

Jersey Retail Prices Index

December 2008

Statistics Unit: www.gov.je/statistics



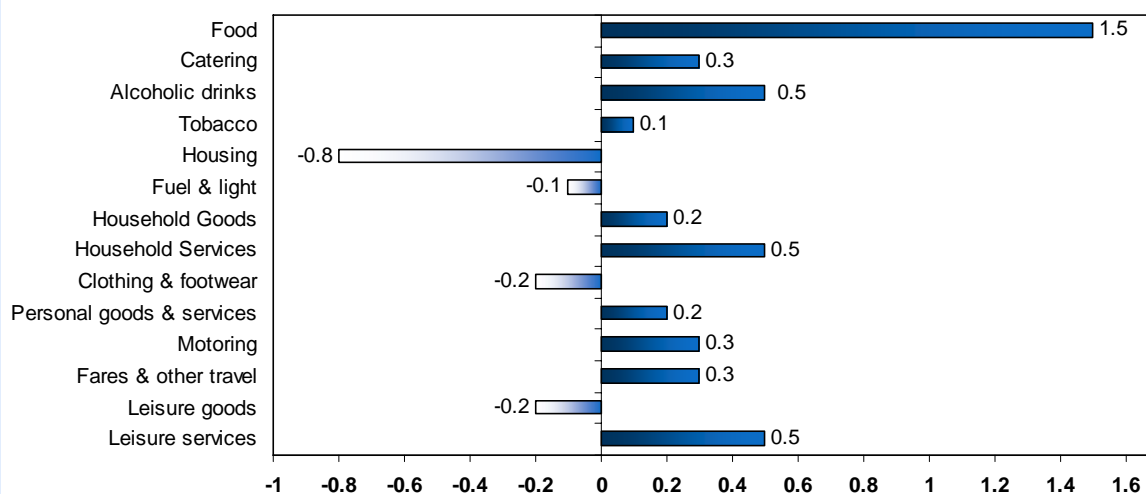
Headlines

- During the twelve months to December 2008 the All-Items Retail Prices Index (RPI) for Jersey rose by 3.3% to stand at 137.7 (June 2000 = 100).
- The increase in the RPI during the twelve months to September 2008 was 6.4%, implying that Jersey's **annual rate of inflation fell by 3.1 percentage points** in the latest quarter.
- The key contributors to this decrease in the annual rate of inflation were lower **house purchase costs**, as a result of lower mortgage interest payments, and falls in heating oil and petrol prices in the **Fuel and light** and **Motoring** groups, respectively.
- The introduction of a **Goods and Services Tax (GST)** in Jersey in May 2008 contributed **1.9 percentage points to the annual increase of the RPI** seen in December 2008.
- In addition to the introduction of GST, a key contributor to the annual increase of the RPI was higher **Food** costs.
- **RPI(X)**, the Retail Prices Index excluding the cost of house purchase, **increased by 5.2% during the twelve months to December 2008**.
- **RPI(Y)**, the Retail Prices Index excluding the effect of indirect taxes (such as GST and impôts) and the cost of house purchase, **increased by 3.2% during the twelve months to December 2008**; this measure of underlying inflation had recorded an annual increase of 4.9% during the twelve months to September 2008.
- The annual rates of increase of **RPI Pensioners** and **RPI Low Income** over the twelve months to December 2008 were 4.8% and 4.9%, respectively.

Annual change

Figure 1 shows the contribution to the overall annual change of 3.3% by each group of the RPI.

