

# Guernsey Quarterly Inflation Bulletin

30th September 2012 - Issue date 19th October 2012



**POLICY COUNCIL**  
THE STATES OF GUERNSEY

**Embargoed:**

**19th October 2012 9:30am**

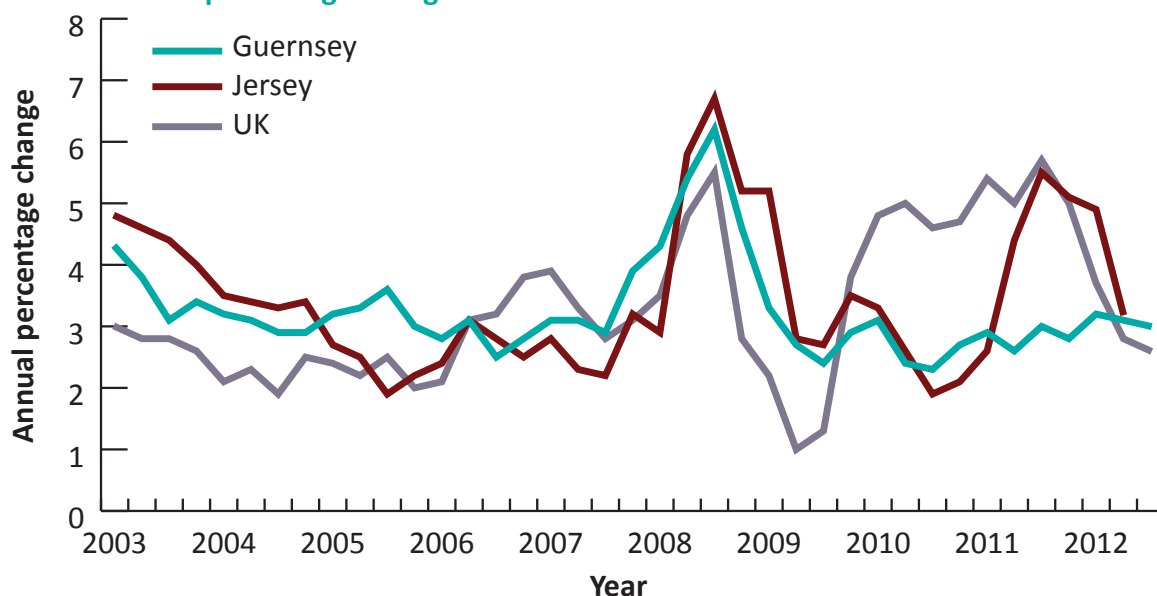
## 1.1 Introduction

The Guernsey RPIX and RPI are measures of inflation used in Guernsey. They measure the change in the prices of goods and services bought for the purpose of consumption or use by households in Guernsey. The indices are published quarterly by the States of Guernsey Policy and Research Unit. The calculation of the RPIX and RPI are based on the price change of items within a 'shopping basket'. Whilst some prices rise over time, others will fall or fluctuate and the indices represent the average change in these prices. More detailed information on the calculation of these indices can be found at the end of this handout.

## 1.2 Headlines

- Guernsey's annual inflation as measured by RPIX ('core' inflation excluding mortgage interest payments) was 3.0% in the year ending September 2012, compared to 3.1% in the year ending June 2012 and 3.0% in the year ending September 2011.
- In the UK the equivalent RPIX figures for the year ending September 2012 was 2.6% (see [Figure 1.2.1](#)). Figures for Jersey were not available at the time of publication.
- Thirteen of the fourteen RPIX groups increased in the year ending September 2012.
- An increase in the price of oil has led to an increase in the upward contribution from both the fuel light and power and motoring groups this quarter. These groups contributed 0.3 and 0.7 percentage points respectively to the annual change in RPIX.
- The 'all items' RPI inflation rate was 3.0% in the year ending September 2012, compared to 3.2% in the year ending June 2012 and 3.5% in the year ending September 2011.

