

Guernsey Quarterly Inflation Bulletin

31st December 2011 - Issue date 20th January 2012



POLICY COUNCIL
THE STATES OF GUERNSEY

1.1 Introduction

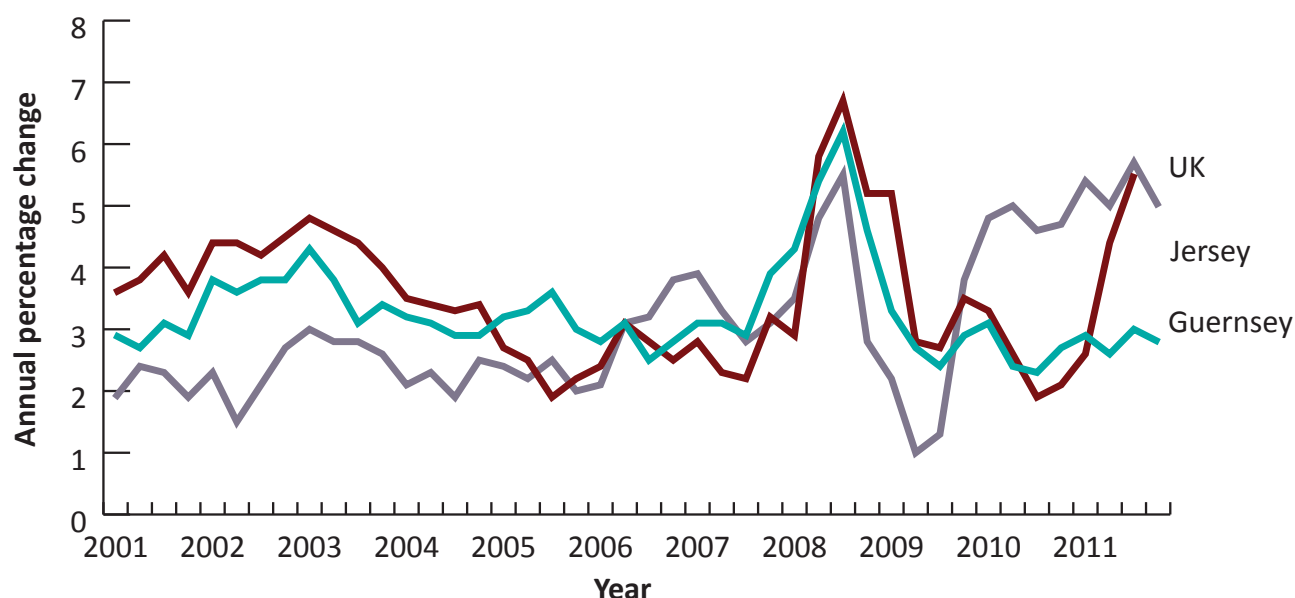
The Guernsey RPIX and RPI are measures of inflation used in Guernsey. They measure the change in the prices of goods and services bought for the purpose of consumption or use by households in Guernsey. The indices are published quarterly by the States of Guernsey Policy and Research Unit. The calculation 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. More detailed information on the calculation of these indices can be found at the end of this handout.

1.2 Headlines

- Guernsey's annual inflation as measured by RPIX ('core' inflation excluding mortgage interest payments) was 2.8% in the year ending December 2011, compared to 3.0% in the year ending September 2011 and 2.7% in the year ending December 2010.
- In the UK equivalent RPIX figure for the year ending December 2011 was 5.0% (see [Figure 1.2.1](#))¹.
- Twelve of the fourteen RPIX groups increased in the year ending December 2011.
- The housing group made the largest upward contribution to the annual change in RPIX in December 2011, contributing 0.7 percentage points.
- The 'all items' RPI inflation rate was 3.2% in the year ending December 2011, compared to 3.5% in the year ending September 2011 and 2.3% in the year ending December 2010.

¹ The comparable figure for Jersey was unavailable at the time of publication and will be published on 25th January 2012.

