

Personal Inflation Rates in the Euro Area

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Motivation

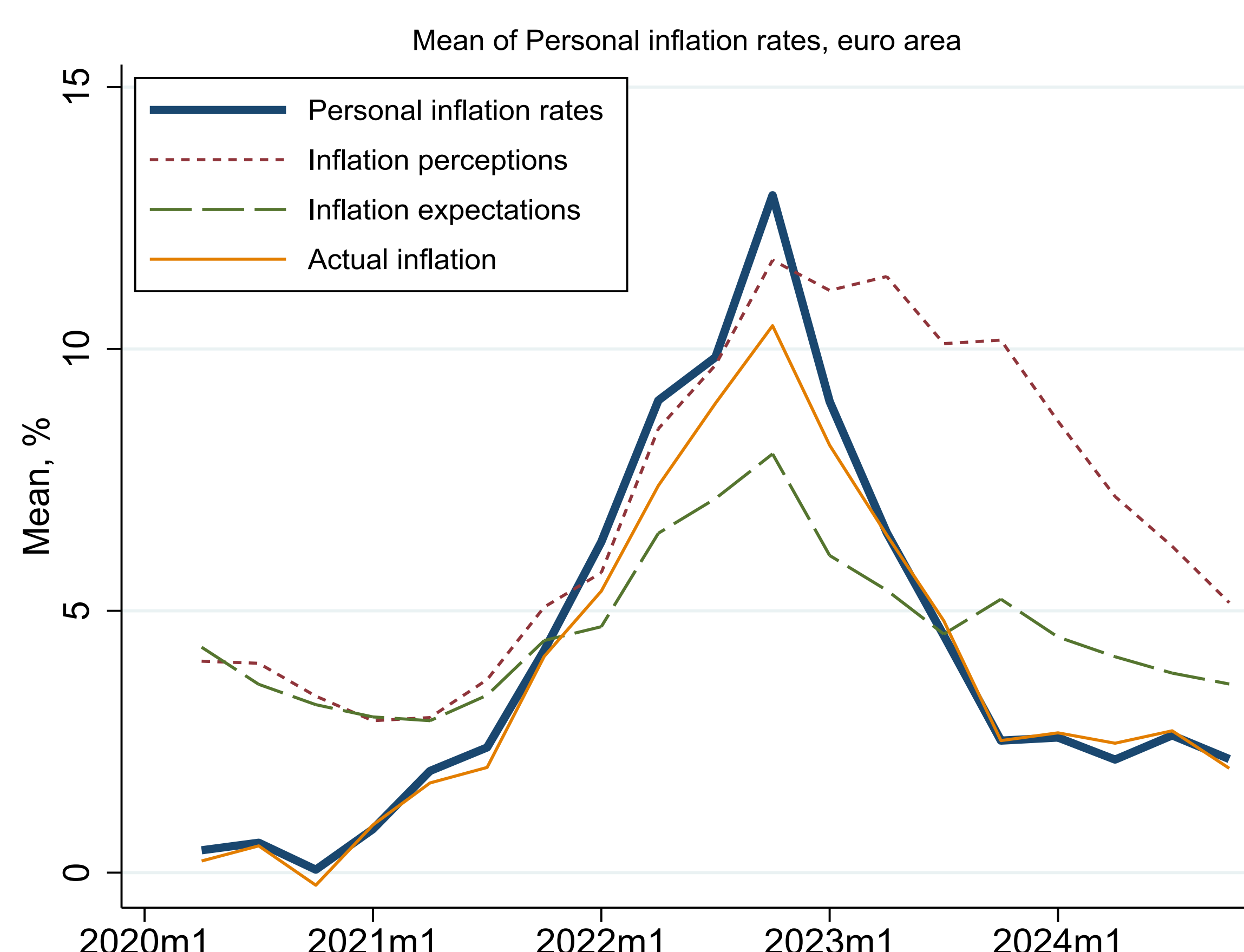
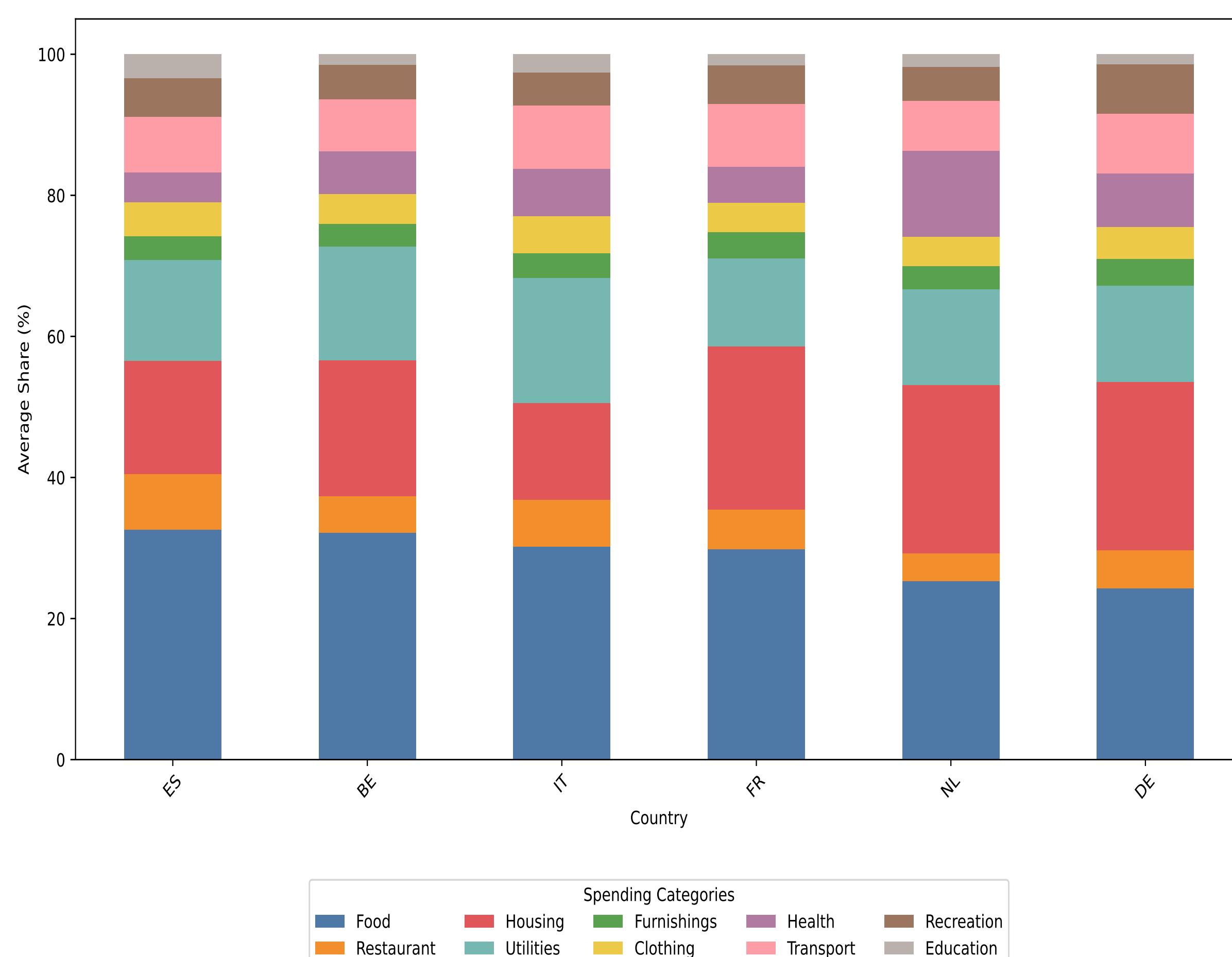
1. Inflation affects households differently.
2. To know how changes in monetary policy and inflation affect households' economic choices and welfare, we need to know inflation at the household level.

