

## Jersey Retail Prices Index – June 2007

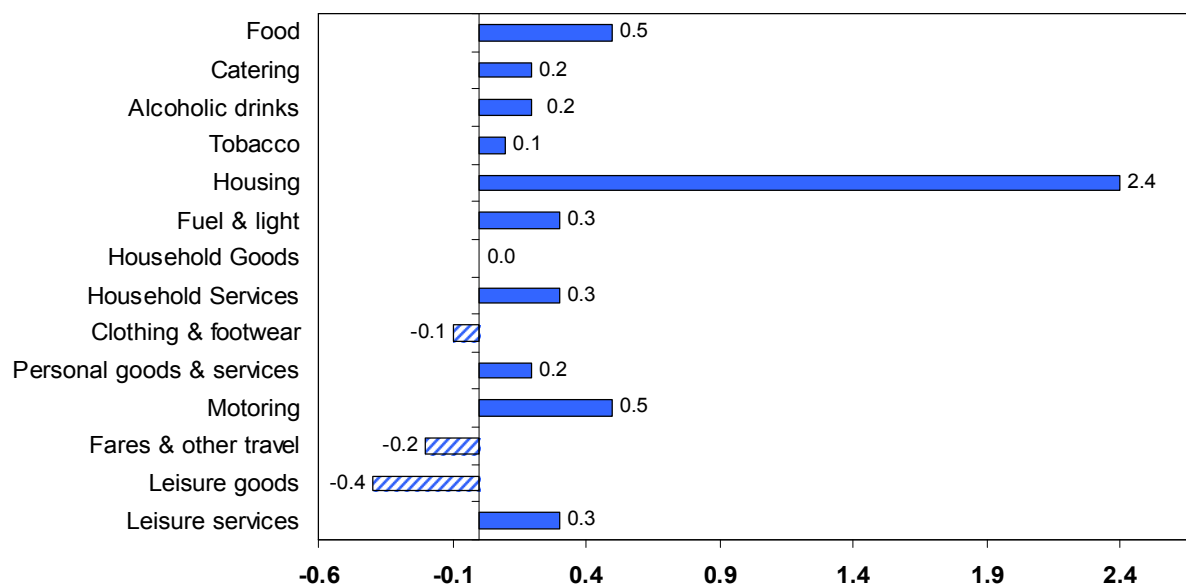
### Headlines

- During the twelve months to June 2007 the All-Items Retail Prices Index (RPI) for Jersey rose by 4.3% to stand at 131.6 (June 2000 = 100).
- **Increased mortgage costs**, largely resulting from the recent series of rises in the Bank of England base rate<sup>1</sup>, was the key driver and accounted for 1.6 percentage points of the total annual increase in the headline RPI.
- The increase in the RPI during the twelve months to March 2007 was 4.4%, implying that Jersey's **annual rate of inflation fell by 0.1 percentage points** in the latest quarter.
- **RPI(X)**, the Retail Prices Index excluding the cost of house purchase, **increased by 2.3% during the twelve months to June 2007**.
- The annual rate of increase in RPI(X) was 0.5 percentage points lower than in March 2007, with notable downward contributions from **Fares and other travel** and **Leisure goods**.
- The annual change in RPI(X) has been within 0.5 percentage points of the States' target of 2.5% for nine of the past ten quarters.

### Annual change

Figure 1 shows the contribution to the overall annual change of 4.3% for each group of the RPI.

Figure 1 - Contribution of each group to annual change in the RPI.



<sup>1</sup> See Note 4.

