

# Guernsey Quarterly Inflation Bulletin

30th September 2013 - Issue date 18th October 2013



**POLICY COUNCIL**  
THE STATES OF GUERNSEY

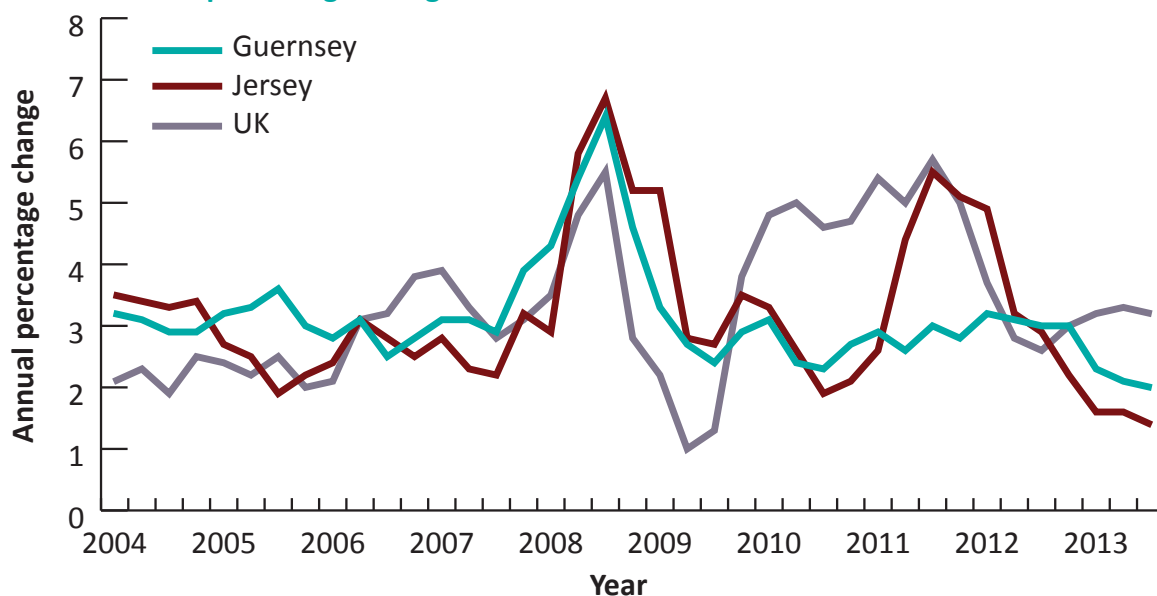
## 1.1 Introduction

The Guernsey RPIX and RPI are measures of inflation. 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 calculations 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 the RPIX ('core' inflation excluding mortgage interest payments) was 2.0% in September 2013, 0.1 percentage points lower than in June 2013 and 1.0 percentage points lower than in September 2012.
- In the UK the equivalent RPIX figure for September 2013 was 3.2% (see [Figure 1.2.1](#)) and in Jersey it was 1.4%.
- The Food category made the largest contribution to the annual increase in the RPIX in September 2013, contributing 0.4 percentage points.
- The 'all items' RPI annual inflation was 2.7% in September 2013, which is the same as the previous quarter and 0.3 percentage points lower than in September 2012.
- Housing contributed 0.9 percentage points to the annual increase in the RPI.
- The annual change in the UK RPI in September 2013 was 3.2% and in Jersey was 1.2%.

**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)
2010	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	0.3	155.0
	Sept	3.0	0.7	156.0
	Dec	3.0	0.2	156.3
2013	Mar	2.3	1.0	158.0
	June	2.1	0.1	158.2
	Sept	2.0	0.7	159.2

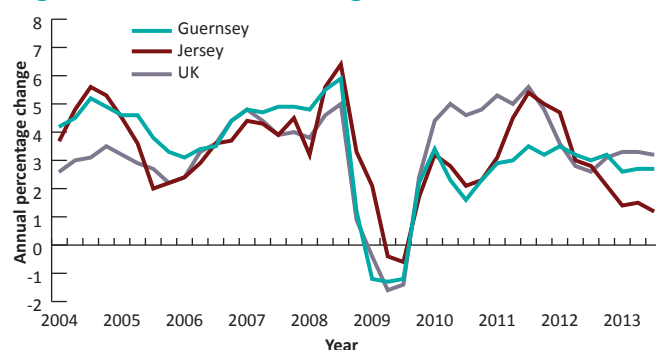
The annual change in the RPIX was 2.0% at the end of September 2013, 0.1 percentage points lower than the previous quarter and 1.0 percentage point lower than September 2012 (see [Table 2.1.1](#) and [Figure 1.2.1](#)).

