

Guernsey Quarterly Inflation Bulletin

Quarter 3 2020

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The Guernsey Inflation Bulletin presents the Guernsey RPI and RPIX measures of inflation, based on price changes of items within a “shopping basket” of goods.



States of Guernsey
Data and Analysis

1.1 Introduction

The Guernsey RPIX and RPI are measures of inflation. 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 Data and Analysis. The calculations 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.

This Bulletin presents Guernsey inflation figures calculated using the updated shopping basket and weights, which resulted from the 2012-13 Household Expenditure Survey. The survey was repeated in 2018/19 and the basket and weights will be updated in 2021. See www.gov.gg/hes for more information on the survey.

1.2 Impact of COVID-19

The prices used to calculate the inflation figures are collected as close to the end of each quarter as possible in order to give a snapshot at that point in time. Measures to slow the spread of the coronavirus in Guernsey impacted on which goods and services were available at the end of the first, second and third quarters of 2020. Guidance issued by the UK Office for National Statistics and Eurostat was followed in order to ensure that the inflation indices for Guernsey continue to be calculated in line with best practice. A summary of the methodology can be found in [Section 6.1](#) on [Page 11](#). Details of the areas of the index that have been impacted the most are included on [pages 7 and 8](#).

1.3 Headlines

- Guernsey's annual inflation as measured by the RPIX ('core' inflation excluding mortgage interest payments) was 2.0% in September 2020. This is 0.4 percentage points lower than in the previous quarter and the same as in September 2019.
- The equivalent RPIX figure for September 2020 for the UK was 1.4% and for Jersey, 1.3%.
- The Leisure services group contributed 0.8 percentage points and the Housing costs group contributed 0.5 points to the annual change in the RPIX for the year ending in September 2020.
- The 'all items' RPI annual inflation was 1.4% in September 2020, 0.4 percentage points lower than the previous quarter and 0.6 points lower than in September 2019.
- The equivalent RPI figure for September 2020 for the UK was 1.1% and for Jersey, 0.9%.

