

Guernsey Quarterly Inflation Bulletin

Quarter 4 2017

Issue date 19th January 2018

The Guernsey Inflation Bulletin presents the Guernsey RPI and RPIX measures of inflation, based on price changes of items within a “shopping basket” of goods.



States of Guernsey
Data and Analysis

1.1 Introduction

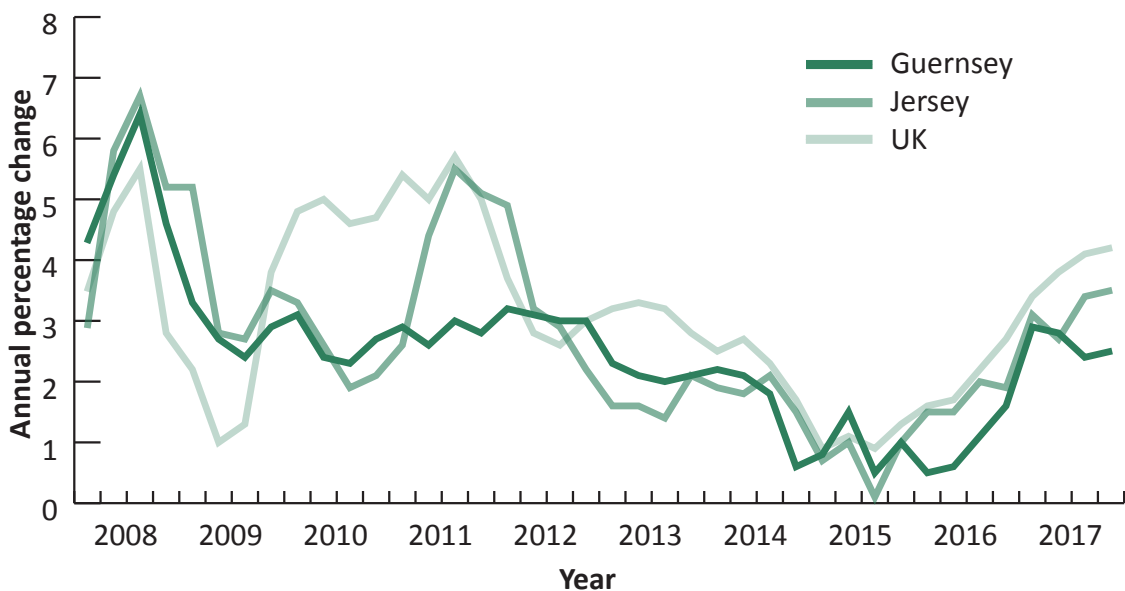
The Guernsey RPIX and RPI are measures of inflation. They measure the change in the prices of goods and services bought for the purpose of consumption or use by households in Guernsey. The indices are published quarterly by Data and Analysis. The calculations of the RPIX and RPI are based on the price change of items within a 'shopping basket'. Whilst some prices rise over time, others will fall or fluctuate and the indices represent the average change in these prices.

This is the twelfth Bulletin to present Guernsey inflation figures calculated using the updated shopping basket and weights, which resulted from the 2012-13 Household Expenditure Survey. The survey is due to be repeated in 2018 and preparation for this is underway.

1.2 Headlines

- Guernsey's annual inflation as measured by the RPIX ('core' inflation excluding mortgage interest payments) was 2.5% in December 2017. This is 0.1 percentage points higher than in September 2017 and 0.9 percentage points higher than in December 2016.
- The equivalent RPIX figure for December 2017 for the UK was 4.2%. The figure for Jersey was 3.5% for the same period.
- The Housing, Leisure services and Personal goods & services groups each contributed 0.4 percentage points to the annual change in the RPIX for the year ending in December 2017, whilst Food, Household Services and Motoring expenditure each contributed 0.3 points.
- The 'all items' RPI annual inflation was 2.4% in December 2017, 0.4 percentage points higher than the previous quarter and 1.2 percentage points higher than in December 2016.
- The equivalent RPI figure for December 2017 for the UK was 4.1%. The figure for Jersey was 3.6% for the same period.

