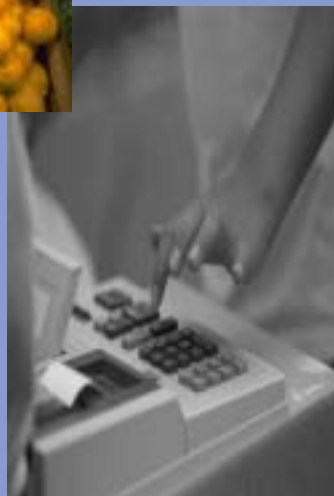
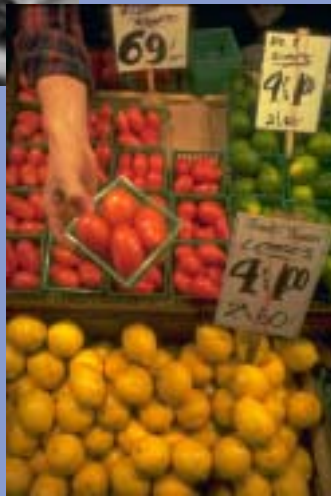


Household Spending



A Report on the 1998/99
Household Expenditure Survey



STATES OF GUERNSEY
ADVISORY
& FINANCE
COMMITTEE

Economics & Statistics Unit

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Section 1: The Household Expenditure Survey

Introduction

The 1998/99 Household Expenditure Survey (HES) was primarily designed to monitor household spending patterns and to derive a set of weights for the Retail Price Index (RPI), it also provides key information of private household income and savings patterns.

The annual percentage change in the RPI is often referred to as inflation, but it should be noted that there are several co existing measures of inflation: RPI or headline rate, RPI X or underlying (excludes mortgage interest), core rate (excludes oil, commodity prices as well as housing) the new harmonised index for EU countries (excludes housing, health and education, see page 5). This HES also provides the weights for any of the alternative indices.

Executive Summary

The 1998/99 HES suffered from an unexpectedly poor response rate which subsequent efforts made good. A small bias existed toward young families employed in financial and business services, buying their property with a mortgage, but this was well inside acceptable error margins.

The data was coded according to the new EU Classification of Individual Consumption by Purpose (COICOP) and converted back to the categories of the current Family Expenditure Survey (FES). Ten anomalous households were removed from the initial sample to give a final sample of 643 private households (a 2.9% sample). Adjustments were made to mortgage interest payments to reflect tax relief and Customs & Excise figures were used to adjust the under reporting of spend on alcohol and tobacco (as in the UK).

The average expenditure of Guernsey households in 1999 was estimated at:

£514 per week
£26,720 per year

The total spend by private households in the island was:

£11.2M per week
£584M per year

The £584M of consumer spending on items in the Retail price Index by those in private households is 55% of Gross Domestic Product (£1064M), so leaving 43% (allowing for consumer spend of £22M on non RPI goods) for communal household, States and business capital spending.

The pattern of spending showed the continued historical increases in the spend on housing and leisure and proportionate decrease on food to be consumed at home. The amount spent on fuel, light & power reflected the low cost during the survey (crude oil being as low as \$10 a barrel compared to the normal of between \$20 and \$30) rather than a change in demand for energy. Further comparisons are invidious in that a low priced item of equal quality may have replaced a previous item and all items are subject to changing tastes.

Of increasing concern within the housing group is the increasing proportionate importance of the repairs/maintenance subgroup. It would appear that many households are spending considerable sums doing up and even extending their existing properties. This accounts for 11% of household spending and nearly 50% of spending on housing.

The greatest influence on household expenditure is income and this is why this HES placed emphasis on obtaining household income levels. Employment (66%), pensions (11%) and self employment (8%) were the main sources of income. Unlike the UK, benefits contributed little to household income.

The average household income was £35,000 (total spend £27,000). 10% of households were on a noticeably high income. The income distribution shows the usual skewed distributions with a long tail towards higher income.

Household income can be spent as follows:

- (i) Items that are part of the Retail Price Index.
- (ii) Items that are **not** part of the Retail Price Index.
- (iii) Savings as reported.
- (iv) Pensions, funds, insurances, etc.
- (v) Income taxes and Social Security contributions.
- (vi) Payments on loans and other borrowing.
- (vii) The remainder on unidentified current and capital spending or unidentified further savings.

Saving is a low percentage of income for the bottom decile (3%), but is about 7% for the next five deciles. Only with the top three deciles does saving rise with income. Some of this saving could take the form of capital investment.

Spending across all fourteen categories of expenditure rose with income, though the rich spent proportionately less on food, tobacco and fuel, light & power but proportionately more on housing, leisure services, alcohol and fares and other travel.

Methodology

In order for the 1998/99 HES to be representative, it was necessary to survey over 650 private households in Guernsey, a team of four enumerators, supported by Economics & Statistics Unit acting as field officers, conducted the survey. The survey is conducted over a twelve month period in order to remove any seasonal variations in household expenditure patterns. The whole survey was completed under budget although the survey duration needed to be extended in order to obtain a good sample. The reasons for this extension are detailed elsewhere in this report

Sampling

As in the 1992/93 HES, the sampling for the 1998/99 HES was based on a random sample of household addresses taken from the Census database. This again worked well and enabled additional addresses to be added (when necessary) to the original sample. During the course of the survey, over 2,000 households were invited to take part.

To check that the HES provided a representative sample, it was compared to demographics from the 1996 Census (see appendix 2). This revealed that the HES sample contained a small (but well within acceptable tolerances) bias towards young families with a mortgage employed in financial and other business services.

Response

The response rate of householders for the 1998/99 HES was well below expected levels, with a great reluctance to take part in the survey even with a larger cash incentive than the 1992/93 HES. Once the households at which no contact could be made were removed, the 653 co-operating households gave a response rate of about 37%. This compares to the response rate for the UK of 54%. Response rates for both surveys were well down on the 1992/93 HES.

During the Guernsey 1992/93 HES, the response rate was 72% with a sample size of 682. With a better response rate the 1998/99 HES could easily have had a sample in excess of 700 households. Householders mainly refused to take part in the survey as they felt that it was too much effort, particularly keeping the diary record for a two week period. The refusal rate was highest from two distinct socio-economic groups; young individuals residing in rented accommodation and elderly people. This is a similar picture to that found in the 1998/99 Jersey HES.

Enumerator Feedback

From the feedback of the enumerators, it would appear that the elderly are deterred by the complexity of the forms; there was also a high level of intervention by concerned relatives, who felt that the HES would be beyond the person being invited to take part.

The biggest issue with young persons in rented accommodation was the relatively low payment for completing the HES. A single person household completing the HES involved almost as much effort as for a couple or family.

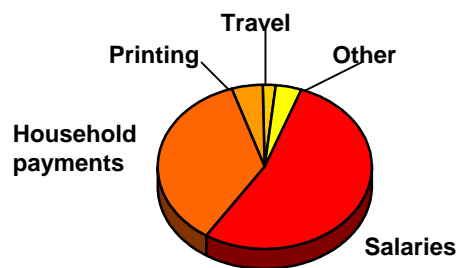
There seemed to be few concerns over completing the Income schedule or on confidentiality issues.

Survey Costs

The survey costs for the 1998/99 HES were as follows:

Table 1: Costs

	Budget	Costs
Enumerator salaries	£ 33,600	£ 33,690
Household payments	£ 22,500	£ 16,215
Printing	£ 3,000	£ 2,950
Travel	£ 1,100	£ 750
Other	£ 2,500	£ 380
Total	<u>£ 62,700</u>	<u>£ 53,985</u>



As can be seen from the table above, the 1998/99 HES was well within budget and in real terms, cost less than the 1992/93 HES. The slight overspend on enumerator salaries is a reflection on the low response rate and the extra work needed to get a balanced sample. The household payments were based on a per person basis, while for budgeting purposes it had to be assumed that there might be more persons per household than actually took part.

The method of paying enumerators by a system of lower weekly amounts and more performance related bonuses proved to be the best practice for achieving a cost effective survey. Because the response was low, a fixed weekly wage would have led to a final sample that was too small and the survey would have had to continue for longer until the required sample size was reached.

The system of moving the enumerators from one location to another in a logical pattern helped to keep the mileage costs down.

Coding & Data Entry

The data entry was partially automated using SPSS Data Entry. This was a new piece of software and the "bugs" contained in early releases led to some problems. This was overcome with patches released by SPSS but it did lead to some corrupted data files and consequent time delays. The data entry files designed by the ESU were also used by the Policy & Resources Department in Jersey, in order to facilitate cross-Island working.

From 1998, a new system of coding the HES was introduced called the "Classification of Individual Consumption by Purpose" or COICOP. This was introduced so that EU member states could produce a price index that was comparable with other member countries. There has been a shift towards this system of coding by EU countries and the UK is currently producing a COICOP Index to run simultaneously with the existing RPI. The current UK and Guernsey RPI are based on a system of coding called Family Expenditure Survey (FES) and whilst Guernsey is to continue using the FES coding system, the latest HES was also coded using the COICOP system. This will enable a Guernsey COICOP index to be produced if needed in the future.

The COICOP system of coding is far more detailed than the current FES system and so the 1998/99 data was entered in COICOP format and then converted to FES.

Analysis

Round 1 (653 cases)

The first round of analysis concerned the collected raw data. This was primarily a checking stage and was used to ensure that there were no coding anomalies and that complete data sets were recorded for each household. An analysis of spend against income was carried out which enabled checking of those returns from households with unusual spend versus income patterns. In this way, four unusual households were removed leaving 649 cases.

Round 2 (649 cases)

The second round of analysis involved topping and tailing the raw data to remove those households with either very high or very low expenditure levels. Six of this type of household were removed, three from each end of the scale.

Round 3 (643 cases)

The top and tailed data set was then automatically recoded to the existing FES coding system. This involved moving items between groups and amalgamating certain items that were recorded under the COICOP system but where the FES system is not so specific.

Round 4 (643 cases)

This stage involved the removal of some expenditure on mortgage interest payments from households where spend on mortgage payments was much greater than the amount borrowed. In other words households borrowing to finance non-house purchase items.

Round 5 (643 cases)

At this stage the mortgage interest payments are in a gross format and need to be netted of the tax relief on mortgage payments so that all items in the index are priced on a comparable basis net of subsidy. It should also be noted that not all lenders borrow at the fixed mortgage rate. There are a number of households who have borrowed at fixed rates for a limited period, either from commercial suppliers or finance house employers. This proportion will affect the mortgage pricing in the RPI, currently based on the variable lending rate but will henceforth be based on a mix (10:90) of fixed and variable rates.

Round 6 (643 cases)

The final round of analysis concerned the alcoholic drink and tobacco groups. The UK Office for National Statistics (ONS) suggested that the expenditure in these groups recorded during an HES is drastically understated. The under recording in the UK is so great that the UK uses subsidiary surveys to estimate the spend levels for these two groups. Rather than conducting subsidiary surveys, a check of reported spend against revenue raised by Guernsey Customs & Excise was made. This comparison is only possible for alcoholic drink and tobacco. It was assumed that spend by islanders on duty free purchases is equal to that of visitors to the Island (they arrive with duty free purchases). It was found that the recorded spend for tobacco was around 50% under recorded whilst alcoholic drink was 100% under recorded. Cross correction factors of 50% and 100% respectively were applied in order that the Customs and HES figures more closely match, with the exception of wine, which the HES shows only half the amount of the Customs figures, this is probably due to wine being included with meals away from home. This still results in lower weights for these groups than those used by the UK and Jersey. The alternative was to use the UK group weights, but it was felt that this would overly state the weights for these groups.

The full analysis procedure is outlined in appendix one attached to this report.

Section 2: Spend Analysis

Reported Spend

The spend patterns reported by the 643 households who took part in the HES are recorded in the tables below. The final reported spend excludes the expenditure on some items that are ineligible for the RPI such as life insurance, gambling and charitable donations.

Table 2: Total Reported Spend

Reported Spend	1992/93	1992/93 (Reflated 98)	1998/99
HES	£ 12,440,376	£ 14,853,809	£ 17,180,890
Island Total ¹	£ 391,000,087	£ 466,854,104	£ 584,150,249

¹ HES figures extended to whole Island (21,862) private households

Table 2a shows household expenditure figures for the whole island. It clearly shows that household spending levels have increased at a greater rate than inflation over the same period.

Table 2a: Reported Household Spend

Household Spend	Period	1992/93	1992/93 (Reflated 98)	1998/99
HES	Weekly	£ 354.43	£ 423.19	£ 513.84
	Annual	£ 18,430	£ 22,005	£ 26,720

Household Weekly spend

The table above shows that total reported spend is £117M or 25% greater than recorded in the 1992/93 HES, when reflated to 1998 values. The greater spend is probably due to higher wages and increases in the number of employed persons, which both lead to higher household incomes.