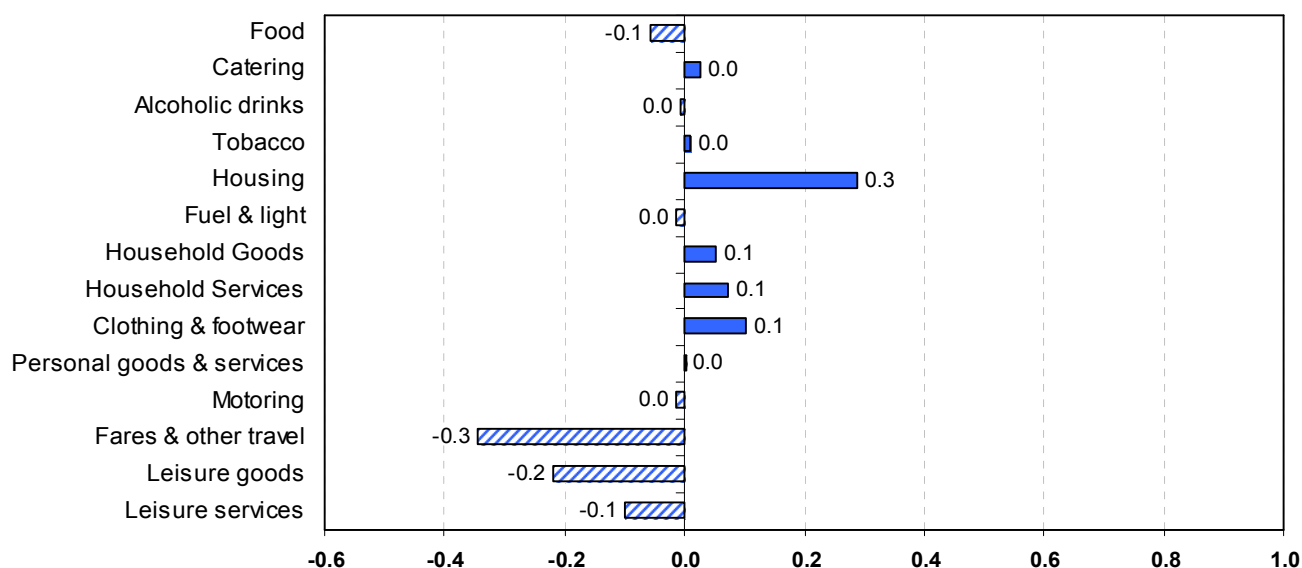
On an **annual** basis the largest contributors to the change in the Retail Prices Index were:

- **Housing** costs: the Housing group as a whole increased by 11% during the twelve months to June 2007, contributing 2.4 percentage points to the overall annual increase in the RPI. The main factor was increased house purchase costs, predominantly due to four rises in the Bank of England base rate (August 2006, November 2006, January 2007 and May 2007) which, combined with the ongoing growth in Jersey house prices, accounted for 1.6 percentage points of the overall increase in the RPI.
- **Motoring** costs: increased by 4% over the previous twelve months due to increases across the group and accounted for 0.5 percentage points of the overall increase in the RPI.
- **Food** costs: increased by 4% compared to June 2006, contributing 0.5 percentage points of the overall annual increase in the RPI. Price rises were seen across the group, notably for bread, potatoes and processed fish. In contrast, the price of lamb decreased on average.
- **Leisure Services:** increased by 2% over the twelve months to June 2007, contributing 0.3 percentage points to the overall change, and reflects the rise in the price of television licences in April as well as increased holiday and entertainment costs
- **Fuel and light:** increased by 10% on average over the last twelve months contributing 0.3 percentage points, mainly as a result of a 20% increase in electricity prices in January 2007. In contrast, heating oil prices were 4% lower than in June 2006.
- **Household services** increased by 4% compared to June 2006, contributing 0.3 percentage points to the overall RPI. This group includes school fees and postal charges, both of which saw increases over the year.

Increases were seen in several of the other groups, each contributing around 0.1 to 0.2 percentage points to the overall annual change (see figure 1). Increases in impôts (effective in January 2007) accounted for less than 0.2 percentage points of the overall increase in the RPI. In contrast, average prices in **Leisure goods** were lower than a year earlier, with falls seen for audio-visual equipment, toys, CDs, DVDs and gardening products. **Fares and other travel** costs decreased by around 5% on average over the year to June whilst prices of **Clothing and footwear** decreased by about 3%.