Figure 1.2.1: Annual percentage change in RPIX



2.1 RPIX overview

Table 2.1.1: RPIX overview

		Annual % change	Quarterly % change	Index (1998 base)
2009	Mar	3.3	1.0	141.0
	June	2.7	1.5	143.2
	Sept	2.4	0.4	143.7
	Dec	2.9	-0.1	143.7
2010	Mar	3.1	1.2	145.4
	June	2.4	0.8	146.6
	Sept	2.3	0.3	147.1
	Dec	2.7	0.3	147.6
2011	Mar	2.9	1.4	149.6
	June	2.6	0.5	150.4
	Sept	3.0	0.8	151.6
	Dec	2.8	0.2	151.8

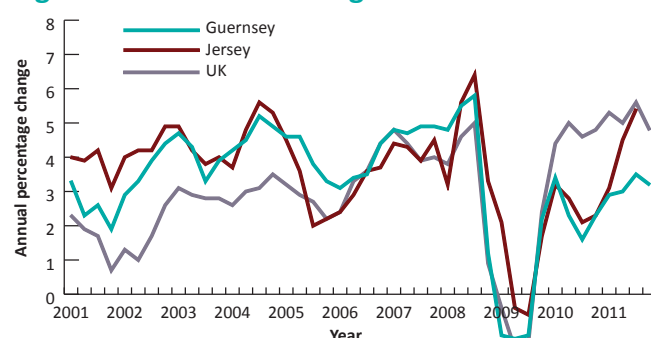
The annual change in the RPIX was 2.8% at the end of December 2011, 0.2 percentage points lower than in September 2011 and 0.1 percentage points higher than December 2010 ([Table 2.1.1](#) and [Figure 1.1.1](#)).

During the three month period ending December 2011 RPIX increased by 0.2%, 0.1 percentage points less than during the same period in 2010. Quarterly changes in RPIX are subject to seasonal variations in price level and are typically higher in the first and second quarters of each year than in the third and fourth.

The annual change in the UK RPIX was 5.0% at the end of December 2011. RPIX figures for Jersey in December 2011 were not available at the time of publication.

2.2 RPI Overview

Figure 2.2.1: Annual changes in RPI



The annual change in the RPI was 3.2% in December 2011, 0.3 percentage points lower than in September 2011 and 0.9 percentage points higher than in December 2010 ([Figure 2.2.1](#) and [Table 2.1.1](#)).

The annual change in the UK RPI in December 2011 was 4.8%. The equivalent figure for Jersey were unavailable at the time of publication.

The quarterly change in RPI for the period ending December 2011 was 0.3%, 0.3 percentage points lower than the period ending December 2010. Similar to RPIX, quarterly changes in RPI are subject to seasonal variation.

Table 2.2.1: RPI overview

		Annual % change	Quarterly % change	Index (1999 base)
2009	Mar	-1.2	-0.4	137.4
	June	-1.3	1.6	139.6
	Sept	-1.2	1.1	141.1
	Dec	2.2	0.0	141.0
2010	Mar	3.4	0.7	142.1
	June	2.3	0.5	142.8
	Sept	1.6	0.4	143.4
	Dec	2.3	0.6	144.2
2011	Mar	2.9	1.4	146.2
	June	3.0	0.6	147.1
	Sept	3.5	0.9	148.1
	Dec	3.2	0.3	148.8

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.

Of the fourteen groups, 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 RPIX. However, due to differences in the weighting of the groups (see **Table 3.1.1**) the contribution made by each group to the RPI and RPIX differs.

In the year ending December 2011 twelve of the fourteen groups increased. The fuel, light and power group experienced the largest annual percentage increase at 8.8%. However, the annual increase in this group was 4.2 percentage points lower than in September 2011 when it was 13.0%. This group contributed 0.4 percentage points to RPIX in December 2011.

Housing, which has the highest weighting in both RPIX and RPI made the largest contribution to the annual changes in both indices in December 2011. It contributed 0.7 percentage points to RPIX and 1.3 percentage points to RPI.

Leisure goods experienced the largest negative change in the year ending December 2011, decreasing by 2.8% and contributing a downward movement of 0.2 percentage points to the annual change in RPIX.