Table 3: Weekly spend

	1992/93 Reflated '98	1998/99
Sample	675	643
Census households	21,215	21,862
Sample	3.2%	2.9%
Household expenditure weekly	£ 423	£ 514
Island household expenditure Per annum	£467M	£584M
Island household Income Per annum	£ 600M	£ 707M
Income less expenditure	£133M (22%)	£123M (17%)
Household density	2.61	2.55
Employed Population	27,789	31,022

Section3: Group Weights

Final Group Weights

The final group weights derived from the 1998/99 HES were:

Table 4: Final Group Weights

Group	Average Weekly Expenditure, HES (£)	Annual Household Expenditure All Island	Weight
Food	64.99	£ 73.9M	126.5
Alcoholic Drink	26.67	£ 30.3M	51.9
Tobacco	9.71	£ 11.0M	18.9
Housing	111.05	£ 126.2M	216.1
Fuel, Light & Power	21.30	£ 24.2M	41.5
Household Goods	40.37	£ 45.9M	78.5
Household Services	17.00	£ 19.3M	33.1
Clothing & Footwear	28.72	£ 32.7M	55.9
Personal Goods	25.04	£ 28.5M	48.7
Motoring Goods	43.70	£ 49.7M	85.0
Fares & Other Travel	17.03	£ 19.4M	33.2
Leisure Goods	32.59	£ 37.0M	63.4
Leisure Services	47.50	£ 54.0M	92.4
Food Away From Home	28.16	£ 32.1M	54.8
Subtotal	513.84	£ 584.2M	1000.0
Non Index items – items recorded during the HES but excluded from the RPI			
Charitable Donations	0.36	£ 0.4M	
Life Insurance	7.42	£ 8.4M	
Games of Chance	2.39	£ 2.7M	
Credit Card Interest	1.82	£ 2.1M	
Maintenance Payments	3.57	£ 8.0M	
Other maturing Insurances	0.80	£ 0.3M	
Subtotal	16.36	£ 21.9M	
Total	530.20	£ 606.1M	

Guernsey Group Weight Historical Comparison

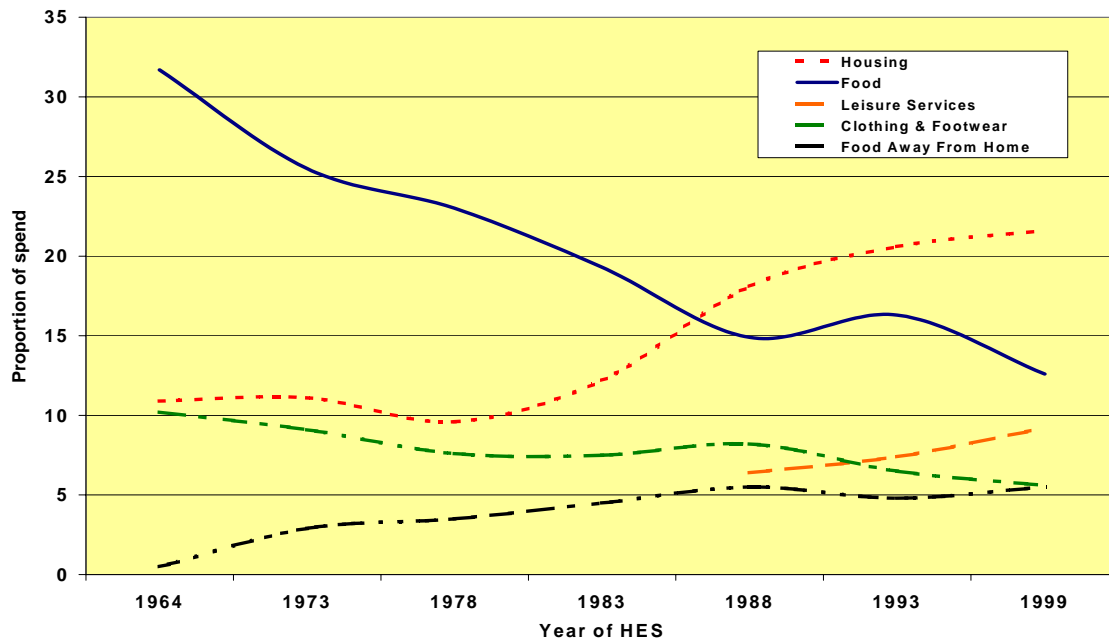
The table below shows the changes in group weight percentages from 1964 - 1999:

Table 5: Group Weight Historical Comparison

Group	1964	1973	1978	1983	1988	1993	1999
Food	317	255	230	193	149	163	126
Alcoholic Drink	50	51	42	44	39	38	52
Tobacco	36	21	19	19	12	14	19
Housing	109	111	96	122	181	206	216
Fuel, light & Power	64	77	73	82	56	57	41
Durable Household Goods	48	61	82	83	-	-	-
Clothing & Footwear	102	91	76	75	82	65	56
Transport & Vehicles	100	132	161	157	-	-	-
Miscellaneous	79	80	87	80	-	-	-
Services	90	92	99	100	-	-	-
Food Away From Home	05	29	35	45	55	48	55
Household Goods	-	-	-	-	95	70	79
Household Services	-	-	-	-	26	24	33
Personal Goods	-	-	-	-	58	58	49
Motoring Costs	-	-	-	-	99	100	85
Fares & Other Travel	-	-	-	-	32	26	33
Leisure Goods	-	-	-	-	52	57	63
Leisure Services	-	-	-	-	64	74	92
All Items	1000	1000	1000	1000	1000	1000	1000

Historical comparisons clearly show the shift in emphasis away from expenditure on goods and towards expenditure on services. Indeed the expenditure on leisure goods and combined services now exceeds that of food.

Figure 1: Most significant group movements



Group Weight Comment

Food

The Food group weight of 12.6% is the lowest recorded in any HES due to increased levels of expenditure in other areas thereby reducing the proportion spent on food. Within the food group, the pre-packaged and frozen produce items have increased whilst some fresh products have decreased.

Fuel, light & power

With a group weight of 4.1%, fuel, light and power is also at its lowest level since 1964. It should be noted however that during the 1998/99 HES, fuel prices were very low. There have recently been large increases in the prices of oil that fell outside the period of the HES. This highlights a major shortcoming of a quinquennial HES; the low weighting for fuel will be carried for five years, even though fuel prices have risen by as much as 50% since the survey was completed.

Leisure Services

This group has shown the greatest level of increase from 1992/93 and now has a group weight of 9.2%. The increase in group weight is not due to the increased cost for individual items but reflects the large amount of spend in the group. Several items attracting high levels of expenditure have appeared in the HES either for the first time (mobile phones, Internet connection) or have grown considerably since the 1992/93 HES (satellite TV, home computers).

Housing

The Housing group has the largest group weight in the RPI. The table below shows a comparison of the sub groups:

Table 6: Housing Sub Group Analysis

	1983	1988	1993	1999
Rents	36.6	31.4	47.7	36.1
Mortgage Interest	33.5	42.8	56.7	55.2
Public Services	11.2	9.8	11.8	11.1
Insurance	5.8	6.4	10.1	6.6
Repairs / Maintenance	30.9	90.8	79.5	107.3
Total	118.0	181.2	205.8	216.3

The expenditure on repairs / maintenance clearly shows the fluctuation between periods of boom and recession. As in previous surveys, the 1998/99 HES showed that Guernsey householders spend a large proportion of disposable income on home improvements and repairs.

Comparison with the UK

Table 7: Group Weight Comparison with UK (1998)

Group	Guernsey	UK	Difference
Food	126	128	-2
Alcoholic drink	52	69	-17
Tobacco	19	31	-12
Housing	216	193	+23
Fuel, light & power	41	34	+7
Household goods	79	74	+5
Household services	33	57	-24
Clothing & footwear	56	55	+1
Personal goods	49	40	+9
Motoring costs	85	139	-54
Fares & other travel	33	21	+12
Leisure goods	63	47	+16
Leisure services	92	61	+31
Food away from home	55	51	+4

The UK carries out a rolling HES and introduces new weights on an annual basis. The 1998/99 weights for Guernsey, particularly traded goods such as food and clothing & footwear etc., have very similar weights to those of the UK. This was not totally unexpected as the vast majority of goods are imported from the UK and some are then sold through UK franchised outlets. This pattern reflects the similarity in shopping patterns between Guernsey and the UK.

The large differences in some groups are largely due to the components within those groups; The UK household services group contains the community charge or tax which is much higher than the equivalent parish rates imposed in Guernsey, Motoring costs are obviously higher due to the distances travelled by car as well as the tax levels on new vehicles and whilst the difference in fares & other travel is smaller, the higher Guernsey figure highlights the costs of getting from Guernsey to the UK.

There are however main group weightings where the differences are not so easily explained such as leisure goods, leisure services and household services.

The results of the 1998/99 HES in both the UK and Guernsey show a marked shift towards leisure goods and leisure services. This is due to two factors. Firstly, once food and fuel, light & power have been removed, the average household has a higher level of disposable income. Secondly the inflation rates in other groups particularly food, clothing and footwear have remained below the average rate of inflation.

An increasing issue in pricing items for the RPI is quality. The quality issue is one that affects all the groups to some extent but is a major factor in (for example) the leisure goods group. The pricing of goods for the RPI is based on the change in price for a specified product over a period of time. Items where technological advances are constantly being made become very difficult to price because whilst the goods do not actually change, the price falls due to new technology. In general items in the leisure goods group will tend to suppress inflation because the prices are likely to fall as new items are introduced to the market.

Introduction of New Group Weights

Unlike previous HES, the group weights from the 1998/99 HES are to be introduced in a staggered manner, removing the problems encountered following on from the 1992/93 HES where the introduction of the new weights caused great instability in the RPI.

Staggering the introduction of the weights should enable a smoother integration of the new weights. This method is also in line with the process adopted by the Office for National Statistics (ONS).

Timetable

December 1999	All group weights Housing group item weights
March 2000	Food item weights Alcoholic drink item weights Tobacco item weights Fuel, light & power item weights Motoring expenditure item weights
June 2000	Fares & other travel item weights Leisure goods item weights Leisure services item weights Food away from home item weights
September 2000	Household goods item weights Household services item weights Clothing & footwear item weights Personal goods item weights

SECTION 4: Household Income

The greatest influence on household spend patterns is household income. Because Income is such an important factor, the 1998/99 HES asked for more detailed information on household income than ever before. All the analysis on household spend & Income is based on the top & tailed sample of 643 households.

Figure 2: Annual household Income (£5,000 bands)

Figure 2 shows the distribution of annual household income by number of households. It shows the very small number of households with incomes of £5,000 or less but this is just in the sample and if the same distribution were applied across the island it would mean approximately 200 households with an income of below £5,000.

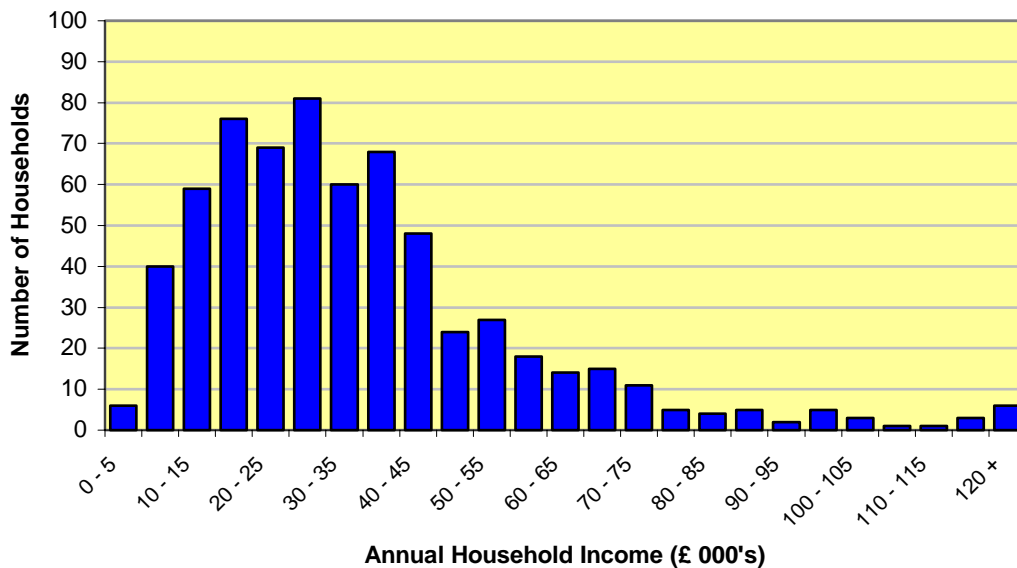


Figure 3: Average Household Income Deciles

The mean household income was £35,000, compared to a median income of £30,000 shows the impact of high income households on the mean.

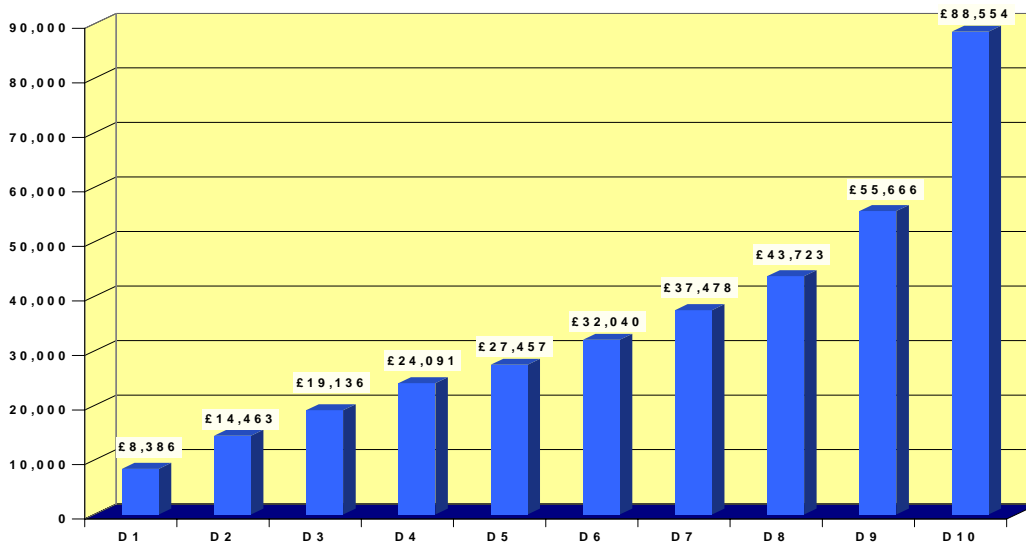


Table 8: Household Income Analysis by Decile.

