

Guernsey Quarterly Inflation Bulletin

Quarter 1 2018

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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

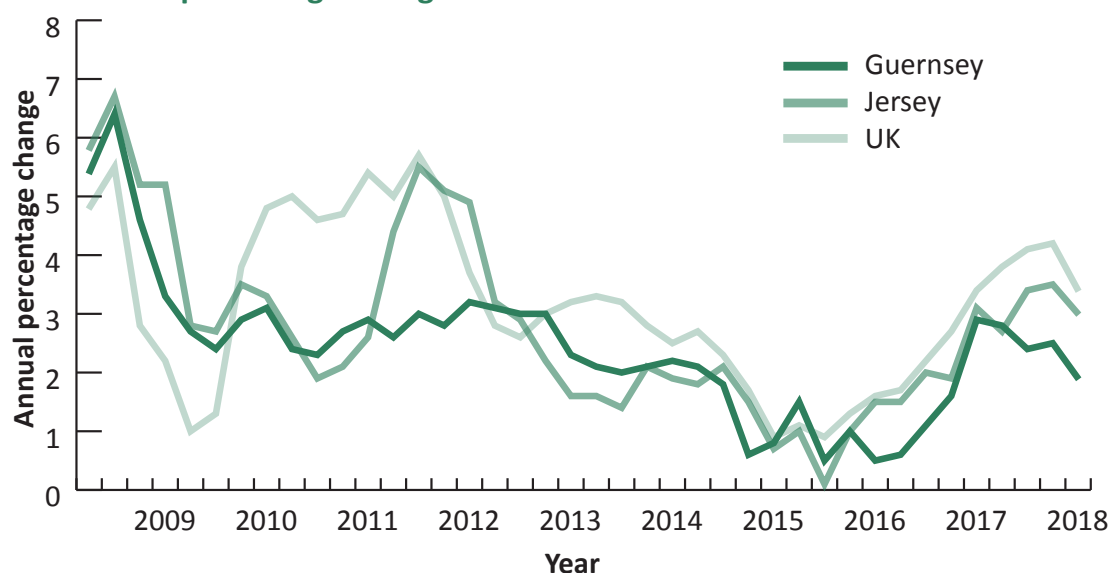
The Guernsey RPIX and RPI are measures of inflation. They measure the change in the prices of goods and services bought for the purpose of consumption or use by households in Guernsey. The indices are published quarterly by Data and Analysis. The calculations of the RPIX and RPI are based on the price 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 thirteenth 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 this year.

1.2 Headlines

- Guernsey's annual inflation as measured by the RPIX ('core' inflation excluding mortgage interest payments) was 1.9% in March 2018. This is 0.6 percentage points lower than in December 2017 and 1.0 percentage points lower than in March 2017.
- The equivalent RPIX figure for March 2018 for the UK was 3.4% and for Jersey, 3.0%.
- The Leisure services group contributed 0.5 percentage points to the annual change in the RPIX for the year ending in March 2018, whilst Food, Housing, Household Services and Personal goods & services each contributed 0.3 points.
- The 'all items' RPI annual inflation was 2.0% in March 2018, 0.4 percentage points lower than both the previous quarter and March 2017.
- The equivalent RPI figure for March 2018 for the UK was 3.3% and for Jersey, 3.2%.

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)
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
2018	Mar	1.9	1.5	171.4

Figure 2.1.1 RPI overview

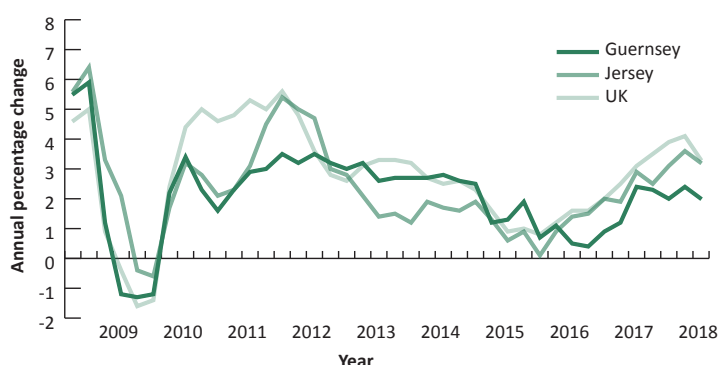


Table 2.1.2 RPI overview

		Annual % change	Quarterly % change	Index (1999 base)
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
2018	Mar	2.0	1.6	169.7

