Better Statistics CIC

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Inflation Seminar 2023

A hybrid (Zoom/ in-person) event to be held on Thursday 18th May 2023 2.30 p.m. to 5.00 p.m.

Location: Royal Statistical Society, 12 Errol Street, London, EC1Y 8LX

Call for Contributions:

We wish to follow up on last year's **successful seminar** exploring the same themes but we are now seeking to identify what lessons may have been learned and what might have been done differently. We are therefore seeking contributions for 4 primary topics:

What causes inflation?

The primary causes of the rapid increase in prices are said to be the Covid pandemic, the Russia / Ukraine war and Brexit; last year Steve Farrington of the OBR had expected a limited pass through from these causes into domestically generated inflation.

- are those expectations still valid?
- what other causes are in play today?

The next meeting of the Bank of England's Monetary Policy Committee is in May and is widely expected to increase base rate once again, despite their expectation of a rapid decline in inflation this year (see February's monetary policy report).

- is the bank missing any important influence on the future path for inflation?

All of our public and private financial institutions spend time forecasting the UK economy and the likely outcome for inflation. We would welcome any ideas for replacing forecasts with scenario planning and thoughts on whether that would help or hinder the development of policy.

Are we taking the right actions?

The Bank of England base rate is now 4%, an increase of 3.75% over the past year, with further increases expected. Meanwhile the treasury is determined to reduce the public borrowing requirement and bring the National Finances into balance.

- are these the only remedies for inflation?
- what are the effects of public subsidies for energy?
- are windfall taxes preferable to price controls?

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How is UK business affected?

The latest forecasts are that we are likely to avoid the recession previously predicted by the Bank of England, despite the combination of higher interest rates and higher taxes. We'd like to know more about how business is reacting to events:

- what are the implications for productivity going forward?
- what is the result for business investment?
- do the equations driving inflation forecasts have the right input data?
- would scenario planning by the OBR / Bank of England benefit business planning?

Are we using the right measures?

The Office for National Statistics have an extensive development program related to measuring inflation, including investigating alternative data sources. Further activity involves determining '*core inflation'* - removing outliers from the data series measuring the inflation rate. They are also investigating the effective inflation rate for different types of households.

- is replacing surveys of shopping behaviour with web scraping of prices the way forward to measure inflation?
- what admin, accounting, or big data sources might be most useful?
- to what extent do the published measures reflect peoples actual experience of inflation, as lower prices are sought by consumers and the products they buy change?

The RSS and the RPI / CPI user group have championed the use of Household Consumer Indices (HCIs) as the preferred alternative to the macro-economic measures presently favoured by the Treasury/ Bank of England and the ONS. The HCIs will provide inflation measures by household groups and income deciles.

- inflation measurement has always assumed one 'headline measure'. What do people believe should be the headline figure used for the HCIs?

The big debate:

The Bank of England, the Government and most of the press use the Consumer Price Index (***CPI***) as the official measure of inflation – standing at ***10.1%*** as at 3rd March.

Meanwhile the Office of National Statistics highlights the Consumer Prices Index including owner occupiers' housing costs (***CPIH***) which stands at ***8.8%,***

However, the Retail Price Index (***RPI***) remains best known to the public and this stands at an astonishing ***13.4%.***

The ONS and the Treasury have decided that the RPI will become a re-badged CPIH from 2030. This will mean we will have two indices, the CPIH and the RPI, both reporting the same inflation rate. Many people disagree[1] with that decision and we are hoping to have a lively debate as to which is the most appropriate measure to reflect the public's experience.

Programme Committee: Tony Cox, Chair of RPI / CPI Group of RSS
Vicky Pryce, Chief Economist CEBR
Directors of Better Statistics CIC
Tony Dent
Phyllis Macfarlane
Iain MacKay

Please send suggested contributions to Tony@Betterstats.net by 28th April 2023

[1] Please see https://www.betterstats.net/rpi-versus-cpih-whats-your-opinion/ for a summary of some of the issues