Figure 1.2.1 Annual percentage change in RPIX



2.1 RPIX and RPI overview

Table 2.1.1 RPIX overview

| | | Annual % change | Quarterly % change | Index (1998 base) |
|------|-----|-----------------|--------------------|-------------------|
| 2014 | Dec | 0.6 | -0.9 | 160.6 |
| 2015 | Mar | 0.8 | 1.3 | 162.7 |
| | Jun | 1.5 | 0.8 | 163.9 |
| | Sep | 0.5 | -0.7 | 162.8 |
| | Dec | 1.0 | -0.3 | 162.3 |
| 2016 | Mar | 0.5 | 0.8 | 163.5 |
| | Jun | 0.6 | 0.8 | 164.9 |
| | Sep | 1.1 | -0.1 | 164.7 |
| | Dec | 1.6 | 0.1 | 164.8 |
| 2017 | Mar | 2.9 | 2.1 | 168.2 |
| | Jun | 2.8 | 0.7 | 169.5 |
| | Sep | 2.4 | -0.5 | 168.6 |
| | Dec | 2.5 | 0.1 | 168.9 |

Figure 2.1.1 RPI overview

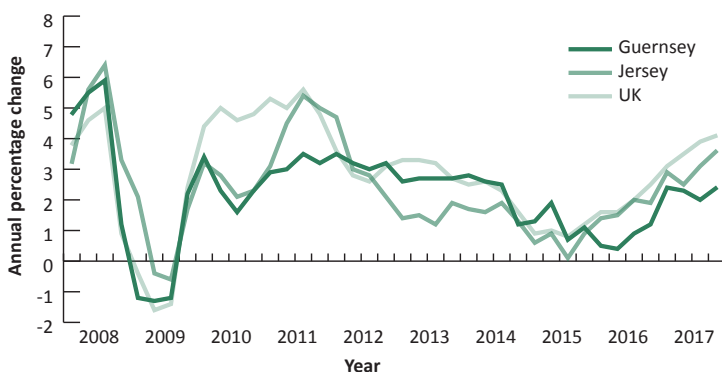


Table 2.1.2 RPI overview

| | | Annual % change | Quarterly % change | Index (1999 base) |
|------|-----|-----------------|--------------------|-------------------|
| 2014 | Dec | 1.2 | -0.8 | 159.6 |
| 2015 | Mar | 1.3 | 1.3 | 161.7 |
| | Jun | 1.9 | 0.8 | 163.0 |
| | Sep | 0.7 | -0.6 | 162.0 |
| | Dec | 1.1 | -0.4 | 161.4 |
| 2016 | Mar | 0.5 | 0.7 | 162.5 |
| | Jun | 0.4 | 0.8 | 163.7 |
| | Sep | 0.9 | -0.2 | 163.4 |
| | Dec | 1.2 | -0.1 | 163.3 |
| 2017 | Mar | 2.4 | 1.9 | 166.3 |
| | Jun | 2.3 | 0.7 | 167.5 |
| | Sep | 2.0 | -0.5 | 166.7 |
| | Dec | 2.4 | 0.2 | 167.1 |

The annual change in the RPIX was 2.5% at the end of December 2017, 0.1 percentage points higher than the previous quarter and 0.9 percentage points higher than December 2016 (see [Table 2.1.1](#) and [Figure 1.2.1](#)).

The quarterly change in the RPIX was 0.1% during the three month period ending December 2017, 0.6 percentage points higher than during the previous quarter and the same as during the same period in 2016. Quarterly changes in the RPIX are subject to seasonal variations in price levels.

The annual change in the UK RPIX was 4.2% at the end of December 2017 and for Jersey, 3.5%

The annual change in the RPI was 2.4% in December 2017, which was 0.4 percentage points higher than the previous quarter and 1.2 percentage points higher than in December 2016 (see [Figure 2.1.1](#) and [Table 2.1.2](#)).

The annual change in the UK RPI was 4.1% at the end of December 2017 and for Jersey, 3.6%.

The quarterly change in the RPI for the quarter ending in December 2017 was 0.2%, which is 0.7 percentage points higher than during the previous quarter and 0.3 percentage points higher than the quarter ending December 2016. Similar to the RPIX, quarterly changes in the RPI are subject to seasonal variation. However, the RPI can be dominated by trends in mortgage interest payments.

