

Guernsey Quarterly Inflation Forecast

Quarter 2 2022

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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 was 5.9% in March 2022, compared to 4.6% in December 2021 placing it at the top of the forecast range.
- Issues with global and national supply chains continue to place upward pressure on inflation and disruption is assumed to continue for some time longer. Conflict in the Ukraine and the sanctions placed on Russian oil and gas have increased the extent of the upward pressure on energy, fuel and food prices in particular.
- While inflation is high relative to recent norms and expected to remain so for some months, a lower weighting on motor fuels than the UK and the provision of nuclear sourced electricity via the cable link with France, mean that Guernsey's inflation measures remain significantly lower than the equivalent measures in the UK.
- Current central forecasts show RPIX increasing further in the next quarter peaking in either the third or fourth quarters, before beginning to fall in early 2023.
- The current expectation is that RPIX will return to more typical levels towards the end of 2023.

Figure 1.1: Forecast Guernsey RPIX

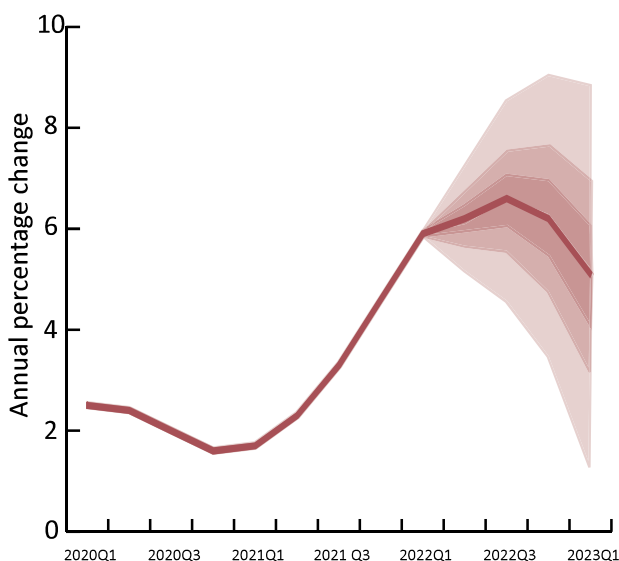
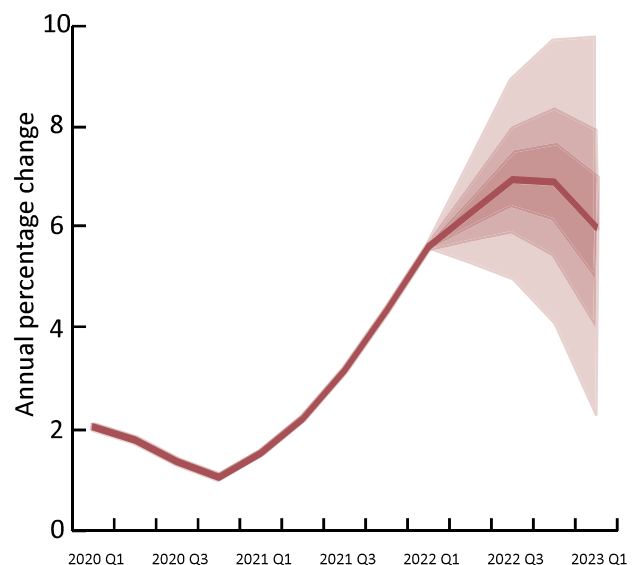


Figure 1.2: Forecast Guernsey RPI



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	26	25	24	23
Within 30% confidence interval	38%	44%	58%	70%
Within 60% confidence interval	62%	68%	79%	83%
Within 90% confidence interval	96%	88%	92%	91%
Outside 90% confidence interval	4%	12%	8%	9%

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.