



## ***An Experimental Index to Measuring Inflation in the COVID-19 Pandemic***

Omiros Kouvas<sup>1,2</sup>; Riccardo Trezzi<sup>1</sup>; Christian Rollo<sup>1</sup>;

<sup>1</sup> European Central Bank

<sup>2</sup> University of Warwick

### **Abstract:**

Official inflation in the EA is measured using the Harmonised Index of Consumer Prices (HICP), a chain-linked Laspeyres type index. During normal times consumption patterns are relatively stable across years. However, the COVID-19 pandemic has triggered significant shifts across categories the treatment of which in a Laspeyres type index poses some severe problems, both in terms of compilation and the eventual interpretation of results. Using an experimental index based on monthly weights, derived from data on turnover volumes, we show that inflation based on concurrent weights might have been around 0.2 pp higher. This study demonstrates how to use turnover expenditure data to get early estimates of consumption changes that can in turn be used to calculate Fisher and Paasche indices. However, it must be noted that the potential availability and the detail level of input information affects the results of upper level aggregation and can bias the estimates.

### **Keywords:**

Inflation Measurement; Covid-19; Consumption Patterns; Experimental CPI