

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

Minutes

**Friday 29 April 2022
Via Videoconference**

Members in attendance

Dame Kate Barker (Chair)
Jonathan Camfield (Lane Clark & Peacock)
Grant Fitzner (ONS)
Danial Gallagher (HMT)
Richard Gibson (Barnett Waddingham)
Michael Hardie (ONS)
Simon Hayes (Bank of England)
Ashwin Kumar (Manchester Metropolitan University)
Jill Leyland (Royal Statistical Society)
Sofia Poni (ONS)
Ian Rowson (Independent Policy Analyst)
Daniela Silcock (Pensions Policy Institute)
James Smith (Resolution Foundation)

Secretariat

Andy King (ONS)

Presenters

Liam Greenhough (ONS)
Natalie Jones (ONS), for items 6 to 9.
David Moran (ONS)

Observers

Eimantas Misevicius (ONS), for items 6 to 9.
Helen Sands (ONS)

Outstanding Actions

1.	ONS to present an update on regional price development work	Item 5
2.	ONS to report back to the Panel with their private rental development communications plan	Item 8
3.	ONS to publish a paper summarising the discussions of the Johnson Review recommendations	Ongoing – complete as part of Panel Annual Report
4.	ONS to review the reference to the Johnson Review within the terms of reference	Complete
5.	ONS to circulate the index methods framework and criteria for selecting the most appropriate methods	Item 4
6.	ONS to produce a projection (of the HCIs) for the three methods of implementing mortgage payments (the current Retail Prices Index (RPI) method, the simple revaluation method and the lender's formula method) with a 20% fall in house prices and a 1% increase in interest rates	Ongoing

Actions from today's meeting

7.	The ONS to review previous ADS programme item category decisions with the proposed framework.	-
8.	The ONS to further enhance the proposed ADS prioritisation framework and present it to the Panel in July.	-
9.	The ONS produce documentation detailing the multilateral methodology, along with more-accessible explanations of the multilateral methods, and hold a future training session.	-
10.	The ONS to consider producing a compendium of statistics on the cost of living.	-
11.	The ONS to circulate a copy of the slide packs to Panel members.	-

1. Introductions, apologies, and actions

- 1.1. The Chair welcomed everyone to the meeting. Apologies were received from Jenny King, Mike Keoghan, and Geoff Tily.
- 1.2. The minutes from the previous meeting (4 February 2022) were approved. Several actions are planned to be completed as items during this meeting. It was suggested that the action for ONS to publish a paper summarising the discussions of the Johnson Review recommendations, which is not considered a priority for the Panel, is included in the Panel's Annual Report.
- 1.3. The following actions will be considered at future meetings:

Action: ONS to publish a paper summarising the discussions of the Johnson Review recommendations.

Action: ONS to produce a projection (of the HCIs) for the three methods of implementing mortgage payments (the current Retail Prices Index (RPI) method, the simple revaluation method and the lender's formula method) with a 20% fall in house prices and a 1% increase in interest rates

2. Update on the Alternative Data Sources Transformation Programme

- 2.1. Sofia Poni gave a verbal update on the consumer prices Alternative Data Sources (ADS) development programme. The publication timetable for ADS impact analysis and experimental estimates was agreed and circulated between meetings, ahead of its publication as part of the [Transformation of consumer price statistics: April 2022](#) article. The article was accompanied with a [blog](#), by Mike Hardie, explaining how the changes to second-hand cars and rail fares are improving consumer price statistics.
- 2.2. The implementation of the rents development work will follow the same approach with the publication of research papers in June 2023, ahead of impact analysis and experimental indices in November 2023.
- 2.3. As an overall update on the ADS development programme, Sofia added the ONS are on track; the cloud platform development is progressing at pace and the ONS have acquired data from two further grocery retailers.
- 2.4. The Panel noted that the published paper was highly informative especially the timetable outlining when the changes are being made and the collection of references to related ONS articles.
- 2.5. Sofia was asked whether the new ADS data for second-hand cars and rail fares will impact on the Retail Prices Index (RPI). She advised that this ADS data will not be incorporated in the RPI.
- 2.6. A Panel member noted that the decision on whether to include new data within the RPI could impact on the differences between the Consumer Prices Index (CPI) and the RPI, and also impact on the transition to the Consumer Prices Index including owner occupiers' housing costs (CPIH) methods from 2030.

3. Future prioritisation of item categories within the ADS transformation programme

- 3.1. David Moran gave a presentation on the proposed framework for prioritising new item categories within the ADS transformation programme, which provided an update to the paper presented to the Panel in September 2019 ([APCP-S\(19\)16 Prioritising suitable categories for the inclusion of alternative data sources](#)).
- 3.2. The Panel discussed the elements of the framework and raised concerns about some of the specific categories and their weights.
- 3.3. David commented that the presented weights were for illustrative purposes and took an action to apply the framework to the prioritisations made previously in the ADS transformation programme.

Action: The ONS to review previous ADS programme item category decisions with the new proposed framework.

- 3.4. The Panel asked if other National Statistical Institutes (NSIs) use a similar framework to focus their development work. David replied that other NSIs do not have comparable frameworks, although Stats Canada has a framework to consider data quality, which only relates to a small part of this proposed framework.
- 3.5. The Panel felt that the proposed framework is helpful to inform decisions on prioritising item categories within the transformation programme, although decisions should be made based on a range of factors including overall impact on the Consumer price inflation indices, priority of categories, and resources or costs.
- 3.6. The Panel's thoughts on the proposed prioritisation framework for ADS were incredibly helpful with David taking away extensive feedback to take forward in its further development. The updated framework will be presented at July's Panel meeting.