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



Individual contributions do not sum to the total annual change due to rounding

The largest contributors to the overall annual rate of increase in the Retail Prices Index, which includes the effect of the introduction of GST, were:

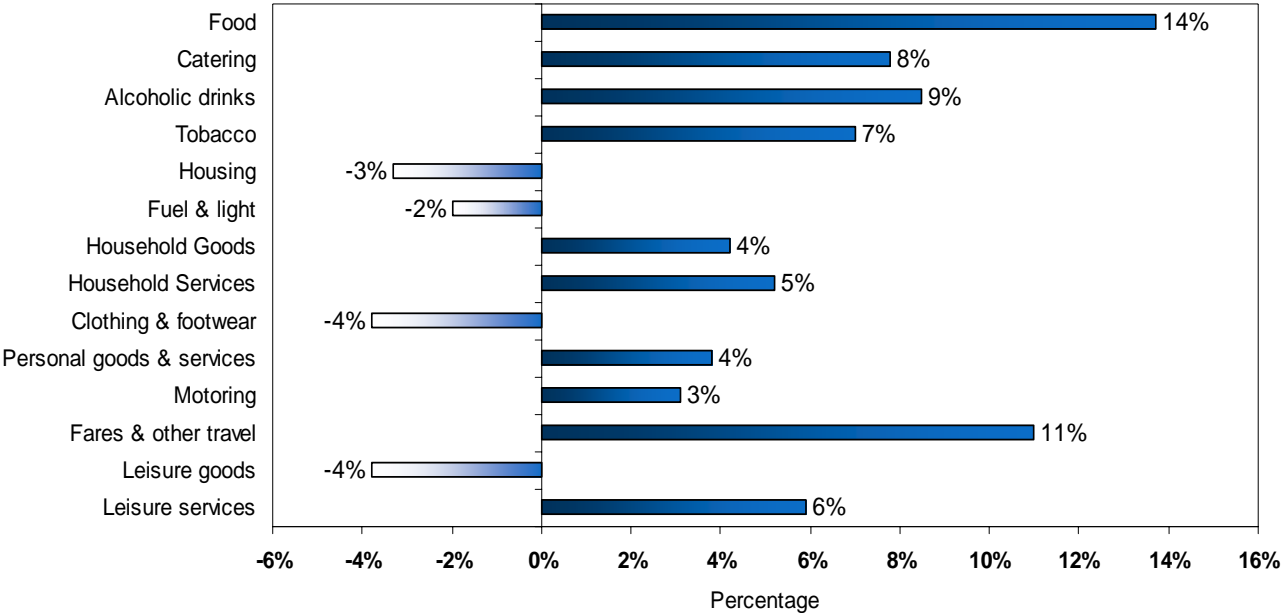
- **Food** costs: were almost 14% higher than in December 2007, contributing 1.5 percentage points to the overall annual increase in the RPI. Price rises were seen across the group, notably for bread, cereals and fresh fruit and vegetables.
- **Alcoholic drinks, Household services and Leisure services:** each group contributed 0.5 percentage points to the annual change in the RPI. Impôts increases (effective in January 2008) and the introduction of the Goods and Services Tax (GST) in May 2008 were the main contributors to the increase in alcohol prices whilst higher school fees and the increased cost of foreign holidays particularly contributed to the increases recorded by the Household and Leisure services groups, respectively.
- **Housing** costs: fell overall by 3.3% over the year to December 2008, contributing -0.8 percentage points to the annual change in the RPI. House purchase costs were the dominant item, decreasing by 15% between December 2007 and December 2008 (contributing -1.4 percentage points), driven by lower mortgage interest payments following the recent series of cuts in the Bank of England base rate (see Note 4).

As Figures 1 and 2 show, price increases were seen, overall, for the majority of the other groups. The introduction of GST accounted for about 1.9 percentage points of the annual change in the RPI, spread across the groups. Increases in impôts accounted for less than 0.2 percentage points.

In contrast, the price of **Leisure goods** (particularly of audio-visual equipment, toys and sports goods) and **Clothing & footwear** (notably footwear and women's and children's outerwear) both fell by around 4%, on average, over the twelve months to December 2008.

