

Guernsey Quarterly Inflation Bulletin

30th June 2011 - Issue date 22nd July 2011



POLICY COUNCIL
THE STATES OF GUERNSEY

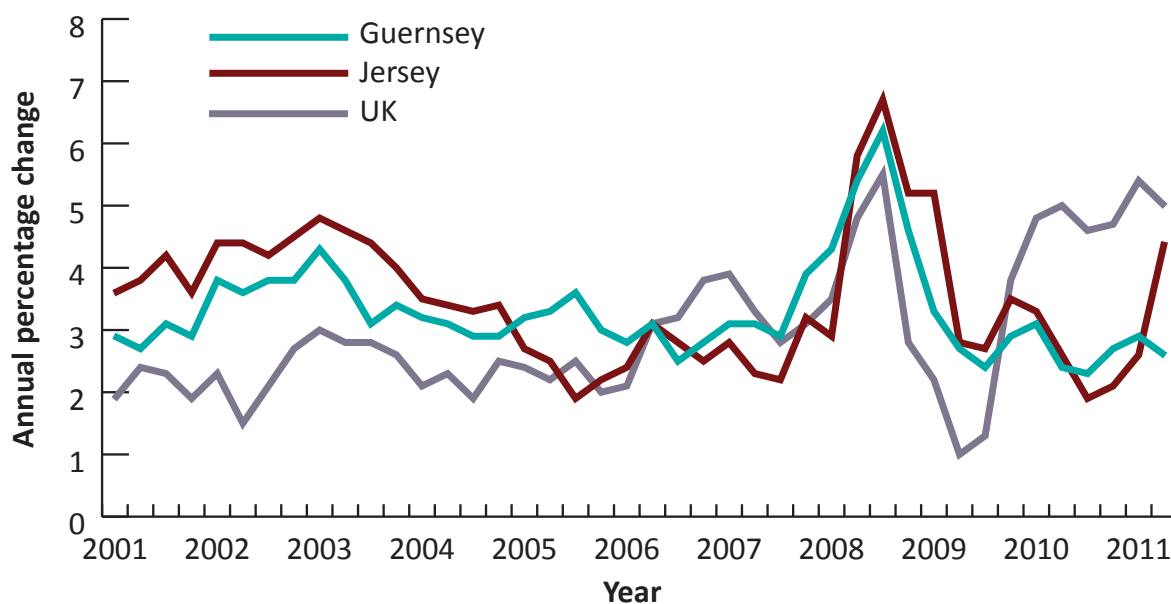
1.1 Introduction

The Guernsey RPIX and RPI are measures of inflation used in Guernsey. 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 the States of Guernsey Policy and Research Unit. The calculation 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. More detailed information on the calculation of these indices can be found at the end of this handout.

1.2 Headlines

- Guernsey's annual inflation as measured by RPIX ('core' inflation excluding mortgage interest payments) was 2.6% in the year ending June 2011, compared to 2.9% in the year ending March 2011 and 2.4% in the year ending June 2010.
- In the UK and Jersey the equivalent RPIX figures for the year ending June 2011 were 5.0% and 4.4% respectively (see [Figure 1.2.1](#)).
- Eleven of the fourteen RPIX groups increased in the year ending June 2011.
- The housing group made the largest contribution to the annual change in RPIX in June 2011, contributing 0.7 percentage points. The motoring and fuel, light and power groups each contributed 0.5 percentage points to the annual change.
- The 'all items' RPI inflation rate was 3.0% in the year ending June 2011, compared to 2.9% in the year ending March 2011 and 2.3% in the year ending June 2010.

