

Article

Consumer prices alternative basket analysis: July 2020

Data and analysis of an alternative consumer prices basket, rescaled to remove unavailable items, for the period May to July 2020 in the UK during the coronavirus (COVID-19) pandemic.

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Table of contents

1. [Main points](#)
2. [Updating the rescaled basket for July 2020](#)
3. [Comparing the experimental chain-linked and rescaled series with the official CPIH and CPI series](#)
4. [Related links](#)

1 . Main points

- The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 1.1% in July 2020, up from 0.8% in June 2020; the Consumer Prices Index (CPI) was 1.0% in July 2020, up from 0.6% in June 2020.
- As there are now relatively few unavailable items, experimental series that update the baskets to remove unavailable items result in an annual growth rate equal to the official rates, at 1.1% and 1.0%, respectively.
- This will be the last month of the rescaled basket series as the majority of items are now available again, meaning this comparison is no longer needed.

These series are experimental and should not be used instead of [official measures of consumer price inflation](#). They are based on underlying assumptions about consumption changes because of the coronavirus (COVID-19). Updating the basket of goods and services within the year to consider consumption changes means that the final index value is not consistent over time or with other countries' official rates.

2 . Updating the rescaled basket for July 2020

In May 2020 we explored the impact of the [approach taken to calculate the official Consumer Prices Index including owner occupiers' housing costs \(CPIH\) and the Consumer Prices Index \(CPI\) series](#), given the impact of social distancing policies and movement restrictions. We compared it with [experimental series looking at what would happen to inflation if we re-weighted the basket](#) for April 2020 so that unavailable items are excluded from these rescaled experimental indices. We also adjusted the weight for fuel as there was evidence to suggest that fuel consumption had fallen considerably in April 2020.

This article updates the rescaled basket analysis using data for July 2020, concentrating only on adjusting for unavailable items, rather than a further adjustment for the fall in fuel consumption. There were [12 unavailable items in the basket for July](#), down from 67 in June and 74 in May.

Further analysis has now been done to [estimate the effects of changing consumer spending patterns during the lockdown period](#). The analysis builds on the work in this article and expands it to not only remove unavailable items but also to adjust the weights for the remaining items based on available evidence about how spending patterns have changed.

3 . Comparing the experimental chain-linked and rescaled series with the official CPIH and CPI series

Tables 1 and 2 show 12-month growth rates from April to July 2020 for the Consumer Prices Index including owner occupiers' housing costs (CPIH) and the Consumer Prices Index (CPI), respectively, under the following scenarios:

- [Official published CPIH and CPI series](#) (referred to as "official")
- Official CPIH and CPI series, chain-linked to the previous month for consistent comparison with the experimental series (referred to as "chain-link", for details see [Prices economic analysis, quarterly: May 2020](#))
- CPIH and CPI baskets updated to remove [unavailable items](#) and their weight applied proportionately to available items (referred to as "rescaled")

Table 1: 12-month growth rates for CPIH official, chain-link and rescaled UK, April to July 2020

%

July 2020 CPIH April 2020 May 2020 June 2020 July 2020

Official	0.9	0.7	0.8	1.1
Chain-link	0.9	0.7	0.9	1.2
Rescaled	0.8	0.6	0.7	1.1

Source: Office for National Statistics – Consumer Prices Index including owner occupiers' housing costs

Table 2: 12-month growth rates for CPI official, chain-link and rescaled UK, April to July 2020

