

Statistical bulletin

Household Costs Indices for UK household groups: October 2023 to December 2023

Household Costs Indices, 12-month growth rates, expenditure shares and contributions for UK household groups and all-households.

Contact:
Chris Payne
cpi@ons.gov.uk
+44 1633 456900

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1 . Main points

- Overall, UK household costs, as measured by the Household Costs Index (HCI), rose 5.0% in the year to December 2023, down from 8.3% in September 2023.
- Over the past three years, the all-households inflation rate has followed the fifth income decile most closely; costs for these households rose 4.9% in the year to December 2023, compared with rises of 5.6% for high-income households (decile 9) and 4.5% for low-income households (decile 2).
- By tenure type, mortgagor owner occupier households had the highest annual inflation rate of 6.3% in December 2023, reflecting rising mortgage interest payments; the rate for outright owner occupiers fell below the rate for private renters at 4.0% in the year to December 2023.
- In the year to December 2023, private renters, and social and other renters faced similar inflation rates of 4.9% and 4.8% respectively, with bigger contributions from food and non-alcoholic beverages for social renters partially offsetting a bigger downward contribution from the fall in gas and electricity prices.
- Non-retired households continued to experience a higher annual rate of inflation (5.4% in December 2023) than retired households (4.0%).
- Annual rates for households with and without children fell to 5.5% for households with children and 4.8% for households without children in the year to December 2023.

These are official statistics in development, and we advise caution when using these data, as estimates may be revised because of methodological improvements. Priorities for development are discussed with our Advisory Panels. For more information on how Household Costs Indices (HCIs) are produced, future developments, and our revisions policy, please refer to [Section 7: Measuring the data](#).

2 . Overview of the Household Costs Indices inflation rates

The Household Costs Indices (HCIs) complement the Consumer Prices Index including owner occupiers' Housing costs (CPIH) and the Consumer Prices Index (CPI), which show how the prices of goods and services consumed by all households in the UK change over time. They do this by providing insight into the inflationary experience of different household subgroups.

Consumer price statistics measure the change in price of a "fixed basket" of goods and services, as described in our [2017 guide to CPI](#). For the HCIs, the weight of each component in a subgroup's "fixed basket" is based on the average household's share of spending ("democratic" weights). By contrast, the CPIH and CPI baskets reflect the total share of spending across all households in the UK ("plutocratic" weights). The HCIs also include changes in mortgage interest rates, stamp duty and other costs related to the purchase of a dwelling. These are omitted from CPI and estimated using equivalent rental prices in CPIH, reflecting its different use case (see our [Measuring changing prices and costs for consumers and households article](#)). Further differences are described in our [Household Costs Indices for UK household groups Quality and Methodology Information \(QMI\)](#).

HCIs annual inflation rates for the most recent three months are presented in Table 1.

Table 1: Household Costs Indices annual inflation rates, UK, December 2022 and October to December 2023

	Dec 2022	Oct 2023	Nov 2023	Dec 2023
All households	12.4%	5.9%	5.2%	5.0%
Income decile 2	13.3%	5.3%	4.6%	4.5%
Income decile 3	13.1%	5.4%	4.7%	4.6%
Income decile 4	12.8%	5.5%	4.8%	4.6%
Income decile 5	12.4%	5.8%	5.0%	4.9%
Income decile 6	12.2%	5.9%	5.1%	5.0%
Income decile 7	11.8%	6.2%	5.3%	5.2%
Income decile 8	11.6%	6.4%	5.6%	5.4%
Income decile 9	11.5%	6.7%	6.0%	5.6%
Private renter	10.0%	5.4%	4.9%	4.9%
Social and other renter	13.1%	5.4%	4.8%	4.8%
Outright owner occupier	13.2%	4.7%	4.1%	4.0%
Mortgagor and other owner occupier	12.6%	7.8%	6.8%	6.3%
Retired households	14.0%	4.7%	4.1%	4.0%
Non-retired households	11.9%	6.4%	5.6%	5.4%
Households with children	11.7%	6.6%	5.7%	5.5%
Households without children	12.7%	5.6%	4.9%	4.8%

Source: Household Costs Indices from the Office for National Statistics

Notes

1. The first and tenth income deciles are omitted as the composition of these groups can be unusual and may therefore be influenced by unrepresentative expenditures.

