

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

**Minutes**

**Friday 31 January 2020**

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

**Members in attendance**

Dame Kate Barker (Chair)

Mr Jonathan Athow (ONS)

Mr Jonathan Camfield (Lane Clark & Peacock)

Mr Grant Fitzner (ONS)

Mr Daniel Gallagher (HM Treasury)

Mr Richard Gibson (Barnett Waddingham)

Mr Michael Hardie (ONS)

Mr Simon Hayes (Bank of England)

Ms Jill Leyland (Royal Statistical Society)

Ms Jenny King (Which?)

Mr Ian Rowson (Independent Policy Analyst)

Dr Geoff Tily (Trade Union Congress)

**Secretariat**

Mr Andy King (ONS)

Miss Michelle Kouzoukis (ONS)

**Presenters**

Miss Aimee North (ONS)

Mr Chris Payne (ONS)

**Apologies**

Mr Ashwin Kumar (Manchester Metropolitan University)

## **1. Introduction, apologies and actions**

- 1.1 The Chair welcomed everyone to the meeting. Apologies were received from Mr Kumar.
- 1.2 The minutes of the previous meeting held on 20 September 2019 were discussed. A Panel member asked the Panel's views on item 2.3 (vii) of the minutes. It was raised at the time that "if the RPI and CPIH were aligned in 2025, ..., there would be the possibility that any changes ONS wished to make to improve the CPIH would move it apart from the RPI". The Panel reiterated that this would lead to further problems.
- 1.4 The actions relating to the previous meeting were also reviewed:
  - i. Mr Gallagher advised that the Retail Prices Index (RPI) consultation had been delayed and will be released along with the Budget on 11 March 2020, closing on 22 April 2020, with the government and ONS responding before the summer recess. He confirmed that it would not be possible to share the consultation document with Panel members ahead of its publication.
  - ii. Further analysis to address the additional questions raised on the clothing and footwear paper (Item 3) will be presented at the next meeting.

## **2. Round table discussion following the announcement to launch the RPI consultation**

- 2.1 The Panel were invited to comment on the announcement of the consultation and noted the following wide range of differing views:
  - i. At the previous meeting, comments were provided on the high-level 'list' of what was expected to be covered in the consultation. Mr Gallagher confirmed that the Chancellor re-iterated that there have been no changes to the scope of the consultation. Mr Athow stated one change, as a result of consultation with the Technical Panel, is to offer a lead/preferred method to bring the data sources and methods of Consumer Price Index including owner occupiers' housing costs (CPIH) into RPI.
  - ii. As Panel members are unable to see the consultation document before its release, members are encouraged in response to the consultation to detail any areas they feel have been missed.
  - iii. ONS are not expecting a response from the House of Lords' Economic Affairs Committee (HLEAC) before the consultation. The HLEAC have had the opportunity to respond to the September statement, so they are unlikely to issue their view until the results of the consultation are published.
  - iv. Some Panel members opposed the UKSA's proposal to bring the data sources and methods of CPIH into RPI, especially since the [HLEAC report](#) seemed to offer a compromise. Other Panel members supported the move.
  - v. A Panel member raised concerns that CPIH is an 'economic measure' where RPI is directly meaningful for households and consumers. It is also important to have a measure that properly understands inflation as experienced by households, with the Household Cost Indices (HCIs) considered by some Panel members to be a closer alternative to RPI.

