

## Background

Please confirm you have read and understood this important background information.

Yes, I have read and understood the information on this page.

## About you

### 1 What is your name?

Name:

### 2 What is your email address?

Email:

### 3 What is your organisation?

Organisation:

Northern Powergrid

## Section one: Measuring prices across the economy

### 1 Should ONS identify a main measure of price change across the economy?

Yes

**Why? Please provide comments.:**

The benefits of having a main measure of price change outweigh the costs.

These benefits include the fact that it provides a focal point for different individuals and organisations to use by default in negotiations or long-term contracts.

Where a more specific measure of inflation is needed by individuals and organisations it can still be used, limiting potential costs from having a main measure.

### 2 If you answered 'yes' to question 1a, then what should this measure be?

the CPI, ONS's current headline measure. The CPI is an EU measure, designed by Eurostat to ensure comparable consumer prices statistics across the EU.

**Why? Please provide comments.:**

The CPI is internationally accepted and so will remain an important measure of UK inflation. By maintaining this as the headline measure, it will ensure there is only one main measure of UK inflation.

Insofar as the ONS believes the CPI could be enhanced to measure price inflation better in a UK context, work to address this should be taken forwards with Eurostat.

### 3. Should its production be governed by legislation?

Yes

**Why? Please provide comments.:**

A main measure of inflation will be used in long dated contracts. Financial confidence in such contracts will be enhanced if the main measure is governed by legislation and therefore less susceptible to political intervention.

The EU level regulations governing CPI are therefore one of its advantages.

## Section two: Measuring consumer price inflation for different household types

### 4 Should ONS seek to measure changes in prices as experienced by different households?

Not Answered

**Why? How often? Please provide comments.:**

We have no immediate demand for such measures, but they may be useful for others. We therefore have no comment.

## 5 If yes, how should ONS seek to do so?

Not Answered

### Why? Please provide comments.:

We have no immediate demand for such measures, but they may be useful for others. We therefore have no comment.

## Section three: The RPI

### 6 Do you use the following indices? (Please select those that you use)

RPIJ, Component indices of the RPI, Any other RPI index

### If yes, for what purposes? Please provide comments.:

We use RPIJ to directly estimate and monitor the formula effect gap between RPI and CPI inflation.

We also use the dataset providing a decomposition of the gap between CPI and RPI inflation, to provide a reconciliation of other sources of difference between these two (aside from the formula effect). We do not use this dataset to monitor the formula effect, since it is evaluated based on CPI's weights (rather than the RPI's weights), and since the gap between RPI and RPIJ provides the most accurate available estimate of the formula effect.

We use the RPI component indices, and their weights, to directly understand drivers behind changes in RPI inflation.

### 7 Do you agree that the following indices should be discontinued? (Please select those that you suggest should be discontinued)

### Why? Please provide comments.:

RPI remains an important measure that continues to be used in many long term financing and contractual instruments. As long this remains the case, the information published on RPI should be sustained on a similar basis to the present position. This includes publishing sufficient additional data to allow market participants to understand drivers behind changes in RPI.

RPIJ is essential since it allows for separate identification and monitoring of the formula effect between CPI and RPI inflation, to a far greater degree of precision than any other series. It should therefore not be discontinued, since the RPI formula effect remains of material interest to stakeholders which continue to use RPI as a legacy price indexation measure. We do not believe calculation and publication of RPIJ will be costly since all the necessary base data is compiled for RPI.

Other sources of information on drivers behind the gap between RPI and CPI inflation are also of material interest to such stakeholders. This is provided by the decomposition of differences between RPI and CPI inflation, which should also not be discontinued while RPI is still published and widely used. We are not clear on the costs of publication of this series and associated documents – though we assume that publication of the data itself involves limited additional cost.

Similar useful information, on the drivers behind RPI inflation, is also provided the component indices. We do not believe these component indices of the RPI (and their weights) will be costly to publish, since the data is all compiled for the calculation of RPI, so we do not think they should be discontinued while RPI is still widely used.

### 8 Do you have any views on what 'freezing' changes to the RPI should mean in practice?

Yes

### Why? Please provide comments.:

The basic formulae should remain unchanged, since this preserves the RPI on a consistent basis with how it has previously been produced.

Neither the weights nor the methodology for collecting price data should be frozen. Users of RPI have always been exposed to changes in weights and data gathering routines, so freezing weights and data gathering routines would imply a break from past practice.

Limiting a freeze to the basic formulae would also limit the costs of continuing to publish RPI data, since parallel data collection routines (alongside those used for CPI) would not be required. This is important, since the long dated nature of some RPI index linked bonds means there will potentially be a requirement for an RPI series for many years.

There should not, however, be changes to data collection routines which are deliberately targeted at mitigating the formula effect increase which took place in 2011. The passage of time since this increase occurred, and the extent to which the change has been publicised since then, would make such changes inconsistent with the basis on which users (such as regulated network businesses, economic regulators, and financial market participants) have come to accept the RPI measure of inflation.

## Section four: Evolving consumer price statistics

### 9 Are the priorities identified by ONS in its forward work plan appropriate?

Not Answered

### Why? Please provide comments.:

Although the workplan looks sensible, we are not well placed to comment on many of the items or identify missing items.

### 10 Should ONS include council tax in the CPIH?

Yes

**Why? Please provide comments.:**

Council tax is a material cost associated with ownership or occupation of housing. It is frequently considered alongside rents or purchase price by individuals making decisions on housing. It should therefore be included alongside other housing costs in CPIH.

**Additional information**

**Do you have any further comments relevant to this consultation?**

**Do you have any further comments relevant to this consultation?:**

**User satisfaction**

**Overall, how satisfied were you with this online consultation service today?**

Satisfied

**Please tell us if there are any specific areas for improvement, or if you have any other comments.:**