

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

Minutes

**Friday 26 April 2024
Hybrid Meeting**

Members in attendance

Dame Kate Barker (Chair)
Jonathan Camfield (Lane Clark & Peacock)
Richard Gibson (Barnett Waddingham)
Jenny King (Which?)
Simon Kirby (Bank of England)
Ashwin Kumar (Manchester Metropolitan University)
Jill Leyland (Royal Statistical Society)
Daniela Silcock (Pensions Policy Institute)
James Smith (Resolution Foundation)
Geoff Tily (TUC)
Morgan Wild (Citizens Advice)
Tom Yeomans (HMT)

ONS secretariat

Anthony Luke

ONS presenters

Abi Casey
Liam Greenhough

External presenters

Hannah Randolph (Fraser of Allander Institute)
Oliver Tatum-Fox (Office for Statistics Regulation)

ONS observers

Chris Jenkins
Chris Payne

Outstanding Actions

6.	ONS to produce analysis (of the HCIs) for the three methods of implementing mortgage payments (the current Retail Prices Index (RPI) method, the simple revaluation method and the lenders' formula method) with a 20% fall in house prices and a 1% increase in interest rates.	On hold
26.	ONS to contact the Dutch statistical agency to determine the extent to which their price indices differed when using the national approach as opposed to the domestic approach and to ask if there were any particularly important lessons they learned when carrying out this work.	Completed
27.	ONS to table the Prioritisation Framework for discussion at the July 2024 Stakeholder Panel.	Ongoing

28.	ONS to table Ofgem data for discussion at a future Stakeholder Panel when further information was available	Ongoing
29.	The Secretariat to liaise with Panel members to agree a suitable date for the Panel that will now be held in September.	Completed
30.	Chris Payne to come back to the Panel with a proposal for how to manage revisions in the HCIs.	Ongoing
31.	The Secretariat to table GEKS-Törnqvist for discussion at the April 2024 Panel.	Completed

Actions from today's meeting

32.	Secretariat to liaise with UKSA to ensure processes are streamlined so that all relevant documents are uploaded to the website in a timely fashion.	-
33.	Secretariat to circulate Chris Payne's slides on the national approach to compiling price indices with Stakeholder Panel members.	-
34.	ONS to review the Panel's feedback on communicating the use of GEKS-Törnqvist and to bring this issue to the July Panel for further discussion.	-
35.	ONS to provide the Panel with details on why the growth rate of the Price Index of Private Rents was different from the growth rate of Owner Occupiers' Housing Costs.	-
36.	Panel members to consider who may be affected by the change to consumption segment codes and to provide the ONS with contact details of affected parties.	-
37.	Secretariat to table an agenda item at the July Stakeholder Panel for members to discuss the prioritisation of improvements to the Household Costs Indices.	-
38.	Chris Payne to circulate further information to the Panel on the initial questions relating to revisions and additivity of seasonally-adjusted CPI before the next Panel.	-

1. Introductions, apologies, and actions

1.1 The Chair welcomed everyone to the Stakeholder Panel meeting.

1.2 The minutes from the previous Stakeholder Panel meeting (2 February 2024) were approved.

1.3 Concerns were expressed regarding the length of time for minutes and other documents to be uploaded to the UKSA website.

Action: Secretariat to liaise with UKSA to ensure processes are streamlined so that all relevant documents are uploaded to the website in a timely fashion.

1.4 Chris Payne (CP) explained that he had been in touch with the Dutch statistical agency (Statistics Netherlands), the only National Statistical Institute ONS are aware of that has been able to calculate price indices using a fully national approach as opposed to the domestic approach.

1.5 CP explained the methods Statistics Netherlands uses to adjust expenditure totals so they don't include spending by tourists in the Netherlands but do include what Dutch citizens have spent abroad. CP further explained that price changes relating to the expenditure of Dutch tourists abroad are reflected in the national index by matching the expenditure of the Dutch tourists with the change in relevant categories of the Harmonized Index of Consumer Prices (HICP) in the country the expenditure took place.