The annual change in the RPIX was 1.9% at the end of March 2018, 0.6 percentage points lower than the previous quarter and 1.0 percentage points lower than March 2017 (see [Table 2.1.1](#) and [Figure 1.2.1](#)).

The quarterly change in the RPIX was 1.5% during the three month period ending March 2018, 1.4 percentage points higher than during the previous quarter and 0.6 percentage points lower than in March 2017. Quarterly changes in the RPIX are subject to seasonal variations in price levels.

The annual change in the UK RPIX was 3.4% at the end of March 2018, down from 4.2% the previous quarter. The annual change for Jersey was 3.0%, down from 3.5%.

The annual change in the RPI was 2.0% in March 2018, which was 0.4 percentage points lower than both the previous quarter and March 2017 (see [Figure 2.1.1](#) and [Table 2.1.2](#)).

The annual change in the UK RPI was 3.3% at the end of March 2018, down from 4.1% the previous quarter. The annual change for Jersey was 3.2%, down from 3.6%.

The quarterly change in the RPI for the quarter ending in March 2018 was 1.6%, which is 1.4 percentage points higher than during the previous quarter and 0.3 percentage points lower than the quarter ending March 2017. 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 March 2018, eleven of the groups increased and three decreased. The Tobacco group saw the largest annual increase at 5.1%, contributing 0.1% to the overall RPIX change. The Fares and other travel costs group showed the largest decrease at -2.1%, contributing -0.1 percentage points to the overall RPIX change.

Figure 3.1.1 Annual percentage change

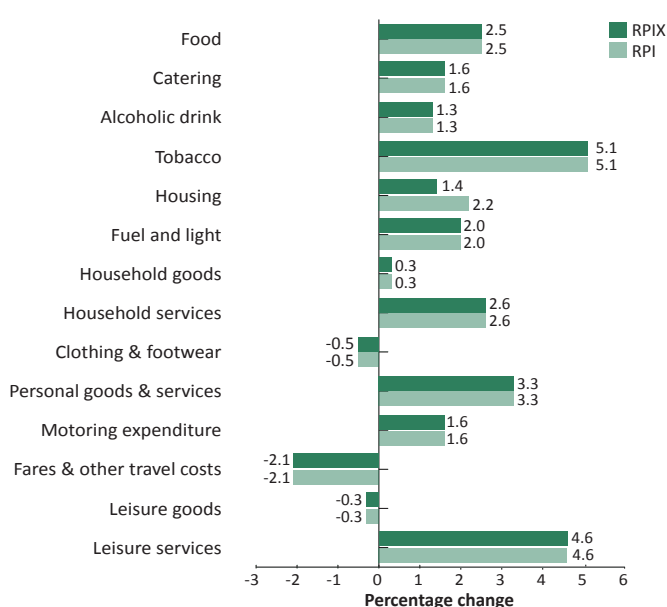
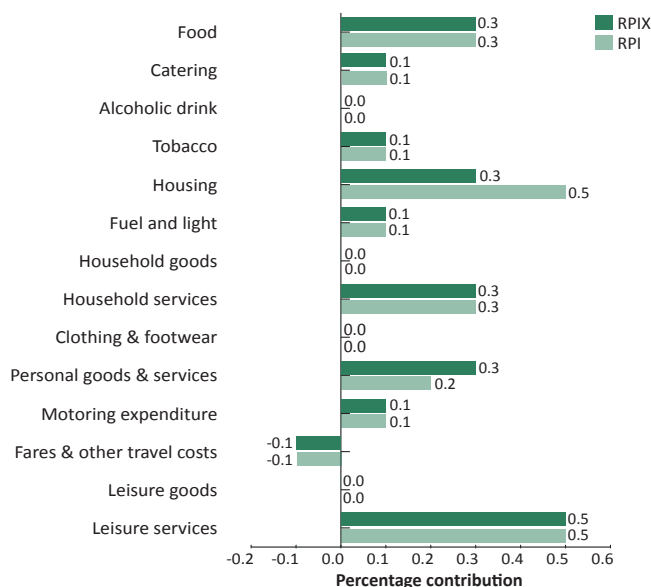


