

Article

Consumer prices alternative basket analysis: June 2020

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

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1 . Main points

- The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 0.8% in June 2020, up from 0.7% in May 2020; the Consumer Prices Index (CPI) was 0.6% in June 2020, up from 0.5% in May 2020.
- Compared with the official CPIH and CPI series, experimental series that update the baskets to remove unavailable items result in an annual growth rate 0.1 percentage points lower than the official rates, at 0.7% and 0.5%, respectively.
- Differences between the official and experimental series are primarily driven by transport services, where seasonal imputation methods used in the official series have negated the impact from international travel (air fares, sea fares and Eurotunnel fares); when these services are excluded in the rescaled basket, their absence has a downward drag on the annual rate of the experimental series.

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 June 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 June 2020, concentrating only on adjusting for unavailable items, rather than a further adjustment for the fall in fuel consumption. There were [67 unavailable items in the basket for June](#), down from 74 in May and 90 in April.

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

Tables 1 and 2 show indices, 12-month growth rates and 1-month growth rates 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 May 2020 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: Index and growth rate values for CPIH official, chain-link and rescaled UK, June 2020

June 2020 CPIH	CPIH (2015=100)	Year on Year %	Month on Month %
Actual	108.8	0.8	0.1
Chain-link	108.8	0.9	0.1
Rescaled	108.7	0.7	0.1

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

Table 2: Index and growth rate values for adjustments to CPI official, chain-link and rescaled UK, June 2020

June 2020 CPI	CPI (2015=100)	Year on Year %	Month on Month %
Official	108.6	0.6	0.1
Chain-link	108.6	0.7	0.1
Rescaled	108.4	0.5	0.1

Source: Office for National Statistics – Consumer Prices Index

Figure 1 shows 12-month growth rates for the official series of CPIH from January 2019 to June 2020, and for the chain-linked and rescaled series from March to June 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.

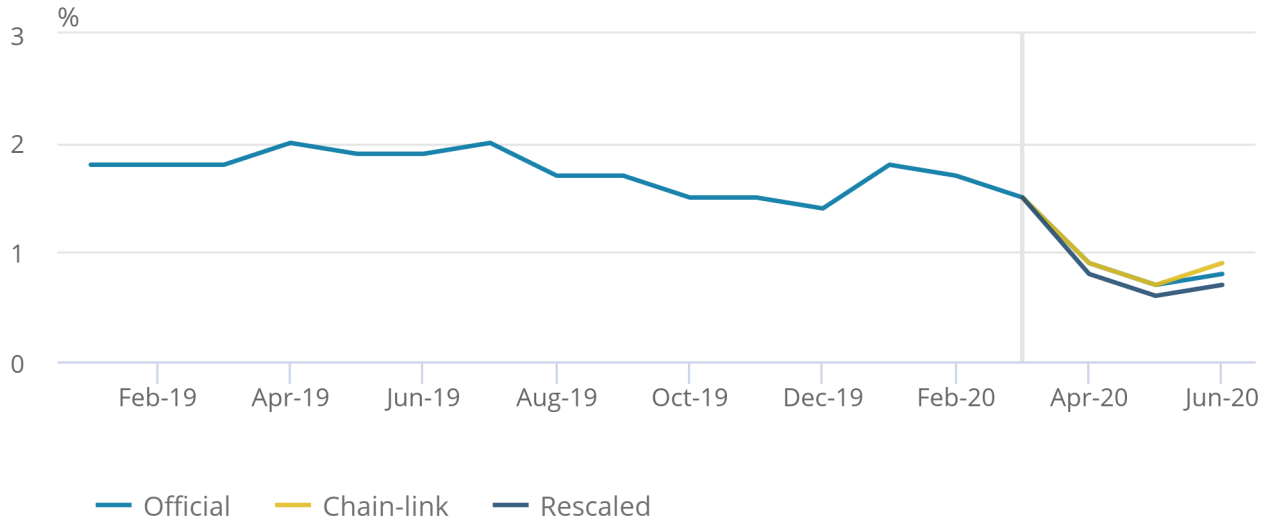
Figure 1: 12-month growth rates of the experimental series of CPIH have consistently been lower than the official rate

12-month growth rates of CPIH official, chain-linked and rescaled, UK, January 2019 to June 2020

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12-month growth rates of CPIH official, chain-linked and rescaled, UK, January 2019 to June 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 official series throughout. The primary driver of the differences between series lies within the transport division; this difference is explored further in Section 4.

