

# Template for response

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The Authority encourages respondents, where possible, to provide their submissions [online](#).

Where you would prefer to respond via email or on paper, please use this template and return the submission via email to [cpi@ons.gsi.gov.uk](mailto:cpi@ons.gsi.gov.uk), or via post to:

*Consumer Prices Consultation team  
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Cardiff Road  
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## Section One: Measuring prices across the economy

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

- a. Yes**
- b. No**

**1a. Why? Please provide any comments below:**

*Identifying a single main measure helps to provide clarity about the overall level of consumer price change across the economy.*

If yes:

**2. What should this measure be?**

- a. the CPIH, as recommended in the Johnson review. The CPIH includes owner-occupiers' housing costs. It does not currently hold the *National Statistics* designation (although its re-assessment is due to commence shortly). The index is a UK measure, designed by ONS to meet UK needs.
- b. 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.
- c. other (please provide details).

[No response]

**2a. Why? Please provide any comments below:**

*In time, this measure should be CPIH. Housing costs represent an important element of household expenditure and ideally should be captured in the main measure of consumer prices.*

*Once the issues surrounding the measurement of owner-occupied housing costs are judged to have been resolved, the CPIH measure regains its status as a National Statistic, and has a proven track record, there is a strong case for its becoming the main measure of inflation.*

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

- a. Yes
- b. No

*[No response]*

**3a. Why? Please provide any comments below:**

*Ensuring that the production of CPIH has formal governance arrangements will enhance its credibility with users, including as a possible basis for index-linked financial instruments. Legislation may or may not be the best way to ensure this.*

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

- 4. Should ONS seek to measure changes in prices, as experienced by different households?**
- i. Yes
  - ii. No

*[No response]*

**4a. Why? How often? Please provide any comments below:**

*The Bank's interest in these measures would be primarily as indicators of the outlook for consumption, saving and other household behaviour. An annual publication would serve this aim while avoiding any confusion over the headline measure of inflation for the UK as a whole.*

*If yes:*

**5. How should ONS seek to do so?**

- i. Using a payments-based approach.
- ii. On the same basis as existing measures such as CPI.
- iii. Via another means (please provide details)

*[No response]*

**5a. Why? Please provide any comments below:**

*[No response]*

## Section Three: The RPI

### 6. Do you use the following indices?

i. RPIJ <sup>1</sup>	Yes/No
ii. Tax and price Index	Yes/No
iii. RPIY <sup>2</sup>	Yes/No
iv. RPI pensioner indices	Yes/No
v. Component indices of the RPI	Yes/No
vi. Any other RPI analytical- or sub- index	Yes/No

*[No response]*

### 6a. If yes, for what purposes? Please provide any comments below:

*These indices are of very limited use to us.*

<sup>1</sup> RPI calculated using formulae that meet international standards

<sup>2</sup> RPI excluding Mortgage Interest Payments and indirect taxes

**7. Do you agree that the below indices should be discontinued?**

- |   |        |
|---|--------|
| i.RPIJ                                    | Yes/No |
| ii.Tax and price Index                    | Yes/No |
| iii.RPIY                                  | Yes/No |
| iv.RPI pensioner indices                  | Yes/No |
| v.Component indices of the RPI            | Yes/No |
| vi.Any other RPI analytical- or sub-index | Yes/No |

**7a. If yes, why? Please provide any comments below:**

*RPI-based indices are statistically problematic. The Bank would have no objection to their discontinuation if appropriately managed.*



**8. Do you have any views on what 'freezing' changes to the RPI should mean in practice? Please provide comments.**

*[No response]*

## Section Four: Evolving Consumer Price Statistics

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

- a. Yes
- b. No

**9a. Why? Please provide your comments below:**

*The Bank welcomes the Johnson Review's recommendations promoting the accuracy of measured inflation through the use of new data collection techniques and the review of ONS's quality assurance methods.*

*As the best indicator of the growth in the consumption costs of owner occupied housing, the work to assure the quality of the rental equivalence measure of owner occupied housing costs in CPIH is a high priority.*

**10. Should ONS include council tax in the CPIH?**

- a. Yes
- b. No

[No response]

**10a. Why? Please provide your comments below:**

*This is a matter of judgement, on which the Bank as an organisation has no strong view.*

*One the one hand, one can argue that Council Tax is generally classified as a direct tax and, like other direct taxes, is not suitable for inclusion in an inflation measure. That its proceeds are used to help pay for the provision of local public services ‘consumed’ by households is not a convincing argument for its inclusion. After all, Income Tax receipts are also used to pay for public services, but no one argues that Income Tax payments should be included in a measure of price inflation. Moreover, the inclusion of Council Tax would increase further the proportion of the CPIH basket accounted for by administered and regulated (i.e., non-market) prices, making the unadulterated aggregate index potentially less suitable for some macroeconomic applications (while at the same time probably making it more suitable for other applications).*

*On the other hand, one can argue that Council Tax payments will be regarded by many as a cost associated with the occupation of dwellings, which we do seek to include in CPIH – for instance through rental payments and estimates of owner occupiers’ housing costs based on rental equivalence. That argument is reinforced by the fact that Council Tax is levied in a way that is positively related to the relative ‘value’ of the property occupied and, therefore, some sort of measure of the ‘quantity’ of dwelling services consumed. Viewed in that light, and as highlighted by the Johnson and Mirrlees Reviews, one might regard Council Tax as for practical purposes economically equivalent to a tax on the occupancy of residential dwellings and therefore sensible to include in CPIH in much the same way as VAT or Vehicle Excise Duty.*