

Guernsey Quarterly Inflation Bulletin

31st December 2012 - Issue date 23rd January 2013



POLICY COUNCIL
THE STATES OF GUERNSEY

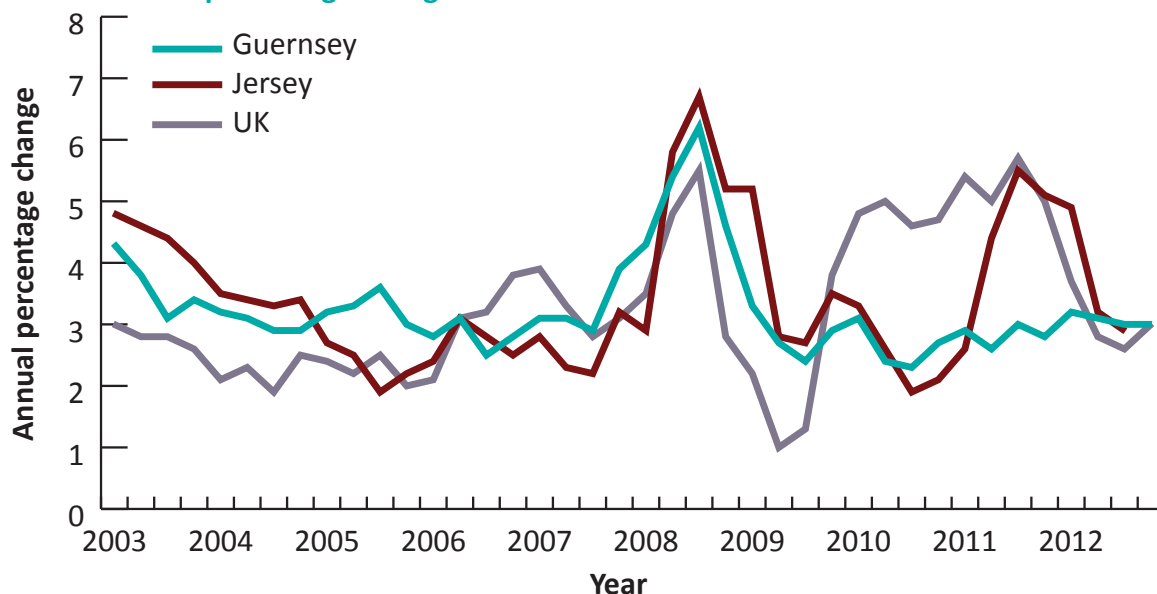
1.1 Introduction

The Guernsey RPIX and RPI are measures of inflation. They measure the change in the prices of goods and services bought for the purpose of consumption or use by households in Guernsey. The indices are published quarterly by the States of Guernsey Policy and Research Unit. The calculations of the RPIX and RPI are based on the price change of items within a 'shopping basket'. Whilst some prices rise over time, others will fall or fluctuate and the indices represent the average change in these prices. 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) remained at 3.0% in December 2012, unchanged from the previous quarter, ending September 2012 and 0.2 percentage points higher than the quarter ending December 2011.
- In the UK the equivalent RPIX figure for December 2012 was 3.0% (see [Figure 1.2.1](#)). RPIX in Jersey was not available at the time of release.
- A rise in the price of electricity has increased the contribution made by the Fuel, light and power group this quarter, although this was partially offset by a reduction in the price of oil.
- A decrease in the price of motor fuels caused the growth in the Motoring group seen last quarter to ease off.
- The 'all items' RPI annual inflation rate was 3.2% in December 2012, compared to 3.0% the previous quarter, ending September 2012 and 3.2% in the quarter ending December 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)
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
	Sept	3.0	0.8	151.6
	Dec	2.8	0.2	151.8
2012	Mar	3.2	1.8	154.4
	June	3.1	0.4	155.0
	Sept	3.0	0.7	156.0
	Dec	3.0	0.2	156.3

The annual change in the RPIX was 3.0% at the end of December 2012, the same as the previous quarter, ending September 2012 and 0.2 percentage points higher than December 2011 ([Table 2.1.1](#) and [Figure 1.2.1](#)).

