

Guernsey Quarterly Inflation Bulletin

30th June 2015 - Issue date 17th July 2015



POLICY COUNCIL
THE STATES OF GUERNSEY

1.1 Introduction

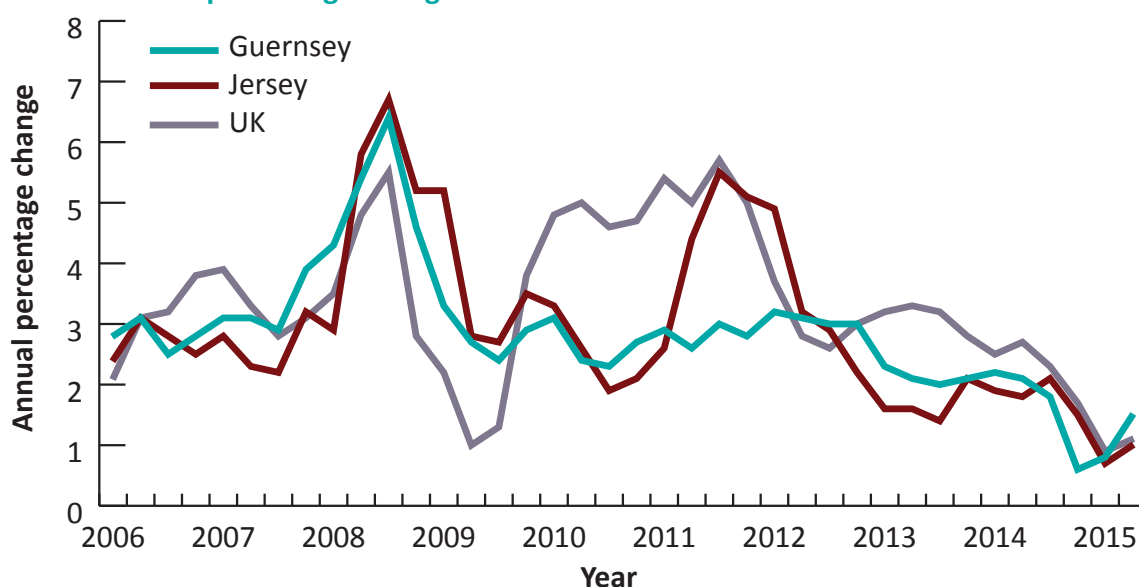
The Guernsey RPIX and RPI are measures of inflation. They measure the change in the prices of goods and services bought for the purpose of consumption or use by households in Guernsey. The indices are published quarterly by the States of Guernsey Policy and Research Unit. The calculations of the RPIX 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.

This is the third Bulletin to present Guernsey inflation figures calculated using the updated shopping basket and weights, which resulted from the 2012-13 Household Expenditure Survey.

1.2 Headlines

- Guernsey's annual inflation as measured by the RPIX ('core' inflation excluding mortgage interest payments) was 1.5% in June 2015. This is 0.7 percentage points higher than in March 2015 and 0.6 percentage points lower than in June 2014.
- The equivalent RPIX figure for June 2015 for the UK was 1.1% (see [Figure 1.2.1](#)). The RPIX figure for Jersey was 1.0%.
- The Leisure services category made the largest contribution to the RPIX annual increase ending in June 2015, contributing 0.8 percentage points. Nine of the fourteen groups contributed increases to the overall change.
- The 'all items' RPI annual inflation was 1.9% in June 2015, which is 0.6 percentage points higher than the previous quarter and 0.7 percentage points lower than in June 2014.
- The annual change in the UK RPI in June 2015 was 1.0%. The RPI figure for Jersey was 0.9%.

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)
	Jun	3.1	0.3	155.0
	Sep	3.0	0.7	156.0
	Dec	3.0	0.2	156.3
2013	Mar	2.3	1.0	158.0
	Jun	2.1	0.1	158.2
	Sep	2.0	0.7	159.2
	Dec	2.1	0.2	159.6
2014	Mar	2.2	1.1	161.4
	Jun	2.1	0.1	161.5
	Sep	1.8	0.4	162.1
	Dec	0.6	-0.9	160.6
2015	Mar	0.8	1.3	162.7
	Jun	1.5	0.8	163.9

The annual change in the RPIX was 1.5% at the end of June 2015, 0.7 percentage points higher than the previous quarter and 0.6 percentage points lower than June 2014 (see [Table 2.1.1](#) and [Figure 1.2.1](#)).