During the three month period ending September 2013, the RPIX increased by 0.7%, which is the same change as seen for the same period in 2012. Quarterly changes in the 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 3.2% at the end of September 2013. The increase in the RPIX for Jersey was 1.4%.

## 2.2 RPI Overview

**Figure 2.2.1: Annual changes in RPI**



The annual change in the RPI was 2.7% in September 2013, which is stable compared to the previous quarter and 0.3 percentage points lower than in September 2012 ([Figure 2.2.1](#) and [Table 2.2.1](#)).

The annual change in the UK RPI in September 2013 was 3.2%. The RPI increase for Jersey was 1.2%.

The quarterly change in the RPI for the quarter ending September 2013 was 0.7%, which is the same change seen during the quarter ending September 2012. Similar to the RPIX, quarterly changes in the RPI are subject to seasonal variation. However, the RPI can be dominated by trends in mortgage interest payments.

**Table 2.2.1: RPI overview**

		Annual % change	Quarterly % change	Index (1999 base)
2010	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
	Dec	3.2	0.4	153.6
2013	Mar	2.6	1.1	155.3
	June	2.7	0.4	155.9
	Sept	2.7	0.7	157.0

## 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.

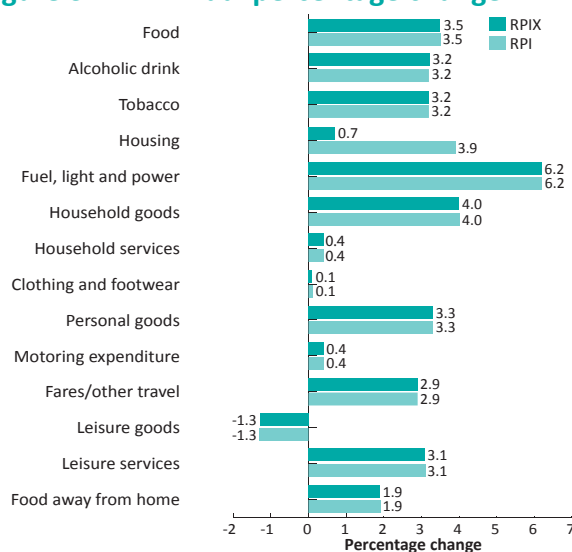
Of the fourteen groups, only the Housing group shows a different percentage change between the RPIX and RPI, as a result of the exclusion of the mortgage interest item in the calculation of the RPIX. However, due to differences in the weighting of the groups (see **Table 3.1.1**) the contribution made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

In the year ending September 2013, thirteen of the fourteen groups increased. The Fuel, light and power group saw the largest annual increase at 6.2%, contributing 0.3 percentage points to the change in the RPIX. However, despite experiencing a smaller annual increase, the Food category made a greater contribution (0.4 percentage points) to the annual increase in RPIX due to its higher weighting.

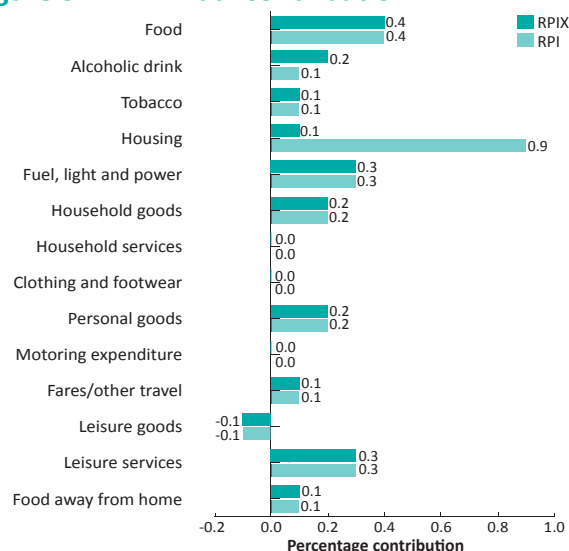
Housing made the largest contribution to the annual change in the RPI, adding 0.9 percentage points. Its contribution to the RPIX was lower at 0.1 percentage points.

