UK STATISTICS AUTHORITY
ADVISORY PANEL ON CONSUMER PRICES – STAKEHOLDER

Minutes

Friday 22 July 2022
Hybrid Meeting

Members in attendance
Dame Kate Barker (Chair)
Jonathan Camfield (Lane Clark & Peacock)
Matthew Corder (ONS)
Richard Gibson (Barnett Waddingham)
Michael Hardie (ONS)
Simon Hayes (Bank of England)
Jenny King (Which?)
Ashwin Kumar (Manchester Metropolitan University)
Jill Leyland (Royal Statistical Society)
Alex Waddington (HMT)

Secretariat
Andy King (ONS)

Presenters
Abi Casey (ONS)
Jo Corless (ONS)
Liam Greenhough (ONS), for items 1 to 3.
David Moran (ONS)
Chris Payne (ONS)
Helen Sands (ONS)

Observers
Tegwen Green (ONS), for items 1 to 4.

Outstanding Actions

3.	ONS to publish a paper summarising the discussions of the Johnson Review recommendations	Ongoing – complete as part of Panel Annual Report
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
7.	The ONS to review previous ADS programme item category decisions with the proposed framework.	Item 5
8.	The ONS to further enhance the proposed ADS prioritisation framework and present it to the Panel in July.	Item 5
9.	The ONS produce documentation detailing the multilateral methodology, along with more-accessible explanations of the multilateral methods and hold a future training session.	Item 3
10.	The ONS to consider producing a compendium of statistics on the cost of living.	Item 8
11.	The ONS to circulate a copy of the slide packs to Panel members.	Completed – via correspondence

Actions from today's meeting

12.	The Panel to provide additional feedback on the draft multilateral index methods explainer paper.	-
13.	The Panel to provide additional feedback on the proposed aggregation structure for second-hand cars and rail fares analysis.	-
14.	The Panel to provide additional feedback and suggestions to Abi Casey (abi.casey@ons.gov.uk) in advance of the Autumn update to the analysis of least cost grocery items.	-

1.   Introductions, apologies, and actions

1.1.   The Chair welcomed everyone to the meeting. Apologies were received from Grant Fitzner, Chris Jenkins, Jenny King, Mike Keoghan, Sofia Poni, Ian Rowson, Daniela Silcock, James Smith, and Geoff Tily.

1.2.   The minutes from the previous meeting (29 April 2022) were approved. Several actions are planned to be completed as items during this meeting. The Chair reminded the ONS of the need to prepare and publish the 2021 Annual report.

2.   Update on the Alternative Data Sources (ADS) Transformation Programme

2.1.   Helen Sands gave a presentation on the ONS's progress to implement ADS data within the measures of consumer price inflation, including the publication of research articles for second-hand cars and rail fares.

2.2.   The Panel thanked ONS for the publication of the research papers and felt that both were well received.

2.3.   The Panel provided feedback on the type of breakdowns that the ONS intend to publish. For rail fares, analysis by fare type, and by regulated or unregulated tickets were considered valuable. The Panel also noted there would be greater interest in analysis of second-hand car sales by fuel type as the hybrid / electric car market expands.

2.4.   Helen responded that, for rail fares, below consumption segment-level breakdowns would be difficult given that the LENNON (Latest Earnings Nationally Networked Over Night) data are only available for Great Britain, meaning that fare-group breakdowns for Northern Ireland would not be possible. It would therefore take additional analysis to present a fare-type breakdown for the whole of the UK. In terms of second-hand cars, Helen added that ONS are planning for changes in the market and a breakdown for hybrid and electric cars will be available in the future.

Action: The Panel to provide additional feedback on the proposed aggregation structure for second-hand cars and rail fares analysis.

2.5.   A Panel member asked the ONS if they had a view about how the properties for the inflation index, in particular volatility, will be affected by the inclusion of new, more expansive datasets.

2.6.   Helen commented that the impact from new rail fares and second-hand cars data seems to be minimal, and ONS will investigate the impact of including grocery scanner data and the finalised rents series in the measures of consumer price inflation, as the development work continues.

3.   Multilateral index methods: Introducing the GEKS-Törnqvist

3.1.   Liam Greenhough introduced his draft explainer paper covering multilateral indices within inflation statistics. The paper is currently going through a peer review and will be published in the future as part of the ONS's explanation of the new methods.

3.2.   The Panel gave glowing feedback on the draft paper describing it as clear and digestible, thanking Liam for his work.

3.3. The Panel suggested Liam considers including the following enhancements:

- Clear statements explaining why the multilateral method is an improvement on the current method and the benefits of the new methodology.
- Outlining the use of geometric mean and index methods (Jevons versus Dutot), and the problems with using Carli indices.
- Explaining why the selection window is used and its benefits.
- Stating the desirable properties of the multilateral index.

3.4. The Panel asked how the methodology would react to price shocks given the 25-month window.

3.5. Liam reassured the Panel that, in the absence of product churn, the GEKS-Törnqvist index becomes more like a Törnqvist index, which have been proven to react to sudden changes in price. A price change, like the increase to energy prices in April, would be reflected in the index in the month the increase occurs. This point is presented in the ONS's New index number methods in consumer price statistics article, which includes a section on stress-testing index number methods.

