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30 NOV 2017

A handwritten signature in black ink, appearing to read 'Hetan Shah'.

Thank you for your letter of 15 November to Philip Hammond about the Government's use of the Retail Prices Index (RPI). I have been asked to reply.

While your views are always valued, the representations process for Autumn Budget 2017 closed prior to our receiving your letter. Guidance for submitting Budget representations can be found on the HM Treasury website here:  
[www.gov.uk/government/publications/budget-representations-guidance](http://www.gov.uk/government/publications/budget-representations-guidance)

You are correct that the Government currently makes use of both the Consumer Prices Index (CPI) and RPI price indices. In 2011, alongside the decision to change the uprating of benefits from RPI to CPI, the Government committed to reviewing the use of RPI for indirect taxes once its fiscal consolidation plans have been implemented. This remains the Government's policy, but more recently further progress has been made. Autumn Budget 2017 announced that the Government would bring forward by two years, from April 2020 to April 2018, the planned switch in indexation for business rates from RPI to the main measure of inflation (currently CPI).

Since RPI lost its National Statistic status in 2013, we welcome the steps that the Office for National Statistics (ONS) has taken to improve the landscape of price statistics, including the development of CPIH. The Johnson Review of Consumer Price Statistics recommended that the Government makes greater use of CPIH, but at the time it was not a National Statistic. CPIH regained this status in July. We believe that CPIH needs time to establish itself as a National Statistic before it is considered for policy purposes.

As you note, the ONS is also developing a Household Cost Index (HCI), which will reflect the change in costs faced by specific groups of households. This differs from an inflation index, such as CPI or CPIH, which measures the changes in prices of goods and services consumed by households. However, the HCI is still at an early stage of development. It is therefore too soon to know whether this measure will be useful from a policy perspective.

Please pass on my thanks to Mr Shah for taking the trouble to make me aware of these concerns.

*Yours sincerely*

A handwritten signature in black ink, consisting of a stylized 'S' followed by a horizontal line and a vertical stroke.

STEPHEN BARCLAY