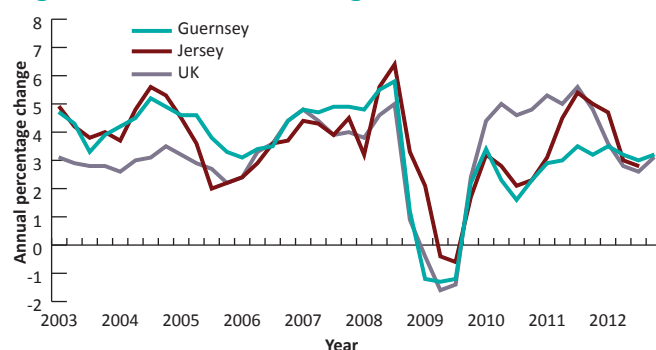
During the three month period ending December 2012 RPIX increased by 0.2%, reflecting the change seen for the same period in 2011. Quarterly changes in RPIX are subject to seasonal variations in price level and are typically higher in the first and second quarters of each year than in the third and fourth.

The annual change in the UK RPIX was 3.0% at the end of December 2012. RPIX for Jersey in December 2012 was not available at the time of publication*.

*Publication of Jersey inflation figures for December 2012 scheduled for 25th January 2013

2.2 RPI Overview

Figure 2.2.1: Annual changes in RPI



The annual change in the RPI was 3.2% in December 2012, 0.2 percentage points higher than in September 2012 and the same as in December 2011 ([Figure 2.2.1](#) and [Table 2.2.1](#)).

The annual change in the UK RPI in December 2012 was 3.1%. RPI for Jersey in December 2012 was not available at the time of publication*.

The quarterly change in RPI for the period ending December 2012 was 0.4%, 0.1 percentage points higher than during the period ending December 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)
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
	Sept	3.5	0.9	148.4
	Dec	3.2	0.3	148.8
2012	Mar	3.5	1.7	151.3
	June	3.2	0.3	151.8
	Sept	3.0	0.7	152.9
	Dec	3.2	0.4	153.6

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 December 2012 thirteen of the fourteen groups increased. The Tobacco group experienced the largest annual percentage increase at 7.4%, although its contribution to the change in RPIX was only 0.2 percentage points. Fuel, light and power saw the second largest increase at 7.2% but, due to its higher weighting, its contribution to RPIX was greater, at 0.4 percentage points.

Motoring made the largest contribution to the annual change in RPIX in December 2012, adding 0.5 percentage points. However, this was lower than the previous quarter when its contribution to RPIX was 0.7 and growth was 6.4%.

Housing made the largest contribution to RPI adding 0.9 percentage points to the annual change.

Clothing and footwear was the only group to show a drop in average price, contributing a decrease of 0.1 percentage points to the annual change in RPIX.

Figure 3.1.1: Annual percentage change

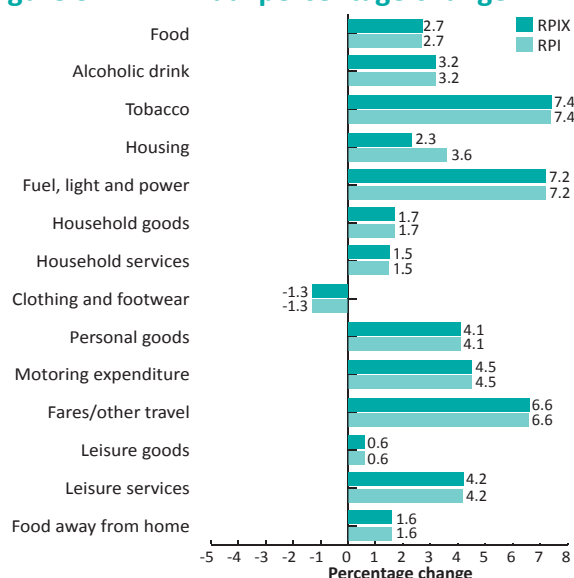
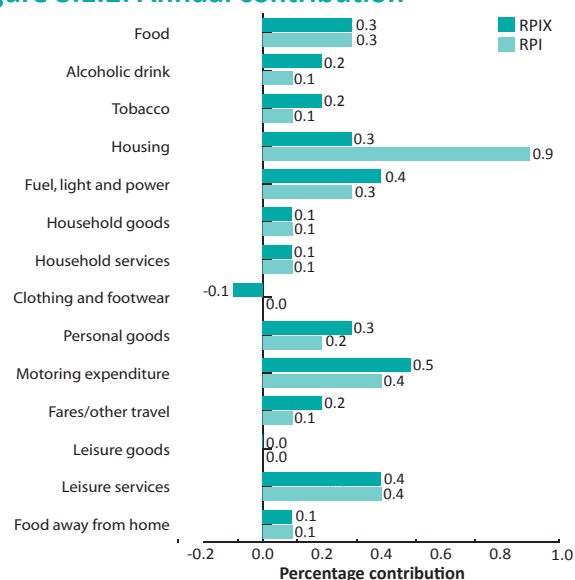