4 . Transport and its effects on the CPIH 12-month growth rate

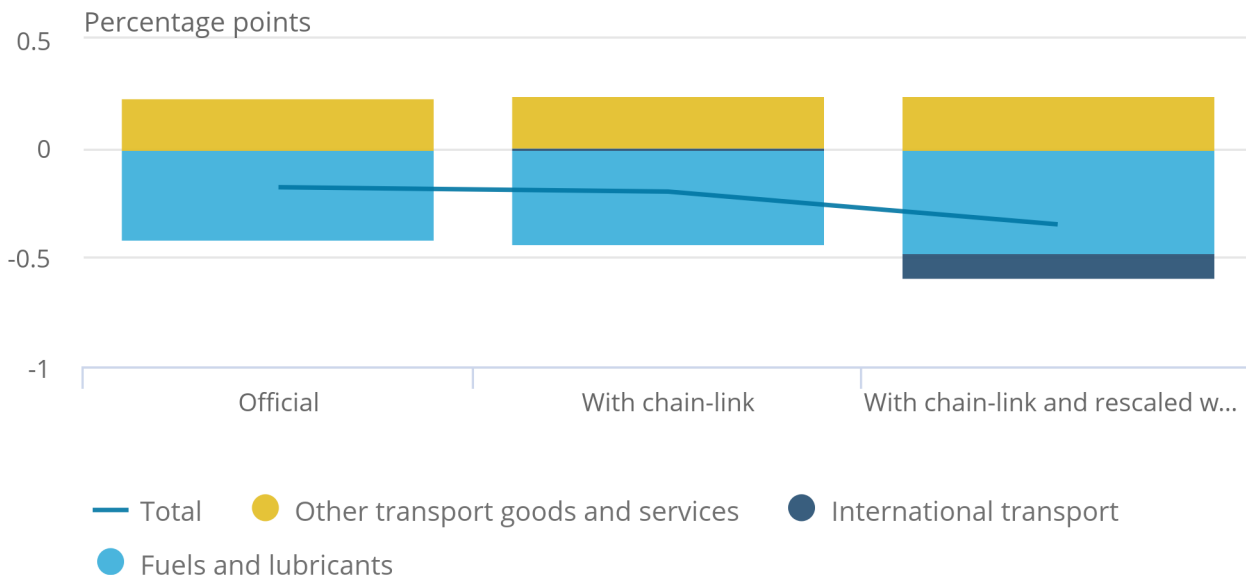
Figure 2 shows the contribution that different components of transport have made to the 12-month growth rate for the official and experimental series of the Consumer Prices Index including owner occupiers’ housing costs (CPIH). The equivalent data for the Consumer Prices Index (CPI) show similar trends and are included in the [full dataset](#).

Figure 2: Rescaling the basket increased the downward contribution of transport to the 12-month growth rate of CPIH

Contributions to the 12-month growth rate of CPIH by component of transport, UK, June 2020

Figure 2: Rescaling the basket increased the downward contribution of transport to the 12-month growth rate of CPIH

Contributions to the 12-month growth rate of CPIH by component of transport, UK, June 2020



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

Compared with the chain-linked version of the official series (“chain-link”), rescaling the basket to remove unavailable items increases the downward contribution to the 12-month growth rate from transport. This is primarily driven by international travel, a category made up of air fares, sea fares and Eurotunnel fares.

International travel is subject to seasonal price effects and broadly increases throughout the year, peaking in the summer months, with smaller peaks around Easter and Christmas. However, prices were deemed unavailable in April, May and June 2020 as non-essential movement was restricted. In the official series, prices for unavailable seasonal items such as international travel were imputed for April, May and June 2020. This imputation was calculated by applying the all-items annual growth rate to the index values from April, May and June 2019, respectively.

By removing these unavailable seasonal items in our experimental rescaled basket, we remove the rise in prices that generally occurs this time of year, whereas in the official measures the unavailable international travel items are imputed to negate their impact on the headline rate. The contribution to the 12-month growth rate of the rescaled basket, therefore, reflects the fall in prices in the year to March 2020, the last month for which data were available, resulting in a downward contribution to the annual rate.

The difference in the growth rates between the official and experimental series also reflects the impact of increasing the weights of available goods and services, amplifying the effect of their price movements. This is particularly apparent for motor fuels, which made a negative contribution to the 12-month growth rate of the official series in June 2020. Figure 2 shows that the downward contribution to the 12-month growth rate from motor fuels was even more pronounced for the rescaled basket as it has a higher weight.

5 . 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.

[Coronavirus and the changing need for economic statistics and analysis](#)

Article | 8 July 2020 An overview of our response to the coronavirus pandemic, with a focus on economic statistics. Includes implications for our regular data collections, an explanation of the demand for new analysis, and the approach used.