

Guernsey Quarterly Inflation Bulletin

Quarter 2 2016

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The Guernsey Inflation Bulletin presents the Guernsey RPI and RPIX measures of inflation, based on price changes of items within a “shopping basket” of goods.



States of Guernsey
Data and Analysis

1.1 Introduction

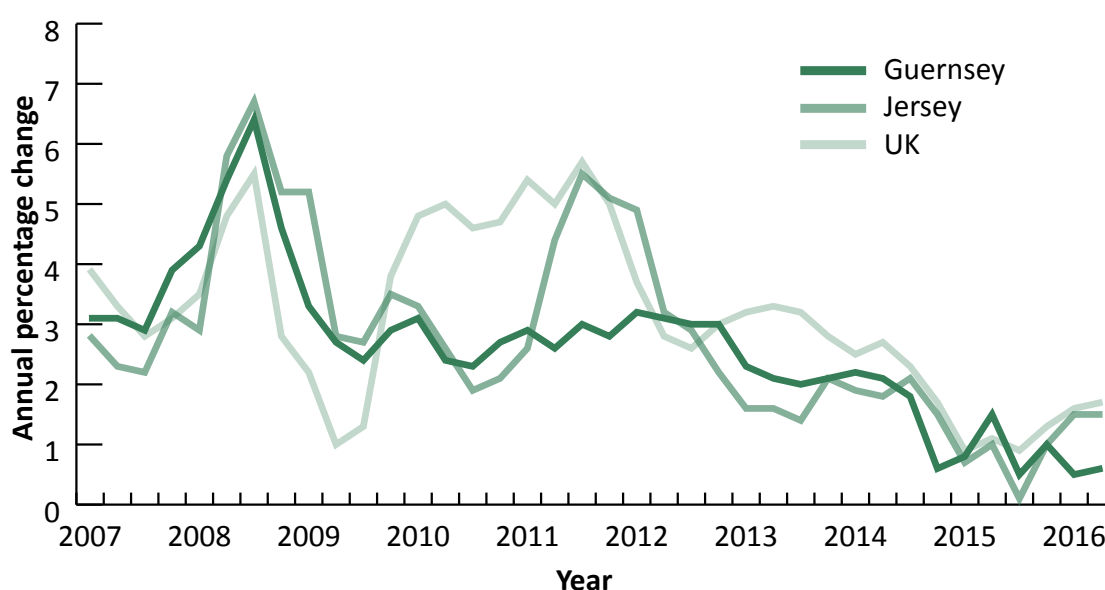
The Guernsey RPIX and RPI are measures of inflation. They measure the change in the prices of goods and services bought for the purpose of consumption or use by households in Guernsey. The indices are published quarterly by Data and Analysis. The calculations of the RPIX and RPI are based on the price 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 seventh 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 0.6% in June 2016. This is 0.1 percentage points higher than in March 2016 and 0.9 percentage points lower than in June 2015.
- The equivalent RPIX figure for June 2016 for the UK was 1.7% and in Jersey was 1.5%.
- Leisure Services made the largest positive contribution (0.4 percentage points) to the annual change in the RPIX for the year ending in June 2016. Eight of the fourteen groups contributed increases to the overall change.
- The 'all items' RPI annual inflation was 0.4% in June 2016, 0.1 percentage points lower than the previous quarter and 1.5 percentage points lower than in June 2015.
- The equivalent RPI figure for June 2016 for the UK was 1.6% and in Jersey was 1.5%.

