

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

Minutes

**Friday 29 January 2021
Via Conference Call**

Members in attendance

Dame Kate Barker (Chair)
Jonathan Athow (ONS)
Jonathan Camfield (Lane Clark & Peacock)
Grant Fitzner (ONS)
Richard Gibson (Barnett Waddingham)
Simon Hayes (Bank of England)
Michael Hardie (ONS)
Jenny King (Which?)
Ashwin Kumar (Manchester Metropolitan University)
Jill Leyland (Royal Statistical Society)
Ian Rowson (Independent Policy Analyst)
Daniela Silcock (Pensions Policy Institute)
James Smith (Resolution Foundation)
Geoff Tily (Trade Union Congress)
Thomas Yeomans (HM Treasury), in place of Daniel Gallagher
Alex Waddington (HM Treasury), in place of Daniel Gallagher

Special Guests

Sir Ian Diamond – National Statistician, for item 3
Sam Beckett – ONS Second Permanent Secretary, from item 2

Secretariat

Andy King (ONS)

Presenters

Tanya Flower (ONS)
Chris Payne (ONS)
Sofia Poni (ONS)

Observer

Sami Mubarak (ONS)

1. Introduction, apologies and action

- 1.1 The Chair welcomed everyone to the meeting.
- 1.2 The minutes from the previous meeting (23 October 2020) were reviewed. Any incomplete actions are included in the agenda for this meeting.
- 1.3 The Panel discussed their role as a standing committee existing on an ongoing basis, due to the important impact of consumer price inflation on wage negotiation and in contracts. The Terms of Reference refer to the Johnson review - the Panel felt it would now be appropriate to broaden this, especially following the outcome of the Retail Prices Index (RPI) consultation.

Action: ONS to draft a paper for the Panel to consider how the Johnson Review recommendations map through to the current position, following the development of the Household Costs Indices (HCIs), and whether there are further areas, like user needs, which should also be considered.

- 1.4 As part of item 3, the Panel discussed the Terms of Reference with Sir Ian and agreed that the Panel should feel empowered to set its own direction working together with the National Statistician. Sir Ian described the Panel as the “lightning rod for user needs ... bringing massive and brilliant expertise” and he added that he values the advice the Panel gives.
- 1.5 Sam Beckett outlined that the ONS need to provide clarity on the Panel's role in providing external scrutiny as part of the ONS's quality assurance.

2. Progress update on the Alternative Data Sources Roadmap

- 2.1 Sofia Poni presented the progress ONS has made against the Alternative Data Sources (ADS) Roadmap and the project's future plans. Sofia outlined that the number of price quotes used in Consumer Prices Index including owner occupiers' housing costs (CPIH) and the Consumer Prices Index (CPI) is likely to grow from 180,000 to between 600 and 800 million per month by 2023, which in turn raises questions on using the data appropriately.
- 2.2 Sofia noted that restrictions resulting from the coronavirus (COVID-19) pandemic may impact on the implementation of ADS for some holiday and transport items.
- 2.3 The Panel were invited to comment on the ADS roadmap, in particular the flexibility around the proposed parallel run of an ADS-based measure in 2022, alongside the headline consumer price inflation measures:
 - i. The Chair thanked Sofia for her helpful presentation and welcomed Sam Beckett to the meeting.
 - ii. The Panel then thanked ONS for continuing to make substantial progress during the COVID-19 pandemic, in particular for the introduction of timely measures of consumer price inflation, which helped users understand the effects of COVID-19 on spending.
 - iii. There was interest from the Panel in expanding the weekly consumer price measures to other items (these are published as part of the Faster Indicators release). Sofia responded that there are no intentions to expand the coverage of these statistics in the short-term due to resource constraints.

- iv. The Panel felt that a year-long parallel run (without significant changes to data, methods and systems) is required as a minimum to understand the effects of seasonal spending. This should be reviewed and extended if needed, as the reputational and practical cost of any issues arising from the use of these new data sources and methods would far outweigh those associated with delaying the implementation of ADS.
- v. The Panel were also cautious of changes being made to the methodology during the parallel run. Sofia reassured the Panel that the parallel run is intended to be based on the near-final methodology, but any further adjustments could result in the parallel run period being extended. Sam Beckett assured the Panel that ONS will be clear what is meant by parallel running, and that this relates to producing supplementary statistics including the new data sources and methods alongside the headline statistics. The ONS also plan to table a paper about development plans after 2023 to the Panel later this year.
- vi. A Panel member asked if it was possible for the ONS to present the timeline of the weight of the index covered by scanner and web scraped data. This would be a good way to monitor progress.
- vii. The ONS were also asked if there is a regional element to the ADS development. Michael Hardie responded that regional development work is being undertaken by Southampton and Strathclyde Universities, and the ADS production system can be adapted to produce regional estimates, if required.

Action: ONS to present an update on regional development work.