%

July 2020 CPI April 2020 May 2020 June 2020 July 2020

Official	0.8	0.5	0.6	1.0
Chain-link	0.7	0.5	0.7	1.2
Rescaled	0.6	0.4	0.5	1.0

Source: Office for National Statistics – Consumer Prices Index

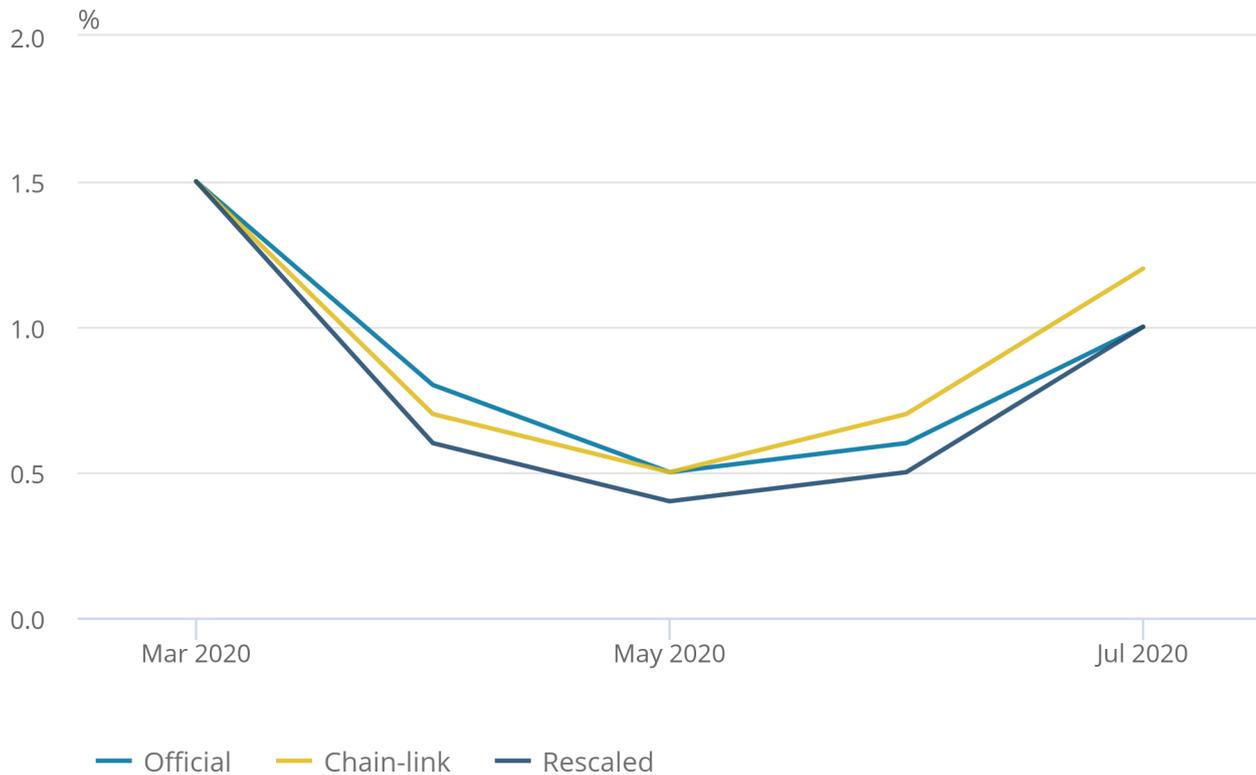
Figure 1 shows 12-month growth rates for the official series of CPIH, and the chain-linked and rescaled series from March to July 2020. All three series have followed the same trend since March, with the growth rates falling in April and May, and picking up again in June 2020 followed by further increases in July 2020.

Figure 1: 12-month growth rates of the rescaled basket of CPIH have consistently been lower than the chain-linked official rate

12-month growth rates of CPIH official, chain-linked and rescaled, UK, March 2020 to July 2020

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12-month growth rates of CPIH official, chain-linked and rescaled, UK, March 2020 to July 2020



Source: Office for National Statistics – Consumer Prices Index including owner occupiers’ housing costs

Growth rates for the rescaled CPIH series have remained around 0.1 percentage points lower than those for the chain-linked official series throughout. As there are now few unavailable items, our rescaled basket has re-aligned with the published official rate. While chain-linking the index leads to an upward drift, as discussed in [Re-weighted consumer prices basket – adjusting for consumption changes during lockdown](#), this is offset by the [cumulative impact of missing international travel items](#) as discussed last month.

4 . Related links

[Coronavirus and the effects on UK prices](#)

Article | Published 6 May 2020

Plans for data collection, compilation and publication of our various prices statistics following movement restrictions as a result of the coronavirus (COVID-19) pandemic.

[Consumer price inflation, UK](#)

Bulletin | Monthly

Price indices, percentage changes and weights for the different measures of consumer price inflation.

[Prices economic analysis, quarterly: May 2020](#)

Article | Published 6 May 2020

Additional economic analysis of the latest Consumer Prices Index including owner occupiers' housing costs (CPIH), Producer Price Index (PPI), and long-term trends.

[Re-weighted consumer prices basket – adjusting for consumption changes during lockdown: July 2020](#)

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