Figure 1.2.1 Annual percentage change in RPIX



2.1 RPIX and RPI overview

Table 2.1.1 RPIX overview

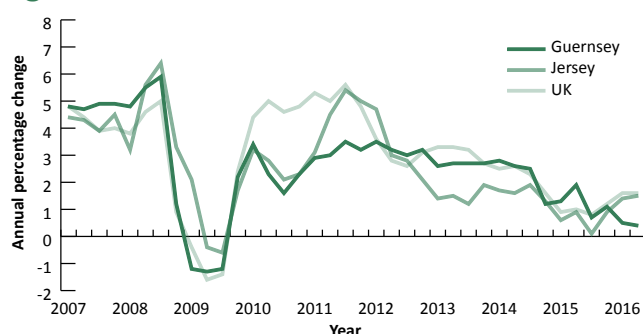
		Annual % change	Quarterly % change	Index (1998 base)
2013	Jun	2.1	0.1	158.2
	Sep	2.0	0.7	159.2
	Dec	2.1	0.2	159.6
2014	Mar	2.2	1.1	161.4
	Jun	2.1	0.1	161.5
	Sep	1.8	0.4	162.1
	Dec	0.6	-0.9	160.6
2015	Mar	0.8	1.3	162.7
	Jun	1.5	0.8	163.9
	Sep	0.5	-0.7	162.8
	Dec	1.0	-0.3	162.3
2016	Mar	0.5	0.8	163.5
	Jun	0.6	0.8	164.9

The annual change in the RPIX was 0.6% at the end of June 2016, 0.1 percentage points higher than the previous quarter and 0.9 percentage points lower than June 2015 (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 2016, the same change seen during the previous quarter and during the same period in 2015. 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 change in the UK RPIX was 1.7% at the end of June 2016. The annual change in the Jersey RPIX was 1.5%.

Figure 2.1.1 RPI overview



The annual change in the RPI was 0.4% in June 2016, which was 0.1 percentage points lower than the previous quarter and 1.5 percentage points lower than in June 2015 (see [Figure 2.2.1](#) and [Table 2.2.1](#)).

The annual change in the UK RPI was 1.6% at the end of June 2016. The annual change in the Jersey RPI was 1.5%.

Table 2.1.2 RPI overview

		Annual % change	Quarterly % change	Index (1999 base)
2013	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
2016	Mar	0.5	0.7	162.5
	Jun	0.4	0.8	163.7

The quarterly change in the RPI for the quarter ending in June 2016 was 0.8%, which is the same as the change seen during the quarter ending in June 2015 and 0.1 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.

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. 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 2016, eight of the fourteen groups increased and six decreased. The Tobacco group saw the largest annual increase at 4.1%, but its contribution to the overall RPIX change was negligible. The Fuel and light group showed the largest decrease at -5.9%, contributing -0.3 percentage points to the overall change in the RPIX.

Figure 3.1.1 Annual percentage change

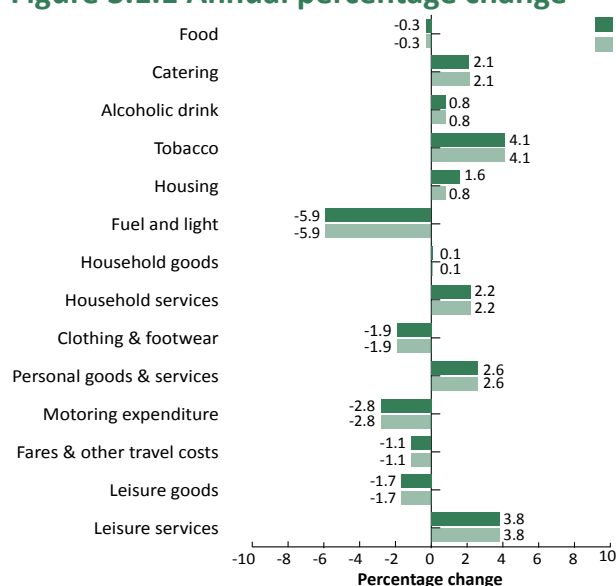
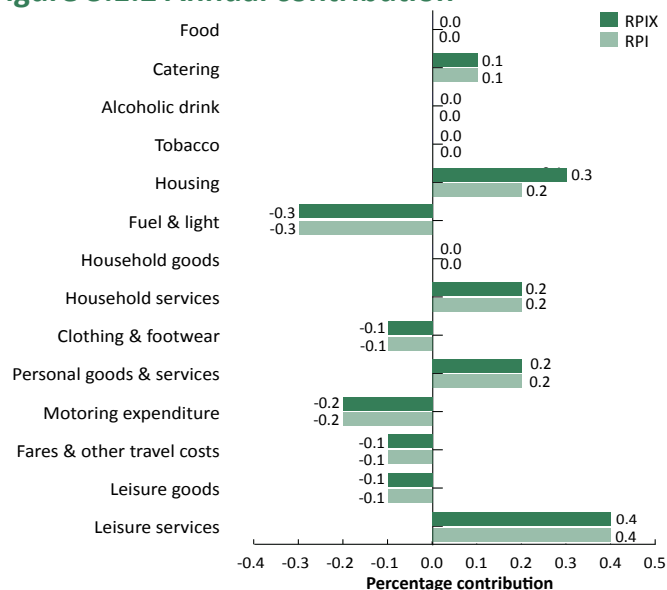