The quarterly change in the RPIX was 0.8% during the three month period ending June 2015, 0.7 percentage points higher than during the same period in 2014 and 0.5 percentage points lower than the previous quarter. Quarterly changes in the RPIX are subject to seasonal variations in price level and are typically higher in the first and third quarters of each year than in the second and fourth quarters. This is the highest quarter two increase since June 2010.

The annual change in the UK RPIX was 1.1% at the end of June 2015. The change in the RPIX in Jersey was 1.0%.

2.2 RPI Overview

Figure 2.2.1: Annual changes in RPI

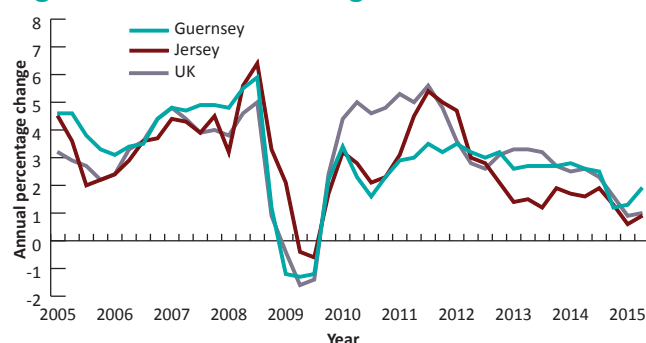


Table 2.2.1: RPI overview

		Annual % change	Quarterly % change	Index (1999 base)
	Jun	3.2	0.3	151.8
	Sep	3.0	0.7	152.9
	Dec	3.2	0.4	153.6
2013	Mar	2.6	1.1	155.3
	Jun	2.7	0.4	155.9
	Sep	2.7	0.7	157.0
	Dec	2.7	0.5	157.8
2014	Mar	2.8	1.2	159.6
	Jun	2.6	0.2	159.9
	Sep	2.5	0.6	160.9
	Dec	1.2	-0.8	159.6
2015	Mar	1.3	1.3	161.7
	Jun	1.9	0.8	163.0

The annual change in the RPI was 1.9% in June 2015, which is 0.6 percentage points higher than the previous quarter and 0.7 percentage points lower than in June 2014 (see [Figure 2.2.1](#) and [Table 2.2.1](#)).

The annual change in the UK RPI in June 2015 was 1.0%. The change in the RPI in Jersey was 0.9%.

The quarterly change in the RPI for the quarter ending in June 2015 was 0.8%, which is 0.6 percentage points higher than the change seen during the quarter ending in June 2014 and 0.5 percentage points lower than the previous quarter. Similar to the RPIX, quarterly changes in the RPI are subject to seasonal variation. However, the RPI can be dominated by trends in mortgage interest payments.

3.1 Group analysis - annual

As part of the routine periodic review of the inflation indices, the basket and weights used in the RPI and RPIX calculations were updated in September 2014 using the results of the 2012-13 Household Expenditure Survey. Additionally, the presentation of the more detailed information shown over the next three pages was altered to align with the international standard framework. See [Table 3.1.1](#) for a summary of the contents of each of the fourteen groups as they now stand and the weights now applied to each.

More information (including details of where to find the Household Expenditure Survey Report) is provided in [Section 6.1](#) of this Bulletin.

[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. 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 the RPIX. However, due to differences in the weightings the contribution made by each group to the RPI and RPIX can differ.

In the year ending June 2015, nine of the fourteen groups increased and five decreased. The Fares and other travel costs group saw the largest annual increase at 15.7% and it contributed 0.6 percentage points to the overall RPIX change. The Fuel and light group showed the largest decrease at -7.8%, contributing -0.4 percentage points overall.

