



Review of compliance with the Code of Practice for Statistics

# Consumer Prices Index (CPI) and the Consumer Prices Index including owner occupiers' housing costs (CPIH)

produced by Office for National Statistics





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# Office for Statistics Regulation

We provide independent regulation of all official statistics produced in the UK. Statistics are an essential public asset. We aim to enhance public confidence in the trustworthiness, quality and value of statistics produced by government.

We do this by setting the standards they must meet in the <u>Code of Practice for Statistics</u>. We ensure that producers of government statistics uphold these standards by conducting assessments against the Code. Those found to comply with the standards of trustworthiness, quality and value in the Code are given accredited official statistics status (called National Statistics in the Statistics and Registration Service Act 2007). We also report publicly on system-wide issues and on the way statistics are being used, celebrating when the standards are upheld and challenging publicly when they are not.

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# Overview

At the time of this report, the <u>United Kingdom Consumer Prices Index (CPI) and Consumer Prices Index including owner occupiers' housing costs (CPIH)</u>, produced by the Office for National Statistics (ONS), are published as accredited official statistics.

CPI and CPIH measure the annual (and monthly) change in prices for goods and services over time based on total consumer spending in the economy. These indices are important for informing decisions by the private sector, the public sector and individuals in areas including wage-setting, interest rate-setting and household spending.

Consumer price statistics must continually evolve to ensure they meet user needs and are of the highest quality. Accordingly, the statistics are undergoing a transformation programme. This review focuses on progress so far and makes recommendations to further improve the statistics in line with the Code of Practice for Statistics.

#### Why we did this review

In July 2017, we re-accredited the CPIH (and CPI) as a National Statistic (a status now known as "accredited official statistics"). Since then, ONS has embarked on a programme to transform its consumer price statistics, aiming to incorporate new data sources, improve its methods and the systems used to produce these statistics. This transformation includes the planned introduction of grocery scanner data into CPI and CPIH.

ONS has made several changes to its consumer price statistics, including incorporating new data for rail fares and second-hand cars data and making changes to private rental statistics, between March 2023 and March 2025. ONS now intends to incorporate grocery scanner data into its consumer price statistics in March 2026.

Consequently, <u>we decided to do this review with a focus on ONS's approach to</u> transforming its consumer price statistics. It aims to address the following questions:

- Is ONS effectively handling the transformation of consumer price statistics, including engaging with users to understand whether proposed improvements meet their needs and being transparent about its work?
- Is ONS adequately assuring itself and users about the quality of statistics produced using new data and methods?

# **Findings**

- Overall, ONS has made positive changes to the statistics that have improved their quality; the alternative data sources and accompanying methods are sounder and more suitable for measuring inflation.
- ONS has taken a conscientious and proportionate approach to quality assurance.
   Time has been taken to build processes and <u>publish impact analyses of planned</u>

<u>changes</u>. The ONS Prices team has built good working relationships with data suppliers, and relationships are especially strong with those providing rail fares and second-hand cars data. When data issues were identified in second-hand cars and grocery scanner data, ONS was willing to delay implementing changes until quality standards were met.

- ONS has used international statistical expertise effectively to help assure its data quality, engaging at the United Nations level (feeding into Task Forces and being part of the <u>United Nations' Ottawa Group for Price Indices</u>); and meeting regularly with Australian, Canadian, American and New Zealand national statistics institutes. ONS also worked with its <u>Technical Panel</u> and <u>the Economic Statistics Centre of</u> <u>Excellence (ESCoE)</u> to determine that the GEKS-Tornqvist multilateral price method should be used for calculating price changes in grocery scanner data.
- While the alternative data sources bring richer data they come with new challenges
  and risk compared to traditional data collection processes. The quality of the
  estimates could be vulnerable to noticeable changes in market share, or a supplier
  choosing to no longer provide data. ONS has worked both internally and with
  suppliers to mitigate these risks, but some underlying risk will remain.
- Most users feel like they've been receiving regular and detailed updates and that
  published information on the transformation programme has aided their
  understanding. In the main, users also support ONS's prioritisation of quality
  assurance and feel that the proposed improvements will yield statistics that better
  meet their needs. However, we also heard some conflicting views during our
  engagement.
- Users feel that ONS has still not published sufficient information targeted at nonexpert technical users on the transformation programme's data and methods changes. Having information published piecemeal across several outputs is not optimal for understanding the full picture of the inflation calculation and how it is affected by the transformation programme.

## Our judgement

To further enhance the quality and value of the CPI and CPIH statistics, we recommend that ONS should:

- Provide more information for non-technical expert users to understand the overall
  picture, including the incorporation of end-to-end documentation outlining the
  complete production process. Such documentation should allow a user or new
  starter to produce the CPI and CPIH statistics in principle. Correspondingly, OSR
  recommends that ONS incorporates these objectives into its recently-commenced
  work to improve the <u>Consumer Prices Indices Technical Manual</u>; and that it does
  more to bring together its other published information to make it more accessible
  and navigable.
- Continue to build a full understanding of the risks posed by the transformation programme and ensure that appropriate steps are being taken to mitigate them.

This includes continuing to build on the mutual co-operation and problem-solving that has already borne some fruit between ONS and its suppliers.

- Consider whether the 2024 Arrangement on Statistical Cooperation that ONS
   signed with Eurostat provides an opportunity to expand international engagement
   with countries inside the European Union (and to explore this opportunity if so).
- In the longer term, we recommend that ONS:
  - Develop a prioritisation plan for future developments after the implementation of grocery scanner data in March 2026
  - Continue to examine the scope for reintroducing a form of groceries data that mitigates the loss of the groceries microdata when the scanner data are implemented in March 2026

The focus of this review was on the transformation programme and the CPI and CPIH remain accredited official statistics.

Given the significance of the changes to consumer price statistics, <u>we have previously noted</u> our intention to re-assess the CPI and CPIH once grocery scanner data have been incorporated and embedded. This decision is not in response to any specific concerns about the quality of CPI or CPIH but instead seeks to ensure that we provide appropriate regulatory oversight for these key statistics following a period of significant development.

## Next steps

We expect ONS to act on our recommendations by March 2026, prior to us reassessing these statistics later in 2026–27