2.1 RPIX and RPI overview

Figure 2.1.1 Annual percentage change in RPIX

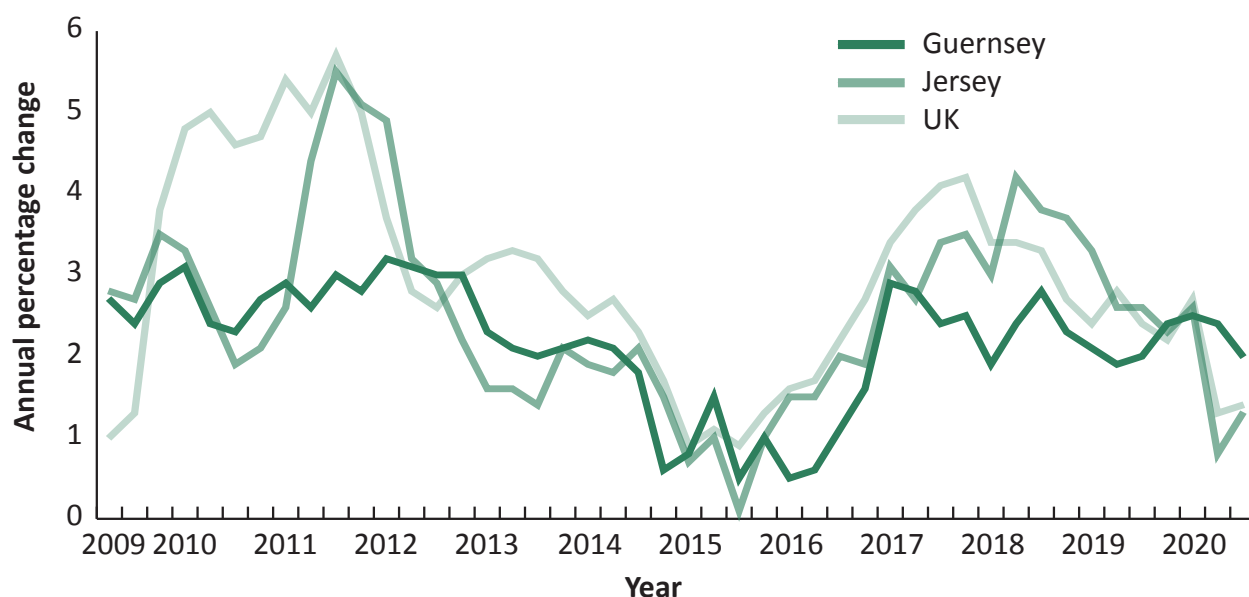


Table 2.1.1 RPIX overview

		Annual % change	Quarterly % change	Index (2008 base)
2017	Dec	2.5	0.1	121.2
2018	Mar	1.9	1.5	122.9
	Jun	2.4	1.3	124.5
	Sep	2.8	-0.2	124.3
	Dec	2.3	-0.3	123.9
2019	Mar	2.1	1.3	125.5
	Jun	1.9	1.1	126.9
	Sep	2.0	-0.1	126.8
	Dec	2.4	0.1	126.9
2020	Mar	2.5	1.4	128.7
	Jun	2.4	1.0	129.9
	Sep	2.0	-0.4	129.4

The annual change in the RPIX was 2.0% at the end of September 2020, 0.4 percentage points lower than in the previous quarter and the same as in September 2019 (see [Table 2.1.1](#) and [Figure 2.1.1](#)).

The quarterly change in the RPIX was -0.4% during the three month period ending September 2020, 1.6 percentage points lower than the previous quarter and 0.3 percentage points lower than September 2019. Quarterly changes in the RPIX are subject to seasonal variations in price levels, with quarter one changes usually the highest.

The annual change in the UK RPIX was 1.4% at the end of September 2020 and for Jersey, 1.3%.

2.1 RPIX and RPI overview

Figure 2.1.2 Annual percentage change in RPI



Table 2.1.2 RPI overview

		Annual % change	Quarterly % change	Index (2008 base)
2017	Dec	2.4	0.2	118.1
2018	Mar	2.0	1.6	120.0
	Jun	2.6	1.2	121.4
	Sep	2.9	-0.1	121.3
	Dec	2.4	-0.3	121.0
2019	Mar	2.1	1.2	122.4
	Jun	1.9	1.0	123.7
	Sep	2.0	0.0	123.7
	Dec	2.3	0.0	123.7
2020	Mar	2.1	1.0	125.0
	Jun	1.8	0.8	125.9
	Sep	1.4	-0.4	125.4

The annual change in the RPI was 1.4% in September 2020, which was 0.4 percentage points lower than the previous quarter and 0.6 points lower than in September 2019 (see [Figure 2.1.2](#) and [Table 2.1.2](#)).

The annual change in the UK RPI was 1.1% at the end of September 2020 and for Jersey, 0.9%.

The quarterly change in the RPI for the quarter ending in September 2020 was -0.4%, which is 1.2 percentage points lower than the previous quarter and 0.4 percentage points lower than the quarter ending September 2019. As for the RPIX, quarterly changes in the RPI are subject to seasonal variation; however, the RPI can be dominated by trends in mortgage interest payments.

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. 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 the RPIX. However, due to differences in the weightings the contribution made by each group to the RPI and RPIX can differ.

In the year ending September 2020, eleven of the RPIX groups saw an increase and three saw a decrease (ten and four respectively for RPI). The Leisure services group saw the largest annual increase at 6.4%, contributing 0.8% to the overall RPIX and RPI changes. The Fuel & light group showed the largest decrease at -4.0%, contributing -0.2 percentage points each to the overall changes.

