

GUERNSEY RETAIL PRICES INDEX

4.9% annual change as at 31 December 2004

At the end of December, Guernsey's annual rate of inflation, as measured by changes in the Index of Retail Prices, was 4.9% compared with 5.2% at the end of the previous quarter.

RPI X, the rate of inflation that excludes mortgage interest payments stands at 2.9%

Table 1

The Index Figures at the end of December 2004 were:

120.5 (Dec 99=100)
143.0 (Mar 1994 =100)
193.2 (Dec 1988 =100)
258.2 (Dec 1983 =100)
410.0 (Dec 1978 =100)

Period	%	Period	%
3 Months	0.7	2 Years	9.0
6 Months	1.7	3 Years	13.9
9 Months	2.7	4 Years	16.0
12 Months	4.9	5 Years	20.5

**Thursday
20 January 2004**

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

The major contributors to the December 2004 figure over the past **12 months** were Housing (2.8% out of 4.9%), Fuel, Light and Power (0.5%), Motoring (0.4%), Leisure Services (0.3%) and Food Away from Home (0.4%).

The Housing group was again the largest contributor at 2.8% out of 4.9%. The cost of servicing the average mortgage debt has increased by over 30% over this period. However, only small increases were recorded in the quarter from September to December as interest rates remained unchanged by the Bank of England, and local house prices have increased only marginally.

The Fuel, Light and Power group contributed 0.5% which was mainly due to the effects of the increase in the price of oil between December 2003 and September 2003, which in turn has pushed up the price of heating oil and gas. The increase in the motoring group was mainly due to the increase in petrol. Although price increases have reversed since September, the annual change from December 2003 shows a positive rise.

Small decreases were observed in the Household Goods, Clothing, and Fares and Other Travel Groups.

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

The main contributors to inflation over the last **three months** were: gas prices, and certain food items, such as fresh fruit and frozen fish. Decreases were observed in oil prices and petrol prices. Seasonal decreases were also noted in the alcohol purchased for consumption at home category.

Annual % Changes for each quarter

Table 2

	March	June	September	December
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
2004	4.2	4.5	5.2	4.9

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PERCENTAGE CHANGES IN GROUP INFLATION AND THEIR CONTRIBUTION TO OVERALL INFLATION

Table 3 GUERNSEY INFLATION RATE (+4.9%)

	Weight	Quarterly %Change	Annual %Change	% Contribution
Food	127	0.6	1.6	0.2
Alcoholic Drink	52	-0.9	4.0	0.2
Tobacco	19	-0.1	5.0	0.1
Housing	216	0.9	11.9	2.8
Fuel, Light and Power	41	4.3	12.4	0.5
Household Goods	79	0.4	-0.7	-0.1
Household Services	33	0.1	4.2	0.2
Clothing & Footwear	56	1.6	-3.8	-0.2
Personal Goods	49	0.1	1.6	0.1
Motoring Expenditure	85	-0.9	4.2	0.4
Fares/Other Travel	33	-1.4	-1.6	-0.1
Leisure Goods	63	2.3	1.6	0.1
Leisure Services	92	0.4	3.1	0.3
Food Away from Home	55	0.3	5.8	0.4
Overall	1000			
All Items				4.9