Action: The ONS to further enhance the proposed ADS prioritisation framework and present it to the Panel in July.

4. Finalising a multilateral index method for using scanner data to its potential

- 4.1. Liam Greenhough gave an informative presentation on the preferred multilateral index method for use with data containing product-level weights (particularly scanner data) which followed the publication of the Economic Statistics Centre of Excellence [Multilateral index number methods for Consumer Price Statistics](#) paper.
- 4.2. The Panel commented that they found the presentation helpful but also requested that the ONS produce documentation detailing the multilateral methodology (including worked examples) and hold a future training session on multilateral methods. Sofia added that the ONS also intend to produce a more-accessible explanation of the multilateral methods to help user understanding of the changes.

Action: The ONS produce documentation detailing the multilateral methodology, along with more-accessible explanations of the multilateral methods, and hold a future training session.

- 4.3. A Panel member asked whether the presented method would be used for webscraped data. Liam replied that the absence of expenditure data (weights) meant that the GEKS-Törnqvist method could not be used for webscraped data. Currently, the ONS are undecided on whether to produce approximate weights or to use an unweighted multilateral method.

5. Regional Development work

- 5.1. Sofia Poni gave a presentation outlining the research to date, the work on a pilot survey for Northern Ireland, and the proposed future work. In conclusion, she added that the current sample of price quote data is too small to produce a robust measure of regional inflation for the UK. She added that work is continuing to understand the minimum sample size per item per region along with considering how, in the future, to best use the ADS scanner data to produce regional estimates.
- 5.2. The Panel thanked Sofia for the update.
- 5.3. A Panel member asked whether there is a way to measure systematic expenditure pattern differences between regions. Sofia agreed that research into the differences between regions could be incorporated in the regional development workplan.

6. Development of HCIs

- 6.1. Natalie Jones presented an update on the Household Cost Indices (HCIs) development work ahead of the publication of the [forthcoming fourth preliminary estimates](#), covering 2005 to 2021. The Panel were asked their thoughts on the continued development of the HCIs.
- 6.2. The Panel were supportive of the proposed development plan.
- 6.3. A Panel member requested that, given the on-going interest in the cost of living, the ONS develop measures of inflation across a range of price points. Michael Hardie advised that the analysis would require the use of the ADS grocery scanner data to provide the required level of granularity, which would not be possible given the access agreements with retailers. Even if it were possible, there would be the added problem of linking the data back to household types. Michael mentioned the work with the Data Science Campus to develop a Least Cost Index (covered in item 7).
- 6.4. Jill Leyland mentioned the [letter](#) from the Royal Statistics Society President, Professor Sylvia Richardson, to the National Statistician, which argues that the development of the HCIs should be accelerated considering the cost of living crisis. Jill added that she and John Astin are preparing an update to their 2015 paper which acted as a starting point for the HCI development, and it will be presented at the forthcoming RSS meeting in June 2022.
- 6.5. A Panel member raised concerns about the proliferation of indices with a need for greater insight rather than a demand for data. They urged the ONS to consider producing an authoritative digest interpreting and drawing insights out of the wide spectrum of datasets (a point which was restated under item 7). Further comments were made by Panel members endorsing the need for clear, timely, relevant communication from the ONS on the cost of living and how households are being affected.
- 6.6. The ONS were asked about the inflation rate estimates for different household groups. Natalie responded that the CPIH-subgroup analysis will be published on 10 May 2022 and further updates will be published on a quarterly basis.
- 6.7. Michael Hardie added that the ONS are mindful of publishing numerous measures of consumer price inflation which could potentially confuse users. Michael suggested extending the Prices landscape beyond the current macro-economic and household measures to include supplementary cost of living analysis.

7. Update on Prices work to support understanding of the impact of inflation on UK households

- 7.1. Andy King gave a presentation outlining the ONS's work to inform the discussion around the cost of living. He presented the [ONS's cost of living workplan](#) (to be updated on 10 June 2022), the [personal inflation calculator](#), and forthcoming Analysis of Least Cost Items, which uses webscraped data to investigate price changes for 30 everyday items.
- 7.2. Although the Panel welcomed the programme of research to better understand the implications of rising prices on spending patterns, there was concern that a proliferation of new statistics could be confusing to users.

Action: The ONS to consider producing a compendium of statistics on the cost of living.

8. Rents Development Communications Plan

- 8.1. Natalie Jones outlined the communication plan for the rents development work presented in the [Private rental prices development plan](#). The timeline for the development is presented in [Section 3](#). The ONS have two main user groups for rental statistics: those interested in the granular rental data; and those interested in the impact of the new rental measures on inflation statistics.
- 8.2. Parts of the following discussions have been redacted due to the market sensitive nature of the subject.

9. AOB / Summary

- 9.1. The Chair thanked the Panel for their contributions to today's meeting and the presenters for taking time to attend.

Action: The ONS to circulate a copy of the slide packs to Panel members.

The next Panel meeting will take place at 10:30 on 22 July 2022, with a plan for ONS to host a combined Stakeholder and Technical Panel meeting in Newport in the Autumn.