

Guernsey Quarterly Inflation Forecast

Quarter 2 2018

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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

- As anticipated the annual change in RPIX had fallen to 1.9% in March 2018 compared to 2.5% in December.
- The annual change in the RPI (which includes a measure of mortgage interest) has shown a smaller fall over same period with the increase in interest rates adding an upward pressure absent from the RPIX measure.
- Under the assumption that the Bank of England will progress a policy of gradually increasing interest rates over the forecast period, the central expectation is that RPIX will remain at about its current level for the next quarter. It is then forecast that RPIX will increase later in the year and remain above 2% to the end of the forecast period.
- RPI is expected to continue to show an additional upward pressure resulting from a combination of anticipated increases in interest rates and an strengthening of the local residential property market in the coming months.

Figure 1.1: Forecast Guernsey RPIX

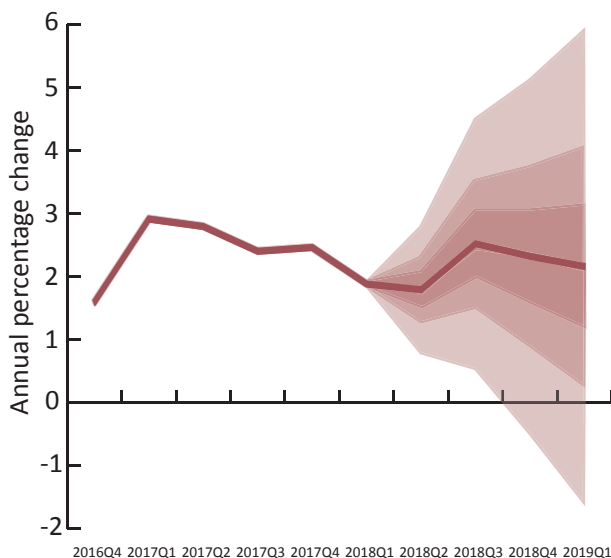
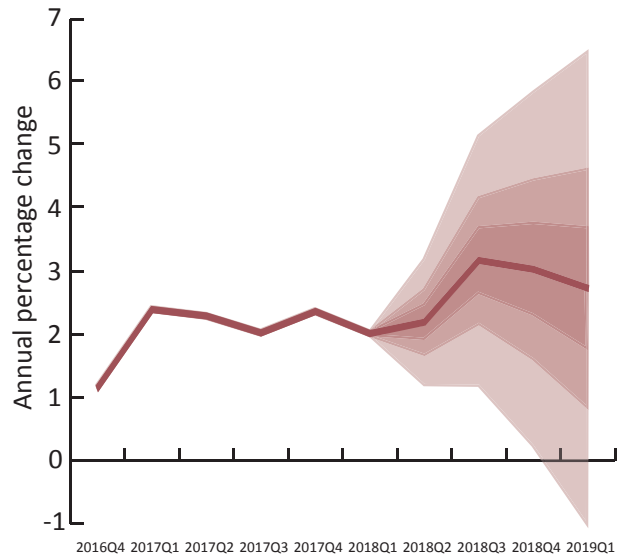


Figure 1.2: Forecast Guernsey RPI



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.