Figure 3.1.1: Annual percentage change

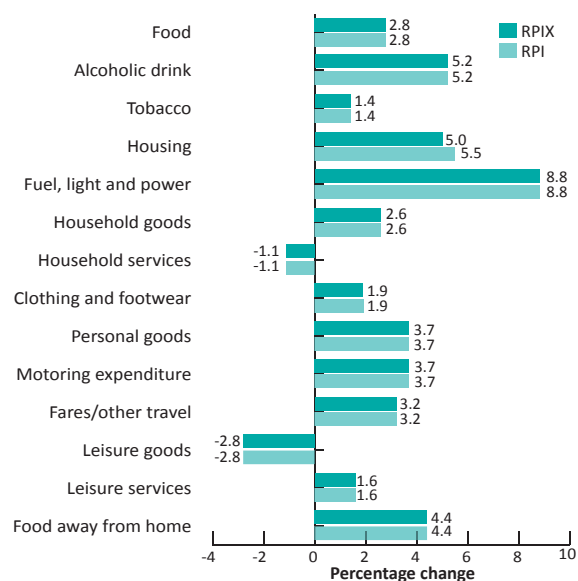


Figure 3.1.2: Annual contribution

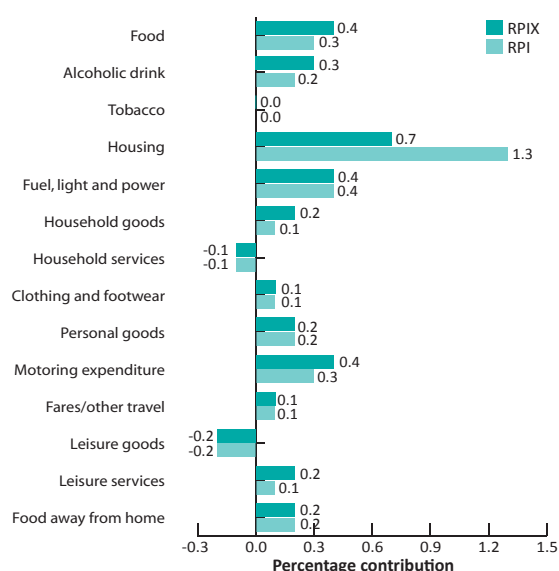
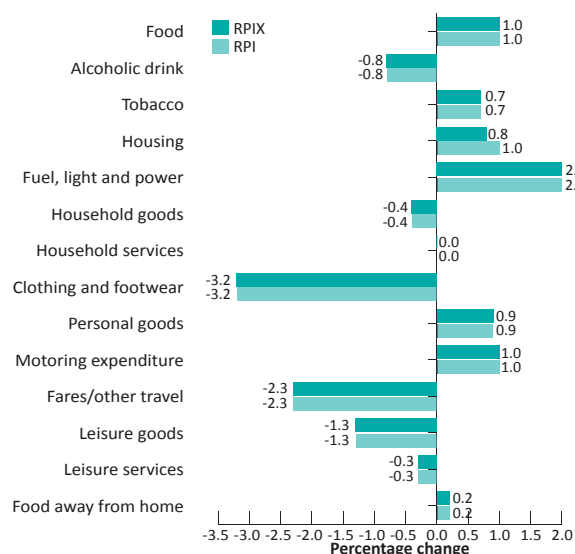


Table 3.1.1: Group weighting

	Items included	RPIX	RPI
Food	Food and non-alcoholic drink bought for home consumption.	124	107
Alcoholic drink	Wine, beer, spirits and other alcoholic drinks.	48	42
Tobacco	Cigarettes, cigars and other tobacco products.	19	16
Housing	Rents, parish rates and routine household maintenance and servicing costs. In the RPI this group includes interest paid on mortgages.	147	264
Fuel, light and power	Goods and services for the provision of light, heat and power in the home e.g. gas, oil and electricity.	45	39
Household goods	Non-food items for the household including furniture, domestic appliances, stationary and cleaning materials.	64	55
Household services	Services enlisted for the household such as contents insurance, postal, telecoms and cleaning services.	89	77
Clothing & footwear	Adult's and children's clothing and footwear.	47	41
Personal goods	Goods and services for personal use such as jewellery, cosmetics and toiletries plus medical expenses.	64	55
Motoring	Vehicle purchase, running and maintenance costs.	99	86
Fares/other travel	Air and sea passenger fares and other travel related costs.	26	22
Leisure goods	Goods for sports, hobbies and entertainment including electronic goods, sporting and gardening equipment.	76	66
Leisure services	Services purchased for leisure activities including foreign holidays, cinema tickets and sporting activities.	101	88
Food away from home	Food purchased in restaurants, at work, from takeaways etc.	51	44

