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Inflation in Food at Home:

Early Results from the RESET Demonstration Project

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Food at home as played an important role in recent behavior of inflation. This paper will use a new infrastructure—the RESET Demonstration Project—to present evidence about food at home inflation since 2020. The RESET Demonstration Project [DP] aims to build indices if price and sales from item-level transactions data using data from Circana, a leading aggregator of retail transactions data.

These reengineered key economic indicators will have a number of advantages over conventional measures produced by statistical agencies. By taking full advantage of that item-level transactions data (aka "scanner data") allows simultaneous and immediate measurement of price and quantity, superlative price indices can be constructed to account for consumer substitution behavior at all levels of aggregation. In contrast, current official statistics such as the chained CPI and PCE price indices only are superlative price indices at high levels or aggregations. Moreover, these official indices are constructed from price and quantity data collected from completely different samples and available at different frequencies.[1] This paper will make contributions both to economic measurement and to understanding recent inflation.

Measurement contributions. The paper will present preliminary estimates from the RESET DP for food-at-home inflation. The paper will consider both (1) Laspeyres price indices designed to approximate the official CPI and (2) superlative price indices that to a second-order approximation fully account for consumer substitution at all levels of aggregation.

Approach (1) will allow us to compare price indices constructed from Circana's infrastructure with the official price indices. Doing so will allow us to evaluate whether BLS's

[1] The RESET DP also will use item-level transactions data to account for quality change at the item-level, and therefore account for the effects of entry and exit of products. This paper will focus on "match-model" price indices, and therefore not account for quality change and product turnover.

enumeration of prices align with the transactions data for food at home. Comparing BLS data and transactions data is an important step in promoting acceptance of the use of item-level data for official statistics. Importantly, this paper will evaluate the significant mode transition—from in-store enumeration to internet and phone data collection—that BLS was forced to implement in spring 2020 owing to the COVID-19 pandemic.

Approach (2) will allow this paper to evaluate the promise of the RESET DP to deliver improved measures of inflation.

Recent inflation behavior. The period since 2020 has had multiple important episodes of inflation where food at home has played an important role. These include

- the initial effects of COVID-19—including the shutdown of face-to-face economic activity and the consequent increase in the importance of food at home,
- the supply chain disruptions associated with COVID-19 and its economic aftermath,
- the disruption of world food supply owing to the Russian invasion of Ukraine, and
- the post-pandemic inflation and disinflation.

This paper will provide novel evidence bearing on these episodes.