Figure 3.1.2 Annual contribution



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

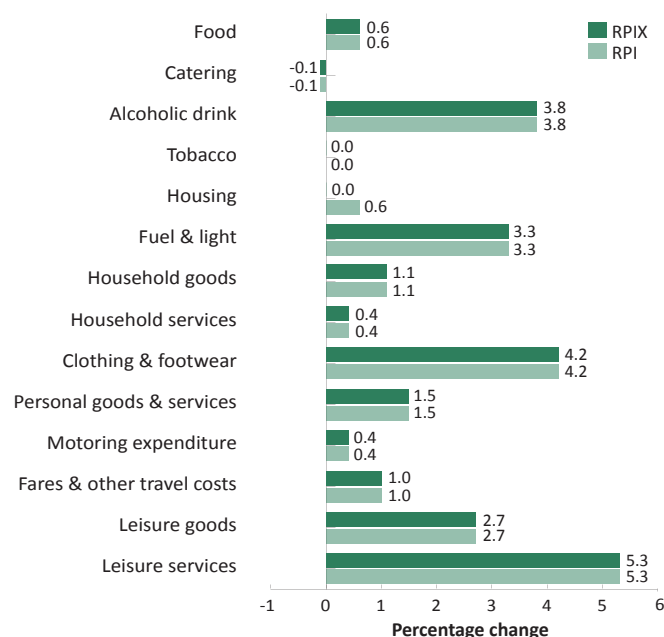
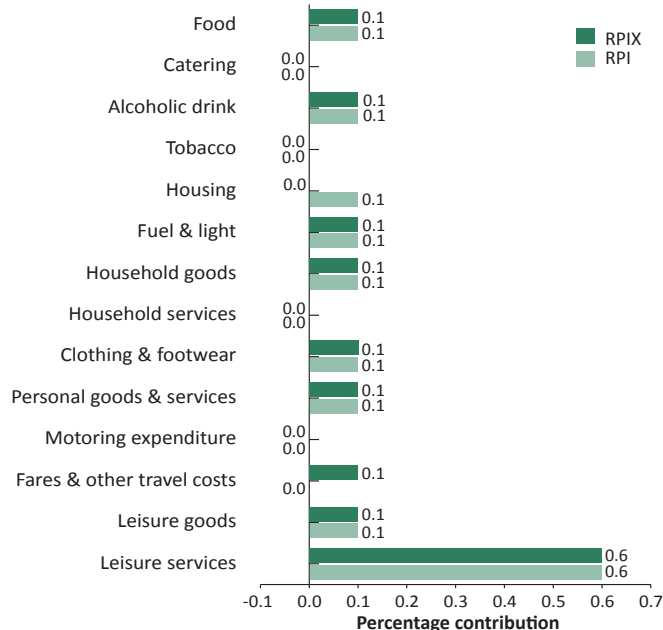


Figure 3.2.2 Quarterly contribution



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

Eleven of the fourteen RPIX and twelve of the RPI groups saw an average price increase in the three months ending in March 2018 (**Figure 3.2.1**).