3.1 Group analysis - annual

Figure 3.1.1 shows the annual percentage change in each of the fourteen RPI and RPIX groups. **Figure 3.1.2** shows the number of percentage points contributed to the annual change in the indices by each group. Only the Housing group shows a different percentage change between the RPIX and RPI, as a result of the exclusion of the mortgage interest item in the calculation of the RPIX. However, due to differences in the weightings the contribution made by each group to the RPI and RPIX can differ.

In the year ending December 2017, twelve of the groups increased and two decreased. The Tobacco group saw the largest annual increase at 5.1%, contributing 0.1% to the overall RPIX change. The Clothing and footwear group showed the largest decrease at -4.2%, contributing -0.1 percentage points to the overall RPIX change.

Figure 3.1.1 Annual percentage change

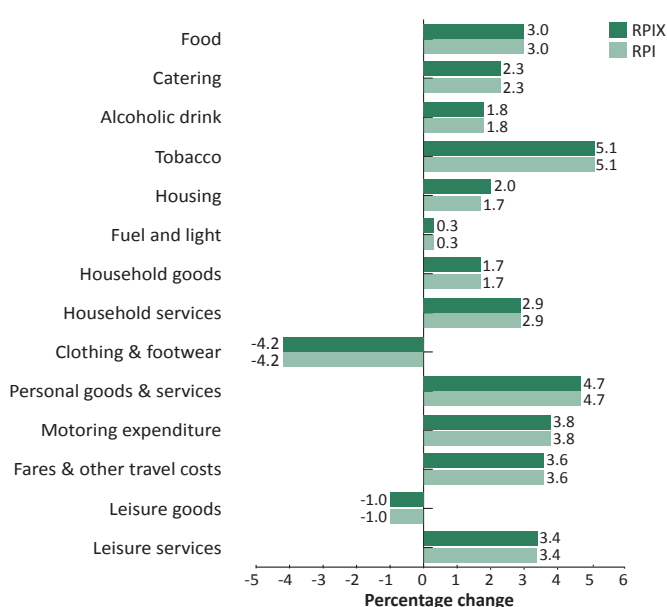
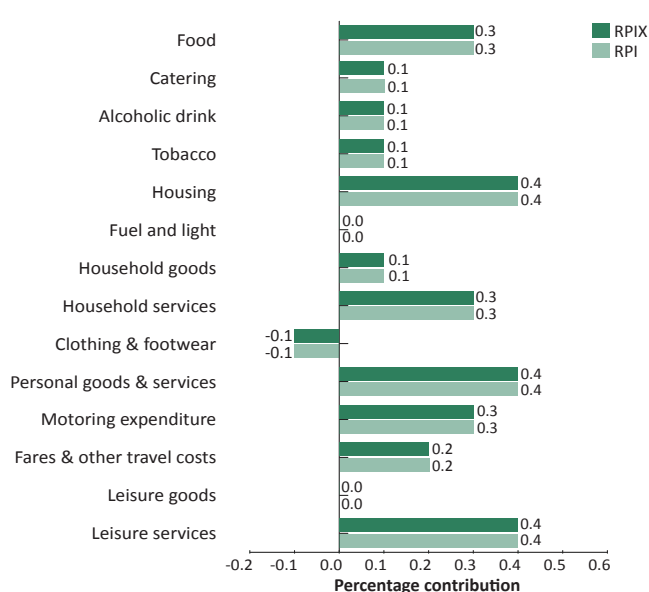


Figure 3.1.2 Annual contribution



NB: Due to the effects of rounding, any values of less than 0.05 will appear as 0.0