Figure 3.1.2: Annual contribution*



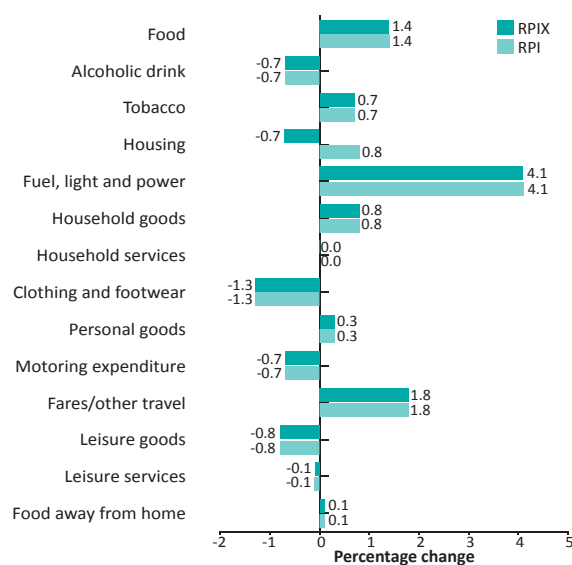
* Due to the effects of rounding any values of less than 0.05 will appear as 0.0.

Table 3.1.1: Group weighting

	Items included	RPIX	RPI
Food	Food and non-alcoholic drink bought for home consumption.	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 and 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*



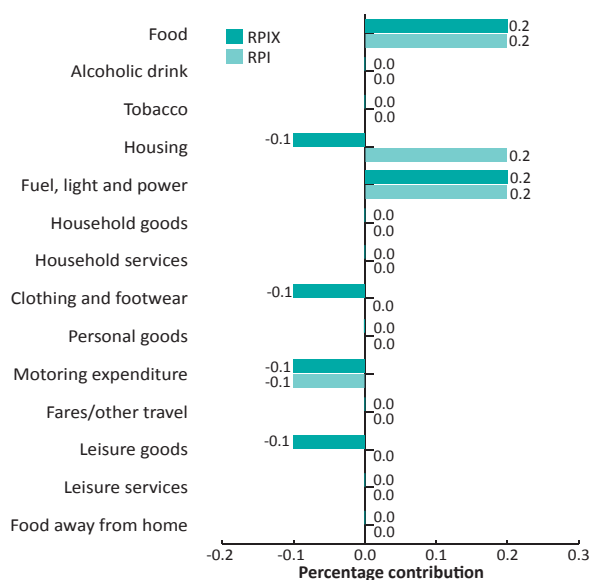
Seven of the fourteen RPIX groups saw an average price increase in the three months ending 31st December 2012 (**Figure 3.2.1**).

The largest increase, at 4.1%, came from the Fuel, light and power group, contributing 0.2% to the quarterly change (**Figure 3.2.2**).

Clothing and footwear saw the largest decrease, falling by 1.3% in the quarter. However, the group contributed only -0.1% to the overall quarterly change in RPIX.

The Housing group, which has the highest weighting in both indices, made a negative contribution of 0.1 percentage points to the quarterly change in RPIX but a positive contribution of 0.2 percentage points to the quarterly change in RPI.

Figure 3.2.2: Quarterly contribution*



* Due to the effects of rounding any values of less than 0.05 will appear as 0.0.

