

Consumer price inflation subgroups

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Prices Development

The range of consumer price inflation statistics

CPIH

- Economic principles
- Most comprehensive measure
- Sub-group measures

CPI

- Comparable across EU
- Does not include OOH costs

Household Costs Indices

- Household experience of inflation
- Focus on sub-group measures
- Matched with comparable measure of income

RPI

- Legacy measure
- Use discouraged
- Range of measures reduced

The drivers for subgroup development

Drivers for subgroup development

Retail Prices Index:

- 2010: changes to clothing price collection increased 'wedge'
- Consultation: freeze methodology and loss of National Statistic status

Users call for a 'household' measure of inflation

Drivers for subgroup development

Johnson Review (2015):

- Rejects idea for a 'household' measure of inflation, but
- A household measure would be informative for different household groups, and
- Should be published alongside a matching income measure

Drivers for subgroup development

Conceptual challenges discussed at Advisory Panels:

- Stakeholder - Government, industry, think tanks & academia, trade unions
- Technical – international prices experts

Challenges:

- Capital costs, price versus costs, use cases, frequency

Subgroup measures

Subgroup measures

	CPIH	HCIs
<i>Weighting structure</i>	Plutocratic	Democratic
<i>Timing of price changes</i>	Acquisition (with some use)	Payments (and acquisition)
<i>Owner occupied housing</i>	Rental equivalence	Payments
<i>Interest</i>	Excluded	Included
<i>Insurance</i>	Net of claims pool	Gross of claims pool
<i>Capital costs</i>	Excluded	Excluded (with potential variant)

Subgroups

Income deciles and quintiles

Expenditure deciles and quintiles

Retired and non-retired households

Households with and without children

Tenure type

Disabled and non-disabled households (from 2016)

Subgroup assignment

Household Final Consumption Expenditure (HHFCE) – total economy expenditure data

Living Costs and Food Survey (LCF) – household expenditure data

Divide each of the 87 COICOP classes among LCF households according to their share of expenditure in that class

Use proportions from a higher COICOP level, e.g. group where:

- CPIH expenditure is more than twice LCF expenditure
- Percentage of reporting households is less than 20%

Data for other elements (HCIs)

Item	Component	Data source
Mortgage interest payments	Price index (debt profile)	RPI (UK HPI, Bank of England, LCF)
	Expenditure weight	RPI (LCF)
Interest (other)	Price index (simple revaluation)	Bank of England
	Expenditure weight	LCF and Wealth and Assets Survey
Student loan repayments	Price index (threshold model)	Labour Force Survey, Gov.uk
	Expenditure weight	SLC published tables
Tuition fees paid upfront	Price index	CPIH (HESA, OFS)
	Expenditure weight	SLC & HESA published tables
Insurance	Expenditure weight	RPI (LCF), population projections

