

Why we need a Household Index

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Presentation to Better Statistics “Inflation 2022” Meeting

May 11th 2022

Background

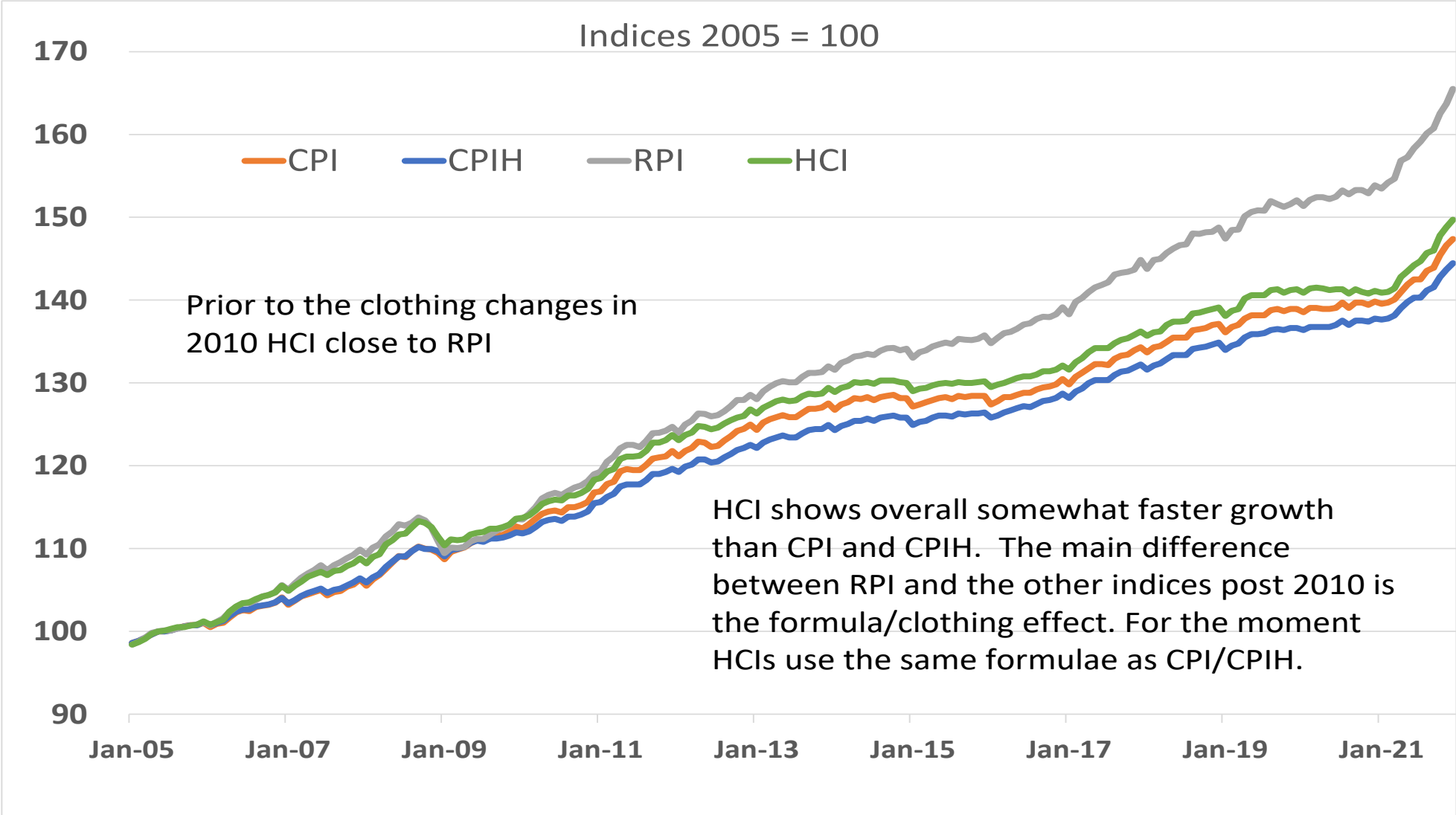
- Widely agreed: different consumer price indices needed for different purposes
- CPI (& by extension CPIH) explicitly designed for macroeconomic purposes/according to economic principles
- RPI reflects the variety of purposes over its life; and set to turn into CPIH after 2030
- Household Costs Indices under development **aim to measure actual experience of households - on what they pay out**. Overall index and different household groups.
- Latest publication 4th May 2022