1.6 The Panel observed that expenditure adjustments were likely more pronounced in the Netherlands than the UK as there are more people living near the Dutch borders with Germany and Belgium than there are that live near the UK border with the Republic of Ireland.

Action: Secretariat to circulate CP's slides on the national approach to compiling price indices with Stakeholder Panel members.

1.7 It was agreed that action points 26, 29 and 31 had been completed and could be removed from the action point list.

2. Communicating the impact of GEKS-Törnqvist on ONS Consumer Price Statistics

2.1 Liam Greenhough (LG) gave a presentation that aimed to address some of the commonly-raised questions about the GEKS-Törnqvist multilateral index methodology. LG explained that GEKS-Törnqvist is not the simplest of methods used by Prices Division but neither is it the most complicated. LG further explained some of the work that has been done to tailor communication of the method to different audiences.

2.2 The Panel welcomed the work that had already been done to explain the method to the public, noting that a detailed methodological paper had been published which had likely been of use to statisticians. The Panel also welcomed some of the less technical explanations of GEKS-Törnqvist that ONS have published.

2.3 The Panel then noted that a further paper could be produced that provides more detail for members of the public that have less of a mathematical background. Such a paper might include details on the reasons for using GEKS-Törnqvist and the advantages it brings when analysing large datasets but it should also aim to answer the questions people have already begun to pose within the wider statistical community.

Action: ONS to review the Panel's feedback on communicating the use of GEKS-Törnqvist and to bring this issue to the July Panel for further discussion.

2.4 LG explained that the inclusion of dynamic elementary aggregate samples within alternative data sources does not necessarily mean that the use of 'fixed basket' terminology will need to change because of the primary focus users place on the sample of higher-level aggregate items and consumption segments, which will continue to be fixed. LG further explained that there is a precedent for an evolving set of products to exist at the elementary level due to the planned replacement strategy.

3. ADS update

- 3.1 Abi Casey (AC) explained that the ONS aim to incorporate grocery scanner data and Northern Ireland rental data into their consumer price statistics in March 2025, and summarised the ONS's communication and engagement timeline.
- 3.2 AC explained that a parallel run will commence in July 2024 alongside publication of a blog, an updated article on the ONS's transformation plans, an updated consumer prices development plan, and possibly a methods article. An impact analysis is planned to be published in December 2024 alongside webinar explainer events and the publication of another methods article.
- 3.3 AC then highlighted other areas for consideration including plans to secure agreement from supermarkets to publish the impact analysis, the possible effect of an autumn election on the protocol around inclusion of the groceries data in RPI, and possible impacts on ONS publications after the groceries data goes live.
- 3.4 The Panel commended the ONS for the quality of the rental data visualisation tool and agreed that the communication and engagement plan was robust. The Panel queried why the growth rate of the Price Index of Private Rents was different from the growth rate of Owner Occupiers' Housing Costs.

Action: ONS to provide the Panel with details on why the growth rate of the Price Index of Private Rents was different from the growth rate of Owner Occupiers' Housing Costs.

- 3.5 AC then gave a presentation on proposed changes relating to COICOP consumption segment codes. ONS currently use the European Classification of Individual Consumption According to Purpose (ECOICOP) classification hierarchy when compiling CPI but are finalising a timetable for the transition to the Classification of Individual Consumption According to Purpose 2018 (COICOP 2018). Although COICOP18 has not yet been implemented by ONS, the consumption segments relating to grocery scanner data will use consumption codes aligned to COICOP 2018 rather than ECOICOP to allow for more effective mapping and a consistent time series when the ONS moves to COICOP 2018.
- 3.6 AC explained that this decision will only have an impact on users of consumer prices microdata and may cause confusion at first as some of the consumption segment codes will not align with the hierarchy that's being used.
- 3.7 The Panel noted that they were happy with the plan to communicate the change with the public but added that the UK Data Service may have a list of users that may be affected. The Panel agreed to reflect on whether they know any individuals or institutions that use the affected data, before notifying Prices Division of who they may wish to contact to explain the change.

