

Guernsey Quarterly Inflation Bulletin

31st March 2013 - Issue date 19th April 2013



POLICY COUNCIL

THE STATES OF GUERNSEY

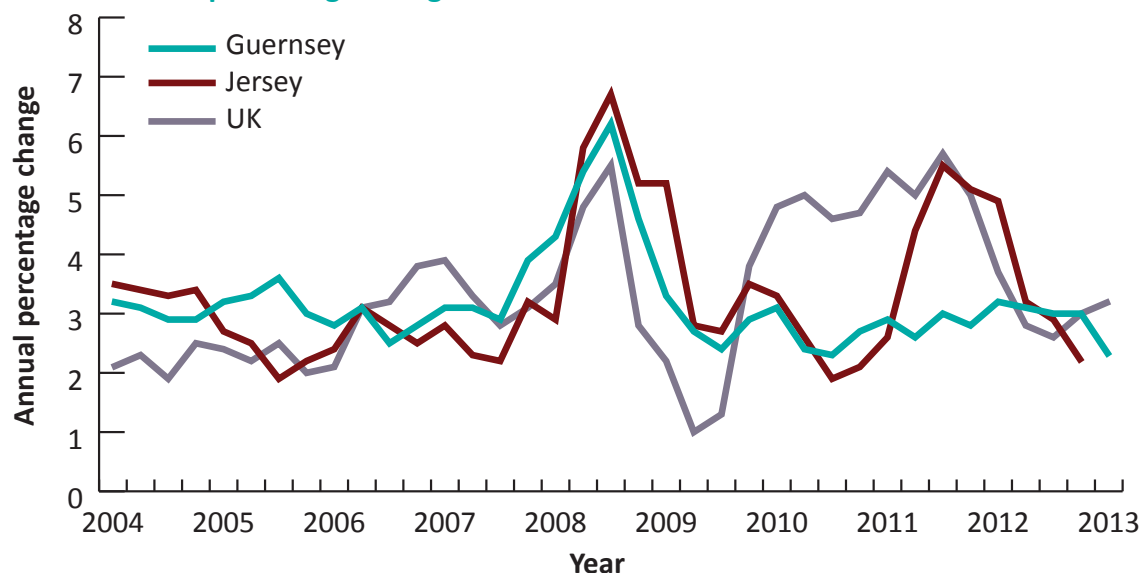
1.1 Introduction

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 the RPIX ('core' inflation excluding mortgage interest payments) was 2.3% in March 2013, 0.7 percentage points lower than the previous quarter, ending December 2012 and 0.9 percentage points lower than in March 2012.
- In the UK the equivalent RPIX figure for March 2013 was 3.2% (see [Figure 1.2.1](#)). RPIX in Jersey was not available at the time of release (in December 2012 RPIX in Jersey was 2.2%).
- Food and Leisure services made the largest contributions to the increase in RPIX in March 2013, each contributing 0.4 percentage points.
- Clothing and Household goods made negative contributions to the annual change in RPIX in March 2013.
- The 'all items' RPI annual inflation was 2.6% in March 2013, compared to 3.2% the previous quarter and 3.5% in March 2012.
- The annual change in the UK RPI in March 2013 was 3.3%. RPI for Jersey in March 2013 was not available at the time of publication* (In December 2012, RPI in Jersey was 2.1%).

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	0.3	155.0
	Sept	3.0	0.7	156.0
	Dec	3.0	0.2	156.3
2013	Mar	2.3	1.0	158.0

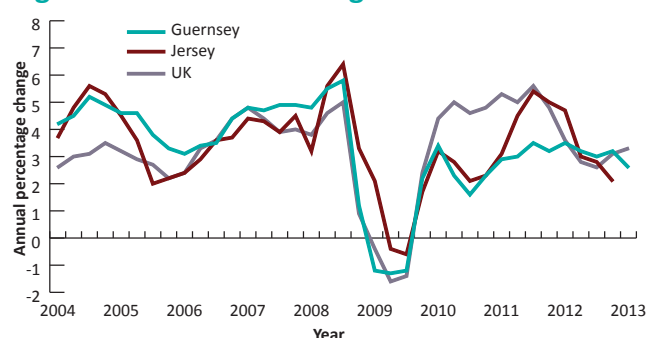
The annual change in the RPIX was 2.3% at the end of March 2013, 0.7 percentage points lower than the previous quarter and 0.9 percentage points lower than March 2012 (see [Table 2.1.1](#) and [Figure 1.2.1](#)).

