

ADVISORY PANELS ON CONSUMER PRICES – TECHNICAL

Minutes**18th December 2020****Teleconference****11:00 – 12:00****Members in attendance**

Mr John Astin
 Mr Mike Hardie (ONS, chair)
 Mr Peter Levell
 Dr Jens Mehrhoff
 Prof. Paul Smith
 Dr Martin Weale
 Dr Gareth Clews (Methodology, ONS)
 Prof. Ian Crawford

Mr Rupert de Vincent-Humphreys

Secretariat

Mr Huw Pierce (ONS)
 Mr Chris Payne (ONS)

Apologies

Dr Antonio Chessa
 Prof. Bert Balk
 Mr Grant Fitzner (ONS)

1. Introduction and apologies

- 1.1. Mr Hardie welcomed attendees to the Advisory Panel on Consumer Prices-Technical (APCP-T) meeting and introduced Mr Pierce who is assuming the secretary role going forward.
- 1.2. As an interim meeting there were no previous actions to discuss.

2. Approach to Consumer Price Indices Weights 2021

- 2.1. Mr Payne gave a presentation on the proposed approach to calculating Consumer Prices Index (CPI) and Consumer Prices Index including Owner Occupiers' Housing costs (CPIH) weights for 2021 and summary analysis of the calculated weights. Panel members were invited to comment on 1) the process for arriving at the weights and 2) the indicative weights themselves.
- 2.2. The proposed approach adopted for Retail Prices Index (RPI) weights in 2021 is to use Living Costs and Food Survey (LCF) data for the period from July 2019 to June 2020. For CPI and CPIH the proposed approach is to align with international statistical guidance, along the lines set out in recent [Eurostat guidance](#). This has the benefit of retaining international comparability and best practice.
- 2.3. Adjustments will be limited to categories that are most heavily affected and/or show sustained changes in spending.
- 2.4. Estimates of the new weights were presented, acknowledging some limitations.
- 2.5. The new 2021 weights were compared with weights calculated under the conventional process (using 2019 spending data instead of 2020) and the weights used in 2020. While most classes experienced relatively small changes due to the altered process, there were some that experienced larger movements.

3. Round-table discussion

- 3.1. Panel members were invited in turn to offer feedback and raise questions on the presentation.

- 3.2. Dr. Mehrhoff commented on the general uncertainty surrounding 2021 and how reflective our estimates would be (as a result of Eurostat guidelines) should circumstances change. Weights should account for 2020, but also anticipate behaviour in 2021 dependent on how far the economy reverts to normal. Dr. Mehrhoff and Prof. Crawford were supportive of the idea of only updating categories that showed a sustained change in consumer behaviour.
- 3.3. In response to questions from Mr Astin, Mr Payne confirmed that the procedure for updating the RPI weights uses LCF from July 2019 to June 2020 and therefore follows a different schedule to CPI and CPIH, such that the impact of changes to spending patterns is less and therefore there will be no changes to the RPI process. Mr Astin also asked about what the ideal index would be in these circumstances. Conventional approaches to building price indices have little to say about the current situation we face and therefore it is difficult to make a case for any particular index to be the ideal one for benchmarking.
- 3.4. Mr Hardie emphasised the value users place on continuity across time and international comparability in price indices. For these reasons it made sense to follow Eurostat guidance. Mr. de Vincent Humphreys raised the importance of how we explain our approach to users and the public.
- 3.5. Prof. Smith and Mr Levell both raised the topic of smoothing the weights, acknowledging the complexity involved in doing this. Mr Levell asked if there was a statistical test being applied as to what constituted a sustained change in spending behaviour, as this would act as a threshold for identifying weights that need adjustment. Mr Payne referred to work done by the [Australian Bureau of Statistics](#) on this point and suggested that ONS may follow a similar approach to them.
- 3.6. Dr. Weale suggested thinking about what price change we wanted to show and using that to guide the approach. If the change between 2021 and 2020 is the key comparison then the approach is probably the right one.
- 3.7. Panel members queried the process for creating weights for 2022 and the “exit strategy” for this interim process, i.e. how we return to normal procedures after the pandemic.
- 3.8. Following a comment on the European situation, a panel member asked if the USA or Canada had declared their approach to calculating 2021 weights. Mr Payne confirmed he would be discussing with both countries.

Action: Mr Payne to report back on the approach taken by the USA and Canada

- 3.9. Panel members gave broad approval of the approach taken by ONS and recognised the complex nature of the problem at hand.

No.	Action	Person Responsible
1	Update the group on the approach taken by the USA and Canada	Mr Payne
2	Provide the presentation slide pack to Bert Balk	Mr Payne