**Figure 1.2.1: Annual percentage change in RPIX**



## 2.1 RPIX overview

**Table 2.1.1: RPIX overview**

		Annual % change	Quarterly % change	Index (1998 base)
2009	June	2.7	1.5	143.2
	Sept	2.4	0.4	143.7
	Dec	2.9	-0.1	143.7
2010	Mar	3.1	1.2	145.4
	June	2.4	0.8	146.6
	Sept	2.3	0.3	147.1
	Dec	2.7	0.3	147.6
2011	Mar	2.9	1.4	149.6
	June	2.6	0.5	150.4
	Sept	3.0	0.8	151.6
	Dec	2.8	0.2	151.8
2012	Mar	3.2	1.8	154.4
	June	3.1	0.4	155.0
	Sept	3.0	0.7	156.0

The annual change in the RPIX was 3.0% at the end of September 2012, 0.1 percentage points lower than in June 2012 and the same as in September 2011 ([Table 2.1.1](#) and [Figure 1.2.1](#)).

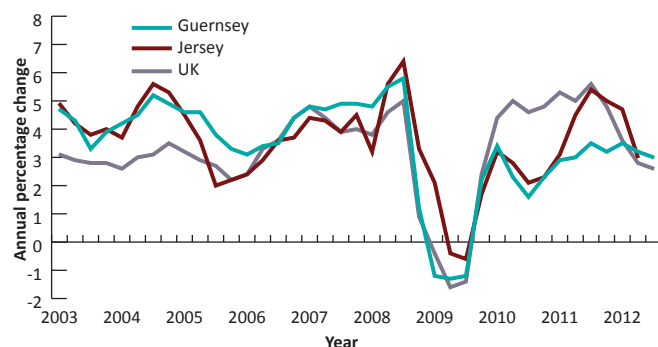
During the three month period ending September 2012 RPIX increased by 0.7%, 0.1 percentage points less than during the same period in 2011. Quarterly changes in RPIX are subject to seasonal variations in price level and are typically higher in the first and second quarters of each year than in the third and fourth.

The annual change in the UK RPIX was 2.6% at the end of September 2012. RPIX for Jersey in September 2012 was not available at the time of publication\*.

\*Publication of Jersey inflation figures for September 2012 scheduled for 24th October 2012

## 2.2 RPI Overview

**Figure 2.2.1: Annual changes in RPI**



The annual change in the RPI was also 3.0% in September 2012, 0.2 percentage points lower than in June 2012 and 0.5 percentage points lower than in September 2011 ([Figure 2.2.1](#) and [Table 2.2.1](#)).

The annual change in the UK RPI in September 2012 was 2.6%. RPI for Jersey in September 2012 was not available at the time of publication\*.

The quarterly change in RPI for the period ending September 2012 was 0.7%, 0.2 percentage points lower than during the period ending September 2011. Similar to RPIX, quarterly changes in RPI are subject to seasonal variation.

**Table 2.2.1: RPI overview**

		Annual % change	Quarterly % change	Index (1999 base)
2009	June	-1.3	1.6	139.6
	Sept	-1.2	1.1	141.1
	Dec	2.2	0.0	141.0
2010	Mar	3.4	0.7	142.1
	June	2.3	0.5	142.8
	Sept	1.6	0.4	143.4
	Dec	2.3	0.6	144.2
2011	Mar	2.9	1.4	146.2
	June	3.0	0.6	147.1
	Sept	3.5	0.9	148.4
	Dec	3.2	0.3	148.8
2012	Mar	3.5	1.7	151.3
	June	3.2	0.3	151.8
	Sept	3.0	0.7	152.9

## 3.1 Group analysis - annual

**Figure 3.1.1** shows the annual percentage change in each of the fourteen RPI and RPIX groups. **Figure 3.1.2** shows the number of percentage points contributed to the annual change in the indices by each group.

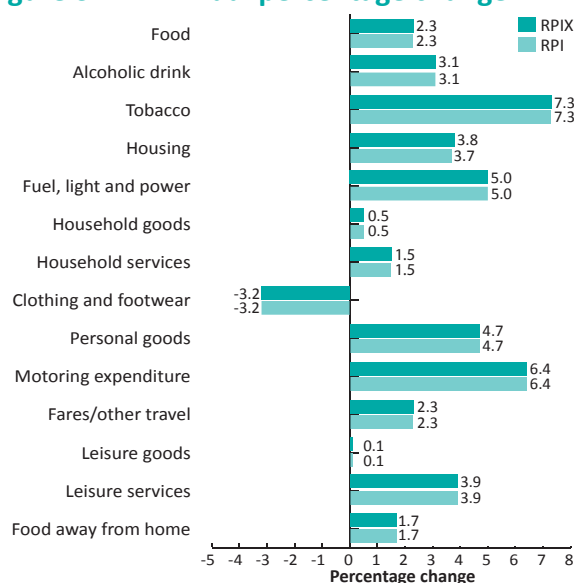
Of the fourteen groups, only the housing group shows a different percentage change between the RPIX and RPI, as a result of the exclusion of the mortgage interest item in the calculation of RPIX. However, due to differences in the weighting of the groups (see **Table 3.1.1**) the contribution made by each group to the RPI and RPIX differs.

