
Chair of the UK Statistics Authority, Sir Michael Scholar KCB

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Dear Jill

CONSUMER AND RETAIL PRICES

Thank you for your letter dated 22 February 2011 setting out the views of the Royal Statistical Society regarding inflation indices published by the Office for National Statistics (ONS).

The Board of the Statistics Authority considered your letter at our meeting on 25 March. You raise a number of fundamental questions about the purpose of price indices, and the extent to which their use should be taken into account in designing indices for a range of user needs. Some of the questions you raise are statistical, but some of them are, in our view, highly political. The Code of Practice for Official Statistics requires that the production, management and dissemination of official statistics should meet the requirements of informed decision-making by government, public services, business, researchers and the public but it is for decision-makers to determine which statistics they use for their purpose. As you will be aware, the arrangements for uprating benefits and determining pay awards have varied over the years and have taken account of a wide range of official statistics. The role of the Authority is to ensure that such statistics are produced to appropriate standards; the Authority cannot be involved in the political or business decisions informed by those statistics unless the integrity of the official statistics concerned is being damaged.

ONS has been engaging with users about future developments of consumer price indices following the publication of the Consumer Prices Advisory Committee's forward work programme and the Authority's Assessment and Monitoring Reports on consumer price inflation. As you are aware, this included a meeting at the RSS, and I am grateful for the cooperation of the RSS in making this a successful event. This engagement has led us to reiterate our clear view that owner occupier housing costs need to be included in the CPI, and has also led us to ask for a review of the clothing elements of both the RPI and the CPI. ONS also now intends to draft an article, for publication over summer 2011, that will describe the main current consumer price indices and future plans and will cover the points you have raised on the production of further variants. The Authority welcomes and supports this work programme by ONS.

I am also grateful for your offer of help in addressing the issues relating to the development of consumer price indices. The National Statistician is currently reviewing the membership of the Consumer Prices Advisory Committee and will invite the RSS to recommend to me names of potential members of that Committee.

Finally, you raised a few specific questions in your letter to me. These relate to issues raised in the recent Assessment and Monitoring reports to which ONS will be responding within the time frame set in those reports.

Yours sincerely

Michael Scholar

Sir Michael Scholar KCB