There are important differences with CPI/CPIH

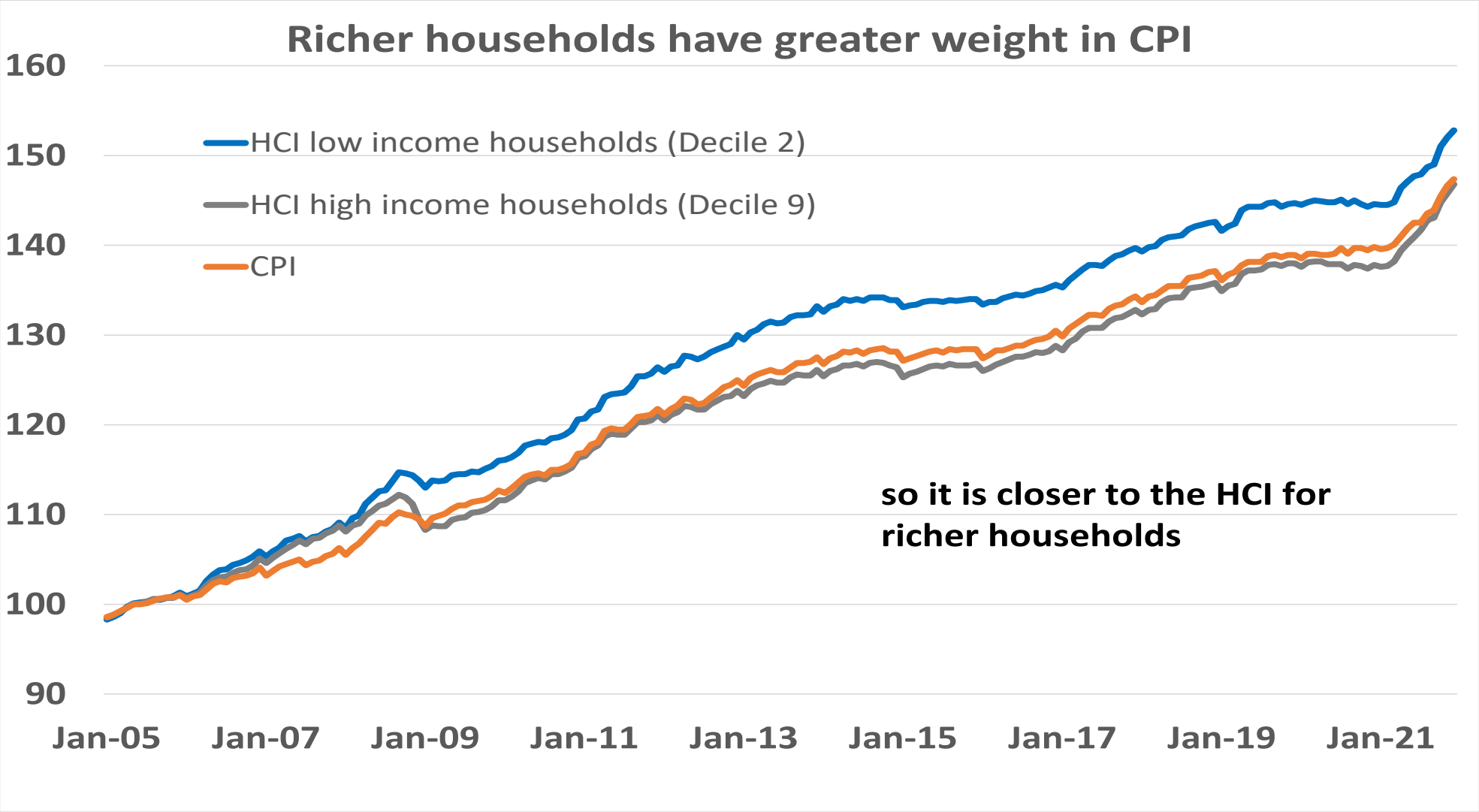
| HCIs | CPI/CPIH |
|--|---|
| Households weighted equally | Richer households have higher weight |
| Interest payments included | Not Included |
| Insurance premiums fully weighted | Weighted by implied service charge only |
| Student loan repayments (plus tuition fees paid up front) | Loan repayments excluded; Tuition fees included when due even if paid by loan |
| Owner occupier costs (mortgage interest, stamp duty, bldg insurance etc) as paid | OOH not in CPI; CPIH uses rental equivalence approach |
| Inc. residents spending abroad/omit foreign spending in UK (to come) | Vice versa |