In the year ending September 2012 thirteen of the fourteen groups increased. The tobacco group experienced the largest annual percentage increase at 7.3%. However, because of the low weighting of this group it contributed an increase of only 0.1 percentage points to the annual change in RPIX.

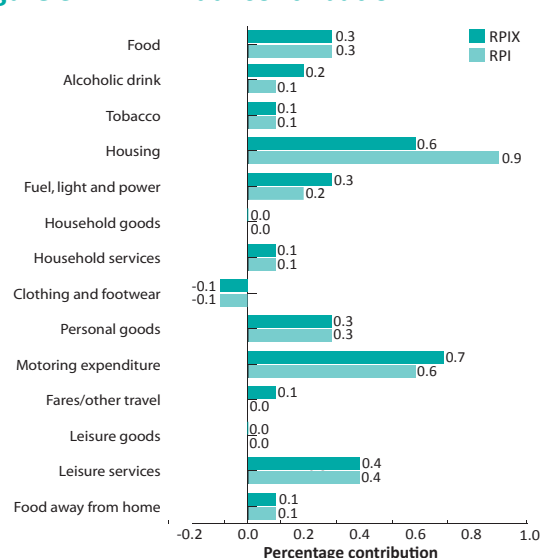
Motoring made the largest contribution to the annual change in RPIX in September 2012, adding 0.7 percentage points. Housing made the largest contribution to RPI adding 0.9 percentage points to the annual change.

Clothing and footwear was the only group to show a decrease in the year ending September 2012, falling by 3.2% and contributing a decrease of 0.1 percentage points to the annual changes.

**Figure 3.1.1: Annual percentage change\***



**Figure 3.1.2: Annual contribution\***



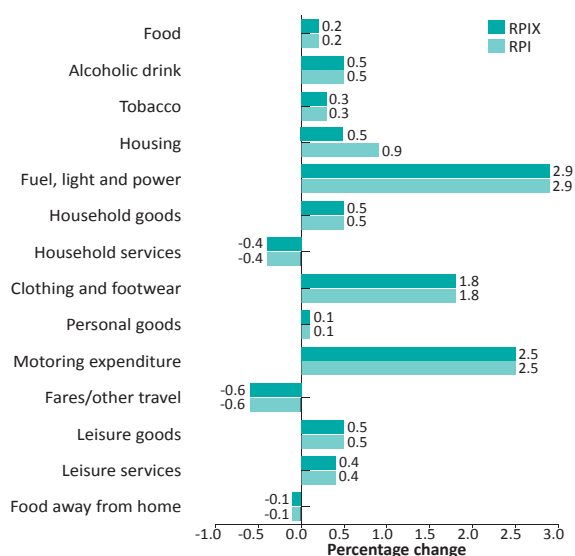
\* Due to the effects of rounding any values of less than 0.05 will appear as 0.0.

