

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:

None - retired

Section one: Measuring prices across the economy

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

No

Why? Please provide comments.:

The best single indicator of price change across the wholly economy is probably the GDP deflator or, alternatively, some other deflator linked to another national accounts aggregate. Such a deflator would reflect price changes as they affect not only consumers' expenditure (or particular parts of it) but also price changes as they affect other components of final expenditure. However this measure is not within the set of indices currently being considered which all relate to consumer prices. Moreover it is only available for quarterly time periods and with a longer time lag than those being considered and is subject to revision through time. Thus, despite being an overall measure of inflation, it does not have the attributes now being sought.

Leaving that aside there is clearly a case for having a single recommended measure of inflation so as to avoid public confusion and criticism and persons / bodies choosing the measure which best serves their interests at any point in time. However it may not be possible to choose a single measure. Presuming that the UK remains a member of the EU it seems that we must continue to produce the CPI and, for reasons of EU comparability and solidarity, give it some prominence. However there is clearly also a case for having a measure incorporating owner-occupied housing costs (despite owner-occupied housing also being an asset) and thus a CPIH though, ideally, this should only differ from the CPI in ways which would be consistent with a comparable EU measure should such be agreed upon in the future.

There are though fundamental problems with using the CPI as a measure relating to the majority of UK persons or households (given the expenditures reflected in its weights which include those of very high-income / wealthy individuals and also overseas visitors to the UK) and it can be argued that there is a strong case for having a further price index related to the expenditure patterns of those (e.g. those with, or dependent upon, state pensions) whose incomes might be linked to it.

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

Not Answered

Why? Please provide comments.:

As I answered 'No' I strictly do not need to answer this question but my views with respect to the various indices are stated above.

3. Should its production be governed by legislation?

No

Why? Please provide comments.:

I appreciate that it is currently the vogue to legislate to require governments to do specific things in respect of the production of statistics and macro-economic policy but am sceptical about the value of such legislation which can be readily overturned by a future government. The alternative would be to build the production requirements into the National Statistics endorsement, with the intention of creating a general public expectation that the chosen measure or measures would continue to be produced.

Section two: Measuring consumer price inflation for different household types

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

Yes

Why? How often? Please provide comments.:

I presume that this question is really referring to different household groups, rather than different households (i.e. one for each household, for which I understand ONS has provided an online means allowing individuals or individual households to calculate their own rate of inflation by combining their own expenditure patterns with given price relatives).

Following on from what I have said in answer to question 1a, I think there is a case for ONS providing price indices relating to two particular groups. The first is for those with fairly average incomes, say in the middle fifth of the income distribution. Of course if this were to be done both the means for doing so and pressure from users would be likely to suggest that this analysis be extended to cover those in the other fifths of the income distribution. The second is for those whose primary source of income might be affected by an uprating determined by a price index. I here have in mind those receiving or mainly dependent on state pensions and / or other state benefits.

The main justification for these additional price indices would be that the CPI, which is necessarily produced for EU requirements and international comparability, may be heavily influenced by the expenditure patterns of the highest earners / most wealthy and overseas visitors to the UK. Given the widening of the income distribution, the different expenditure patterns of different groups of households and the greater volatility in the prices of some goods which feature larger in the expenditure patterns of the less well-off, there is a case for constructing indices more relevant to other income groups and particularly those affected by index-linked upratings of pensions and benefits.

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

Not Answered

Why? Please provide comments.:

I think that the indices which I am suggesting could be produced in line with the CPI, though they would not be sub-indices of it (due to differing population coverages).

The issue of producing indices for particular groups in society is surely different from that of whether or not to adopt a payments-based approach. I think that the merits of the alternative features of the payments-based approach should be considered separately. In particular, I consider that the use of gross rather than net insurance premia would be double-counting unless the insurer restores / replaces damaged or lost items instead of providing the insured with funds to do so themselves. On the other hand I am more sympathetic to the payments-based approach in respect of the items within owner-occupied housing costs.

Information on the expenditure patterns of different household groups is presumably available from the existing Living Costs and Food Survey and the Family Resources Survey.

Section three: The RPI

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

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

It is not necessarily clear what is meant by 'use an index'. However one very specific use is currently made of the RPI (rather than any of the variants listed above) by the Manchester Statistical Society in the administration of a charitable fund which it holds.

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

RPIJ, Tax and price Index, RPIY, RPI pensioner indices, Component indices of the RPI, Any other RPI index

Why? Please provide comments.:

I would be in favour of discontinuing these provided that parallels are available, or are to be developed, in respect of the other indices referred to above, namely the CPI, a middle income index and a pensioner specific index. The main problem with the RPI is its use of the Carli formula for combining prices at the early stages in aggregation when product weights are not available. However it does have the merit of relating to the predominant group of households in the country, excluding only those with the highest incomes or primarily dependent on state pensions. Given that I favour the production of indices relating to sub-groups, such as pensioner households, it almost becomes a matter of semantics whether such are viewed as reformed RPIs and variants of such or as new indices.

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

No

Why? Please provide comments.:

Ideally I would like to see the cessation of the RPI in its present form but the development of price indices with a similar coverage as described above. It may however be necessary, as Paul Johnson has recognised, to continue to produce the RPI for some time in which case I would suggest that it continues as now, with the only change being the normal annual changes to the weights and selection of indicator items.

Section four: Evolving consumer price statistics

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

Yes

Why? Please provide comments.:

I would mention two particular areas of work:

- i. the development of indices relating to sub-groups in the population and
- ii. the treatment of multi-buy offers and loyalty discounts. Should discounts off next total supermarket bill (e.g £5 off if you spend over £50) be treated as a price reduction (and if so off which items?) or as a form of income or be ignored?

10 Should ONS include council tax in the CPIH?

No

Why? Please provide comments.:

There are several reasons:

1. Consistency with the national accounts in which it is treated as a tax
2. Continuity through time - would the 'Community Charge' and any future system of local income tax be included within CPIH, or indeed CPI?
3. International and EU consistency - ideally a CPIH measure should be adopted across the EU and the UK CPIH should be consistent with it.
4. The pressure to include items sometimes comes from those who imagine that by including them the price indices - and their rates of increase - will be raised with a resulting higher uprating of benefits. Clearly this is not the case: incorporating further items into the price indices may lower or raise the indices, and their rates of change, depending on the rates of change in price of the newly incorporated items relative to those of the existing items.

Additional information

Do you have any further comments relevant to this consultation?

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Yes. Whilst I accept the merit for producing a single measure of inflation, based on the change in prices over the preceding twelve months, it does necessarily mean that the resulting measure is slow to reflect step changes in the monthly rate of inflation. For example if a period of stable prices (no change in the index itself) were followed by one when prices rose at a constant monthly rate it would take twelve months for the twelve month inflation rate to rise from zero to that implied by the new current monthly rate - and likewise for a fall. This may have been one of the reasons for the media scepticism about the accuracy of the official indices in 2008 when consumer prices, notably for food and energy, started to rise rapidly, with the increases in the rates of change in the official indices only appearing to catch up later.

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.:

I initially went to an online document of similar title with an Annex B Template for Response which did not appear to allow responses to be added to it. I consequently googled again and found this document which I have completed with ease.