RPI lies between the two

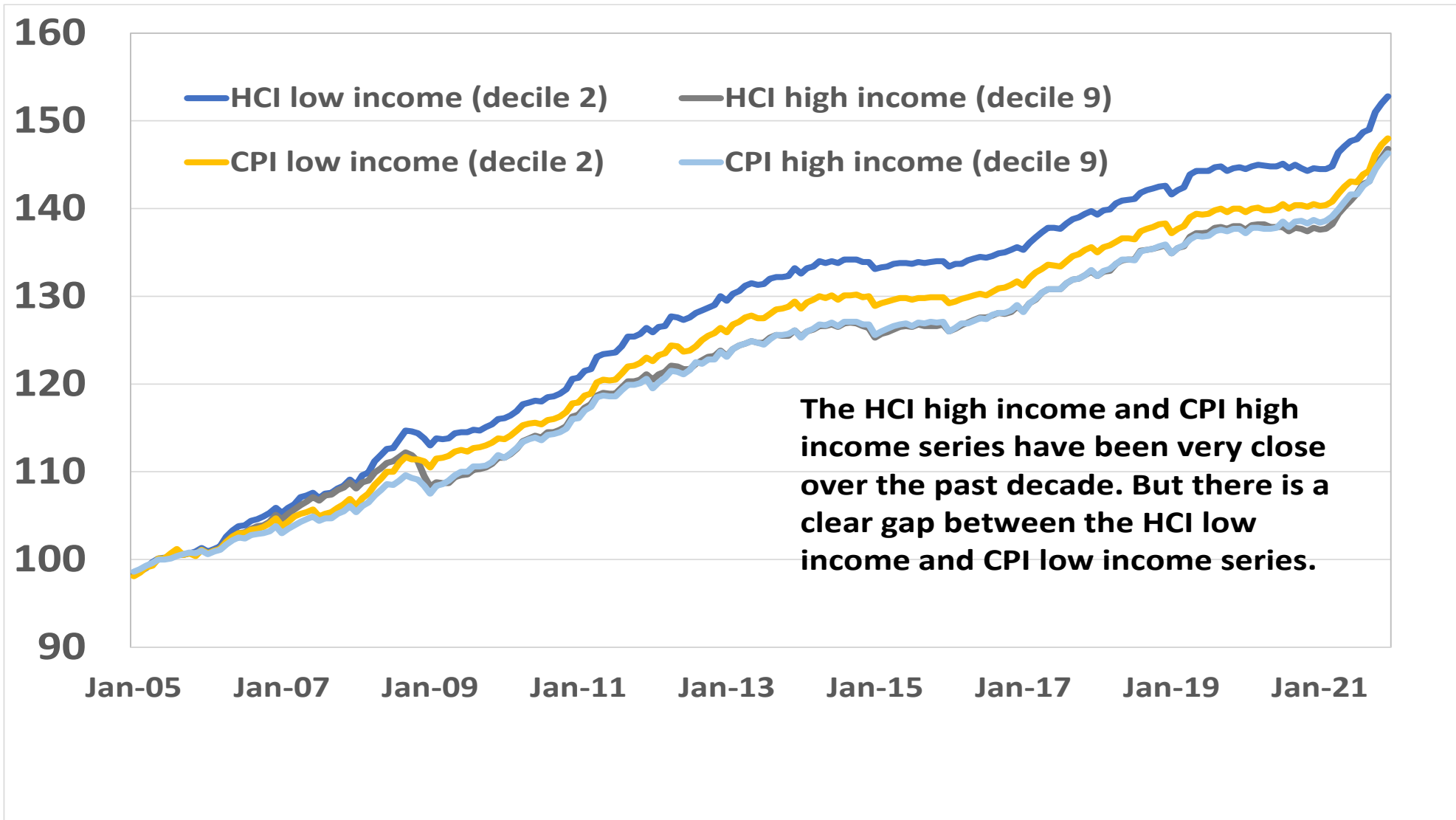
How the overall HCl compares



Just one reason we need HCIs (Indices, 2005 = 100)



And if we add in CPI subgroups ... (indices 2005=100)



What comes next?

Indices still “experimental” – some issues still to be decided

Discussion meeting open to all (with registration) at Royal Statistical Society June 28th at 3pm

The latest release (4th May 2022) of the HCIs is at

<https://www.ons.gov.uk/releases/householdcostsindicesukfourthpreliminaryestimates2005to2021>

This also gives the main dataset except for the total series which is at

<https://www.ons.gov.uk/economy/inflationandpriceindices/adhocs/14587householdcostsindicespreliminaryestimate12monthgrowthratesexpendituresharesandcontributionstogrowthforallhouseholds2005to2021>

“Towards a Household Inflation Index”, J.Astin and J. Leyland, May 2015 is at

[https://rss.org.uk/RSS/media/News-and-publications/Publications/Reports%20and%20guides/Towards a Household Inflation Index May 2015.pdf?ext=.pdf](https://rss.org.uk/RSS/media/News-and-publications/Publications/Reports%20and%20guides/Towards%20a%20Household%20Inflation%20Index%20May%202015.pdf?ext=.pdf)