

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

Minutes

**Friday 24 July 2020
Via Conference Call**

Members in attendance

Dame Kate Barker (Chair)
Mr Jonathan Athow (ONS)
Mr Jonathan Camfield (Lane Clark & Peacock)
Mr Richard Gibson (Barnett Waddingham)
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)
Mr Carleton Webb (Bank of England), in place of Mr Simon Hayes
Mr Thomas Yeomans (HM Treasury), in place of Mr Daniel Gallagher

Secretariat

Mr Andy King (ONS)

Presenters

Miss Natalie Jones (ONS)
Mr Chris Payne (ONS)

Apologies

Mr Grant Fitzner (ONS)
Mr Michael Hardie (ONS)
Dr Geoff Tily (Trade Union Congress)

Observer

Mr Gary Chimuzinga (HM Treasury)

1. Introduction, apologies and action

- 1.1 The Chair welcomed everyone to the meeting. Apologies were received from Dr Tily, Mr Fitzner and Mr Hardie.
- 1.2 The minutes from the previous meeting (1 May 2020) were reviewed with no outstanding actions. Panel members are reminded to complete the Confidentiality Undertaking.

2. Update on RPI Consultation

- 2.1 The Chair sought sign off for the Panel's response to the RPI Consultation, along with a minority report proposed by one of the Panel.
- 2.2 In terms of the Panel's response, Panel members noted that, on reflection, there were some minor updates to be made to the draft, including a note on the revisions policy for any new measures and the need for further development of the Household Cost Indices (HCIs).
- 2.3 Although several Panel members were sympathetic to some of the points raised in the minority report, the attending Panel members decided against signing the report.
- 2.4 The Bank of England and HM Treasury representatives made no comment on either draft.

Action: The Chair to circulate an amended draft and provide feedback on the minority report.

3. Strategy for resuming normal price collection / Temporary VAT reduction and Eat Out to Help Out scheme

- 3.1 Mr Payne presented an overview of the strategy for resuming normal price collection including how the temporary VAT reduction and the Eat Out to Help Out scheme will be accounted for in the consumer price inflation measures. The Panel were invited to comment on the plan.
 - i. The Panel thanked ONS for their work in developing this strategy and encouraged ONS to providing clear guidance on its implementation.
 - ii. A Panel member noted the potential for a step change to the indices in August, as the VAT reduction and Eat Out scheme come into effect, and the importance of the September index for pension and benefit calculations.
 - iii. The Panel raised that consumers spending patterns have changed during the coronavirus (COVID-19) pandemic, including the increased demand for items that not included in the current basket (e.g. face masks). Mr Payne explained that ONS decided against reweighting the basket of goods and services, which was in line with international convention. To consider the impact of changes to consumer spending, the ONS have developed an experimental measure to explore different methods of dealing with unavailable goods and services which is published monthly as the [Consumer prices alternative basket analysis](#). Separate analysis will be published in August showing the impact of changing all basket expenditures in line with current consumption. In terms of new items coming into the basket, changes to the basket are considered as part of the on-going basket review process with the inclusion of new items being dependent on the level of expenditure.

- iv. The application of a three / four sevenths distribution for the Eat Out scheme was also mentioned, in the context of whether it accurately reflects consumer's dining out patterns over the week. Mr Payne reported that ONS had completed analysis of weekly expenditure patterns, including considering the National Accounts trading day adjustment. However, the outcome was not significantly different from the proposed three / four sevenths distribution.
- v. The Panel requested that ONS present the impact of the range of factors coming into effect in the coming months. Mr Payne advised the Panel that an impact paper is planned for publication in August (alongside the July Consumer price inflation publication).

Action: ONS to publish an impact paper in August.

4. Technical Panel Update – July 2020

- 4.1 Mr Payne gave an update on the Technical Panel meeting held in July 2020, which included:
 - i. Strategy for resuming normal price collection – In addition to the points discussed at item 3, the Technical Panel also discussed resuming the package holiday and airfares collections.
 - ii. Consultation on the reform to Retail Prices Index Methodology – The Technical Panel are preparing a joint response to Question 1 of the consultation.
 - iii. Reinstatement of the House Price Index – as discussed at item 5.