Overall there was a decrease of 0.1 percentage points in the annual rate of change of Jersey's RPI between March and June 2007, from 4.4 to 4.3% (see figure 2).

**Figure 2 - Contributions to *change* in annual rate of increase of RPI between Mar and Jun 07 (-0.1% from 4.4% to 4.3%)**



Average costs in **Fares and other travel** fell by about 5% over the twelve months to June 2007 but had increased over the year to March 2007; as a result, this group contributed a downward 0.3 percentage points to the overall annual change of the RPI. A greater rate of decrease was seen for **Leisure goods** in June (-7%) than in March (-3%), resulting in further downward pressure to the annual rate.

In contrast, **Housing** exerted upward pressure of 0.3 percentage points, driven by the most recent increase in the Bank of England base rate.

Individual group indices are presented in table 1, which also includes the most recent annual and quarterly percentage changes.

**Table 1: Jersey Retail Prices Index – Group Indices (June 2000 = 100) and Percentage Changes**

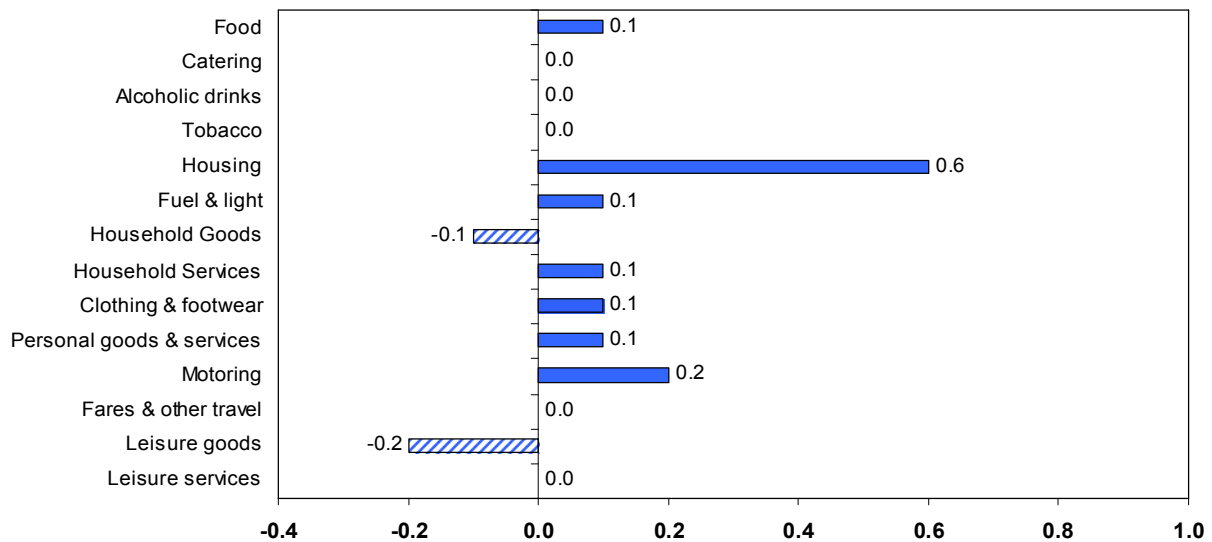
<b>GROUP</b>	2006 Jun	2006 Sep	2006 Dec	2007 Mar	2007 Jun	<i>Annual change (percent)</i>	<i>Quarterly change (percent)</i>
Food	117.0	117.5	118.6	120.5	122.1	4.4	1.3
Catering	120.2	121.8	122.7	124.3	125.3	4.2	0.8
Alcoholic drinks	127.7	128.4	126.4	131.2	131.2	2.7	0.1
Tobacco	166.2	166.4	166.4	170.9	172.8	4.0	1.0
Housing	140.0	143.4	147.7	151.9	156.0	11.4	2.6
Fuel & light	142.4	140.6	139.0	154.0	157.0	10.3	2.0
Household goods	102.6	102.5	102.6	103.1	101.9	-0.7	-1.3
Household services	129.2	130.0	130.9	133.6	134.9	4.4	1.0
Clothing & footwear	90.0	86.8	86.9	85.6	87.0	-3.3	1.6
Personal goods & services	124.6	125.7	126.0	127.9	129.3	3.8	1.1
Motoring	127.4	127.2	126.7	130.6	132.5	4.0	1.5
Fares & other travel	174.3	169.7	150.7	164.7	165.0	-5.3	0.2
Leisure goods	96.4	95.7	95.7	93.2	89.7	-7.0	-3.8
Leisure services	131.9	134.0	134.3	135.0	134.9	2.3	-0.1
<b>All items</b>	<b>126.2</b>	<b>127.1</b>	<b>127.5</b>	<b>130.3</b>	<b>131.6</b>	<b>4.3</b>	<b>1.0</b>

