

**UK STATISTICS AUTHORITY
ADVISORY PANEL ON CONSUMER PRICES – STAKEHOLDER**

Minutes

Friday 24 May 2019

Boardroom, UK Statistics Authority, Drummond Gate, London, SW1V 2QQ

Members in attendance

Dame Kate Barker (Chair)
Mr Jonathan Camfield (Lane Clark & Peacock)
Mr Grant Fitzner (ONS)
Mr Daniel Gallagher (HM Treasury)
Mr Richard Gibson (Barnett Waddingham)
Mr Simon Kirby (Bank of England)
Mr Ashwin Kumar (Manchester Metropolitan University)
Ms Jill Leyland (Royal Statistical Society)
Mr Ian Rowson (Independent Policy Analyst)
Dr Geoff Tily (Trade Union Congress)
Mr Matthew Whittaker (Resolution Foundation)

Secretariat

Mr Andrew King (ONS)
Ms Sally-Ann Jones (ONS)
Mr Andrew Yeap (ONS)

Presenters

Mr Chris Payne (ONS)

Apologies

Mr Jonathan Athow (ONS)
Mr Richard Barwell (BNP Paribas)
Mr Michael Hardie (ONS)
Dr Andrew Sentence

1. Introduction, apologies and actions

- 1.1 The Chair welcomed everyone to the meeting. Apologies were received from Mr Athow, Mr Barwell, Mr Hardie and Dr Sentance.
- 1.2 The minutes of the previous meeting held on 25 January 2019 had not been published. It was noted that a standard policy was needed for publishing sensitive minutes e.g. redacting the relevant information to avoid delays to publication.

Action: ONS to consider the Panel's request to publish the minutes of the meeting held on 25 January with the discussions around the Measuring inflation report redacted.

2. Discussion of the response to the Lord's Economic Affairs Committee: Measuring Inflation and a request for analysis of clothing price data

- 2.1 The Chair thanked members for their contributions to the Panel's letter to the National Statistician in response to the report. There was some frustration with the continued delay for both the Government response and the UK Statistics Authority response to the report. It was noted that the response date would be communicated with at least 24 hours' notice via a letter to Lord Forsyth (Chairman of the Lords Economic Affairs Committee).
- 2.2 The meeting agreed that following publication of the responses a specific meeting would be scheduled for the Panel to discuss.

Action: ONS to notify the Panel on publication of the Government's response to the House of Lords; and to schedule a specific meeting to discuss the response.

- 2.3 The meeting discussed Mr Barwell's request for ONS to undertake analysis of clothing prices. There was a suggestion that the Technical Panel was perhaps best placed to undertake the analysis. It was agreed that the ONS would complete the analysis. Panel members offered to carry out some quality assurance following agreement of the data.

Action: Mr Payne to update the clothing and footwear analysis provided at the meeting; and the Chair to respond to Mr Barwell confirming that the Panel had agreed that ONS should undertake the analysis.

3. Technical Panel Update: May

- 3.1 Mr Fitzner provided an update on the Technical Panel held in May which had focussed on the Economic Statistics Centre of Excellence (ESCoE) Workshop on Household Cost Indices (HCIs); the ongoing development of HCIs; and use of web-scraped and scanner data.
- 3.2 Following the ESCoE workshop on 25 April, attendees had been invited to provide further written comments. Panel members could also provide written comments albeit timing was tight. A substantive item on HCIs was scheduled later in the meeting. [A summary](#) would subsequently be provided to the National Statistician setting out the Panel's views on the use of the HCIs as a measure.
- 3.3 The [minutes from the ESCoE workshop](#) provide the detail of the discussion.

4. 2019/20 Prices Development Work Programme

- 4.1 Mr Payne presented the Prices Development Work Programme. The meeting discussed specific items within the Programme:
- i. CPIH historical series – The Panel checked their understanding regarding a re-calculation of historic indices for CPI and CPIH. It was clarified that historic CPI data relating to the period 1988 - 1995 had to be re-modelled and re-constructed due to errors and more complex issues, and that any further need for re-modelling would continue to be reviewed accordingly.
 - ii. Discounts – Despite its ‘low priority’ status relative to other items, the Panel suggested that there may be a more immediate opportunity to assess the prevalence of discounts. It was noted that quality of analysis would be largely affected by the lack of available data on take-up rates, and therefore would be more sensible to prioritise this in-line with expected scanner data deliveries.
- 4.2 The Panel acknowledged that adoption of scanner and web-scraped data was now rapidly growing, and urged that before implementation, their conceptual use could be shown to the Panel through practical demonstrations for smaller projects. The Panel also advised that an understanding of the constraints of using such data.