**Table 3.1.1: Group weighting**

	Items included	RPIX	RPI
<b>Food</b>	Food and non-alcoholic drink bought for home consumption.	124	107
<b>Alcoholic drink</b>	Wine, beer, spirits and other alcoholic drinks.	48	42
<b>Tobacco</b>	Cigarettes, cigars and other tobacco products.	19	16
<b>Housing</b>	Rents, parish rates and routine household maintenance and servicing costs. In the RPI this group includes interest paid on mortgages.	147	264
<b>Fuel, light and power</b>	Goods and services for the provision of light, heat and power in the home e.g. gas, oil and electricity.	45	39
<b>Household goods</b>	Non-food items for the household including furniture, domestic appliances, stationery and cleaning materials.	64	55
<b>Household services</b>	Services enlisted for the household such as contents insurance, postal, telecoms and cleaning services.	89	77
<b>Clothing &amp; footwear</b>	Adult's and children's clothing and footwear.	47	41
<b>Personal goods</b>	Goods and services for personal use such as jewellery, cosmetics and toiletries plus medical expenses.	64	55
<b>Motoring</b>	Vehicle purchase, running and maintenance costs.	99	86
<b>Fares/other travel</b>	Air and sea passenger fares and other travel related costs.	26	22
<b>Leisure goods</b>	Goods for sports, hobbies and entertainment including electronic goods, sporting and gardening equipment.	76	66
<b>Leisure services</b>	Services purchased for leisure activities including foreign holidays, cinema tickets and sporting activities.	101	88
<b>Food away from home</b>	Food purchased in restaurants, at work, from takeaways etc.	51	44

## 3.2 Group analysis - quarterly

**Figure 3.2.1: Quarterly percentage change\***



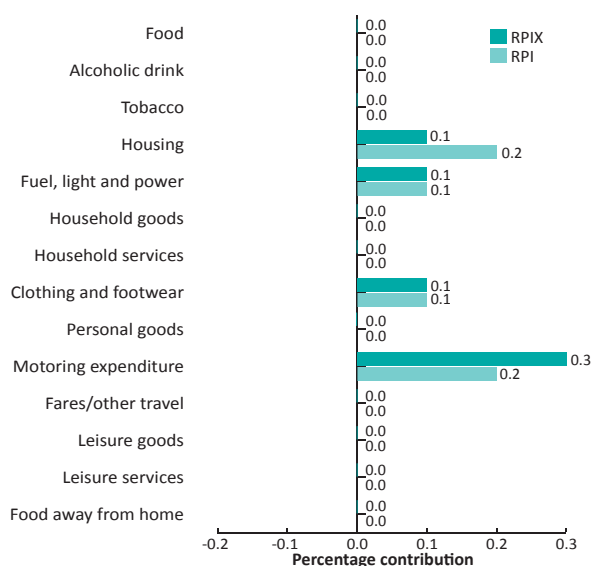
The average price level increased in eleven of the fourteen groups in the quarter ending 30th September 2012 (**Figure 3.2.1**).

Fuel light and power saw the largest percentage increase in the quarter ending September 2012, increasing by 2.9% and contributing 0.1 percentage points to the quarterly change (**Figure 3.2.2**).

The motoring group made the largest contribution to the quarterly change in RPIX, adding 0.3 percentage points to the quarterly change.

The housing group, which has the highest weighting in both indices contributed 0.1 percentage points to the quarterly change in RPIX and 0.2 percentage point to the quarterly change in RPI.

**Figure 3.2.2: Quarterly contribution\***



Fares and other travel showed the largest percentage decrease in the quarter, falling by 0.6%, but contributing less than 0.1 percentage point to the overall quarterly change.

\* Due to the effects of rounding any values of less than 0.05 will appear as 0.0.

## 3.2 Group analysis - quarterly

Within each group, specific items can be identified as having an upward or downward effect on the Index, details are given below. The figures presented in brackets are the quarterly changes for each group.

### **Food (0.2%)**

Increases in the price of fresh meat were offset by decreases in the prices of other items such as baked goods, flour and sugar.

### **Alcoholic drinks (0.5%)**

There was a general increase in the price of alcohol bought for home consumption this quarter.

### **Tobacco (0.3%)**

There was a slight increase in the cost of cigarettes and tobacco in the quarter ending September 2012.

### **Housing (0.5% RPIX, 0.9% RPI)**

Increases in private rents, and household maintenance costs were partially offset by a decrease in the price of some DIY materials. The average cost of mortgages interest payments (included in RPI only) showed an increase this quarter.

### **Fuel, light and power (2.9%)**

An increase in the cost of oil led to an increase in this group. The price of gas and electricity showed no change.

### **Household goods (0.5%)**

A general increase in the cost of furniture resulted in an increase in this group.

### **Household services (-0.4%)**

Decreases in the cost of telecoms services led to a decrease in this group.

### **Clothing and footwear (1.8%)**

Increases in the cost of some women outerwear led to an increase in this group.

