

The ONS makes life more difficult

When Rishi Sunak announced a £400 payment to every electricity bill payer I was concerned about that way of offering some relief. I would have preferred tax cuts on energy which would directly cut the CPI/RPI measurements of inflation. The government thought these cash payments might qualify as reductions in energy bills and help the CPI figure. Instead after considerable delay the ONS has decided to call them "current transfers" to households that do not cut the price of power.

They rightly go on to remind us they have the legal power to make a judgement about such matters, They say "Decisions on whether to include rebates, subsidies and discounts in our consumer prices inflation statistics are taken on a case by case basis". As these £400 payments cannot be withdrawn and spent on anything else but take the form of a cut in the electricity bills that need to be paid there is a perfectly good case to say this is a cut in the price of electricity for all users.

All this matters. Allowing the full bill cost to boost the CPI without allowing for the discount that is available means we face higher inflation with all the knock on effects. This decision will increase public spending and the deficit given the way some spending items are directly linked to the inflation index. It raises the repayment amount for indexed debt. The Treasury should have asked the electricity companies to put it on bills as a discount to the price of power, which is what it is. A sum equivalent is payable by the Treasury to the companies as a subsidy. This is another missed opportunity.