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

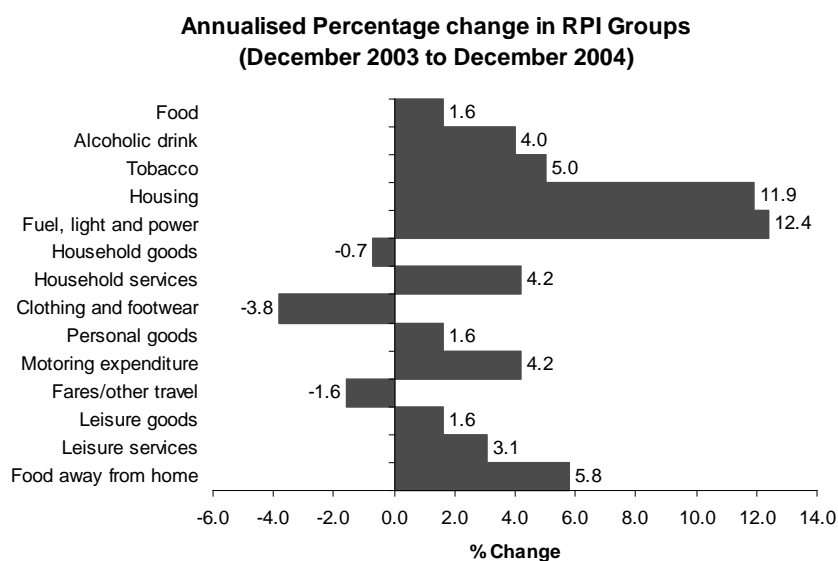
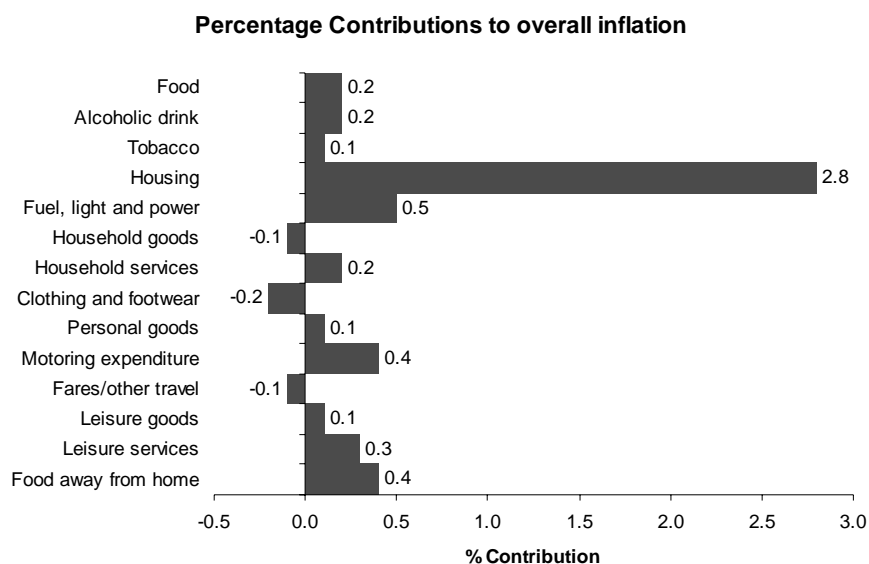
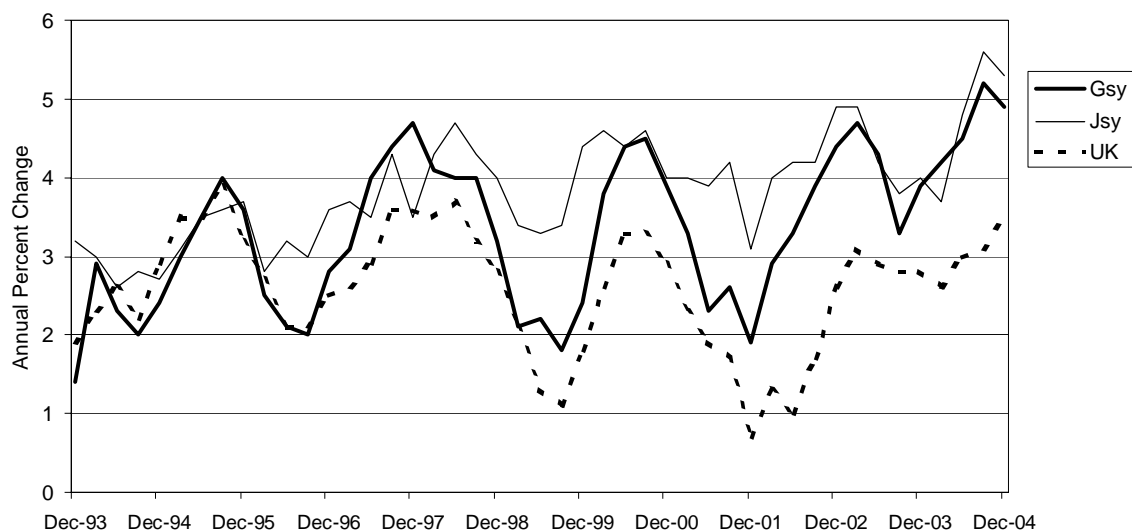


Figure 2



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 followed the general trends of the UK inflation rate, albeit at a higher level until 2003 when the trend changed.

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
2004	Mar	4.2	3.2	2.6	2.1	3.7	3.5	2.2	0.6	2.1
	June	4.5	3.1	3.0	2.3	4.8	3.4	0.9	1.2	1.5
	Sept	5.2	2.9	3.1	1.9	5.6	3.3	1.1	0.8	1.7
	Dec	4.9	2.9	3.5	2.5	5.3	3.4	0.7	1.0	0.0

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 RPI X. RPI X literally means RPI **eXcluding mortgage interest payments**; the RPI is calculated again after this item has been removed.

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