

ADVISORY PANELS ON CONSUMER PRICES

Minutes (Joint First Meeting)

27 November 2015

Board room, UK Statistics Authority, Drummond Gate, Pimlico, London SW1V 2QQ

11.00 – 15.00

Present

Stakeholder Panel:

Dame Kate Barker (Chair)

Mr Jonathan Athow (Office for National Statistics)

Mr Richard Barwell (BNP Paribas)

Mr James Bell (Bank of England attending for Mr Andy Haldane)

Ms Jill Leyland (Royal Statistical Society)

Mr Stephen Farrington (HM Treasury attending for Mr David Ramsden)

Mr Mike Prestwood (Office for National Statistics) – also on the technical panel

Mr Ian Rowson (Ofgem)

Mr Geoff Tily (Trades Union Congress)

Ms Sally West (Age UK)

Mr Matthew Whittaker (Resolution Foundation)

Technical Panel:

Mr Nick Vaughan (Chair - Office for National Statistics) – also on the stakeholder panel

Mr John Astin (Independent expert – nominated by RSS)

Prof. Ian Crawford (University of Oxford)

Mr Rupert de Vincent-Humphreys (Bank of England)

Dr Jeff Ralph (Office for National Statistics)

Mr Paul Smith (University of Southampton)

Dr Martin Weale (Monetary Policy Committee)

Secretariat:

Mr Richard Campbell (Office for National Statistics)

Mrs Ainslie Woods (Office for National Statistics)

Apologies

Stakeholder Panel:

Mr Andrew Sentance (PricewaterhouseCoopers)

Technical Panel:

Prof. Alberto Cavallo (Massachusetts Institute of Technology, Boston)

Prof. Bert Balk (Erasmus University, Netherlands)

Prof. Sir Stephen Nickell (Office for Budget Responsibility)

1. Welcome and domestics

- 1.1. Mr Prestwood welcomed attendees to the first joint meeting of the National Statistician's new advisory panels on consumer prices. A round table of introductions followed.

2. Introduction and context of panels

- 2.1. Mr Pullinger thanked members for accepting his invitation to join the meeting and explained that getting consumer price statistics right is one of his top priorities. He set out his expectations for the new panels. Firstly, Mr Pullinger noted the importance he places on listening to a broad range of views on consumer price statistics to build his understanding of how they are used. Secondly, Mr Pullinger made clear the importance of having a common body of evidence when inflation was discussed, and emphasised his commitment to move the inflation debate on from the formulation of the statistics themselves to the underlying issues. Finally, Mr Pullinger stressed that members should provide their personal expertise and advice while noting that some members will represent the views of a wider group of users.
- 2.2. Mr Pullinger then detailed how he thought the panels would operate. He informed panel members that their advice will not be the only voice he listens to in determining the advice he provides to the Board of the UK Statistics Authority. Mr Pullinger stressed that he did not wish to constrain either panel in the advice they provided him and therefore he would not sit as a panel member, although he is open to joining future meetings if invited. Finally, Mr Pullinger reminded the panels that their role was advisory with no decision making powers.
- 2.3. A question and answer session followed where Mr Pullinger confirmed that he expected the panels to help shape their own work programmes in addition to considering issues he raises. It was acknowledged that topics arising from the recent consultation on consumer price statistics would likely be the focus in the short term. Mr Pullinger also noted that resources were finite and therefore encouraged members to also consider work which could be de-prioritised.

3. Introductions from the Panel Chairs

- 3.1. Ms Barker expressed her pleasure in being appointed as the independent chair of the stakeholder panel. She noted that stakeholder panel members were all appointed as individuals, but acknowledged that several also represent an interest group. The challenge for these members will be balancing the provision of expert advice with the desire to represent specific interests. At times Ms Barker may ask members to try to set aside the views of their interest group in providing their advice. She noted that her aim would be to reach consensus in the advice the stakeholder panel provided to the National Statistician, whilst acknowledging that this may not always be possible. Where this was the case, the reasons for differing views would be provided. Finally she noted that she expected the panels to adopt an open and adaptive approach in their working arrangements.
- 3.2. Mr Vaughan said that he was looking for the technical panel to take an open and collaborative approach and to be mindful of the trade off between technical purity and practical application when providing its advice. In the following discussion it was noted that:
 - Mr Vaughan and Mr Prestwood would be members of both panels.
 - Technical panel members have been appointed for their expertise rather than to reflect the views of the organisation for which they work.