Decile	Top Point	Mean	Median
d1	£11,394	£8,386	£8,634
d2	£16,976	£14,463	£14,641
d3	£21,405	£19,136	£19,000
d4	£25,656	£24,091	£24,165
d5	£29,988	£27,547	£27,782
d6	£35,450	£32,040	£32,533
d7	£40,162	£37,478	£37,262
d8	£48,032	£43,723	£43,500
d9	£64,996	£55,666	£54,989
d10	£240,717	£88,554	£78,536
All	£240,717	£35,064	£30,210

Whilst the large increase between the ninth and tenth decile was expected, the increase between D1 and D2, highlights the very low income levels for households in the first decile. The small difference between the fourth and fifth decile does not seem to affect the proportion of income saved.

Fig 4: Sources of Household Income

The table and graph below shows the similarity in the composition of household income between Guernsey and the UK. There is a comparison problem with the graph below in that the UK includes all state pension payments within the benefits section. The best comparison therefore is to combine Guernsey state pensions and the benefits together, this produces a proportion very similar to the UK figure which considering the higher levels of unemployment in the UK is surprising. This is an area where the bias away from elderly and young households may have had an effect.

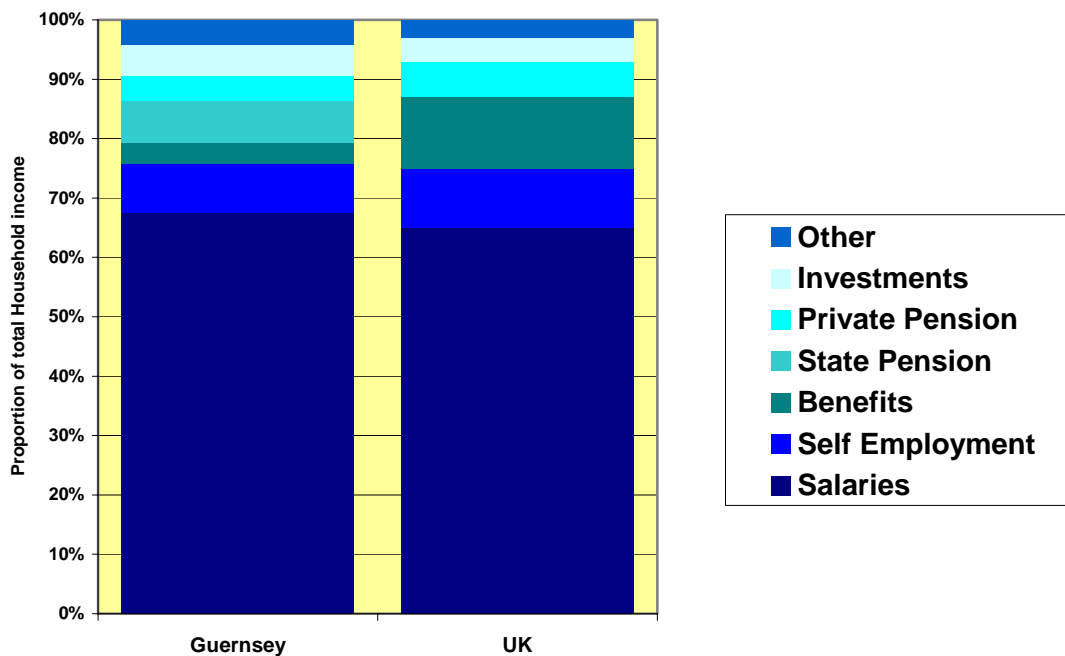


Table 9: Sources of Household Income

The table below shows the data behind figure 4 and clearly shows the similarity between the two patterns of income when the combined benefits and state pension category is used.

Income Source	Guernsey	UK
Salaries	67	65
Self Employment	8	10
Benefits	3	12
State Pension	7	
Private Pension	4	6
Investments	5	4
Other	4	3
Total	100	100

Figure 5: Sources of Household Income by Decile

The graph below illustrates the difference in sources of income across the deciles. The lower decile shows only 15% of income from salaries (60% in other deciles), and much greater levels of income from pensions and benefits (the majority of benefits in other categories is family allowance), this is probably due to the large number of pensioners in the first decile.

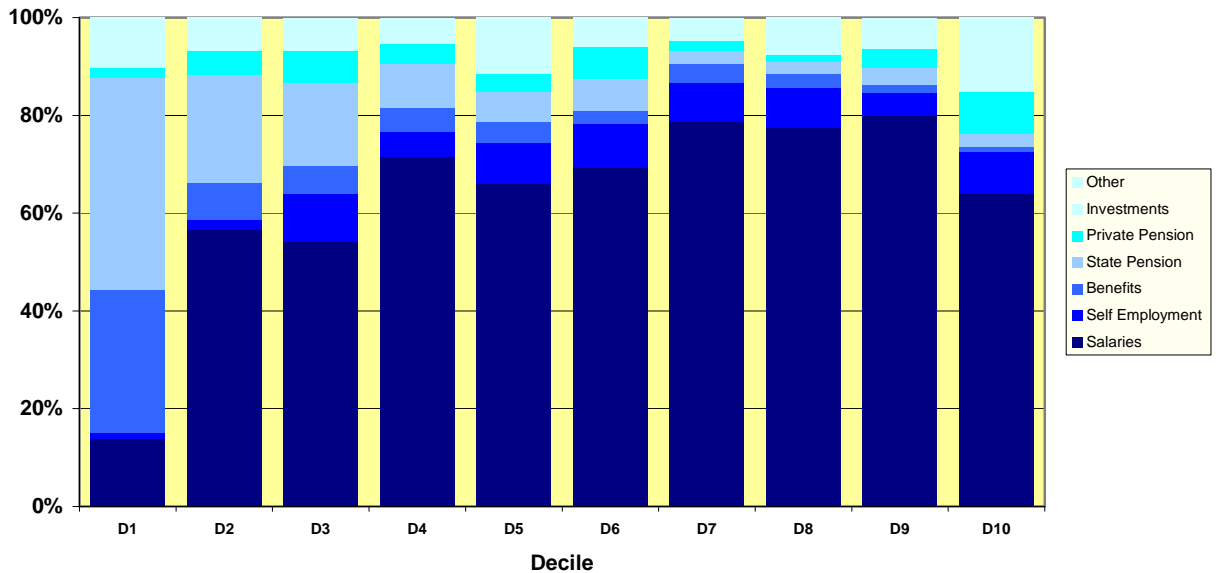


Figure 6: Household Income against Household Expenditure

The graph clearly shows a cluster of households around the mean, but it also highlights households with very low and very high incomes. 90 out of 643 households (14%) spent more than they earn in the year of the survey

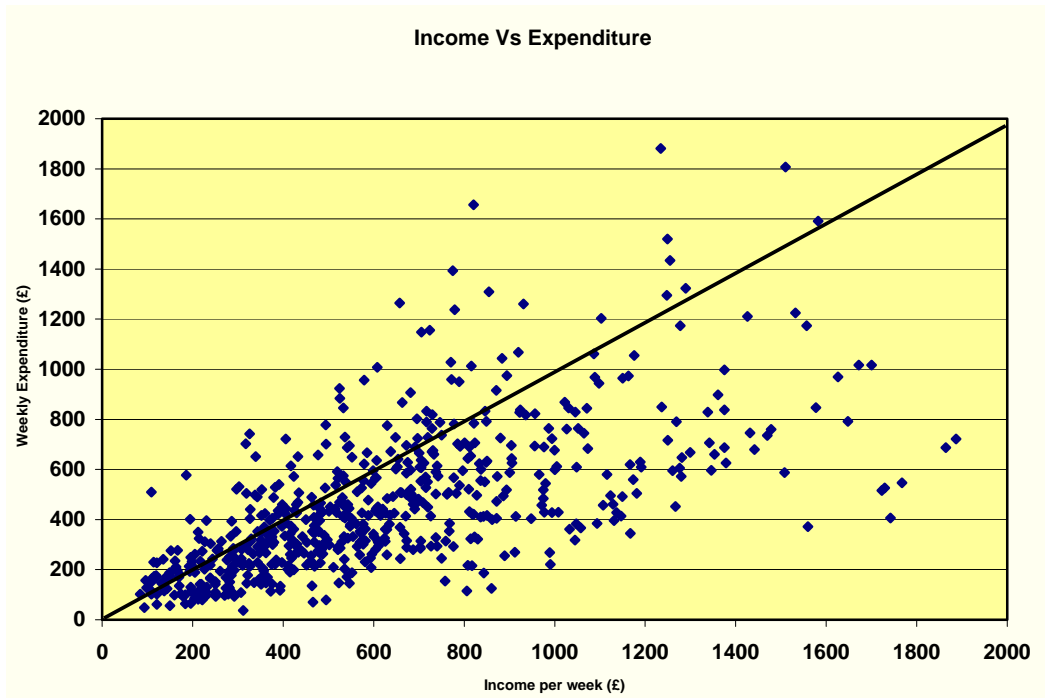


Figure 7 – Household Income & Spend by Decile

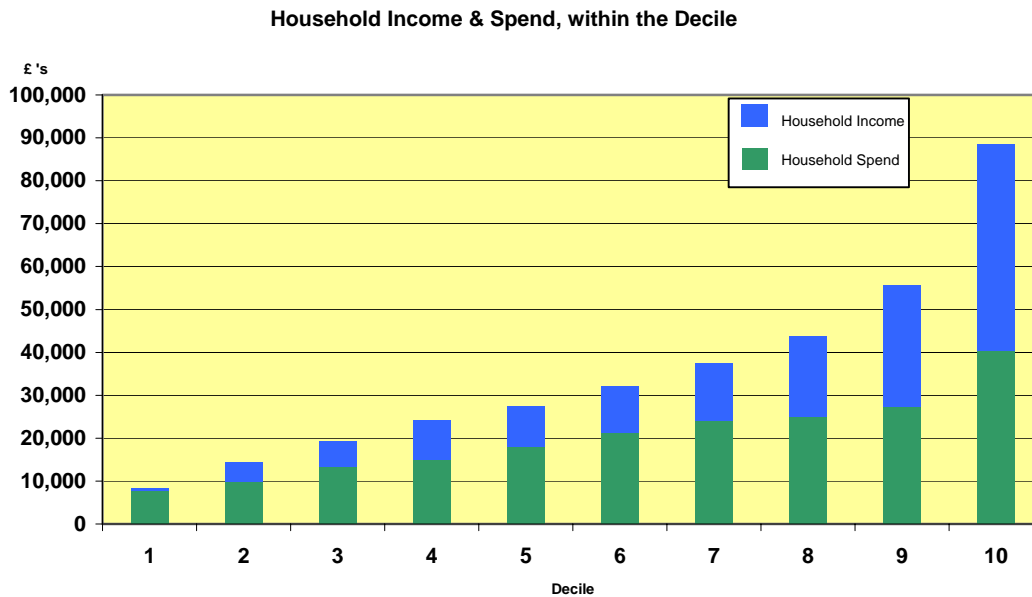


Figure 7 shows the difference between average spend and average income by households within each decile. It should be noted that the income levels are gross figures and therefore the area between spend and income represents spend on non RPI expenditure such as Income Tax, Social Security contributions, pensions and savings.

Spend Patterns by Household Income Decile

The table below shows the weekly spend in the main groups across the income ranges:

Table 10: Weekly Household Expenditure by Income Decile

	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10
Food	42.42	45.84	60.76	61.03	74.04	68.05	84.14	81.99	88.72	91.24
Alcoholic Drink	5.94	11.32	19.99	16.63	26.15	21.39	34.27	33.58	35.77	54.35
Tobacco	4.93	8.26	7.23	7.06	6.26	6.02	11.10	6.13	2.76	3.12
Housing	29.55	46.09	55.85	75.66	87.05	133.62	149.71	174.61	169.8	278.21
Fuel, light & power	17.55	16.54	19.84	18.99	20.06	22.87	23.83	19.70	22.08	25.94
Household goods	16.82	18.58	26.70	24.34	37.09	35.06	46.57	57.54	57.14	82.57
Household services	3.44	17.08	7.43	16.66	14.28	7.50	16.14	25.83	24.07	33.37
Clothing & footwear	10.07	8.93	15.74	13.49	34.93	26.09	46.14	31.44	37.70	54.31
Personal goods	7.58	9.25	11.12	13.00	15.96	18.47	24.30	21.47	24.37	26.97
Motoring costs	11.51	22.52	34.61	35.22	47.06	44.31	47.80	48.48	68.04	64.65
Fares & other travel	2.35	5.57	9.02	8.64	9.44	17.21	28.32	31.69	26.98	32.05
Leisure goods	14.68	16.65	31.52	29.50	32.71	40.88	35.42	47.82	51.05	55.17
Leisure services	11.63	17.44	30.54	30.41	34.90	39.84	46.11	58.96	93.40	120.47
Food away from home	7.29	11.06	18.38	22.84	26.05	36.54	32.22	35.40	38.44	45.43
Total	185.75	255.14	348.43	373.48	465.96	517.85	626.07	674.64	740.32	967.85

It was noted in Family Spending 1998/99 an ONS report that there was a marked difference in the expenditure patterns of poorer and wealthier households. The table below shows the proportion spent in each of the fourteen groups for each decile of household income.