Figure 3.1.2 Annual contribution



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

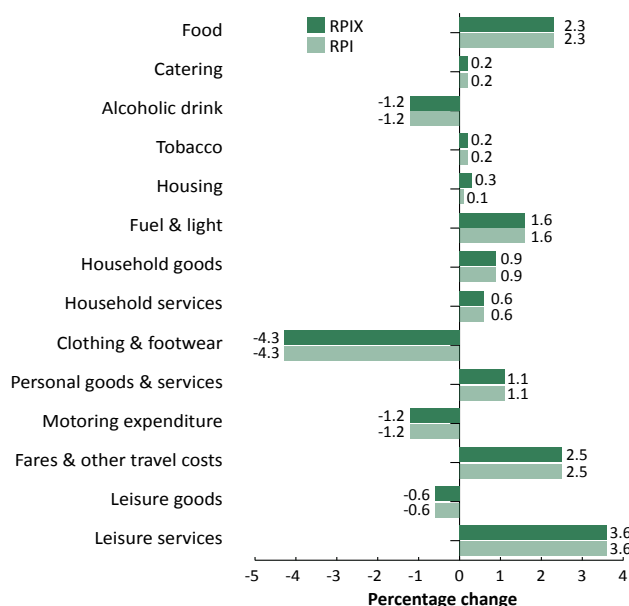
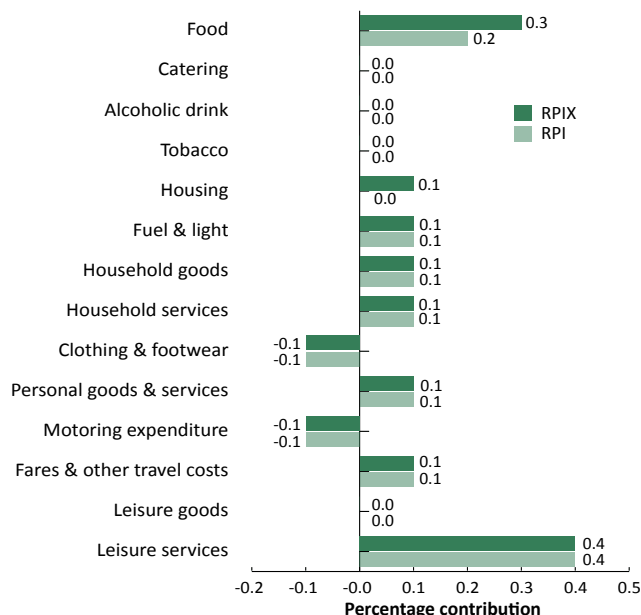


Figure 3.2.2 Quarterly contribution



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

Ten of the fourteen RPIX (and RPI) groups saw an average price increase in the three months ending in June 2016 (**Figure 3.2.1**).

The largest percentage increase (3.6%) came from the Leisure services group, making a contribution of 0.4 percentage points to the quarterly changes in the RPI and the RPIX. (**Figure 3.2.2**). This was followed by the Fares and other travel costs group which, with an increase of 2.5%, contributed 0.1 percentage points to the overall quarterly change.

The largest percentage decrease (-4.3%) was seen in the Clothing and footwear group which made a contribution of -0.1 percentage points to the overall quarterly change.

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 a negligible contribution (0.0 percentage points) to the quarterly change in the RPI.

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

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 (2.3%)

Seasonal reductions on strawberries and fresh tomatoes and special offers on items including frozen pizzas were more than offset by increases in the prices of other items including some sweets and crisps.

Catering (0.2%)

The small positive change in this category is attributable to some in-store cafeteria meals and some pub hot meals showing small increases in price.

