

# Guernsey Quarterly Inflation Bulletin

31st December 2015 - Issue date 15th January 2016



**POLICY COUNCIL**  
THE STATES OF GUERNSEY

## 1.1 Introduction

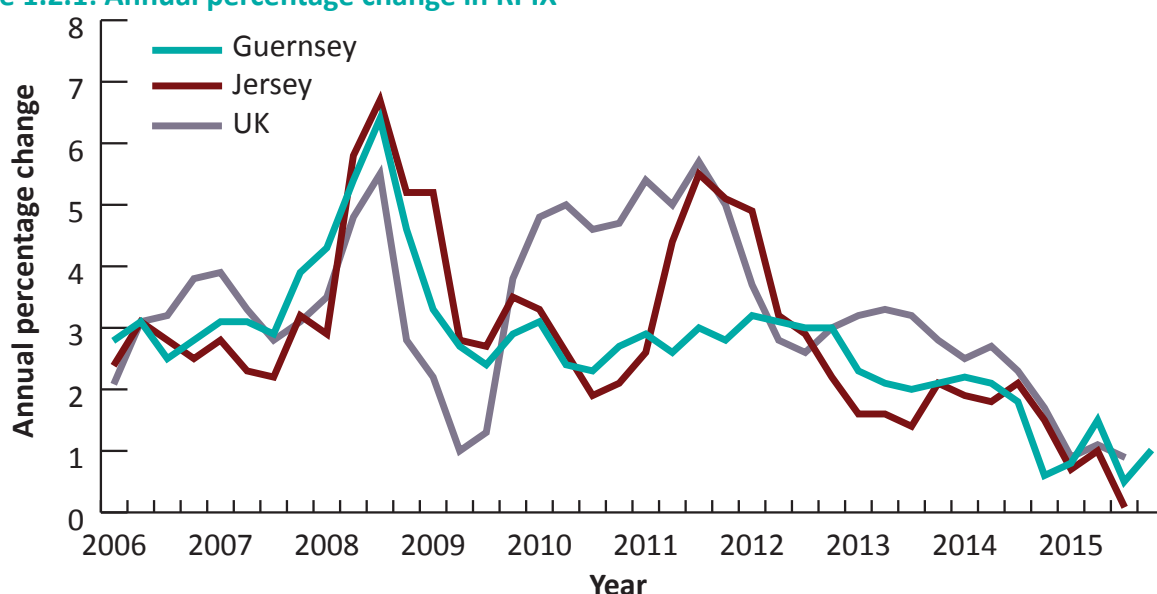
The Guernsey RPIX and RPI are measures of inflation. They measure the change in the prices of goods and services bought for the purpose of consumption or use by households in Guernsey. The indices are published quarterly by the States of Guernsey Policy and Research Unit. The calculations of the RPIX 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 fifth 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 1.0% in December 2015. This is 0.5 percentage points higher than in September 2015 and 0.4 percentage points higher than in December 2014.
- The equivalent RPIX figures for December 2015 for the UK and for Jersey were not available at the time of publication\*.
- Fares and other travel services and Leisure services made the largest contribution to the positive annual change in the RPIX for the year ending in December 2015, each contributing 0.4 percentage points. Ten of the fourteen groups contributed increases to the overall change.
- The 'all items' RPI annual inflation was 1.1% in December 2015, which is 0.4 percentage points higher than the previous quarter and 0.1 percentage points lower than in December 2014.
- The equivalent RPI figures for December 2015 for the UK and for Jersey were not available at the time of publication\*.

**Figure 1.2.1: Annual percentage change in RPIX**



\* Publication of inflation figures for December 2015 for the UK is scheduled for 19th January 2016 and for Jersey on the 22nd January 2016.

