

Guernsey Quarterly Inflation Bulletin

30th June 2012 - 20th July 2012



POLICY COUNCIL
THE STATES OF GUERNSEY

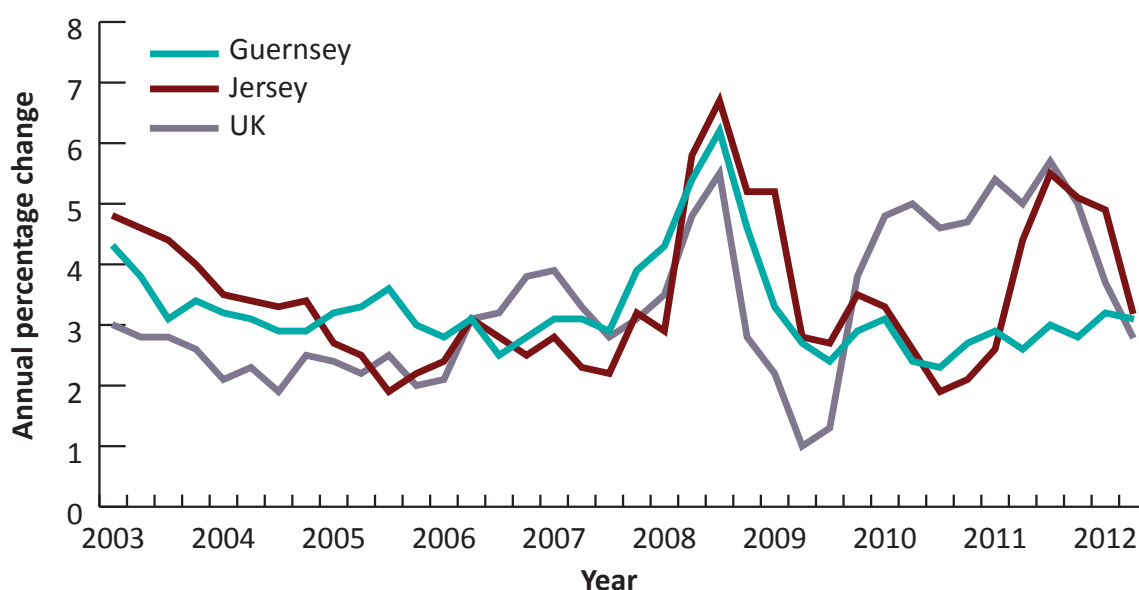
1.1 Introduction

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 3.1% in the year ending June 2012, compared to 3.2% in the year ending March 2012 and 2.6% in the year ending June 2011.
- In the UK and Jersey the equivalent RPIX figures for the year ending June 2012 were 2.8% and 3.2% respectively (see [Figure 1.2.1](#)).
- Twelve of the fourteen RPIX groups increased in the year ending June 2012.
- The Housing and Leisure services groups made the largest upward contributions to the annual change in RPIX in June 2012, each contributing 0.5 percentage points.
- The 'all items' RPI inflation rate was 3.2% in the year ending June 2012, compared to 3.5% in the year ending March 2012 and 3.0% in the year ending June 2011.

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)
2009	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
2011	Dec	2.7	0.3	147.6
	Mar	2.9	1.4	149.6
	June	2.6	0.5	150.4
2012	Sept	3.0	0.8	151.6
	Dec	2.8	0.2	151.8
	Mar	3.2	1.8	154.4
	June	3.1	0.4	155.0

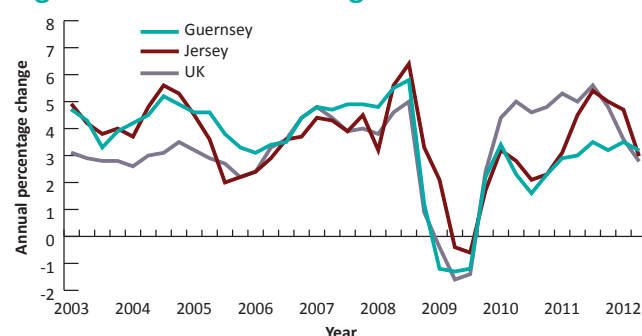
The annual change in the RPIX was 3.1% at the end of June 2012, 0.1 percentage point lower than in March 2012 and 0.5 percentage points higher than June 2011 ([Table 2.1.1](#) and [Figure 1.1.1](#)).

