



## GUERNSEY RETAIL PRICES INDEX

### 3.9% annual change as at 31 December 2003

At the end of December, Guernsey's annual rate of inflation, as measured by changes in the Index of Retail Prices, was 3.9% compared with 3.3% at the end of the previous quarter.

RPI X, the rate of inflation that excludes mortgage interest payments stands as 3.4%

**Table 1**

The Index Figures at the end of December 2003 were:

114.8 (Dec 99=100)  
136.3 (Mar 1994 =100)  
184.2 (Dec 1988 =100)  
246.2 (Dec 1983 =100)  
390.9 (Dec 1978 =100)

Period	%	Period	%
3 Months	1.0	2 Years	8.5
6 Months	1.3	3 Years	10.6
9 Months	2.0	4 Years	14.8
12 Months	3.9	5 Years	17.7

#### **Matters affecting the R.P.I during the last year**

Compared to December 2002, the largest contributors to inflation were Housing (1.5% out of 3.9%), Food (0.7%), Personal Goods (0.3%), and Motoring (0.3%). There were smaller increases within the following groups: Alcohol, Household Goods and Fares and Other Travel. There were very small changes in the Clothing and Fuel, Light and Power groups, but overall these made no contribution to inflation.

Compared to the previous year, once again the Housing Group had the greatest contribution to inflation at 1.5%. This was due to a combination of factors, including an increase in interest rates, the cost of major house improvements, building work, and house heating maintenance and repairs.

The Food group has contributed 0.7% for the second quarter running. The price of bread rose by up to 15%; an effect due to a price rise of flour. Dairy produce, fresh fruit and vegetables have also risen in price.

An increase in the Personal Goods group was mainly due to medical insurance, hairdressing and toiletries. The largest increases in the Motoring group were car insurance, repairs and servicing.

#### **Matters affecting the R.P.I during the last three months**

The main contributors to inflation over the last **three months** were increases in the costs of bread, seasonal increases in fruit, mens' clothing and repairs/servicing to vehicles other than cars. Downward effects on the quarterly change included women's clothing and games consoles.

#### **Annual % Changes for each quarter**

**Table 2**

	March	June	September	December
1990	10.2	9.7	10.4	9.8
1991	8.6	8.7	6.1	5.5
1992	4.6	4.1	3.6	3.2
1993	2.3	1.5	1.8	1.4
1994	2.9	2.3	2.0	2.4
1995	3.0	3.5	4.0	3.6
1996	2.5	2.1	2.0	2.8
1997	3.1	4.0	4.4	4.7
1998	4.1	4.0	4.0	3.2
1999	2.1	2.2	1.8	2.4
2000	3.8	4.4	4.5	3.9
2001	3.3	2.3	2.6	1.9
2002	2.9	3.3	3.9	4.4
2003	4.7	4.3	3.3	3.9

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## PERCENTAGE CHANGES IN GROUP INFLATION AND THEIR CONTRIBUTION TO OVERALL INFLATION

**Table 3** **GUERNSEY INFLATION RATE (+3.9%)**

	Weight	Quarterly %Change	Annual %Change	% Contribution
Food	127	0.8	5.4	0.7
Alcoholic Drink	52	-0.1	4.1	0.2
Tobacco	19	0.0	4.6	0.1
Housing	216	2.4	6.9	1.5
Fuel, Light and Power	41	2.8	0.3	0.0
Household Goods	79	-0.6	2.1	0.2
Household Services	33	0.1	1.5	0.1
Clothing & Footwear	56	0.7	0.6	0.0
Personal Goods	49	0.2	6.1	0.3
Motoring Expenditure	85	0.3	3.4	0.3
Fares/Other Travel	33	2.7	7.3	0.2
Leisure Goods	63	0.9	1.1	0.1
Leisure Services	92	-0.1	0.4	0.1
Food Away from Home	55	0.1	2.3	0.1
Overall	1000			
All Items				3.9

**Weight** is the proportion of the total index represented by each group. **Contribution** shows the effect of price changes in relation to the relative weight of the groups.

### Retail Prices Index (RPI)

The RPI is a measure of inflation in Guernsey. It can be defined as "an average measure of change in the prices of goods and services bought for the purpose of consumption by the vast majority of households" (RPI Technical Manual, Office for National Statistics, 1998).