## 2.1 RPIX overview

**Table 2.1.1: RPIX overview**

		Annual % change	Quarterly % change	Index (1998 base)
	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
	Sep	0.5	-0.7	162.8
	Dec	1.0	-0.3	162.3

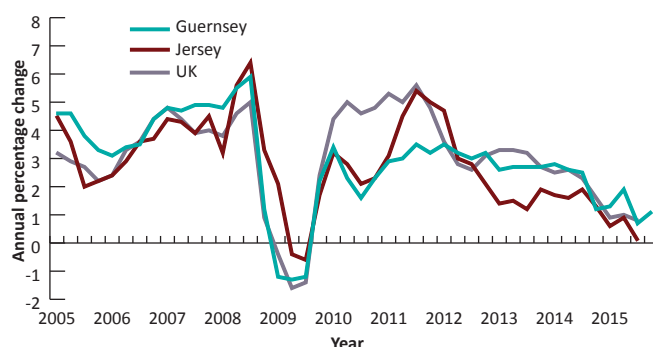
The annual change in the RPIX was 1.0% at the end of December 2015, 0.5 percentage points higher than the previous quarter and 0.4 percentage points higher than December 2014 (see [Table 2.1.1](#) and [Figure 1.2.1](#)).

The quarterly change in the RPIX was -0.3% during the three month period ending December 2015, 0.6 percentage points higher than during the same period in 2014 and 0.4 percentage points higher 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.

The annual changes in the UK RPIX and the Jersey RPIX were 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 1.1% in December 2015, which is 0.4 percentage points higher than the previous quarter and 0.1 percentage points lower than in December 2014 (see [Figure 2.2.1](#) and [Table 2.2.1](#)).

The annual changes in the UK RPI and the Jersey RPI were not available at the time of publication\*.

The quarterly change in the RPI for the quarter ending in December 2015 was -0.4%, which is 0.4 percentage points higher than the change seen during the quarter ending in December 2014 and 0.2 percentage points higher 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.

**Table 2.2.1: RPI overview**

		Annual % change	Quarterly % change	Index (1999 base)
	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
	Sep	0.7	-0.6	162.0
	Dec	1.1	-0.4	161.4

\* Publication of inflation figures for December 2015 for the UK is scheduled for 19th January 2016 and for Jersey on the 22nd January 2016.

## 3.1 Group analysis - annual

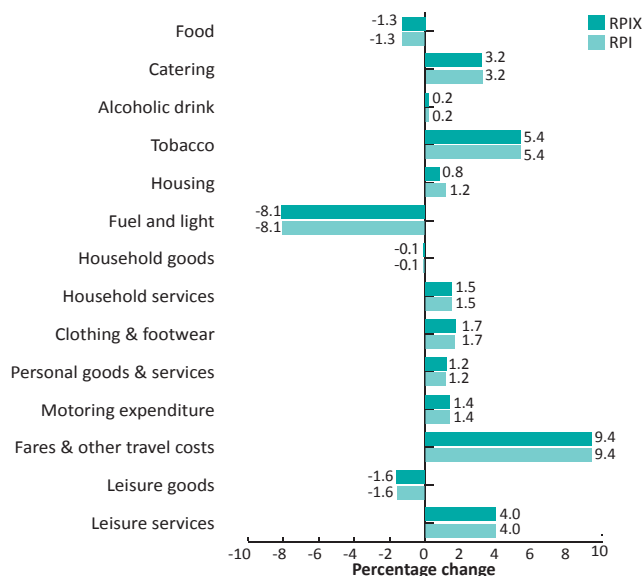
As part of the routine periodic review of the inflation indices, the basket and weights used in the RPI and RPIX calculations were updated in September 2014 using the results of the 2012-13 Household Expenditure Survey. Additionally, the presentation of the more detailed information shown over the next 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.