Limitations

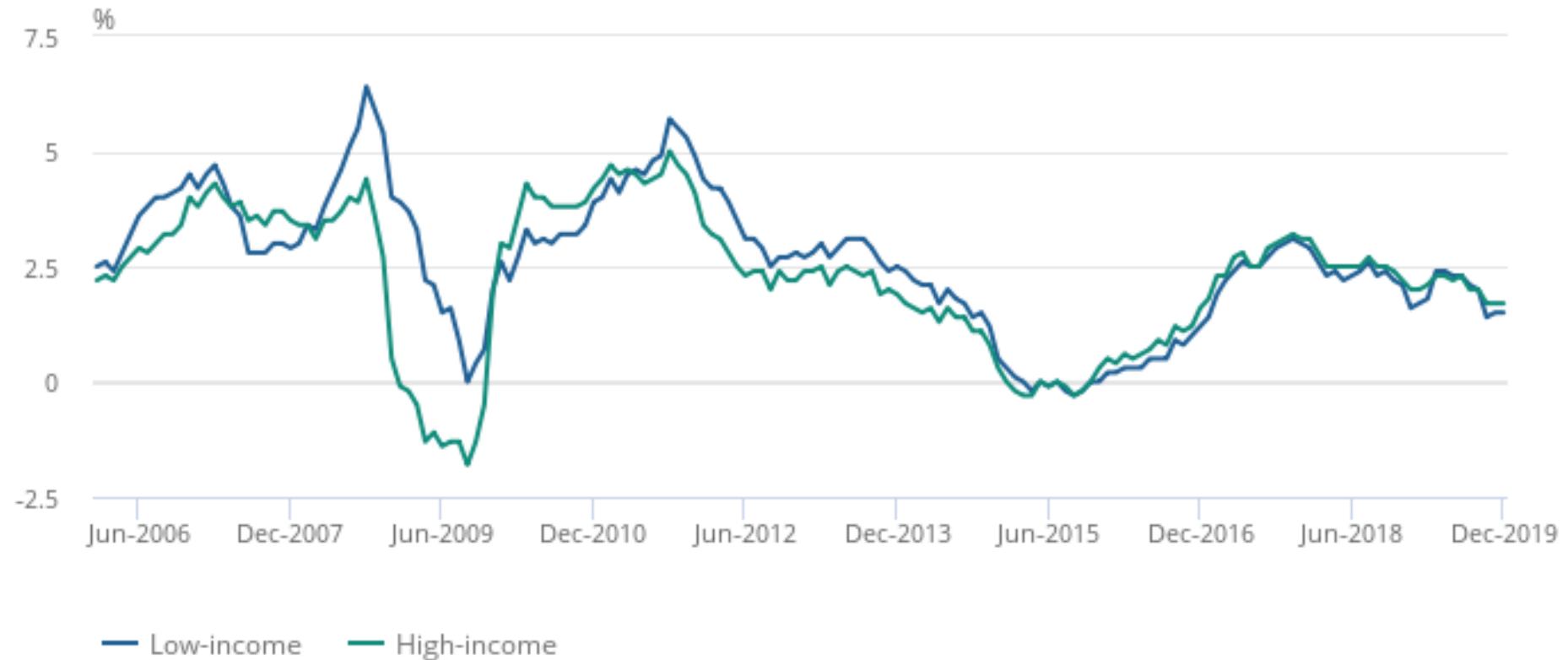
- No household-specific price data:
 - Assume different households face same prices
 - Regional subgroups?
- HHFCE & LCF coverage differences
- No imputed rents in LCF data (Heckman regression)
- Sample sizes

Development plans

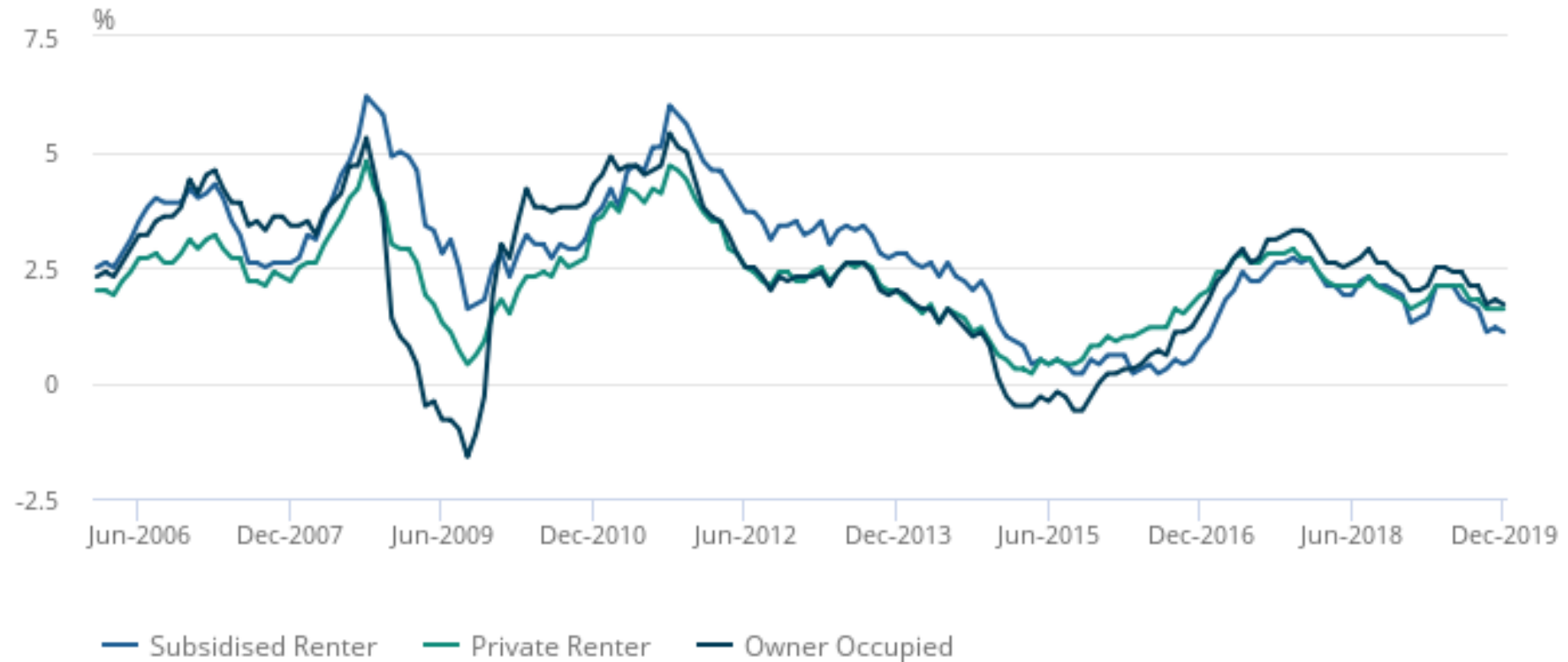
- Recently published third annual set of experimental monthly estimates (time series back to 2005)
- Further development of concepts
- Aiming to produce a quarterly test run from end of 2023
- Aim for National Statistics status in early 2025
- Development of variant measure post-2025

