

# Guernsey Quarterly Inflation Forecast

Quarter 3 2020

Issue date 18 August 2020

The Inflation Forecast Bulletin provides 12 month forecasts for the primary inflation measures used in Guernsey: RPIX and RPI.



States of  
Guernsey

## 1.1 Introduction

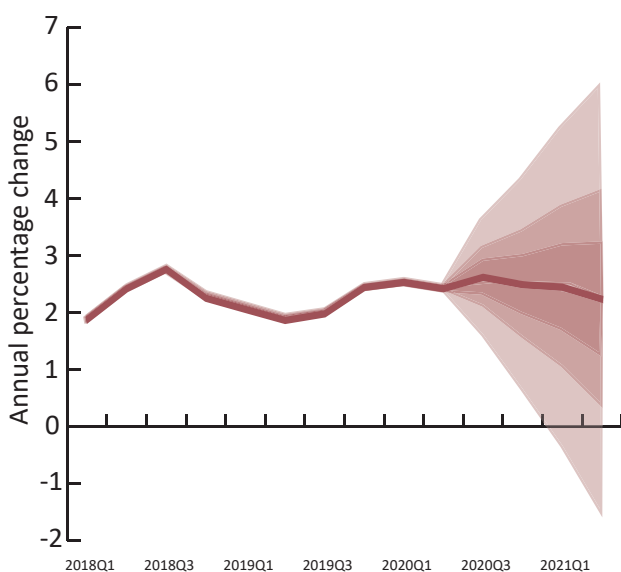
The Inflation Forecast Bulletin provides 12 month forecasts for the primary inflation measures used in Guernsey: RPIX and RPI. Forecasts are based on historical trends, expectations of inflation in the UK, and forecast movements in the price of key commodities. Forecasts are revised and published on a quarterly basis in the month following the publication of the Guernsey Inflation Bulletin.

*NB - Forecasts are presented with statistical confidence (or error) bands (the shaded area). These represent the range of possible outcomes with a 30%, 60% and 90% statistical certainty.*

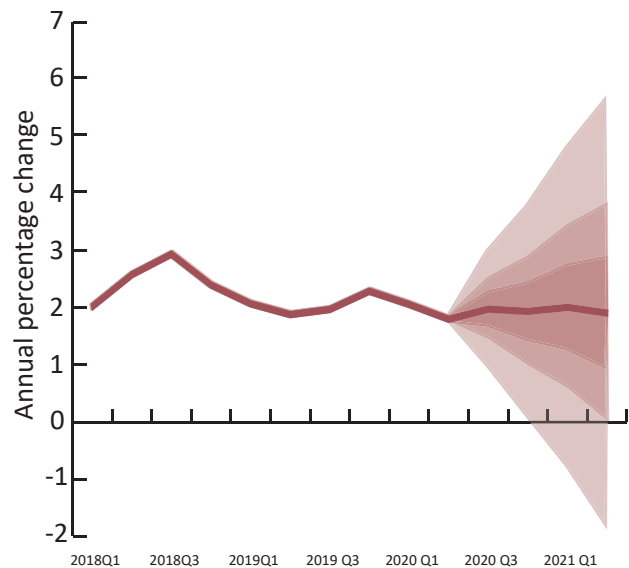
## 1.2 Forecasts

- The annual change in RPIX was 2.4% in June 2020 compared to 2.5% in March 2020.
- To date the disruption as a result of COVID-19 has had a limited overall impact on inflation measures in Guernsey which remain stable. Downward pressures from the fall in oil prices and economic stress have been balanced by modest upward pressure in other areas.
- The current expectation is that the annual change RPIX will stay at around its current level, before falling slightly in the first half of 2021.
- In the current environment the forecasts presented are subject to a significant degree of uncertainty. Interest rates are assumed to remain low over the forecast horizon. Upward pressure may arise if oil prices show further recovery as and when international travel resumes in significant volumes and the lifting of restrictions allows global production to return closer to normal level. Downside risks include a slower than anticipated fall in unemployment or a fall in earnings.

**Figure 1.1: Forecast Guernsey RPIX**



**Figure 1.2: Forecast Guernsey RPI**



## 1.3 Forecast assessment

**Table 1.1** below presents an overview of the performance of the RPIX forecasts against actual data three, six, nine and twelve months ahead of publication. For example, T+3 months presents a summary of how accurate the forecasts are one quarter before publication of the actual data, detailing how many of the actual observations fall within 30%, 60% and 90% confidence intervals of the forecasts represented by the coloured bands in **Figure 1.1**.

**Table 1.1: Summary of RPIX forecast performance**

	t +3 months	t +6 months	t +9 months	t +12 months
<b>Total number of observations</b>	20	19	18	17
<b>Within 30% confidence interval</b>	50%	47%	67%	71%
<b>Within 60% confidence interval</b>	65%	74%	83%	82%
<b>Within 90% confidence interval</b>	95%	89%	89%	88%
<b>Outside 90% confidence interval</b>	5%	11%	11%	12%

## 1.4 Contact Details

For more information on this and other publications issued by the States of Guernsey Strategy and Policy Unit, please contact:

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Routine statistical publications, including quarterly publication of inflation statistics, are issued by the States of Guernsey Data and Analysis Services. These publications are available online at [www.gov.gg/data](http://www.gov.gg/data).