# Advisory Panel on Consumer Prices - Stakeholder

## 11 July 2025

Office for National Statistics

# Prioritisation and future work plan

**Stephen Burgess**
Office for National Statistics

**11/07/2025**

# Plan for this section

1. Readout for the Panel on the recent Devereux Review and The plan for ONS economic statistics
2. Implications for future workplan and priorities
3. **Members of the panel are invited to comment on:**

**- The scope of the proposed work programme**

**- The relative priorities across the proposed workstreams**

# Background to the Devereux Review

- Independent review commissioned in April following several issues with core economic statistics including prices
- Terms of reference summarised areas of concern as the "performance and culture" of the ONS
- Review was published on 26th June alongside The Plan for ONS Economic Statistics

# Key recommendations for ONS as a whole

1) ONS needs a focused and consistent effort to improve core statistics. Sir Robert commends the new Plan, with its emphasis on end-to-end compilation of core statistics, and continuous improvement
2) Separate, at least temporarily, the job of National Statistician from being head of the ONS
3) All those with a stake should reflect on the current governance of ONS and the wider statistical system and whether further legislative changes are needed.

# The plan for ONS Economic Statistics

- Prices is covered in Annex B4.
- The report acknowledges the many successes in Prices over recent years, including:

1) Transitioning substantial parts of production away from legacy infrastructure
2) Incorporating administrative datasets, including transforming rents data
3) Successes on deflators development and house price production

# Milestones set out in the Plan: (1) Consumer prices

**March 2026:**

- Central data collection to begin move from legacy system into strategic cloud platform
- Grocery scanner data for 50% of market
- First tranche of methods / samples work

**March 2027:**

- Continued legacy reduction work for central collections

**March 2028**:

- CPI, CPIH, RPI no longer use legacy data collection platform
- Implementation of COICOP18 (possibly on "experimental" basis at this stage)

# Milestones set out in the Plan: (2) House prices

*NB: Private rents are not included here as this production process has recently been through a full modernisation programme.*

**March 2026:**

- Full HPI production round moved onto strategic platform
- Interim methods improvements (eg: around imputation for early estimates)

**March 2027:**

- Full methods review complete, and implementation plan agreed

**March 2028:**

- Iterative implementation of full methods review will start

# Milestones set out in the Plan: (3) Business prices

**October 2025:**

- Restart publication of monthly PPI / SPPI bulletin and tables

**March 2026:**

- Source data collection for business price statistics migrated to electronic collection system

Planning complete for end-to-end transformation of business prices

**March 2027**:

- Improvements complete to sample design and respondent recruitment

**March 2028:**

- Production system migrated onto strategic platform and away from legacy technologies

# Implications for future workplan and priorities

- Spending Review has been concluded for three years, to 2028/29. Core funding will remain similar in nominal terms, with the exception of money ONS has secured to support the 2031 Census
- Some resource is likely to be shifted to Prices as part of the Economic Statistics Plan – but note challenges with new starters, and with ARIES programme formally winding down
- Expectations will also be higher (eg: more on business prices)

# Implications for future workplan and priorities

- All of the commitments in the Economic Statistics Plan are high priority
- Many of those overlap with the Development Plan we published in August 2024
- We will have some modest resource to deliver other continuous improvement not in the Economic Statistics Plan. Our current ranking of priorities is:

| High priority | Medium priority | Low priority |
|---|---|---|
| Review of retailer stratification methods<br>Implementation of sample / methods changes (separate agenda item) and COICOP18 | Seasonally adjusted CPI (separate agenda item)<br>Further HCI development / accreditation<br>Developing measures of accuracy for CPI<br>Quality adjustment | Regional CPIs<br>Barcode pilot<br>Improvements to elementary aggregates<br>OOH methodology<br>Discounting pilot |

# Discussion

Members of the panel are invited to comment on:

a. The scope of the proposed work programme

b. The relative priorities across the proposed workstreams

# Basket Review

**Stefan Ubovic**

Office for National Statistics

**11/07/2025**

# The CPI Deep Dive

This is a pilot project between Economic Insights and Prices production to revisit detailed aspects of CPI methodology

- The Deep Dive studied parts of the CPI basket, mainly focusing on volatile items, or items where there were recent changes in policy or market structures
- The report produced a RAG assessment, and it proposed 10 recommendations which informed the Continuous Improvement Board
- We are working to translate these recommendations into actions as well as embed the Deep Dive process as a regular part of quality improvement within Prices

**** This report is still a work in progress, and it is market sensitive (ie, not for onward circulation).
The report should not be treated as a comprehensive review of CPI. ****

