

THE CONCEPTUAL FOUNDATIONS OF THE HOUSEHOLD COSTS INDICES

ESCOE AND ONS WORKSHOP

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MEASURING HOUSEHOLDS' EXPERIENCE OF INFLATION

1990s at Eurostat developing the HICP (UK CPI)

Maastricht Treaty (1992)

User: European Central Bank (ECB)

2015 “Towards a Household Inflation Index” with Jill
Leyland

RPI main UK index

Oct 1992: Inflation targeting began in UK (RPI 2.5%)

June 1997: RPI replaced by RPIX for Bank (no mortgage interest)

Dec 2003: RPIX replaced by HICP/CPI (2.0%)

2013: Paul Johnson review of UK consumer price indices

2015: New official Panels on consumer price indices (Stakeholder, Technical)

2017: Development of Household Costs Index (HCI) by ONS



Macroeconomic vs. Household-based indices

- > Car insurance: gross
- > Household weighting: equal
- > Interest payments: mortgage and other
- > Imputed transactions: not imputed rents
- > Timing of inclusion: payment; not acquisition or use
- > Coverage: national rather than domestic

Why should the typical household accept an index that:

- > Fails to take account of, or doesn't track directly, some of their main expenditure items – mortgage and other interest payments
- > Gives more weight to the expenditure patterns of wealthier households than of typical households
- > Includes the expenditure of foreign tourists in the UK but not their own expenditure outside the UK
- > Fails to include a reasonable cost of owner-occupation
- > Fails to include Council Tax
- > Includes only a small part of premiums paid for the insurance of cars, travel, and health

THANK YOU

