



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Ms Lisa Ray
General Secretary of Public Service Pensioners' Council
Civil Service Pensioners Alliance
Grosvenor House
125 High Street, Croydon
CR0 9XP

28 March 2018

Dear Lisa,

GOVERNMENT'S USE OF DIFFERENT INFLATION MEASURES

1. Thank you for your letter of 8 March setting out your continued concerns about the use of different inflation measures.
2. You are correct that the Government uses different inflation measures for different purposes. The flaws in RPI are now well understood, and the Government has committed to reviewing its use of RPI for indirect taxes once the fiscal consolidation is complete. The government has made good progress on this, reducing the deficit by three quarters from its post-war high. However, the nation's debt level remains too high, at £65,000 per household. This high level of debt leaves us vulnerable to future economic shocks, and incurs significant amounts each year in interest payments.
3. You asked what CPIH would have to display before being used for policy purposes. The development of CPIH has taken a long time, with it gaining and subsequently losing National Statistic status in 2014. It has now regained National Statistic status. We would now like to see CPIH establish a track record of publications as a National Statistic. The ONS are also developing a modelled back series to help us understand the behaviour of the statistic over a longer time horizon, since the official series only begins in 2005.



4. You mentioned that EE use the RPI to set their prices. EE is a private company, and their pricing strategy is a commercial matter solely for them. It would not be appropriate for the Government to comment.

5. I hope that the information above responds to your queries and helps you to understand the Government's use of inflation statistics.

Best wishes,

A handwritten signature in blue ink, appearing to read 'Elizabeth Truss'.

RT HON ELIZABETH TRUSS MP