Table 3.1.1 Group weighting

| | Items included | RPIX | RPI |
|---------------------------------------|---|------|-----|
| Food | Food and non-alcoholic drink bought for home consumption. | 12% | 11% |
| Catering | Food purchased in restaurants, at work, from takeaways, etc. | 4% | 4% |
| Alcoholic drink | Wine, beer, spirits and other alcoholic drinks. | 4% | 4% |
| Tobacco | Cigarettes, cigars and other tobacco products. | 1% | 1% |
| Housing | Interest paid on mortgages (for RPI only), rents, parish rates and routine household maintenance and servicing costs. | 18% | 22% |
| Fuel & light | Goods and services for the provision of light, heat and power in the home e.g. gas, oil and electricity. | 5% | 5% |
| Household goods | Non-food items for the household including house and garden furniture, carpets, curtains and bedding. | 7% | 6% |
| Household services | Services enlisted for the household such as contents insurance, domestic appliances, postal and telecoms. | 11% | 10% |
| Clothing & footwear | Adults' and children's clothing and footwear. | 3% | 3% |
| Personal goods & services | Goods and services for personal use such as jewellery, cosmetics and toiletries plus medical expenses. | 8% | 7% |
| Motoring expenditure | Vehicle purchase, running and maintenance costs, including motor fuel. | 8% | 8% |
| Fares & other travel costs | Air and sea passenger fares and other travel related costs. | 5% | 5% |
| Leisure goods | Goods for sports, hobbies and entertainment including electronic goods, sporting and gardening equipment. | 4% | 4% |
| Leisure services | Services purchased for leisure activities including foreign holidays, cinema tickets and sporting activities. | 11% | 10% |

3.2 Group analysis - quarterly

Figure 3.2.1 Quarterly percentage change

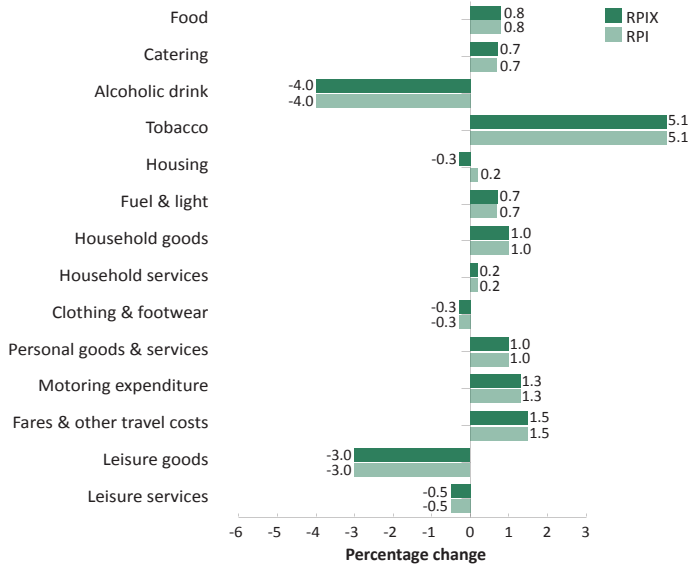
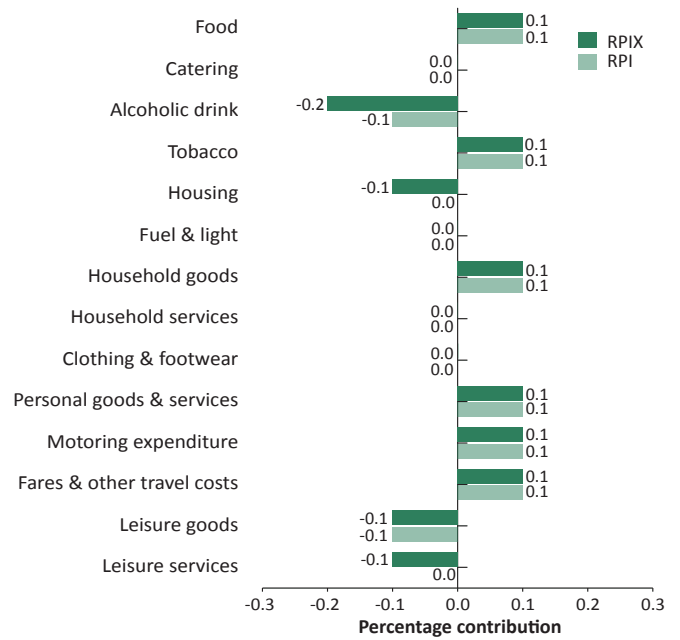


Figure 3.2.2 Quarterly contribution



NB: Due to the effects of rounding, any values of less than 0.05 will appear as 0.0

Nine of the fourteen RPIX and ten of the RPI groups saw an average price increase in the three months ending in December 2017 (**Figure 3.2.1**).

