

Guernsey Quarterly Inflation Forecast Bulletin

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POLICY COUNCIL
THE STATES OF GUERNSEY

1.1 Introduction

The Inflation Forecast Bulletin provides 12 month forecasts for the primary inflation measures used in Guernsey: RPIX and RPI. Forecasts are based on historical trends, expectations of inflation in the UK, and forecast movements in the price of key commodities. Forecasts are revised and published on a quarterly basis in the month following the Policy Council's publication of the Guernsey Inflation Bulletin.

NB - Forecasts are presented with statistical confidence (or error) bands (the shaded area). These represent the range of possible outcomes with (in this case) a 30%, 60% and 90% statistical certainty.

1.2 Forecasts

- A slight fall in oil prices contributed to a fall in RPIX in March 2016.
- As previously forecast, the annual change in the RPIX is expected to remain at a similar level through the second quarter of 2016, increasing in the third quarter as the effects of the fall in global oil prices, which were seen in the third quarter of 2015, drop out of the calculation of annual changes.
- **Key factors include:**
 - A continuing steady increase in oil prices in line with the forecasts of the International Monetary Fund.
 - A downward pressure on food prices as a result of low forecasts for staple food commodities.
 - An ongoing downward pressure from the local housing market in the second quarter as a result of weak sales and real price contraction, easing later in the year. As well as impacting the mortgage interest item (RPI only) this downward pressure may exert a downward influence on private rental prices.
 - No expectation of an increase in the Bank of England base rate in the next 12 months.

Figure 1.1: Forecast Guernsey RPIX

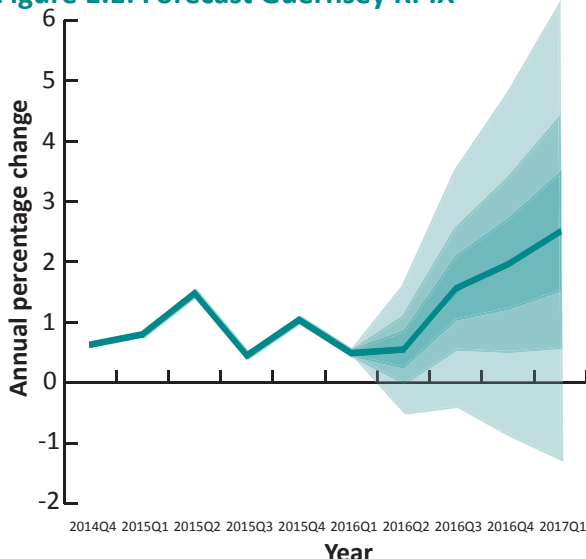
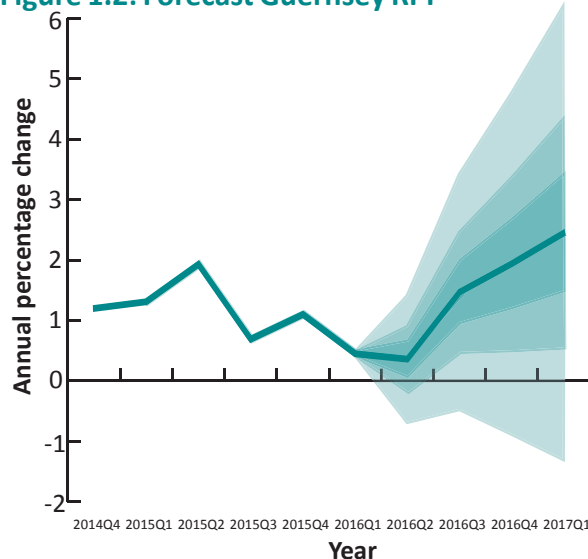


Figure 1.2: Forecast Guernsey RPI



2.1 Contact details and further information

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