### **Personal goods (0.1%)**

Increases in the costs of toiletries and some medical expenses were offset by decreases in the cost of cosmetics.

### **Motoring (2.5%)**

Increases in the cost of fuel and insurance resulted in an increase in this group this quarter.

### **Fares & other travel (-0.6%)**

Seasonal changes in the cost of travel to and from the Island resulted in a decrease in this group this quarter.

### **Leisure goods (0.5%)**

Increases in the cost of some electrical goods and printed materials were partially offset by decreases in the cost of gardening goods.

### **Leisure services (0.4%)**

An increase in the cost of foreign holidays was partially offset by seasonal decreases in the cost of overnight accommodation this quarter.

### **Food away from home (-0.1%)**

There was a small decrease in the costs of takeaway food and meals in restaurants this quarter.

## 4.1 Cumulative changes, refation factors and indices

**Table 4.1.1: RPIX cumulative changes and refation factors for the period ending 30th September 2012**

	Cumulative % change	Refation factor
3 months	0.7	1.01
6 months	1.0	1.01
9 months	2.8	1.03
12 months	3.0	1.03
15 months	3.8	1.04
18 months	4.3	1.04
2 years	6.1	1.06
3 years	8.6	1.09
4 years	11.2	1.11
5 years	18.3	1.18
10 years	37.1	1.37

**Table 4.1.2: RPI cumulative changes and refation factors for the period ending 30th September 2012**

	Cumulative % change	Refation factor
3 months	0.7	1.01
6 months	1.0	1.01
9 months	2.8	1.03
12 months	3.0	1.03
15 months	4.0	1.04
18 months	4.6	1.05
2 years	6.6	1.07
3 years	8.4	1.08
4 years	7.0	1.07
5 years	13.3	1.13
10 years	38.9	1.39

**Table 4.1.3: RPIX Index figures at 30th September 2012**

Year of base	Index
1998	156.0
2008	111.9

**Table 4.1.4: RPI Index figures at 30th September 2012**

Year of base	Index
1949	3,337.8
1965	1,949.6
1974	1,075.3
1979	520.4
1983	327.8
1988	245.3
1994	181.5
1999	152.9
2008	108.1

Indices are used to calculate the change in prices over time. The headline annual inflation in RPIX or RPI is the percentage change in the index over a year. However, it is possible to calculate percentage changes over longer periods of time.

There is an [inflation calculator](http://www.gov.gg/rpi) on our website ([www.gov.gg/rpi](http://www.gov.gg/rpi)), which you can use to calculate the percentage change in RPI between any two quarters from 1965 onwards. The inflation calculator can also calculate the refated value of a monetary sum (e.g. a rental payment) over the specified period.

The effect of inflation is to erode the purchasing power of currency. The refation factors in [Tables 4.1.1](#) and [4.1.2](#) can be used to inflate old values to approximate current prices.

To convert a price, multiply it by the appropriate refation factor. For example, using RPIX refation factors, £100 in September 2002 is equivalent to £100 x 1.37= £137 in September 2012.

Refation factors can also be used in the opposite way. To calculate what £100 in 2012 would have been worth in 2002, divide by the relevant refation factor.

When making long-term comparisons, it should be taken into account that the 'shopping basket' may have changed over time, since households may not be spending money on the same products as they did in the past.

Following each Household Expenditure Survey the index is rebased (i.e. set to 100). [Tables 4.1.3](#) and [4.1.4](#) show the index value for the current quarter for each year of base. Full time series of index figures for each base is available on our website ([www.gov.gg/rpi](http://www.gov.gg/rpi)).

## 5.1 UK and Jersey inflation rates

**Table 5.1.1** and **Table 5.1.2** show the comparable RPIX and RPI inflation rates reported by the UK Office of National Statistics<sup>1</sup> and the States of Jersey Statistics Unit<sup>2</sup>. There may be differences in the methodology used to calculate inflation and care should be taken when comparing figures from different jurisdictions.

Typically inflation in the three jurisdictions follow broadly the same trends. However, it should be noted that changes in taxation and other circumstances specific to a particular jurisdiction may have a significant impact on inflation. For example, the introduction of the Goods and Services Tax in Jersey in 2008 exerted an upwards pressure on both RPIX and RPI which was not experienced in either Guernsey or the UK. Similarly the temporary reduction of the UK VAT rate to 15% in 2009, its return to 17.5% in 2010 and the subsequent increase to 20% in 2011 will have influenced the inflation in the UK but had little impact in Guernsey and Jersey.