Table 11: Group Weights by Income Decile

	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	All
Food	24.7	20.6	18.5	17.5	16.4	14.4	14.2	13.8	12.5	10.4	12.6
Alcoholic Drink	2.8	3.6	5.3	4.3	5.4	4.1	5.6	4.8	5.0	5.9	5.2
Tobacco	3.0	3.3	2.0	2.0	1.3	1.1	2.0	0.7	0.4	0.4	1.9
Housing	14.0	16.7	15.7	19.7	19.0	23.2	23.6	23.7	22.5	25.8	21.6
Fuel, light & power	11.3	8.6	6.2	5.9	5.3	5.2	4.2	3.6	3.2	3.0	4.1
Household goods	8.9	7.8	7.5	6.5	7.5	7.0	7.5	8.9	7.4	8.7	7.9
Household services	2.1	4.3	2.5	3.4	2.7	1.6	2.5	3.0	2.8	3.0	3.3
Clothing & footwear	4.8	3.5	4.7	3.5	6.4	4.9	6.6	4.6	5.2	5.6	5.6
Personal goods	4.3	3.7	3.2	3.4	3.5	3.5	3.9	3.1	3.3	3.0	4.9
Motoring costs	5.9	8.3	9.7	9.4	9.1	9.0	7.8	7.9	9.0	7.2	8.5
Fares & other travel	1.1	2.2	2.5	2.3	2.2	3.2	3.7	3.5	3.9	3.4	3.3
Leisure goods	7.2	6.5	8.9	8.0	7.4	7.8	6.0	7.5	6.8	5.9	6.3
Leisure services	5.9	6.7	7.6	8.2	8.2	7.9	7.3	9.1	12.9	12.5	9.2
Food away from home	3.7	4.2	5.7	5.8	5.6	7.2	5.2	5.7	5.2	5.1	5.5
Total	100	100	100	100	100	100	100	100	100	100	100

Table 11 shows some interesting trends:

Food and Fuel, light & power

These two groups are certainly two of the most basic household requirements. By looking at the data set in decile format, it can clearly be seen that these groups account for less of the household spend as the income increases. Households may have applied a fixed budget to these areas or they may have reached saturation levels on spend (households can only consume so much food and energy); this situation will lead to proportionately less spend as household income increases.

Housing

The housing group shows the opposite pattern to those detailed above, with the proportion of spend increasing with income. It would seem that expenditure on housing is not a budgeted item and accounts for a large amount of the disposable income of households. This is not the case with the UK HES which found the proportion of spend on housing to be similar across all income bands. The high spend levels on housing include considerable expenditure on improvements to the property. This is a result of Guernsey householders not moving as frequently as their UK counterparts and also the belief that expenditure on housing is a form of investment.

Leisure services

Whilst spend patterns in other groups compare closely with the patterns of the UK HES, the leisure services group, by increasing in line with income, shows a major difference between Guernsey and the UK. This may point to the generally high standard of living in Guernsey, even for lower income households.

Section 5: Household Savings

Whilst income is the major factor in terms of household spend, it also affects the levels of household saving. The 1998/99 HES was the first time that Guernsey households were asked to indicate levels of savings.

48% of households had a high street savings account, whilst only 7% of households had savings with a building society. In all 78% of households were contributing to some form of savings, which still leaves 140 households (22%) not saving, these tended to be households either with pensioners using the savings they had accumulated or households where young people had not yet started saving.

Of the 772 household members in employment, 155 had an employer pension scheme and 171 contributed to a private pension. 49 employees contributed to both types of pension. In total 277 (36%) had a pension scheme, this may appear to be lower than expected, but it does not include those who have a non-contributory employer pension.

Expenditure subtracted from reported income leaves savings plus Income Taxes, Social Security contributions and unreported expenditure.

The 1998/99 HES revealed a savings ratio of 12% when measured across all responding households. The figures for the UK over the same period indicate a significantly lower saving ratio of 7%.

The 1992/93 HES showed a savings ratio of 11% for UK households, unfortunately there is no savings ratio data available for Guernsey for this period, but if the same trend is assumed then the Guernsey figure would have also been greater.

It should be noted that where savings included large sums that were either inherited, winnings or gifts, these have been excluded from the calculation in order to remove their distorting effect. Savings of this type would account for a further 1%.

Table 12: Saving Ratios By Income Decile (excluding pensions etc.)

Income Decile	Average Income	Reported Savings	% of Income
D1	8,386	269	3.2
D2	14,463	539	3.7
D3	19,136	1,586	8.3
D4	24,092	1,764	7.3
D5	27,457	2,293	8.3
D6	32,040	2,034	6.3
D7	37,478	3,771	10.1
D8	43,723	5,002	11.4
D9	55,666	7,268	13.1
D10	88,554	18,250	20.6
All	35,064	4,204	12.0
Weighted Average			9.0

Pension funds and insurances that are paid from an employee's remuneration are also a form of savings. These can be added together and a further savings ratio calculated.

Table 13: Savings Ratio by Income Decile (including pensions etc.)

Decile	Average Income	Reported Saving	Pension funds Insurance	Total Savings	% of Income
D1	8,386	269	103	372	4.4
D2	14,643	539	513	1,052	7.2
D3	19,146	1,586	502	2,088	10.9
D4	24,091	1,764	922	2,686	11.1
D5	27,457	2,293	791	3,084	11.2
D6	32,040	2,034	1,724	3,758	11.7
D7	37,748	3,771	1,434	5,205	13.8
D8	43,723	5,022	1,555	6,577	15.0
D9	55,666	7,268	1,998	9,266	16.6
D10	88,554	18,250	2,737	20,987	23.7
All	35,064	4,204	1,226	5,430	15.5

Figure 8: Savings Ratios (reported savings)

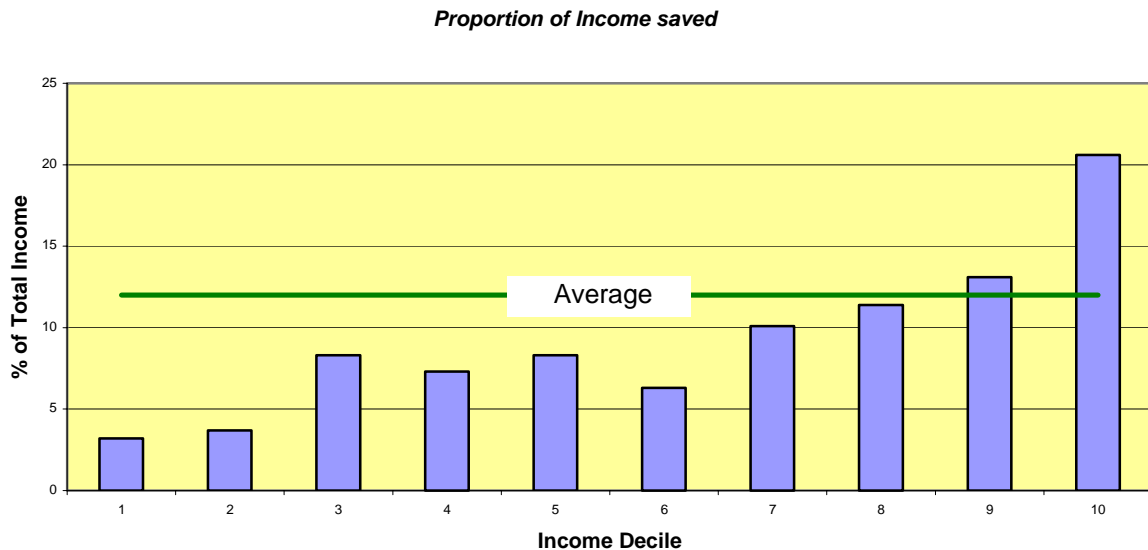


Figure 8, clearly shows the savings ratio increasing across the income deciles. There is a slight dip in the sixth decile, which considering this is the mean income of all respondents may suggest that the average household in Guernsey has less disposable income than other decile groups. This is probably due to the bias in the survey, which favours those with a mortgage and young children.

Up to decile 8, pensions and insurances are between half and one third of total reported savings. This is a surprisingly low proportion. Across the whole economy, reported savings are £92M and pensions are a further £27M. In the 1992/93 HES, private savings were estimated at £50M.

Table 14: Savings by income decile

Decile	Average Income	Spend RPI items	Spend Non RPI items	Reported Savings	Pension funds Insurances	Remainder (taxes, etc)
D1	8,386	7,762	316	269	103	-64
D2	14,643	9,926	856	539	513	2,809
D3	19,146	13,267	1,105	1,586	502	2,686
D4	24,091	14,872	1,630	1,764	922	4,903
D5	27,457	18,010	1,497	2,293	791	4,866
D6	32,040	21,295	2,708	2,034	1,724	4,279
D7	37,748	24,028	2,630	3,771	1,434	5,885
D8	43,723	24,947	2,931	5,022	1,555	9,268
D9	55,666	27,256	3,160	7,268	1,998	15,984
D10	88,554	40,500	1,092	18,250	2,737	25,975
All	35,064	20,186	2,069	4,204	1,226	7,379

The UK NOP/FRS savings survey shows a very similar pattern to that found during the 1998/99 HES and the very low level of savings recorded in the lower income decile. The Institute for Fiscal Studies (IFS) believe that the very low savings ratio found in the lowest decile is attributable to the means testing introduced on households requiring welfare, i.e. little or no savings means that households would get full benefits, whereas those who had saved would not be entitled to full or any benefits.

Section 6: HES 2000 and Beyond

The Continuing Need

The raison d'être of the household Expenditure Survey is to provide a detailed set of item weights for inclusion in the Retail Price index. The 1998/99 HES highlighted differences in both income and expenditure patterns for Guernsey households compared to households in the UK.

If the Retail Price Index is to remain representative for Guernsey, then it is vital that the HES continues to collect expenditure patterns from Guernsey households.

The Office for National Statistics (ONS) in the UK is already producing a new index based on the COICOP coding system. This is to enable direct comparison of inflation rates between EU member countries. One key area that is not included in the COICOP system is the housing group, this is the largest group in the Guernsey RPI and consequently a switch to COICOP would not be representative for monitoring household spend in Guernsey.

The 1998/99 HES was conducted so that a COICOP index could be produced for Guernsey, purely for comparison with other EU countries.

The Way Ahead

The HES has been carried out in Guernsey since 1964, mostly on a quinquennial basis. This has been done due to resource requirements and it was felt that household spend patterns would not change significantly in any five year period.

The last two HES (1992/93 and 1998/99) have shown large movements in the spending patterns of Guernsey households and it is now felt that five years is too long a period between HES. The 1998/99 proves the case with the low recorded spend on the fuel, light & power group, which since the survey has shown price increases of over 40% even before the new weights are introduced.

It is the suggestion of the Economics & Statistics Unit that the HES becomes a rolling survey with the RPI weights being changed on an annual basis. This would ensure that the RPI group weights are representative of Guernsey household expenditure patterns and would also eliminate the need for a staggered introduction of the new weights (section 3, page 12).

The rolling survey would be based on a smaller annual sample but would cover at least the same number of households over a five year period; this would ensure that the accuracy of the data is maintained whilst improving the timeliness of the data. Costs for this type of survey would be similar to those for a quinquennial survey. A breakdown of the possible costs is outlined below:

	Per Annum	2003/4 HES	Saving (pro rata)
Enumerator Salaries	£5,000	£37,000	£12,000
Cooperation Payments	£5,000	£22,000	£-750
Printing Costs	£1,250	£5,000	£-1,250
Enumerator Travel	£300	£1,000	£-500
Other	£200	£2,000	£1,000
Total	£11,750	£67,000	£8,250

New Items Priced for 2000 RPI

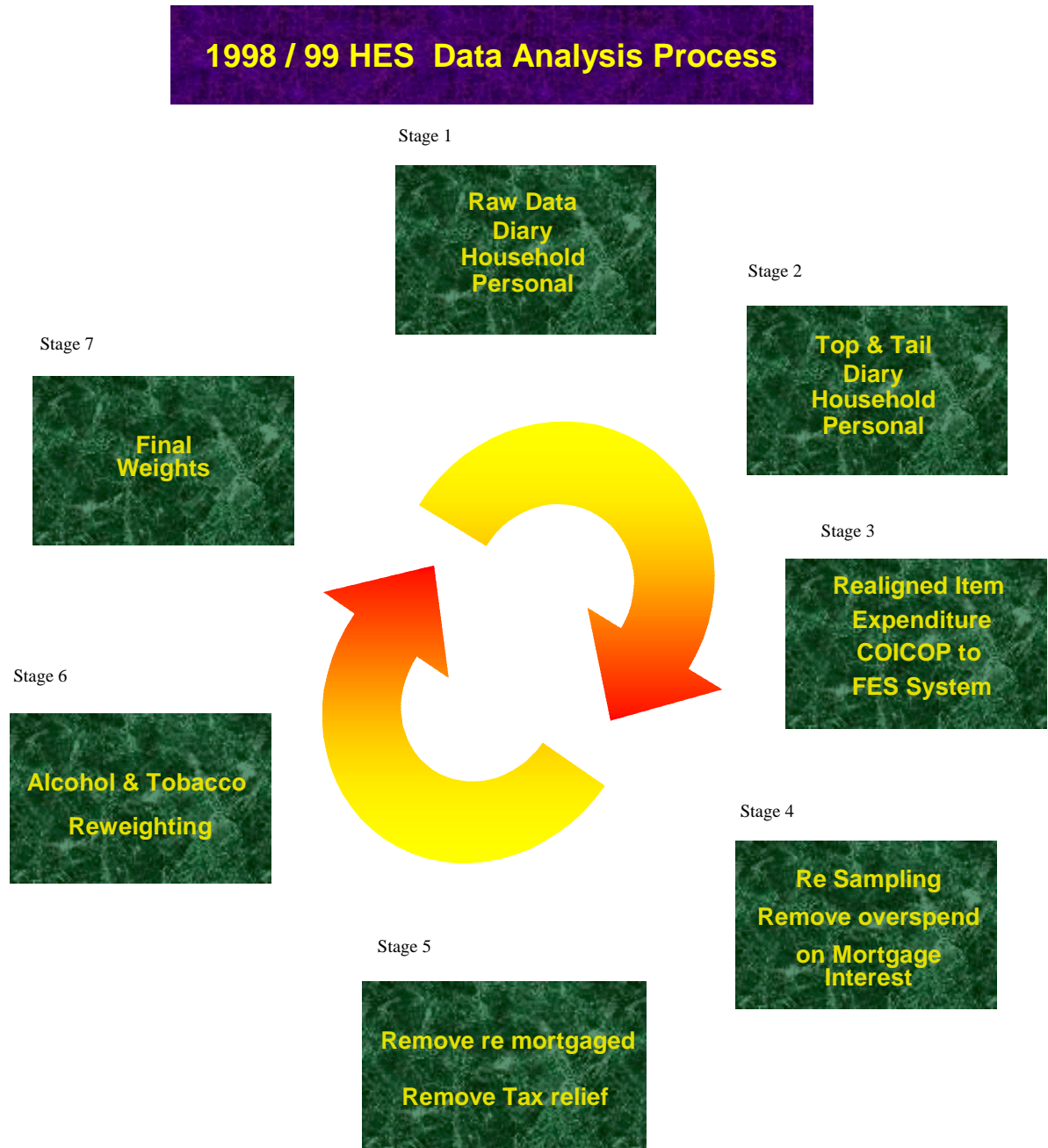
The problem of keeping the RPI representative of household spend patterns is highlighted by the results of the 1998/99 HES. This showed that certain areas of the current Index, had either very thin or no coverage on items that would actually carry significant weights. This is clearly shown by Appendix V which details: the items, the item weights and the importance of each item to the group total. Whilst efforts are made to introduce new items between expenditure surveys, it is not possible to give these items accurate weights.

