

# Measuring inflation as households experience it

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Consumer Price Indices  
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# Outline of talk

- Background
- “Household” vs “macroeconomic” indices
- Australia, New Zealand, UK
- Why we need household indices

*The opinions expressed in this talk are our own and it should not be assumed that the Office for National Statistics will agree with all of them.*

# HICs vs CPI/HICP

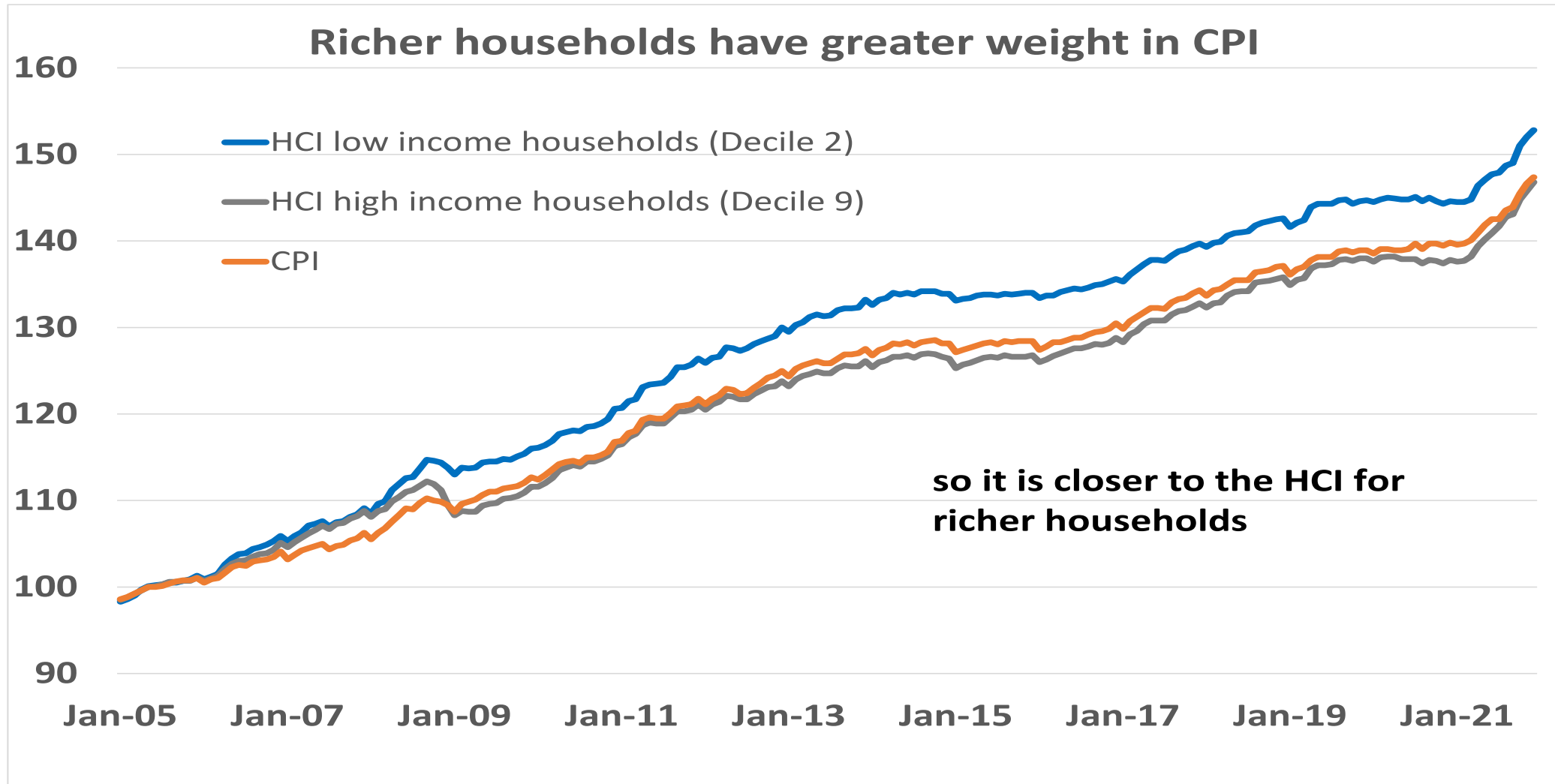
	<b>HICs</b>	<b>CPI/HICP</b>
<b>Timing</b>	Payment (in principle)	Acquisition
<b>Weighting</b>	Democratic (household)	Plutocratic (expenditure)
<b>Interest payments</b>	All included	Excluded
<b>Student loan repayments</b>	Included	All tuition fees included when due
<b>Insurance premiums</b>	Fully weighted	Net weight only
<b>Owner occupied housing</b>	All housing related payments (we believe this should include at least some capital payments)	Minor repairs only (net acquisition method to be added to HICPs)
<b>National or domestic</b>	National basis (in principle)	Domestic basis