During the three month period ending June 2012 RPIX increased by 0.4%, 0.1 percentage points less than during the same period in 2011. Quarterly changes in RPIX are subject to seasonal variations in price level and are typically higher in the first and second quarters of each year than in the third and fourth.

The annual change in the UK RPIX was 2.8% at the end of June 2012. RPIX for Jersey in June 2012 was 3.2%

2.2 RPI Overview

Figure 2.2.1: Annual changes in RPI



The annual change in the RPI was 3.2% in June 2012, 0.3 percentage points lower than in March 2012 and 0.2 percentage points higher than in June 2011 ([Figure 2.2.1](#) and [Table 2.1.1](#)).

The annual change in the UK RPI in June 2012 was 2.8%. The equivalent figure for Jersey was 3.0%.

The quarterly change in RPI for the period ending June 2012 was 0.3%, 0.3 percentage points lower than the period ending June 2011. 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)
2009	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
2011	Dec	2.3	0.6	144.2
	Mar	2.9	1.4	146.2
	June	3.0	0.6	147.1
2012	Sept	3.5	0.9	148.4
	Dec	3.2	0.3	148.8
	Mar	3.5	1.7	151.3
	June	3.2	0.3	151.8

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 2012 twelve of the fourteen groups increased. The tobacco group experienced the largest annual percentage increase at 5.9%. However, because of the recently low weighting of this group it contributed an increase of only 0.1 percentage point to the annual change in RPIX.

Housing, which has the highest weighting in both RPIX and RPI made the largest contribution to the annual changes in both indices in June 2012. It contributed 0.5 percentage points to RPIX and 0.9 percentage points to RPI.

Leisure services also contributed 0.5 percentage points to the annual change in RPIX. Clothing and leisure goods each made a downward contribution of 0.1 percentage points to the annual change in RPIX.