- A webpage has been created and membership lists for the panels have been published on the ONS website¹. A link to the webpage page will also be provided on the Authority website.
- Ensuring the right level of publicity for the panels will be an important consideration and will be discussed at future meetings.
- The panels are of equal standing and will work in conjunction when considering certain topics. However, they can provide advice to the National Statistician independently of each other.
- Protocols on the extent to which panel members can share papers with others prior to meetings need to be established. While there was agreement on a generally open approach, there was acknowledgement that market sensitive topics would require different handling rules.
- The technical panel will generally meet 1-2 weeks before the stakeholder panel, with stakeholder panel members being copied in on the papers sent to technical panel members.
- The technical panel would consider the merits of the arguments raised in Mark Courtney's paper 'Consumer Price Indices in the UK' at its next meeting.

Action 1: Mrs Woods to invite Mark Courtney to the next technical panel meeting in January.

4. Context of Consumer Price Statistics (Paper APCP-S(15)01)

- 4.1. Prior to the meeting, panel members had been sent a slide pack providing context and technical information on the UK suite of consumer price statistics. Mrs Woods and Mr Campbell responded to a few questions of clarification on the content of the pack.
- 4.2. In the following discussion there was agreement that the stated measurement purposes of consumer price statistics should be considered by the stakeholder panel at a future meeting. Panel members also felt that an infographic or video explaining the properties of different elementary aggregate formula would be useful.

Action 2: ONS to provide a simple overview of the properties of the different elementary aggregate formula for the next meeting.

5. Measuring consumer prices: the options for change (Paper APCP-S(15)02)

- 5.1. Ms Barker invited panel members to comment on the structure and content of the recently published summary of responses to the consumer prices consultation² in order to start the process of the panels shaping the advice they will provide to the National Statistician.
- 5.2. Members commented on the risk of some questions being misinterpreted by some respondents and the merit or otherwise of quantifying the responses received. There was acknowledgment that there is a risk in any consultation that some respondents misinterpret some questions and that the purpose of the summary of responses was to provide a broad sense of the views expressed by respondents to the consultation.

¹ <http://www.ons.gov.uk/ons/guide-method/development-programmes/other-development-work/prices-development-plan/consumer-prices-development-work.html>

² <http://www.statisticsauthority.gov.uk/reports---correspondence/consultations/index.html>

- 5.3. Panel members debated what constituted a main measure of inflation. The balance between addressing the different concepts often labelled as ‘inflation’, meeting the needs of different uses of inflation measures and public acceptability of a measure were all noted. It was suggested that while different measures of inflation could be produced, whichever measure was presented first in ONS publications would end up being labelled as the main measure. Some members suggested that this measure should be based on households’ experience of inflation while others suggested a measure of inflation across the economy.
- 5.4. There was general support from panel members for ONS to continue its work to develop measures of inflation as experienced by different household types and to produce a publication on households’ experience of inflation. Members did not reach agreement on whether these measures should be consistent with a main measure of inflation and whether it made sense for an aggregate measure to be produced. ONS noted it was working on developing price and income measures which would include interest paid and received by different household groups. Ms Barker asked the panels to return to the topic of whether to produce an aggregate household measure at their next meetings.
- 5.5. The panel’s reflections on the consultation, the responses and ONS’s reply would likely prompt some changes in the priorities in ONS’s work program on consumer prices; this would be addressed in the next panel meetings.

6. Operation of the advisory panels (Paper APCP-S(15)03)

- 6.1. Ms Barker noted that the initial focus for the panels would be to provide advice to the National Statistician in developing his proposals for changes to consumer price statistics. She invited comments on further suggestions for the panels’ work programmes. Optimisation of the number and allocation of price quotes used in consumer price indices, and quality adjustment methods – particularly in the context of services – were suggested.
- 6.2. Working practices of the panels were discussed and a code of conduct for members was proposed. Panel members were also informed that they all had standing invitations to attend meetings of the RPI CPI user group.

Action 3: ONS to draft a code of conduct for members to discuss at their next meetings

7. Date of next meeting

- 7.1. The next meetings will take place on 22 January 2015. The technical panel will meet in the morning and the stakeholder panel in the afternoon. A list of dates for meetings in 2016 will be emailed to members.

Action 4: Mrs Woods to circulate 2016 panel meeting dates to members.

Actions

No.	Action	Person Responsible	Status
1	Invite Mark Courtney to the next technical panel meeting in January.	Mrs Woods	Complete
2	Provide a simple overview of the properties of the different elementary aggregate formula for the next meeting.	ONS	
3	Draft a code of conduct for members to discuss at their next meetings	ONS	
4	Circulate 2016 panel meeting dates to members.	Mrs Woods	Complete