- viii. The Panel raised concerns around the risks that the ADS development work is reliant on contracted scanner data feeds, rather than physical collections.
- ix. Sofia confirmed that there are data sharing agreements in place, with the current providers required to give six-months' notice of any changes to their data feed. In-store collection will continue until at least 2030 as it is required to produce the RPI following the outcome of the [consultation on the Reform to the Retail Prices Index](#).
- x. One of the Panel asked how the new process could adjust to changes in the way consumers buy goods and services? Sofia reassured the Panel that scanner and web scraped data are likely to better capture changes in consumer spending patterns. Michael added that modular systems have been developed allowing future data and methods changes to be incorporated at pace, therefore ONS can respond quickly to changes in consumer behaviour.
- xi. A Panel member raised the potential for accidental distributional bias, where price data is provided by large supermarkets is not necessarily representative of the spending patterns of people on lower incomes. Sofia remarked that this is a useful point which the ONS will need to consider when developing the use of scanner and web scraped data in the HCIs. The HCI weighting structure would reflect the distribution and, once the ADS has been onboarded, the local collection contract could be refocussed to increase coverage at smaller shops.

- xii. The Panel also asked if there are further risks to the project should the pandemic extend further into 2021. Tanya Flower replied that the responsiveness of the production process should enable the ONS to keep better track of the changes in spending. Michael added that the parallel run will take place across 2022 and that it is the ONS's intention to return to the Panels in autumn 2022 to decide whether it is necessary to extend the parallel run.

3. Discussion with National Statistician and Second Permanent Secretary

- 3.1 The Chair welcomed Sir Ian Diamond to the meeting.
- 3.2 Sir Ian began by thanking the Panel for giving the ONS confidence to continue their development work. He further added that the consumer prices team have done a magnificent job to rethink how ONS collect prices in challenging times and to do so using radical and ambitious strategies.
- 3.3 Sam Beckett introduced herself and outlined that consumer price statistics are a key priority of the refreshed Economic Statistics transformation programme, as it brings together technology, data acquisition and methodology; and economic statistics and analysis.
- 3.4 The Chair thanked Sir Ian and Sam for attending and re-iterated the Panel's warm appreciation of how the ONS Prices team had coped during the COVID-19 pandemic.
- 3.5 The Panel were given the opportunity to ask Sir Ian and Sam questions:
 - i. The Panel asked Sir Ian's views on the landscape for consumer prices statistics with macro-economic measures (the CPIH and CPI); the Household Cost Indices (HCIs); and the RPI, as the legacy measure. Sir Ian reassured the Panel that the ONS's focus will be on best meeting user needs, but he did not feel constrained by the landscape.
 - ii. Sir Ian was asked what his role is in encouraging others to appropriately use the consumer price statistics? He replied that ONS's role is to propagate the knowledge of alternative indices and their pros and cons, to inform the decisions made by policy makers.
 - iii. A Panel member raised the point that the RPI discussions have polarised debates. Sir Ian promised the Panel that, during his term as National Statistician, he would do everything he can to ensure that there is a reasonable, respectful and decent conversation with all parties to enable the best solution for the UK.
 - iv. One of the Panel made the points that the city markets crave clarity and certainty, and that there is some uncertainty following comments from Sir Ian. Sir Ian thanked the Panel member for their comments and this point re-iterated the importance of the Panel. He felt that it was important to settle the uncertainty by reviewing the language used.
 - v. Further points raised by the Panel related to preventing any further drift between the CPIH and the RPI in the period to alignment; and the effects on the CPIH and CPI of coming to the end of the EU transition period. Sir Ian reassured the Panel the transition agreement includes statistics, specifically to agree a methodology around GDP. Sir Ian has already had cordial conversations with his counterpart at Eurostat, and he reassured the Panel that the ONS will ensure that it will adhere to the very highest global standards.

- vi. Sir Ian was asked for his views on whether the RPI consultation could have been done differently and looking forward to 2030. Sir Ian felt that the consultation was well led by Jonathan Athrow - Sir Ian thanked Jonathan for his leadership of the consultation. Looking ahead over the next nine years, Sir Ian returned to his comments on having a reasonable, respectful and decent conversation with all parties.
- 3.6 Sam added that she found the discussions helpful, particularly around the areas to be prioritised. She talked about the relationship between official and National Statistics, and publishing experimental series to provide insights to decision makers.
- 3.7 The Chair thanked Sir Ian and Sam, on behalf of the Panel, for attending. There was agreement that Sir Ian and Sam would attend future meetings.

4. Initial VOA-based rents estimate

- 4.1 Natalie Jones presented on the rents development work using data received from the Valuation Office Agency.
- 4.2 The following discussions have been redacted due to the market sensitive nature of the subject.

5. Technical Panel Update – December 2020 and January 2021

- 5.1 Grant Fitzner gave an update on the Technical Panel meetings held in December 2020 and January 2021, which focused on the development of 2021 CPIH/CPI weights, which is to be discussed at item 6, and the ADS development, specifically:
 - i. Weekly online price changes for food and drink items methodology.
 - ii. Research indices using scanner data.
 - iii. Refunds in scanner data.
 - iv. Classification of Alternative Data Sources.

6. Progress on developing 2021 CPIH/CPI weights

- 6.1 Michael Hardie provided a high-level summary of the on-going work to develop the CPIH and CPI weights for 2021.
- 6.2 Given the changes to consumer expenditure patterns during the COVID-19 pandemic, the 2021 CPIH/CPI weights will be estimated from more timely National Accounts data. Classes where the difference between the 2019 based-weights data and the estimated 2020 weights exceeds a pre-determined threshold have been adjusted to reflect the timelier data.
- 6.3 The adjustments have been made in-line with international guidance

7. AOB / Summary

- 7.1 To summarise, the Panel thanked Sir Ian Diamond and Sam Beckett for attending today's meeting.

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