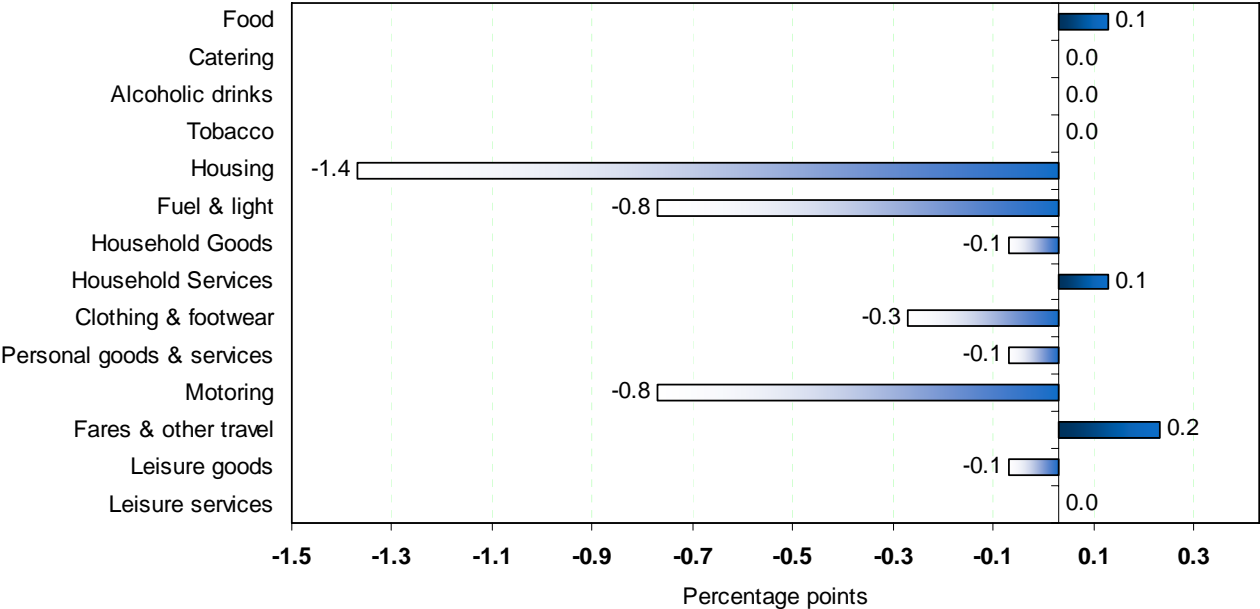
Figure 2 shows the percentage change for each group over the twelve months to December 2008.

Figure 2 - Annual percentage changes for each group, Dec 2008



There was a decrease of 3.1 percentage points in the annual rate of increase of Jersey’s RPI between September and December 2008, from 6.4% to 3.3% (see Figure 3).

Figure 3 - Contributions to change in annual rate of increase of RPI between Sept and Dec 2008 (-3.1% from 6.4% to 3.3%)



Individual contributions do not sum to the total annual change due to rounding

The majority of the groups exerted a downward influence on the change in the annual rate of increase of the RPI between September and December 2008.

In the year to December 2008, the **Housing** group overall saw a decrease of 3.3% whereas in the twelve months to September 2008 this group saw costs rise by 2.8%. As a result, this group contributed -1.4 percentage points to the change in the annual rate, the key driver being lower house purchase costs in December 2008 following the series of cuts in the Bank of England base rate.

The **Fuel & light** group decreased by 2% in the year to December 2008 but had increased by 21% in the twelve months to September 2008, whilst the **Motoring** group saw a lower rate of increase, up by 3% in the year to December 2008, compared with a 10% increase seen in the twelve months to September 2008. Thus, as is apparent from Figure 3, both groups were key downward influences to the change in the annual rate of increase of the RPI.

In contrast to the majority of the groups, **Fares & other travel** contributed upward pressure of 0.2 percentage points to the change in the annual rate, with prices rising faster overall (up by 11%) in the twelve months to December 2008 than in the twelve months to September 2008 (4%).