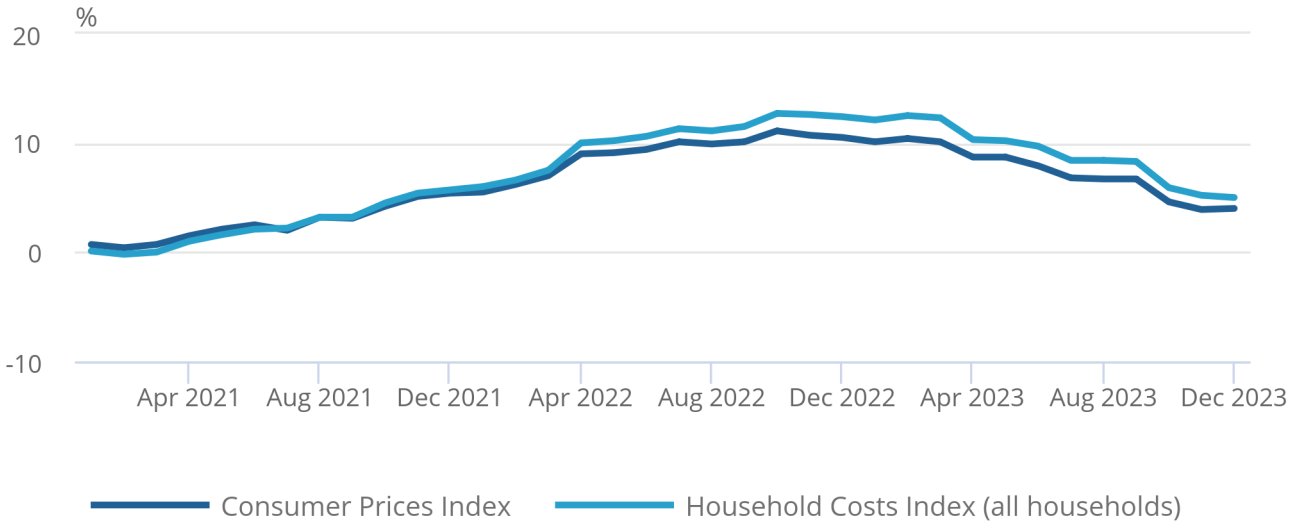
In the most recent month, December 2023, the all-households HCI annual rate was 5.0%, compared with a CPI annual inflation rate of 4.0% (Figure 1).

Figure 1: In the 12 months to December 2023, household costs rose by 5.0%

Household Costs Index and Consumer Prices Index annual inflation rates (%) for all households, UK, January 2021 to December 2023

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Household Costs Index and Consumer Prices Index annual inflation rates (%) for all households, UK, January 2021 to December 2023



Source: Household Costs Indices and the Consumer Prices Index from the Office for National Statistics

