

## GUERNSEY RETAIL PRICES INDEX

### 5.2% annual change as at 30 September 2004

At the end of September, Guernsey's annual rate of inflation, as measured by changes in the Index of Retail Prices, was 5.2% compared with 4.5% 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 September 2004 were:

119.7 (Dec 99=100)  
142.0 (Mar 1994 =100)  
191.8 (Dec 1988 =100)  
256.4 (Dec 1983 =100)  
407.1 (Dec 1978 =100)

Period	%	Period	%
3 Months	1.1	2 Years	8.7
6 Months	2.0	3 Years	12.9
9 Months	4.2	4 Years	15.8
12 Months	5.2	5 Years	21.0

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

The major contributors to the September 2004 figure were Housing (3.1% out of 5.2%), Motoring (0.5%), Fuel, Light and Power (0.5%), Leisure Services (0.3%) and Food Away from Home (0.3%). Food, Alcohol and Household Services each had an increase of 0.2%; Personal Goods, Fares and Tobacco each had an increase of 0.1%. Leisure Goods remained the same (0%) but Household Goods decreased by 0.1% and Clothing by 0.3%.

The Housing group was again the largest contributor at 3.1%. This was mainly due to the annual rise in interest rates and the direct effect this has on the average mortgage debt. Bank base rates as set by the Bank of England were 3.50% in September 2003. Since then, the Bank of England has raised interest rates 5 times to reach 4.75% in September 2004 (a 36% increase). Other smaller upward effects in the Housing group came from water rates, building and tradesmen costs, interior painting and new kitchens.

The Motoring and Fuel, Light and Power groups each had a substantial contribution of 0.5% which was mainly due to the effects of the increase in the price of oil which in turn has pushed up the price of petrol and heating oil and gas.

The Clothing and Household goods groups have had a downward effect on the index.

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

The main contributors to inflation over the last **three months** were: heating oil and gas, mortgage interest, house heating installation and repairs and accommodation in the UK. Downward effects on the quarterly change included UK and inter island air fares, women's clothes, games consoles and fresh fruit.

#### 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	

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

**Table 3** GUERNSEY INFLATION RATE (+5.2%)

	Weight	Quarterly %Change	Annual %Change	% Contribution
Food	127	-1.0	1.7	0.2
Alcoholic Drink	52	0.3	3.9	0.2
Tobacco	19	0.1	5.2	0.1
Housing	216	4.0	13.5	3.1
Fuel, Light and Power	41	6.5	10.8	0.5
Household Goods	79	-1.1	-1.6	-0.1
Household Services	33	0.2	4.3	0.2
Clothing & Footwear	56	-2.4	-4.7	-0.3
Personal Goods	49	0.1	1.7	0.1
Motoring Expenditure	85	-0.9	5.5	0.5
Fares/Other Travel	33	0.1	2.5	0.1
Leisure Goods	63	-1.5	0.2	0.0
Leisure Services	92	2.3	2.6	0.3
Food Away from Home	55	0.2	5.7	0.3
Overall	1000			
All Items				5.2