3.2 Group analysis - quarterly

Figure 3.2.1: Quarterly percentage change



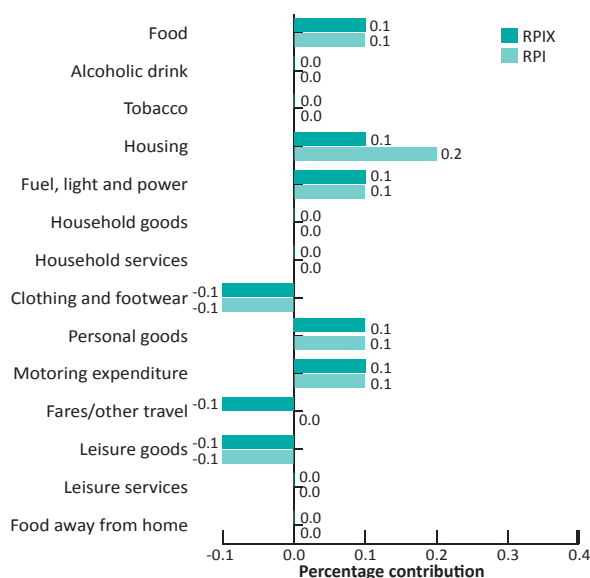
The average price level increased in seven of the fourteen groups in the quarter ending 31st December 2011 (**Figure 3.2.1**).

The clothing and footwear group experienced the largest quarterly change, decreasing by 3.2% in the quarter and contributing a downward movement of 0.1 percentage points to the quarterly change in RPIX (**Figure 3.2.2**).

Negative quarterly changes were also seen in the alcoholic drinks; household goods, fares and other travel; leisure goods; and leisure services groups.

The largest positive quarterly change was in the fuel, light and power group, which increased by 2.0% in the quarter, contributing an upward movement of 0.1 percentage points to the quarterly change in RPIX.

Figure 3.2.2: Quarterly contribution



Food; housing; personal goods and motoring also each made a positive contribution of 0.1 percentage points to the quarterly change.

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 presented in brackets are the quarterly changes for each group.

Food (1.0%)

Increases in the cost of meat and dairy products was partially offset by a decrease in the cost of rice and flour and their derivative products.

Alcoholic drinks (-0.8%)

A number of seasonal special offers on alcohol brought for home consumption led to a decrease in this group in December 2011. This was partially offset by an increase in the cost of alcoholic drinks away from home.

Tobacco (0.7%)

There was a general increase in the cost of tobacco products this quarter.

Housing (0.8% RPIX, 1.0% RPI)

Increases in private rents were partially offset by decreases in the cost of some household maintenance materials this quarter. Increases in the mortgage interest payment item exerted an additional upward pressure on the RPI (this item is not included in RPIX).

Fuel, light and power (2.0%)

Increases in the cost of electricity, oil and coal led to an increase in this group this quarter.

Household goods (-0.4%)

Decreases in the cost of some furniture and appliances were partially offset by increases in stationary and other household goods.

Household services (0.0%)

There was little overall change in the cost of household services this quarter.

Clothing and footwear (-3.2%)

Seasonal sales resulted in a decrease in the cost of clothing and footwear.

Personal goods (0.9%)

An increase in the cost over the counter medicines, cosmetics, dietary supplements and jewellery led to an increase in this group this quarter.

Motoring (1.0%)

Increases in the cost of new vehicles and the cost of repairs and servicing lead to an increase in this group.

Fares & other travel (-2.3%)

Seasonal changes in the cost of air and sea fares resulted in a decrease in this group in the quarter ending December 2011.

Leisure goods (-1.3%)

Decreases in the cost of electrical goods led to a decrease in this group.

Leisure services (-0.3%)

Decreases in the cost of holiday accommodation resulted in a decrease in this group this quarter.

Food away from home (0.2%)

There was a moderate increase in the cost of takeaway food this quarter.