The main groups affected are leisure goods and leisure services. These are areas where items based on new technology have been introduced since 1992/93 and now accounts for a sizeable proportion of household spend.

Apart from minor changes to some items priced, the main changes are detailed below:

Housing	Revised major building work items Addition of fixed rate mortgages Improved database for private rents Increased pricing of DIY goods
Household Goods	Increased pricing on soft furnishings Increased pricing on "white goods"
Household Services	Inclusion of mobile phone costs Inclusion of Internet charges
Personal Goods	Changes in health insurance
Motoring Costs	Increased number of models priced Improved servicing costs
Fares & Other Travel	Additional continental airfares priced Additional UK routes priced
Leisure Goods	Home Computers DVD players Computer hardware and software
Leisure Services	Increased coverage on sports subscriptions New bank service charges added Increased private tuition pricing
Food Away From Home	Inclusion of alcoholic drink from restaurants New suppliers added

Appendix 1: Data Analysis Path



Appendix II – Demographics

2.a Parish

	1992/93 HES	1996 Census	1998/99 HES
Castel	13	14	13
Forest	2	2	2
St Andrews	7	4	4
St Martins	13	10	8
St Peter Port	22	29	24
St Peters	5	3	2
St Sampsons	15	16	23
St Saviours	8	4	4
Torteval	2	2	1
Vale	13	16	19
Total	100	100	100

Table 2a shows that compared to the 1996 Census, the proportion of households from each parish taking part in the HES was very close, with a slight undercount in St Peter Port and a slight over count in St Sampson's and the Vale. It should be noted that there has been continued development in the Vale and St Sampson parishes and the census findings will have altered from 1996. The undercounting in St Peter Port is largely due to the difficulty in getting younger single householders to take part in the survey.

2.b Tenure

	1992/93 HES	1996 Census	1998/99 HES
Owner Occupied	71	69	73
Rented from States	10	10	12
Rented Private	19	21	15

The table above shows that for tenure, the 1998/99 HES follows the pattern of the 1992/93 HES. There is a definite tendency for owner-occupiers to complete the HES rather than those persons living in rented accommodation.

The table below shows the proportion of owner occupied households that are owned outright or in the process of being bought.

	1996 Census	1998/99 HES
Owner Occupied – Outright	54%	41%
Buying through - States loan	2%	2%
Buying through - Other loan	43%	57%
Buying through – both	1%	0%
Total	100%	100%

The above tables show that the 1998/99 HES has a bias towards those buying owner occupied accommodation, against those who own outright. This was due to the difficulty in getting older persons to take part who are more likely to own their property outright. The sample could be biased by as much as 5.6% in favour of those paying a mortgage on their property.

2.c Persons Per Household (% of total)

	1992/93 HES	1996 Census	1998/99 HES
1	17	22	18
2	37	36	38
3	17	17	18
4	19	17	18
5	7	6	6
6	2	2	2
7	1	0	0
8+	0	0	0
Total	100	100	100

The above table shows that for persons per household, the 1998/99 HES is very close to that of the 1996 Census, there is a slight undercount on the single person households but this was to be expected with the difficulty in getting young and elderly householders to take part.

2.d Age of Head of Household (% of total)

	1996 Census	1998/99 HES
15 – 19	0.3	0.2
20 – 24	2.7	2.3
25 – 29	7.5	8.7
30 – 34	9.4	11.7
35 – 39	9.5	14.6
40 – 44	9.6	9.7
45 – 49	11.1	9.5
50 – 54	8.4	10.0
55 – 59	8.3	6.9
60 – 64	7.3	6.3
65 – 69	7.2	5.8
70 – 74	6.8	6.5
75 – 79	5.4	4.4
80 – 84	4.0	1.8
85 – 89	1.8	0.8
90 – 94	0.6	0.0
95 – 99	0.1	0.8
Total	100.0	100.0

The table above compares the 1996 Census results with those from the 1998/99 HES, it clearly shows the bulge in householders in their twenties and thirties. It also shows the difficulty enumerators experienced in getting elderly households to take part. It should be noted that both the HES and Census are arbitrary in deciding who is head of household (it is more a point of contact and responsibility).

2.e Age Distribution (% of total)

	1996 Census	1998/99 HES
0 - 9	11.9	15.8
10 - 19	11.4	12.8
20 - 29	14.9	11.0
30 - 39	15.4	19.0
40 - 49	14.7	14.2
50 - 59	11.2	11.5
60 - 69	9.2	7.7
70 - 79	7.1	6.3
80 +	4.2	1.7
Total	100.0	100.0

The above table shows the age of respondents from both data sets. The 1998/99 HES age profile again shows the bulge in 30 - 39 year olds. This also has the effect of more children being recorded, as thirty year olds are more likely to have young children living at home.

2.f Economic Activity (% of total)

	1996 Census	1998/99 HES
Employed	45.5	46.3
Self employed – employing others	3.2	2.0
Self employed – not employing others	3.6	3.4
Unemployed – seeking work	1.1	0.2
Disability / Illness	1.5	1.0
Retired	13.2	10.8
Full time education	16.8	18.3
Other	15.0	17.9
Total	100.0	100.0

The above table shows similar patterns to the 1996 Census, the lower number of retirees is to be expected with the difficulty in getting elderly respondents to the HES. As has been mentioned previously, the results of the 1998/99 HES are skewed in favour of younger families which would lead to a higher number of respondents in full time education or in the other category (housewives, children of pre school age). The unemployed figure from the 1996 Census was taken at a relatively high level of unemployment than the rate during the 1998/99 HES.

2.g Occupation (% of total)

	1996 Census	1998/99 HES	Wk12 GSSA
Horticulture	6.2	4.1	4.7
Manufacturing	6.8	6.8	5.5
Construction	8.7	8.2	8.5
Utilities	1.5	0.9	1.4
Transport	4.1	4.5	3.9
Hostelry	8.2	3.5	7.9
Wholesale	2.9	2.8	3.0
Retail	11.9	11.8	11.8
Personal Services	3.0	3.0	2.5
Recreation/cultural	1.8	1.2	1.3
Finance	19.3	25.1	21.8
Business Services	4.7	5.5	5.7
Information Handling	2.5	3.9	2.6
Health	7.2	7.1	6.4
Education	4.2	6.1	4.3
Public Administration	6.2	4.9	8.0
Non Profit	0.8	0.6	0.7
	100.0	100.0	100.0

Analysis of HES respondents by sector of occupation generally match those found in the 1996 Census. There is an under representation of hostelry workers, this is probably due to many workers in this sector living in communal accommodation which would be excluded from the HES. This undercount of hostelry workers means finance and other business workers may be over recorded. The Wk12 GSSA column is based on a snapshot of the employment situation at the end of the first quarter based on Guernsey Social Security Authority records.

Appendix III – Price Changes

Comparison of annual percentage price changes in RPI groups – Guernsey, Jersey and the UK. 31st December 1999.

The December 1999 RPI highlighted the different movement of the groups in Guernsey, Jersey and the UK. The table below shows the annual movement in the groups, the highlighted figures show areas where there are notable anomalies:

Group	Guernsey	Jersey	UK
Food	1.5	1.4	-1.6
Alcoholic Drink	1.1	5.5	1.9
Tobacco	5.4	10.7	9.9
Housing	-1.6	4.7	2.4
Fuel, light & Power	10.1	8.0	1.0
Household Goods	-1.0	1.8	-0.6
Household services	2.7	3.6	3.3
Clothing & footwear	2.0	1.2	-3.5
Personal Goods	2.9	7.1	1.9
Motoring Costs	1.6	7.4	4.9
Fares & other travel	12.3	1.4	3.6
Leisure Goods	-0.4	-2.3	-5.0
Leisure Services	2.4	8.2	4.6
Food Away from home	2.6	5.1	3.4
All Items	2.4	4.4	1.8

Food

The food index in Guernsey and Jersey does not include a seasonal index. The UK CPI (Consumer Price Index) does include a seasonal index and it is the downward movement of this that has led to falling prices in the UK.

Alcoholic drink

The Jersey RPI for December does include increases from the 1999 budget, whereas in Guernsey, the budget increases had yet to feed through. There is also strong price discounting by retailers in Guernsey in the run up to Christmas.

Housing

The housing group has the largest contribution to all three CPI and shows a large level of difference. The difference between Guernsey and Jersey is a methodological one whereas the Guernsey to the UK is a reflection of the housing markets. The Jersey method uses a 10-year moving average based on a specific property type (3-4 bed semi detached, with no special features). The change is collected on an annual basis and the increase is equally divided between the four quarters.

The Jersey CPI does include mortgage lending rates, these are included as a normal priced item and are collected from 3 major lenders.

Fuel, light & power

The 1.0% change in the UK is considerably lower than that of Guernsey & Jersey (10% and 8% respectively). Both Guernsey and Jersey, reported large increases in oil prices which will feed through to the other fuel types later. The low figure shown by the UK CPI may be a reflection of the level of competition and the monitoring of prices by industry regulators.

Clothing & footwear

This sector has shown increases in the Guernsey CPI following a long period of negative or stagnant price changes. The UK figure continues to show a fall in prices, though the seasonal index may have affected this as well as early sales discounting the prices.

Personal goods, motoring costs and leisure services

These three groups show significantly higher price changes in Jersey than in the UK and Guernsey. Following consultation with the Jersey office, these increases are due to price rises in hairdressing and medical costs, petrol, motor insurance and school fees.

Fares and other travel

The large annual change in Guernsey is due to the feeding through of airline price increases throughout 1999. There has been some discounting of airline prices in December and these should feed through over the next six months. The figure in Jersey shows very little change and may be due to increased competition but there is also a concern over the method of price collection in this sector.

Appendix IV - Method for introduction of new weights

- 1 The percentage change in retail prices is measured through an index that combines annual percentage changes in prices with their relative importance (weights).
- 2 The Guernsey index collects over 2000 item prices, which are arithmetically averaged (a form of weighting where each item is given a weight of one) into 261 subgroup prices. These subgroup prices for computational convenience can be expressed as indices, rebased to 100 at the completion of each HES (from which the weights are derived).
- 3 The Retail Price Index (RPI or the Index) is calculated from the weighted average of these 261 subgroups using up to date weight and quarterly price change information.
- 4 For presentation and less complexity, the 261 subgroups are further reduced to 14 main groups.
- 5 The most accurate value of the Index would be derived from the 261 subgroups using up to date weight and quarterly price changes information. In practice the Guernsey RPI weights are only changed every five or six years.
- 6 Table 1 clearly shows the contrast between the 1993 and 1999 group weights. The 1999 weights show the higher levels of spend on services and the lower levels of spend on basics such as food and clothing.
- 7 The introduction of the new subgroup weights will change the relative importance of the prices within those subgroups and their effect on the Index. The subgroup items may be:
 - (a) Relatively price inelastic (petrol whose quantity purchased is insensitive to price).
 - (b) Relatively price elastic (electrical goods such as cameras and computers).

Where spend is higher on items whose weighting is reducing (as in (b)), this will have the effect of lowering the overall index.

- 8 Of the new subgroup weights derived in 1999, 123 of the 261 have shown increase over 1993. Excluding alcohol and tobacco, 7 of the twelve groups (table 1) increased in importance of these seven, five, namely leisure goods, leisure services, food away from home, household goods and household services can be considered price elastic. Fares and housing might be considered price elastic. The five remaining groups namely food, fuel, light & power, motoring, household goods and fares and other travel can be considered price elastic (it is worth noting that the decline in weights for fuel oil and petrol is due in part to the relative strength of sterling and the low global crude oil prices during 1998).