The higher cost of housing experienced in Guernsey and Jersey compared to the UK, and the resultant higher weighting of housing in the inflation rates of the Islands, means that changes in the cost of housing typically exert more inflationary pressure in the Guernsey and Jersey than in the UK. Differences in spending patterns in other areas, such as motoring, will also affect the relative effect of price changes on the indices.

**Table 5.1.1: Annual change in RPIX in Guernsey, the UK and Jersey**

		Guernsey	UK	Jersey
2008	Mar	4.3	3.5	2.9
	June	5.4	4.8	5.8
	Sept	6.2	5.5	6.7
	Dec	4.6	2.8	5.2
2009	Mar	3.3	2.2	5.2
	June	2.7	1.0	2.8
	Sept	2.4	1.3	2.7
	Dec	2.9	3.8	3.5
2010	Mar	3.1	4.8	3.3
	June	2.4	5.0	2.6
	Sept	2.3	4.6	1.9
	Dec	2.7	4.7	2.1
2011	Mar	2.9	5.4	2.6
	June	2.6	5.0	4.4
	Sept	3.0	5.7	5.5
	Dec	2.8	5.0	5.1
2012	Mar	3.2	3.7	4.9
	June	3.1	2.8	3.2
	Sept	3.0	2.6	n/a*

**Table 5.1.2: Annual change in RPI in Guernsey, the UK and Jersey**

		Guernsey	UK	Jersey
2008	Mar	4.8	3.8	3.2
	June	5.5	4.6	5.6
	Sept	5.9	5.0	6.4
	Dec	1.2	0.9	3.3
2009	Mar	-1.2	-0.4	2.1
	June	-1.3	-1.6	-0.4
	Sept	-1.2	-1.4	-0.6
	Dec	2.2	2.4	1.7
2010	Mar	3.4	4.4	3.2
	June	2.3	5.0	2.8
	Sept	1.6	4.6	2.1
	Dec	2.3	4.8	2.3
2011	Mar	2.9	5.3	3.1
	June	3.0	5.0	4.5
	Sept	3.5	5.6	5.4
	Dec	3.2	4.8	5.0
2012	Mar	3.5	3.6	4.7
	June	3.2	2.8	3.0
	Sept	3.0	2.6	n/a*

\*Publication of Jersey inflation figures for September 2012 scheduled for 24th October 2012.

<sup>1</sup> [www.statistics.gov.uk](http://www.statistics.gov.uk)

<sup>2</sup> [www.gov.je/statistics](http://www.gov.je/statistics)

## 6.1 Methodology

The calculations of the RPIX and RPI are based on the price change of items within a 'shopping basket'. Whilst a single household's shopping basket may contain anywhere in the region of one to several hundred items, the 'basket' of goods and services used in the calculation contains over 2,000 items. This list of goods and services remains consistent every quarter in order to measure price changes over time.

Every household in the Island spends its income in different ways so it is impractical to monitor changes in the price of every single item on sale. Therefore, the Index contains a representation of what 'typical' consumers in a Guernsey household spend their money on. It should not be confused with a 'cost of living' index, which will vary according to individual expenditure.

The methodology is continuously monitored and is periodically audited and updated to ensure it remains accurate and representative. The 2012/13 Household Expenditure Survey has just been launched and the results will be used to update the weights and basket in 2013. For more information see [www.gov.gg/hes](http://www.gov.gg/hes).

Further information regarding the methodology, calculation and uses of the inflation indices can be found in the Guide to the Guernsey Inflation Indices which is available online at [www.gov.gg/rpi](http://www.gov.gg/rpi).

## 7.1 Contact details and further information

For more information on how the RPIX and RPI are calculated please see the Guide to the Guernsey Retail Prices Indices, which, along with the Inflation Calculator, is available via [www.gov.gg/rpi](http://www.gov.gg/rpi).

Please contact Liz Laine (Research and Information Officer) for further information.

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The next inflation bulletin (for December 2012) will be published at 9:30am on Friday 18th January 2013.