Some results

Income deciles



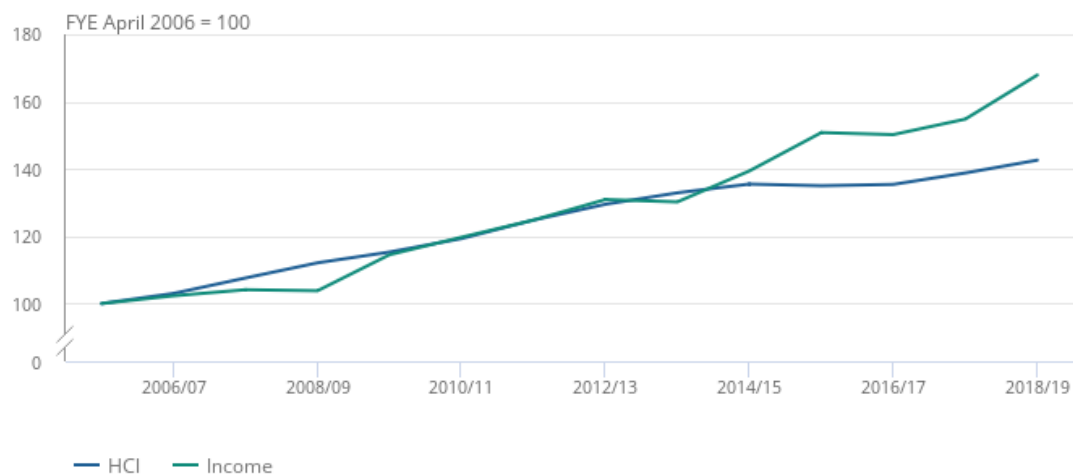
Tenure type



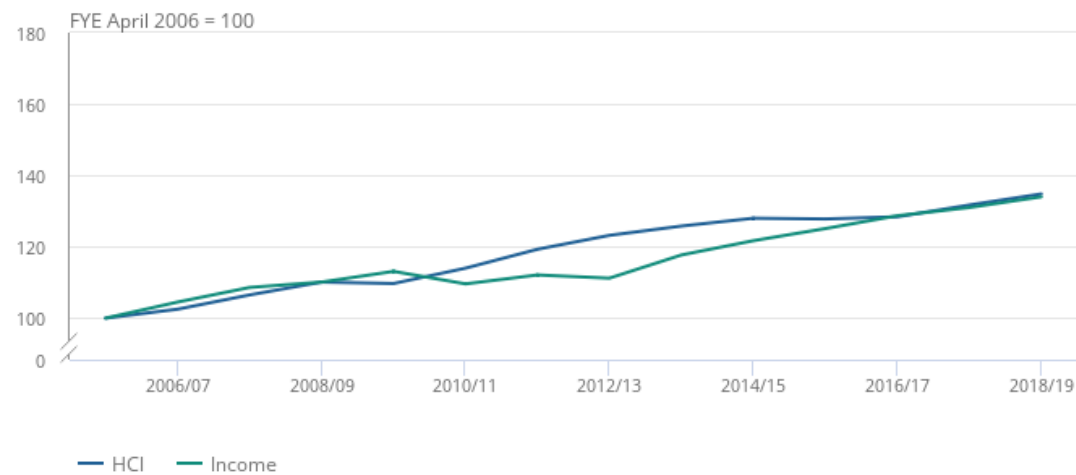
Retired and non-retired households



Comparison with income



Retired households



Non-retired households