

Guernsey Quarterly Inflation Forecast

Quarter 1 2017

Issue date 25th January 2017

The Inflation Forecast Bulletin provides 12 month forecasts for the primary inflation measures used in Guernsey: RPIX and RPI.



Policy & Resources
Committee

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

- Headline changes in both RPIX and RPI increased in the fourth quarter of 2016 in line with forecasts.
- Depreciation of sterling continues to feed into higher prices with fuel and energy prices particularly impacted during the last quarter of 2016.
- Similar to official inflation forecasts in the UK, local inflation figures are expected to continue to rise in 2017.
- **Key factors include:**
 - A continuing upward pressure on import prices as a result of the depreciation of sterling.
 - Stronger short term growth expectations but continuing uncertainty in the medium term, which is likely to increase inflation in the short term.
 - A weak but stabilising local residential property market, exerting less upward pressure on inflation than it has in the past.
 - The statement by the Bank of England in November that they may choose to accommodate a period of above target inflation to avoid exacerbating the medium term projected rise in UK unemployment. Significant increases in the interest rate in the next twelve months are therefore unlikely.

Figure 1.1: Forecast Guernsey RPIX

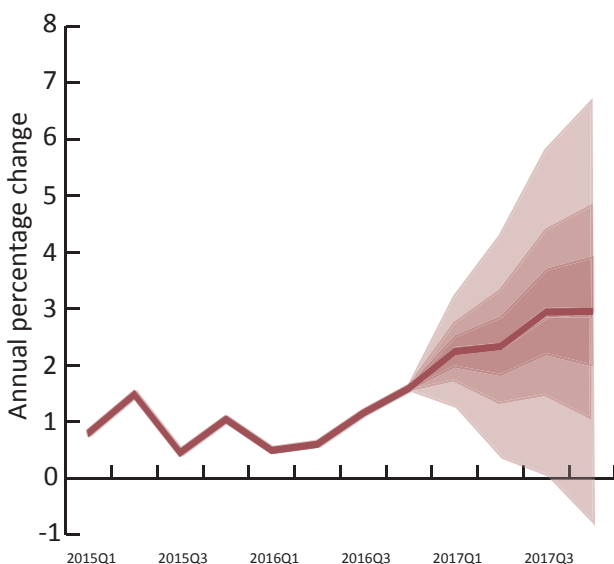
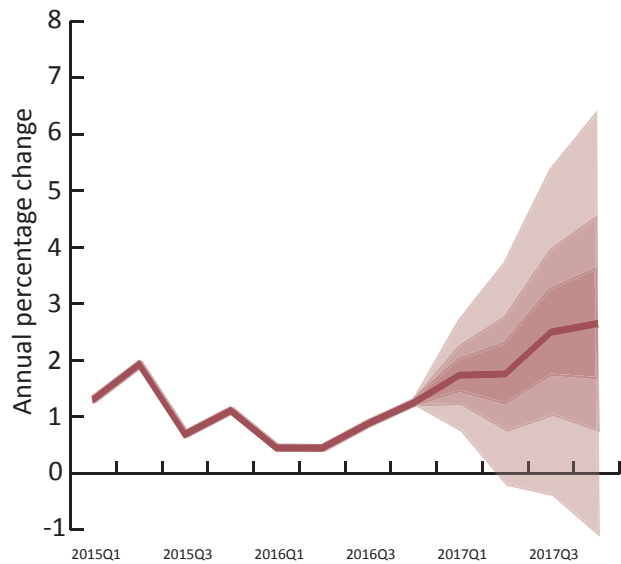


Figure 1.2: Forecast Guernsey RPI



1.3 Contact Details

For more information on this and other publications issued by the States of Guernsey Strategy and Policy Unit, please contact:

Email: liz.laine@gov.gg

Telephone: (01481) 717168.

Routine statistical publications, including quarterly publication of inflation statistics, are issued by the States of Guernsey Data and Analysis Services. These publications are available online at www.gov.gg/data.