Figure 3.1.1: Annual percentage change

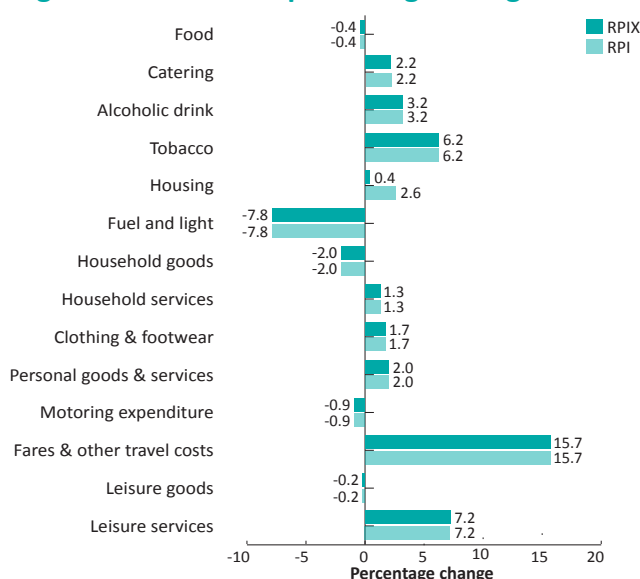
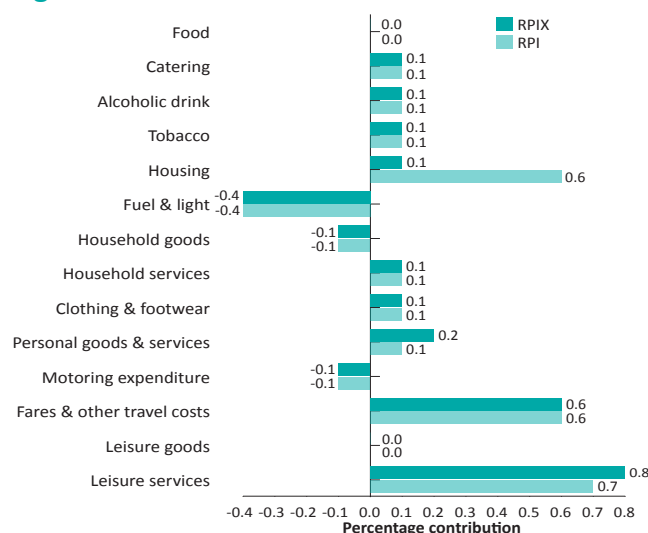


Figure 3.1.2: Annual contribution



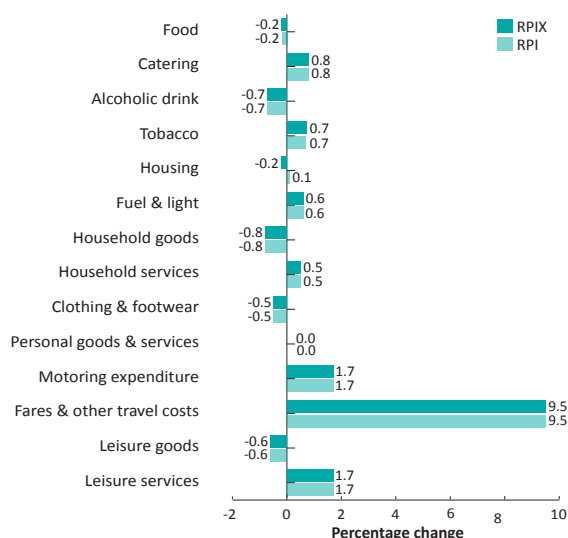
NB: Due to the effects of rounding, any values of less than 0.05 will appear as 0.0.

Table 3.1.1: Group weighting

Items included		RPIX	RPI
Food	Food and non-alcoholic drink bought for home consumption.	12%	11%
Catering	Food purchased in restaurants, at work, from takeaways, etc.	4%	4%
Alcoholic drink	Wine, beer, spirits and other alcoholic drinks.	4%	4%
Tobacco	Cigarettes, cigars and other tobacco products.	1%	1%
Housing	Interest paid on mortgages (for RPI only), rents, parish rates and routine household maintenance and servicing costs.	18%	22%
Fuel & light	Goods and services for the provision of light, heat and power in the home e.g. gas, oil and electricity.	5%	5%
Household goods	Non-food items for the household including house and garden furniture, carpets, curtains and bedding.	7%	6%
Household services	Services enlisted for the household such as contents insurance, domestic appliances, postal and telecoms.	11%	10%
Clothing & footwear	Adults' and children's clothing and footwear.	3%	3%
Personal goods & services	Goods and services for personal use such as jewellery, cosmetics and toiletries plus medical expenses.	8%	7%
Motoring expenditure	Vehicle purchase, running and maintenance costs, including motor fuel.	8%	8%
Fares & other travel costs	Air and sea passenger fares and other travel related costs.	5%	5%
Leisure goods	Goods for sports, hobbies and entertainment including electronic goods, sporting and gardening equipment.	4%	4%
Leisure services	Services purchased for leisure activities including foreign holidays, cinema tickets and sporting activities.	11%	10%

