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

Lord Forsyth of Drumlean  
Chair, Economic Affairs Committee  
House of Lords  
London  
SW1A 0PW

4 October 2018

Dear Lord Forsyth,

Thank you for your letter of 5 September about our views on the potential of the Retail Price Index (RPI) to be a good measure of inflation.

The UK Statistics Authority and the Office for National Statistics (ONS) have been clear for some years that the RPI is not a good measure of inflation. This view is based on considerable research into the formula effect and other properties of the RPI over a number of years, including an independent review published in 2015. It also takes into account the views of a wide range of users.

Recognising this, ONS has developed a range of other consumer price statistics, with each designed to meet one of three clearly defined user needs (the three-use case): an economy-wide measure based on sound economic principles, a measure that reflects households' experiences, and the RPI as a legacy measure, to meet the needs of existing long-term contracts.

Looking specifically at the RPI, a summary of the issues can be found in an ONS paper on the its shortcomings<sup>1</sup>.

In many cases the problems are the result of the RPI failing to keep pace with new understanding and evolving international best practice. We are not aware for example of any other National Statistical Institute<sup>2</sup> that uses the Carli formula. They favour the alternative formulae used in our Consumer Price Index including owner-occupiers' housing costs (CPIH) and Consumer Price Index (CPI).

The numerous shortcomings mean there is no straightforward solution that would give the RPI desirable statistical properties. To correct some deficiencies but not others would be arbitrary and risk creating inconsistencies, and to correct them all would turn the RPI into CPIH by another name.

For that reason we have not proposed changes to the RPI through the process prescribed in the legislation, which is designed for a situation where a change in RPI methods or data sources is proposed. We want to see a continued move away from the use of RPI. Our preference on the next step would be for a concerted programme to phase out the use of RPI, with appropriate transitional or other arrangements to reflect the needs of existing RPI related contracts. This programme would inevitably need to be implemented over an appropriate timetable. Such a change, with its complexities for different parties, must be a

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<sup>1</sup> ONS (March 2018): [Shortcomings of the Retail Prices Index as a measure of inflation](#)

<sup>2</sup> With the possible exception of Israel

matter for Government and other public authorities to lead and is beyond the scope of the UK Statistics Authority and ONS alone.

Yours sincerely,

A handwritten signature in black ink that reads "David Norgrove". The signature is written in a cursive, slightly slanted style.

**Sir David Norgrove**