Figure 1.2.1: Annual percentage change in RPIX



2.1 RPIX overview

Table 2.1.1: RPIX overview

		Annual % change	Quarterly % change	Index (1998 base)
2008	Mar	4.3	2.3	136.6
	June	5.4	2.1	139.4
	Sept	6.2	0.7	140.4
	Dec	4.6	-0.5	139.6
2009	Mar	3.3	1.0	141.0
	June	2.7	1.5	143.2
	Sept	2.4	0.4	143.7
	Dec	2.9	-0.1	143.7
2010	Mar	3.1	1.2	145.4
	June	2.4	0.8	146.6
	Sept	2.3	0.3	147.1
	Dec	2.7	0.3	147.6
2011	Mar	2.9	1.4	149.6
	June	2.6	0.5	150.4

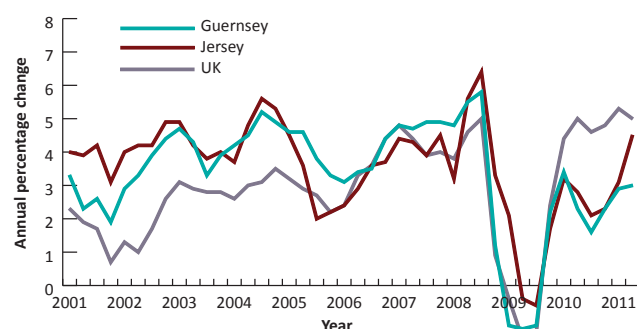
The annual change in the RPIX was 2.6% at the end of June 2011, 0.3 percentage points lower than March 2011 and 0.2 percentage points higher than June 2010 ([Table 2.1.1](#) and [Figure 1.1.1](#)).

In the quarter ending June 2011 RPIX increased by 0.5%, 0.3 percentage points less than during the same period in 2010. Quarterly changes in RPIX are subject to seasonal variations in price level and tend to be higher in the first and second quarters of each year than in the third and fourth.

Annual changes in the RPIX in the UK and Jersey were 5.0% and 4.4% respectively.

2.2 RPI Overview

Figure 2.2.1: Annual changes in RPI



The annual change in the RPI was 3.0% in June 2011, 0.1 percentage points higher than in March 2011 and 0.7 percentage points higher than in June 2010 ([Figure 2.2.1](#) and [Table 2.1.1](#)).

The annual changes in RPI in the UK and Jersey were 5.0% and 4.5% respectively.

The quarterly change in RPI for the period ending June 2011 was 0.6%, 0.1 percentage point higher than the period ending June 2010. Similar to RPIX, quarterly changes in RPI are subject to seasonal variation.

Table 2.2.1: RPI overview

		Annual % change	Quarterly % change	Index (1999 base)
2008	Mar	4.8	2.0	139.1
	June	5.5	1.7	141.5
	Sept	5.9	0.9	142.8
	Dec	1.2	-3.4	137.9
2009	Mar	-1.2	-0.4	137.4
	June	-1.3	1.6	139.6
	Sept	-1.2	1.1	141.1
	Dec	2.2	0.0	141.0
2010	Mar	3.4	0.7	142.1
	June	2.3	0.5	142.8
	Sept	1.6	0.4	143.4
	Dec	2.3	0.6	144.2
2011	Mar	2.9	1.4	146.2
	June	3.0	0.6	147.1

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.

Of the fourteen groups, 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 RPIX. However, due to differences in the weighting of the groups (see **Table 3.1.1**) the contribution made by each group to the RPI and RPIX differs.

In the year ending June 2011 eleven of the fourteen groups increased. The fuel, light and power group experienced the largest annual percentage change, increasing by 9.8% and contributing 0.5 percentage points to the annual change in RPIX. This increase was principally due to an overall increase in global oil prices however, as oil prices declined over the last quarter, the contribution of fuel light and power to the annual change has reduced by 0.2 percentage points since March 2011.

The motoring group, which can also be heavily affected by oil prices, increased by 4.6% in the year ending June 2011, and also contributed 0.5 percentage points to the annual increase in RPIX.

Housing, which has the highest weighting in both RPIX and RPI made the largest contribution to the annual changes in June 2011. It contributed 0.7 percentage points to RPIX and 1.3 percentage points to RPI.