3.2 Group analysis - quarterly

Figure 3.2.1: Quarterly percentage change

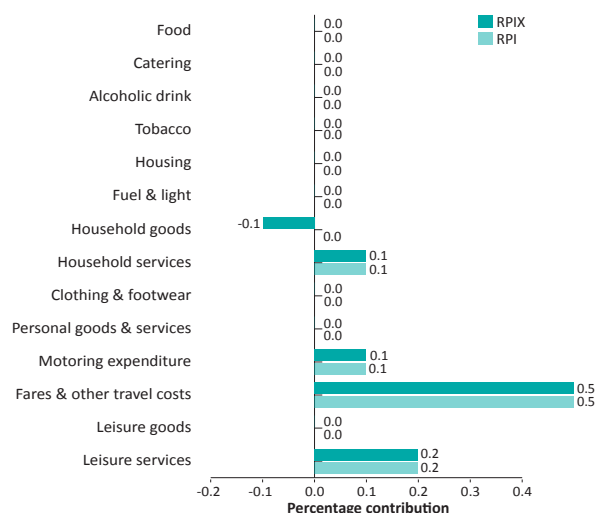


Eight of the fourteen RPIX groups (and nine of the RPI groups) saw an average price increase in the three months ending in June 2015 (**Figure 3.2.1**).

The largest percentage increase (9.5%) came from the Fares and other travel costs group, making a contribution of 0.5 percentage points to the quarterly changes in the RPIX and the RPI. (**Figure 3.2.2**). This was followed by the Leisure services group (1.7%) and the Motoring expenditure group (1.7%) which contributed 0.2 and 0.1 percentage points respectively to the overall quarterly change.

The largest percentage decrease (0.8%) came from the Household goods group, making a -0.1 percentage points contribution to the quarterly changes in the RPIX and a negligible contribution to the quarterly change in the RPI.

Figure 3.2.2: Quarterly contribution



The Housing group, which has the highest weighting in both indices, made a negligible contribution to the quarterly change in both the RPIX and the RPI.

Section 3.2 on the opposite page provides further details of the changes by group over the quarter.

NB: 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 (-0.2%)

Lower chocolate wafer, loin chop, plums and confectionary prices contributed to the overall decrease in food prices this quarter. This was partially offset by higher wholemeal loaf, potato and yoghurt prices.

Catering (0.8%)

Increases in the prices of some in-store cafeteria, ethnic takeaways and pub hot meals caused the overall increase in this group this quarter.

Alcoholic drink (-0.7%)

Decreases in the prices of some bottled white wines, whiskey and bottled vodka items offset the increases in some bottled red wine and glasses of wine, shots of vodka and bottled lager prices.

Tobacco (0.7%)

Increased cigarette prices was the major contributor to the increase in this group this quarter.

Housing (-0.2% RPIX, 0.1% RPI)

Increases in sewerage and water rates and plumber and electrician fees were not enough to offset decreases in some dwelling insurance premiums which drove the decrease in the RPIX this quarter. Mortgage interest (excluded in the RPIX) has been the major contributor to the increase in the RPI this quarter.

Fuel and light (0.6%)

Price increases in domestic heating oil caused an overall price increase in this group this quarter.

Household goods (-0.8%)

Uplifts in the prices of some household cleaning and laminate flooring products were offset by reductions in some bedroom furniture, fridge/freezer appliance and kitchen equipment prices.

Household services (0.5%)

Increased mobile phone charges, driving test fees and fixed line telephone charges drove the overall price increase within this group. This was partially offset by reduced solicitors' and home removals fees.

Clothing and footwear (-0.5%)

Some increases in dress prices were offset by seasonal decreases in shirt and rainwear prices.

Personal goods and services (0.0%)

Subscriptions to some private medical plan and dental insurance premiums increased. This was counteracted by decreases in some toiletry and cosmetic prices, leading to negligible overall change in this group.

Motoring expenditure (1.7%)

Higher petrol, vehicle insurance premiums, motor cycle and new car prices drove the overall increase.

Fares and other travel goods (9.5%)

Higher air and ferry fares were the major contributor to the uplift in prices in this group this quarter.

Leisure goods (-0.6%)

Increases in some computer game and MP4 prices were offset by lower-priced PCs and PC peripherals.

Leisure services (1.7%)

Higher hotel and package holiday prices were the major contributors to the overall increase in prices within this group this quarter.