### Quarterly changes

The RPI increased by 1.0% between March and June 2007. The **Housing** group accounted for 0.6 percentage points (figure 3) of this increase, the main driver being the May rise in the Bank of England base rate. The **Motoring** group contributed 0.2 percentage points to the quarterly rise, largely as a result of increased petrol prices.

**Leisure goods** saw a decrease of almost 4% on a quarterly basis, primarily due to price falls in audio-visual equipment and gardening products. **Household goods** also saw falls in average prices, particularly for furniture.

**Figure 3 - Contribution of each group to quarterly change in the RPI.**



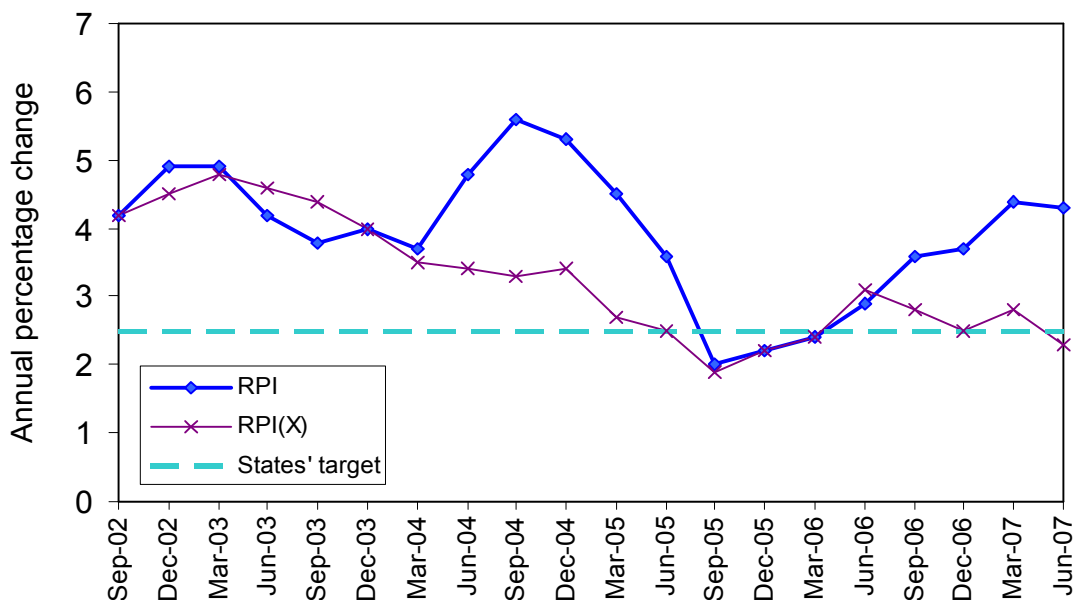
**Excluding house purchase costs: RPI(X)**

RPI(X) is the RPI excluding the cost of mortgage interest payments, and is the measure against which Jersey’s inflation target rate of 2.5% is set.

In the twelve months to June 2007 **RPI(X) increased by 2.3%** to 126.7. This annual rate of increase of RPI(X) was 0.5 percentage points lower than in the previous quarter (see figure 4). In particular, **Fares and other travel** and **Leisure goods** were key downward influences.

