

Last week the ONS released [new data on differences in consumer prices across the UK](#).

While we get regular (monthly) updates on changes in consumer prices for the UK as a whole, there has long been an understanding that these UK average prices are likely to differ to at least some extent across parts of the UK (as anyone who has ever bought a pint of beer in London can attest!).

In this short blog, we will take a look at these data and see what they show about price differences across the UK. Differences in the price *level* across the UK (which is what these data show) is different from changes in the price level (which we do not have data on, except for the UK as a whole).

For a variety of reasons, not least arguments about differences in the purchasing power of households and household poverty more generally, differences in the price level can have big implications for our understanding of relative prosperity of households across regions.

What have the ONS done?

As the ONS explain their methodology:

“The basic approach to calculating relative regional consumer price levels is to measure the cost of purchasing a common basket of goods and services in each region and express that cost relative to buying the same basket nationally (where the UK equals 100). That is, how much more (or less), relatively speaking, does it cost to buy the basket in one particular region, compared with a UK-average cost for the same basket.”

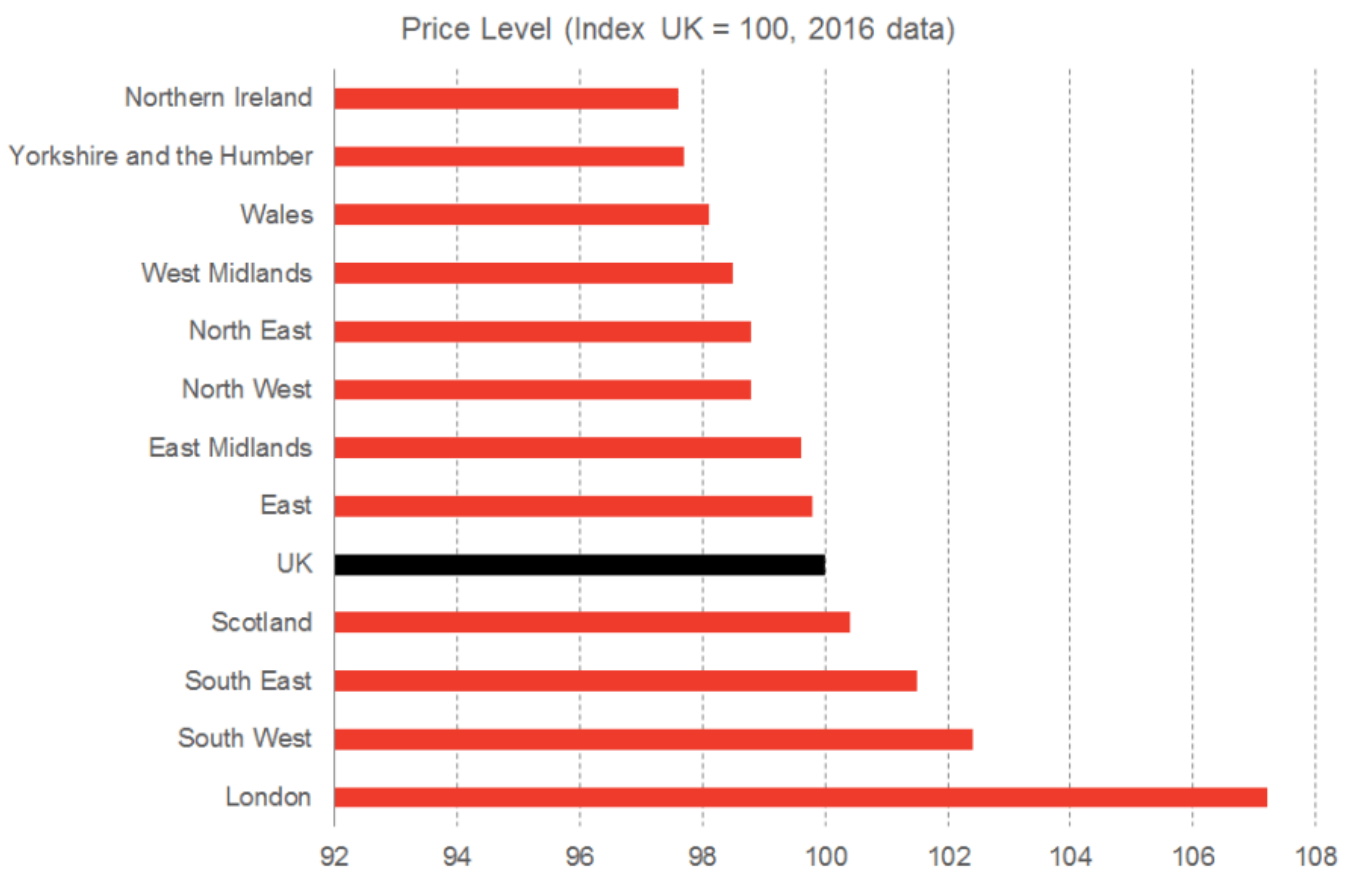
This is not quite the same as what they do when they produce estimates of UK (CPI) inflation. In that case they are comparing the same basket of goods and services throughout the UK over a period of time. In this case, they want to know how the same basket of goods and services varies in price across the UK at the same point in time.

