

Article

The cost of living, current and upcoming work: March 2022

A summary of ONS' current and future analytical work related to the cost of living.

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1 . Overview of the cost of living

Since late 2021, the UK has experienced several changes to contributory factors leading to rising costs for individuals and businesses. Consumer price inflation has continued to rise to its highest level in almost 30 years. This rise, which includes the cost of energy, has meant many UK citizens are seeing an impact on their cost of living. For many, this has meant having to make decisions about how they spend their income, and how this affects their standard of living.

The Office for National Statistics (ONS) is committed to providing evidence and analysis to central government, devolved administrations and the public about the impact these factors are having across the population. Through the wide range of data we have available, and developments in how we gather and analyse it, we will continue to ensure our evidence provides clear insights and impacts of the rising cost of living.

This article outlines the analytical work we are undertaking related to the cost of living. This work plan is under constant review to take account of the nature of the evolving situation, and we will adapt it if new or urgent requirements emerge.

We will provide an update in approximately three months from the date of publishing on progress against the strands of work outlined below, as well as any new priorities.

2 . Measures of price change

The ONS' [consumer price inflation bulletins](#) measure the impact of changes to the price of goods and services bought by households on a monthly basis. Consumer price inflation is measured using a basket of goods and services to capture different types of consumption.

Consumer price inflation consists of the Consumer Prices Index (CPI) and the Consumer Prices Index including owner occupiers' housing costs (CPIH). The CPI and CPIH are macro-economic measures that reflect the change in prices for goods and services bought or consumed across all UK households. The Household Cost Indices (HCIs) reflect the change in costs and prices as experienced by different household groups.

We are developing our measures of prices, which we outlined in a recent blog post, [Measuring the changing prices and costs faced by households](#). In the blog post, we explain the challenges of measuring everyone's cost of living, and how some important new enhancements will provide a clearer picture in the future. Detail of these enhancements are outlined below.

Using alternative data sources: scanner, admin, and web-scraped data

Looking ahead, we are transforming the way we measure prices to understand peoples' spending patterns in a more detailed and timely manner.

The current inflation basket measures the changing price of over 700 specific items that are representative of the average household's spending habits. However, we are currently developing plans to increase the number of price points each month from 180,000 to hundreds of millions. We will achieve this by using prices sent to us directly from retailer checkouts and other data suppliers.

As part of a project to develop real-time indicators of economic activity, we are investigating the potential use of data scraped from supermarket websites to track the price of everyday grocery items over the last 18 months. We are carrying out this work with ONS' Data Science Campus.

Developing subgroup estimates

We have recently produced inflation rates for [discretionary and non-discretionary spending](#), adding to our understanding of different households' experiences. Spending on non-discretionary items (goods or services purchased because they meet a basic need, like food, shelter or healthcare) is less likely to stop if prices increase or if incomes fall, as consumers cannot avoid or delay spending on these essential items. Spending on discretionary items (goods or services that are considered "optional" purchases, like trips to the cinema, takeaway meals, alcohol and holidays) are more likely to stop if prices increase or incomes fall, as consumers can avoid or delay spending on these non-essential items.

To reflect the change in costs and prices experienced by households, we are continuing to develop the [Household Costs Indices \(HCIs\)](#) with engagement and feedback from our users. The statistics measure the impact of inflationary changes on high and low income households, as well as for a range of other household types. These include retired or disabled households, and owner-occupier or renter households.

Previously, the HCIs have shown how households on low income or retired households tend to be affected by increases in utility bills or the cost of food and non-alcoholic beverages. They have also shown that high income households experience higher cost growth than low-income households, from rising transport costs or discretionary spend.

The next estimates for the HCIs for 2020 and 2021 will be published in May 2022.

3 . Upcoming work

Inflation basket of goods and services

In addition to the regular monthly releases, we will be publishing the annual update to the consumer price inflation basket of goods and services and the 2022 updated weights on 14 March 2022. This is undertaken to ensure that the measures are up-to-date and representative of consumer spending patterns. The updated weights article will provide further detail on the approach we have taken - you can [view an overview of the article](#) to find out more.

