

Guernsey Quarterly Inflation Forecast

Quarter 3 2017

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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

- Both RPIX and RPI fell slightly between March and June 2017. The fall, which placed inflation slightly below central expectations for the quarter, was largely attributable to the fall in motor fuel and heating oil prices.
- Depreciation of sterling continues to feed into higher prices and the effect is likely to continue for some months more . However, levels of inflation in Guernsey continue to run at a lower level than equivalent measures in the UK, with UK RPI running an average of 1.1 percentage points higher than Guernsey RPI over the last 18 months.
- The central forecast projects a moderate increase in RPIX over the next six months with the possibility that inflation rates will soften in early 2018.
- **Key factors include:**
 - An ongoing but modest improvement in the conditions within the residential property market.
 - A softening of real growth expectations towards the end of 2017.
 - An expectation that the Bank of England will maintain interest rates at 0.25% for the remainder of 2017.

Figure 1.1: Forecast Guernsey RPIX

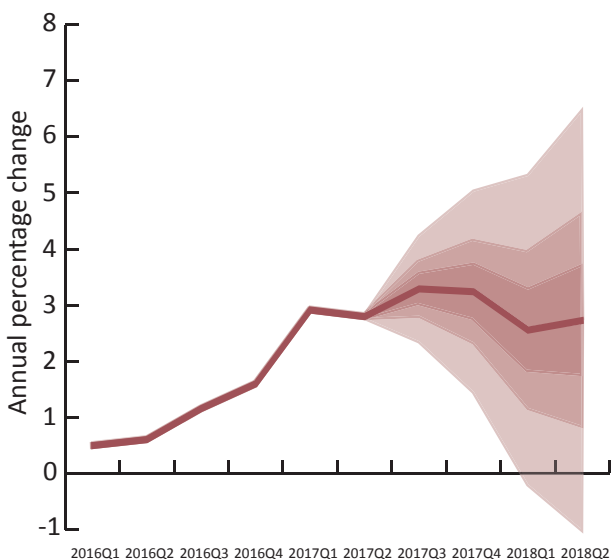
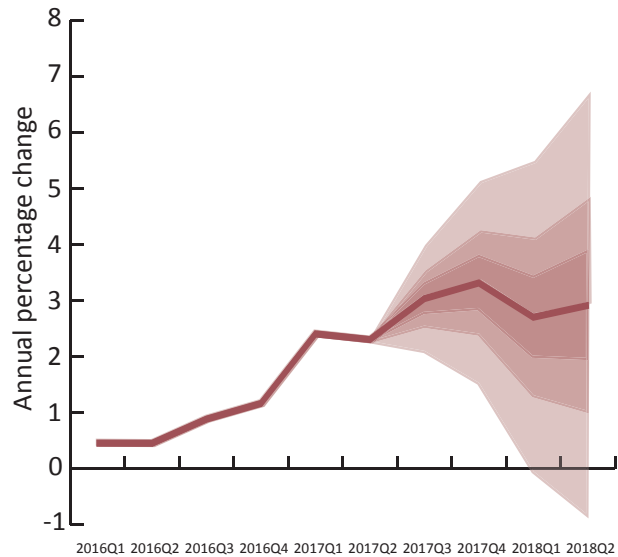


Figure 1.2: Forecast Guernsey RPI



1.3 Contact Details

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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.