5. Feedback on the Household Cost Indices (HCIs) and the ESCoE Workshop on HCIs

- 5.1 Mr Payne provided an update on the ESCoE workshop that had been held on 25 April on the conceptual foundations of HCIs. The aim of the workshop was to gather input from a wide range of users and academics to help specify a robust and recognised conceptual foundation on which to base the development of the Household Costs Indices. Mr Payne presented the key choices and issues.
- 5.2 The meeting discussed fully the current methodology and further proposed methodological treatments in ‘Towards a Household Inflation Index’ (Astin and Leyland, 2015).
- 5.3 There was support for the use of the HCIs as a household cost measure rather than an economic measure. HCIs could provide valuable information to inform policy, particularly through a deeper understanding of the inflationary effects on demographic sub-groups. The Panel noted the importance of continuing to engage with stakeholders to better understand their intended use of the HCIs.
- 5.4 There was agreement that as well as publishing a regular headline index based on current consumption items in the household basket, there should be variants which include additional items. In particular, there was support for a version which included the capital costs incurred by owner occupier households, and mandatory pension contributions.
- 5.5 The Panel focussed on the use of assessing real incomes, which would necessitate symmetry with the income measure. There was consensus that the HCIs should be based on a democratic weighting scheme. On frequency, a quarterly series was supported.
- 5.6 There was broad agreement for the HCIs to cover UK resident households.

- 5.7 There was agreement to include or exclude the following components:
- i. Mortgage interest payments (MIPs): it was agreed that MIPs current consumption should be included in a measure of overall expenditure, although there was a concern about the appropriate method (repayment, rental equivalence or net acquisitions).
 - ii. Financing of sizable purchases including vehicles and white goods: there should be consistency between the treatment of the capital or finance purchase of goods. This could be ensured by including the capital cost at time of purchase and on-going finance costs over time. This was consistent with the current CPI approach, and the addition of an interest on debt item.
 - iii. Student loans: to include both up-front student fee payments; and student loan repayments.
 - iv. Voluntary saving to be excluded, as these were not perceived as a cost.
 - v. Interest on savings to be excluded; classified as an income, rather than a payment.
 - vi. Taxes – Council Tax to be included in the main HCI measure. As Stamp Duty and Land Tax are incurred by owner occupier households, they are already included in the OOH HCI measure. Income Tax and National Insurance should be excluded.
 - vii. Insurance – Gross expenditure on insurance premiums should be considered as an outgoing.
- 5.8 The Panel highlighted other areas where further discussions were warranted:
- i. mortgage capital repayments;
 - ii. interest on debt (consumer credit, loan, etc.);
 - iii. pension contributions; and
 - iv. second hand goods – A case was made for including second hand goods, especially for low income households, whilst recognising that it may take time to collect the necessary data.
- 5.9 The Panel considered the HCIs to be a valuable and informative measure and look forward to their future, development as experimental statistics, with a view to seeking National Statistics assessment once the framework for the HCIs had stabilised.
- 5.10 They also supported consultation with a wider group of stakeholders and potential users, once a clear conceptual framework had been agreed.
- 5.11 It was noted that the views of the Panel would be summarised in a letter from the Chair to the National Statistician

Action: The Chair to draft a letter to the National Statistician summarising the outcome of the discussion on HCIs.

6. Package Holidays

This discussion has been redacted due to the market sensitive nature of the subject.

7. Any other business

- 7.1 Mr Fitzner informed the meeting that an error had been identified in the component price data used in the calculation of the April 2019 Retail Prices Index (RPI). A statement was published on the ONS website during the meeting.
- 7.2 It was noted that consideration was being given to additional members of the Panel. Meetings would continue to be held on a quarterly basis ahead of Technical Panel meetings.