During the three month period ending March 2013, RPIX increased by 1.0%, 0.8 percentage points lower than the change seen for the same period in 2012. 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 3.2% at the end of March 2013. RPIX for Jersey in March 2013 was not available at the time of publication*.

2.2 RPI Overview

Figure 2.2.1: Annual changes in RPI



The annual change in the RPI was 2.6% in March 2013, 0.6 percentage points lower than the year ending December 2012 and 0.9 percentage points lower than the year ending March 2012 ([Figure 2.2.1](#) and [Table 2.2.1](#)).

The annual change in the UK RPI in March 2013 was 3.3%. RPI for Jersey in March 2013 was not available at the time of publication*.

The quarterly change in RPI for the quarter ending March 2013 was 1.1%, 0.6 percentage points lower than during the quarter ending March 2012. 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
2013	Mar	2.6	1.1	155.3

*Publication of Jersey inflation figures for March 2013 scheduled for 24th April 2013

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 can differ.

In the year ending March 2013, twelve of the fourteen groups increased. The Fares/other travel group experienced the largest annual percentage increase at 8.2%, contributing 0.2 percentage points to the change in RPIX. Fuel, light and power saw the second largest increase at 6.7% but, due to its higher weighting, its contribution to RPIX was greater, at 0.3 percentage points.

Food and Leisure services made the largest contribution to the annual change in RPIX in March 2013, each adding 0.4 percentage points.

Housing made the largest contribution to RPI adding 0.7 percentage points to the annual change.

Both Clothing and footwear and Household goods experienced a negative change in the year ending March 2013, but their contribution to the change in RPIX and RPI was negligible.

Figure 3.1.1: Annual percentage change

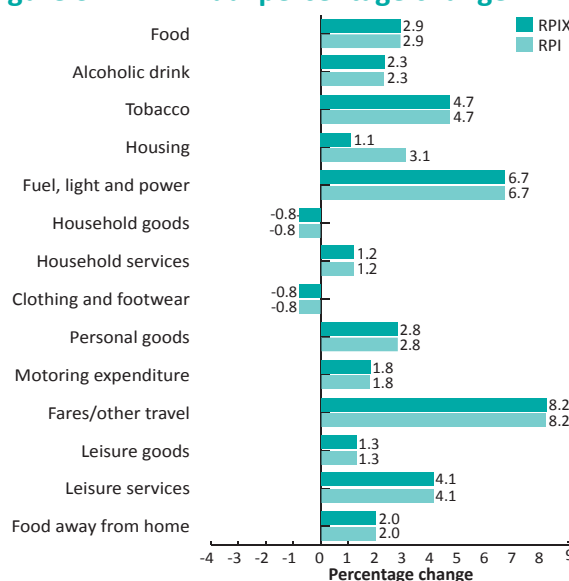
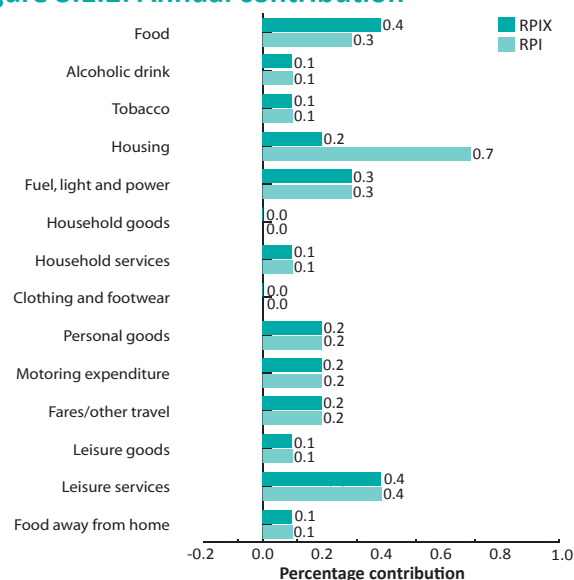


