

PETER TÓTH

University of Economics in Bratislava, Slovakia

INFLATION DIFFERENTIALS BASED ON HETEROGENOUS CONSUMPTION BASKETS OF SLOVAK HOUSEHOLDS

Abstract:

This paper examines the empirical distribution of individual inflation rates derived from household-specific consumption baskets and investigates the relationship between these rates and the socio-economic characteristics of Slovak households. Utilizing household budget survey data and a detailed breakdown of HICP inflation indices from the peak of the recent inflationary shock in January 2022, we calculated household-specific consumption basket weights and individual inflation rates. Due to diverse consumption patterns within the sample, our findings indicate that multi-person households with children and retired households experience the highest levels of inflation. In contrast, wealthier households are significantly less exposed to inflation, owing to a smaller portion of their budget allocated to food and energy. The empirical distribution revealed a range of individual inflation rates, with variations of up to 7.8 percentage points below and 7 percentage points above the official HICP inflation rate. These findings are relevant for designing targeted social policies aimed at reducing poverty and income inequality.

Keywords:

inflation, household expenditures, consumption baskets, Slovakia

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