

CPI INFLATION STABILISES

The consumer price index inflation rate decreased by 0.1 percentage points to 1.7 per cent in the year to February 2020, as per data released by the ONS. Our new analysis of 128,677 locally collected goods and services indicates that inflation in the housing and household services remained at elevated levels recorded in January. The restaurants and hotels category also recorded increases with its contribution rising largely due to changes in accommodation services. Underlying inflation, which excludes the most extreme price changes, remained unchanged at 0.9 per cent in February. This is consistent with headline CPI inflation rising to 2.1 per cent in the 12 months to February 2021.

Main points

- Underlying inflation remained unchanged at 0.9 per cent in the year to February 2020, as measured by the trimmed mean, which excludes 5 per cent of the highest and lowest price changes (figure 1).
- At the regional level, underlying inflation was highest in Northern Ireland and East Midlands at 1.2 per cent and lowest in South West and South East at 0.7 per cent in the year to February 2020 (table 1).
- 21.4 per cent of goods and services prices changed in February, implying an average duration of prices of 4.7 months. 5 per cent of prices were reduced due to sales, 4.2 per cent fell for other reasons and 12.2 per cent were increases (figure 2).
- The historical relationship between current trimmed mean inflation and future CPI inflation implies CPI inflation of 2.1 per cent in the year to February 2021.

“Headline CPI inflation decreased to 1.7 per cent in the year to February 2020, down from 1.8 per cent recorded in January. Our analysis of approximately 130,000 goods and services included in the basket indicates that higher prices in the housing and household services as well as restaurants and hotels categories were not fully offset by sales in the month of February. Our measure of underlying inflation, which excludes extreme price movements, remained unchanged at 0.9 per cent in February. Underlying inflation increased in 4 regions of the UK. On this basis, we expect CPI inflation to settle around the Bank of England’s target of 2 per cent in the coming year.”

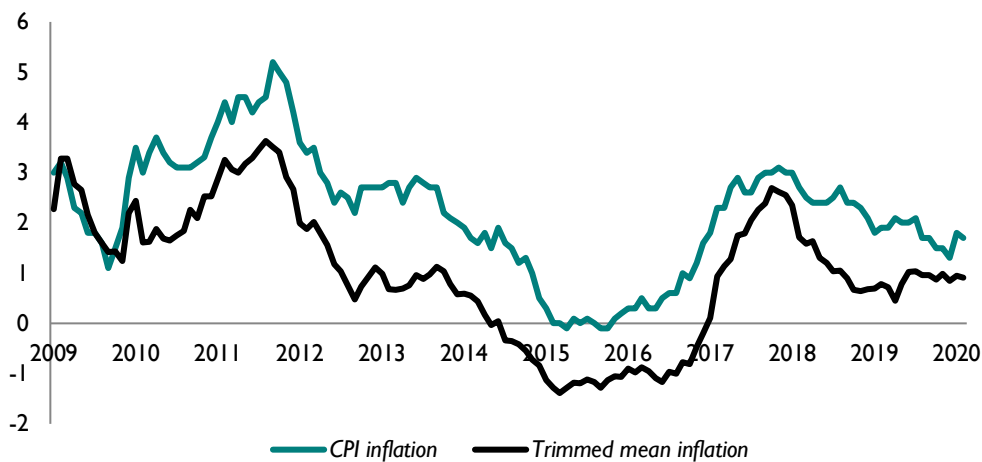
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This analysis builds on the work presented in the [National Institute Economic Review](#), which constructs a measure of trimmed mean inflation based on the goods and services prices that underlie the consumer price index.

Our next analysis of consumer prices will be published on **22 April**.

Figure 1 – CPI and trimmed mean inflation (per cent)



Note: Our measure of trimmed mean inflation excludes 5 per cent of the highest and lowest price changes. The level of trimmed mean inflation is typically lower than CPI inflation due to differences in how the largest price changes are treated and to how the prices are weighted. Source: ONS, NIESR calculations.

