

# Guernsey Quarterly Inflation Forecast

Quarter 4 2020

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



States of  
Guernsey

## 1.1 Introduction

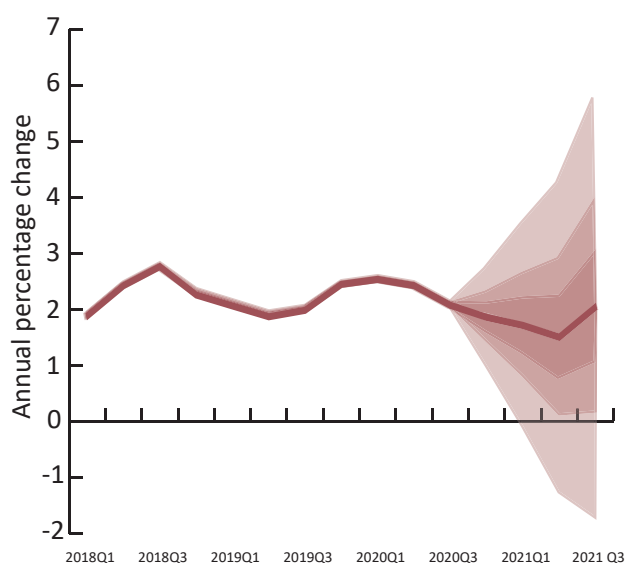
The Inflation Forecast Bulletin provides 12 month forecasts for the primary inflation measures used in Guernsey: RPIX and RPI. Forecasts are based on historical trends, expectations of inflation in the UK, and forecast movements in the price of key commodities. Forecasts are revised and published on 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.*

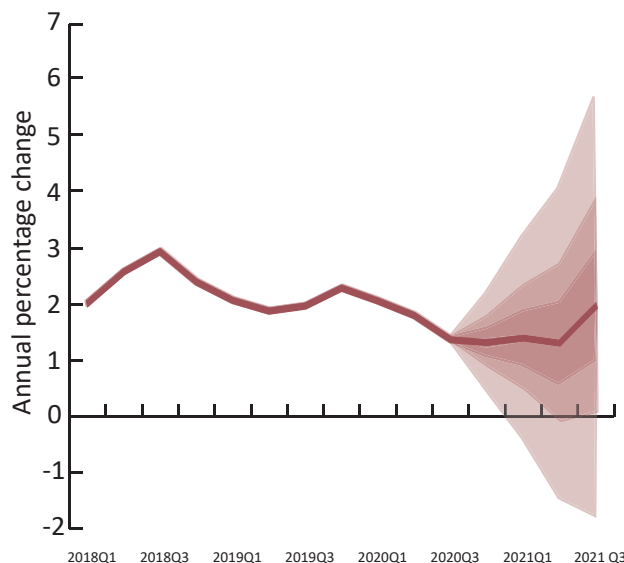
## 1.2 Forecasts

- The annual change in RPIX was 2.0% in September 2020 compared to 2.4% in June 2020 placing it at the lower end of the forecast range.
- To date the disruption as a result of COVID-19 has exerted a downward pressure on inflation, mirroring the impact seen on UK indices.
- In the current environment the forecasts presented are subject to a significant degree of uncertainty. The current expectation is that the annual change in RPIX will fall a little further in the coming quarters.
- High levels of demand in the housing market and for construction services present a risk of increased levels of inflation in the Housing group. A poor outcome of negotiations between the UK and EU could also create a risk of upward pressure on inflation if this creates disruption in domestic supply chains.
- Lower levels of inflation may be seen if economic conditions for 2021 are weaker than forecast, particularly if this manifests in lower earnings or higher unemployment than currently anticipated.

**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
<b>Total number of observations</b>	21	20	20	17
<b>Within 30% confidence interval</b>	48%	50%	70%	74%
<b>Within 60% confidence interval</b>	62%	75%	85%	84%
<b>Within 90% confidence interval</b>	95%	90%	90%	89%
<b>Outside 90% confidence interval</b>	5%	10%	10%	11%

## 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](http://www.gov.gg/data).