Alcoholic drink (-1.2%)

Reductions in the prices of some white wines were only partially offset by increases in the price of some sparkling wine.

Tobacco (0.2%)

This slight increase has arisen from higher cigarette prices from a small number of retailers this quarter.

Housing (0.3% RPIX, 0.1% RPI)

Higher dwelling insurance premiums were the main contributor to this increase this quarter. A small decrease in mortgage interest payments (excluded in the RPIX) exerted downward pressure on the RPI.

Fuel and light (1.6%)

Higher kerosene prices have been the major contributor to this increase this quarter.

Household goods (0.9%)

The introduction and cessation of various special offers on items including towels, household cleaning products and toilet rolls, have overall contributed to a small increase in this category this quarter.

Household services (0.6%)

Increases in a number of fees charged for self-storage, cleaning services and playgroups, as well as some mobile phone charges, were slightly offset by a small decrease in estate agents' fees.

Clothing and footwear (-4.3%)

Seasonal range price reductions, such as on dresses and sandals, along with some end of season sales, have led to this decrease.

Personal goods and services (1.1%)

This change has been influenced by increases in the cost of some dental insurance and private medical plans, as well as increases in jewellery due to the rise in gold prices.

Motoring expenditure (-1.2%)

The primary contributor to this decrease is the fall in price of some vehicle insurance premiums.

Fares and other travel goods (2.5%)

Lower ferry and sea fares have been offset by an increase in air fares.

Leisure goods (-0.6%)

Price rises on PC peripherals, such as printers and hard drives, were offset by reductions in the prices of PCs and tablet computers.

Leisure services (3.6%)

The rise in this category is largely attributable to seasonal increases in hotel accommodation costs, as well as some digital TV subscriptions.

4.1 Cumulative changes, reflation factors and indices

Table 4.1.1 RPIX cumulative changes and reflation factors to 30th June 2016

	Cumulative % change	Reflation factor
3 months	0.8	1.01
6 months	1.6	1.02
9 months	1.3	1.01
12 months	0.6	1.01
15 months	1.3	1.01
18 months	2.7	1.03
2 years	2.1	1.02
3 years	4.2	1.04
4 years	6.4	1.06
5 years	9.6	1.10
10 years	28.5	1.29

Table 4.1.2 RPI cumulative changes and reflation factors to 30th June 2016

	Cumulative % change	Reflation factor
3 months	0.8	1.01
6 months	1.5	1.01
9 months	1.1	1.01
12 months	0.4	1.00
15 months	1.2	1.01
18 months	2.6	1.03
2 years	2.4	1.02
3 years	5.0	1.05
4 years	7.9	1.08
5 years	11.3	1.11
10 years	27.9	1.28

Table 4.1.3 RPIX and RPI index figures at 30th June 2016

Year of base	RPIX index	RPI index
1949	-	3,574.1
1965	-	2,087.7
1974	-	1,151.5
1978	-	557.3
1983	-	351.0
1988	-	262.7
1994	-	194.4
1998	164.9	-
1999	-	163.7
2008	118.3	115.7
2014	101.7	101.8

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** 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 2006 is equivalent to £100 x 1.29 = £129 in June 2016.

Reflation factors can also be used in the opposite way. To calculate what £100 in 2016 would have been worth in 2006, 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). **Table 4.1.3** shows 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).

5.12 UK and Jersey inflation rates

Table 5.1.1 Annual change in RPIX in Guernsey, the UK and Jersey

		Guernsey	UK	Jersey
2011	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
	Jun	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	1.3	1.0
2016	Mar	0.5	1.6	1.5
	Jun	0.6	1.7	1.5

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

		Guernsey	UK	Jersey
2011	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	1.2	0.9
2016	Mar	0.5	1.6	1.4
	Jun	0.4	1.6	1.5

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.

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.

6.2 Contact details

For more information on how the RPIX and RPI are calculated please see the Guide to the Guernsey Retail Prices Index, which, along with the Inflation Calculator, is available via www.gov.gg/rpi.

The next inflation bulletin (for September 2016) will be published at 9:30am on Friday 21st October 2016.

You may also be interested in other publications from States of Guernsey Data and Analysis Services, which are all available online at www.gov.gg/data. Please contact us for further information.

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