Figure 3.1.1: Annual percentage change

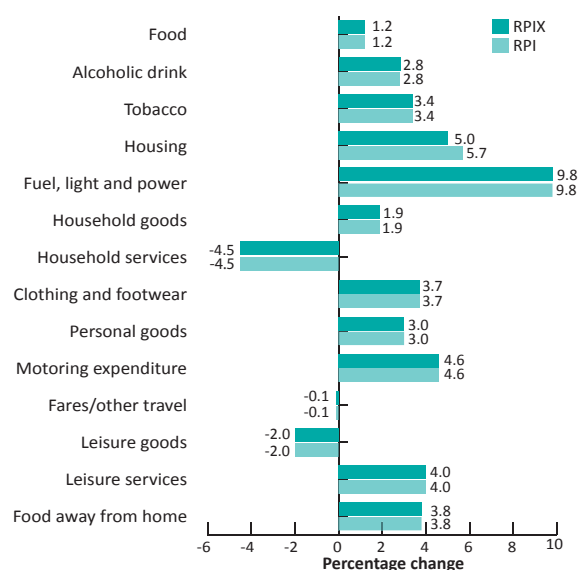


Figure 3.1.2: Annual contribution

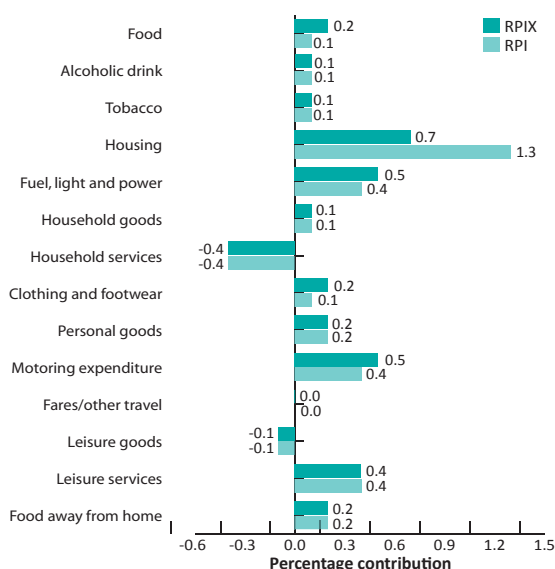


Table 3.1.1: Group weighting

	RPIX	RPI
Food	124	107
Alcoholic drink	48	42
Tobacco	19	16
Housing	147	264
Fuel, light and power	45	39
Household goods	64	55
Household services	89	77
Clothing & footwear	47	41
Personal goods	64	55
Motoring	99	86
Fares/other travel	26	22
Leisure goods	76	66
Leisure services	101	88
Food away from home	51	44

3.2 Group analysis - quarterly

Figure 3.2.1: Quarterly percentage change

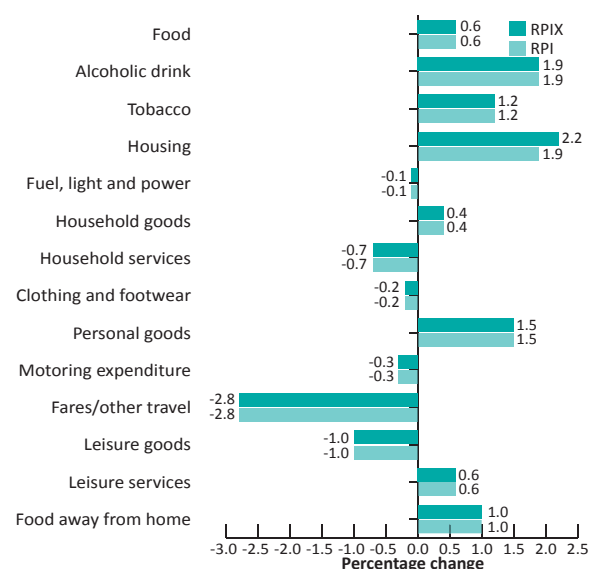
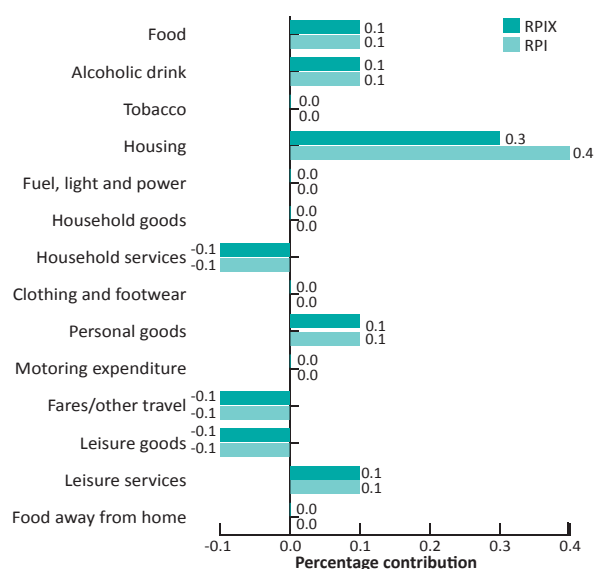