The largest percentage increase (5.1%) came from the Tobacco group, making a contribution of 0.1 percentage points to the quarterly changes in both the RPIX and the RPI (**Figure 3.2.2**). This was followed by the Fares and other travel costs group which, with an increase of 1.5%, contributed 0.1 percentage points to the overall quarterly change.

The largest decrease was in the Alcoholic drink group (-4.0%, contributing -0.2 percentage points to the overall quarterly RPIX change and -0.1 to the RPI change).

Further details of the changes by group over the quarter can be found on [page 6](#).

3.2 Group analysis - quarterly

Within each group, specific items can be identified as having an upward or downward effect on the Index. Details are given below. The figures in brackets are the quarterly changes for each group.

Food (0.8%)

Seasonal increases in some fruits and small increases in peanuts, cheese and frozen prawns were partially offset by reductions in the prices of crisps and cooked meats.

Catering (0.7%)

The small increase is mainly attributable to higher prices for in-store cafeteria meals and burgers.

Alcoholic drink (-4.0%)

There were many seasonal offers in champagne, sparkling wine and red and white wines.

Tobacco (5.1%)

The increase in duty led to increases in the prices of all tobacco products.

Housing (-0.3% RPIX, 0.2% RPI)

Higher mortgage interest was the primary contributor to the increase in RPI. The decrease in RPIX was mainly due to reductions in some insurance premiums, private unfurnished rents and some DIY products.

Fuel and light (0.7%)

There were no changes in the prices of electricity, gas or butane this quarter, but there were small increases in the prices of coal, smokeless fuel and kerosene.

Household goods (1.0%)

Increases in the prices of bedroom furniture, pet vaccinations, greeting cards and wrapping paper were partially offset by price reductions in kitchen equipment and laminate floor coverings.

Household services (0.2%)

Increases in playgroup and cleaning fees were partly countered by reductions in pet insurance premiums and catering costs.

Clothing and footwear (-0.3%)

Annual sales led to reductions in the prices of many items including ties, dresses, shoes and jeans.

Personal goods and services (1.0%)

This change has been influenced by increases in the prices of toiletries, dental treatments and hairdressing services.

Motoring expenditure (1.3%)

The primary contributor to this increase was higher fuel prices, with small increases in motor insurance and labour charges for vehicle repairs.

Fares and other travel goods (1.5%)

Whilst sea fares went down slightly, air fares increased, along with minicab fares and hire car charges.

Leisure goods (-3.0%)

Price increases in lawnmowers and sports equipment were offset by reductions in the prices of barbecues, toys, audio systems and special offers for flat screen TVs.

Leisure services (-0.5%)

The reduction in this category was mainly influenced by seasonal reductions in hotel and other accommodation costs, as well as digital TV subscriptions.

4.1 Cumulative changes, reflation factors and indices

Table 4.1.1 RPIX cumulative changes and reflation factors to 31st December 2017

| | Cumulative % change | Reflation factor |
|-----------|---------------------|------------------|
| 3 months | 0.1 | 1.00 |
| 6 months | -0.4 | 1.00 |
| 9 months | 0.4 | 1.00 |
| 12 months | 2.5 | 1.02 |
| 15 months | 2.5 | 1.03 |
| 18 months | 2.4 | 1.02 |
| 2 years | 4.1 | 1.04 |
| 3 years | 5.1 | 1.05 |
| 4 years | 5.8 | 1.06 |
| 5 years | 8.0 | 1.08 |
| 10 years | 26.5 | 1.27 |