4.1 Cumulative changes, reflation factors and indices

Table 4.1.1: RPIX cumulative changes and reflation factors for the period ending 30th June 2015

	Cumulative % change	Reflation factor
3 months	0.0	1.00
6 months	0.0	1.00
9 months	1.1	1.01
12 months	1.5	1.01
15 months	1.6	1.02
18 months	2.7	1.03
2 years	3.6	1.04
3 years	5.8	1.06
4 years	9.0	1.09
5 years	11.8	1.12
10 years	31.7	1.32

Table 4.1.2: RPI cumulative changes and reflation factors for the period ending 30th June 2015

	Cumulative % change	Reflation factor
3 months	0.0	1.00
6 months	0.0	1.00
9 months	1.3	1.01
12 months	1.9	1.02
15 months	2.1	1.02
18 months	3.3	1.03
2 years	4.6	1.05
3 years	7.4	1.07
4 years	10.8	1.11
5 years	14.1	1.14
10 years	31.7	1.32

Table 4.1.3: RPIX Index figures at 30th June 2015

Year of base	Index
1998	163.9
2008	117.6
2014	101.1

Table 4.1.4: RPI Index figures at 30th June 2015

Year of base	Index
1949	3558.3
1965	2078.4
1974	1146.4
1978	554.8
1983	349.4
1988	261.5
1994	193.5
1999	163.0
2008	115.2
2014	101.3

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 the RPI between any two quarters from 1949 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 June 2005 is equivalent to £100 x 1.32 = £132 in June 2015.

Reflation factors can also be used in the opposite way. To calculate what £100 in 2015 would have been worth in 2005, 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, including the new index, revised to 100 in September 2014. Full time series of index figures for each base are 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 inflation in the UK but had little impact in Guernsey and Jersey.

The higher cost of housing experienced in Guernsey and Jersey compared with 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 travel and 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
	Jun	2.4	5.0	2.6
	Sep	2.3	4.6	1.9
	Dec	2.7	4.7	2.1
2011	Mar	2.9	5.4	2.6
	Jun	2.6	5.0	4.4
	Sep	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
	Sep	3.0	2.6	2.9
	Dec	3.0	3.0	2.2
2013	Mar	2.3	3.2	1.6
	Jun	2.1	3.3	1.6
	Sep	2.0	3.2	1.4
	Dec	2.1	2.8	2.1
2014	Mar	2.2	2.5	1.9
	Jun	2.1	2.7	1.8
	Sep	1.8	2.3	2.1
	Dec	0.6	1.7	1.5
2015	Mar	0.8	0.9	0.7
	Jun	1.5	1.1	1.0

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

		Guernsey	UK	Jersey
	Jun	2.3	5.0	2.8
	Sep	1.6	4.6	2.1
	Dec	2.3	4.8	2.3
2011	Mar	2.9	5.3	3.1
	Jun	3.0	5.0	4.5
	Sep	3.5	5.6	5.4
	Dec	3.2	4.8	5.0
2012	Mar	3.5	3.6	4.7
	Jun	3.2	2.8	3.0
	Sep	3.0	2.6	2.8
	Dec	3.2	3.1	2.1
2013	Mar	2.6	3.3	1.4
	Jun	2.7	3.3	1.5
	Sep	2.7	3.2	1.2
	Dec	2.7	2.7	1.9
2014	Mar	2.8	2.5	1.7
	Jun	2.6	2.6	1.6
	Sep	2.5	2.3	1.9
	Dec	1.2	1.6	1.3
2015	Mar	1.3	0.9	0.6
	Jun	1.9	1.0	0.9

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 1,700 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 Indices contain a representation of what 'typical' consumers in a Guernsey household spend their money on. They 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 results of the latest review were first incorporated in the December 2014 inflation results. The Guide to the Guernsey Inflation Indices, which is available online at www.gov.gg/rpi, provides more detail on the recent changes along with information regarding the methodology, calculation and uses of the inflation indices.

The main source of information for the periodic review is the Household Expenditure Survey. The results of the 2012-13 Survey are now available from www.gov.gg/hes. The Survey is due to be repeated in 2017.

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.

Policy and Research Unit
Sir Charles Frossard House
La Charroterie
St Peter Port
Guernsey
GY1 1FH

Tel: (01481) 717149

Fax: (01481) 713787

e-mail: policy.research@gov.gg

web: www.gov.gg/rpi

The next inflation bulletin (for September 2015) will be published at 9:30am on Friday 16th October 2015.