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 (1.4%)

Seasonal increases in the prices of some fruits, along with some increases in the cost of fresh meat, milk and bread, have contributed to an overall increase in the food group.

Alcoholic drinks (-0.7%)

The decrease in this category has largely been driven by seasonal special offers on alcohol bought for consumption at home.

Tobacco (0.7%)

Duty increases from November 2012 have raised prices in the Tobacco group. However, some retailers deferred their price rises until the new year which has reduced the impact of the duty changes in this quarter.

Housing (-0.7% RPIX, 0.8% RPI)

An increase in mortgage interest payments (excluded in RPIX) have had an upward impact on RPI this quarter. A decrease in some insurance and household maintenance costs has contributed to the negative change in this group in RPIX.

Fuel, light and power (4.1%)

Recent increases in electricity prices have exerted upward pressure on this group. This has been partially offset by a negative contribution from a reduction in the price of oil.

Household goods (0.8%)

Increases in household goods have been predominantly driven by a rise in furniture and pet food.

Household services (0.0%)

There has been no change in this group.

Clothing and footwear (-1.3%)

A slight increase in the price of women's footwear has been offset by larger reductions in other women's clothing groups.

Personal goods (0.3%)

Increases in the prices of jewellery and some toiletries were partially offset by small decreases in the price of some cosmetics.

Motoring (-0.7%)

A reduction in fuel prices has driven the decrease in this group. This was partially offset by an increase in the cost of new cars and motor insurance.

Fares and other travel (1.8%)

A rise in both air and sea fares resulted in an increase in this group this quarter.

Leisure goods (-0.8%)

The decrease in this category has largely been driven by a reduction in the price of some electrical goods.

Leisure services (-0.1%)

Decreases in the cost of overnight accommodation were offset by an increase in the cost of foreign holidays.

Food away from home (0.1%)

Small increases in takeaway meals and drinks costs were offset by some decreases in those of meals out.

4.1 Cumulative changes, refation factors and indices

Table 4.1.1: RPIX cumulative changes and refation factors for the period ending 31st December 2012

	Cumulative % change	Refation factor
3 months	0.2	1.00
6 months	0.9	1.01
9 months	1.2	1.01
12 months	3.0	1.03
15 months	3.1	1.03
18 months	4.0	1.04
2 years	5.9	1.06
3 years	8.8	1.09
4 years	12.0	1.12
5 years	17.1	1.17
10 years	37.2	1.37

Table 4.1.2: RPI cumulative changes and refation factors for the period ending 31st December 2012

	Cumulative % change	Refation factor
3 months	0.4	1.00
6 months	1.2	1.01
9 months	1.5	1.01
12 months	3.2	1.03
15 months	3.5	1.03
18 months	4.4	1.04
2 years	6.5	1.06
3 years	8.9	1.09
4 years	11.3	1.11
5 years	12.6	1.13
10 years	38.9	1.39

Table 4.1.3: RPIX Index figures at 31st December 2012

Year of base	Index
1998	156.3
2008	112.1

Table 4.1.4: RPI Index figures at 31st December 2012

Year of base	Index
1949	3,352.6
1965	1,958.3
1974	1,080.1
1978	522.7
1983	329.2
1988	246.4
1994	182.3
1999	153.6
2008	108.5

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 December 2002 is equivalent to £100 x 1.37= £137 in December 2012.

Refation 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 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 follows broadly the same trends. However, it should be noted that changes in taxation and other circumstances specific to a particular jurisdiction may have a significant impact on inflation. For example, the introduction of the Goods and Services Tax in Jersey in 2008 exerted an upwards pressure on both RPIX and RPI which was not experienced in either Guernsey or the UK. Similarly the temporary reduction of the UK VAT rate to 15% in 2009, its return to 17.5% in 2010 and the subsequent increase to 20% in 2011 will have influenced 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 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	6.4	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
	Sept	3.0	2.6	2.9
	Dec	3.0	3.0	n/a*

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
	Sept	3.0	2.6	2.8
	Dec	3.2	3.1	n/a*

*Publication of Jersey inflation figures for December 2012 scheduled for 25th January 2013.

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 was launched in May 2012 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 March 2013) will be published at 9:30am on Friday 19th April 2013.