The effect of the old and new weights

- 9 The effect of the new weights is best gauged by running the price changes in the 261 subgroups with both the old and new weights for a period of five years to March 2000. (Fig 1). The effect of the new weights is negligible until 1999 when the new weights lower the Index. For March 2000, an inflation rate of 3.6% would have been obtained using the new weights. The old weights would have produced a rate of 4.5%. In the event the schedule of old and new weights agreed by the RPI steering group produced a 3.8% change (table 3).
- 10 A comparison of the percentage annual change in any group reflects the different weighting of the subgroups within the group.
- 11 The difference of 0.9% between the annual change with the new weights (3.6%) and the old weights (4.5%) is due mainly to the lower weights for fuel, light & power and petrol. These lower weights represent the very low world oil prices in 1998 and 1999 and probably should not be applied for the next six years, with the old weights being more applicable. However the agreed method of the HES does not allow such judgements to be made and should be seen a further indication of the improved accuracy brought to the Index by conducting a rolling HES and introducing new weights on an annual basis. For March 2000, the increases in the prices of heating oils and petrol are counteracted by the decrease in weights.
- 12 The largest difference occurs with the fares, other travel group. The March 1999 to March 2000 annual percentage change was 7.2% with the 1993 weights and 5.8% with the 1999 weights. The small overall difference of .004 in contribution to inflation conceals large differences in water travel and repairs and servicing (table 5). Erratic price movements conceal the effect of the higher 1999 weights for fares and other travel and render the group price change smaller.

Introduction of new weights

- 13 The December 1999 Index was computed using new group weight totals but retaining the proportions of the subgroups and items as found in the 1992/93 HES. The exception being the housing group where the 1998/99 weights were used for all items. In March 2000, five groups were fully updated using the new 1998/99 item weights.

If the existing 1992/93 weights had been used, then the December 1999 rate would have been 1.7% and the March 2000 rate 4.5%.

The change of group weights reflected the higher spend on services and lower spend on goods. Some of this increased spend was on items that have yet to appear in the price collecting of the Index, where this occurred, the items were ignored but will be included in the next two quarters.

John W. Dickson
10th May 2000

Figure 9 below illustrates the effect that the new weights would have had on the index over the period since the last HES (1992/93).

It clearly shows that the headline rate for the last two years would have been lower, but during the period of low inflation 1995/96, the new weights would have made a positive contribution to inflation. This is largely due to increasing costs of mortgage interest and the higher weight recorded during the 1998/99 HES.

It should be noted that the published rate for the last two quarters is based on a mixture of group and item weights due to the staggered introduction of the new weights recorded during the 1998/99 HES. This process is detailed on page 12 of this report.

Figure 9: Effect of new weightings on the Index

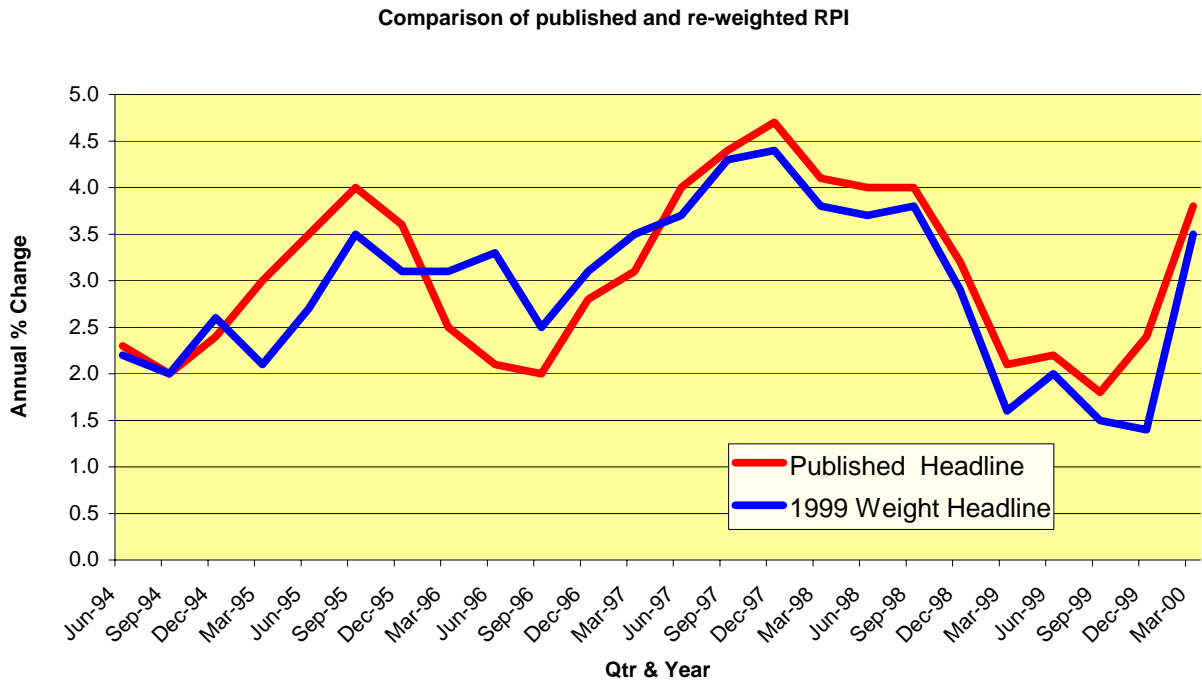


TABLE 1**Comparisons of 1993 and 1999 Household Expenditure Survey
Group Weights**

	1993	1999	Change
Food	163	126	↓
Alcoholic Drink	38	52	↑
Tobacco	14	19	↑
Housing	206	216	↑
Fuel, Light & Power	57	41	↓
Household Goods	70	78	↑
Household Services	24	33	↑
Clothing & Footwear	65	56	↓
Personal Goods	58	49	↓
Motoring Costs	99	85	↓
Fares & Other Travel	26	33	↑
Leisure Goods	57	63	↑
Leisure Services	75	92	↑
Food Away From Home	48	54	↑

TABLE 2

Contribution to the annual rate of inflation of the NEW SUBGROUP weights

Group	December	March	Change
Food	0.12	0.00	-0.12
Alcoholic Drink	0.06	0.04	-0.02
Tobacco	0.10	0.09	-0.01
Housing	-0.04	1.35	+1.39 *
Fuel, Light & Power	0.35	0.51	+0.16 **
Household Goods	-0.12	-0.02	-0.10
Household Services	0.12	0.10	+0.02
Clothing & Footwear	0.01	-0.09	-0.10
Personal Goods	0.10	0.16	+0.06
Motoring Costs	0.06	0.91	+0.85 ***
Fares & Other Travel	0.36	0.13	-0.23
Leisure Goods	0.07	0.14	+0.07
Leisure Services	0.11	0.23	+0.12
Food away from Home	0.12	0.08	-0.04
	1.42	3.62	2.05

* Mortgage Interest has a weight of 0.55 with 26% change = 1.43.

** Electricity has a weight of 0.21 with 30% change = 0.63.
 Gas has a weight of 0.08 with 30% change = 0.24.
 Heating oil has a weight 0.07 with 25% change = 0.18.

*** Petrol / Diesel has a weight of 0.16 with 30% change = 0.48.

TABLE 3

Contribution to annual rate of inflation published December 1999 with March 2000.

	December	March	Change March over December
Food	0.3	-0.10	-0.40
Alcoholic Drink	0.1	0.00	-0.05
Tobacco	0.2	0.12	+0.10
Housing	-0.5	0.45	+0.95
Fuel. Light & Power	0.6	0.75	+0.15
Household goods	-0.1	0.03	+0.04
Household Services	0.1	0.10	0.00
Clothing & Footwear	0.2	0.00	-0.12
Personal Goods	0.2	0.26	+0.06
Motoring Costs	0.2	1.24	+1.04
Fares & Other Travel	0.6	0.23	+0.37
Leisure goods	0.0	0.11	+0.11
Leisure Services	0.3	0.42	+0.12
Food Away from Home	0.2	0.14	-0.06
	2.4	3.8	1.4

TABLE 4**Comparison of annual % change in RPI Groups (March 2000)
Based on 92/93 and 98/99 weights**

Group	1999 Weights	1993 Weights	Difference
Food	0.0	0.3	-0.3
Alcoholic Drink	0.8	0.8	0.0
Tobacco	5.0	5.0	0.0
Housing	6.2	6.1	0.1
Fuel, Light & Power	12.2	13.1	-0.9
Household Goods	-0.2	0.3	+0.5
Household Services	2.9	2.5	-0.4
Clothing & Footwear	-1.6	-0.1	1.5
Personal Goods	3.3	4.2	-0.9
Motoring	10.6	15.6	-5.6
Fares and Other Travel	3.9	5.5	-1.6
Leisure Goods	2.1	1.4	0.7
Leisure Services	2.5	3.6	-1.1
Food Away From Home	1.5	2.1	-0.6
Total	3.6	4.5	-0.9

TABLE 5

**Effect of subgroup weights on group changes
Fares and other travel group**

Item	Description	Weight		Annual Price Change %	Contribution to Index		Change 93 on 99
		93	99		93	99	
11011	New / 2 nd hand cycles	1.26	.90	-9.3	-11.0	-8.0	-3.0
11012	New / 2 nd hand boats	2.41	4.61	5.3	13.0	24.0	-11.0
11030	Rep / serv other	5.75	1.05	11.1	69.0	12.0	57.0
11081	Boat Insurance	.70	.29	-18.5	-4.0	-5.0	1.0
11150	Bus Fares	.67	.64	0.0	4.0	3.0	1.0
11200	Taxi Fares	3.08	2.47	12.0	37.0	30.0	7.0
11251	Hire Car – Lease	.36	1.01	0.9	0.0	0.0	0.0
11252	Hire Car – Short	.01	1.05	0.0	0.0	0.0	0.0
11271	Air Travel – UK	8.09	6.88	34.5	279.0	237.0	42.0
11272	Air Travel – CI	.78	.76	0.0	0.0	0.0	0.0
11273	Air Travel – Cont	4.02	3.19	-20.5	-82.0	-65.0	-17.0
11291	Sea Travel – UK	3.41	2.01	-9.7	-33.0	-19.0	-14.0
11292	Sea Travel – CI	.83	.78	2.2	2.0	2.0	0.0
11293	Sea Travel – Cont	1.78	.49	-45.6	-81.0	-22.0	-59.0
11	Group Total	33.15	26.13	5.5	.193	.189	.004

Note A: Changes of group inflation with 1993 weights = $189 \div 26.13$ or 7.2%. If the 1993 subgroup weights are re-apportioned to the 1999 group weights then the group inflation = $240 \div 33.15$ or 7.2 %.

Note B: Changes of group inflation with 1999 weights equals $193 \div 33.14$ or 5.8%

This item weight analysis is presented in order to demonstrate how any changes in group contribution to inflation is made up of several item changes whose overall effect may (as in the example above) be to cancel out individual item movements.

Appendix V – Comparison of Item Weights

1998/99 Items	Weight	% of Group	1992/93 Items	Weight	% of Group
Bread / Rolls Other	1.867416	1.5	Bread / Rolls Other	2.17472	1.3
Brown Bread	2.359997	1.9	Brown Bread	2.74836	1.7
White Bread	3.193204	2.5	White Bread	3.71868	2.3
Flour	0.234432	0.2	Flour	0.27301	0.2
Sweet Biscuits	2.382976	1.9	Sweet Biscuits	2.77512	1.7
Savoury Biscuits	0.842412	0.7	Savoury Biscuits	0.98104	0.6
Cakes	6.432426	5.1	Cakes	5.5393	3.4
Cereal	4.781558	3.8	Cereal	3.87633	2.4
Beef / Veal	3.363838	2.7	Beef / Veal	12.00439	7.3
Mutton/Lamb	0.779021	0.6	Mutton/Lamb	2.78006	1.7
Pork	1.108077	0.9	Pork	3.95435	2.4
Bacon/Uncooked Ham	0.698083	0.6	Bacon/Uncooked Ham	2.49122	1.5
Offal Uncooked	0.045496	0.0	Offal Uncooked	0.16236	0.1
Cooked Ham	0.706803	0.6	Cooked Ham	2.52234	1.5
Sausages	0.546721	0.4	Sausages	1.95106	1.2
Cooked Meat	0.973349	0.8	Cooked Meat	3.47355	2.1
Chicken	6.489035	5.1	Chicken	7.72336	4.7
Poultry/Rabbit/Game	0.604806	0.5	Poultry/Rabbit/Game	0.71985	0.4
Fresh Fish	4.346493	3.4	Fresh Fish	2.98927	1.8
Canned Fish	0.387281	0.3	Canned Fish	1.0443	0.6
Frozen Fish	1.002106	0.8	Frozen Fish	2.70217	1.7
Eggs	1.255246	1.0	Eggs	1.53525	0.9
Butter	0.862534	0.7	Butter	0.827	0.5
Margarine	1.357276	1.1	Margarine	1.78172	1.1
Fresh Milk - Low Fat	7.60091	6.0	Fresh Milk - Low Fat	9.74138	6.0
Fresh Milk - Full Cream	2.409764	1.9	Fresh Milk - Full Cream	3.08837	1.9
Fresh Milk - Skimmed	0.569106	0.4	Fresh Milk - Skimmed	0.72937	0.4
Cream /Yoghurt	3.061321	2.4	Cream /Yoghurt	3.92341	2.4
Cheese	4.453451	3.5	Cheese	4.87951	3.0
Lard/Cooking Oil	0.571261	0.5	Lard/Cooking Oil	0.79339	0.5
Baby / Geriatric Food	0.351928	0.3	Baby / Geriatric Food	0.40839	0.2
Fresh Vegetables	7.603877	6.0	Fresh Vegetables	8.82382	5.4
Canned / Dried Vegetables	1.760501	1.4	Canned / Dried Vegetables	2.04295	1.3
Frozen Vegetables	1.640167	1.3	Frozen Vegetables	1.90331	1.2
Potato Products, Smash, Chips	4.608648	3.6	Potato Products, Smash, Chips	4.69982	2.9
Fresh Potatoes	2.57062	2.0	Fresh Potatoes	2.16797	1.3
Fresh Fruit	7.985625	6.3	Fresh Fruit	7.14119	4.4
Canned Fruit, Fruit Juice	3.8666	3.1	Canned Fruit, Fruit Juice	2.05905	1.3
Tea	1.201452	0.9	Tea	1.90647	1.2
Coffee	1.919136	1.5	Coffee	2.25106	1.4
Food Drinks	0.352522	0.3	Food Drinks	0.85167	0.5
Sugar	0.553143	0.4	Sugar	1.208	0.7
Jam/Marmalade/Syrup	1.055621	0.8	Jam/Marmalade/Syrup	0.80219	0.5
Ice Cream	2.441677	1.9	Ice Cream	3.44176	2.1
Soft Drinks	5.646901	4.5	Soft Drinks	7.85625	4.8
Sweets	7.104088	5.6	Sweets	7.81437	4.8
Other Packaged Foods	5.132895	4.1	Other Packaged Foods	7.78304	4.8
Ready to Eat Meals	1.710967	1.4	Ready to Eat Meals	2.59435	1.6
Flavourings/Colourings	0.752223	0.6	Flavourings/Colourings	1.1406	0.7
Pickles Sauces Chutney	2.936046	2.3	Pickles Sauces Chutney	2.56564	1.6
Beers brought Home	2.837229	5.5	Beers brought Home	2.07919	5.5
Cider brought Home	0.613162	1.2	Cider brought Home	0.44934	1.2