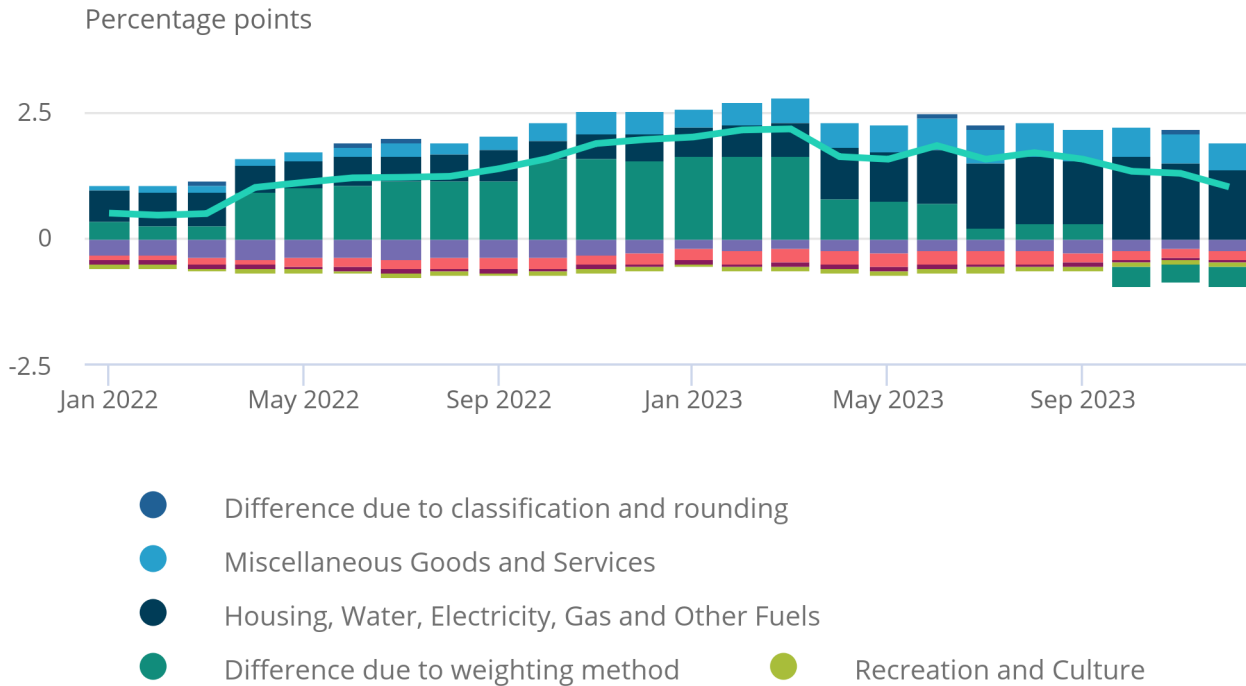
Figure 2 shows the contributors to differences in the annual inflation rates for CPI and the all-households HCI over the period January 2022 to December 2023. In the most recent three months, the largest difference came from housing and household services, which increased the all-household HCI rate by 1.37 percentage points more in December 2023. The main compositional difference in this division is the inclusion of owner occupiers' housing costs in the HCIs. Over the same period, the use of democratic weights has partially offset this, lowering the all-household HCI relative to CPI (negative 0.4 percentage points in December 2023). This is primarily because the democratic approach gives more weight to falling electricity, gas and other fuel prices.

Figure 2: Housing was the largest difference between the HCI and CPI in December 2023

Contributions to the difference in annual inflation rates, all-households HCI less CPI, (percentage points), UK, January 2022 to December 2023

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Contributions to the difference in annual inflation rates, all-households HCI less CPI, (percentage points), UK, January 2022 to December 2023



Source: Household Costs Indices and the Consumer Prices Index from the Office for National Statistics

Notes:

- Contributions to the difference may not sum to the difference between CPI and all-households HCI annual inflation rates because of rounding.
- Differences because of classification and rounding arise from the use of unrounded weights for HCIs, compared with rounded weights for CPI, and price uprating at the Class class level for HCIs, compared with sub-class for CPI.
- Differences because of weighting refers to the use of democratic weights, compared with plutocratic weights for CPI.

However, different household groups experience inflation in different ways. Over the most recent three years, the all-households rate has followed the rate for households in income decile 5 most closely (compared with other income deciles). Therefore, subgroup breakdowns of the HCIs provide greater insight into how households are affected by inflation. The following sections provide more information on HCIs by tenure type, income decile and other subgroups.