What do ONS find?

ONS’s results suggest that Scotland, the South East and South West of England and London all have higher price levels than the UK as a whole. Very simply, this means that each £1 someone earns in Scotland, on average, purchases fewer goods and services than it would if they spent that same £1 in the North East of England (for example). Northern Ireland is found to have the lowest price level relative to the UK as a whole, meaning each £1 spent in Northern Ireland purchases a greater quantity of goods and services than it could elsewhere

in the UK.

That being said, it is important to stress that the differences between some parts of the UK on this ranking are rather small. While London is a clear outlier with a price level that is 7.2% higher than the UK as a whole, the South East, Scotland, East of England, East Midlands, North West, North East, West Midlands, Wales all have price levels which are within +/- 2% of the UK price level.



However, these data are constructed on the basis that the same basket of goods and services is bought in each part of the UK. Is this the case? Do people in different parts of the UK divide their household expenditure up in similar ways?

Helpfully, in this same data release, the ONS have also reported estimates of how consumption shares of different goods vary across parts of the UK. These are shown in the table below.

Division	London	England (ex. London)	Scotland	Wales	Northern Ireland
Food & non alcoholic beverages	15.1	15.6	15.5	16.2	16.4
Alcohol & tobacco	2.3	3.2	4	3.2	4
Clothing and footwear	6.3	6.1	6	6.4	9.6
Household & housing services	11.6	11	11.6	12.1	9.3
Furniture & household goods	10.1	9.2	8.6	10.2	8.4
Transport	19.4	21.6	22.3	21.1	18.2
Communication	4.2	4.1	3.9	4.3	4.4
Recreation & culture	10	10.4	10.2	9.8	9.9
Restaurants & hotels	17.1	14.8	14.1	13.4	15
Miscellaneous goods & services	3.9	3.9	3.9	3.3	4.8
Total	100	100	100	100	100

Source: Office for National Statistics

We can see that there are some clear differences evident across the UK. Scotland spends (perhaps surprisingly) a larger share of total household expenditure on transport than elsewhere, including London. Northern Ireland spends a much larger share of household expenditure on clothing and footwear, while London spends a greater share of total households' expenditure on Restaurants and hotels.

Where does this leave us?

The ONS data show that the same basket of goods and services costs different amounts in different parts of the UK. Perhaps surprisingly, Scotland has slightly higher prices than the UK as a whole. However, these data are on the basis that the same basket of goods and services are consumed across the UK. Analysis of the weights of different goods in the consumption of households suggests that the contents of that basket varies across the UK.

So while there is some evidence of price differences across the UK, if we are interested in tracking price changes over time in each region, we need to weight these price data according to the shares of different goods and services which are actually bought in different parts of the UK.

The same is true of understanding things like household poverty. If the prices of those goods which are more dominant in the consumers' basket in one region increase more sharply than items which appear less often in that consumers' basket, they'll be seeing their purchasing power eroded faster than consumers in other regions.

The basket of goods and services consumed changes over time as new products and services are developed and emerge onto the market. It is also true that as an economy becomes more prosperous the basket of goods and services consumed may change. This means that we also need to keep track of how the contents of that typical consumption basket change over time.

To help our understanding of a range of economic issues, it would be valuable to have these data continued as an ongoing and regularly updated series. This would help us to track much more closely what is happening to the purchasing power of households and indeed different aspects of poverty across the UK.