

Inflation

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What's in this presentation

- > What is inflation?
- Different measures of UK inflation
- How these differ between household groups



Inflation is a measure of the rate at which prices increase

£1 buys 10 Freddos

2022

£1 buys 4 Freddos

Inflation has eroded the purchasing value of £1 over the period

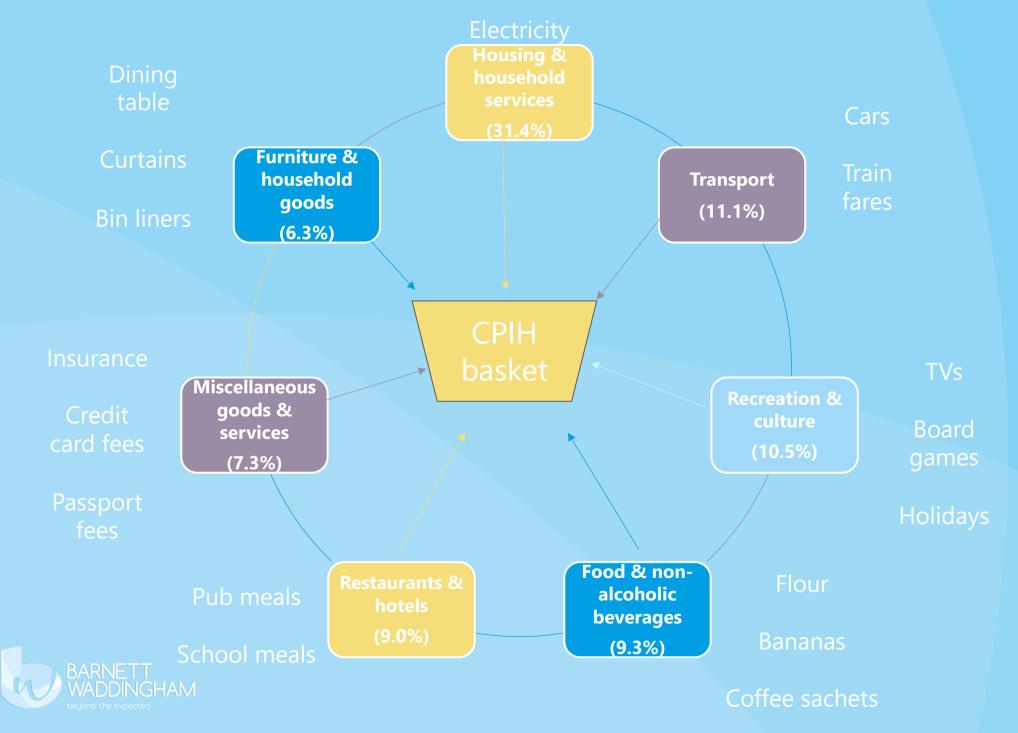
The ONS fix a "shopping basket" of goods based on consumer spending

Collect data on prices of items in basket

Calculate
index based
on these
weighted
price
changes

Compare to previous year's index to arrive at annual inflation figure

Owner occupier housing costs including council tax



Measures of UK inflation



CPI

Consumer Price Index



CPIH

Consumer Price
Index with Housing
costs



RPI

Retail Price Index

Measures weighted average change of the price of goods consumed by the average household

Identical to the CPI

+ owner occupier's housing costs

+ council tax

Measures weighted average change of retail price of goods and services



Changes to basket items

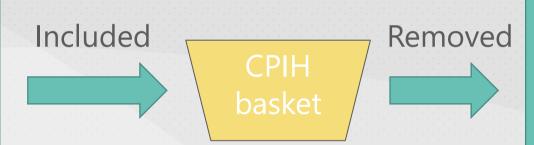
Each year, the items in the baskets are reviewed and updated to reflect changes in consumer spending patterns

Meat-free sausages

Frozen Yorkshire puddings

Dried herbs

Climbing sessions



Doughnuts

Coal

Men's suits

Reference book (e.g. atlas or dictionary)



Low income vs High income

12-month CPI inflation rate

Low-income household housing-related costs, such as energy bills

High-income household transport, restaurants, furniture, recreation and health.





Retired vs non-retired

These two household groups have experienced similar annual inflation rates since April 2021

Retired household housing-related costs, recreation, food, non-alcoholic drinks, furniture and health costs.

Non-retired household inflation experience more influenced by transport and education costs





Get in touch



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