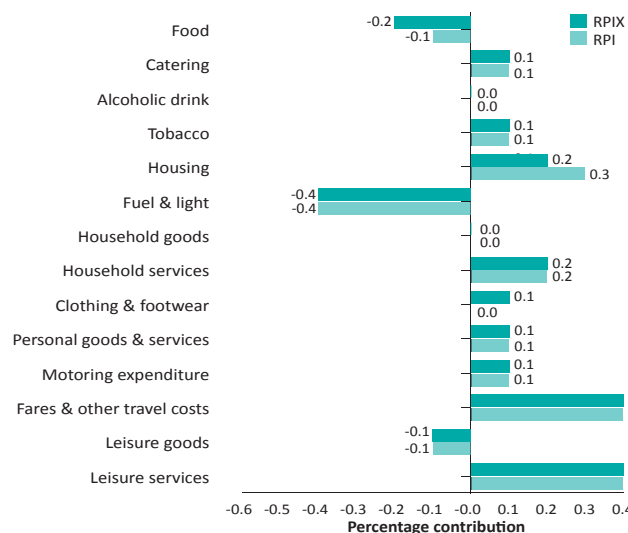
[Figure 3.1.1](#) shows the annual percentage change in each of the fourteen RPI and RPIX groups. [Figure 3.1.2](#) shows the number of percentage points contributed to the annual change in the indices by each group. Only the Housing group shows a different percentage change between the RPIX and RPI, 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 December 2015, ten of the fourteen groups increased and four decreased. The Fares and other travel costs group saw the largest annual increase at 9.4% and it contributed 0.4 percentage points to the overall RPIX change. The Fuel and light group showed the largest decrease at -8.1%, contributing -0.4 percentage points overall.

**Figure 3.1.1: Annual percentage change**



**Figure 3.1.2: Annual contribution**



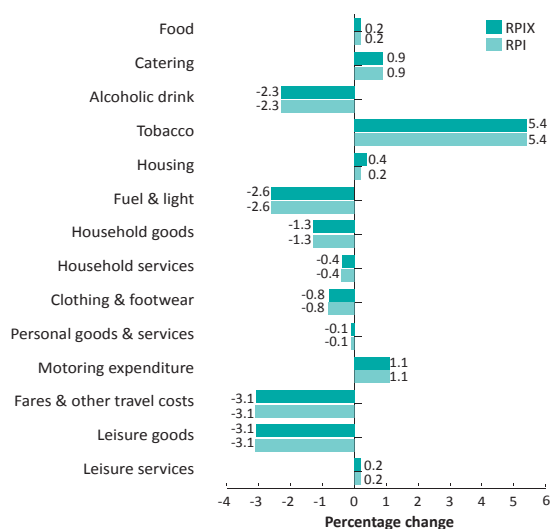
NB: Due to the effects of rounding, any values of less than 0.05 will appear as 0.0.

**Table 3.1.1: Group weighting**

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

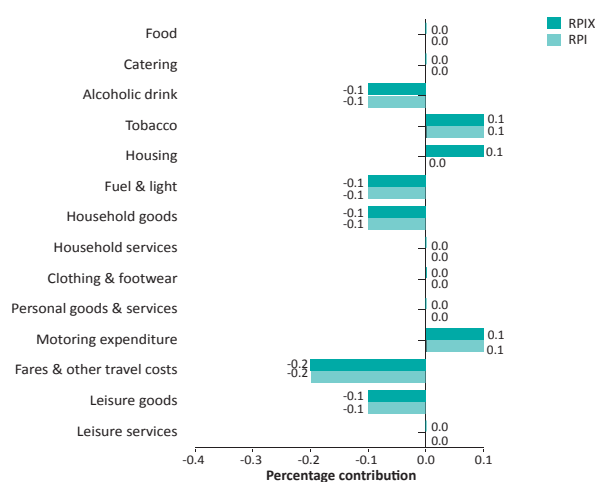


Six of the fourteen RPIX (and RPI) groups saw an average price increase in the three months ending in December 2015 (**Figure 3.2.1**).

The largest percentage increase (5.4%) came from the Tobacco group, making a contribution of 0.1 percentage points to the quarterly changes in the RPI and the RPIX. (**Figure 3.2.2**). This was followed by the Motoring expenditure group (1.1%) which also contributed 0.1 percentage points to the overall quarterly change.

The largest percentage decreases (both 3.1%) came from the Fares & other travel costs and the Leisure goods groups, making a contribution of -0.2 and -0.1 percentage points respectively to the overall quarterly change.

**Figure 3.2.2: Quarterly contribution**



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

**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%)**

There was little movement overall in this category, with increases in items such as mince and fruit juice offset by reductions in the price of lettuces and special offers on items including fruit squashes and canned tuna.

### **Catering (0.9%)**

The increase in this category is largely due to small increases in some staff canteen main meals and pub hot meals and cold snacks.

### **Alcoholic drink (-2.3%)**

With many seasonal special offers, particularly on red wine, whisky and sparkling wine, this category has shown a downwards change this quarter.

