
Chair of the UK Statistics Authority, Sir Michael Scholar KCB

Professor David Hand
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6 October 2010

Dear David

RETAIL PRICES INDEX AND CONSUMER PRICES INDEX

Thank you for your letter of 25 August setting out in detail the views of the Royal Statistical Society about the inflation indices published by the Office for National Statistics (ONS).

The Board of the Statistics Authority considered your letter at our meeting on 24 September, and agreed to report on what I hope you will agree is progress on these matters. We continue to regard both the Consumer Prices Index (CPI) and the Retail Prices Index (RPI) as important measures of consumer price inflation. We believe that the CPI should become the primary measure of consumer price inflation but only when the inclusion in the index of owner occupiers' housing costs has been achieved. We note that the ONS has an active research and development programme for the CPI and the RPI, and are preparing for wider user engagement on a forward work programme, starting this autumn. We hope that this will include a meeting at the RSS, as has been previously discussed, and I am grateful for the help of the RSS in this.

The Authority has commissioned the Head of Assessment to prepare an independent report, in the Monitoring Brief series, to consider how the communication of measures of consumer price inflation may be further improved. The Authority is also assessing the set of inflation indicators against the Code of Practice for Official Statistics. Our findings will be set out, as usual, in a published Assessment Report. I expect both of these reports to be published soon, and I will write to you again at that point.

Separately, the Authority has received and welcomed the annual report prepared by the Consumer Prices Advisory Committee (CPAC). The report will be published on the ONS's website soon. The Authority particularly welcomed the proposal from the CPAC to publish regular reviews and updates of its meetings in future; I hope this will meet the point you make in this regard.

At our meeting on 24 September the Authority Board agreed a clear direction of travel in all the areas set out in your letter to me. We discussed the progress that CPAC and ONS have made towards incorporating owner occupiers' housing costs in an expanded CPI. CPAC's annual report will set out progress on this topic to date, as well as an overview of future development work in this area. We look forward to receiving regular progress reports from CPAC as this work progresses.

We also considered the points you made about the change in the presentation of the CPI and RPI statistics in the ONS release in June 2010. The ONS made these changes to the

Statistical Bulletin in the hope of improving the clarity of reporting of consumer price indices. The Authority noted that the ONS proposes to consult more widely on this and to review the format of the Bulletin in the light of all users' feedback, including of course your comments on behalf of the RSS.

I hope to be able to write to you again soon to let you know of further progress.

Best wishes,

Michael Scholar

Sir Michael Scholar KCB