Action: Panel members to consider who may be affected by the change to consumption segment codes and to provide the ONS with contact details of affected parties.

- 3.8 The Panel further noted that it may be helpful for the ONS to publish correspondence tables in a similar way to SIC, mapping the old categories to the new categories to allow for easy comparisons.

3.9 The Panel were reminded by Chris Jenkins that a paper on ONS's plans to transition to COICOP 2018 will be tabled at a Panel later this year.

4. Office for Statistics Regulation review of the Price Index of Private Rents, and Owner-Occupied Housing

4.1 Oliver Tatum-Fox (OT) presented on the Office for Statistics Regulation's (OSR's) planned assessment of the Price Index of Private Rents (PIPR). OT explained that the focus of the assessment would be determining the quality of PIPR against the Code of Practice for Statistics and elements of other frameworks such as the International Monetary Fund's Data Quality Assessment Framework. However, OT explained that the suitability of using the rental equivalence approach as opposed to any other approach is not within the scope of the review as OSR have assessed this previously.

4.2 OT explained that OSR intend to engage with users in the housing and economic spheres in the UK to gauge viewpoints on the trustworthiness, quality and value of PIPR. OT also explained that the engagement would take place in May and June and that the aim is to publish the assessment report at the end of September.

4.3 The Panel welcomed the review and explained that there will be a large number of people, think-tanks and other organisations who will wish to contribute their thoughts. James Smith and Daniela Silcock offered to get in touch with OSR outside of the Panel meeting to help signpost them to relevant people and organisations, while other Panel members were encouraged to do the same.

5 EDIF-funded research on Household Costs Indices

5.1 Hannah Randolph (HR) presented the findings of her research paper, which explores different ways that household-specific price indices could be derived by the ONS. HR explained that differences in inflation rates across household groups may differ because they buy different combinations of goods and services, because they substitute differently between goods and services when relative prices change, and because they pay different prices for the same or similar goods and services. HR explained that her paper focussed on the last of these three possibilities and that the paper focuses primarily on goods prices, although services could be considered in future research.

5.2 HR explained that while some countries have measures similar to the UK's Household Costs Indices, none of them appeared to account for household groups paying different prices for the same or similar goods. HR then summarised the existing literature on this topic, explaining that there are a fairly small number of academic papers that discuss this issue.

5.3 HR detailed options available to the ONS in terms carrying out research to better understand households paying different prices for the same goods. The options include using household scanner data, supermarket scanner data, household expenditure survey data, receipt scanning or banking transaction data.

5.4 HR explained that all of the options would take significant time to implement and would be costly in terms of the resource, time and funding required. HR also explained that the optimal approach may not be the same across goods and services and that some of the

approaches are not well established and may therefore need to be piloted and shaped appropriately before they could be used reliably.

5.5 The Panel welcomed the paper, noting how helpful it was with their deliberations. The Panel also noted that a number of the options presented in the paper provided a helpful way forward and that these options would need to be prioritised against the potential improvements to the Household Costs Indices that had already been identified.

5.6 As such, it was agreed that the ONS would come back to the July Stakeholder Panel with a paper to be provided by Jill Leyland, to be considered alongside the options in HR's paper. It was also agreed that the paper should include information on resource requirements which would allow Panel members to identify 'quick wins', as well as workstreams that might take longer to finish.

Action: Secretariat to table an agenda item at the July Stakeholder Panel for members to discuss the prioritisation of improvements to the Household Costs Indices.

6 AOB / Summary

6.1 The Chair thanked Panel members for their contributions to the meeting and the ONS for their presentations and papers.

6.2 Chris Payne (CP) explained that initial discussions had been held regarding the methods that could be used to produce ONS's seasonally-adjusted CPI and that there had been questions around the correct approach to take to revisions and to additivity.

Action: Chris Payne to circulate further information to the Panel on the initial questions relating to revisions and additivity of seasonally-adjusted CPI before the next Panel.

The next Panel meeting will take place at 10:30 on Friday 26 July.