

## CHANGE TO ENERGY PRICE CAP IMPACTS INFLATION

According to figures released this morning by the ONS, consumer price index inflation decreased to 1.5 per cent in the year to October 2019. Our new analysis of 129,752 locally-collected goods and services prices suggest that consumers benefitted from changes to the energy price cap. Furthermore, declines in the prices related to durable household equipment and furniture made another significant downward contribution to consumer prices in October. Underlying inflation, which excludes the most extreme price changes, grew at 1 per cent or less in 10 of the 12 national regions. The reduction in regional underlying inflation contributed to the national average moderating by 0.1 percentage point in October. CPI inflation remains close to the Bank's 2 per cent target.

### Main points

- Underlying inflation moderated by 0.1 percentage point to 0.9 per cent in the year to October 2019, 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 The North at 1.2 per cent and lowest in the South East at 0.6 per cent in the year to October 2019 (table 1).
- 19.3 per cent of goods and services prices changed in October, implying an average duration of prices of 5.2 months. 5.3 per cent of prices were reduced due to sales, 4.3 per cent fell for other reasons and 9.7 per cent were increases (figure 2).
- The historical relationship between current trimmed mean inflation and future CPI inflation implies CPI inflation of 2 per cent in the year to October 2020.

*"Headline CPI inflation decreased moderately to 1.5 per cent in the year to October 2019. Our analysis of approximately 130,000 goods and services included in the basket, suggests a decline in inflation due largely to changes in the energy price cap. Our measure of underlying inflation, which excludes extreme price movements, contracted by 0.1 percentage point to 0.9 per cent in October. Large price decreases in both energy prices and the furniture, household equipment and maintenance categories contributed to the decline in inflation. Underlying inflation remained muted in most regions of the UK. On this basis, we expect CPI inflation to settle at or below the Bank of England's target of 2 per cent in the coming year."*

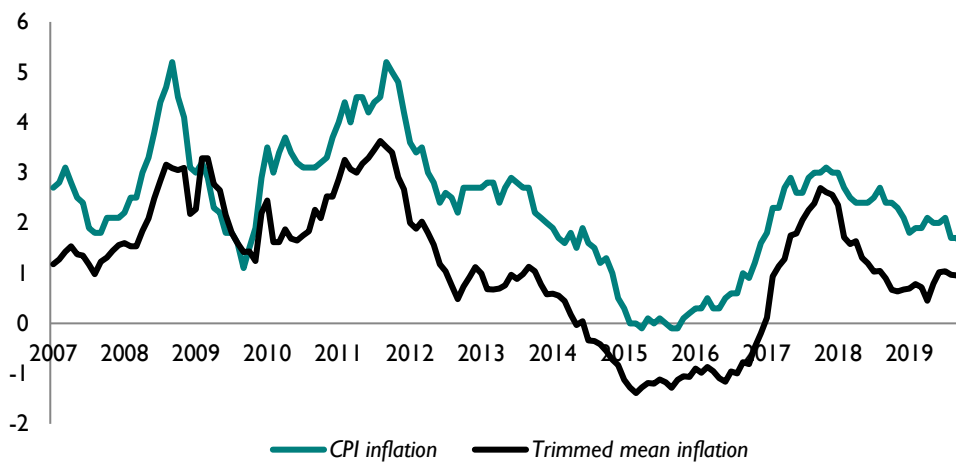
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This analysis builds on the work presented in the [National Institute Economic Review](#), which constructs a measure of trimmed mean inflation based on the goods and services prices that underlie the consumer price index.

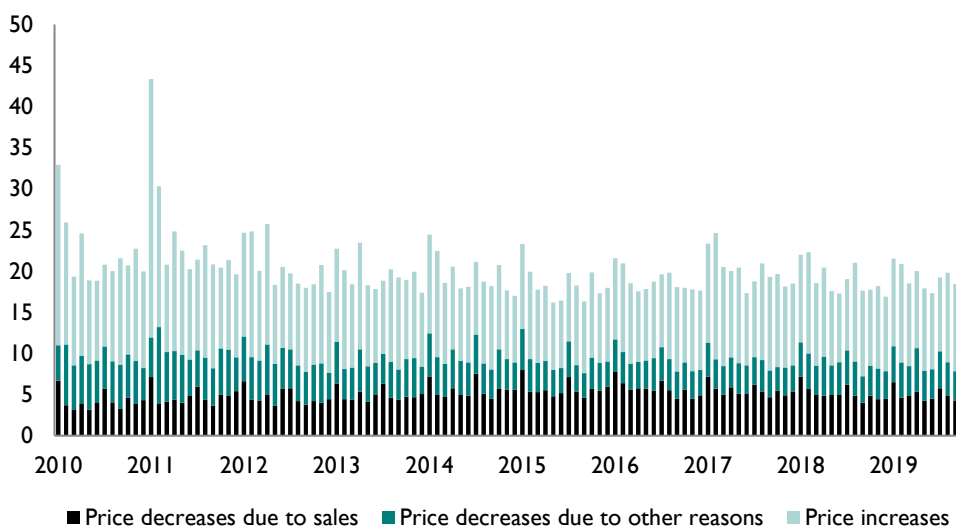
Our next analysis of consumer prices will be published on **18 December**.

**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	2018				2019								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Ma y	Jun	Jul	Au g	Sep	Oct
London	1.0	1.0	1.0	0.9	1.1	1.0	0.7	1.1	1.2	1.1	1.1	1.0	1.1
South East	0.7	0.5	0.4	0.6	0.8	0.5	0.4	0.7	1.0	0.9	0.8	0.8	0.6
South West	0.4	0.4	0.5	0.6	0.7	0.7	0.4	0.7	0.9	1.0	0.8	0.8	0.8
East Anglia	0.7	0.7	0.7	0.8	0.8	0.8	0.5	0.7	1.0	1.1	1.0	1.1	0.9
East Midlands	0.9	0.8	0.8	0.8	0.8	0.7	0.5	0.7	1.0	1.0	0.9	0.8	0.8
West Midlands	0.7	0.6	0.8	0.6	0.7	0.7	0.2	0.7	0.8	1.0	1.0	1.0	0.8
Yorkshire and the Humber	0.5	0.4	0.5	0.4	0.6	0.6	0.3	0.7	1.3	1.1	1.0	1.2	1.0
North West	0.6	0.6	0.6	0.8	0.9	0.9	0.6	0.8	1.1	1.1	1.3	1.0	0.9
North	0.6	0.7	0.8	0.8	0.7	0.8	0.4	0.9	1.2	1.4	1.2	1.2	1.2
Wales	0.8	0.7	0.8	0.9	0.6	0.7	0.6	0.9	1.0	1.0	0.7	0.9	0.9
Scotland	0.8	0.8	0.8	0.9	0.8	0.7	0.4	0.7	0.9	0.9	0.8	1.0	0.7
Northern Ireland	0.3	0.6	0.7	0.8	0.9	0.7	0.4	1.0	1.0	1.3	1.0	1.1	1.0
United Kingdom	0.7	0.6	0.7	0.7	0.8	0.7	0.5	0.8	1.0	1.0	1.0	1.0	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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