

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

Minutes

**Friday 23 October 2020
Via Conference Call**

Members in attendance

Dame Kate Barker (Chair)
Mr Jonathan Camfield (Lane Clark & Peacock)
Mr Richard Gibson (Barnett Waddingham)
Mr Simon Hayes (Bank of England)
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)
Ms Daniela Silcock (Pensions Policy Institute)
Mr James Smith (Resolution Foundation), until item 3.1
Dr Geoff Tily (Trade Union Congress), until item 2.1
Mr Alex Waddington (HM Treasury), in place of Mr Daniel Gallagher

Secretariat

Mr Andy King (ONS)

Presenters

Mr Chris Payne (ONS)

Apologies

Mr Jonathan Athow (ONS)
Mr Grant Fitzner (ONS)

1. Introduction, apologies and action

- 1.1 The Chair welcomed everyone to the meeting, in particular Ms Silcock to her first meeting. Apologies were received from Mr Athow and Mr Fitzner.
- 1.2 The minutes from the previous meeting (24 July 2020) were reviewed. The actions were completed apart from two items on this meeting's agenda.

2. Consumer price statistics development plan

- 2.1 Mr Payne presented the consumer price statistics development plan which sets the ONS's development priorities for the coming year. Mr Payne commented that this year had been very challenging with the response to the coronavirus (COVID-19) pandemic, which had taken considerable resources within the Prices division. The Panel were invited to comment on the plan:
 - i. The Panel fully supported the development of the Household Cost Indices (HCIs), especially the development of further indices for different household groups, including the change to a quarterly basis. The ONS were asked to outline the HCI development work being completed in 2022 as it was not clearly presented in the plan. Mr Payne responded that the work in 2022 involves getting production processes ready for the quarterly run and investigating the timeliness of data sources. He added that the ONS are planning a quarterly HCI test run in 2024, and the HCI development has the flexibility to produce different sub-groups, dependent on the Living Costs and Food (LCF) survey data.
 - ii. The Panel raised concerns about whether the pandemic would warrant further consideration in the plan and the number of high priority activities within an ambitious plan. Mr Payne responded stating that the pandemic would require additional work to reflect the recent changes in spending patterns in the weighting structure for 2021 and beyond.
 - iii. Mr Hardie added that the alternative data sources project is ONS's highest priority for consumer prices. The ONS needs to stay focussed on incorporating alternative data sources in 2023, despite the range of short-term requirements. Resources are being monitored given the pressures of development projects across consumer, house and business price statistics.
 - iv. Linked to these points, the Panel strongly agreed that care should be taken to ensure that the use of alternative data sources in ONS's headline measures of consumer price statistics is adequately resourced and is not rushed. In particular, it is vital to avoid a similar situation to the 2010 clothing and footwear changes. It is imperative that the data are collected on a robust basis, the methods used are extensively tested and the appropriate sensitivity analysis produced.

Action: The Panel suggested sending a letter to the National Statistician sharing their support for a measured timetable on the alternative data sources development work.

Subsequent to the meeting – it was agreed instead to discuss the Panel's views with the National Statistician at the next Panel meeting.

- v. A Panel member asked about the link between developing regional macro-economic data and developing regional cost of living series. Mr Payne stated that the ONS is continuing to develop regional measures in collaboration with the University of Strathclyde (formerly with the University of Southampton), which would fit into both the CPIH/CPI and HCI frameworks.
- vi. The Panel supported the work to develop experimental online price change statistics which is considered important and useful in the current circumstances.
- vii. Panel members stressed the importance of the rents data especially looking ahead to potential for financial uncertainty and a reduction in the proportion of owner occupiers. With the ONS having access to the Valuation Office Agency data, a further paper would be appreciated. Mr Hardie responded that initial estimates of a VOA-based rental series should be available for the next APCP-S meeting.

Action: ONS to present the initial rents estimates at the January 2021 Stakeholder Panel meeting.

- viii. A Panel member reiterated their concerns about taking CPIH back to the 1950s, however other Panel members stated their importance in making historic comparisons or for specifically reviewing high profile, historic contractual agreements.

3. Updated timeline for HCIs

- 3.1 Mr Payne presented an update on the HCI timeline for the further development of the HCIs including systematising the production process and the pathway to gaining National Statistics status. The Panel were invited to comment on the plan:
 - i. The Panel felt the proposed timetable was appropriate and achievable.
 - ii. The Panel discussed the timing of the HCIs gaining National Statistics status. Mr Payne advised that the ONS is planning that the HCIs would be established as a National Statistic by 2025 at the latest.

