

Guernsey Quarterly Inflation Forecast

Quarter 2 2019

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States of
Guernsey

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 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 a 30%, 60% and 90% statistical certainty.

1.2 Forecasts

- The annual change in RPIX decreased to 2.1% in March 2019 compared to 2.3% in December 2018. This was in line with expectations.
- The current expectation is that the annual change RPIX will fall further over the summer months and rise again later in the year. RPI is expected to follow a similar pattern.
- The Bank of England maintained the Bank Rate at 0.75% in February. Within their February inflation report they suggested that the monetary policy response to Brexit “could be in either direction” and would depend on the timing and nature of the withdrawal.
- Forecasts are made under the assumption of an increase in electricity prices during 2019 as announced earlier in the year. Inflation risks associated with Brexit have been deferred to later in 2019.

Figure 1.1: Forecast Guernsey RPIX

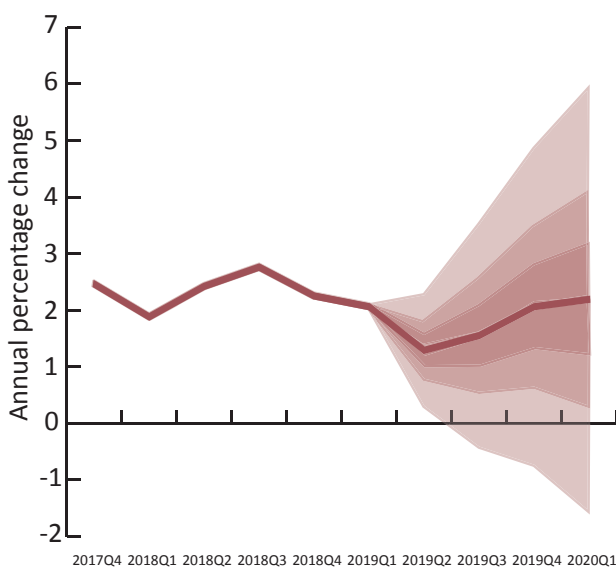
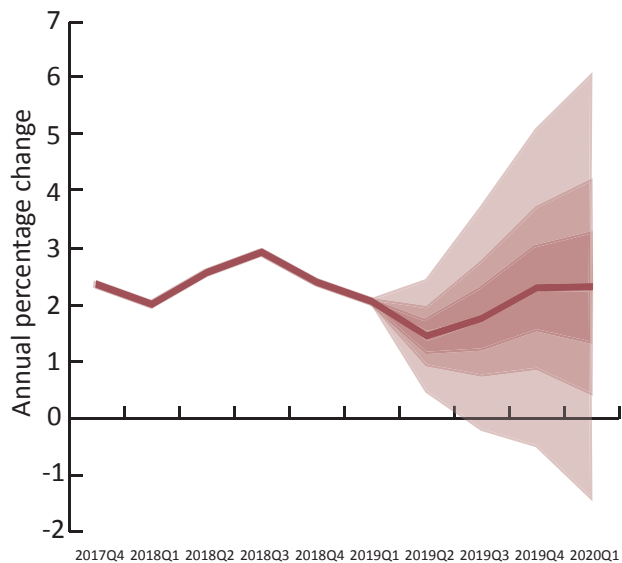


Figure 1.2: Forecast Guernsey RPI



1.3 Forecast assessment

Table 1.1 below presents an overview of the performance of the RPIX forecasts against actual data three, six, nine and twelve months ahead of publication. For example, T+3 months presents a summary of how accurate the forecasts are one quarter before publication of the actual data, detailing how many of the actual observations fall within 30%, 60% and 90% confidence intervals of the forecasts represented by the coloured bands in **Figure 1.1**.

Table 1.1: Summary of RPIX forecast performance

	t +3 months	t +6 months	t +9 months	t +12 months
Total number of observations	16	15	14	13
Within 30% confidence interval	44%	33%	57%	62%
Within 60% confidence interval	63%	67%	79%	77%
Within 90% confidence interval	94%	87%	86%	85%
Outside 90% confidence interval	6%	13%	14%	15%

1.4 Contact Details

For more information on this and other publications issued by the States of Guernsey Strategy and Policy Unit, please contact:

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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.