

UK STATISTICS AUTHORITY

Minutes
Thursday 14 February 2019
Boardroom, London

Present

UK Statistics Authority

Sir David Norgrove (Chair)
Mr Iain Bell
Professor David Hand
Professor Jonathan Haskel
Dr David Levy (via telephone)
Mr John Pullinger
Professor Anne Trefethen

Also in attendance

Mr Jonathan Athrow
Mr Nick Bateson
Mr Owen Brace
Mr Luke Croydon
Ms Vanessa Holden
Ms Heather Savory

Apologies

Professor Sir Ian Diamond
Mr Ed Humpherson
Ms Sian Jones (Deputy Chair)
Ms Nora Nanayakkara
Professor Sir Adrian Smith

1. Apologies

- 1.1 Apologies were received from Professor Sir Ian Diamond, Ms Sian Jones, Ms Nora Nanayakkara, and Prof Sir Adrian Smith.
- 1.2 The Chair also reported that Mr Ed Humpherson had recused himself from the discussion.

2. Declarations of interest

- 2.1 Members noted existing declared interests. No new declarations of interest were made.

3. Report from the Authority Chair

- 3.1 The Chair reported on developments relating to the Retail Prices Index (RPI), since the last Board meeting. The Chairs of the Lords Economic Affairs and Treasury Select Committees had written to the National Statistician, urging the Authority and the Chancellor to address issues with the RPI. The Chair had spoken with the Permanent Secretary of HM Treasury, and intended to speak with the Governor of the Bank of England the following morning.
- 3.2 The Chair also discussed the Authority's statutory responsibilities with regard to the RPI, highlighting:
 - i. the process for proposing any changes to the RPI, as established under section 21 of the Statistics and Registration Service Act 2007;
 - ii. that – although members were aware of the wider implications of making changes to the RPI – the Board should make its recommendations regarding the future of the UK's consumer price statistics on the basis of statistical considerations only.
- 3.3 Finally, the Chair reminded members that discussions on the RPI were market-sensitive, and should not be disclosed.

4. Retail Prices Index

- 4.1 Opening, the National Statistician reminded Board members of the Authority's current position on the RPI; that it is not a good measure of inflation and does not realistically have the potential to become one. The National Statistician and the Authority had strongly discouraged the use of the RPI as a measure of inflation, given the far superior alternatives.
- 4.2 The National Statistician advised Board members that he had considered four main options for the future of the RPI:
 - i. Option 0: Maintain the current position;
 - ii. Option 1: 'Fix' the clothing element of the RPI;
 - iii. Option 2: Correct all the shortcomings of the RPI; and
 - iv. Option 3: Cease the publication of the RPI.
- 4.3 In considering these options, the National Statistician had focused solely on statistical issues.
- 4.4 The National Statistician advised that he did not recommend that the Board maintain its current position (Option 0), given the advice he was likely to receive from his stakeholder advisory panel, and given that the measure continued in widespread use.
- 4.5 The National Statistician advised that he could not recommend an option that only fixed the clothing element of the RPI (Option 1). Fixing clothing by substituting the Jevons Index for the Carli would be arbitrary, as it would partially address one weakness while ignoring other known weaknesses.
- 4.6 The National Statistician explained that he could support a proposal to use section 21 of the Statistics and Registration Service Act 2007 to correct the shortcomings of the RPI. This could be done by recommending the alignment of its coverage and

construction with CPIH, while providing advice to users who are seeking an index reflecting the impact of price changes on households, encouraging them to use the Household Cost Indices (Option 2).

- 4.7 The National Statistician's preferred option required the repeal of section 21, so that the Board might end publication of the RPI (Option 3).
- 4.8 Board members thanked the National Statistician for his advice, and agreed that the Authority could propose two parallel actions:
- i. that that RPI publication is stopped at a point in the future. This would require primary legislation to amend the Statistics and Registration Service Act 2007, and is therefore likely to be a longer-term solution; and
 - ii. in the interim, to correct the shortcomings of RPI by bringing the methods of CPIH into it. If adopted, this would mean that at least initially the RPI would be the same as CPIH. There would then be an ongoing question whether future changes to the CPIH should also be reflected in changes to the RPI.
- 4.9 The Board asked the National Statistician and Mr Athow to reflect this approach in letters to the Governor of the Bank of England, the Chancellor of the Exchequer, and a formal response to the Lords Economic Affairs Committee report on the RPI. The Chair would approve the final correspondence on the Board's behalf, on the basis of final advice from the National Statistician.

5. Any other business

- 5.1 There was no other business. The Authority Board would meet next on Tuesday 26 February 2019 at 09:15 in London.