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

Table 1: Group indices (June 2000 = 100) and percentage changes

GROUP	2007 Dec	2008 Mar	2008 Jun	2008 Sep	2008 Dec	<i>Annual change (percent)</i>	<i>Quarterly change (percent)</i>
Food	125.8	130.7	137.9	140.6	143.0	13.7	1.7
Catering	128.7	130.8	135.9	136.8	138.7	7.8	1.4
Alcoholic drinks	131.3	135.2	142.7	143.9	142.5	8.5	-1.0
Tobacco	174.8	179.6	184.5	185.2	187.1	7.0	1.0
Housing	161.3	158.3	161.4	163.8	155.9	-3.3	-4.8
Fuel & light	167.0	176.2	197.1	189.3	163.7	-2.0	-13.5
Household goods	99.1	99.8	102.6	103.4	103.3	4.2	-0.1
Household services	136.3	136.9	139.8	142.3	143.4	5.2	0.8
Clothing & footwear	86.0	83.8	83.5	84.5	82.7	-3.8	-2.1
Personal goods & services	128.9	129.8	133.1	135.2	133.8	3.8	-1.0
Motoring	132.5	135.2	141.7	142.7	136.6	3.1	-4.3
Fares & other travel	156.8	165.3	172.3	176.8	174.1	11.0	-1.5
Leisure goods	90.2	89.6	89.9	88.4	86.5	-4.1	-2.1
Leisure services	137.4	138.2	141.9	144.6	146.0	6.3	1.0
All items	133.3	134.5	139.0	140.5	137.7	3.3	-2.0

Quarterly changes

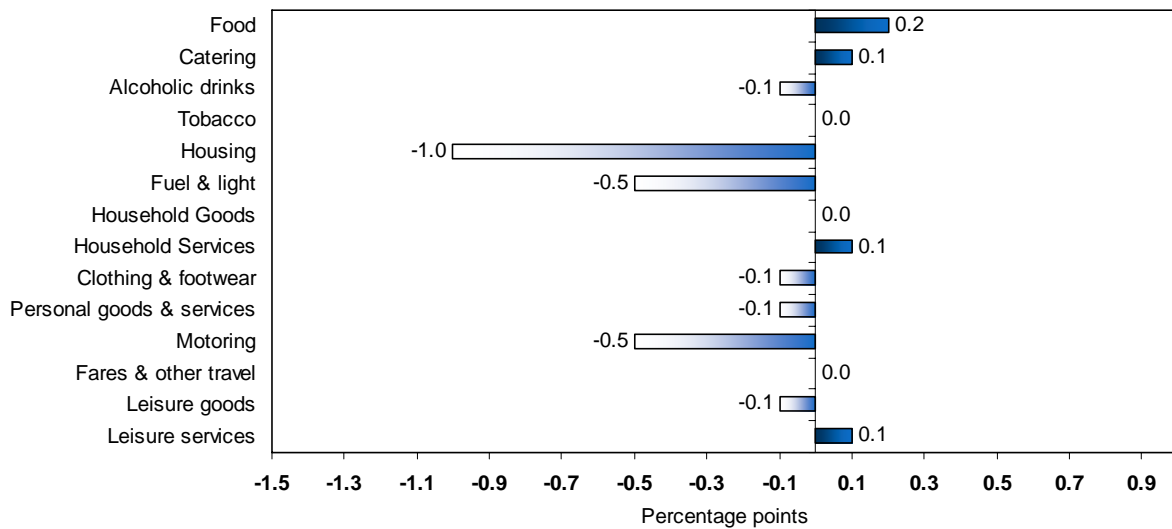
The RPI decreased by 2.0 percentage points between September and December 2008.

The **Housing** group contributed -1.0 percentage points to the overall net quarterly change, with lower house purchase costs being the key driver (see Figure 4).

The **Fuel & Light** and **Motoring** groups each contributed -0.5 percentage points, largely as a result of the fall in global oil prices over the quarter. Locally, petrol and diesel prices fell by around 20 pence per litre between September and December 2008, and the cost of heating oil fell by a similar amount (around 21 pence per litre) over the same period.

An upward contribution to the quarterly change in the RPI of 0.2 percentage points came from the **Food** group; food costs rose, on average, by almost 2% over the quarter.