# Similarity of UK, Australian and NZ household indices

	<b>UK</b>	<b>Australia</b>	<b>New Zealand</b>
	<b>Household Costs Indices (HCIs)</b>	<b>Selected Living Costs Indexes (SLCIs)</b>	<b>Household living-costs price indexes (HLPis)</b>
<b>Household groups</b>	19 groups plus total	4/5 groups only	13 groups and total
<b>Timing basis</b>	Payment	Payment	Payment
<b>Weighting</b>	Democratic	Plutocratic	Democratic
<b>Interest payments</b>	Mostly included (all in principle)	All included	All included
<b>Insurance weights</b>	Gross	Gross	Gross
<b>Owner occupier costs</b>	Mortgage interest, all payments other than capital costs*	Mortgage interest	Mortgage interest payments indexed by house prices
<b>Taxes related to properties</b>	Included	Included	Included

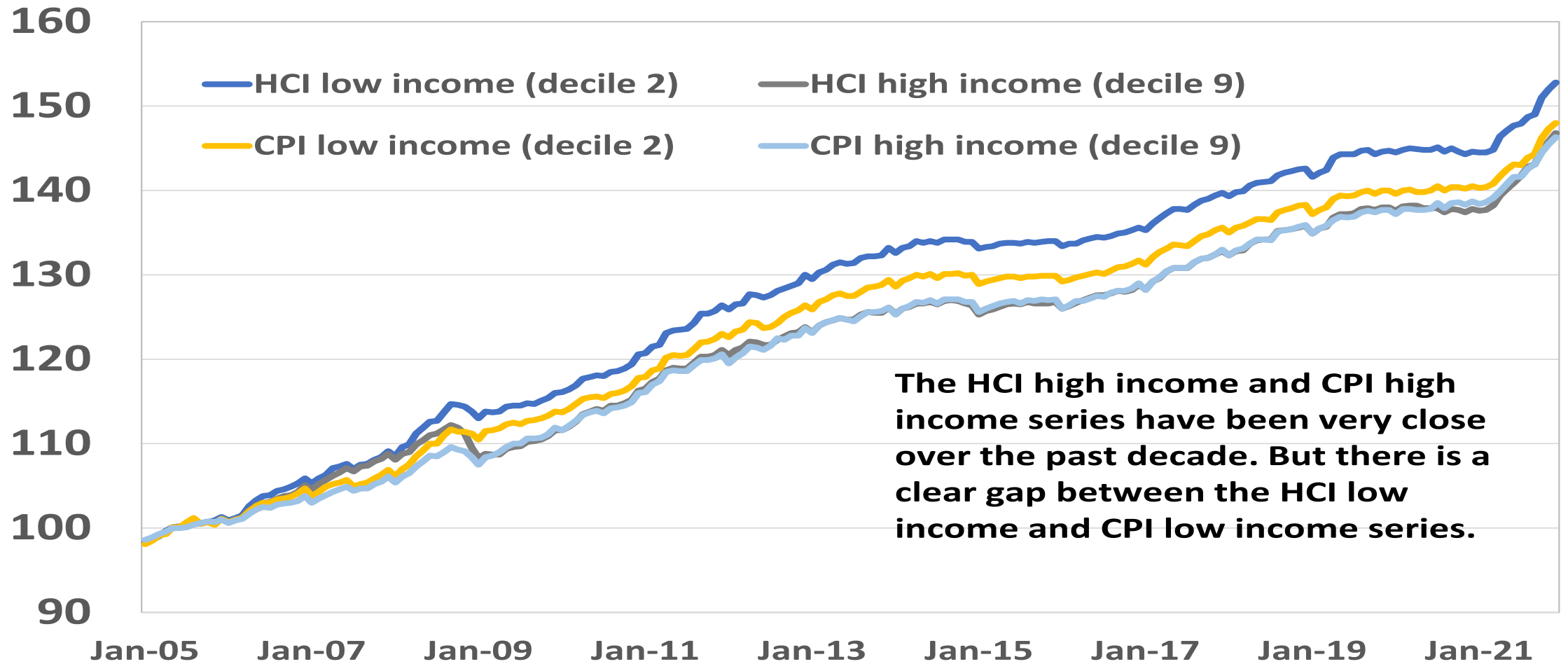
\*Current plan is to include capital costs in a secondary index.

# One reason we need HCIs (Indices, 2005 = 100)



Source: ONS

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



Source: ONS

# And to conclude...

- **Originally**

One consumer price index - primary use often for wage negotiations

- **From 1990s**

Macroeconomic uses such as inflation targeting became more dominant

- **But crucial to understand household experience**

Measuring inflation as it affects the household budget