Figure 3.2.2: Quarterly contribution



The average price level increased in eight of the fourteen groups in the quarter ending 30th June 2011 (**Figure 3.2.1**).

The housing group, which has the highest weighting in the RPIX, showed the largest quarterly increase (2.2%) in June 2011 contributing 0.3 percentage points to the quarterly change (**Figure 3.2.2**).

The alcoholic drinks group showed the second largest quarterly increase (1.9%) but, because it has a comparatively low weighting in RPIX, made a similar contribution to the quarterly change as the food, personal goods and leisure services groups.

Negative contributions were made by the household services, fares and other travel and leisure goods group in the quarter ending June 2011, each of which contributed a decrease of 0.1 percentage points to the quarterly change.

Because of the decrease in oil prices over the quarter, the fuel, light and power and motoring groups also decreased over the quarter (by 0.1% and 0.3% respectively) but made a downward contribution of less than 0.05 percentage points to the overall change.

The housing group has an increased weighting in the RPI due to the inclusion of the mortgage interest payment item. This group contributed 0.4 percentage points to the change in RPI in the quarter ending June 2011.

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 presented in brackets are the quarterly changes for each group.

Food (0.6%)

Increases in the cost of some items such as fresh fish and dairy products were only partially offset by decreases in other items such as pasta and breads.

Alcoholic drinks (1.9%)

The cost of wines, lagers and ciders increased but were partially offset by decreases in spirits brought for home consumption.

Tobacco (1.2%)

There were moderate increases in the price of cigarettes and cigars this quarter.

Housing (2.2% RPIX, 1.9% RPI)

There were decreases in sewage disposal charges but, increases in water charges (relating to the introduction of waste water charge) and increased household maintenance costs resulted in an increase in this group. The cost of mortgage interest payments (included in RPI only) also increased but by less than the average of the rest of the housing group, resulting in a lower quarterly change in this group in the RPI than in the RPIX.

Fuel, light and power (-0.1%)

There were decreases in the cost of heating oil but increases in the cost of electricity this quarter.

Household goods (0.4%)

Increases in the cost of cleaning products and pet expenses were partially offset by decreases in the cost of some furniture and appliances this quarter.

Household services (-0.7%)

Continued reduction in telecoms costs resulted in a decrease in this group this quarter.

Clothing and footwear (-0.2%)

Whilst the cost women's clothing generally decreased there were increases in the cost of some men's clothing.

Personal goods (1.5%)

Increase in the cost of jewellery and medical insurance resulted in an increase in this group over the quarter.

Motoring (-0.3%)

The decrease in this group over the quarter was primarily a result of decreased fuel prices.

Fares & other travel (-2.8%)

There was an decrease in the cost of air fares this quarter.

Leisure goods (-1.0%)

Decreases in the cost of computers and other electrical goods led to an overall decrease in this group.

Leisure services (0.6%)

There were increases in holiday costs this quarter resulting in an increase in this group.

Food away from home (1.0%)

The cost of eating in restaurants increased this quarter.

