

National Statistician announces outcome of consultation on RPI

Following a consultation on options for improving the RPI, the National Statistician, Jil Matheson, has recommended that the formulae used to calculate the Retail Prices Index (RPI) should remain unchanged. The UK Statistics Authority has endorsed this recommendation.

Additionally, to assist users to understand the difference between the RPI and the Consumer Prices Index (CPI) a new RPI-based index will be introduced, using a geometric formulation (Jevons).

In developing her recommendation, the National Statistician noted the significant user requirement for the RPI to have a consistent long-run time series without any major changes to continue its use for long-term indexation and for index-linked gilts and bonds.

The National Statistician has also recommended that improvements to the measurement of private housing rents from using an alternative data source should be implemented in the February 2013 RPI indices (published on 19 March 2013). As this change affects the RPI it is subject to the view of the Bank of England and, if necessary, approval by the Chancellor of the Exchequer.

The Office for National Statistics will continue to pursue its research programme in the area of consumer price statistics, though the formulation of the RPI will not be reconsidered. This is a complex area that is evolving as the retail sector changes. Developments in technology and retail behaviour will drive changes in the way prices are collected, processed and aggregated. Users should recognise that the RPI was developed to reflect a consumer market that is barely recognisable today and as a result ONS will work with users to develop proposals that will maintain the quality of its consumer price statistics.

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Background Notes

1. The National Statistician's announcements relate to the options set out in her consultation published on 8 October 2012. See: <http://www.ons.gov.uk/ons/about-ons/user-engagement/consultations-and-surveys/archived-consultations/2012/owner-occupiers-housing-costs/index.html>
2. The consultation was announced on 18 September 2012 and ended on 30 November 2012. More than 400 responses to the consultation were received from a wide range of organisations and a significant number of individuals.
3. The recommendation not to change the formulae used in the RPI equates to option 1 as set out in the consultation document.
4. The development of the new RPI based indicator equates to option 3 in the consultation document, and it will be published alongside other measures on 19 March 2013. The geometric approach will use the 'Jevons' measure and is based on a calculation that uses the nth root of the product of n price measures.
5. The RPI is an economic indicator that is published monthly by the Office for National Statistics and measures the change in the cost of a basket of retail goods and services.
6. On 8 January 2013, the Consumer Prices Advisory Committee (CPAC) met to provide advice to the National Statistician in making her recommendation. Both the meeting papers and a summary note of the meeting have been published today on the CPAC webpage:
[ADD LINK]
7. Section 21 of the Statistics and Registration Service Act 2007 requires that:
“(2) Before making any change to the coverage or the basic calculation of the retail prices index, the [Statistics] Board must consult the Bank of England as to whether the change constitutes a fundamental change in the index which would be materially detrimental to the interests of the holders of relevant index-linked gilt-edged securities.
(3) If the Bank of England considers that the change constitutes a fundamental change in the index which would be materially detrimental to the interests of the holders of relevant index-linked gilt-edged securities, the Board may not make the change without the consent of the Chancellor of the Exchequer.
8. The Bank of England's judgment on the proposal affecting private housing rental data and, if required, the decision by the Chancellor of the Exchequer will both be made in a timely manner.
9. ONS will publish all responses to the National Statistician's consultation before the end of February 2013.
10. National Statistics are produced to high professional standards set out in the Code of Practice for Official Statistics. They undergo regular quality assurance reviews to ensure

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