5. House Prices Index (HPI)

- 5.1 Miss Jones presented an overview of her branch's plans to re-instate the HPIs including that ONS are currently stress testing the hedonic model to confirm the level of transactions required to produce a robust measure. The Panel were invited to comment on Miss Jones' presentation.
 - i. A Panel member asked if there was potential for the ONS to publish a national measure if there were insufficient transactions to produce robust regional estimates. Miss Jones advised that ONS could consider publishing at a national level, if necessary, but a decision would depend on the amount of transactional data received and discussions with the UK HPI group.
 - ii. Concern was raised about the impact on the RPI of suspending the measurement of house prices. Mr Payne reported that the impact of house prices was discussed as part of the ONS's contingency planning. In terms of depreciation, the HPI feeds into the smoothing model but this has been managed using the outlined imputation procedures. Elsewhere, the house price is forecast so ONS has used a combination of forecast and rolling house prices forward. The ONS were asked by the Panel to clearly outline the steps that have been made to reinstate house prices in September's consumer inflation publication, given the impact of the RPI in that month.

Action: ONS to outline the steps that have been made to reinstate house prices in September's consumer inflation publication.

- iii. Miss Jones was asked whether the missing months will be published in retrospect. She reported that the ONS is hopeful that they will be able to produce an index for April and May, but this is currently unconfirmed.

- iv. The Panel were also interested to understand the impact on transactions of the recently announced change to the stamp duty threshold. It was noted that changes to consumer spend (due to financial uncertainty) and increased demand for houses with greater outdoor space could also impact on the range of transactions. Miss Jones stated that ONS does not fully take the stamp duty change into the HPI but the ONS does account for the compositional changes (as part of the mix adjusted hedonic model) which would also include any compositional impact resulting from the coronavirus.

6. Update on HCIs

6.1 Mr Payne gave a summary of [HCIs third preliminary estimates](#) (published on 21 July 2020). The Panel commented:

- i. The Panel thanked ONS for publishing this rich and fascinating analysis, and for continuing to develop the HCIs in the current circumstances.
- ii. Given the increased interest in the HCIs as a measure of household inflation, the ONS were asked to produce a paper outlining the necessary developments to the HCIs before they can be assessed as a National Statistic, and the timescale for this work. Mr Payne reported that following last year's HCI release, ONS published a [methodology paper](#) which included a timeline for the further development of the HCIs (Annex B). Unfortunately, further development may have to slow down as a result of coronavirus.

Action: Mr Payne to present the path to National Statistics status for the HCIs at October's Panel meeting.

- iii. The work on improving the student loans methodology was well received by the Panel. The Panel stated that they would like to see further work to investigate the impact of interest rates and pay-day loans (which have a greater impact on low income households); consider the Owner Occupier Housing (OOH) methodology, in light of the approach adopted by New Zealand; and review the movement during the economic crisis. There was also a request for graphs to present levels, in addition to the growth rate.
- iv. A Panel member expressed an interest in understanding the differences in household inflation, across the income deciles, over the last 10 years. There was also interest in users being able to define their own population subgroups, but it was acknowledged that this would be difficult due to the reliance on Household Final Consumption Expenditure (HHFCE) and Living Cost and Food (LCF) survey weighting. Mr Payne commented that HCI's, due to their democratic weighting, have a complex weights process but it would be possible to present further sub-groups (if there is a relevant marker within the LCF data). A tool allowing users to generate their own subgroups is open for consideration but may be complicated to develop.

7. AOB / Summary

- 7.1 To summarise, Mr Athrow thanked the Panel for their compliments regarding the presented workstreams. However, he noted that the ONS may need to delay development plans as the current situation unwinds.
- 7.2 He added that the Alternative Data Sources (ADS) development work is continuing with positive news regarding feeds of data from external providers. The current situation has greatly increased the ONS's understanding of webscraping which will prove invaluable for further development of ADS.
- 7.3 The Panel deferred a discussion on how to better integrate the Stakeholder and Technical panels to the October APCP-S meeting.

Action: To include a discussion on how to better integrate the Stakeholder and Technical panels on the agenda for the next meeting.

The next Panel meeting will take place at 10:30 on 23 October 2020.

In terms of 2021, the provisional meeting dates are 29 January 2021, 30 April 2021 and 23 July 2021. The date of the October meeting will be set later in the year.