

PRESS RELEASE

9 March 2016

Embargo: Immediate

NEW FORM OF CONSUMER PRICE INDEX AIMS TO MEASURE INFLATION AS HOUSEHOLDS EXPERIENCE IT

The National Statistician has today given the green light to proposals to work on developing a “Household Inflation Index” or HII. This new form of consumer price index would aim to measure how inflation affects what households actually spend their money on. This includes interest payments and the capital cost of houses – items usually excluded from such indices. Detailed proposals will be published in July.

The new HII would complement a set of macro-economic indices such as the CPIH, which will also require further work as set out in the letter.

The Royal Statistical Society (RSS) has long argued a household inflation measure would be critical for the public to maintain trust in official inflation measures.

Commenting on the new proposal for a Household Inflation Index, Mike Hughes, Chair of the RSS’s National Statistics Advisory Group said:

“This is excellent news. The RSS has consistently argued the country needs an index which reflects how price changes affect households to complement other indices.”

ENDS

NOTES TO EDITORS

1. The National Statistician’s proposals for developing a Household Inflation Index are set out today in a [letter to the Chair of the UK Statistics Authority](#). In it, he also confirms that he is inclined to consider that the CPIH should become the ONS’s “preferred measure” of consumer inflation in due course, a role currently fulfilled by the CPI. CPIH includes a measure of owner occupier housing costs and can be developed “to meet the needs of UK users”.
2. The RSS welcomes the new proposed Household Inflation Index on the basis that measuring how inflation actually affects households is a critical economic measure. This was the original purpose of indices such as the RPI but in recent decades the requirements of inflation targeting and other macroeconomic needs have come to dominate the way consumer price indices such as the CPI and CPIH have been compiled.
3. The UK would be the first country to work on developing such an index. The ideas behind it were developed by two RSS members, John Astin and Jill Leyland, and set out in their May

2015 paper [Towards a Household Inflation Index](#). John Astin is a former Head of Price Comparisons at Eurostat and was in charge of developing the HICP which in the UK is known as the CPI. Jill Leyland is a former Vice President of the RSS.

4. The CPI, which is the EU's Harmonised Index of Consumer Prices (HICP) for the UK, has to follow EU rules. However, CPIH was stripped of its national statistics status in August 2014 and last week failed to regain it. The UKSA's independent [assessment](#) concluded that the ONS needs to "do more to establish the credibility of, and user confidence in, the CPIH". The method of measuring owner occupier housing costs it uses, "rental equivalence", is controversial as it proxies this by using rental information of comparable properties.

CONTACTS

For more information, contact Magdalen Wiley, RSS Press & Policy Officer, on 020 7614 3920 or at m.wiley@rss.org.uk.

The Royal Statistical Society (RSS) founded in 1834 is one of the world's most distinguished and renowned statistical societies. It is a learned society for statistics, a professional body for statisticians and a charity which promotes statistics, data and evidence for the public good. Today the Society has nearly 8000 members around the world. www.rss.org.uk