**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

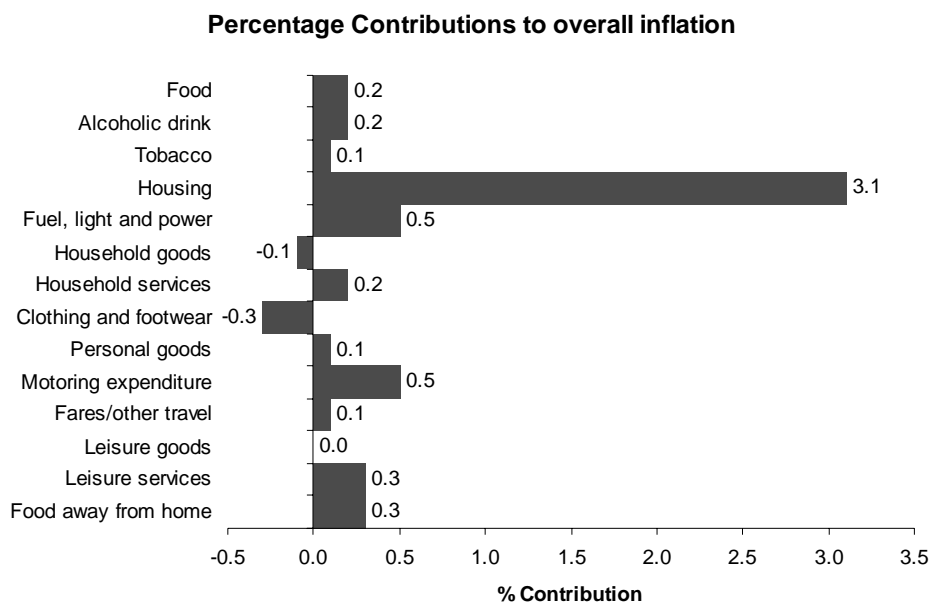
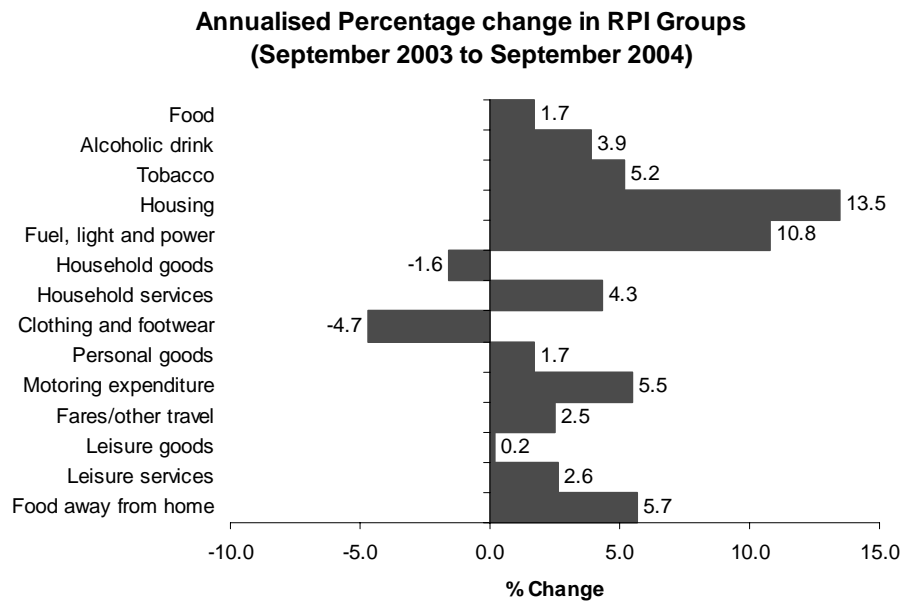
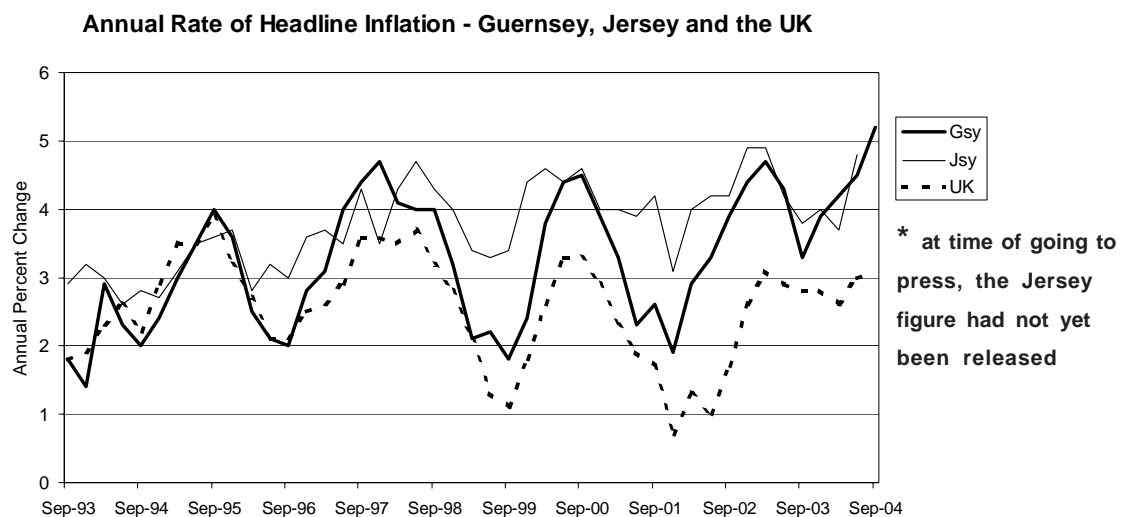


Figure 3



# GUERNSEY RETAIL PRICES INDEX - SEPTEMBER 2004

## 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			1.1	0.8	

## 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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