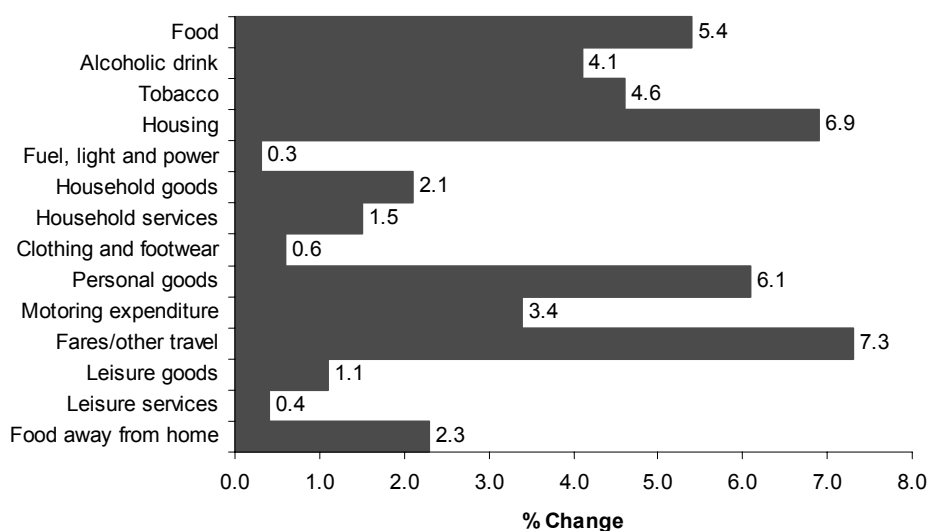
Goods and services that consumers purchase have a price, and these will vary over time. The RPI is designed to measure such changes. Imagine a very large shopping basket (over 2100 items) comprising all the different kinds of goods and services bought by a typical household. As the prices of individual items in this basket vary, the total cost of the basket will vary - the RPI is a measure of the change from quarter to quarter in this total cost.

No two households spend their money in exactly the same way and this basket of goods is compiled using spending pattern data from the Household Expenditure Survey. This is carried out every five years, hence the RPI index base is reset to 100 e.g. Dec 1999 = 100, Mar 1994 = 100 etc. The RPI while not applying precisely to any one household or person, will be close to the experience of inflation for the great majority of households.

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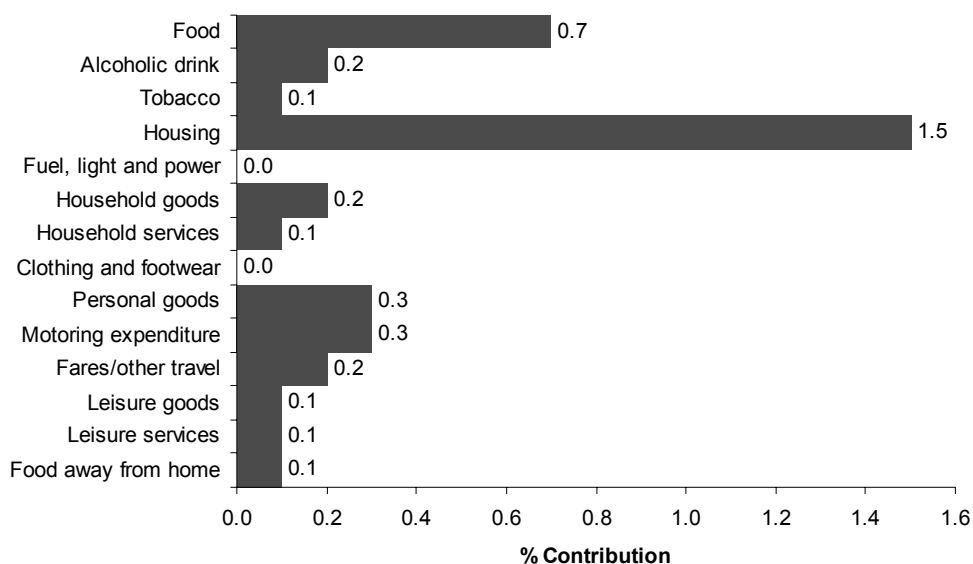
**Figure 1**

