

GUERNSEY RETAIL PRICES INDEX

3.4% annual change as at 30th June 2006

At the end of June, Guernsey's annual rate of inflation, as measured by changes in the Retail Prices Index, was 3.4%, an increase of 0.3% from 3.1% at the end of March.

RPI X, the rate of inflation that excludes mortgage interest payments stands at 3.1%

Table 1

The Index Figures at the end of June 2006 were:

128.1 (Dec 1999=100)
152.1 (Mar 1994 =100)
205.4 (Dec 1988 =100)
274.5 (Dec 1983 =100)
435.9 (Dec 1978 =100)

Period	%	Period	%
3 Months	1.2	2 Years	8.1
6 Months	2.9	3 Years	13.0
9 Months	3.1	4 Years	17.9
12 Months	3.4	5 Years	21.8

**Wednesday
19th July 2006**

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Matters affecting the RPI during the last 12 months

The major contributing groups to the June 2006 RPI include Housing (1.2%), Fuel, Light & Power (0.5%), Food Bought for Consumption away from Home (0.4%), Motoring (0.3%) and Leisure Services (0.3%).

The Housing group is the largest contributor to the RPI at 1.2% out of 3.4% (an increase of 0.1% on the March quarter). The cost of servicing a mortgage increased by 6% over the twelve-month period. Elsewhere within the Housing Group, there were increases in occupier rates and water rates.

Increases in the price of oil have resulted in annual changes to the Fuel, Light & Power (0.5%), Motoring (0.3%) and Fares & Other Travel (0.2%) groups. The increase in oil has also had an indirect impact on other groups where production and transportation costs (e.g. of major household improvements) have increased.

The Clothing & Footwear Group had the only downward effect on the Index at -0.4%.

Matters affecting the RPI during the last three months

The main quarterly price increases came from fresh fruit, kitchen suites, new cars, States rents and the cost of building work.

Annual % Changes for each quarter

Table 2

	March	June	September	December
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
2005	4.6	4.6	3.8	3.3
2006	3.1	3.4		

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PERCENTAGE CHANGES IN GROUP INFLATION AND THEIR CONTRIBUTION TO OVERALL INFLATION

Table 3 GUERNSEY INFLATION RATE (+3.4%)

	Weight	Quarterly %Change	Annual %Change	% Contribution
Food	127	1.6	1.6	0.2
Alcoholic Drink	52	-0.3	3.3	0.2
Tobacco	19	0.7	3.7	0.1
Housing	216	2.2	5.1	1.2
Fuel, Light and Power	41	1.0	9.7	0.5
Household Goods	79	-1.0	1.4	0.1
Household Services	33	2.7	3.3	0.1
Clothing & Footwear	56	-0.3	-6.5	-0.4
Personal Goods	49	1.1	2.9	0.2
Motoring Expenditure	85	1.8	3.4	0.3
Fares/Other Travel	33	1.2	5.4	0.2
Leisure Goods	63	0.9	0.2	0.0
Leisure Services	92	0.7	2.7	0.3
Food Away from Home	55	0.2	5.8	0.4
Overall	1000			
All Items				