- vi. Panel members noted that, as an established measure (with 'brand value'), RPI is extensively used within contracts and agreements. The RPI's extensive use is likely to inspire a number of legal cases and may be a factor in some Competition and Markets Authority (CMA) regulatory appeals.
- vii. The announcement of the consultation had a measurable effect on the financial markets and some investment managers are seeking support for compensation cases. Survey data suggests approximately 20% of pension schemes may lose money as a result of the potential change (i.e. schemes with mainly CPI pension increases). Conversely, there are early indications of support for the changes from some schemes that are expecting to gain from the proposed change (i.e. schemes with mainly RPI pension increases), albeit recognising that their members would receive lower pension increases.
- viii. The Panel felt that, as well as understanding the impact on pension schemes (major holders of index-linked gilts), it's also essential to understand the impact on individuals, whether they are investors, pensioners or reliant on long-term loans / RPI-based agreements. In preparing for the consultation, lead policy teams within HMT are working closely with the Debt Management Office (DMO) to consider the wider impacts on index-linked gilt holders. The UKSA and HMT expect that the consultation will provide a fuller understanding of the broader issues.
- ix. Some Panel members were interested in the approaches proposed to bring the data sources and methods from CPIH into RPI, and the timing of the transition. Of these, most Panel members supported a clean break rather than a series of consultations and subsequent step changes to RPI.
- x. The Bank of England supports aligning the RPI with CPIH as it views the RPI, in its current form, not to be an appropriate inflation measure. They are focussed on market integrity and avoiding market disruption so, with a focus on the proposed transition, the Bank will wait to see the outcome of the consultation to decide the level of involvement they will have.
- xi. Mr Athow reassured the Panel that the legal issues have been considered carefully throughout the process, focussing on what decisions the UK Statistics Authority (UKSA) can take into account. The UKSA's statistical role means that its proposals are not based on whether individuals potentially gain or lose from the proposed outcome.
- xii. Mr Athow added that the consultation will seek clarity on whether stakeholders require guidance on the use of sub-indices, in particular RPIX which would not exist following the transition. The ONS are thinking about UK-wide events to inform the consultation.
- xiii. The Chair asked that the minutes acknowledge that Panel members had a wide range of views on the issue. However, the Panel had agreed in response to the HLEAC report that the measurement of clothing inflation needed to be addressed. The Panel also agreed that in the event of CPIH/RPI alignment before 2030, it would be highly undesirable for them to drift apart through subsequent changes being made to CPIH, which were not taken into RPI.

### **3. Progress update on the Alternative Data Sources Roadmap**

- 3.1 Mr Hardie presented an update to ONS' timeframe for implementation of new methods and data sources (scanner and web-scraped data) into headline consumer price statistics. The panel were invited to provide feedback on progress to date and the timeliness and scope of the alternative data source project.

- 3.2 Mr Hardie confirmed ONS are currently working with grocery and other major retailers to establish regular scanner data feeds. The ONS have received two years of historical scanner data from one retailer, which has been processed to produce experimental item-level indices. ONS are yet to publish this data due to its disclosive nature, but once data have been received from further retailers, experimental series based on the combined dataset will be published. Mr Hardie confirmed ONS will provide an analysis of historic data from retailers as this becomes available, however it will not be possible to identify a particular retailer as individual returns will be combined with other data sources.
- 3.3 Since November 2018, the ONS have been receiving web-scraped data from mySupermarket. ONS are currently looking to build up capability within the office for web-scraping but need to complete the review of their current policy allowing access to website data first.
- 3.4 Overall, the Panel were excited about the prospect of broadening consumer price collection to include alternative data sources. However, Panel members considered that they should fulfil a due diligence role encompassing the likely cost benefits and risks.
- 3.5 In particular, the Panel queried what thought ONS has given to the risk of retailers withdrawing their data. Mr Hardie advised that ONS has data access agreements in place with retailers which include a notice period, and, as a contingency plan, ONS would revert to current central and local price collection.

#### **4. Review of CPIH supporting material produced**

- 4.1 Mr Payne summarised ONS' recent review of CPIH supporting material that was released as part of the reassessment of CPIH, and invited Panel Members to review the CPIH published material and advise what, over the course of the last two or three years, has been useful, and what less so.
- 4.2 ONS' best practice area has provided recommendations such as streamlining documentation – reducing papers to a more manageable number, cutting any overlap, and moving any historical issues to appendixes; a better navigational pathway (on the UKSA and ONS websites); and highlighting relevant sections.
- 4.3 The Panel requested that the CPIH compendium and quality management sections be renamed. It would also be helpful if graphs could provide actual data series as it is difficult to tell from the annual growth data if the series are diverging.