4.1 Cumulative changes, reflation factors and indices

Table 4.1.1: RPIX cumulative changes and reflation factors for the period ending 31st December 2011

	Cumulative % change	Reflation factor
3 months	0.2	1.00
6 month	1.0	1.01
9 months	1.5	1.01
12 months	2.8	1.03
15 months	3.2	1.03
18 months	3.5	1.04
2 years	5.7	1.06
3 years	8.7	1.09
4 years	13.7	1.14
5 years	18.2	1.18
10 years	38.2	1.38

Table 4.1.2: RPI cumulative changes and reflation factors for the period ending 31st December 2011

	Cumulative % change	Reflation factor
3 months	0.3	1.00
6 month	1.2	1.01
9 months	1.8	1.02
12 months	3.2	1.03
15 months	3.8	1.04
18 months	4.2	1.04
2 years	5.5	1.06
3 years	7.9	1.08
4 years	9.1	1.09
5 years	14.5	1.14
10 years	40.6	1.41

Table 4.1.3: RPIX Index figures at 31st December 2011

Year of base	Index
1998	151.8
2008	108.9

Table 4.1.4: RPI Index figures at 31st December 2011

Year of base	Index
1949	3,248.1
1965	1,897.2
1974	1,046.4
1979	506.4
1983	318.9
1988	238.7
1994	176.6
1999	148.8
2008	105.1

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](http://www.gov.gg/rpi) on our website (www.gov.gg/rpi), which you can use to calculate the percentage change in RPI between any two quarters from 1965 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 December 2001 is equivalent to £100 x 1.38 = £138 in December 2011.

Reflation factors can also be used in the opposite way. To calculate what £100 in 2011 would have been worth in 2001, 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). [Tables 4.1.3](#) and [4.1.4](#) show the index value for the current quarter for each year of base. Full time series of index figures for each base is available on our website (www.gov.gg/rpi).

5.1 UK and Jersey inflation rates

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 follow 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 the inflation in the UK but had little impact in Guernsey and Jersey.

The higher cost of housing experienced in Guernsey and Jersey compared to 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 the Guernsey and Jersey than in the UK. Differences in spending patterns in other areas, such as motoring, will also affect the relative effect of price changes on the indices.

*Jersey inflation indices for December 2011 are scheduled for publication on 25th January 2012.

Table 5.1.1: Annual change in RPIX in Guernsey, the UK and Jersey

		Guernsey	UK	Jersey
2007	Mar	3.1	3.9	2.8
	June	3.1	3.3	2.3
	Sept	2.9	2.8	2.2
	Dec	3.9	3.1	3.2
2008	Mar	4.3	3.5	2.9
	June	5.4	4.8	5.8
	Sept	6.2	5.5	6.7
	Dec	4.6	2.8	5.2
2009	Mar	3.3	2.2	5.2
	June	2.7	1.0	2.8
	Sept	2.4	1.3	2.7
	Dec	2.9	3.8	3.5
2010	Mar	3.1	4.8	3.3
	June	2.4	5.0	2.6
	Sept	2.3	4.6	1.9
	Dec	2.7	4.7	2.1
2011	Mar	2.9	5.4	2.6
	June	2.6	5.0	4.4
	Sept	3.0	5.7	5.5
	Dec	2.8	5.0	*n/a

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

		Guernsey	UK	Jersey
2007	Mar	4.8	4.8	4.4
	June	4.7	4.4	4.3
	Sept	4.9	3.9	3.9
	Dec	4.9	4.0	4.5
2008	Mar	4.8	3.8	3.2
	June	5.5	4.6	5.6
	Sept	5.9	5.0	6.4
	Dec	1.2	0.9	3.3
2009	Mar	-1.2	-0.4	2.1
	June	-1.3	-1.6	-0.4
	Sept	-1.2	-1.4	-0.6
	Dec	2.2	2.4	1.7
2010	Mar	3.4	4.4	3.2
	June	2.3	5.0	2.8
	Sept	1.6	4.6	2.1
	Dec	2.3	4.8	2.3
2011	Mar	2.9	5.3	3.1
	June	3.0	5.0	4.5
	Sept	3.5	5.6	5.4
	Dec	3.2	4.8	*n/a

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 2,000 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 Index contains a representation of what 'typical' consumers in a Guernsey household spend their money on. It 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.

Further information regarding the methodology, calculation and uses of the inflation indices can be found in the Guide to the Guernsey Inflation Indices which is available online at www.gov.gg/rpi.

7.1 Contact details and further information

For more information on how the RPIX and RPI are calculated please see the Guide to the Guernsey Retail Prices Indices, which, along with the Inflation Calculator, is available via www.gov.gg/rpi.

Please contact Liz Laine (Research and Information Officer) for further information.

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The next inflation bulletin (for March 2012) will be published at 9:30am on Friday 20th April.