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

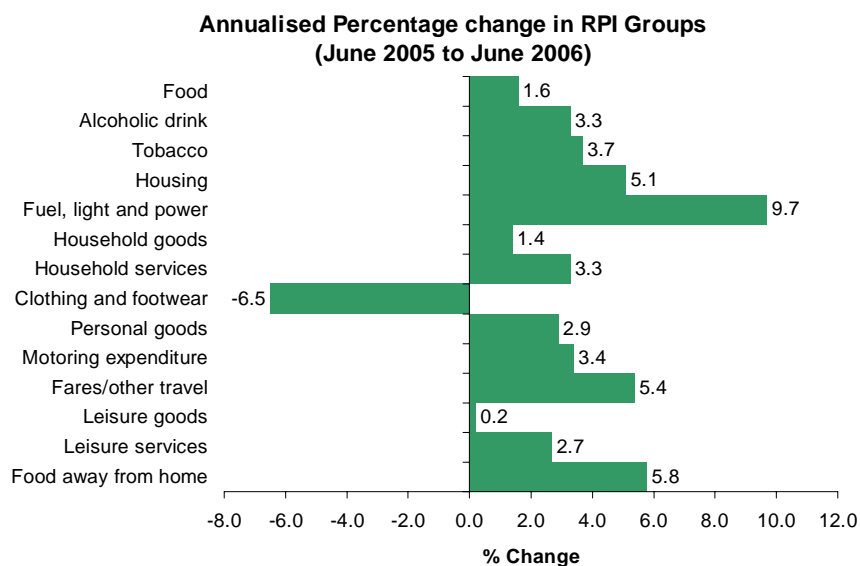


Figure 2

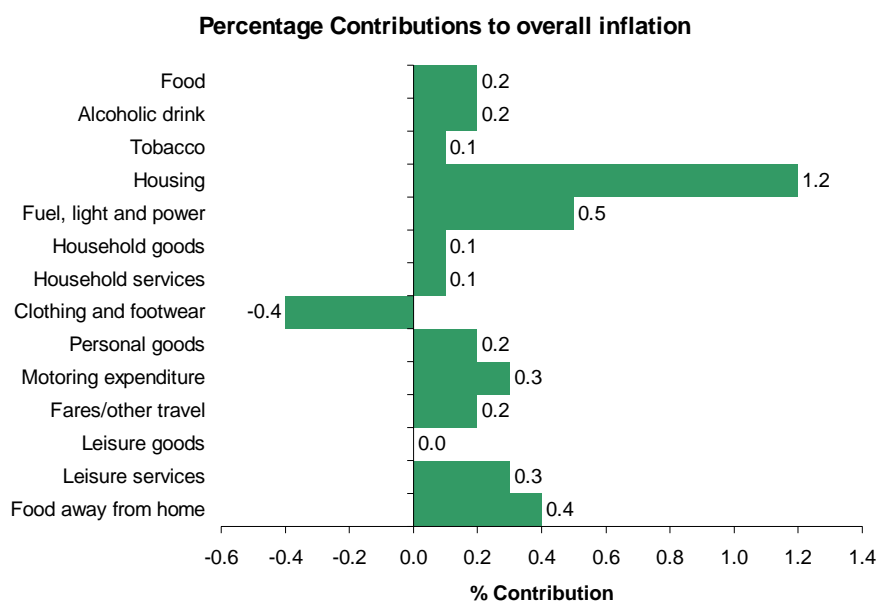
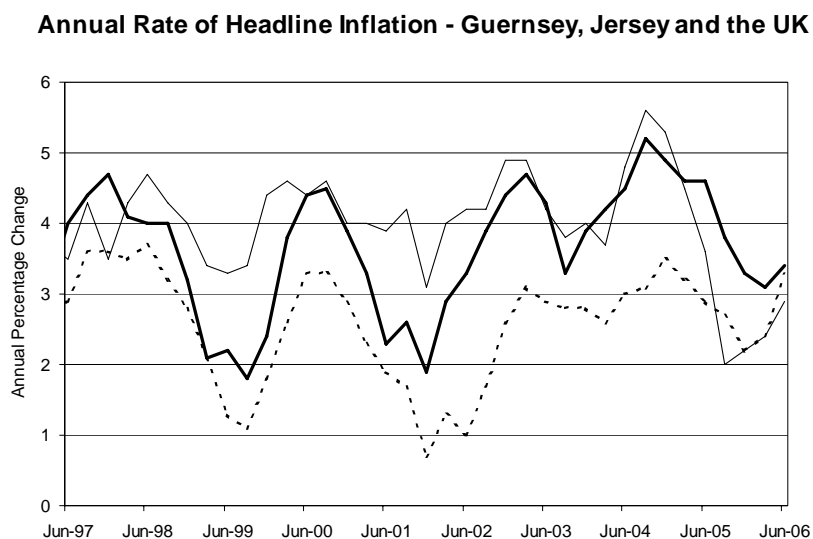


Figure 3



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RPI comparison with Jersey and the UK

Historically, Guernsey and Jersey tend to run at a higher rate than the UK, however in recent quarters the RPI rates have converged. In June 2006, the Guernsey RPI was just 0.1% above that of the UK. Jersey was lower at 0.4% below the UK, but RPIX was the same in Guernsey, Jersey and the UK at 3.1%. The chart on page 3 (Figure 3) shows that inflation in Guernsey follows the general trends of the UK inflation rate.

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
2005	Mar	4.6	3.2	3.2	2.4	4.5	2.7	1.9	0.2	1.3
	June	4.6	3.3	2.9	2.2	3.6	2.5	0.9	0.9	0.6
	Sept	3.8	3.6	2.7	2.5	2.0	1.9	0.3	0.6	0.1
	Dec	3.3	3.0	2.2	2.0	2.2	2.2	0.2	0.5	0.2
2006	Mar	3.1	2.8	2.4	2.1	2.4	2.4	1.7	0.4	1.5
	June	3.4	3.1	3.3	3.1	2.9	3.1	1.2	1.8	1.1

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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