Figure 4 - Contribution of each group to quarterly change in the RPI



Individual contributions do not sum to the total quarterly change due to rounding

Excluding house purchase costs: RPI(X)

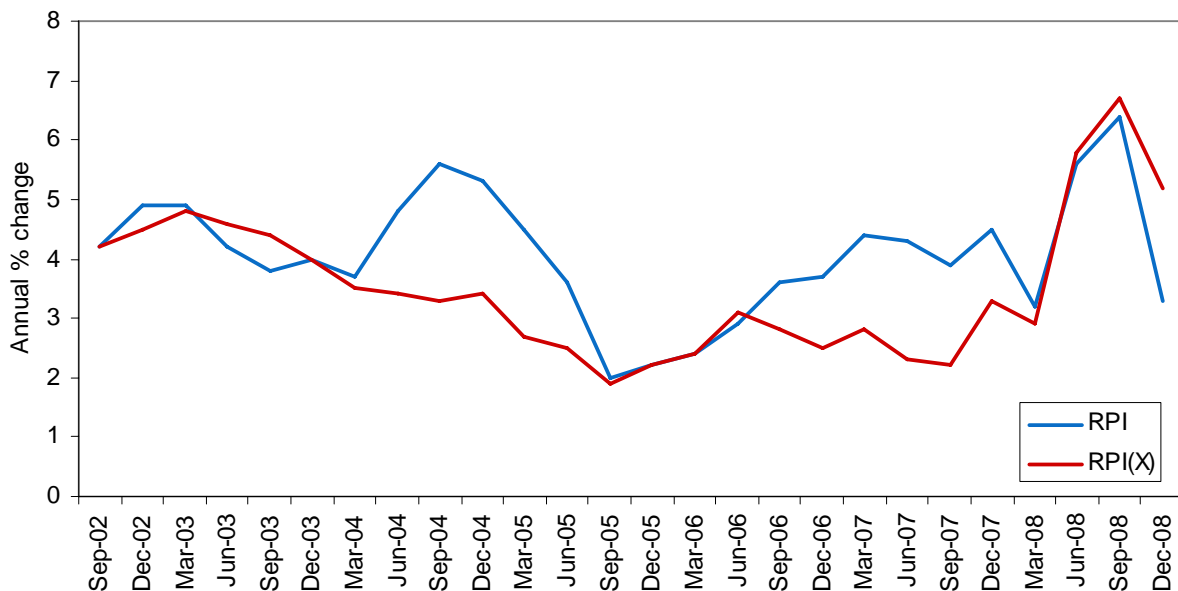
RPI(X) is the RPI excluding the cost of mortgage interest payments.

In the twelve months to December 2008 **RPI(X) increased by 5.2%** to 134.3. The main contributor to this annual rate of increase was, as for the RPI, the introduction of GST in May 2008, accounting for 2.1 percentage points of the overall increase in the index, and spread across the groups. The principal group level upward drivers were **Food** and **Housing** costs (notably water rates, Parish rates and DIY materials), contributing 1.6 and 0.7 percentage points, respectively.

The latest annual rate of increase of RPI(X) is 1.5 percentage points lower than that for September 2008. Notable downward influences to the change in the rate were **Fuel & light** and **Motoring** costs.

On a quarterly basis, RPI(X) decreased by 0.7% between September and December 2008.

Figure 5 - Annual percentage changes in RPI and RPI(X)



Other inflation measures

In December 2007, a further three retail prices indices were introduced for Jersey, namely: RPI Pensioners for pensioner households; RPI Low Income for low income households (defined as those in the lowest quintile of household income), and RPI(Y). The latter provides a further measure of underlying inflation by removing the effect not only of mortgage interest payments but also of indirect taxes. Table 2 shows the latest annual increases for these indices.

Table 2: Annual % increases in RPI(Y), RPI Pensioners and RPI Low Income

	Dec 07	Mar 08	Jun 08	Sep 08	Dec 08
RPI (Y)	3.5	2.9	3.9	4.9	3.2
RPI Pensioners	3.5	2.9	5.6	6.6	4.8
RPI Low Income	3.7	2.7	5.2	5.9	4.9

Comparison with other jurisdictions

The rates of increase of the RPI in Jersey, Guernsey and the UK are shown in Table 3. Despite the fact that certain global factors influence all three jurisdictions, local trends and issues in each location dictate the full extent of such factors.

