



Economic Affairs Committee Report: *Measuring Inflation* Debate on 1 July 2019

This briefing identifies relevant reports and useful documents, including recent parliamentary materials and press articles, which may be of assistance to Members in preparing for the following debate:

Lord Forsyth of Drumlean to move that this House takes note of the Report from the Economic Affairs Committee *Measuring Inflation* (5th Report, HL Paper 246)

Copies of the materials are available for collection from the Library.

Key Information

- House of Lords Economic Affairs Committee, [Measuring Inflation](#), 17 January 2019, HL Paper 246 of session 2017–19, pp 3–7

Summary and conclusions and recommendations of the committee's inquiry into the range of consumer price inflation indices used in the UK. The committee concluded that the retail price index (RPI) was a "flawed" statistic, due to a problem with the methodology used for its calculation. As a result, the committee stated that RPI has been approximately 0.8 percent higher than the consumer price index (CPI) since 2010. The committee claimed that the discrepancy had caused "winners and losers"—holders of RPI-linked Government bonds have benefited and commuters and students have lost out, as annual rail fare increases and student loans are linked to RPI. The committee concluded that the UK Statistics Authority "could be accused of failing in its statutory duties" by not correcting the error. The committee recommended that the error should be corrected, and that the Government should discontinue the use of RPI and develop a new, single measure of inflation. This would prevent what the committee described as "index shopping"—by which the Government has chosen to uprate benefits, tax thresholds and pensions by the lower CPI measure since 2011.

- UK Parliament, [Joint Letter from the Chairs of the House of Lords Economic Affairs Committee and the House of Commons Treasury Committee to John Pullinger, Chief Executive of the UK Statistics Authority](#), 6 February 2019; UK Statistics Authority, [Letter from Sir David Norgrove, Chair of the UK Statistics Authority, to the Rt Hon the Lord Forsyth of Drumlean, Chair of the House of Lords Economic Affairs Committee](#), 30 April 2019; and HM Treasury, [Letter from the Chancellor of the Exchequer, Philip Hammond, to the Rt Hon the Lord Forsyth of Drumlean](#), 30 April 2019

Joint letter from the chairs of the House of Lords Economic Affairs Committee and the House of Commons Treasury Committee to the UK Statistics Authority, requesting that the Authority implement the Measuring Inflation report's recommendations. Plus, letters from the UK Statistics Authority and the Chancellor of the Exchequer, which committed to consider the report's conclusions and to respond in due course.

- HM Treasury, [Budget 2018](#), 29 October 2018, HC 1629 of session 2017–19, p 12

Section from the Budget setting out the Government’s policy on the use of inflation indices. The Government stated that, since 2010, it had been reducing its use of RPI in a range of areas, including benefits, pensions, and business rates. However, the Government stated that the issues associated with transferring from RPI in all areas “are complex and potentially costly” to the Exchequer. The Budget stated that the “Government’s objective is that CPIH [CPI including owner-occupier housing costs] will become its headline measure over time” and that it will continue to reduce the use of RPI “when and where practicable”.

- Office for National Statistics, [Shortcomings of the Retail Prices Index as a Measure of Inflation](#), 8 March 2018

Report which explained the different inflation indices produced by the ONS, and the methodological issues related to the calculation of RPI.

- Paul Johnson, [UK Consumer Price Statistics: A Review](#), UK Statistics Authority, January 2015

Summary and recommendations of the review conducted by Paul Johnson, Director of the Institute for Fiscal Studies. The review set out the different methods of calculating inflation and it recommended that the Government discontinue the use of RPI as an official inflation measure.

Parliamentary Debate, Statements and Questions

- House of Lords, [‘Written Question: Government Securities’](#), 25 February 2019, HL13609
- House of Commons, [‘Written Question: Retail Prices Index’](#), 20 February 2019, 220270
- House of Commons, [‘Written Question: Public Transport: Fares’](#), 20 February 2019, 220168
- House of Lords, [‘Written Question: Students: Loans’](#), 16 June 2016, HL427

Press Articles and Comment

- Paul Johnson, [‘Time to Reset the Watch and Scrap RPI as a Measure of Inflation’](#), Institute for Fiscal Studies, 25 February 2019
- Patrick Collinson, [‘MPs and Peers Press Treasury to Abandon ‘Absurd’ Inflation Measure’](#), *Guardian*, 12 February 2019
- BBC News, [‘Commuters and Students ‘Short-changed by the Government’](#), 17 January 2019
- Delphine Strauss, [‘House of Lords Takes Aim at Statistics Authority’s Failure to Fix UK Prices Index’](#), *Financial Times* (£), 17 January 2019

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