3 . Household Costs Indices by tenure

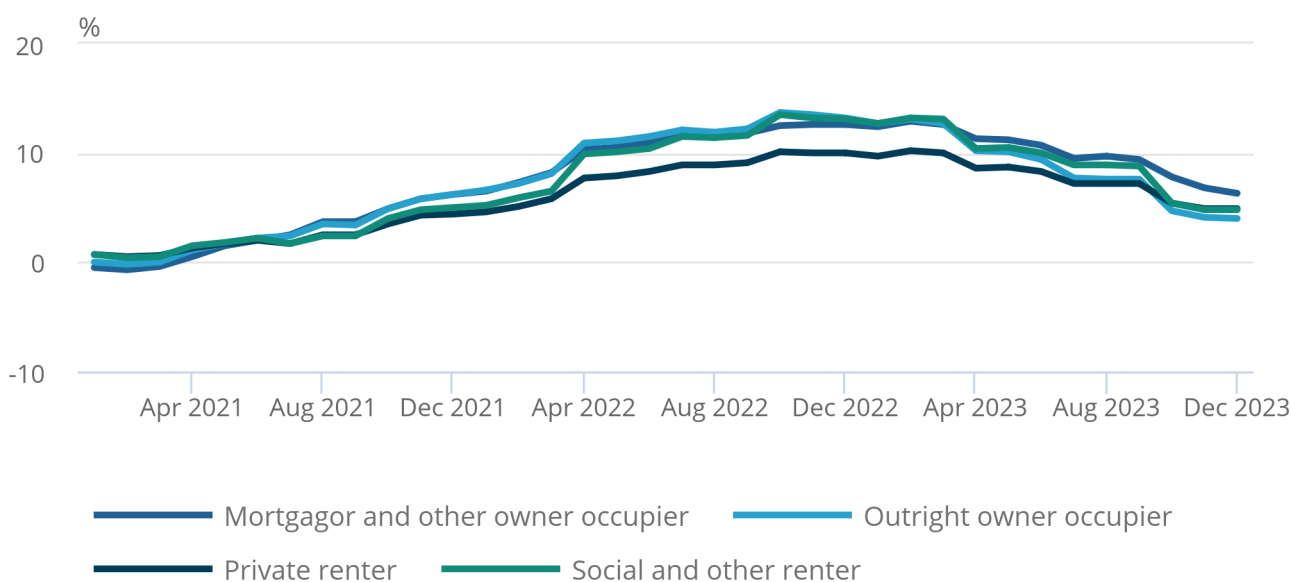
Figure 3 shows the Household Costs Indices (HCIs) annual inflation rate for different tenures over the period from January 2021 to December 2023. In the most recent three months, mortgagor and other owner occupier households continued to experience the highest rate of annual inflation, with costs increasing 6.3% in the year to December 2023, down from 9.4% in September 2023. Private renter households, and social and other renter households, have experienced similar rates of inflation since October 2023, falling to 4.9% and 4.8% respectively in December 2023. Annual rates for outright owner occupier households dropped below private renters in October 2023, and remained the lowest of all the tenure types in December 2023, at 4.0%. However, when considering the cumulative effect of rising household costs, private renter households had the lowest rate in the four years to December 2023, of 21.2% (compared with between 24.8% and 26.4% for other tenure types).

Figure 3: Inflation for outright owner occupiers dropped below private renters in October 2023

Household Costs Indices annual inflation rates (%) by tenure type, UK, January 2021 to December 2023

Figure 3: Inflation for outright owner occupiers dropped below private renters in October 2023

Household Costs Indices annual inflation rates (%) by tenure type, UK, January 2021 to December 2023



Source: Household Costs Indices from the Office for National Statistics

In October 2023, the gap of 3.1 percentage points between mortgagor and other owner occupier households, and outright owner occupier households was the largest since November 2009, when the relationship was reversed. (Then, outright owner occupiers experienced a rate that was 4.7 percentage points higher, at 1.9%.)