On a quarterly basis, between March and June 2007, RPI(X) increased by 0.6%.

**Figure 4 - Annual percentage changes in RPI and RPI(X).**



As figure 4 shows, the annual change in RPI(X) has been within 0.5 percentage points of the States’ target for nine of the past ten quarters (i.e. since March 2005).

## Comparison with other jurisdictions

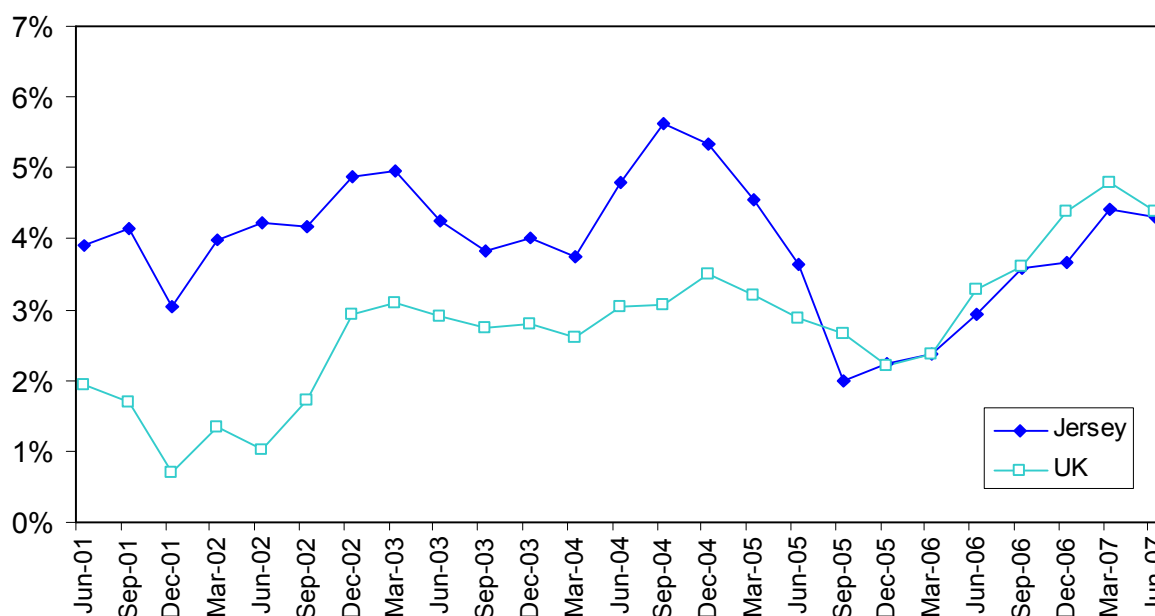
Increases in the Bank of England base rate was the key driver to the changes in the annual rates of increase of the RPI in all jurisdictions shown in table 2. However, local trends and issues in each location dictate the full extent of these effects and thus the differences between the relative rates of inflation. The longer term comparison of annual percentage changes in the RPI for Jersey and the UK, based on the data contained in the Annex, is shown in figure 5.

**Table 2: Annual percentage increases in RPI and RPI(X) for March and June 2007**

	RPI		RPI(X)	
	Mar 07	Jun 07	Mar 07	Jun 07
<b>Jersey</b>	4.4	4.3	2.8	2.3
<b>Guernsey</b>	4.8	4.7	3.1	3.1
<b>Isle of Man</b>	3.8	4.4	3.1*	3.3*
<b>UK</b>	4.8	4.4	3.9	3.3

\*Excluding the Housing group, rather than RPI(X) strictly.

**Figure 5 - Annual percentage change in RPI: Jersey and UK 2001-2007**



The **Housing** group rose by similar rates in both Jersey (11%) and the UK (10%) over the twelve months to June 2007, with increased house purchase costs being the key driver to the annual change in the RPI for both jurisdictions. The **Food** group also saw similar rates of increase, 4.4% in Jersey and 4.8% in the UK. In contrast, **Household services** were a key downward influence in the UK but exerted slight upward pressure in Jersey, whilst **Fares and other travel costs** decreased over the year to June in Jersey (down 5%) but rose in the UK (up 8%) over the same period.

