

Response to the announcement of the National Statistician on the outcome of the consultation on the Retail Price Index

The Royal Statistical Society welcomes the decision of the National Statistician and the UK Statistics Authority to continue publication of the RPI unchanged while continuing the ONS research programme in consultation with users.

How inflation measures are calculated is not just a technical issue for professional users but one of widespread public importance affecting millions of UK citizens.

The ONS instituted a comprehensive research programme into the formula effect (that part of the difference between CPI and RPI inflation rates which is due to the use of different index formulae) in 2011. This was rightly focused primarily on clothing which is a major contributor to the effect. The formula effect generally, and particularly in the case of clothing, is dependent not just on the choice of index but also on the characteristics of the price movements and levels being measured, sample design, choice of base period and price collection methods. The research should therefore continue to be comprehensive, include all aspects of methodology and cover the CPI as well as the RPI. Simply replacing the Carli formula with the Jevons (geometric mean), as will happen in RPI-J, is not optimal.

The RSS also welcomes the UK Statistics Authority decision to review the governance arrangements and structures supporting the production of price indices to ensure that these statistics best meet user needs in the future.

Importantly, we agree with others affected that this announcement should be a first step in the creation of a coherent family of indices meeting the needs of different user communities. A particular need is to consider the different requirements of an index used for uprating purposes with that used for macroeconomic needs.

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