The October 2023 gap was largely because of mortgage interest payments, which increased the rate for mortgagor households by 3.02 percentage points, relative to outright owner occupiers. This was partially offset by food and non-alcoholic beverages, which contributed 0.22 percentage points more to the rate for outright owner occupiers, and electricity, gas and other fuels, where falling energy prices reduced their rate by 0.63 percentage points more than for mortgagor households (since they are a larger proportion of the basket for outright owner occupiers).

Differences between subgroups are influenced by the interaction between price movements and expenditure weights. Differences in spending patterns mean that, if a particular subgroup spends more on a product with a high inflation rate, they will experience a greater increase in costs relative to other households. Figure 4 shows which expenditure categories contributed to lowering the annual rate for outright owner occupier households below the rate for private renter households in October 2023.

In the most recent three months, higher inflation for private renter households was primarily attributed to private rentals, which increased the rate by 1.72 percentage points in October 2023, relative to outright owner occupiers. Similarly, falling electricity, gas and other fuel prices reduced the rate for outright owner occupiers by 0.57 percentage points more than for private renter households. There were partially offsetting effects from food and non-alcoholic beverages, and recreation and culture, which both contributed to higher inflation for outright owner occupiers.

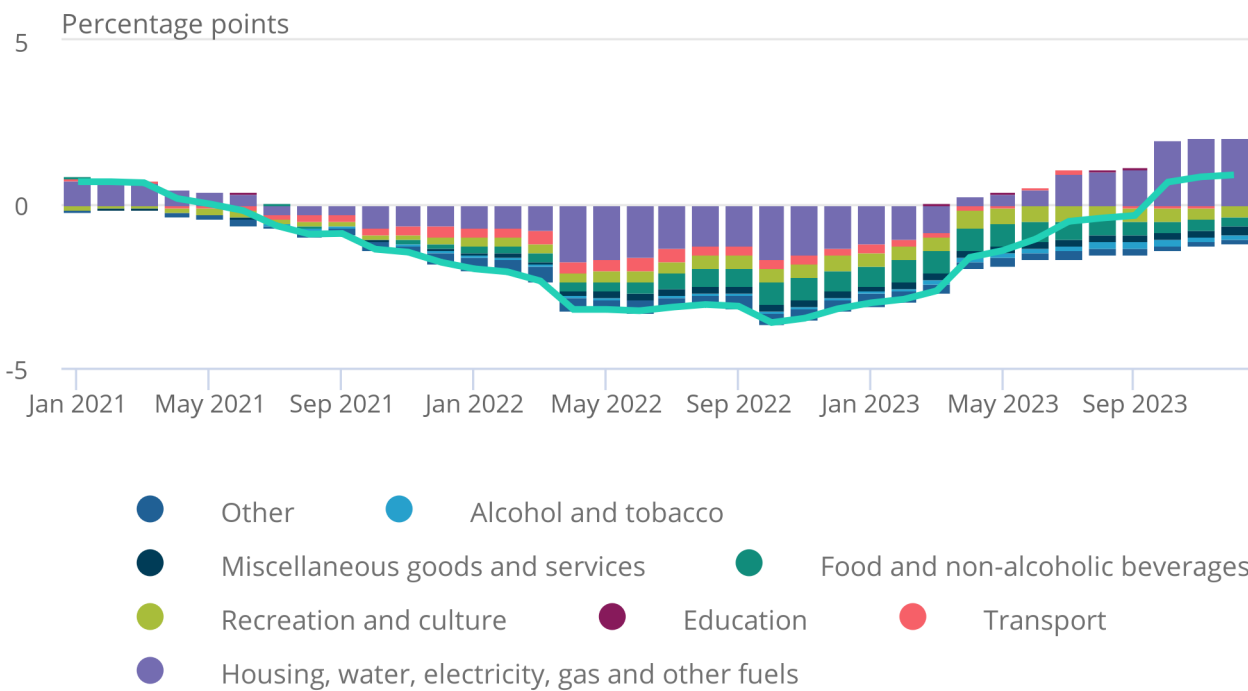
Figure 4: Rentals for private renters led to higher inflation than for outright owner occupiers in October 2023

