**DYNAMICS IN PRICE AND INCOME ELASTICITIES OVER 20 YEARS IN ITALY**

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**Abstract**

Assessing levels and composition of household consumption expenditure as well as understanding how consumer demand for different and differentiated products has changed over time have received a lot of interest in applied statistical research due to the importance that consumers’ sensitivity to price and income elasticity play in market analysis and decision-making processes.

In this framework, the main aim of this paper is to explore the evolution over time of price and expenditure elasticity in Italy by disentangling the analysis for commodity groups and household characteristics. The construction of an original database which combines microdata from the Italian Household Budget Survey for the last 20 years and the ISTAT series of consumer price indexes enables us to analyze, through the estimation of Almost Ideal Demand Systems, if and to what extent responsiveness to price differs according to household characteristics (e.g. elderly versus young people, quantiles of total expenditure) as well to assess how the individuals’ preferences has changed over time according to differences in prices and level of income, with specific emphasis on the recent economic crisis.