Research questions

1. How heterogeneous are personal inflation rates across euro area households, countries and time?
2. Do these heterogeneities matter economically?

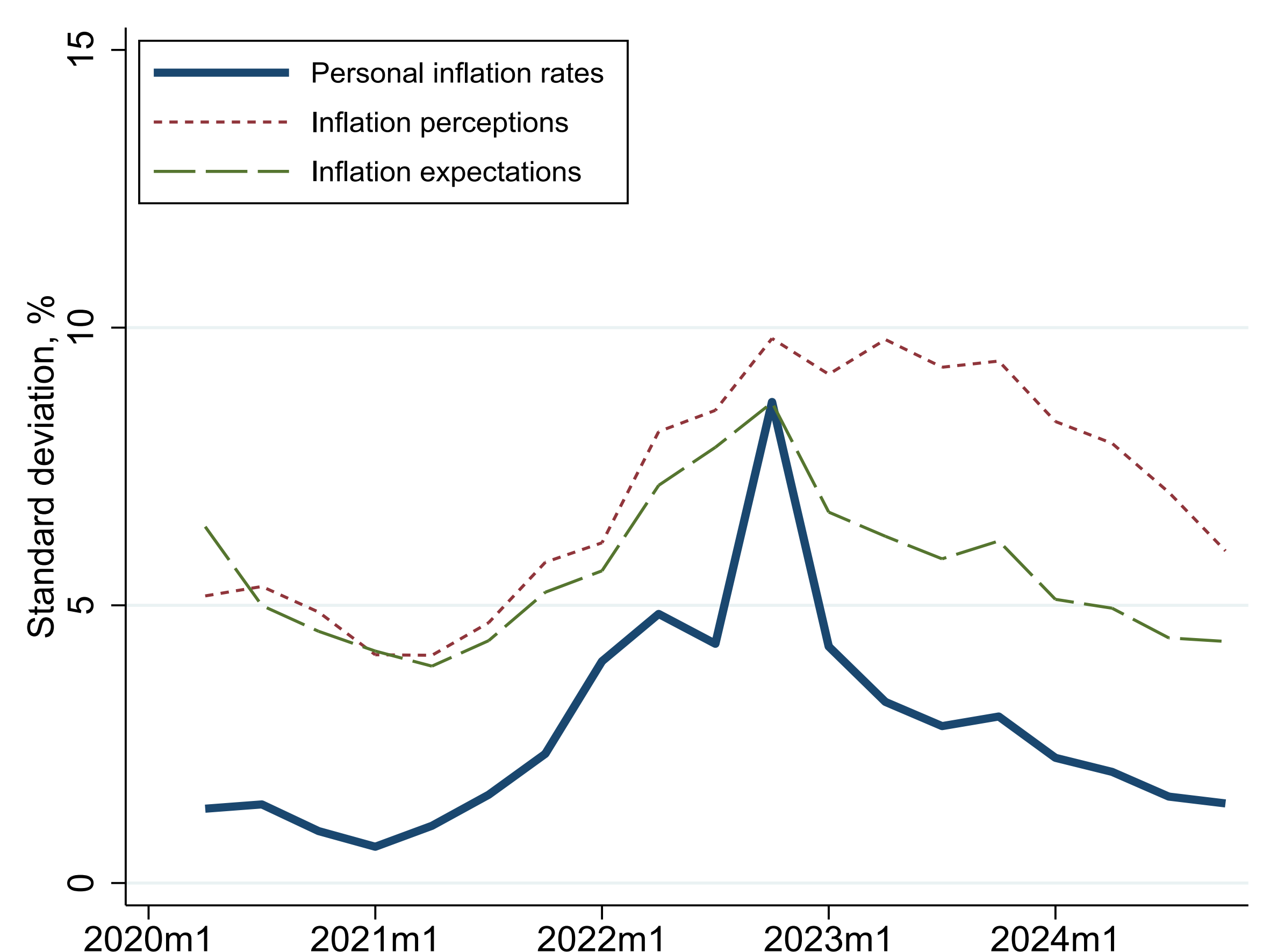
Approach

- We construct personal inflation rates, i.e. realized inflation rates at the household level, exploiting detailed, non-public data from the **ECB Consumer Expectations Survey (CES)** on **self-reported spending shares** across major consumption categories — covering approximately **85%** of the HICP basket.
- Time sample: 2020Q2–2024Q4.
- Average spending shares across countries:

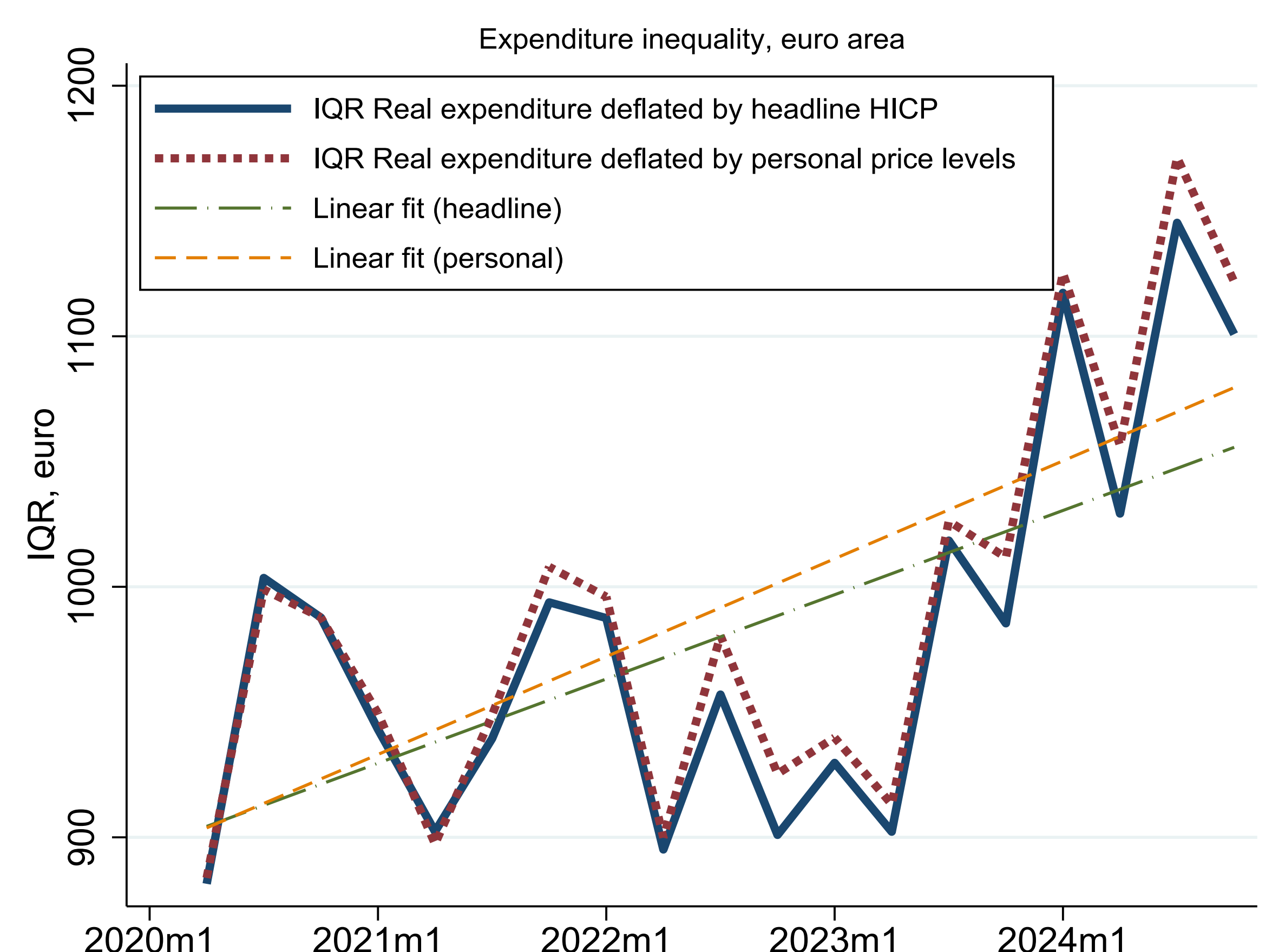


Findings

- **Result 1:** In the 2022 inflation surge, *spending-share differences alone raised inflation heterogeneity: low-income $\pi >$ high-income π by 1pp.*
- **Result 2:** 1pp increase in personal inflation raises one-year-ahead inflation expectations by up to 0.2 pp.
- **Result 3:** Greater dispersion in personal inflation is closely associated with stronger disagreement in both perceived and expected inflation.



- **Result 4:** Consumption inequality is more pronounced when expenditures are deflated using personal inflation rates instead of headline inflation.



Implications

- **Inflation inequality rises with greater dispersion in sectoral inflation rates** (e.g., food, energy).
- **Design policy** for inflation inequality: because households over-weight necessities (esp. food), welfare can improve when the policy target/communication gives explicit weight to food (Dietrich, JME, 2024; Hahn and Marenčák, mimeo, 2025).