Figure 3.1.2: Annual contribution*



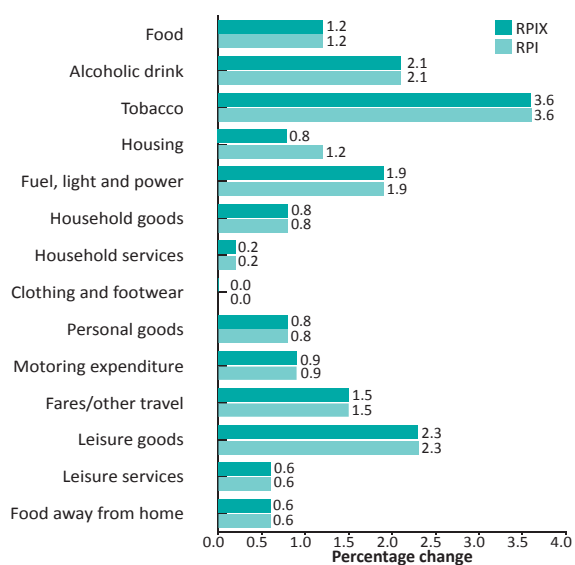
* Due to the effects of rounding any values of less than 0.05 will appear as 0.0.

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*



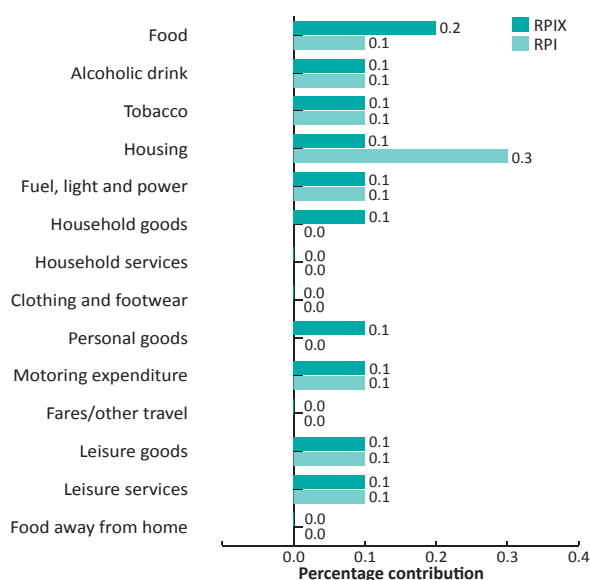
Thirteen of the fourteen RPIX groups saw an average price increase in the three months ending March 2013 (**Figure 3.2.1**).

The largest increase, at 3.6%, came from the Tobacco group, contributing 0.1 percentage points to the quarterly change (**Figure 3.2.2**).

Clothing and footwear showed very little change from December 2012 to March 2013, making a contribution of 0.0% to the quarterly change in RPIX.

The Housing group, which has the highest weighting in both indices, contributed 0.1 percentage points to the quarterly change in RPIX and 0.3 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 (1.2%)

Seasonal decreases in the prices of some fresh fruit have been offset by increases in the price of potatoes and potato products.

Alcoholic drinks (2.1%)

The increase in this category has largely been driven by the end of seasonal special offers, seen last quarter, on alcohol bought for consumption at home.

Tobacco (3.6%)

Some retailers deferred raising tobacco prices, following the duty increases from November 2012, until the new year which has increased the change seen in this group this quarter.

Housing (0.8% RPIX, 1.2% RPI)

Increases in private rents were partially offset by decreases in household maintenance costs. Higher mortgage interest payments continue to exert upward pressure on RPI.

Fuel, light and power (1.9%)

Whilst electricity and gas prices have remained stable this quarter, some increases in the cost of oil have exerted upward pressure on this group.

Household goods (0.8%)

Increases in household goods have resulted predominantly from a rise in furniture and pet expenses.