1998/99 Items	Weight	% of Group	1992/93 Items	Weight	% of Group
Spirits/Liqueurs brought Home -	3.749671	7.2	Spirits/Liqueurs brought Home - 70c	2.74785	7.2
Spirits/Liqueurs brought Home -	4.582954	8.8	Spirits/Liqueurs brought Home - 1Lt	3.3585	8.8
Beers Away from Home - Pints	13.61966	26.2	Beers Away from Home - Pints	9.98082	26.2
Beers Away from Home - Halfs/Bot	9.079776	17.5	Beers Away from Home - Halfs/Bottle	6.65388	17.5
Cider Away from Home	0.810576	1.6	Cider Away from Home	0.59401	1.6
Fortified Wines Away from Home	0.247372	0.5	Fortified Wines Away from Home	0.18128	0.5
Unfortified Wines Away from Home	4.046905	7.8	Unfortified Wines Away from Home	2.96567	7.8
Spirits/Liqueurs Away from Home	3.688019	7.1	Spirits/Liqueurs Away from Home	2.70267	7.1
Cigarettes	18.17603	96.2	Cigarettes	13.10678	96.2
Tobacco	0.635832	3.4	Tobacco	0.4585	3.4
Cigars	0.079767	0.4	Cigars	0.05752	0.4
			House Purchase	0.85318	0.4
Major House Improvements - Other	16.29859	7.5	Major House Improvements - Other	22.70866	11.0
MHI - Interior Painting	7.643763	3.5	MHI - Interior Painting	9.90349	4.8
MHI - Plastic Windows/Doors	10.95367	5.1	MHI - Plastic Windows/Doors	8.6419	4.2
MHI - Exterior Painting	2.552534	1.2	MHI - Exterior Painting	2.33395	1.1
MHI - Bathroom Suite	6.952898	3.2	MHI - Bathroom Suite	4.38403	2.1
MHI - Kitchen Suite	6.952898	3.2	MHI - Kitchen Suite	4.38403	2.1
MHI - Building Work	17.66446	8.2	MHI - Building Work	10.72353	5.2
House Heating Installation	4.568267	2.1	House Heating Installation	5.95644	2.9
House Heating Maint/Repair	5.495637	2.5	House Heating Maint/Repair	2.55342	1.2
Paint, Varnish etc	2.298356	1.1	Paint, Varnish etc	1.06788	0.5
DIY Goods	6.894836	3.2	DIY Goods	3.20353	1.6
Minor materials for improvements	10.94922	5.1	Minor materials for improvements	5.0873	2.5
House- Fittings	2.740986	1.3	House- Fittings	1.27354	0.6
Hand Tools	3.169512	1.5	Hand Tools	1.47264	0.7
Power Tools	2.112939	1.0	Power Tools	0.98173	0.5
Sewage Emptying	1.780966	0.8	Sewage Emptying	2.07288	1.0
Tax on Rateable Value	1.935438	0.9	Tax on Rateable Value	2.4038	1.2
Water Rates	5.499021	2.5	Water Rates	5.78918	2.8
States Rent	7.470186	3.5	States Rent	10.63844	5.2
Private Rents	28.60234	13.2	Private Rents	40.74237	19.8
Occupiers Rates	1.791788	0.8	Occupiers Rates	2.46427	1.2
Mortgage Interest	55.23884	25.6	Mortgage Interest	45.3824	22.0
House Ins Struct + Contents	4.686848	2.2	House Ins Struct + Contents	7.21497	3.5
House Ins Struct Only	1.867474	0.9	House Ins Struct Only	3.64158	1.8
Coal	5.248358	12.7	Coal	9.17104	16.2
BP Heating Oil	0.560381	1.4	BP Heating Oil	0.46535	0.8
Esso Heating Oil	0.852265	2.1	Esso Heating Oil	0.73688	1.3
Shell Heating Oil	2.417689	5.8	Shell Heating Oil	3.14942	5.6
Total Heating Oil	3.206316	7.7	Total Heating Oil	3.96459	7.0
Mains Gas on Account	1.678086	4.0	Mains Gas on Account	2.0169	3.6
Mains Gas Standing Order - Stand	0.549245	1.3	Mains Gas Standing Order - Standing	0.66014	1.2
Mains Gas Standing Order - Gas U	3.844729	9.3	Mains Gas Standing Order - Gas Unit	4.621	8.2
Mains Electric - Standing Charge	2.077112	5.0	Mains Electric - Standing Charge	2.93494	5.2
Mains Electric - Economy Units	2.804095	6.8	Mains Electric - Economy Units	3.96216	7.0
Mains Electric - Normal Tariff U	15.88989	38.3	Mains Electric - Normal Tariff Unit	22.45226	39.6
Bottled Gas	2.039306	4.9	Bottled Gas	2.25466	4.0
Bulk Storage Gas	0.292947	0.7	Bulk Storage Gas	0.27061	0.5
Furniture	16.31478	20.8	Furniture	14.43304	20.7
Floor Coverings	9.061164	11.5	Floor Coverings	5.40842	7.7
House Textiles	4.088968	5.2	House Textiles	2.44062	3.5
			Gas Cookers	0.31358	0.4
Electric Cookers	1.385739	1.8	Electric Cookers	0.71235	1.0
Washing/Drying Machines	2.111203	2.7	Washing/Drying Machines	1.08528	1.6

1998/99 Items	Weight	% of Group	1992/93 Items	Weight	% of Group
Fridges/Freezers	2.697304	3.4	Fridges/Freezers	1.38657	2.0
Other Electric Goods	6.802544	8.7	Other Electric Goods	3.4969	5.0
Dishwashers	0.834342	1.1	Dishwashers	0.4289	0.6
Microwaves	0.483138	0.6	Microwaves	0.53996	0.8
Spare Parts for Electric Goods	0.186783	0.2	Spare Parts for Electric Goods	0.13627	0.2
Reps to Domestic Appliances	0.984892	1.3	Reps to Domestic Appliances	1.27797	1.8
China/Glass Pottery	1.53665	2.0	China/Glass Pottery	1.58261	2.3
Household Appliances not powered	0.696671	0.9	Household Appliances not powered	0.67656	1.0
Household Goods	9.125492	11.6	Household Goods	8.86206	12.7
Stationery	4.430965	5.6	Stationery	6.65062	9.5
Toilet Paper	3.16856	4.0	Toilet Paper	2.35849	3.4
Soap products/Washing Powder	2.224402	2.8	Soap products/Washing Powder	3.16956	4.5
Other Cleaning Materials	3.582814	4.6	Other Cleaning Materials	4.66728	6.7
Pet Food	2.986026	3.8	Pet Food	5.09852	7.3
Pet Expenses	5.868042	7.5	Pet Expenses	5.06065	7.3
House Insurance - Contents Only	1.552533	4.7	House Insurance - Contents Only	2.06531	8.6
Postage Expenses	2.39783	7.2	Postage Expenses	2.48568	10.4
Mobile Phone Charges	0.182892	0.6			
Telephone Rental	1.957632	5.9	Telephone Rental	2.34486	9.8
Telephone Calls - Local	1.081868	3.3	Telephone Calls - Local	1.24382	5.2
Telephone Calls - National	2.959928	8.9	Telephone Calls - National	3.40302	14.2
Telephone Calls - International	2.036093	6.2	Telephone Calls - International	2.34089	9.8
Cell Phone Line Charges	1.473844	4.5			
Cell Phone Call Charges	1.446279	4.4			
Fax Line Costs	0.010117	0.0			
Internet Line Rental	0.090792	0.3			
ISP Subscriptions	0.003269	0.0			
Domestic Services	5.542015	16.7	Domestic Services	4.5285	18.9
Repairs to Footwear	0.185398	0.6	Repairs to Footwear	0.2926	1.2
Repairs to Personal Goods	0.445805	1.3	Repairs to Personal Goods	0.27257	1.1
Laundry / Dry Cleaning	0.610143	1.8	Laundry / Dry Cleaning	1.22192	5.1
Subs to Trade Unions	1.381837	4.2	Subs to Trade Unions	0.54139	2.3
Other Subs	1.666796	5.0	Other Subs	1.0092	4.2
Bank Service Charges	0.021573	0.1	Bank Service Charges	0.21539	0.9
Licences/ Driving Tests/ Official	0.448055	1.4	Licences/ Driving Tests/ Official F	0.27182	1.1
Legal Fees	4.554398	13.8	Legal Fees	0.51476	2.2
			Funeral Expenses	0.32528	1.4
Misc Household Expenses	3.038232	9.2	Misc Household Expenses	0.84447	3.5
Mens Outerwear - Other	0.750393	1.3	Mens Outerwear - Other	0.72693	1.1
Mens Outerwear - Suits/Coats/Bla	4.351871	7.8	Mens Outerwear - Suits/Coats/Blazer	4.2158	6.5
Mens Outerwear - Shirts	2.851209	5.1	Mens Outerwear - Shirts	2.76206	4.2
Mens Outerwear - Jeans/Trousers	4.051736	7.2	Mens Outerwear - Jeans/Trousers	3.92505	6.0
Mens Outerwear - Jumpers	3.001282	5.4	Mens Outerwear - Jumpers	2.90744	4.5
Mens Underwear	0.402361	0.7	Mens Underwear	0.38978	0.6
Mens Hosiery	0.415347	0.7	Mens Hosiery	0.40236	0.6
Womens Outerwear - Other	3.451465	6.2	Womens Outerwear - Other	4.19929	6.4
Womens Outerwear - Coats	3.681544	6.6	Womens Outerwear - Coats	4.47922	6.9
Womens Outerwear - Skirts	3.451432	6.2	Womens Outerwear - Skirts	4.19925	6.4
Womens Outerwear - Blouses	2.300963	4.1	Womens Outerwear - Blouses	2.79951	4.3
Womens Outerwear - Jumpers	2.300963	4.1	Womens Outerwear - Jumpers	2.79951	4.3
Womens Outerwear - Dresses	4.141743	7.4	Womens Outerwear - Dresses	5.03913	7.7
Womens Outerwear - Jeans/Trouser	3.681544	6.6	Womens Outerwear - Jeans/Trousers	4.47922	6.9
Womens Underwear	1.841495	3.3	Womens Underwear	2.24049	3.4
Womens Hosiery	1.123428	2.0	Womens Hosiery	1.36684	2.1
Children's Clothing	4.623803	8.3	Children's Clothing	4.45561	6.8

