

Guernsey Quarterly Inflation Forecast

Quarter 4 2019

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States of
Guernsey

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 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 a 30%, 60% and 90% statistical certainty.

1.2 Forecasts

- The annual change in RPIX decreased to 2.0% in September 2019 compared to 1.9% in June 2019. This was a little lower than forecast but within the 30% confidence limits.
- The current expectation is that the annual change RPIX will rise a little further towards the end of the year, with a central expectation of a peak at around 2.5% in March 2020.
- The Bank of England Base Rate was maintained at 0.75% in September 2019. The Monetary Policy Committee highlight the potential for inflationary impacts in either direction as a result of Brexit. However, if Brexit is smooth and there is some level of global economic recovery, there may be some gradual and limited increase in interest rates to manage UK inflation.
- The forecast presented continues to assume that there will be some limited upward pressure on inflation as a result of Brexit, but its effects have been pushed back to Q1 2020 reflecting the further delay.

Figure 1.1: Forecast Guernsey RPIX

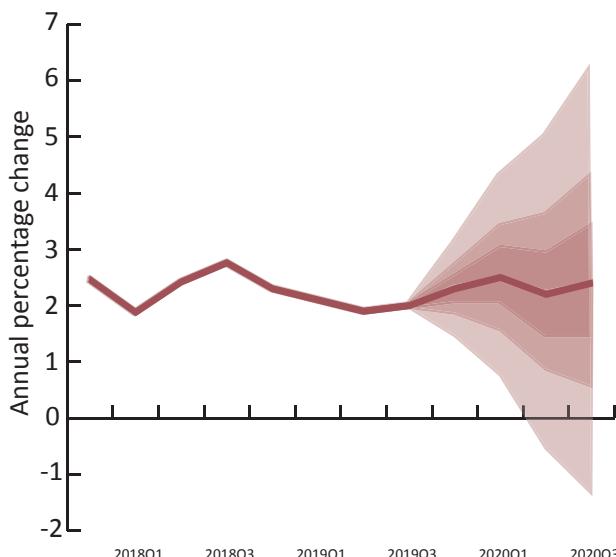
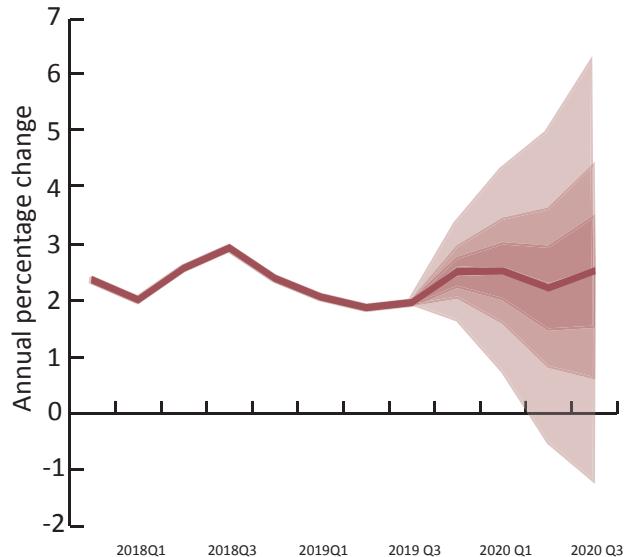


Figure 1.2: Forecast Guernsey RPI



1.3 Forecast assessment

Table 1.1 below presents an overview of the performance of the RPIX forecasts against actual data three, six, nine and twelve months ahead of publication. For example, T+3 months presents a summary of how accurate the forecasts are one quarter before publication of the actual data, detailing how many of the actual observations fall within 30%, 60% and 90% confidence intervals of the forecasts represented by the coloured bands in **Figure 1.1**.

Table 1.1: Summary of RPIX forecast performance

	t +3 months	t +6 months	t +9 months	t +12 months
Total number of observations	18	17	16	15
Within 30% confidence interval	44%	41%	63%	67%
Within 60% confidence interval	61%	71%	81%	80%
Within 90% confidence interval	94%	88%	88%	87%
Outside 90% confidence interval	6%	12%	12%	13%

1.4 Contact Details

For more information on this and other publications issued by the States of Guernsey Strategy and Policy Unit, please contact:

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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.