

GUERNSEY RETAIL PRICES INDEX

4.4% annual change as at 31 December 2002

At the end of December, Guernsey's annual rate of inflation, as measured by changes in the Index of Retail Prices, was 4.4% compared with 3.9% at the end of the previous quarter.

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The Index Figures at the end of December 2002 were:

110.5 (Dec 99=100)
131.2 (Mar 1994 =100)
177.2 (Dec 1988 =100)
236.8 (Dec 1983 =100)
376.0 (Dec 1978 =100)

Period	%	Period	%
3 Months	0.4	2 Years	6.4
6 Months	1.8	3 Years	10.5
9 Months	2.8	4 Years	13.2
12 Months	4.4	5 Years	16.8

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

The main contributors to inflation during the last year were increases in the Housing, Leisure Services and Motoring groups. Leisure Goods and Household Goods dropped over the last twelve months and the Fuel, Light and Power, Food and Alcohol groups increased slightly.

The Housing Group has again had the largest effect on the annual change; 1.8% out of the 4.4%; Leisure Services contribution was 0.8% and Motoring was 0.5% out of 4.4%.

In the Housing group, there were increases in the costs of building work and other major house improvements. Holidays and fees for private tuition contributed to the increase in the Leisure Services group with smaller increases in satellite subscriptions and miscellaneous entertainment. Motoring expenditure has increased as a result of an increase in the cost of motor insurance and an increase in the price of petrol compared with December 2001, outweighing the slight drop in the price of motor cars.

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 holidays and satellite fees, major house improvements and building work as well as an increase in the cost of fares off island. In the Food group, increases were observed in the price of fresh fruit and chicken.

Annual % Changes for each quarter

	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

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PERCENTAGE CHANGES IN GROUP INFLATION AND THEIR CONTRIBUTION TO OVERALL INFLATION

GUERNSEY INFLATION RATE (+4.4%)

	Weight	Quarterly %Change	Annual %Change	% Contribution
Food	127	0.5	1.6	0.2
Alcoholic Drink	52	-1.8	2.8	0.2
Tobacco	19	0.0	9.3	0.2
Housing	216	1.3	8.1	1.8
Fuel, Light and Power	41	0.6	5.5	0.2
Household Goods	79	-0.5	-0.1	0.0
Household Services	33	-0.5	3.1	0.1
Clothing & Footwear	56	0.1	2.6	0.2
Personal Goods	49	-2.4	1.3	0.1
Motoring Expenditure	85	0.4	5.2	0.5
Fares/Other Travel	33	1.3	2.3	0.1
Leisure Goods	63	0.2	-0.9	-0.1
Leisure Services	92	1.4	8.1	0.8
Food Away from Home	55	0.1	2.6	0.1
Overall	1000			
All Items				4.4

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)

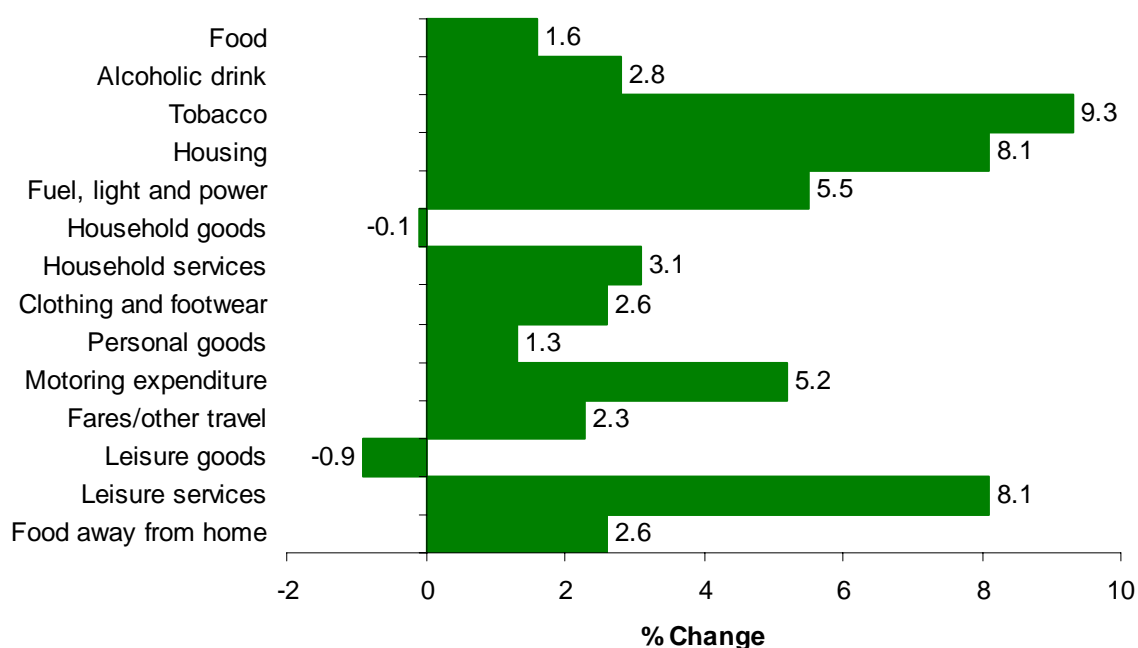
The RPI is a measure of inflation in Guernsey. It can be defined as "an average measure of change in the prices of goods and services bought for the purpose of consumption by the vast majority of households" (RPI Technical Manual, Office for National Statistics, 1998).

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.

