in July. The largest effect came from pork products.

There was a large downward effect from transport costs. This was due to a decrease in the average price of fuels and lubricants.

The price of petrol fell by 5.5 pence per litre between July and August this year, to stand at 113.3 pence, compared with a fall of 0.6 pence last year. Diesel prices fell by 6.7 pence per litre this year, to stand at 125.6 pence per litre, compared with a fall of 0.2 pence last year.

Retail prices index (RPI) inflation fell to 4.8 per cent in August, down from 5.0 per cent in July. The main factors affecting the CPI also affected the RPI. Additionally there was a large downward

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contribution from housing where the effect came mainly from mortgage interest payments and depreciation.

Last year most lenders passed on a quarter point increase in the Bank rate which led to an increase in average mortgage interest payments whereas this year the Bank rate was unchanged. Both mortgage interest payments and depreciation are excluded from the CPI.

RPIX inflation – the all items RPI excluding mortgage interest payments – was 5.2 per cent in August, down from 5.3 per cent in July.

As an internationally comparable measure of inflation, the CPI shows that the UK inflation rate in July, at 4.4 per cent, was level with the provisional figure for the European Union as a whole of 4.4 per cent

BACKGROUND NOTES

1. More details of these figures are found in the Consumer Price Indices first release published today at:
<http://www.statistics.gov.uk/pdfdir/cpi0908.pdf>
2. Both the CPI and the RPI are compiled each month using the same underlying price data, based on a large and representative selection of more than 650 separate goods and services for which price movements are measured in around 150 areas throughout the UK. Around 120,000 separate price quotations are used each month to compile the indices. For further information please go to our website at:
<http://www.ons.gov.uk/about/newsroom/statements/measuring-the-cost-of-living.html>
3. The Government's target for the inflation rate is 2.0 per cent - based on the CPI measure.
4. ONS has a personal inflation calculator on its website as a guide for the public to measure their own inflation. For further details go to: <http://www.statistics.gov.uk/pic/>

5. The next release of the CPI and RPI will be on 14 October 2008.
6. **National Statistics** are produced to high professional standards set out in the National Statistics Code of Practice. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference. © Crown copyright 2008.