

# Guernsey Quarterly Inflation Forecast

Quarter 3 2016

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The Inflation Forecast Bulletin provides 12 month forecasts for the primary inflation measures used in Guernsey: RPIX and RPI.



Policy & Resources  
Committee

## 1.1 Introduction

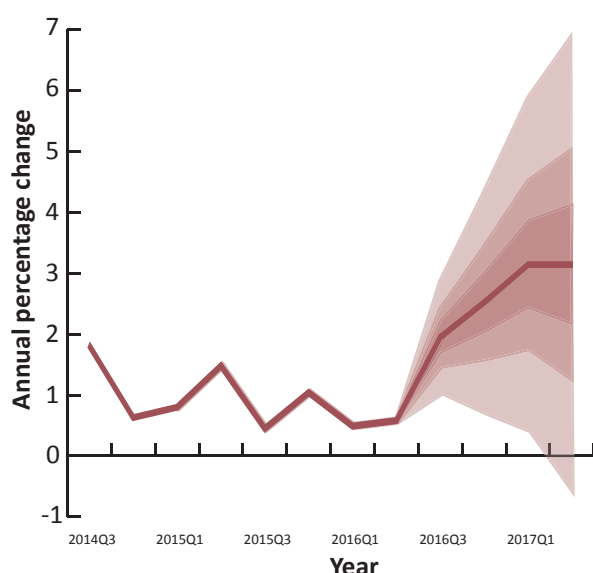
The Inflation Forecast Bulletin provides 12 month forecasts for the primary inflation measures used in Guernsey: RPIX and RPI. Forecasts are based on historical trends, expectations of inflation in the UK, and forecast movements in the price of key commodities. Forecasts are revised and published on a quarterly basis in the month following the Policy Council's publication of the Guernsey Inflation Bulletin.

*NB - Forecasts are presented with statistical confidence (or error) bands (the shaded area). These represent the range of possible outcomes with (in this case) a 30%, 60% and 90% statistical certainty.*

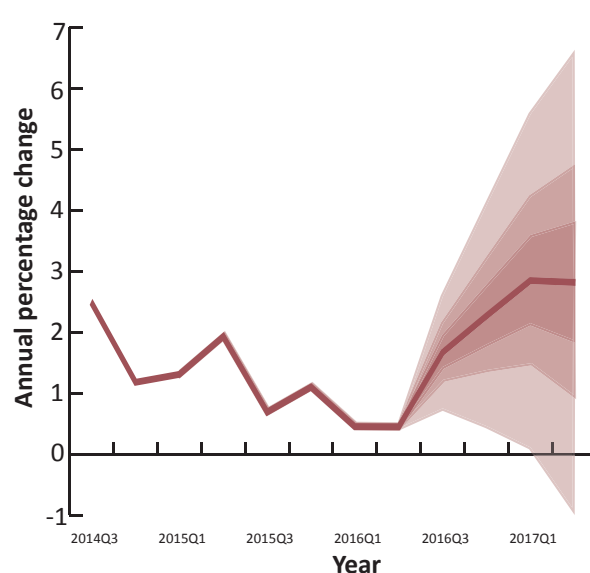
## 1.2 Forecasts

- In line with forecasts, both RPI and RPIX remained low in the second quarter of 2016.
- Both measures are expected to rise in the third quarter of 2016 as the drop in oil prices, which occurred in the late summer of 2015, will drop out of the calculation of the annual rates.
- Further out inflation figures are expected to rise to a level close to Guernsey's target rate of 3% by the middle of 2017.
- **Key factors include:**
  - The removal of the downward pressure from 2015's drop in oil prices from the annual rates.
  - An upward pressure on the price of goods imported from outside the sterling area as a result of the change in the sterling exchange rates.
  - An ongoing downward pressure from the real price contraction in the local housing market, easing later in the year. As well as impacting the mortgage interest item (RPI only) this downward pressure may exert a downward influence on private rental prices.
  - A possible small decrease in the Bank of England base rate during 2016.

**Figure 1.1: Forecast Guernsey RPIX**



**Figure 1.2: Forecast Guernsey RPI**



## 1.3 Contact Details

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Routine statistical publications, including quarterly publication of inflation statistics, are issued by the States of Guernsey Data and Analysis Services. These publications are available online at [www.gov.gg/data](http://www.gov.gg/data).