Contributions to the difference between the HCI annual rate, private renter less outright owner occupier, UK, January 2021 to December 2023

Positive contributions are increasing the private renter inflation rate more than outright owner occupiers (or medical regimes cutting down the private renter rate more)

Figure 4: Rentals for private renters led to higher inflation than for outright owner occupiers in October 2023

Contributions to the difference between the HCI annual rate, private renter less outright owner occupier, UK, January 2021 to December 2023



Source: Household Costs Indices from the Office for National Statistics

Notes:

1. Contributions to the difference between subgroups may not sum to the difference because of rounding.
2. Positive contributions are contributing to higher inflation for private renter households, or lower inflation for outright owner occupier households.
3. Negative contributions are contributing to higher inflation for outright owner occupier households, or lower inflation for private renter households.

Between October and December 2023, there were negligible differences between annual inflation rates for private renter households, and social and other renter households. Falling gas and electricity prices contributed to lower inflation for social and other renter households, with a partially offsetting effect from food and non-alcoholic beverages, and recreation and culture, which contributed to higher inflation for the same subgroup. Similarly, contributions from private rentals, and social rentals largely offset each other.

4 . Household Costs Indices for other subgroups

The factors affecting Household Costs Indices (HCI) inflation rates for tenure also affected the experiences of other subgroups. Those groups who spent a higher proportion of their basket on mortgage interest payments, or a lower proportion of their basket on electricity, gas and other fuels where prices were falling, saw higher annual inflation rates in the most recent three months. Broadly, those subgroups with lower inflation rates were more affected by contributions from food and non-alcoholic beverages, and recreation and culture, but this was offset by falling electricity, gas and other fuel prices. Higher inflation rates were experienced by higher income households, non-retired households and households with children (Table 1).

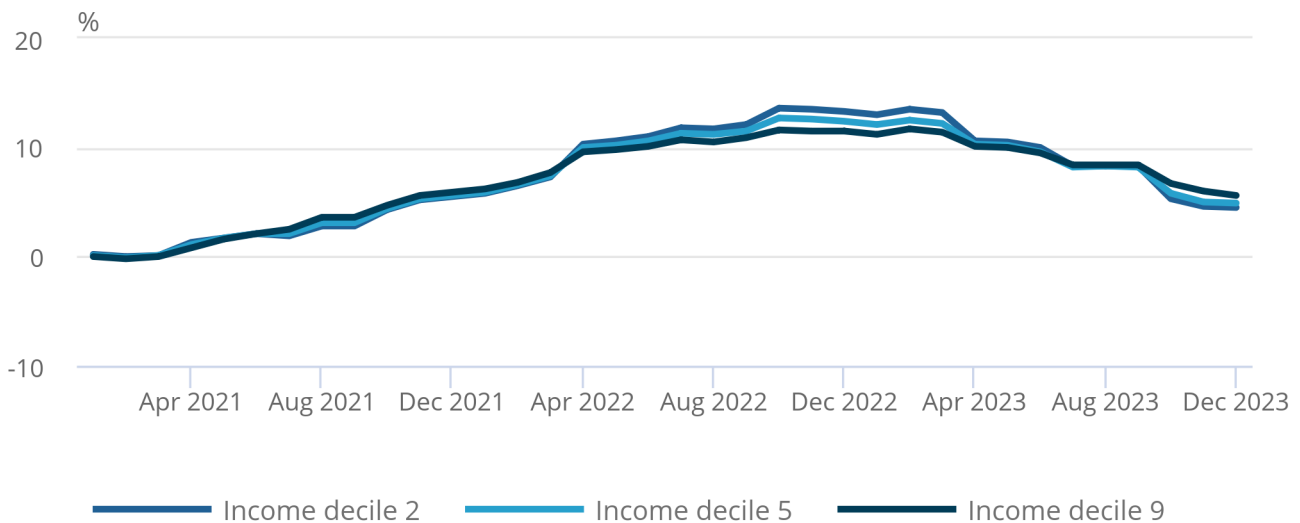
The latest inflation rates do not necessarily reflect experience over a longer period of time. For example, in the most recent three months, high-income households (represented by the ninth income decile) experienced the highest annual rate of inflation of 5.6% in December 2023, and low-income households (represented by the second income decile) experienced the lowest rate of 4.5% in the same month (Figure 5). However, cumulatively, in the four years to December 2023, household costs rose more for low-income households (25.0%) than for high-income households (24.5%).