**Annualised Percentage change in RPI Groups  
(December 2002 to December 2003)**



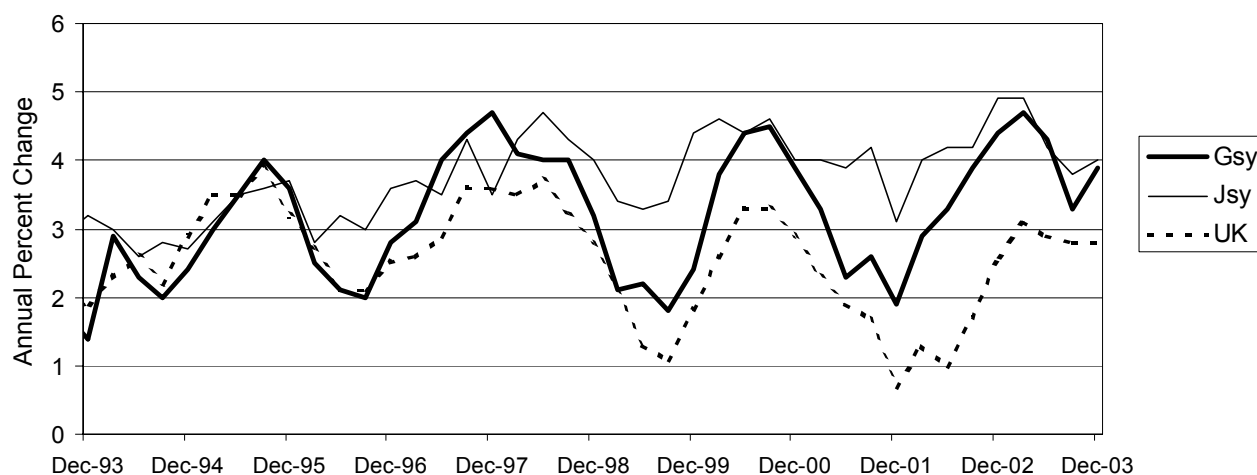
**Figure 2**

**Percentage Contributions to overall inflation**



**Figure 3**

**Annual Rate of Headline Inflation - Guernsey, Jersey and the UK**



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## RPI comparison with Jersey and the UK

Guernsey and Jersey tend to run at a higher rate than the UK. The chart on page 3 (figure 3) shows that inflation in Guernsey follows the general trends of the UK inflation rate, albeit at a higher level.

**Table 4**

		Annual Movements						Quarterly Movements		
		Guernsey		UK		Jersey		Guernsey	UK	Jersey
		Headline	RPI X	Headline	RPI X	Headline	RPI X	Headline	RPI	
1998	Mar	4.1	2.3	3.5	2.6	4.3	3.8	0.9	0.5	1.7
	June	4.0	2.3	3.7	2.8	4.7	4.1	0.9	1.6	1.2
	Sept	4.0	2.6	3.2	2.5	4.3	3.9	1.0	1.0	0.9
	Dec	3.2	2.2	2.8	2.6	4.0	3.9	0.4	0.0	0.2
1999	Mar	2.1	2.6	2.1	2.7	3.4	3.6	-0.2	-0.2	1.1
	June	2.2	3.1	1.3	2.2	3.3	3.6	1.0	0.9	1.1
	Sept	1.8	3.0	1.1	2.1	3.4	3.6	0.4	0.5	0.9
	Dec	2.4	2.8	1.8	2.2	4.4	4.3	1.1	0.7	1.1
2000	Mar	3.8	3.1	2.6	2.0	4.6	4.3	1.2	0.3	1.3
	June	4.4	3.6	3.3	2.2	4.4	4.0	1.6	1.6	1.0
	Sept	4.5	3.5	3.3	2.2	4.6	4.2	0.7	0.4	1.1
	Dec	3.9	3.8	2.9	2.0	4.0	3.4	0.5	0.3	0.5
2001	Mar	3.3	2.9	2.3	1.9	4.0	3.6	0.6	0.0	1.4
	June	2.3	2.7	1.9	2.4	3.9	3.8	0.8	1.3	0.9
	Sept	2.6	3.1	1.7	2.3	4.2	4.2	0.8	0.1	1.3
	Dec	1.9	2.9	0.7	1.9	3.1	3.6	-0.1	-0.7	-0.6
2002	Mar	2.9	3.8	1.3	2.3	4.0	4.4	1.6	0.6	2.3
	June	3.3	3.6	1.0	1.5	4.2	4.4	1.0	1.0	1.1
	Sept	3.9	3.8	1.7	2.1	4.2	4.2	1.4	0.8	1.3
	Dec	4.4	3.8	2.9	2.7	4.9	4.5	0.4	0.5	0.1
2003	Mar	4.7	4.3	3.1	3.0	4.9	4.8	1.9	0.8	2.4
	June	4.3	3.8	2.9	2.8	4.2	4.6	0.6	0.8	0.4
	Sept	3.3	3.1	2.8	2.8	3.8	4.4	0.4	0.7	0.9
	Dec	3.9	3.4	2.8	2.6	4.0	4.0	1.0	0.5	0.3

## RPI X

A single measure of inflation may not meet all user's needs. Following the Office for National Statistics' Review of the Island's RPI, one recommendation was for the Policy and Research Unit to publish the RPIX. RPI X literally means RPI **eXcluding mortgage interest payments**; the RPI is calculated again after this item has been removed.

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