1998/99 Items	Weight	% of Group	1992/93 Items	Weight	% of Group
Infants/Baby Clothing	0.89561	1.6	Infants/Baby Clothing	0.94024	1.4
Clothing Materials	0.881088	1.6	Clothing Materials	1.37361	2.1
Mens Footwear	2.951315	5.3	Mens Footwear	4.38354	6.7
Women's Footwear	3.573829	6.4	Women's Footwear	5.30815	8.1
Children's Footwear	1.177391	2.1	Children's Footwear	1.74876	2.7
Leather/ Travel Goods	0.755351	1.6	Leather/ Travel Goods	1.16725	2.0
Jewellery/Watches/Clocks	3.173696	6.5	Jewellery/Watches/Clocks	3.76211	6.5
Smokers Req/Vases/Frames	1.992572	4.1	Smokers Req/Vases/Frames	1.58641	2.7
Prescription Charges	0.884298	1.8	Prescription Charges	0.68693	1.2
Spectacles	1.009814	2.1	Spectacles	1.74784	3.0
Medicines	2.493727	5.1	Medicines	3.2293	5.5
Cosmetics	4.462563	9.2	Cosmetics	3.74042	6.4
Toilet Requisites	7.953313	16.3	Toilet Requisites	7.17495	12.3
Hairdressing	7.177831	14.7	Hairdressing	6.44413	11.1
Doctors - Surgery Consultations	2.841007	5.8	Doctors - Surgery Consultations	4.73031	8.1
Doctors - Home Visits	0.315667	0.6	Doctors - Home Visits	0.52559	0.9
Dentists	4.710824	9.7	Dentists	6.03826	10.4
Opticians	1.446292	3.0	Opticians	2.50332	4.3
Other Medical Fees	2.638666	5.4	Other Medical Fees	4.39341	7.5
Subs to Medical Insurance	5.849767	12.0	Subs to Medical Insurance	9.73993	16.7
Insurance on Personal Goods	1.0215	2.1	Insurance on Personal Goods	0.81287	1.4
Cars	34.41911	40.5	Cars	34.67827	34.8
New/Second Hand Motor Bikes	0.63711	0.7	New/Second Hand Motor Bikes	0.53906	0.5
Car/Bike Accessories & Parts - E	4.447054	5.2	Car/Bike Accessories & Parts - Exha	4.58173	4.6
Car/Bike Accessories & Parts - T	2.030177	2.4	Car/Bike Accessories & Parts - Tyre	2.09166	2.1
Car/Bike Accessories & Parts - O	3.190255	3.8	Car/Bike Accessories & Parts - Othe	3.28687	3.3
Car/Bike Repairs & Servicing - L	3.104813	3.7	Car/Bike Repairs & Servicing - Labo	3.19884	3.2
Car/Bike Repairs & Servicing - P	3.104813	3.7	Car/Bike Repairs & Servicing - Pack	3.19884	3.2
Unleaded Petrol	9.568232	11.3	Unleaded Petrol	9.31308	9.4
Leaded Petrol	5.979594	7.0	Leaded Petrol	14.9023	15.0
Diesel	0.24297	0.3	Diesel	0.37842	0.4
Driving Licence	0.213635	0.3	Driving Licence	0.09831	0.1
Car Tax	6.119576	7.2	Car Tax	5.99179	6.0
Car Insurance	10.92886	12.9	Car Insurance	15.47738	15.5
Garage Rental	0.335276	0.4	Garage Rental	1.19299	1.2
AA Subs	0.007004	0.0	AA Subs	0.21426	0.2
Other Costs for Vehicles	0.708752	0.8	Other Costs for Vehicles	0.43652	0.4
New/Second Hand Cycles	1.258416	3.8	New/Second Hand Cycles	0.89749	3.4
New/Second Hand Boats	2.40663	7.3	New/Second Hand Boats	4.60741	17.6
Repairs/Servicing Other Vehicles	5.752398	17.4	Repairs/Servicing Other Vehicles	1.05446	4.0
Boat Insurance	0.702483	2.1	Boat Insurance	0.28608	1.1
Bus Fares	0.66705	2.0	Bus Fares	0.6446	2.5
Taxi Fares	3.082126	9.3	Taxi Fares	2.46905	9.4
Hire Car - Lease	0.355122	1.1	Hire Car - Lease	1.00564	3.8
Hire Car - Short	0.009339	0.0	Hire Car - Short	1.04752	4.0
Air Travel UK	8.088803	24.4	Air Travel UK	6.87815	26.3
Air Travel CI	0.779909	2.4	Air Travel CI	0.76176	2.9
Air Travel Cont	4.022102	12.1	Air Travel Cont	3.19452	12.2
Water Travel UK	3.410855	10.3	Water Travel UK	2.00888	7.7
Water Travel CI	0.832785	2.5	Water Travel CI	0.78467	3.0
Water Travel Cont	1.781556	5.4	Water Travel Cont	0.48804	1.9
Leisure Purchase - Other	1.074081	1.7	Leisure Purchase - Other	0.67376	1.2
TV Purchase	2.637324	4.2	TV Purchase	3.27599	5.7
HI-FI Purchase	1.604173	2.5	HI-FI Purchase	2.01498	3.5
Satellite Purchase	0.689712	1.1	Satellite Purchase	0.76234	1.3

1998/99 Items	Weight	% of Group	1992/93 Items	Weight	% of Group
Video Recorder Purchase	1.480618	2.3	Video Recorder Purchase	1.32283	2.3
Home Computer Purchase	5.52292	8.7	Home Computer Purchase	2.37517	4.1
Games Console Purchase	5.540377	8.7			
Parts for Leisure Goods	2.955502	4.7	Parts for Leisure Goods	0.94228	1.6
Musical Instruments/Parts	0.450582	0.7	Musical Instruments/Parts	0.17694	0.3
Blank Tapes/Software	1.365572	2.2	Blank Tapes/Software	1.42231	2.5
CD's	3.18783	5.0	CD's	2.19092	3.8
Prerecorded Video Hire	0.251301	0.4	Prerecorded Video Hire	0.97593	1.7
Blank/Prerecorded Video Purchase	1.048554	1.7	Blank/Prerecorded Video Purchase	1.35769	2.4
Telephone Purchases	0.35853	0.6	Telephone Purchases	0.62749	1.1
Cell Phone Purchase	0.881309	1.4			
Sports Goods	2.808445	4.4	Sports Goods	5.06905	8.8
Books	3.46444	5.5	Books	2.92257	5.1
Local Newspapers	3.156606	5.0	Local Newspapers	3.46718	6.0
National Newspapers	5.091368	8.0	National Newspapers	5.5923	9.7
Magazines	2.900303	4.6	Magazines	3.18566	5.5
Games/Toys/Pastimes	3.907246	6.2	Games/Toys/Pastimes	7.05231	12.3
Photographic Goods - Cameras	1.468207	2.3	Photographic Goods - Cameras	2.98197	5.2
Video Camera Purchase	0.988793	1.6	Video Camera Purchase	1.28119	2.2
Photographic Goods - Consumables	2.532703	4.0	Photographic Goods - Consumables	0.7327	1.3
Cut Flowers	3.027149	4.8	Cut Flowers	2.72177	4.7
Seeds	0.980176	1.5	Seeds	0.73488	1.3
Outdoor Plants	1.395971	2.2	Outdoor Plants	1.25206	2.2
House Plants	0.790373	1.2	House Plants	0.73488	1.3
Fertilizers/Plant Foods	1.870977	2.9	Fertilizers/Plant Foods	1.5671	2.7
Cinema/Theatre/Concert Tickets	2.05706	2.2	Cinema/Theatre/Concert Tickets	1.60501	2.2
Night Club/ Dance Admission	1.955169	2.1	Dance Admission	1.52551	2.0
Sports for Participants - Other	4.959429	5.4	Sports for Participants - Other	4.72417	6.3
Sports for Participants - Annual	2.439785	2.6	Sports for Participants - Annual Su	2.32405	3.1
Miscellaneous Entertainment	3.298752	3.6	Miscellaneous Entertainment	3.14227	4.2
TV Licence	4.018134	4.3	TV Licence	4.6761	6.3
Leisure Goods Rentals	1.757539	1.9	Leisure Goods Rentals	1.1716	1.6
Satellite TV subs	4.309462	4.7	Satellite TV subs	1.33169	1.8
Internet Call Charges	0.238126	0.3	Mooring Fees	1.07241	1.4
Mooring Fees	0.032687	0.0	Fees for Educational Courses - Nurs	1.70324	2.3
Fees for Educational Courses - N	4.05485	4.4	Fees for Educational Courses - Priv	7.45409	10.0
Fees for Educational Courses - P	7.203581	7.8	Fees for Private Tuition/Leisure	3.43675	4.6
Fees for Private Tuition/Leisure	3.014266	3.3	Fees for Educ Courses for outside h	2.16517	2.9
Holidays	42.5209	46.0	Holidays	30.56748	41.0
Accommodation - UK	7.333462	7.9	Accommodation - UK	6.14234	8.2
Bank Charges	3.24892	3.5	Bank Charges	1.42636	1.9
All food at work	1.072665	2.0	All food at work	2.07613	4.4
Snacks eaten on premises	3.478005	6.3	Snacks eaten on premises	2.27698	4.8
Meals Out - Starters	11.2516	20.5	Meals Out - Starters	7.3662	15.4
Meals Out - Main Courses	21.98317	40.1	Meals Out - Main Courses	14.39194	30.2
Meals Out - Desserts	14.04086	25.6	Meals Out - Desserts	9.19227	19.3
Fish & Chip Meals	1.130155	2.1	Fish & Chip Meals	0.73989	1.6
Snacks not eaten on premises	1.845696	3.4	Snacks not eaten on premises	1.20834	2.5
			Take Away (Excl F&C)	7.47933	15.7
			Cold Snacks not eaten on premises	2.98397	6.3

Appendix VI – Mail Order

The 1998/99 HES was the first time that the spend on mail order goods have been recorded in Guernsey. Respondents were asked to record in the diary record books if the item was brought through mail order.

The table below shows the pattern of mail order spend from the HES:

Group	Annual Total HES Sample	Annual Total Island	% of Total Island Spend
Food	0	0	0
Alcoholic Drink	0	0	0
Tobacco	0	0	0
Housing	0	0	0
Fuel, Light & Power	0	0	0
Household Goods	11,010	374,356	0.8
Household Services	0	0	0
Clothing & Footwear	180,668	6,142,703	18.8
Personal Goods	5000	170,011	0.6
Motoring	0	0	0
Fares & Other Travel	0	0	0
Leisure Goods	23,862	811,300	2.2
Leisure Services	0	0	0
Food Away From Home	0	0	0
Total	220,540	7,498,370	1.3

The survey recorded an annual total of just over £2M for the survey respondents, when this is extrapolated to cover all Guernsey households, the total mail order spend in Guernsey was £7.5M or 1.3% of total expenditure.

As expected, the largest proportion of spend by mail order was on clothing and footwear (18.8%), with leisure goods being the next highest spend area. Leisure goods were primarily the sale of books (9.5% of Island spend) with other areas including CD's and garden supplies.

The proportion of overall spend (1.3%) was lower than expected. There are several possible reasons for this; firstly the figures do not include any postal charges, (this could add a further 10% to the total), secondly the 1998/99 HES saw the start of a period of increased activity within the mail order sector (introduction of e-commerce) and lastly there are many groups where mail order is currently non-applicable in Guernsey (grocery shopping, household services and utilities).

The level of spend on mail order/e-commerce is likely to increase, with a broader range of goods and stronger price competition coupled to widespread access to the Internet. The majority of mail order spend tended towards less expensive items, this is likely to change when consumer faith in Internet security is improved which would encourage consumers to make larger purchases such as cars.

Appendix VII - Goods & Services Inflation

Introduction

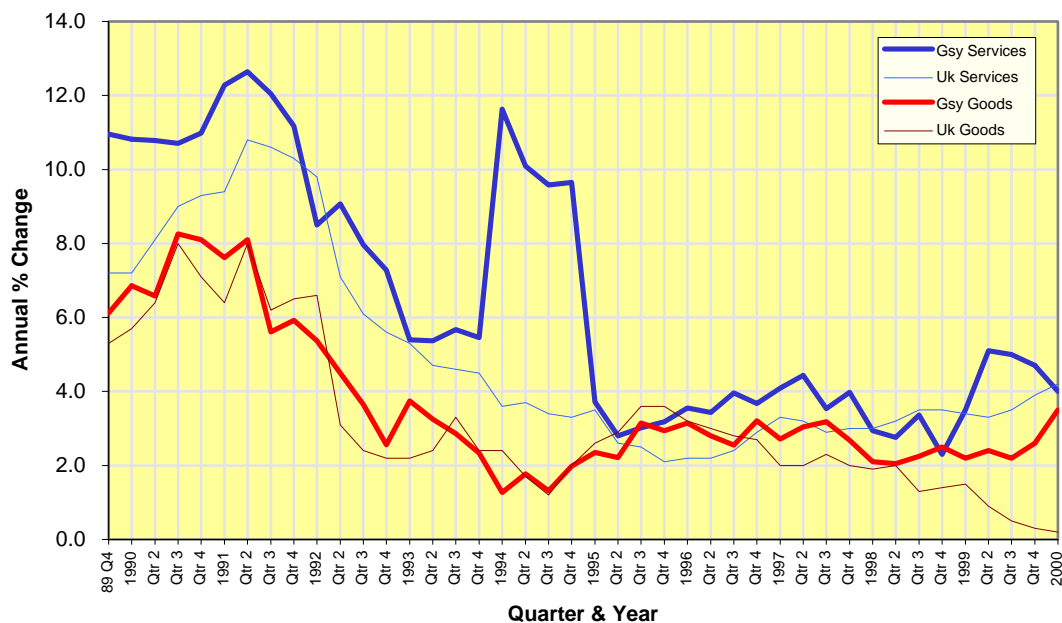
The overall RPI can be further broken down in order to examine what areas of the index are either contributing to or suppressing the index.

For Guernsey where most goods are imported, splitting the index between goods and services provides a good indicator of whether inflation is being imported or generated locally.

When looking at goods and services, the distinction is made at item level rather than group level (petrol is a good whereas garage charges are a service despite both being in the motoring expenditure group).

Comparison with the UK

The chart below shows the annual percentage changes in goods and services inflation for Guernsey and the UK.



The trend of the last year shows a marked difference in the patterns of inflation, between the two indices. The UK is showing a downturn in the inflation of goods, mainly due to the strength of sterling and increased competition in the marketplace, Guernsey meanwhile is showing an upturn in goods inflation, largely due to the large increases seen in the prices of fuels (notably, petrol).

The service inflation also shows a paradoxical pattern, whilst the UK service inflation is increasing due to the non traded goods sector (which includes items such as: holidays, fares and insurance for properties and vehicles), the Guernsey service inflation is falling due to the recorded decreases in the prices of traded services such as satellite TV subs and bank charges (the bank charges reflect increased competition in this sector and has led to new items being priced for the new index).