Personal inflation calculator

To assist individuals in understanding how the rise in inflation affects their expenditure, we are developing a personal inflation calculator. Users will be able to enter their expenditure across a number of categories, and the calculator will deliver customised information about the rise in costs they are set to experience. The personal inflation calculator will be published along with our inflation estimates on 23 March 2022.

Drivers of inflation

In March, we will publish analysis that explores drivers of inflation for certain parts of the CPIH basket, such as food, non-alcoholic beverages and transport. The analysis aims to improve our understanding of the role of pass through from Producer Price Indices (PPI), as well as other economic factors. These include supply chain issues (delays and shortages), staff shortages, cost pressures in specific sectors, and rising wages.

Subgroup estimates on CPIH

On 28 January 2022, we published the preliminary [subgroup estimates on a CPI basis](#) as an early indication of the impact of inflation on different household groups. We will be publishing subgroup estimates on a CPIH consistent basis in May 2022.

House Prices Index and Index of Private Housing

In addition to the regular consumer price inflation publications, we will continue to publish the House Prices Index and the Index of Private Housing Rental Prices. These measure how house prices and the cost of renting are changing across the UK.

Public Services expenditure

We are also working towards publishing analysis from available data of Public Services expenditure, focussing on those outgoings recognised to be affected by rising costs, such as energy and food. This will use most recently published departmental data and will give key insights into how Public Services are likely to be affected by inflationary pressures.

4 . Impact on individuals and businesses

Real-time indicators

Through a variety of surveys and data sources, we have published a wide range of data and analysis relating to the cost of living. Regular surveys such as the Opinions and Lifestyle Survey (OPN) and Business Insights and Conditions Survey (BICS) provide a fortnightly insight into the impacts of rising costs on individuals and businesses.

We are already publishing insights on the cost of living changes for individuals and the reason for them using our OPN in our [Coronavirus and the social impacts on Great Britain bulletins](#) - we have provided this since mid-November 2021. We have also used this data to look at the cost of living for those [working from home as opposed to those travelling to a place of work](#).

We are expanding our questions on the OPN about cost of living, looking to gather further information on how respondents pay for gas and electricity, and on the impacts of housing costs. We will also continue to monitor the impact of household finances and wellbeing through this survey.

Our fortnightly [BICS](#) has enabled us to provide rapid analysis on business turnover, workforce, prices and supply chain disruption. Using data from BICS, we have focused analysis on prices bought and sold by businesses, comparing estimates over time and how this differs by industry and business size.

Going forward, we also plan to monitor how businesses have been affected by recent increases in prices. For example, if they had to change suppliers, discontinue lines of sales, or make redundancies. We also plan to measure the impact of increasing gas and energy prices on production and/or suppliers.

We are developing our analytical plans over the coming weeks to provide the best evidence from these real-time data sources.

Income, spending and wealth

Our statistics on income and wealth are critical to understanding their impact on household finances. Our main source of information on household incomes is the Household Finances Survey (HFS). As well as providing incredibly detailed information on how much households earn and receive in benefits, this source also asks what households spend their money on. This allows us to estimate how their cost of living might have changed.

This source can be used to produce extensive breakdowns of spending by income, region, household characteristics and age. Our [latest data](#) currently covers up to March 2020, with data up to financial year ending (FYE) 2021 available in Summer 2022.

Our annual statistics for household disposable income and inequality covering FYE 2021 will be published 28 March 2022. Using the HFS, they provide a detailed breakdown of disposable income components. These consist of state benefits across a range of household demographics, to include retirement status, household tenure, and socio-economic classification. A range of income inequality metrics are reported dating back to 1977, providing both valuable historical insight and a means to monitor the broader impact of changes in cost of living and/or interventional policies. Furthermore, the redistributive role of taxes and benefits on income and income inequality for FYE 2021 is scheduled for release in June 2022.

Our Wealth and Assets Survey (WAS) can also provide insight of [wealth in Great Britain](#), exploring the distribution of household and individual assets and debts up to March 2020. This single data source extensively describes how wealth is distributed by breakdown for personal characteristics, providing valuable insight into the economic well-being of households and individuals before the coronavirus pandemic.

We will be publishing an article on 9 March 2022 from a combined dataset of income consumption and wealth. The data used will be from before the coronavirus pandemic, but will give key insights into how income, spending and wealth for households are inter-related. It will also give insight into groups that are financially vulnerable. Breakdowns will be available by age, sex, region and income.