Figure 2 – Decreases due to sales, decreases due to other reasons and increases (per cent)

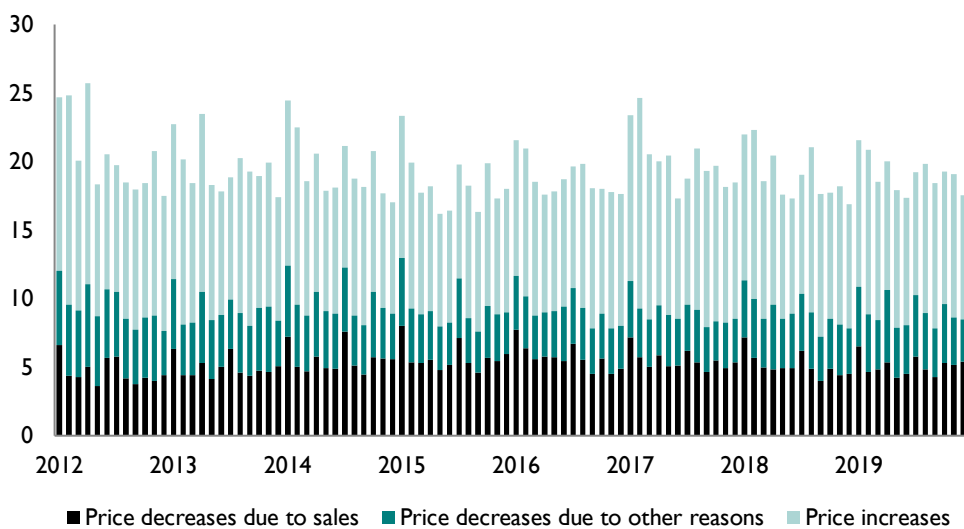


Table 1 – Regional trimmed mean inflation (per cent)

Region	2019											2020	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
London	1.1	1.0	0.7	1.1	1.2	1.1	1.1	1.0	1.1	1.2	0.9	1.0	0.9
South East	0.8	0.5	0.4	0.7	1.0	0.9	0.8	0.8	0.6	0.8	0.8	0.9	0.7
South West	0.7	0.7	0.4	0.7	0.9	1.0	0.8	0.8	0.8	0.7	0.6	0.8	0.7
East Anglia	0.8	0.8	0.5	0.7	1.0	1.1	1.0	1.1	0.9	1.0	0.9	0.7	0.8
East Midlands	0.8	0.7	0.5	0.7	1.0	1.0	0.9	0.8	0.8	1.0	0.7	1.1	1.2
West Midlands	0.7	0.7	0.2	0.7	0.8	1.0	1.0	1.0	0.8	1.0	0.9	0.9	0.9
Yorkshire and the Humber	0.6	0.6	0.3	0.7	1.3	1.1	1.0	1.2	1.0	1.1	0.9	1.0	0.9
North West	0.9	0.9	0.6	0.8	1.1	1.1	1.3	1.0	0.9	1.0	0.9	1.0	1.1
North	0.7	0.8	0.4	0.9	1.2	1.4	1.2	1.2	1.2	1.5	1.3	1.2	1.1
Wales	0.6	0.7	0.6	0.9	1.0	1.0	0.7	0.9	0.9	1.0	1.0	1.0	1.0
Scotland	0.8	0.7	0.4	0.7	0.9	0.9	0.8	1.0	0.7	0.9	0.7	0.8	1.0
Northern Ireland	0.9	0.7	0.4	1.0	1.0	1.3	1.0	1.1	1.0	1.1	0.9	1.3	1.2
United Kingdom	0.8	0.7	0.5	0.8	1.0	1.0	1.0	1.0	0.9	1.0	0.8	0.9	0.9

Note: Our measure of trimmed mean inflation excludes 5 per cent of the highest and lowest price changes. The level of trimmed mean inflation is typically lower than CPI inflation due to differences in how the largest price changes are treated and to how the prices are weighted. Source: ONS, NIESR calculations.

Notes for editors

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