# Scope

The initial panel of CPI items were chosen based on multiple criteria:

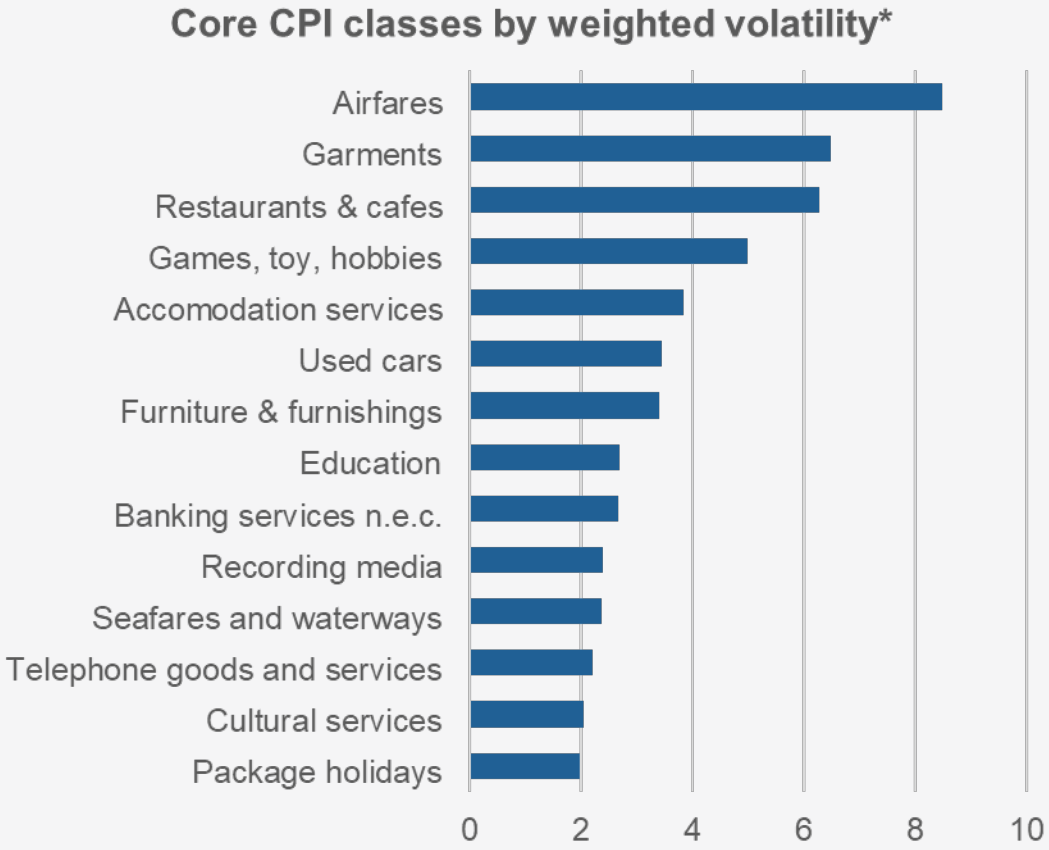
- **Volatility**: The impact of the item on the overall volatility of core inflation,
- **External interest**: The frequency of questions received from stakeholders about items,
- **Recent events**: The potential impact of events such as Covid-19 and tax policy on different items.