We have a [collaborative plan](#) to strengthen income and earnings statistics. Today (2 March 2022) we updated our [income and earnings statistics guide](#), which explains the sources and coverage of income and earnings statistics. This complements the recently published [income and earnings interactive tool](#), which brings all these statistics together.

5 . Energy

On 3 February 2022, the UK Government announced a package of support to help households to manage rising energy bills. We will provide details on our classification and treatment of the energy bills discount scheme as information about this policy becomes available.

As part of our [Faster Indicators](#) publication, which is published on a weekly basis, we include a seven-day rolling average for the wholesale gas price using the National Grid's system average price. This is what traders use to trade gas at the on-the-day-commodity market (OCM).

We have also [published analysis](#) of recent trends in the 12-month inflation rates for gas and electricity and its contribution to the overall CPIH rate, and their impact on households and living standards. We used the Opinions and Lifestyle Survey (OPN) and Living Costs and Food Survey for this analysis.

We have published analysis of [UK trade in goods trends in 2021](#) with a particular focus on how increasing imports of fuels, driven by increasing wholesale gas prices, have impacted the overall import trend.

As outlined above, data collected from the OPN and Business Insights and Conditions Survey (BICS) will continue to provide us with insights into the impact of rising energy prices on businesses and individuals, and changes they are making to adapt to the new costs.

6 . Provide feedback

The Office for National Statistics (ONS) will work collaboratively across the organisation to provide these outputs. We welcome views from users, including from existing stakeholder networks, on ideas for statistics and analysis, identification of gaps, offers of data and expertise to further develop our work. You can send us feedback by email at coordination@ons.gov.uk.

7 . Publication schedule for March to May 2022

- 4 March 2022: Coronavirus and the social Impacts on GB (OPN)
- 9 March 2022: Household Income, spending and wealth, Great Britain: April 2018 to March 2020 (provisional date)
- 10 March 2022: Business insights and impacts on the UK economy (BICS)
- 14 March 2022: Consumer price inflation basket of goods and services, 2022
- 18 March 2022: Coronavirus and the social Impacts on GB (OPN)
- 23 March 2022: Prices outputs theme day
- 23 March 2022: Personal inflation calculator
- 24 March 2022: Business insights and impacts on the UK economy (BICS)
- 24 March 2022: Funded occupational pension schemes in the UK: July to September 2021
- 25 March 2022: Retail sales, Great Britain: February 2022
- 28 March 2022: Household disposable income and inequality, UK: financial year ending 2021 (provisional date)
- 28 March 2022: Impact of coronavirus income support schemes on UK income estimates (provisional date)
- 31 March 2022: Consumer trends, UK: October to December 2021
- 31 March 2022: Quarterly economic commentary: October to December 2021
- 1 April 2022: Coronavirus and the social Impacts on GB (OPN)
- 7 April 2022: Business insights and impacts on the UK economy (BICS)
- 13 April 2022: Prices outputs theme day
- 15 April 2022: Coronavirus and the social Impacts on GB (OPN) (provisional date)
- 21 April 2022: Business insights and impacts on the UK economy (BICS)
- 22 April 2022: Retail sales, Great Britain: March 2022
- 29 April 2022: Coronavirus and the social Impacts on GB (OPN)
- April 2022: Employee workplace pensions in the UK: 2021 provisional and 2020 (final results)
- 4 May 2022: Household Costs Indices, UK: fourth preliminary estimates, 2005 to 2021

- 4 May 2022: Household Costs Indices measuring mortgage interest payments (provisional date)
- 4 May 2022: Household Costs Indices pandemic analysis, UK (provisional date)
- 5 May 2022: Business Insights and Impacts on the UK economy (BICS)
- 13 May 2022: Coronavirus and the social Impacts on GB (OPN)
- 13 May 2022: CPIH-consistent inflation rate estimates for UK household groups (provisional date)
- 18 May 2022: Prices outputs theme day
- 19 May 2022: Business insights and impacts on the UK economy (BICS)
- 20 May 2022: Retail sales, Great Britain: April 2022
- 27 May 2022: Coronavirus and the social Impacts on GB (OPN)