

Professor Sir Ian Diamond
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By email to national.statistician@statistics.gov.uk

20 June 2023

Dear Sir Ian,

Household Costs Indices (HCIs)

The correspondence between my predecessor Professor Sylvia Richardson¹ and you² around a year ago underlined the importance that the Royal Statistical Society attaches to having measures of inflation from a household perspective alongside those designed for the economy as a whole. It was reassuring that your reply confirmed that development of the Household Costs Indices (HCIs) was a priority area for the ONS. Since then, the RSS has published a further paper by John Astin and Jill Leyland, setting out potential next steps in the development of HCIs.

We were pleased to hear that quarterly publication of HCIs will commence this year - in September, as we understand it. Inspired by the work undertaken by the ONS, the US is now developing HCIs, publicly acknowledging the leadership of the ONS in this area. However, we are concerned that the ONS has seemingly decided to freeze further development. HCIs play a key role within the ONS's consumer prices landscape and such a decision would represent an apparent dilution of the Stiglitz, Sen, Fitoussi Commission recommendation³. That recommendation was that economic statistics should "emphasize the household perspective" and the Commission's recommendations are the bedrock of the ONS's work on measuring national well-being.

We appreciate that there are resource constraints and that effort is needed to incorporate scanner and other large datasets but further development after quarterly publication does not necessarily need to be extensive. We accept that development of the HCIs will need to be slower than we would all like and we believe that there are elements that can be put back with limited harm. However, there are key steps that could, it seems to us, be taken that would not be too costly or where research has already been done. One of these would be to improve the estimation of

¹ https://rss.org.uk/RSS/media/File-library/Policy/2022/220412_Sylvia_Richardson_to_Sir_Ian_Diamond.pdf?ext=.pdf

² https://rss.org.uk/RSS/media/File-library/Policy/2022/Letter_from_Prof-Sir_Ian_Diamond_to_Prof-Sylvia_Richardson_050522.pdf?ext=.pdf

³ Mis-measuring Our Lives, The New Press, New York, 2010



mortgage interest costs since neither CPI nor CPIH provide a measure of the impact of changes in interest rates on household budgets.

Deciding to freeze HCI development, and related research, aimed at better understanding the impact of inflation on those on the lowest incomes, seems particularly inapt during a cost-of-living crisis. While energy prices may be set to decline, they remain high and food inflation looks set to remain high for some time further. Evidence from organisations such as the Trussell Trust and Citizens Advice Bureau underlines the significant challenges faced by some of the poorest in our society.

I would like to take this opportunity to re-enforce earlier commitments of the RSS to continue to support the development of HCIs and its related research. We would also be pleased to host an open meeting or workshop to help assess the most pressing needs. This could complement the discussion of John and Jill's paper by the Stakeholder Panel, which we understand is likely to happen at its next meeting in July.

If it is helpful, I would be pleased to meet soon and explore these issues with you, as well as discuss the potential to start regular meetings.

I am copying this letter to Sir Robert Chote, Ed Humpherson, Dame Kate Barker, and Professor David Hand. We plan to publish this letter on our website on 4 July 2023.

Yours sincerely,



Dr Andrew Garrett
President of the Royal Statistical Society