The largest percentage increase (5.3%) came from the Leisure services group, making a contribution of 0.6 percentage points to the quarterly changes in both the RPIX and the RPI. (**Figure 3.2.2**). This was followed by the Clothing and footwear group which, with an increase of 4.2%, contributed 0.1 percentage points to the overall quarterly change.

The only decrease was in the Catering group (-0.1%, contributing 0.0 percentage points to the overall quarterly changes).

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 (0.6%)

Seasonal changes in some fresh items, special offers on chocolate and the end of special offers on some seasonal items all lead to a small overall increase.

Catering (-0.1%)

The small decrease is mainly attributable to slightly lower prices for restaurant meals.

Alcoholic drink (3.8%)

There were many seasonal offers during the previous period, which have now come to an end.

Tobacco (0.0%)

There were no changes to the cost of tobacco products this quarter.

Housing (0.0% RPIX, 0.6% RPI)

Higher mortgage interest was the primary contributor to the increase in RPI. There was little movement in most other items within this group, with increases in rates and water charges and small reductions in house insurance premiums and some power tools.

Fuel and light (3.3%)

The price of kerosene increased this quarter, as did the cost of some coal and smokeless fuel.

Household goods (1.1%)

The cost of a vaccine for a pet increased this quarter, as did other household goods including duvets, rugs and some white goods.

Household services (0.4%)

Minor increases in solicitor's fees and internet subscriptions were countered by reductions in household contents insurance and some telephone charges.

Clothing and footwear (4.2%)

Many items are back to their regular prices following sales at the end of the previous quarter.

Personal goods and services (1.5%)

This change has been influenced by increases in the prices of dental treatments, doctor visits and some medicines, as well as the end of special offers in jewellery items.

Motoring expenditure (0.4%)

There was very little change with this category, with small increases in the cost of new cars and fuel balanced by small reductions in vehicle insurance premiums.

Fares and other travel goods (1.0%)

Whilst sea fares increased during the period, air fares showed a small reduction.

Leisure goods (2.7%)

Higher prices for barbecues, some toys and some sporting equipment were the main contributors to this increase.

Leisure services (5.3%)

Increases in hotel and other accommodation costs and package holiday costs were the drivers of this quarter's change.

4.1 Cumulative changes, reflation factors and indices

Table 4.1.1 RPIX cumulative changes and reflation factors to 31st March 2018

	Cumulative % change	Reflation factor
3 months	1.5	1.01
6 months	1.6	1.02
9 months	1.1	1.01
12 months	1.9	1.02
15 months	4.0	1.04
18 months	4.1	1.04
2 years	4.8	1.05
3 years	5.3	1.05
4 years	6.2	1.06
5 years	8.5	1.08
10 years	25.5	1.25

Table 4.1.2 RPI cumulative changes and reflation factors to 31st March 2018

	Cumulative % change	Reflation factor
3 months	1.6	1.02
6 months	1.8	1.02
9 months	1.3	1.01
12 months	2.0	1.02
15 months	4.0	1.04
18 months	3.9	1.04
2 years	4.5	1.04
3 years	4.9	1.05
4 years	6.3	1.06
5 years	9.3	1.09
10 years	22.0	1.22

Table 4.1.3 RPIX and RPI index figures at 31st March 2018

Year of base	RPIX index	RPI index
1949	-	3,705.1
1965	-	2,164.2
1974	-	1,193.7
1978	-	577.7
1983	-	363.8
1988	-	272.3
1994	-	201.5
1998	171.4	-
1999	-	169.7
2008	122.9	119.9
2014	105.7	105.5

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 March 2008 is equivalent to £100 x 1.25 = £125 in March 2018.

Reflation factors can also be used in the opposite way. To calculate what £100 in 2018 would have been worth in 2008 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 March 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
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
2018	Mar	1.9	3.4	3.0

[†] Jersey inflation figures were not available at the time of publication.

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

		Guernsey	UK	Jersey
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
2018	Mar	2.0	3.3	3.2

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 March 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 May 2018.

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 June 2018) will be published at 9:30am on Friday 20th July 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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