**Themes**: We studied several items based on this criterion which cover four broad topics

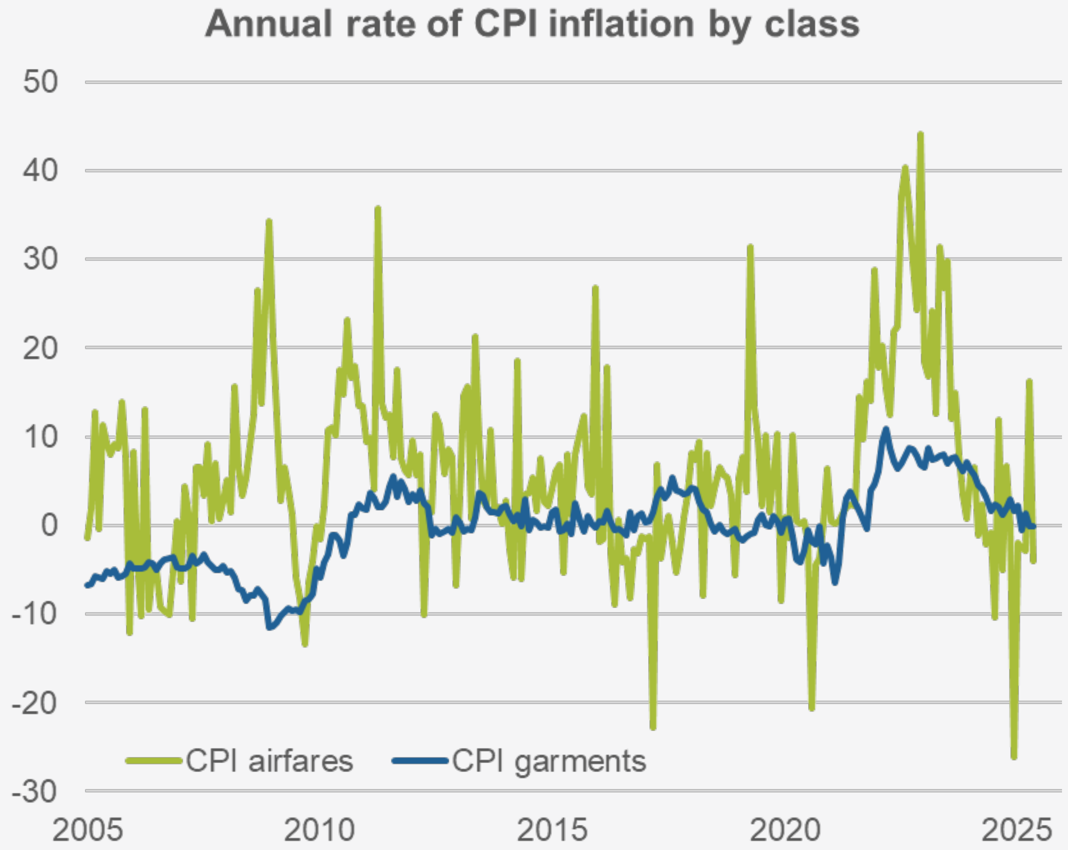
1. Volatile items due to chart collections such as video games and live music,
2. Volatile items due to holiday effects such as airfares and accommodation,
3. Items where market structure may have changed due to Covid such as healthcare,
4. Items where there were recent changes in tax policy, such as education.

*Out of scope*: Food prices, energy prices, rents, and some other areas where there are parallel workstreams

# Some CPI items are more volatile than other




***Notes**: Weighted volatility measures the standard deviation of 1-month changes of class contributions to the annual rate of overall CPI inflation over 2002-2024; **Source**: ONS*




***Source**: ONS*

# CPI Deep Dive: RAG assessment

| Rating | Items |
|---|---|
| 3 | - |
| 2 | Dental services (CP0622), Hospital services (CP0630), Air-fares (CP0733), Sea-fares* (CP074), Games, toys, and hobbies (CP0931), Cultural services (CP0942), Accommodation Services (CP1120), Health insurance (CP1253) |
| 1 | Passenger transport by road* (CP073.2/6), Pre-primary, primary, and secondary education (CP10.1/2/5) |

**Good news**: no "reds"

**Bad news**: many "yellows"

***Notes**:*

- ***RED** denotes issues which are serious and/or need to be repaired, replaced, or investigated urgently.*
- ***AMBER** denotes issues that need repairing or replacing but are not considered to be either serious or urgent.*
- ***GREEN** denotes items with no required improvement beyond the usual maintenance and sample updates.*
- *Asterisk denotes provisional ranking*

# CPI Deep Dive: Recommendations for discussion

1) Video games – increase frequency and sample size
2) Video games – track only original releases
3) Revisit ADS for air fares (and possibly hotels)
4) Develop index day / holiday adjustment
5) Expand sample coverage for health items
6) Explore PHIN as possible ADS (health)
7) Review sources for Wales / Scotland / Northern Ireland once per year
8) Review market shares and structures once per year
9) Item-level information readily available
10) Carry out a similar review in future

** The recommendations are not in any set order*

# HCI Update

**Luke Michaelides**
Office for National Statistics

**11/07/2025**

# Progress and planning ahead

- Successful full annual cycle with new team.
  - Identified and resolved key data issues with HCI specific data sources.
- Focus on production
  - Prioritised stability and quality
  - Annual weights processes completed for the first time
- Development Progress constrained
  - Limited capacity for development work
- Full update in September
  - This will be used to discuss accreditation plans.