Figure 5: High-income households experienced higher inflation rates in December 2023

Household Costs Indices annual inflation rates (%) by selected income decile, UK, January 2021 to December 2023

Figure 5: High-income households experienced higher inflation rates in December 2023

Household Costs Indices annual inflation rates (%) by selected income decile, UK, January 2021 to December 2023



Source: Household Costs Indices from the Office for National Statistics

Notes:

1. The second and ninth deciles are used to represent low- and high-income households; the first- and tenth-income deciles are omitted as the composition of these groups can be unusual and may therefore be influenced by unrepresentative expenditures.

5 . Household Costs Indices data

[Household Costs Indices for UK household groups reference tables](#)

Dataset | Released 26 February 2024

Household Costs Indices inflation rates, indices, weights and contributions for income deciles, tenure types, retirement status and households with and without children.

6 . Glossary

Equivalised

Income and expenditure groups are based on a ranking of households by equivalised income and expenditure. Equivalisation is the process of accounting for the fact that households with many members are likely to need a higher income to achieve the same standard of living as households with fewer members.

Equivalisation considers the number of people living in the household and their ages. It also takes into account that while a household with two people in it will need more money to sustain the same living standards as one with a single person, the two-person household is unlikely to need double the income. This analysis uses the [modified Organisation for Economic Co-operation and Development \(OECD\) equivalisation scale \(PDF, 165KB\)](#).

Disposable income

Disposable income is that which is available for consumption and is equal to all income from wages and salaries, self-employment, private pensions and investments, plus cash benefits less direct taxes.

Households are grouped into deciles (or tenths) based on their equivalised disposable income. The richest decile (decile 10) is the 10% of households with the highest equivalised disposable income. Similarly, the poorest decile (decile one) is the 10% of households with the lowest equivalised disposable income. It should be noted that the second and ninth deciles are more stable, so users may wish to consider these in their analysis.

Expenditure deciles

Households are grouped into deciles (or tenths) based on their equivalised expenditure. The highest-expenditure decile (decile 10) is the 10% of households with the highest equivalised expenditure. Similarly, the lowest expenditure decile (decile one) is the 10% of households with the lowest equivalised expenditure.

Households with children

A child is defined as any person aged under 16 years. For the purposes of the Family Spending report, people who are aged under 18 years and unmarried are also classed as children. A household is classified as a household with children if at least one member of the household is a child.

Owner-occupier households

Outright owner-occupier households are defined as any household in which the residents own the property outright and use it as their primary or non-primary residence.

Mortgagor and other owner-occupier households are defined as any household that is buying their primary or non-primary residence property with a mortgage, or own part of the property (for example, paying both rent and mortgage).

Renter households

Private renter households are defined as any household that rents their property from a private sector landlord. It excludes households who live in their property rent-free.

Social and other renter households are defined as any household that rents their property from a council or a registered social landlord or lives in their property rent-free.