### **Tobacco (5.4%)**

There were price increases in all the tobacco categories this quarter, mostly due to duty increases.

### **Housing (0.4% RPIX, 0.2% RPI)**

Increases in private furnished and unfurnished rents have been offset by reductions in some power tools and other DIY items. There was a small decrease in mortgage interest payments (excluded in the RPIX) which exerted downward pressure on the RPI.

### **Fuel and light (-2.6%)**

Lower oil prices have had a significant negative impact this quarter. There were small increases in coal prices but electricity and gas prices have remained stable.

### **Household goods (-1.3%)**

Decreases in the prices of items such as kitchen equipment, personal appliances and carpets have been only partially offset by increases in some furniture prices.

### **Household services (-0.4%)**

This small decrease has arisen from some reductions in self-storage fees, evening class costs and conveyancing fees, which were only slightly offset by increases in pet insurance prices.

### **Clothing and footwear (-0.8%)**

Lower prices on some ladies' boots and jumpers have contributed to this decrease.

### **Personal goods and services (-0.1%)**

Higher prices of umbrellas and watches have been offset by reductions in tissues, vases and photo frames.

### **Motoring expenditure (1.1%)**

Increases in the prices of some secondhand cars, exhaust fitting and petrol were partially offset by reductions in new car prices.

### **Fares and other travel goods (-3.1%)**

Lower air fares and some lower sea fares have exerted downwards pressure on this category this quarter.

### **Leisure goods (-3.1%)**

Reductions in the prices of plants and cut flowers have been the major contributor to this decrease.

### **Leisure services (0.2%)**

This small increase is attributable to higher costs of foreign package holidays.

## 4.1 Cumulative changes, refraction factors and indices

**Table 4.1.1: RPIX cumulative changes and refraction factors for the period ending 31st December 2015**

	Cumulative % change	Refraction factor
3 months	-0.3	1.00
6 months	-1.0	0.99
9 months	-0.3	1.00
12 months	1.0	1.01
15 months	0.1	1.00
18 months	0.5	1.00
2 years	1.7	1.02
3 years	3.8	1.04
4 years	6.9	1.07
5 years	9.9	1.10
10 years	29.9	1.30

**Table 4.1.2: RPI cumulative changes and refraction factors for the period ending 31st December 2015**

	Cumulative % change	Refraction factor
3 months	-0.4	1.00
6 months	-1.0	0.99
9 months	-0.2	1.00
12 months	1.1	1.01
15 months	0.3	1.00
18 months	0.9	1.01
2 years	2.3	1.02
3 years	5.1	1.05
4 years	8.5	1.08
5 years	11.9	1.12
10 years	29.7	1.30

**Table 4.1.3: RPIX Index figures at 31st December 2015**

Year of base	Index
1998	162.3
2008	116.4
2014	100.1

**Table 4.1.4: RPI Index figures at 31st December 2015**

Year of base	Index
1949	3523.0
1965	2057.8
1974	1135.0
1978	549.3
1983	345.9
1988	258.9
1994	191.6
1999	161.4
2008	114.0
2014	100.3

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](http://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 refuted 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 refutation 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 refutation factor. For example, using RPIX refutation factors, £100 in December 2005 is equivalent to £100 x 1.30 = £130 in December 2015.

Refutation 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 refutation 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](http://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 Statistics<sup>1</sup> and the States of Jersey Statistics Unit<sup>2</sup>. 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
	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
	Sep	0.5	0.9	0.1
	Dec	1.0	*	*

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

		Guernsey	UK	Jersey
	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
	Sep	0.7	0.8	0.1
	Dec	1.1	*	*

\*Publication of inflation figures for December 2015 for the UK is scheduled for 19th January 2016 and for Jersey on the 22nd January 2016.

<sup>1</sup> [www.statistics.gov.uk](http://www.statistics.gov.uk)

<sup>2</sup> [www.gov.je/statistics](http://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](http://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](http://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](http://www.gov.gg/rpi).

Please contact the Policy and Research Unit for further information.

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The next inflation bulletin (for March 2016) will be published at 9:30am on Friday 15th April 2016.