Figure 3.1.1: Annual percentage change

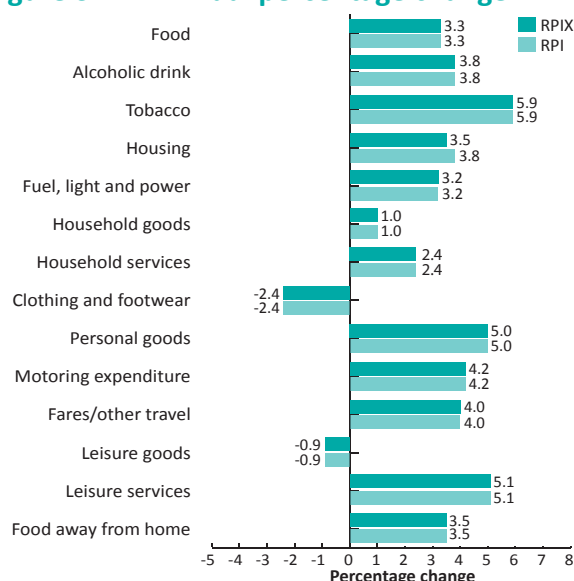


Figure 3.1.2: Annual contribution

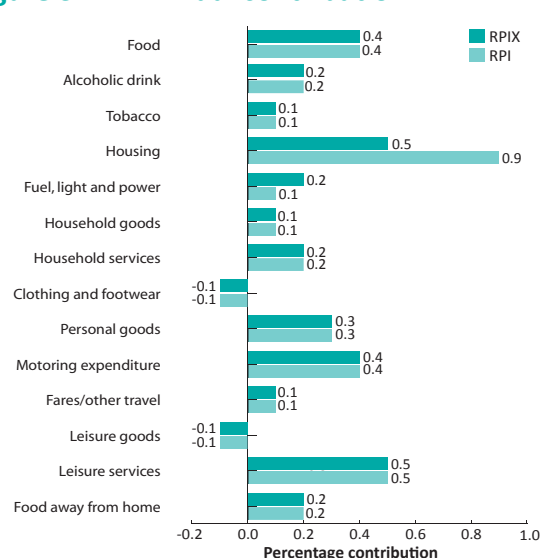
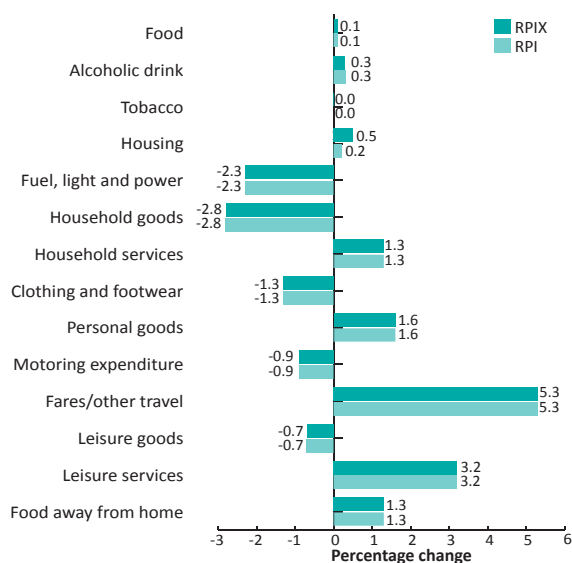


Table 3.1.1: Group weighting

	Items included	RPIX	RPI
Food	Food and non-alcoholic drink bought for home consumption.	124	107
Alcoholic drink	Wine, beer, spirits and other alcoholic drinks.	48	42
Tobacco	Cigarettes, cigars and other tobacco products.	19	16
Housing	Rents, parish rates and routine household maintenance and servicing costs. In the RPI this group includes interest paid on mortgages.	147	264
Fuel, light and power	Goods and services for the provision of light, heat and power in the home e.g. gas, oil and electricity.	45	39
Household goods	Non-food items for the household including furniture, domestic appliances, stationery and cleaning materials.	64	55
Household services	Services enlisted for the household such as contents insurance, postal, telecoms and cleaning services.	89	77
Clothing & footwear	Adult's and children's clothing and footwear.	47	41
Personal goods	Goods and services for personal use such as jewellery, cosmetics and toiletries plus medical expenses.	64	55
Motoring	Vehicle purchase, running and maintenance costs.	99	86
Fares/other travel	Air and sea passenger fares and other travel related costs.	26	22
Leisure goods	Goods for sports, hobbies and entertainment including electronic goods, sporting and gardening equipment.	76	66
Leisure services	Services purchased for leisure activities including foreign holidays, cinema tickets and sporting activities.	101	88
Food away from home	Food purchased in restaurants, at work, from takeaways etc.	51	44

3.2 Group analysis - quarterly

Figure 3.2.1: Quarterly percentage change



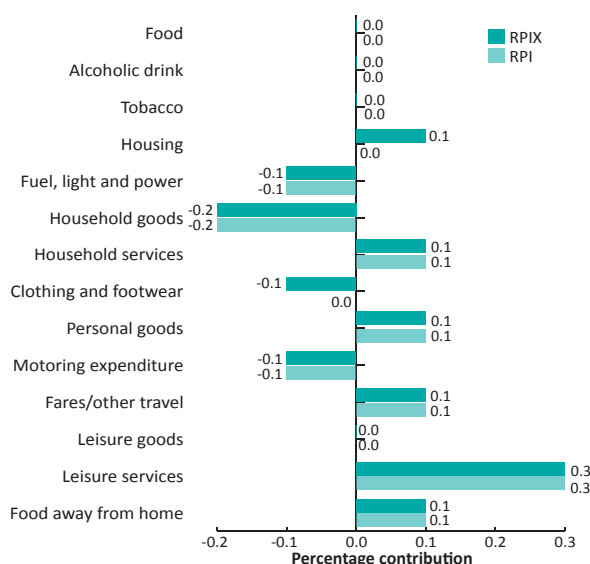
The average price level increased in thirteen of the fourteen groups in the quarter ending 30th June 2012 (**Figure 3.2.1**).

Fares and other travel showed the largest quarterly percentage change increasing by 5.3% and contributing 0.1 percentage points to the annual change (**Figure 3.2.2**).

The largest contribution to the quarterly change in RPIX came from leisure services which contributed 0.3 percentage points to the quarterly change.

The housing group, which has the highest weighting in both indices contributed 0.3 percentage points to the annual change in RPIX and RPI.