Retired persons and households

A retired person is defined as anyone who describes themselves in the Living Costs and Food Survey (LCF) as "retired" or anyone over minimum National Insurance pension age describing themselves as "unoccupied" or "sick or injured but not intending to seek work". A retired household is defined as one where the combined income of retired members amounts to at least half the total gross income of the household.

7 . Measuring the data

Further data improvements

For 2022 and 2023, the household-level variable used to calculate expenditure weights for stamp duty was not available to us. This is because of ongoing additional quality assurance procedures. We expect these data to become available in time for our Quarter 1 (Jan to Mar) 2024 bulletin, due to be published in May 2024. Therefore, we will revise to incorporate the stamp duty variable as an exception. In the meantime, the stamp duty weights have been derived using our standard proxy methodology (which is described in more detail in our [Household Costs Indices for UK household groups Quality and Methodology Information \(QMI\)](#)).

As part of the development process for implementing the Household Costs Indices (HCI) as a quarterly publication, we have rationalised the calculation for non-mortgage interest payments while we seek to make further improvements. Some interest data are not collected as part of the Living Costs and Food Survey and must, therefore, be calculated separately. All types of interest payments are captured in the aggregate expenditure for the interest payments on debt category (12.6.9). However, household-level distributions for interest payments on loans and overdrafts are now proxied from other forms of interest payment.

We plan to implement these improvements in our May 2024 publication, aligning with the Consumer Prices Index including owner occupiers' housing costs (CPIH) and Consumer Prices Index (CPI) on the introduction of improved private rental and second-hand cars indices (as described in our [Impact analysis on transformation of UK consumer price statistics: private rents and second-hand cars, December 2023 article](#)). Specific impact analysis for the Household Costs Indices will be published as part of the [papers for the February meeting of the Stakeholder Advisory Panel for Consumer Prices statistics](#).

Households and the cost of living

To help people understand how the rise in inflation affects their expenditure, we have produced a [Personal inflation calculator](#). The calculator allows users to enter the amount they spend to produce an estimate of their personal inflation based on those spending patterns.

Our [Shopping prices comparison tool](#) shows how the average prices of items have changed over time.

Quality

More quality and methodology information on strengths, limitations, appropriate uses, and how the data were created is available in our [Household Costs Indices for UK household groups QMI](#).

8 . Strengths and limitations

Household prices

While the calculation of inflation rates for household groups is straightforward analytically, data constraints make their estimation challenging in practice. In particular, an analysis of household group-specific inflation rates would ideally use price indices and expenditure weights specific to each household group. This would reflect the fact that different households will purchase goods and services from different outlets and, therefore, face different prices.

However, such data are not available and, therefore, we have had to use national price indices as an approximation. There are also challenges that arise from the data sources that we have available for us to calculate the expenditure shares. These limitations do not impede the validity of the chosen methodology and its robustness. For more information, please see our [Methodology to calculate CPIH-consistent inflation rates for UK household groups](#).

9 . Related links

[Household Costs Indices \(HCI\): The role of owner occupiers' housing costs](#)

Article | Released 26 February 2024

The impact of higher mortgage interest rates on household costs, on average and by different household subgroup.

[Consumer price inflation, UK: January 2024](#)

Bulletin | Released 14 February 2024

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

[Average household income, UK: financial year ending 2022](#)

Bulletin | Released 25 January 2023

Final estimates of average household income in the UK, with analysis of how these measures have changed over time, accounting for inflation and household composition.

[UK House Price Index: December 2023](#)

Bulletin | Released 14 February 2024

Monthly house price inflation in the UK, calculated using data from HM Land Registry, Registers of Scotland, and Land and Property Services Northern Ireland.

[Shopping prices comparison tool](#)

Interactive tool | Released 3 May 2023

Search the tool to see how the average prices of hundreds of shopping items are changing.

[Personal inflation calculator](#)

Interactive tool | Released 19 June 2023

Use our inflation calculator to see how increases in the cost of living have affected you in the past year.

10 . Cite this statistical bulletin

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