Increased **house purchase** costs was also the key driver behind the annual increase of the Guernsey RPI and the Food group contributed similarly in both jurisdictions (0.5 and 0.6 percentage points in Jersey and Guernsey, respectively). In contrast, **Fares and other travel costs** saw a lower rate of decrease in Guernsey whilst the cost of **Leisure goods** increased in Guernsey but fell locally.

## BACKGROUND NOTES

1. The Retail Prices Index (RPI) is the main measure of inflation in Jersey. It measures the change from quarter to quarter in the price of the goods and services purchased by an average household in Jersey. The spending pattern on which the index is based is revised at intervals, using information from the Household Expenditure Survey (HES). The most recent HES was conducted in 2004-05 the results of which were published in July 2006 and used to conduct the RPI commodity review in March 2007.
2. The RPI is compiled using a large and representative selection of over 500 separate goods and services. The price movements for each of these are measured at a representative range of outlets. About 2,500 separate price quotations are used each quarter in compiling the index. Prices are measured on or around the 15th day of March, June, September and December.
3. Full details of the Jersey Retail Prices Index and its movements for the past seven years, together with the comparable UK and Guernsey indices, are set out in the Annex, along with details of the Jersey and UK figures for RPI(X) from 2000 to date. The movements of the 85 individual section indices which comprise the Jersey RPI are published on the website [www.gov.je/statistics](http://www.gov.je/statistics).
4. The Bank of England base rate stood at 4.50% in August 2005 and remained stable for twelve months. It has since increased four times: to 4.75% on 3 August 2006; to 5.00% on 9 November 2006; to 5.25% on 11 January 2007; and to 5.50% on 10 May 2007. The movement in the base rate over the twelve months to June 2007 was thus an increase of 1 percentage point (from 4.50% to 5.50%) compared with an increase of 0.75 percentage points (from 4.50% to 5.25%) over the twelve months to March 2007.
5. **The September 2007 Index will be released on Wednesday 24th October 2007.**
6. The Jersey Retail Prices Index is compiled by the Statistics Unit, The Parade, St Helier, JE4 8QT; (enquiries to Kim Guegan– 01534 440423 and Nicky Johnson– 01534 440425; e-mail: [statistics@gov.je](mailto:statistics@gov.je)).