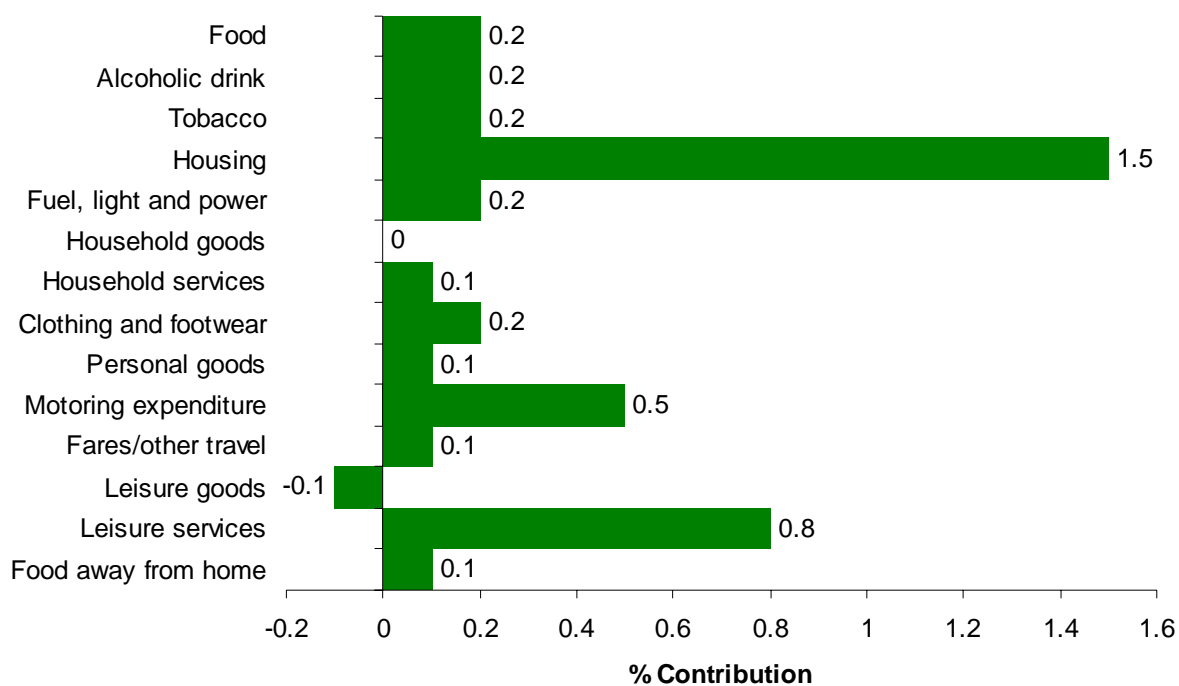
No two households spend their money in exactly the same way and this basket of goods is compiled using spending pattern data from the Household Expenditure Survey. This is carried out every five years, hence the RPI index base is reset to 100 e.g. Dec 1999 = 100, Mar 1994 = 100 etc. The RPI while not 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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RPI main contributions to the percentage change in all items over 12 months



Percentage Contributions



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RPI comparison with Jersey and the UK

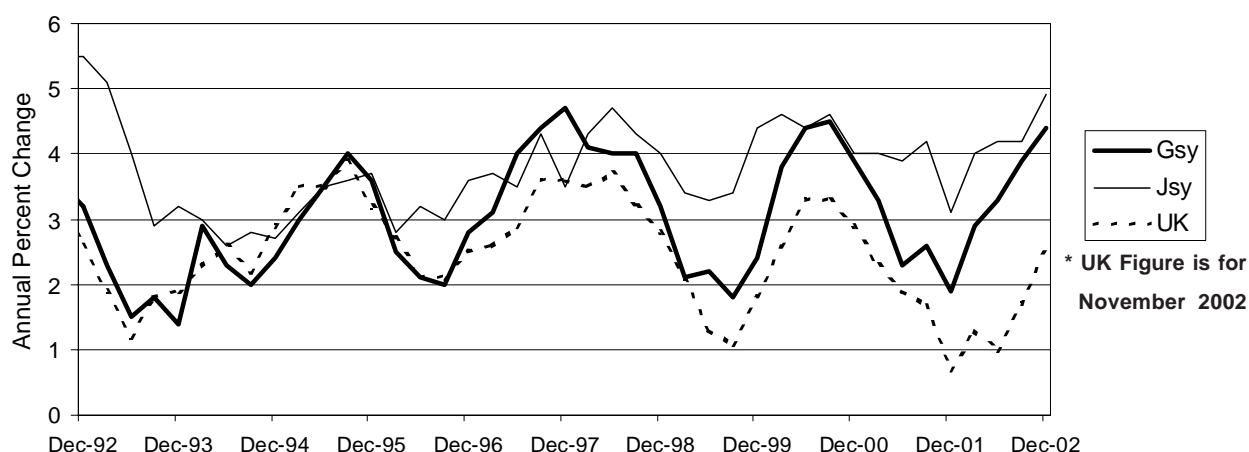
Guernsey and Jersey tend to run at a higher rate than the UK, see chart below. The chart shows that inflation in Guernsey follows the general trends of the UK inflation rate, albeit at a higher level.

At the time of publication, the UK December RPI figures were not available.

The major contributors to the Guernsey RPI increase - Housing, Leisure Services and Motoring are also reflected in the increases in the Jersey RPI who also reported price rises in these groups.

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

Annual Rate of Inflation - Guernsey, Jersey and the UK



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