Leisure goods experienced a negative annual change (-1.3%) in the year ending September 2013, making a contribution of -0.1 percentage points to the changes in the RPIX and RPI.

**Figure 3.1.1: Annual percentage change**



**Figure 3.1.2: Annual contribution**



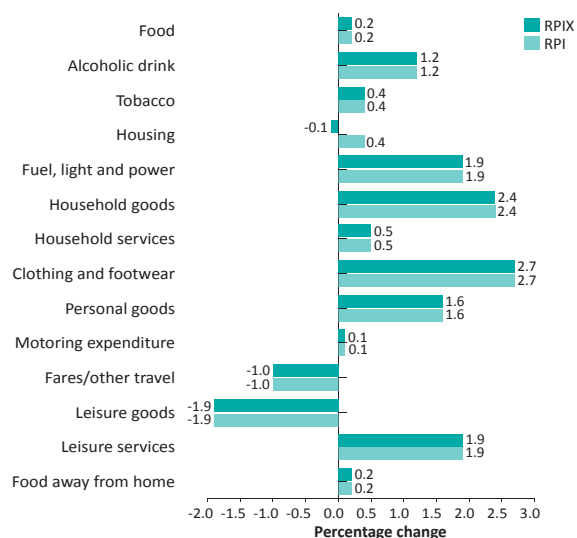
NB: Due to the effects of rounding, any values of less than 0.05 will appear as 0.0.

**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 and 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**



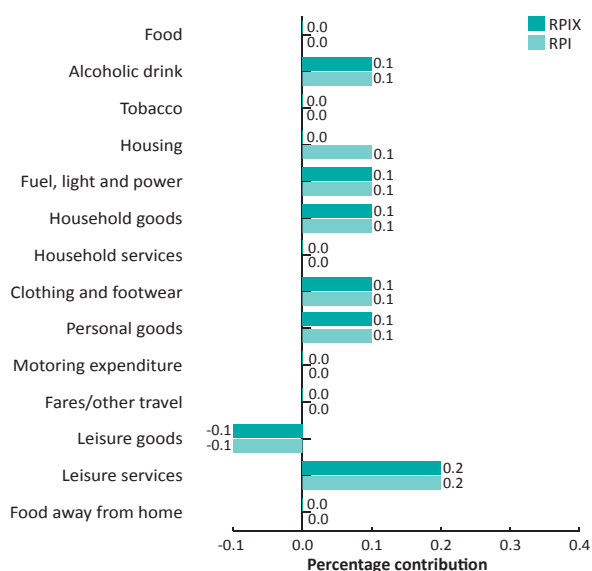
Eleven of the fourteen RPIX groups saw an average price increase in the three months ending September 2013 (**Figure 3.2.1**).

The largest percentage change (2.7%) came from the Clothing and footwear group, contributing an increase of 0.1 percentage points to the quarterly changes in the RPI and RPIX (**Figure 3.2.2**).

Leisure services contributed 0.2 percentage points to the quarterly change in the RPIX, with a quarterly increase of 1.9%.

The largest percentage decrease (-1.9%) came from the Leisure goods group, making a negative contribution of -0.1 percentage points to the quarterly change in RPI and RPIX.

**Figure 3.2.2: Quarterly contribution**



NB: Due to the effects of rounding, any values of less than 0.05 will appear as 0.0.

The Housing group, which has the highest weighting in both indices, made a negligible contribution (0.0 percentage points) to the change in RPIX and 0.1 percentage points to the quarterly change in RPI.

## 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 prices of some fresh meat and fruits such as apples, oranges and lemons were offset by decreases in the prices of other items including white bread, ice cream and sweets.

### **Alcoholic drinks (1.2%)**

Increases in prices of beer bought for consumption away from home have been partially offset by special offers on some wines and spirits.

### **Tobacco (0.4%)**

A small increase in some cigarette and rolling tobacco prices have caused the increase in this category.

