

Follow-up notes by Professor Guy Nason, University of Bristol.

Overall, I strongly endorse the follow-up notes submitted by Jill Leyland, which are excellently explained and justified (and also benefit from her participation in a further Stakeholder meeting).

Crucially, I think the UK would benefit from having a "people's index". Jill refers to it in her notes as an index that "broadly reflect[s] the inflation experience of a "typical" household" and one that people can have confidence in. I'm not sure we have that at the moment.

A new 'people's' index should focus on statistical measurement of price experience, and not be concerned with consequent economic and policy considerations. For example, there is a concern that including mortgage payments might result in a feedback loop if an HCI is used for uprating. It seems to me that then either (i) the HCI should not then be used for uprating, or (ii) another index should be used, e.g. CPI, or another one since CPI wasn't designed for this purpose, or (iii) a variant of HCI - for the latter, Jill advocates a 'maximlist/specific purpose' approach.

In the same vein, I think the question of Income Tax and National Insurance ought to be addressed explicitly, even if it does enter into an index in due course. For example, for many real people this is a significant expenditure. This might result in a separate "Tax and Price index".

I also would strongly argue for second hand goods to be included. Jill's article mentions "charity shops", but bigger purchases are also often made second hand, e.g. mobile phones.

Finally, and possibly tangentially to the above discussion, but, in my view just as important, is to communicate the nature of uncertainty around price indices more effectively than we do now. I know ONS do release information on this, but it is rarely picked up on in the media (e.g.) and it is somewhat buried in ONS releases (e.g. it does not appear on the headline ONS page). I think more effective communication of uncertainty would also reduce the problem of users being perplexed by 'index proliferation' (including non-ONS private indices that will undoubtedly materialise in coming years) and moving us away from the concept of THE single inflation index.