# Development plan in September

- Pannel priorities (from July 2024)
  - Clear list of development tasks agreed by the panel
  - This includes the OSR accreditation process.
- HCI revisions policy
  - Still under review, but not blocker for accreditation process.
  - Options to be presented in September
- September 2025 Panel
  - A proposed development plan
  - Timeline for accreditation
  - Response to stakeholder priorities

# UK House Price Index Improvements

**Aimee North**
Office for National Statistics

**11/07/2025**

Office for National Statistics

# HPI monthly imputation methods improvement

- Issue: generally-downwards price revisions between provisional and final HPI estimates, driven by over-estimation of new build price in early provisional HPI estimates.
- Source of bias: delayed availability of property attributes data for new builds in early provisional HPI estimates.
- Action: implement a methodology improvement to HPI's monthly imputation for Great Britain.
- Engagement: this methods improvement has been developed alongside engagement with APCP-Technical in Jan-25 and Apr-25, and with the cross-government UK HPI Working Group (joint owners of UK HPI).

# HPI monthly imputation methods improvement

From January 2025 (month 1) data:

- Discontinue the temporary “new build pooling” approach implemented in 2020
- Apply the following imputation improvement:

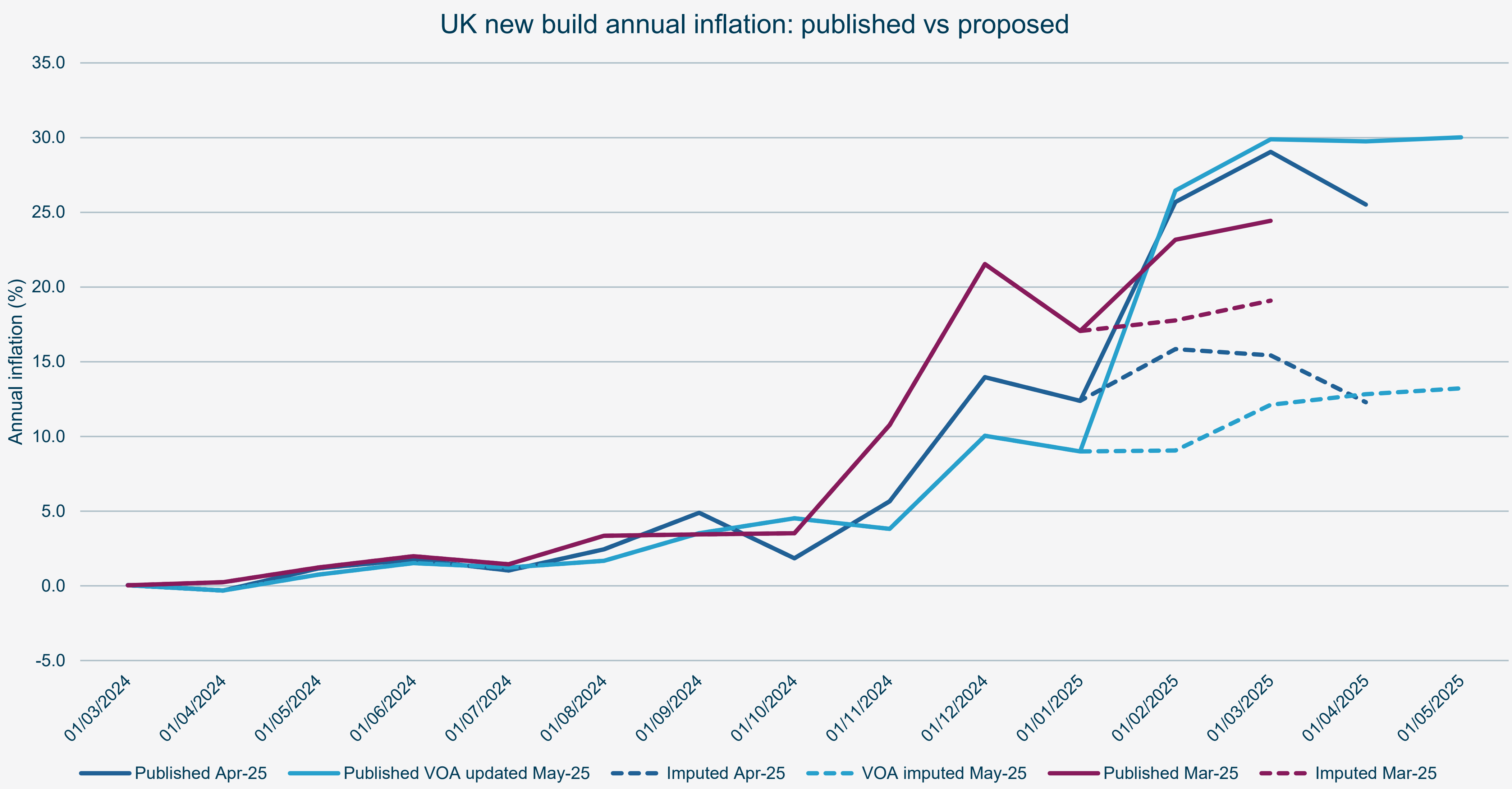
| Variable | Current | Future |
|---|---|---|
| Floor area | England & Wales: set to zero<br><br>Scotland: set to zero | England & Wales: imputed using 10 nearest-neighbour imputation<br>Scotland: set to zero |
| Number of rooms | Great Britain: missing indicator | Great Britain: imputed using 10 nearest-neighbour imputation |