Household services (0.2%)

The increase in this group is largely attributable to small increases in funeral costs and legal fees.

Clothing and footwear (0.0%)

Overall, there has been no change in this category this quarter.

Personal goods (0.8%)

Increases in some hairdressing and medicine prices were partially offset by decreases in the prices of some toiletries.

Motoring (0.9%)

The increase in this category was driven by an increase in the cost of unleaded petrol, although this was partially offset by a decrease in the cost of new cars.

Fares and other travel (1.5%)

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

Leisure goods (2.3%)

An increase in the cost of CDs, DVDs and computer games has led to much of the increase in this category.

Leisure services (0.6%)

Increases in the cost of education and holidays have resulted in the positive change in this group.

Food away from home (0.6%)

Some increases in the cost of meals out have influenced the change in this category.

4.1 Cumulative changes, reflation factors and indices

Table 4.1.1: RPIX cumulative changes and reflation factors for the period ending 31st March 2013

	Cumulative % change	Reflation factor
3 months	1.0	1.01
6 months	1.2	1.01
9 months	1.9	1.02
12 months	2.3	1.02
15 months	4.1	1.04
18 months	4.2	1.04
2 years	5.6	1.06
3 years	8.6	1.09
4 years	12.0	1.12
5 years	15.7	1.16
10 years	36.3	1.36

Table 4.1.2: RPI cumulative changes and reflation factors for the period ending 31st March 2013

	Cumulative % change	Reflation factor
3 months	1.1	1.01
6 months	1.6	1.02
9 months	2.3	1.02
12 months	2.6	1.03
15 months	4.4	1.04
18 months	4.7	1.05
2 years	6.3	1.06
3 years	9.3	1.09
4 years	13.0	1.13
5 years	11.7	1.12
10 years	37.9	1.38

Table 4.1.3: RPIX Index figures at 31st March 2013

Year of base	Index
1998	158.0
2008	113.3

Table 4.1.4: RPI Index figures at 31st March 2013

Year of base	Index
1949	3,390.5
1965	1,980.4
1974	1,092.3
1978	528.6
1983	332.9
1988	249.2
1994	184.4
1999	155.3
2008	109.8

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 reflation 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 reflation 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 reflation factor. For example, using RPIX reflation factors, £100 in March 2003 is equivalent to £100 x 1.36 = £136 in March 2013.

Reflation factors can also be used in the opposite way. To calculate what £100 in 2013 would have been worth in 2003, divide by the relevant reflation 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	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
2010	Dec	2.9	3.8	3.5
	Mar	3.1	4.8	3.3
	June	2.4	5.0	2.6
2011	Sept	2.3	4.6	1.9
	Dec	2.7	4.7	2.1
	Mar	2.9	5.4	2.6
2012	June	2.6	5.0	4.4
	Sept	3.0	5.7	5.5
	Dec	2.8	5.0	5.1
2013	Mar	3.2	3.7	4.9
	June	3.1	2.8	3.2
	Sept	3.0	2.6	2.9
2014	Dec	3.0	3.0	2.2
	Mar	2.3	3.2	*

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

		Guernsey	UK	Jersey
2008	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
2010	Dec	2.2	2.4	1.7
	Mar	3.4	4.4	3.2
	June	2.3	5.0	2.8
2011	Sept	1.6	4.6	2.1
	Dec	2.3	4.8	2.3
	Mar	2.9	5.3	3.1
2012	June	3.0	5.0	4.5
	Sept	3.5	5.6	5.4
	Dec	3.2	4.8	5.0
2013	Mar	3.5	3.6	4.7
	June	3.2	2.8	3.0
	Sept	3.0	2.6	2.8
2014	Dec	3.2	3.1	2.1
	Mar	2.6	3.3	*

¹ www.statistics.gov.uk

² www.gov.je/statistics

*Publication of Jersey inflation figures for March 2013 scheduled for 24th April 2013.

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 the Policy and Research Unit for further information.

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The next inflation bulletin (for June 2013) will be published at 9:30am on Friday 19th July 2013.