Figure 3.1.1 Annual percentage change

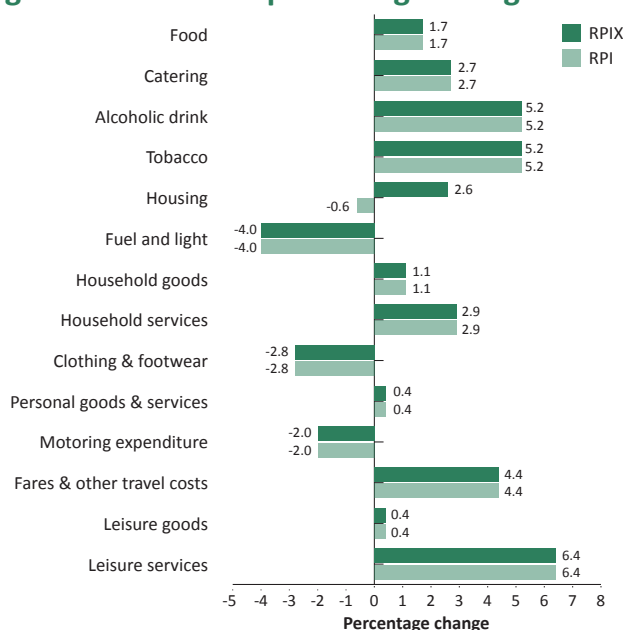
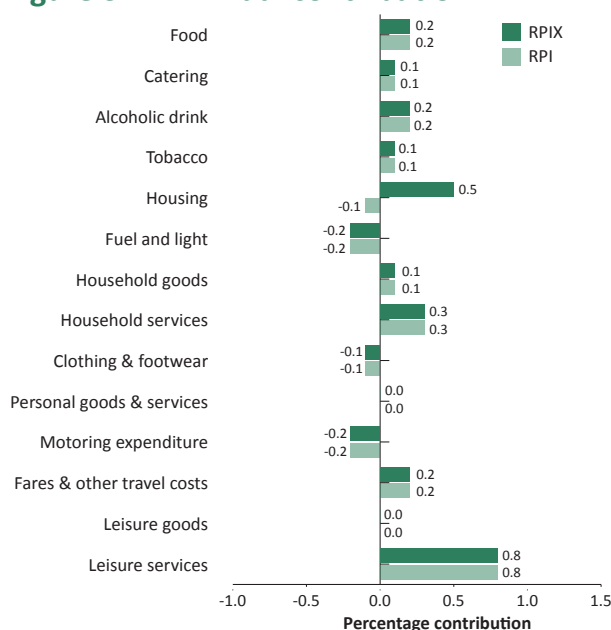


Figure 3.1.2 Annual contribution



NB: Due to the effects of rounding, any values of less than 0.05 will appear as 0.0

Table 3.1.1 Group weighting

	Items included	RPIX	RPI
Food	Food and non-alcoholic drink bought for home consumption.	12%	11%
Catering	Food purchased in restaurants, at work, from takeaways, etc.	4%	4%
Alcoholic drink	Wine, beer, spirits and other alcoholic drinks.	4%	4%
Tobacco	Cigarettes, cigars and other tobacco products.	1%	1%
Housing	Interest paid on mortgages (for RPI only), rents, parish rates and routine household maintenance and servicing costs.	18%	22%
Fuel & light	Goods and services for the provision of light, heat and power in the home e.g. gas, oil and electricity.	5%	5%
Household goods	Non-food items for the household including house and garden furniture, carpets, curtains and bedding.	7%	6%
Household services	Services enlisted for the household such as contents insurance, domestic appliances, postal and telecoms.	11%	10%
Clothing & footwear	Adults' and children's clothing and footwear.	3%	3%
Personal goods & services	Goods and services for personal use such as jewellery, cosmetics and toiletries plus medical expenses.	8%	7%
Motoring expenditure	Vehicle purchase, running and maintenance costs, including motor fuel.	8%	8%
Fares & other travel costs	Air and sea passenger fares and other travel related costs.	5%	5%
Leisure goods	Goods for sports, hobbies and entertainment including electronic goods, sporting and gardening equipment.	4%	4%
Leisure services	Services purchased for leisure activities including foreign holidays, cinema tickets and sporting activities.	11%	10%