### **Housing (-0.1% RPIX, 0.4% RPI)**

Decreases in a number of mortgage policy protection payments and DIY materials were only partially offset by small increases in some private rents and parish rates. An increase in the mortgage interest payment item (excluded in RPIX) has been the major contributor to the upward pressure on RPI this quarter.

### **Fuel, light and power (1.9%)**

Increases in the cost of oil and gas have exerted upwards pressure on this category this quarter. Electricity and coal prices have remained stable.

### **Household goods (2.4%)**

Increases in furniture prices, along with some appliances and household sundries, have been only partially offset by special offers on a variety of cleaning materials.

### **Household services (0.5%)**

A small increase in the cost of gym membership, some domestic cleaning services and jewellery repairs have contributed to the slight rise in this category.

### **Clothing and footwear (2.7%)**

Seasonal increases in the prices of women's outwear, such as coats, have driven this positive change.

### **Personal goods (1.6%)**

Higher prices for some toiletries have contributed to the increase in this category.

### **Motoring (0.1%)**

Lower fuel prices were offset by increases in the prices of new vehicles and vehicle repairs and servicing.

### **Fares and other travel (-1.0%)**

Seasonal reductions in the cost of boat fares have been only partially offset by increases in some air fares.

### **Leisure goods (-1.9%)**

Higher prices of some pre-recorded material were offset by reductions in the prices of some toys, gardening products and electrical goods.

### **Leisure services (1.9%)**

Increases in the cost of education, holidays and overnight UK accommodation have driven this increase.

### **Food away from home (0.2%)**

Lower prices of some takeaways have been offset by increases in prices of main meals from some restaurants.

## 4.1 Cumulative changes, reflation factors and indices

**Table 4.1.1: RPIX cumulative changes and reflation factors for the period ending 30th September 2013**

	Cumulative % change	Reflation factor
3 months	0.7	1.01
6 months	0.8	1.01
9 months	1.9	1.02
12 months	2.0	1.02
15 months	2.7	1.03
18 months	3.1	1.03
2 years	5.1	1.05
3 years	8.2	1.08
4 years	10.8	1.11
5 years	13.4	1.13
10 years	35.7	1.36

**Table 4.1.2: RPI cumulative changes and reflation factors for the period ending 30th September 2013**

	Cumulative % change	Reflation factor
3 months	0.7	1.01
6 months	1.1	1.01
9 months	2.2	1.02
12 months	2.7	1.03
15 months	3.4	1.03
18 months	3.7	1.04
2 years	5.8	1.06
3 years	9.5	1.09
4 years	11.2	1.11
5 years	9.9	1.10
10 years	38.0	1.38

**Table 4.1.3: RPIX Index figures at 30th September 2013**

Year of base	Index
1998	159.2
2008	114.2

**Table 4.1.4: RPI Index figures at 30th September 2013**

Year of base	Index
1949	3,426.6
1965	2,001.5
1974	1,103.9
1978	534.3
1983	336.5
1988	251.8
1994	186.3
1999	157.0
2008	110.9

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 1949 onwards. The inflation calculator can also calculate the reflation 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 reflation 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 reflation factor. For example, using RPIX reflation factors, £100 in September 2003 is equivalent to £100 x 1.35 = £135 in September 2013.

Reflation factors can also be used in the opposite way. To calculate what £100 in 2013 would have been worth in 2003, divide by the relevant reflation 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 follows 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 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
	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	2.9
	Dec	3.0	3.0	2.2
2013	Mar	2.3	3.2	1.6
	June	2.1	3.3	1.6
	Sept	2.0	3.2	1.4

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

		Guernsey	UK	Jersey
	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	2.8
	Dec	3.2	3.1	2.1
2013	Mar	2.6	3.3	1.4
	June	2.7	3.3	1.5
	Sept	2.7	3.2	1.2

<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 Indices contain a representation of what 'typical' consumers in a Guernsey household spend their money on. They 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 was launched in May 2012 and the field work was completed in July 2013. Once all the data has been checked and anonymised, the Policy and Research Unit will begin the analysis in order to update the weights and basket. 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 the Policy and Research Unit for further information.

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The next inflation bulletin (for December 2013) will be published at 9:30am on Friday 17th January 2014.