Table 4.1.2 RPI cumulative changes and reflation factors to 31st December 2017

| | Cumulative % change | Reflation factor |
|-----------|---------------------|------------------|
| 3 months | 0.2 | 1.00 |
| 6 months | -0.2 | 1.00 |
| 9 months | 0.5 | 1.00 |
| 12 months | 2.4 | 1.02 |
| 15 months | 2.3 | 1.02 |
| 18 months | 2.1 | 1.02 |
| 2 years | 3.6 | 1.04 |
| 3 years | 4.7 | 1.05 |
| 4 years | 5.9 | 1.06 |
| 5 years | 8.8 | 1.09 |
| 10 years | 22.6 | 1.23 |

Table 4.1.3 RPIX and RPI index figures at 31st December 2017

| Year of base | RPIX index | RPI index |
|--------------|------------|-----------|
| 1949 | - | 3,648.4 |
| 1965 | - | 2,131.1 |
| 1974 | - | 1,175.4 |
| 1978 | - | 568.8 |
| 1983 | - | 358.3 |
| 1988 | - | 268.1 |
| 1994 | - | 198.4 |
| 1998 | 168.9 | - |
| 1999 | - | 167.1 |
| 2008 | 121.2 | 118.1 |
| 2014 | 104.2 | 103.9 |

Indices are used to calculate the change in prices over time. The headline annual inflation in RPIX or RPI is the percentage change in the index over a year. However, it is possible to calculate percentage changes over longer periods of time.

There is an **inflation calculator** on our website (www.gov.gg/rpi) which you can use to calculate the percentage change in the RPI between any two quarters from 1949 onwards. The inflation calculator can also calculate the reflation value of a monetary sum (e.g. a rental payment) over the specified period.

The effect of inflation is to erode the purchasing power of currency. The reflation factors in **Tables 4.1.1** and **4.1.2** can be used to inflate old values to approximate current prices.

To convert a price, multiply it by the appropriate reflation factor. For example, using RPIX reflation factors, £100 in December 2007 is equivalent to $£100 \times 1.27 = £127$ in December 2017.

Reflation factors can also be used in the opposite way. To calculate what £100 in 2017 would have been worth in 2007, divide by the relevant reflation factor.

When making long-term comparisons, it should be taken into account that the 'shopping basket' may have changed over time, since households may not be spending money on the same products as they did in the past.

Following each Household Expenditure Survey the index is rebased (i.e. set to 100). **Table 4.1.3** shows the index value for the current quarter for each year of base, including the new index, revised to 100 in December 2014. Full time series of index figures for each base are available on our website (www.gov.gg/rpi).

5.12 UK and Jersey inflation rates

Table 5.1.1 Annual change in RPIX in Guernsey, the UK and Jersey

| | | Guernsey | UK | Jersey |
|------|-----|----------|-----|--------|
| 2012 | Dec | 3.0 | 3.0 | 2.2 |
| 2013 | Mar | 2.3 | 3.2 | 1.6 |
| | Jun | 2.1 | 3.3 | 1.6 |
| | Sep | 2.0 | 3.2 | 1.4 |
| | Dec | 2.1 | 2.8 | 2.1 |
| 2014 | Mar | 2.2 | 2.5 | 1.9 |
| | Jun | 2.1 | 2.7 | 1.8 |
| | Sep | 1.8 | 2.3 | 2.1 |
| | Dec | 0.6 | 1.7 | 1.5 |
| 2015 | Mar | 0.8 | 0.9 | 0.7 |
| | Jun | 1.5 | 1.1 | 1.0 |
| | Sep | 0.5 | 0.9 | 0.1 |
| | Dec | 1.0 | 1.3 | 1.0 |
| 2016 | Mar | 0.5 | 1.6 | 1.5 |
| | Jun | 0.6 | 1.7 | 1.5 |
| | Sep | 1.1 | 2.2 | 2.0 |
| | Dec | 1.6 | 2.7 | 1.9 |
| 2017 | Mar | 2.9 | 3.4 | 3.1 |
| | Jun | 2.8 | 3.8 | 2.7 |
| | Sep | 2.4 | 4.1 | 3.4 |
| | Dec | 2.5 | 4.2 | 3.5 |

