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The Letters Editor, Financial Times

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Dear Editor,

The Royal Statistical Society shares Chris Giles' concern about UK inflation measurement ("Britain must fix its broken method of measuring inflation, 8 August 2012).

He rightly highlights doubts about the Carli index for arithmetic averages used in RPI. But there is a fear that CPI underestimates inflation through how the geometric mean is used in its calculation.

CPI also lacks public confidence. It is not seen to reflect the typical consumer's experience, partly due to the formula effect issue but also because it does not include owner-occupier housing costs.

Solving the problems is vital but we must avoid an unsatisfactory quick fix. The major programme being run by the Office for National Statistics (ONS) to investigate the formula effect should be allowed to run its full course. And ONS must be sure that the outcome of its other programme to develop a consumer prices index that includes and sufficiently reflects owner-occupier costs commands widespread support.

Yours sincerely,

Jill Leyland

Vice president, Royal Statistical Society