

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

Minutes

**Friday 1 May 2020
Via Conference Call**

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) - for items 3. onwards

Mr Richard Gibson (Barnett Waddingham)

Mr Michael Hardie (ONS)

Ms Jenny King (Which?)

Mr Ashwin Kumar (Manchester Metropolitan University)

Ms Jill Leyland (Royal Statistical Society)

Mr Ian Rowson (Independent Policy Analyst)

Mr James Smith (Resolution Foundation)

Dr Geoff Tily (Trade Union Congress)

Secretariat

Mr Andy King (ONS)

Presenter

Miss Emily Hopson (ONS)

Apologies

Mr Simon Hayes (Bank of England)

1. Introduction, apologies and action

- 1.1 The Chair welcomed everyone to the meeting. Apologies were received from Mr Hayes.
- 1.2 The minutes from the previous meetings (31 January 2020 and 4 April 2020) were reviewed with no outstanding actions.
- 1.3 The Panel's response to the Consultation on the Reform to Retail Prices Index Methodology is largely complete with the expectation of some further small changes. One member is considering whether it would be better to have a main report and a minority one.

2. Technical Panel Updates – April 2020

- 2.1 Mr Fitzner provided an update on the Technical Panel meeting held in April 2020 which included:
 - i. Next steps for the CPIH historical series - This paper describes the proposed approach to be taken for a CPIH historical series from 1947 to 1987. Members raised some questions about how this was being carried out.
 - ii. Classification - This paper discusses progress to date on developing automated methods to classify web-scraped clothing data.
 - iii. Review of standard errors literature – This well-received paper reviews published work on estimating errors, especially sampling errors, for consumer price statistics.
- 2.2 Panel members expressed an interest in receiving copies of the papers. Mr Fitzner invited questions and feedback from the Panel on the papers, given the interest in the paper on the CPIH historic series.

Action: Mr King to circulate Technical Panel papers to Panel members.

3. Response to the ongoing coronavirus (COVID-19)

- 3.1 Mr Hardie presented an overview of the contingency plan for consumer price statistics in response to the coronavirus (COVID-19) pandemic. This will be published alongside similar papers on Gross Domestic Product and labour markets statistics on 6 May 2020. The Panel were invited to comment on the plan.
 - i. There was resounding positive feedback and appreciation of ONS for the ongoing work to continue production of consumer price statistics during this pandemic.
 - ii. The Panel widely supported the production of a supplementary index based on rescaled expenditure weights to reflect the changes in consumer spending patterns. Mr Hardie reported that a rescaled index would be based on applying a zero weight for items deemed to be unavailable in the current situation. It would not be possible to adjust the weighting of items, such as petrol and diesel, where they remain available to buy but consumption is greatly reduced. The rescaled index will be published as a supplementary measure to avoid confusion with the headline inflation rates, which are ONS's most robust measures of inflation.

- iii. The Panel encouraged ONS to reflect the impact of COVID-19 in the Household Cost Indices (HCIs) especially since the rescaling would vary between different groups of individuals. Mr Hardie confirmed that, despite the ongoing pressures, the HCIs will be published in June / July as planned, and the development of alternative data sources is continuing.
- iv. The Panel discussed how the different formulae may be affected by current perceived price volatility. It was reported by a Panel member that the Carli formula is unlikely to be affected as the price volatility is outside of the base period. Jevons however implies a certain amount of substitution towards items which are inflating at a slower rate. Where substitutions are harder to make, the Jevons could further underestimate inflation.

Action: Ms Leyland to provide the Panel with Michael Baxter's analysis on the robustness of elementary aggregate formulae to outliers.

- v. A Panel member highlighted that users should be warned of the potential for sudden inflation changes as the UK comes out of lockdown and items which are currently unavailable are reintroduced into the inflation measures. Mr Hardie stated that ONS are mindful that the contingency plan represents the immediate situation and ONS are thinking about the phasing out of these measures (as the current restrictions are relaxed).
- vi. There were requests from the Panel for:
 - a) the inclusion of the decision tree, tangible imputation examples, and as much detail as possible in the methods paper;
 - b) consideration of the effect from suspension of the House Price Index (as a result of there being insufficient transactions to produce a robust HPI estimate) on RPI, particularly given the use of September's RPI in pension calculations; and
 - c) commentary on the effects on the wedge between CPIH/CPI and RPI.

Mr Hardie reassured the Panel that the methods paper would include case studies and ONS would consider the impact on RPI and the wedge.

- vii. Mr Athow concluded that the paper represents a comprehensive plan. He added three further points that:
 - a) there will be questions about how this plan flexes as restrictions are eased or even as items cease to be available, and the ONS will carefully manage these;
 - b) the house price situation is likely to be tricky to avoid potential bias towards certain types of transaction (e.g. first-time buyers or buy-to-let properties where transactions could feasibly take place); and
 - c) the calculation is extremely complex - we won't see the impact of the implemented contingencies until the results have been produced.
- viii. Mr Athow reported the ONS has sought determinations from the Bank of England. The ONS put the changes to the collection methods (from physical to online / telephone) to the Bank first, to which the Bank responded that this change is not fundamental under Section 21 of the Statistics and Registration Service Act (SRSA). For the changes to the calculations, the Bank have confirmed that, where ONS are using monthly imputation, they do not see that as a fundamental change and, where we are imputing using the annual rate, the Bank see that as a fundamental change but not materially detrimental.

- ix. Mr Athow sincerely thanked the Bank of England for turning these changes around so quickly.

4. Proposed changes to ONS Inflation Publications

- 4.1 Miss Hopson gave an overview of the project she and a colleague, Dr Emma Campbell, have completed to improve the range of price statistics publications available to users. After her presentation, Miss Hopson invited Panel member to email (emily.hopson@ons.gov.uk) with any feedback they might have.
- 4.2 The Panel welcomed the ONS's desire to make the UK's inflation statistics clearer and more accessibly, and the ambition to reduce the volume of commentary to focus on key messages e.g. the key movements, drivers and contributions.
- 4.3 The Panel encouraged the continuation of published reference tables in MS Excel and in pdf form.
- 4.4 A Panel member was pleased to see the amount of time spent on the HCIs publication, and that they felt it was important to educate users to make more use of the Service Producer Price Indices (SPPI).

5. Review of proposed Confidentiality Undertaking

- 5.1 Mr King thanked Mr Camfield for his (and his colleague's) contribution to developing the confidentiality undertaking. The agreement was accepted by the Panel.

Action: Panel members to return a signed copy of the confidentiality undertaking.

6. Summary

- 6.1 The next Panel meeting will take place at 10:30 on 24 July 2020.