3.2 Group analysis - quarterly

Figure 3.2.1 Quarterly percentage change

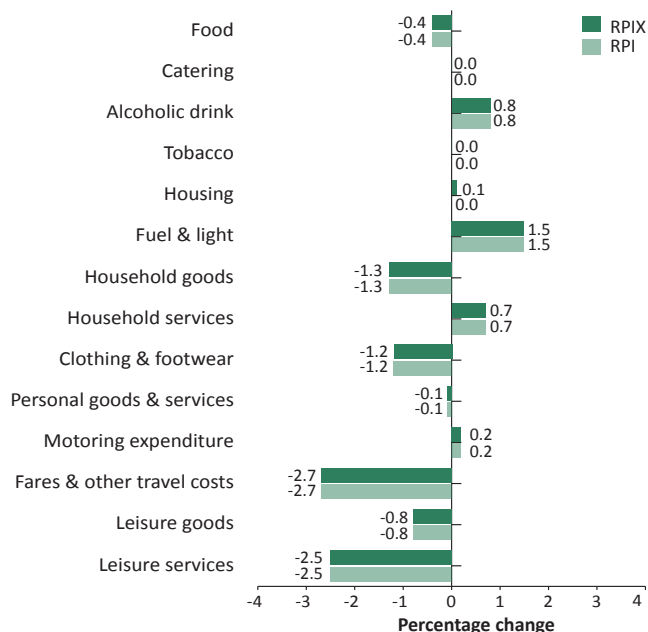
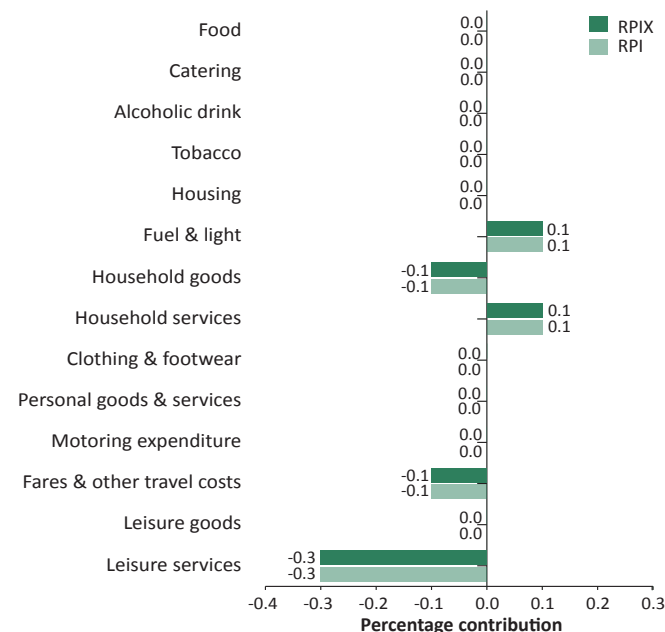


Figure 3.2.2 Quarterly contribution



NB: Due to the effects of rounding, any values of less than 0.05 will appear as 0.0

Five of the fourteen RPIX (four of the RPI) groups saw an average price increase in the three months ending in September 2020 (**Figure 3.2.1**), whilst seven showed a decrease and two (RPIX) / three (RPI) remained unchanged.

The largest percentage increase (1.5%) came from the Fuel and light group, making a contribution of 0.1 percentage points to the quarterly change in RPIX and RPI (**Figure 3.2.2**).

The largest quarterly decrease was in the Fares and other travel costs group (-2.7%), contributing -0.1 percentage points to the overall quarterly changes. The decrease in the Leisure services group (-2.5%) contributed most (-0.3) to the overall changes.

Further details of the changes by group over the quarter can be found on [pages 7 and 8](#).

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 in brackets are the quarterly changes for each group.

Food (-0.4%)

The majority of items in this group were collected as normal, so the impact of Covid-19 was minimal. This quarter saw changes in many seasonal products such as fruit and vegetables.

Catering (0.0%)

The majority of eating establishments had re-opened by the second quarter of 2020, so the prices were collected as normal in both the second and third quarters. This quarter saw very few changes.

Alcoholic drink (0.8%)

The majority of drinking establishments had also re-opened by the second quarter of 2020, so the prices were collected as normal in both the second and third quarters. This quarter saw increases in the prices of bottled cider and some wines.

Tobacco (0.0%)

There were no significant changes in the prices of any cigar or cigarette items this quarter.

Housing (0.1% RPIX, 0.0% RPI)

The majority of items in this group were available and prices could be collected as normal throughout the year so far. This quarter saw small increases in the prices of some DIY goods and fees charged by some tradespeople. The difference in the RPI and RPIX categories can be attributed to mortgage interest payments, which decreased slightly this quarter.

Fuel and light (1.5%)

Throughout the year the vast majority of items in this group were available and prices could be collected. The price of electricity went up this quarter and the price of kerosene reduced slightly.

Household goods (-1.3%)

The majority of shops selling these items had re-opened by the second quarter of 2020 so most prices were able to be collected as normal for the last two quarters. There were increases in the prices of curtains and towels, with reductions in bedroom furniture, ink cartridges and tableware.