4.1 Cumulative changes, refation factors and indices

Table 4.1.1: RPIX cumulative changes and refation factors for the period ending 30th June 2011

	Cumulative % change	Refation factor
3 months	0.5	1.01
6 month	1.9	1.02
9 months	2.2	1.02
12 months	2.6	1.03
15 months	3.4	1.03
18 months	4.7	1.05
2 years	5.0	1.05
3 years	7.9	1.08
4 years	13.7	1.14
5 years	17.2	1.17
10 years	38.5	1.39

Table 4.1.2: RPI cumulative changes and refation factors for the period ending 30th June 2011

	Cumulative % change	Refation factor
3 months	0.6	1.01
6 month	2.0	1.02
9 months	2.6	1.03
12 months	3.0	1.03
15 months	3.5	1.04
18 months	4.3	1.04
2 years	5.3	1.05
3 years	3.9	1.04
4 years	9.7	1.10
5 years	14.8	1.15
10 years	39.8	1.40

Table 4.1.3: RPIX Index figures at 30th June 2011

Year of base	Index
1998	150.4
2008	107.9

Table 4.1.4: RPI Index figures at 30th June 2011

Year of base	Index
1949	3210.6
1965	1875.3
1974	1034.3
1979	500.6
1983	315.3
1988	235.9
1994	174.6
1999	147.1
2008	103.9

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 RPI between any two quarters from 1965 onwards. The inflation calculator can also calculate the refated 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 refation 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 refation factor. For example, using RPIX refation factors, £100 in June 2001 is equivalent to £100 x 1.39 = £139 in June 2011.

Refation factors can also be used in the opposite way. To calculate what £100 in 2011 would have been worth in 2001, divide by the relevant refation 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). [Tables 4.1.3](#) and [4.1.4](#) show the index value for the current quarter for each year of base. Full time series of index figures for each base is available on our website (www.gov.gg/rpi).

5.1 UK and Jersey inflation rates

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

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

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

		Guernsey	UK	Jersey
2007	Mar	3.1	3.9	2.8
	June	3.1	3.3	2.3
	Sept	2.9	2.8	2.2
	Dec	3.9	3.1	3.2
2008	Mar	4.3	3.5	2.9
	June	5.4	4.8	5.8
	Sept	6.2	5.5	6.7
	Dec	4.6	2.8	5.2
2009	Mar	3.3	2.2	5.2
	June	2.7	1.0	2.8
	Sept	2.4	1.3	2.7
	Dec	2.9	3.8	3.5
2010	Mar	3.1	4.8	3.3
	June	2.4	5.0	2.6
	Sept	2.3	4.6	1.9
	Dec	2.7	4.7	2.1
2011	Mar	2.9	5.4	2.6
	June	2.6	5.0	4.4

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

		Guernsey	UK	Jersey
2007	Mar	4.8	4.8	4.4
	June	4.7	4.4	4.3
	Sept	4.9	3.9	3.9
	Dec	4.9	4.0	4.5
2008	Mar	4.8	3.8	3.2
	June	5.5	4.6	5.6
	Sept	5.9	5.0	6.4
	Dec	1.2	0.9	3.3
2009	Mar	-1.2	-0.4	2.1
	June	-1.3	-1.6	-0.4
	Sept	-1.2	-1.4	-0.6
	Dec	2.2	2.4	1.7
2010	Mar	3.4	4.4	3.2
	June	2.3	5.0	2.8
	Sept	1.6	4.6	2.1
	Dec	2.3	4.8	2.3
2011	Mar	2.9	5.3	3.1
	June	3.0	5.0	4.5

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 2,000 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 Index contains a representation of what 'typical' consumers in a Guernsey household spend their money on. It 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.

Further information regarding the methodology, calculation and uses of the inflation indices can be found in the Guide to the Guernsey Inflation Indices which is available online at www.gov.gg/rpi

7.1 Contact details and further information

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

Please contact Liz Laine (Research and Information Officer) for further information.

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The next inflation bulletin (for September 2011) will be published at 9:30am on Friday 21st October.