

Sir,

Paul Johnson gave a helpful overview of inflation indices (Comment, Business, Mar 21). He omitted to mention, however, that CPIH and its predecessor CPI are both macroeconomic indices. They are helpful to the Treasury and Bank of England in seeing how the nation's economy is doing, but they are an unsatisfactory measure of inflation as it affects British households.

For several years, the Royal Statistical Society (RSS) has been advocating the introduction of a proper household inflation index. We believe the answer lies in the proposed Household Costs Index (HCI) that is currently being developed by the Office for National Statistics, with expert input from some RSS members.

Paul Johnson is right that government should not be cynical in its use of different inflation measures. We would also argue, however, that the government should use the appropriate inflation index for the job at hand. CPIH makes sense as an index for economic policy matters (such as potentially interest rate setting by the Bank of England) but it is HCI that, once fully developed and proven, should be used for uprating purposes and for assessing real incomes in the UK.

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