#### **5. Explanation of the development of new statistics for the private rental market.**

- 5.1 Mr Hardie presented ONS' progress on and proposed methodology to produce new statistics for the private rental market based on microdata from the Valuation Office Agency (VOA). These statistics will be used in future to produce the owner occupiers' housing costs (OOH) element of CPIH.
- 5.2 The Panel acknowledged the importance of accurate rental statistics, given their future inclusion in the CPIH. A Panel member queried if there is the scope to combine this work with information about property sale prices and rental yields. Mr Hardie agreed there is merit in doing this, but part of the challenge is how the data sources are linked as ONS doesn't have unique identifiers for individual properties.

- 5.3 A Panel member queried what the potential weight of the VOA data for the CPIH will be for all purposes that the data will be used? Mr Hardie confirmed the current weight is 17% for the OOH component and 5% for private rental. Mr Hardie added that ONS are currently looking to organise all its regular prices publications under three themes – Consumer, Business and Housing. This would make it easier for users to navigate all of prices publications.

## 6. Technical Panel Updates – January 2020

- 6.1 Mr Fitzner provided an update on the Technical Panel meetings held in November 2019 and January 2020 which included:
- i. A special session of the Technical Panel was held in November 2019 to discuss the technical content of the RPI consultation. The discussion covered the proposed approach to introduce the CPIH methods into the RPI. Clarification was given around several points and the Technical Panel asked ONS to be more explicit about their preferred approach.
  - ii. Discussion took place around the development of the methods for alternative data sources including reviewing the proposed weights for assessing the merits of different competing index number methods.
- 6.2 A Panel member noted that the Technical Panel minutes confirmed that ONS' intention was to produce series on a “cost of goods” basis (COGI) and not a “cost of living” basis (COLI). However, Jevons implicitly assumes a degree of substitution by consumers towards items where prices rise more slowly and therefore has some of the characteristics of a COLI; indeed this was initially used as an argument for preferring CPI to RPI. The Panel member suggested, and some other members agreed, that ONS needed to be clear on the conceptual basis and implications particularly as many of the formulae suggested for use with web-scraped data are also geometric means.

## 7. Discuss how ONS will communicate its position to users post-EU exit

- 7.1 ONS have prepared additional text that will be used in its bulletins during the transitional period. The Panel were invited to provide comments and suggest amendments, so that it now reads:

*“As the UK leaves the EU, it is important that our statistics continue to be of high quality and are internationally comparable. During the transition period, those UK statistics that align with EU practice and rules will continue to do so in the same way as before 31 January 2020.*

*After the transition period, we will continue to produce our consumer price statistics in line with the UK Statistics Authority’s [Code of Practice for Statistics](#) and in accordance with internationally agreed statistical guidance and standards.*

*These currently include the standard international Classification of Individual Consumption According to Purpose (COICOP) system, developed by the UN Statistical Division, and for the Consumer Prices Index (CPI), the rules underlying the construction of the Harmonised Index of Consumer Prices (HICP), developed by Eurostat in conjunction with EU member states and EEA countries.”*

**8. *Discussion around the proposed data access agreement***

- 8.1 Panel members were broadly happy with the current draft, and that it only apply to non-Government members. However, additional edits were required to tidy up the legal points and to clear up the sensitivity markings applied to meeting papers. Clear guidelines need to be established on the circulation of papers and who papers can be shared with.

**9. *AOB & Date of next meeting***

- 9.1 An additional meeting will be scheduled during the RPI consultation period to discuss the Panel's response. It was agreed after the meeting for the additional meeting to take place on 3 April 2020.
- 9.2 The next full Panel meeting will take place at 12:00 on 1 May 2020.
- 9.3 Finally, the Chair expressed the Panel's appreciation to Mr Richard Barwell, who has stepped down from the Panel. The Chair and ONS will continue to review the membership to ensure that all stakeholders' views are represented.