

Guernsey Quarterly Inflation Forecast

Quarter 1 2018

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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

- As anticipated the annual change in RPIX had risen slightly to 2.5% in December 2017 compared to 2.4% in September.
- The larger increase in the annual change in the Guernsey RPI over the same period from 2.0% to 2.4% was a result of the upward pressure on mortgage interest payments resulting from the increase in interest rates by the Bank of England.
- RPIX is expected to fall in the first quarter as the unusually larger quarterly change experienced in the first quarter of 2017 falls out of the calculation.
- The central expectation is for RPIX to increase again later in the year. The upward pressure on RPI exerted by the increase in interest rates should continue into 2018 as it becomes factored into new and renegotiated mortgage agreements.

Figure 1.1: Forecast Guernsey RPIX

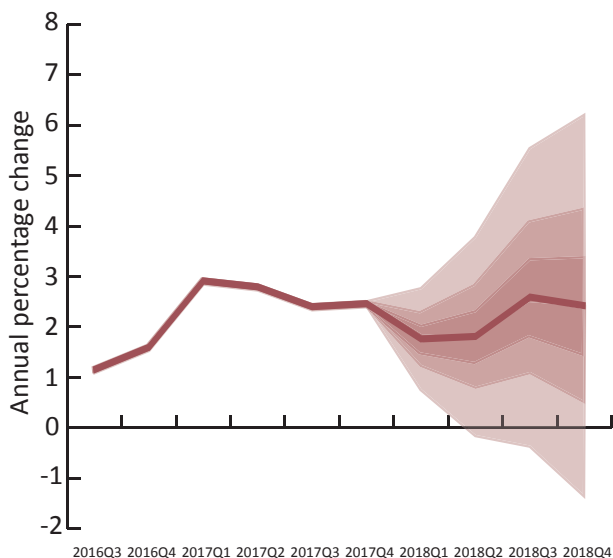
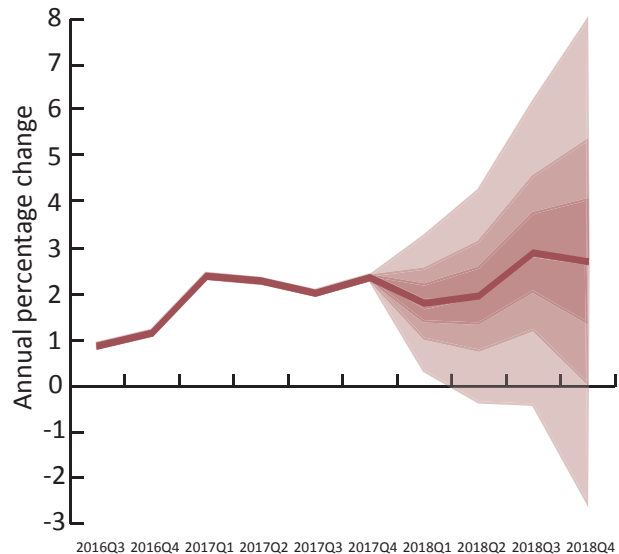


Figure 1.2: Forecast Guernsey RPI



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.