Figure 3.2.2: Quarterly contribution



Household goods showed the largest negative quarterly change, reducing by 2.8% and contributing a down pressure of 0.2 percentage points to RPIX.

Fuel light and power showed a 2.3% decrease during the quarter contributing a downward movement of 0.1 percentage points to the quarterly percentage change.

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 (0.1%)

Overall there was little change in food prices in the quarter ending June 2012

Alcoholic drinks (0.3%)

Increases in the price of alcoholic drinks brought for consumption away from home contributed to a small increase in this group.

Tobacco (0.0%)

There was no change in the price of tobacco products this quarter

Housing (0.5% RPIX, 0.2% RPI)

Increases in private rents, and DIY costs contributed to an increase in this group. The average cost of mortgages interest payments (included in RPI only) showed a small decrease this quarter.

Fuel, light and power (-2.3%)

Decreases in the cost of oil were only partially offset by increases in electricity costs resulting in a decrease in this group in the quarter ending June 2012.

Household goods (-2.8%)

A general decrease in the cost of furniture and some household appliances led to an decrease in this group.

Household services (1.3%)

Increases in the cost of postal services and some telecoms services led to an increase in this group.

Clothing and footwear (-1.3%)

The decrease in this group was a result of a general decrease in the cost of women's clothing.

Personal goods (1.6%)

Increases in the cost of medical insurance and cosmetics were the primary contributors to the increase in this group.

Motoring (-0.9%)

The decrease in the cost of fuel resulted in a decrease in this group.

Fares & other travel (5.3%)

Increases in air and boat fares for the summer season resulted in an increase in this group.

Leisure goods (-0.7%)

There were decreases in a number of items in this group including pre-recorded media and some electrical goods.

Leisure services (3.2%)

Increase in the cost of overnight accommodation made the largest contribution to the increase in this group.

Food away from home (1.3%)

There was a moderate increase in the cost of takeaway food and meals in restaurants this quarter.

4.1 Cumulative changes, refraction factors and indices

Table 4.1.1: RPIX cumulative changes and refraction factors for the period ending 30 June 2012

	Cumulative % change	Refraction factor
3 months	0.4	1.00
6 months	2.1	1.02
9 months	2.3	1.02
12 months	3.1	1.03
15 months	3.6	1.04
18 months	5.0	1.05
2 years	5.7	1.06
3 years	8.3	1.08
4 years	11.2	1.11
5 years	17.2	1.17
10 years	37.8	1.38

Table 4.1.2: RPI cumulative changes and refraction factors for the period ending 31st June 2012

	Cumulative % change	Refraction factor
3 months	0.3	1.00
6 months	2.0	1.02
9 months	2.3	1.02
12 months	3.2	1.03
15 months	3.8	1.04
18 months	5.3	1.05
2 years	6.3	1.06
3 years	8.7	1.09
4 years	7.3	1.07
5 years	13.2	1.13
10 years	39.7	1.40

Table 4.1.3: RPIX Index figures at 31st June 2012

Year of base	Index
1998	155.0
2008	111.2

Table 4.1.4: RPI Index figures at 31st June 2012

Year of base	Index
1949	3,313.0
1965	1,935.2
1974	1,067.3
1979	516.6
1983	325.3
1988	243.5
1994	180.2
1999	151.8
2008	107.2

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 reflated 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 refraction 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 refraction factor. For example, using RPIX refraction factors, £100 in June 2002 is equivalent to £100 x 1.38 = £138 in June 2012.

Refraction factors can also be used in the opposite way. To calculate what £100 in 2012 would have been worth in 2002, divide by the relevant refraction 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
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
	Sept	3.0	5.7	5.5
	Dec	2.8	5.0	5.1
2012	Mar	3.2	3.7	4.9
	June	3.1	2.8	3.2

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

		Guernsey	UK	Jersey
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
	Sept	3.5	5.6	5.4
	Dec	3.2	4.8	5.0
2012	Mar	3.5	3.6	4.7
	June	3.2	2.8	3.0

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. The 2012/13 Household Expenditure Survey has just been launched and the results will be used to update the weights and basket in 2013. For more information see www.gov.gg/hes.

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 June 2012) will be published at 9:30am on Friday 20th July.