Household services (0.7%)

The prices of many services were able to be collected as normal throughout the year so far. This quarter there were increases in the costs of dry cleaning and private school fees.

3.2 Group analysis - quarterly (continued)

Clothing and footwear (-1.2%)

The majority of shops selling these items had re-opened by the second quarter of 2020 so most prices were able to be collected as normal for the last two quarters. Whilst there were some increases in the prices of jeans and jackets there were reductions in the cost of several other items, including jumpers, shirts and nightwear.

Personal goods and services (-0.1%)

The prices of most goods and services in this group were collected as normal throughout the year so far. This quarter there were small increases in the prices of flower delivery and some toiletries, whilst reductions were seen in the prices of other items including tissues, umbrellas and vases.

Motoring expenditure (0.2%)

Most prices were collected as normal throughout the year. Petrol and diesel prices were lower this quarter. There were small increases in the cost of vehicle servicing and insurance.

Fares and other travel (-2.7%)

Travel has been severely restricted with many services not available for several months. In order to keep the inflation rates in line with what would be expected at this time of year, and in order to prevent major discrepancies later in the year, prices for the first two quarters of the year were imputed using historic average price changes in this group over the same periods for the previous five years. Some prices have also been imputed for this quarter but several travel services have resumed and prices have been collected for those.

Leisure goods (-0.8%)

The prices of the majority of goods in this group were able to be collected as normal. This quarter there were reductions in the prices of barbecues and computers, with increases in newspaper prices and PC peripherals.

Leisure services (-2.5%)

The biggest contributor to this quarter's decrease was accommodation costs in the Channel Islands and the UK. These price changes had been imputed in the same way as the Fares and other travel prices for the first two quarters of the year but many are now available and prices have been collected for this quarter.

4.1 Cumulative changes, reflation factors and indices

Table 4.1.1 RPIX cumulative changes and reflation factors to 30th September 2020

	Cumulative % change	Reflation factor
3 months	-0.4	1.00
6 months	0.5	1.01
9 months	1.9	1.02
12 months	2.0	1.02
15 months	2.0	1.02
18 months	3.1	1.03
2 years	4.1	1.04
3 years	6.9	1.07
4 years	9.5	1.09
5 years	10.7	1.11
10 years	22.6	1.23

Table 4.1.2 RPI cumulative changes and reflation factors to 30th September 2020

	Cumulative % change	Reflation factor
3 months	-0.4	1.00
6 months	0.3	1.00
9 months	1.3	1.01
12 months	1.4	1.01
15 months	1.4	1.01
18 months	2.4	1.02
2 years	3.4	1.03
3 years	6.4	1.06
4 years	8.6	1.09
5 years	9.5	1.10
10 years	23.7	1.24

Table 4.1.3 RPIX and RPI index figures at 30th September 2020

Year of base	RPIX index	RPI index
1949	-	3872.9
1965	-	2262.2
1974	-	1247.7
1978	-	603.8
1983	-	380.3
1988	-	284.6
1994	-	210.6
1998	180.3	181.8
2008	129.4	125.4
2014	111.2	110.3

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 the RPI between any two quarters from 1949 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 September 2010 is equivalent to £100 x 1.23 = £123 in September 2020.

Reflation factors can also be used in the opposite way. To calculate what £100 in 2020 would have been worth in 2010 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). **Table 4.1.3** shows the index value for the current quarter for each year of base, including the new index, revised to 100 in 2014. Full time series of index figures for each base are available on our website (www.gov.gg/rpi).

5.1 UK and Jersey inflation rates

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

		Guernsey	UK	Jersey
2015	Dec	1.0	1.3	1.0
2016	Mar	0.5	1.6	1.5
	Jun	0.6	1.7	1.5
	Sep	1.1	2.2	2.0
	Dec	1.6	2.7	1.9
2017	Mar	2.9	3.4	3.1
	Jun	2.8	3.8	2.7
	Sep	2.4	4.1	3.4
	Dec	2.5	4.2	3.5
2018	Mar	1.9	3.4	3.0
	Jun	2.4	3.4	4.2
	Sep	2.8	3.3	3.8
	Dec	2.3	2.7	3.7
2019	Mar	2.1	2.4	3.3
	Jun	1.9	2.8	2.6
	Sep	2.0	2.4	2.6
	Dec	2.4	2.2	2.3
2020	Mar	2.5	2.7	2.6
	Jun	2.4	1.3	0.8
	Sep	2.0	1.4	1.3