*Statistics Unit  
18th July 2007*

**All items Retail Prices Index: 2000 - 2007**

		<b><u>Jersey RPI</u></b> (June 2000=100)	<b><u>Annual Movements %</u></b>			<b><u>Quarterly Movements %</u></b>		
			<b><u>Jersey</u></b>	<b><u>UK</u></b>	<b><u>Guernsey</u></b>	<b><u>Jersey</u></b>	<b><u>UK</u></b>	<b><u>Guernsey</u></b>
<b>2000</b>	Mar	(99.0)	4.6	2.6	3.8	1.3	0.3	1.2
	Jun	100.0	4.4	3.3	4.4	1.0	1.6	1.6
	Sep	101.1	4.6	3.3	4.5	1.1	0.4	0.7
	Dec	101.6	4.0	2.9	3.9	0.5	0.3	0.5
<b>2001</b>	Mar	103.0	4.0	2.3	3.3	1.4	0.0	0.6
	Jun	103.9	3.9	1.9	2.3	0.9	1.3	0.8
	Sep	105.3	4.2	1.7	2.6	1.3	0.1	0.8
	Dec	104.7	3.1	0.7	1.9	-0.6	-0.7	-0.1
<b>2002</b>	Mar	107.1	4.0	1.3	2.9	2.3	0.6	1.6
	Jun	108.3	4.2	1.0	3.3	1.1	1.0	1.0
	Sep	109.7	4.2	1.7	3.9	1.3	0.8	1.4
	Dec	109.8	4.9	2.9	4.4	0.1	0.5	0.4
<b>2003</b>	Mar	112.4	4.9	3.1	4.7	2.4	0.8	1.9
	Jun	112.9	4.2	2.9	4.3	0.4	0.8	0.6
	Sep	113.9	3.8	2.8	3.3	0.9	0.7	0.4
	Dec	114.2	4.0	2.8	3.9	0.3	0.5	1.0
<b>2004</b>	Mar	116.6	3.7	2.6	4.2	2.1	0.6	2.2
	Jun	118.3	4.8	3.0	4.5	1.5	1.2	0.9
	Sep	120.3	5.6	3.1	5.2	1.7	0.7	1.1
	Dec	120.3	5.3	3.5	4.9	0.0	1.0	0.7
<b>2005</b>	Mar	121.9	4.5	3.2	4.6	1.3	0.3	1.9
	Jun	122.6	3.6	2.9	4.6	0.6	0.9	0.9
	Sep	122.7	2.0	2.7	3.8	0.1	0.5	0.3
	Dec	123.0	2.2	2.2	3.3	0.2	0.5	0.2
<b>2006</b>	Mar	124.8	2.4	2.4	3.1	1.5	0.5	1.7
	Jun	126.2	2.9	3.3	3.4	1.1	1.8	1.2
	Sep	127.1	3.6	3.6	3.5	0.7	0.8	0.4
	Dec	127.5	3.7	4.4	4.4	0.3	1.3	1.1
<b>2007</b>	Mar	130.3	4.4	4.8	4.8	2.2	0.8	2.1
	Jun	131.6	4.3	4.4	4.7	1.0	1.4	1.1

## Retail Prices Index eXcluding house purchase costs

		<u>RPI(X) 2000 - 2007</u>				
		<u>Jersey RPI(X)</u>	<u>Annual Movements %</u>			<u>Quarterly Movement %</u>
		(June 2000 = 100)	<u>Jersey</u>	<u>UK</u>	<u>Guernsey</u>	<u>Jersey</u>
<b>2000</b>	Mar	(99.2)	4.3	2.0	3.1	1.1
	Jun	100.0	4.0	2.2	3.6	0.8
	Sep	101.1	4.2	2.2	3.5	1.1
	Dec	101.4	3.4	2.0	3.8	0.3
<b>2001</b>	Mar	102.8	3.6	1.9	2.9	1.4
	Jun	103.8	3.8	2.4	2.7	1.0
	Sep	105.3	4.2	2.3	3.1	1.4
	Dec	105.1	3.6	1.9	2.9	-0.2
<b>2002</b>	Mar	107.3	4.4	2.3	3.8	2.1
	Jun	108.4	4.4	1.5	3.6	1.0
	Sep	109.7	4.2	2.1	3.8	1.2
	Dec	109.8	4.5	2.7	3.8	0.1
<b>2003</b>	Mar	112.5	4.8	3.0	4.3	2.5
	Jun	113.4	4.6	2.8	3.8	0.8
	Sep	114.5	4.4	2.8	3.1	1.0
	Dec	114.2	4.0	2.6	3.4	-0.3
<b>2004</b>	Mar	116.4	3.5	2.1	3.2	1.9
	Jun	117.3	3.4	2.3	3.1	0.8
	Sep	118.3	3.3	1.9	2.9	0.9
	Dec	118.1	3.4	2.5	2.9	-0.2
<b>2005</b>	Mar	119.6	2.7	2.4	3.2	1.3
	Jun	120.2	2.5	2.2	3.3	0.5
	Sep	120.6	1.9	2.5	3.6	0.3
	Dec	120.7	2.2	2.0	3.0	0.1
<b>2006</b>	Mar	122.5	2.4	2.1	2.8	1.5
	Jun	123.9	3.1	3.1	3.1	1.1
	Sep	124.0	2.8	3.2	2.5	0.1
	Dec	123.7	2.5	3.8	2.8	-0.2
<b>2007</b>	Mar	125.9	2.8	3.9	3.1	1.8
	Jun	126.7	2.3	3.3	3.1	0.6