

Guernsey Quarterly Inflation Forecast

Quarter 4 2017

Issue date 27th October 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

- Annual changes in both RPIX and RPI fell between June and September 2017 placing inflation at the bottom end of the forecast range for the third quarter. This has changed the expected profile of inflation in Guernsey over the next twelve months.
- The fall in inflation rates in Guernsey represents a deviation from the trends observed in the UK and Jersey. Equivalent measures in both the UK and Jersey increased in line with expectations.
- The effect of the decrease in the underlying indices between June and September will linger in annual inflation rates through the early part of 2018. As a result the central forecast projects a moderate decrease in RPIX over the next six months.
- **Key factors include:**
 - Market expectation that the Bank of England may increase interest rates from 0.25% to 0.5% in November.
 - A delayed impact on local prices from increases in food prices reported into the UK during the third quarter of 2017.

Figure 1.1: Forecast Guernsey RPIX

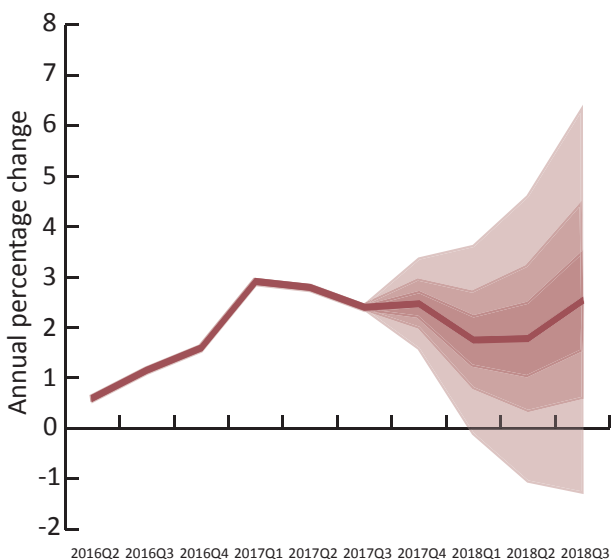
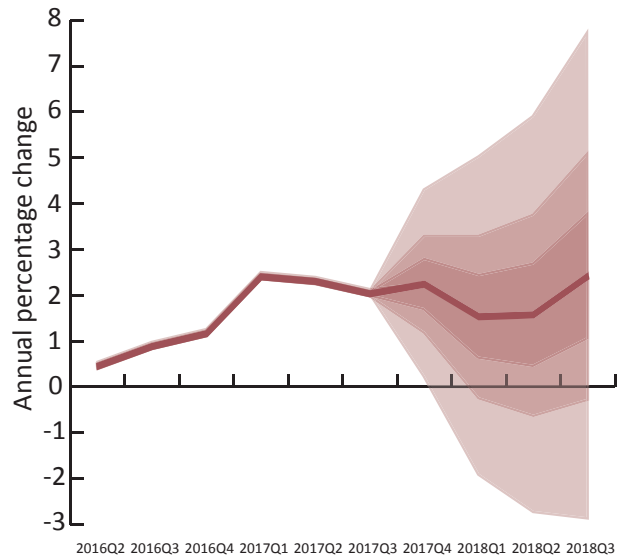


Figure 1.2: Forecast Guernsey RPI



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.