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

		Guernsey	UK	Jersey
2015	Dec	1.1	1.2	0.9
2016	Mar	0.5	1.6	1.4
	Jun	0.4	1.6	1.5
	Sep	0.9	2.0	2.0
	Dec	1.2	2.5	1.9
2017	Mar	2.4	3.1	2.9
	Jun	2.3	3.5	2.5
	Sep	2.0	3.9	3.1
	Dec	2.4	4.1	3.6
2018	Mar	2.0	3.3	3.2
	Jun	2.6	3.4	4.5
	Sep	2.9	3.3	4.3
	Dec	2.4	2.7	3.9
2019	Mar	2.1	2.4	3.6
	Jun	1.9	2.9	2.8
	Sep	2.0	2.4	2.7
	Dec	2.3	2.2	2.5
2020	Mar	2.1	2.6	2.7
	Jun	1.8	1.1	0.5
	Sep	1.4	1.1	0.9

Table 5.1.1 and **Table 5.1.2** show the comparable RPIX and RPI inflation rates reported by the UK Office for 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 follows 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 inflation in the UK but had little impact in Guernsey and Jersey.

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

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 1,700 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 indices contain a representation of what 'typical' consumers in a Guernsey household spend their money on. They 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. The results of the latest review were first incorporated in the March 2014 inflation results. The Guide to the Guernsey Inflation Indices, which is available online at www.gov.gg/rpi, provides more detail on the recent changes along with information regarding the methodology, calculation and uses of the inflation indices.

The main source of information for the periodic review is the Household Expenditure Survey. The results of the 2012-13 survey are available from www.gov.gg/household. The most recent survey ran from May 2018 to May 2019 and the results from this survey will be used to review the basket and weights used in the calculation at an appropriate point in time (see next page).

Note on the impact of COVID-19 on the inflation indices

The prices used to calculate the inflation rates are collected as close to the end of each quarter as possible in order to give a snapshot at that point in time. When social distancing measures were brought in March, many of the prices had not yet been collected. As many as possible were gathered by phone or email instead of shop visits. However, with many retail and hospitality establishments either being closed or exceptionally busy during this period, fewer prices than normal could be collected. Advice was sought from the UK Office for National Statistics, who shared the guidance provided by Eurostat on how to maintain the indices in these circumstances. The guidance covered two areas:

1. Goods and services that were still available to purchase, such as grocery items, medicines etc, but for which prices could not be collected. In this event, the missing prices were assumed to have changed in the same way that other, similar prices had changed, e.g. if prices could not be collected from a particular shop, the prices of items from that shop were assumed to have changed by the same proportion as prices of those same items from other shops.
2. Goods and services that were not available, such as flights, hairdressing services etc, even if prices could still be collected from websites etc. The prices were assumed to have either:
 - i. remained the same as for the previous quarter (for prices not affected by seasonal variations), or
 - ii. changed in the same way they would have changed at the same time in previous years (for prices susceptible to seasonal variations)

It is normal for assumptions or imputations, such as these, to be made and included in the calculation

of the indices, when a particular item is out of stock for example. However, it is not normal for these to be applied so widely. The analysis by group on [pages 7 and 8](#) gives further details of areas more significantly impacted by these. The majority of prices were collected as normal in September 2020.

It should be borne in mind between one quarter and the next, the indices are intended to reflect the change in price of a like-for-like basket of items. The current basket and weights, which are based on the spending profile of households, as gathered via the 2012-2013 Household Expenditure Survey, will be kept as constant as possible during this time (as per the advice issued by Eurostat). As such, the basket and weights were not updated in June (to reflect the results of the 2018-2019 Household Expenditure Survey) as previously planned. By taking this approach, it will ensure that the changes in the indices relate only to changes in prices and not changes in the basket itself or the weights applied. This will give a clearer picture of the impacts on retail prices of the coronavirus pandemic.

Further down the line, an assessment will need to be undertaken regarding what permanent impacts the pandemic has had on the spending patterns of Guernsey households and when and how the basket and weights should be updated to reflect this.

6.2 Contact details

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

The next inflation bulletin (for December 2020) will be published at 9:30am on Friday 22nd January 2021.

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