

Guernsey Quarterly Inflation Forecast

Quarter 4 2021

Issue date 26 October 2021

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 3.3% in September 2021 compared to 2.3% in June 2021 placing it slightly higher than the central forecast.
- Issues with global and national supply chains and the new customs arrangements with the EU continue to place upward pressure on inflation. Supply chain disruption is assumed to persist through the fourth quarter and to continue placing upward pressure on inflation.
- Higher energy prices are also expected to exert upward pressure on inflation.
- Current central forecasts show RPIX reaching a peak towards the end of the year at around 4% before falling.
- Higher levels of inflation may persist into 2022 if supply issues intensify or persist longer than currently assumed.

Figure 1.1: Forecast Guernsey RPIX

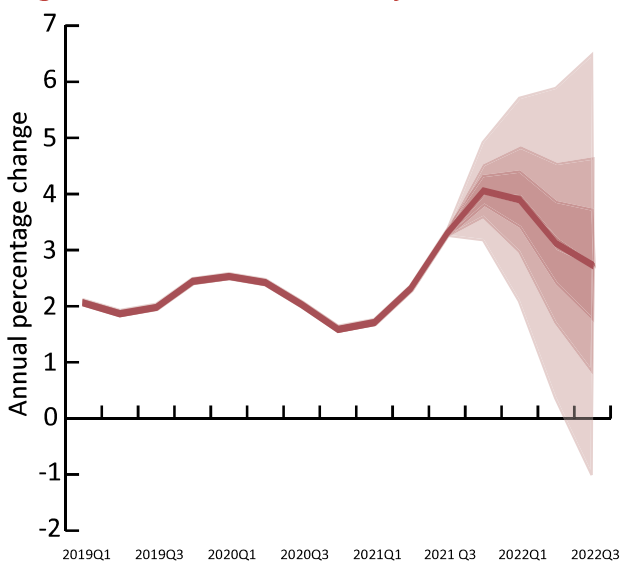
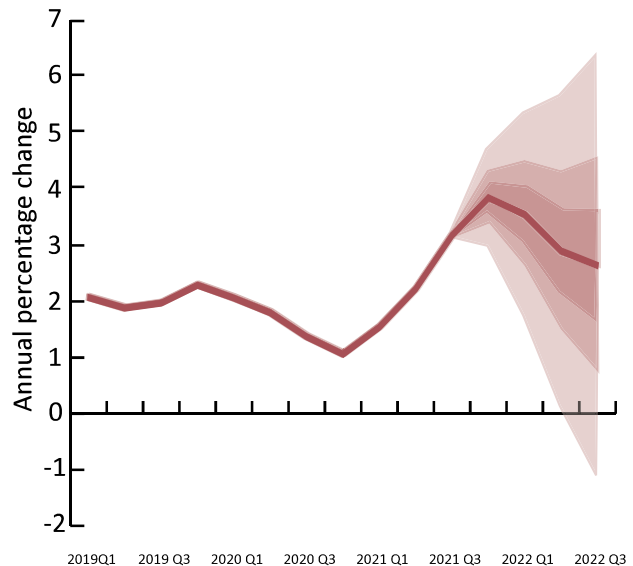


Figure 1.2: Forecast Guernsey RPI



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 |
|--|-------------|-------------|-------------|--------------|
| Total number of observations | 24 | 23 | 23 | 22 |
| Within 30% confidence interval | 42% | 48% | 61% | 73% |
| Within 60% confidence interval | 67% | 74% | 83% | 86% |
| Within 90% confidence interval | 96% | 91% | 91% | 91% |
| Outside 90% confidence interval | 4% | 9% | 9% | 9% |

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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