Action: The Panel to provide additional feedback on the draft multilateral index methods explainer paper.

4. Research indices using scanner data

4.1. Jo Corless gave a presentation on the research undertaken into the use of scanner data for calculating grocery inflation in the consumer price statistics, covering stratification, relaunch linking (which is required when products are changed or relaunched) and experimental price indices for a subsample of retailers.

4.2. The Panel thanked Jo for her presentation and acknowledged that the scanner data would enable ONS to produce some interesting analysis.

4.3. The Panel noted the different retailer behaviours and the need to ensure that the ONS had sufficient coverage of the market. The reliance on retailers and the need to ensure that there are contingency plans in place to cover data provision was commented on.

4.4. Jo commented that the retailer scanner data will be integrated with the local collection data, which would provide wider coverage of the grocery market and some contingency should the supply of scanner data be impacted. Retailers who cannot supply scanner data will continue to be represented by the locally collected data. Jo referred the Panel to ONS's Introducing alternative data into consumer price statistics: aggregation and weights article.

4.5. The Panel asked the ONS whether they plan to introduce scanner data into the Household Cost Indices (HCIs). The scanner data would explain what items households are buying and enable consideration of how a reduction in discounting, which was observed at the start of the pandemic, might impact on low-income households.

4.6. Michael Hardie replied that, in the long term, scanner data will be used to produce the HCIs, but it would not be possible to link spend on groceries and household-types. The analysis of least cost grocery items has identified a link between supermarket locations and the income decile of the neighbourhood they are located in, and ONS are investigating other sources of data including market research data.

4.7. The Panel urged ONS to establish a research programme to better understand the impact of inflation on low-income households, and the behaviour of these households as prices change.

5. Alternative Data Sources Prioritisation Framework

5.1. David Moran gave an update on ONS's work to enhance the ADS prioritisation framework proposed in April's meeting.

5.2. The Panel appreciated the changes David had made since the last meeting. A Panel member noted whether a further key criterion, covering operational benefit, would be helpful.

5.3. There was a discussion about whether the framework should be based on the item's Consumer Prices Index including owner occupiers' housing costs (CPIH) weight or its contribution to the index. Basing the item prioritisation on contribution could pick up recent biases and focus development work on more volatile items. The Panel overall favoured basing a prioritisation on both the item's relative weight and contribution over a period.

6. Household Cost Indices (HCIs)

6.1. Chris Payne presented the next steps for the development of the Household Cost Indices (HCIs), following the publication of the [fourth preliminary estimates](#), covering 2005 to 2021.

6.2. Chris summarised stakeholder feedback for ONS to publish the HCIs on a more frequent, quarterly basis, which would be reliant on developing a new production system. This work was originally planned for later in the project timeline. Bringing it forward means work on the work to change the series from a domestic to a national basis (planned for the next update), will need to be put on hold and could delay steps to seek National Statistics status.

6.3. The Panel thanked Chris for his presentation and supported the ONS's plans to prioritise developing the HCIs production system. In terms of achieving National Statistics status, the Panel felt that this should be dependent on developing a settled definition for the HCI.

6.4. The Panel further reiterated the need for ONS to establish a parallel workstream to focus on spending by different income groups and low-income households.

6.5. Chris added that the HCIs will be supported by ongoing quarterly publication of subgroups on a CPIH-consistent basis, the cost of living analysis, and ONS's plans to develop a variant, capital measure of the HCIs.

7. Pilot Northern Ireland Local Collection Boost

7.1. Chris Payne provided an update on the project to boost the local collection sample in Northern Ireland. Chris outlined the plans to publish the methodology, progress, next steps, and index estimates in mid-September. This would be followed by further updates every six months which would link to the sub-group analysis.

8. Lowest-cost grocery items

8.1. Abi Casey recapped ONS's work to inform discussions on the cost of living and outlined the ONS's plans to update the analysis of least cost grocery items in the Autumn. There is the opportunity for ONS to revisit the methodology from the initial analysis, and Abi asked the Panel for their preferences for the Autumn 2022 update and the Panel's thoughts on the future of this analysis.

8.2. The Panel thanked ONS for their commitment to the cost of living debate, although the Panel noted that the media coverage of May's release focussed on the notable price increases. The ONS were asked to consider this and provide a balanced commentary in the subsequent analysis.

8.3. Given the current economic situation, the Panel favoured a timely and consistent update to the analysis, which would allow comparison to the earlier publication.

8.4. The Panel also asked ONS to consider the possibility, in the future, of using scanner data to analyse the distribution of prices – in particular, the compression and dispersal of prices – and the longer-term need to follow inflation for low-income households.

8.5. Linked to the question of child poverty, the Panel proposed an eventual expansion of the item list to cover items bought by households with children.

Action: The Panel to provide additional feedback and suggestions to Abi Casey (abi.casey@ons.gov.uk) in advance of the Autumn update to the analysis of least cost grocery items.

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.

The next Panel meeting will take place at 10:30 on 21 October 2022 in ONS's new office in Marsham Street.