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**Chair of the UK Statistics Authority, Sir David Norgrove**

OFFICIAL SENSITIVE - MARKET SENSITIVE

Dr Mark Carney  
(via email)

18 February 2019

Dear Governor,

We have discussed the inadequacies of the Retail Prices Index (RPI) in the past and you are aware of the House of Lords Economic Affairs Committee report on it, for which Ben Broadbent gave evidence. You commented publicly when you appeared in front of the same Committee in January 2018. The Committee's report is clear that action is needed, and I am intending to write to the Chancellor setting out our proposals for the future of the RPI.

We envisage two parallel actions:

- that RPI publication is stopped at a point in the future. This would require primary legislation to amend the Statistics and Registration Service Act 2007, and is therefore likely to be a longer-term solution; and
- in the interim, to correct the shortcomings of RPI by bringing the methods of CPIH into it. If adopted, this would mean that at least initially the RPI would be the same as CPIH. There would then be an ongoing question whether future changes to the CPIH should also be reflected in changes to the RPI.

I write this letter as required by section 21 of the Statistics and Registration Service Act 2007, which requires the Bank of England to undertake an assessment of any proposed changes to the RPI that affect its coverage and basic calculation. The second action would affect coverage and basic calculations, and I would be grateful if the Bank of England could undertake such an assessment. The result will inform the terms on which I write to the Chancellor.

As in previous, albeit routine, changes to RPI, the Annex provides more detail. In particular, it sets out the main differences between RPI and CPIH and estimates of the effect on the level of the RPI.

ONS officials stand ready to discuss further. I look forward to your reply.

Yours sincerely



**Sir David Norgrove**

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