Table 5.1.2 Annual change in RPI in Guernsey, the UK and Jersey

| | | Guernsey | UK | Jersey |
|------|-----|----------|-----|--------|
| 2012 | Dec | 3.2 | 3.1 | 2.1 |
| 2013 | Mar | 2.6 | 3.3 | 1.4 |
| | Jun | 2.7 | 3.3 | 1.5 |
| | Sep | 2.7 | 3.2 | 1.2 |
| | Dec | 2.7 | 2.7 | 1.9 |
| 2014 | Mar | 2.8 | 2.5 | 1.7 |
| | Jun | 2.6 | 2.6 | 1.6 |
| | Sep | 2.5 | 2.3 | 1.9 |
| | Dec | 1.2 | 1.6 | 1.3 |
| 2015 | Mar | 1.3 | 0.9 | 0.6 |
| | Jun | 1.9 | 1.0 | 0.9 |
| | Sep | 0.7 | 0.8 | 0.1 |
| | Dec | 1.1 | 1.2 | 0.9 |
| 2016 | Mar | 0.5 | 1.6 | 1.4 |
| | Jun | 0.4 | 1.6 | 1.5 |
| | Sep | 0.9 | 2.0 | 2.0 |
| | Dec | 1.2 | 2.5 | 1.9 |
| 2017 | Mar | 2.4 | 3.1 | 2.9 |
| | Jun | 2.3 | 3.5 | 2.5 |
| | Sep | 2.0 | 3.9 | 3.1 |
| | Dec | 2.4 | 4.1 | 3.6 |

Table 5.1.1 and **Table 5.1.2** show the comparable RPIX and RPI inflation rates reported by the UK Office of National Statistics¹ and the States of Jersey Statistics Unit². There may be differences in the methodology used to calculate inflation and care should be taken when comparing figures from different jurisdictions.

Typically inflation in the three jurisdictions follows broadly the same trends. However, it should be noted that changes in taxation and other circumstances specific to a particular jurisdiction may have a significant impact on inflation. For example, the introduction of the Goods and Services Tax in Jersey in 2008 exerted an upwards pressure on both RPIX and RPI which was not experienced in either Guernsey or the UK. Similarly the temporary reduction of the UK VAT rate to 15% in 2009, its return to 17.5% in 2010, and the subsequent increase to 20% in 2011, will have influenced inflation in the UK but had little impact in Guernsey and Jersey.

The higher cost of housing experienced in Guernsey and Jersey compared with the UK, and the resultant higher weighting of housing in the inflation rates of the islands, means that changes in the cost of housing typically exert more inflationary pressure in Guernsey and Jersey than in the UK. Differences in spending patterns in other areas, such as travel and motoring, will also affect the relative effect of price changes on the indices.

¹ www.statistics.gov.uk ² www.gov.je/statistics

6.1 Methodology

The calculations of the RPIX and RPI are based on the price change of items within a 'shopping basket'. Whilst a single household's shopping basket may contain anywhere in the region of one to several hundred items, the 'basket' of goods and services used in the calculation contains over 1,700 items. This list of goods and services remains consistent every quarter in order to measure price changes over time.

Every household in the island spends its income in different ways so it is impractical to monitor changes in the price of every single item on sale. Therefore, the Indices contain a representation of what 'typical' consumers in a Guernsey household spend their money on. They should not be confused with a 'cost of living' index, which will vary according to individual expenditure.

The methodology is continuously monitored and is periodically audited and updated to ensure it remains accurate and representative. The results of the latest review were first incorporated in the December 2014 inflation results. The Guide to the Guernsey Inflation Indices, which is available online at www.gov.gg/rpi, provides more detail on the recent changes along with information regarding the methodology, calculation and uses of the inflation indices.

The main source of information for the periodic review is the Household Expenditure Survey. The results of the 2012-13 Survey are now available from www.gov.gg/hes. The next Survey is due to commence in early 2018 and preparation for this is underway.

6.2 Contact details

For more information on how the RPIX and RPI are calculated please see the Guide to the Guernsey Retail Prices Index, which, along with the Inflation Calculator, is available via www.gov.gg/rpi.

The next inflation bulletin (for March 2018) will be published at 9:30am on Friday 20th April 2018.

You may also be interested in other publications from States of Guernsey Data and Analysis Services, which are all available online at www.gov.gg/data. Please contact us for further information.

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