4. Weights for 2021

- 4.1 Mr Payne presented a slide deck covering the approach for calculating 2021 weights for CPIH, CPI, and RPI in the context of shifts in the spending distribution due to the ongoing coronavirus pandemic. The Panel were invited to comment:
 - i. The Panel asked how far ONS needs to ensure that the CPI and the European Harmonised Indices of Consumer Prices (HICP) align, given that the CPIH is intended to represent inflation in the UK? Mr Payne replied that the ONS have always tried to keep the CPI and the CPIH aligned, given that the CPIH is the CPI with the addition of an owner occupiers measure. ONS tend to align the CPI and HICP to allow international comparability. The ONS could consider separating the CPI and the CPIH weights if there was demand from the Panels.
 - ii. A Panel member asked if there is scope to report results on varying weight structures, but this would be confusing to users. However, Panel members felt having a research paper outlining the different approaches would be beneficial.

- iii. The Panel agreed that flexibility is important, especially to consider the secondary effects of the pandemic, such as the effects on transport should homeworking become the norm; the continued demand for online shopping; job losses and also Brexit effects.
- iv. Panel members also raised the issue of public perception of the changes. It is difficult to understand the theoretical considerations for basing the weights on different time periods. Extending this point, the ONS were asked the technical implications of revisiting the weight structure during the year.
- v. Mr Payne referred the Panel to the [analysis](#) considering the expenditure changes on the weights for April to June, which reflect that the impact of changes spending has not been as drastic as first thought. The ONS are intending to update this analysis in November. There is a risk that there will be a more permanent effect on expenditure patterns so the ONS suggested periodically reviewing the spending distribution. There are substantial technical challenges to bring weights changes in part way through the year.
- vi. Mr Hayes added that he was surprised that updating the expenditure patterns had little impact on the overall CPI inflation rate. He advised caution in generalising from the ONS's analysis, as the limited effect on CPI inflation had been influenced by offsetting price movements. He added the integrity of the CPI is paramount and encouraged ONS to consider their overall, long-term strategy for adjusting the weights.

Action: ONS to support their decision on changes to the weights process with a methodology paper to present at a future meeting.

5. Technical Panel Update – July 2020

- 5.1 Mr Hardie gave an update on the Technical Panel meeting held in October 2020, which included:
 - i. Consumer price statistics development plan – In addition to the points discussed at item 3, the Technical Panel also discussed the risks of ongoing data supply around scanner and web scraped data. To update, the ONS now has regular weekly feeds from five retailers meaning the ONS ingests around 400 million prices on a monthly basis. There was also a further discussion on the potential to use the ingested data to develop hedonic models.
 - ii. The National Statistician presented his plans for ONS and Prices Division.
 - iii. CPIH: producing a historical series for the period 1950 to 1987.
 - iv. On Household Cost Indices, which was discussed by the Panel (see item 5.2).
- 5.2 Following the circulation of the Aitken/Weale “On Household Cost Indices paper” and the Leyland/Astin response to the Stakeholder Panel, members discussed:
 - i. A Panel member detailed that the intention of the HCIs was to provide a pragmatic measure of what, in terms of household budget, the household experiences, rather than from economic theory.
 - ii. The Panel overall felt that the HCIs will be an invaluable resource for policy makers that need to plausibly reflect the experience of people and households.

6. Collaboration between the Stakeholder and Technical Panels

- 6.1 Following an action from the [April Technical Panel](#), the Panel discussed ways in which the collaboration between the Stakeholder and Technical Panels might be further improved.
- 6.2 The chair proposed a face-to-face, joint Stakeholder and Technical Panels meeting take place in autumn 2021. This would be an ideal opportunity agree priorities and the 2022 development plan, in particular to discuss the way forward on HCIs.

Action: ONS to organise a joint meeting for autumn 2001

7. AOB / Summary

- 7.1 To summarise, the Chair announced that Sir Ian Diamond and ONS's new Second Permanent Secretary, Sam Beckett, have been invited to attend January's Stakeholder Panel meeting.
- 7.2 The Chair sought feedback from the Panel on their preference for future meetings, either face-to-face or as conference calls.
- 7.3 Finally, the Chair thanked ONS for the meeting and the presentations. She reiterated her and the Panel's thanks to ONS for the way they have coped with price statistics this year given the very substantial challenges posed by COVID-19.

The next Panel meeting will take place at 10:30 on 29 January 2021.