# Why improve imputation?

- Missing floor area values are “set to zero” in the monthly regression model data, but “imputed” in the fixed basket.
- Floor area and number of rooms data tends to be missing for new builds for a few months until the property record is created in the attributes dataset.
- During this period, the difference between the monthly data and fixed basket characteristics lead to over-estimation of new build price.
- By imputing these missing characteristics in the monthly data, we target the source of this over-estimation in provisional new build HPI estimates, and improve UK HPI statistics quality.

# Expected impact on UK HPI and RPI

- The Jan-25 and Apr-25 APCP-T papers and more recent impact analysis all concur that implementation of this imputation improvement substantially reduces over-estimation of new build price in provisional UK HPI estimates, reducing the size of UK HPI's downwards revisions.
- RPI will not be affected in 2025. ONS will continue to produce a parallel run of HPI: on both the current-method and improved-method basis. HPI-based data for use in RPI will continue to be produced on the current method without the imputation improvement.
- This improvement will be included in the autumn 2025 RPI Protocol Letter, aiming for it to feed into RPI from February 2026's annual round.


UK new build annual inflation: published vs proposed
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
-5.0
Annual inflation (%)
01/03/2024
01/04/2024
01/05/2024
01/06/2024
01/07/2024
01/08/2024
01/09/2024
01/10/2024
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01/03/2025
01/04/2025
01/05/2025
Published Apr-25
Published VOA updated May-25
Imputed Apr-25
VOA imputed May-25
Published Mar-25
Imputed Mar-25

# Next steps

- Expected date of implementation: 20 August 2025 UK HPI release.
- Public announcements:
  - APCP-T January 2025 and April 2025 papers are published and links are included in UK HPI releases.
  - 18 June's UK HPI release announced "we expect to make an improvement to HPI imputation methods in the coming months".
  - 16 July's UK HPI release is expected to confirm the intended implementation date and link users to the April 2025 APCP-T paper.
- UK HPI monthly imputation methods improvement is expected to be included in the autumn 2025 RPI Protocol Letter, aiming to feed into the HPI-based RPI input data from next annual round (February 2026).

# ADS Update

Tanya Flower
Office for National Statistics

# Transformation plan for year ahead

29-Apr
- Scanner data impact analysis
- GEKS-T explainer video and methods articles

July-25
- APCP-T review on retailer stratification

Winter-25/26
- Updated impact analysis
- Publish correspondence on RPI protocol

**Grocery Scanner Data**

Mar-26
- Grocery scanner data implemented into headline inflation

# Update on scanner data parallel run

- The parallel run has started without any issues and we are running monthly curiosity sessions with production colleagues alongside support from the core economist team
- As part of this curiosity, we have identified some additional anomalies which we are now implementing solutions for
- We are also working on developing our curiosity checks to enable productions teams to understand the drivers behind the monthly movements, for example whether it is coming from the existing local collection or the ADS grocery retailers

# Retailer stratification

- We are sharing analysis on the impact of changing the retailer-type stratification at July's APCP-T
- Stratification decisions are independent of the decision to integrate groceries scanner data into consumer price statistics (the parallel run is using the current multiples/independents method)

# Microdata

- In response to our user consultation, work is now ongoing to define additional outputs to support the move to incorporating groceries scanner data
- User engagement sessions are being planned for late and end Summer 2025 to ensure these outputs meet user requirements

# Technical manual

- We are planning to update our CPI Technical Manual alongside the integration of groceries scanner data in March 2026
- The current format is not user-friendly, so we are proposing to move to a sequence of mini-manuals which collates content on similar topics, as well as a landing page to link all content together. This will also make it easier to incorporate all the required content on groceries scanner data

- **Question: would any panel members be interested in reviewing the proposal for these mini-manuals? We can also share drafts if useful**