As discussed previously, a key contributor to the annual rates of increase of RPI and RPI(X) for Jersey, and hence a main reason for the differences between the relative rates of inflation between Jersey and other jurisdictions, was the introduction of GST (contributing 1.9 and 2.1 percentage points to the annual increases in the RPI and RPI(X), respectively).

Apart from GST, the difference between the annual rates of inflation seen in Jersey and Guernsey was mainly attributable to two groups. The **Food** group contributed 1.5 percentage points to the increase in the Jersey RPI whereas this group contributed 0.7 percentage points in Guernsey, whilst the **Housing** group overall saw a larger downward contribution in Guernsey (-2.1 percentage points) than in Jersey (-0.8 percentage points).

Table 3: Annual % increases in RPI and RPI(X) for Sep and Dec 2008

Jurisdiction	RPI		RPI(X)		RPI(Y)	
	Sep 08	Dec 08	Sep 08	Dec 08	Sep 08	Dec 08
Jersey	6.4	3.3	6.7	5.2	4.9	3.2
UK	5.0	0.9	5.5	2.8	5.6	4.0
Guernsey	5.8	1.2	6.4	4.6	~	~

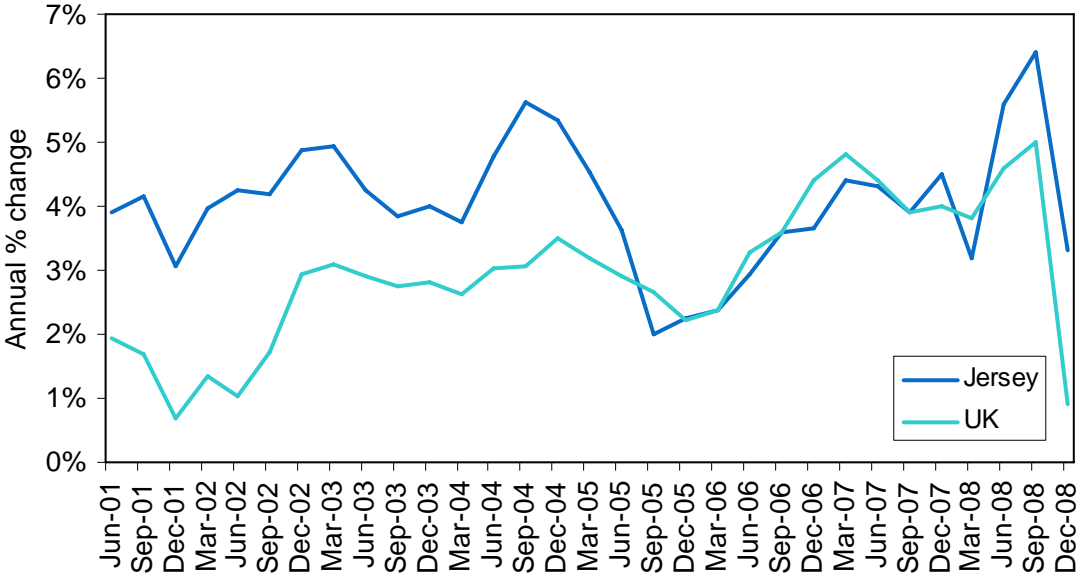
The longer term comparison of annual percentage changes of the RPI for Jersey and the UK, based on the data contained in the Annex, is shown in Figure 6.

Increased **Food** costs were a key driver to the annual increases seen in both Jersey and the UK, whilst the effect of lower **Housing** costs was also apparent in both jurisdictions.

Whilst the introduction of GST in Jersey was a major upward contributor to the annual change in the Jersey RPI, the reduction in the rate of VAT in the UK (in December 2008) was a key downward contributor to the annual change seen in the UK.

In addition to the changes in consumption taxes imposed in Jersey and the UK, there were some other notable differences between the two jurisdictions. The **Fuel & light** group contributed negatively to the change in the Jersey RPI (-0.1 percentage points) compared to the large positive contribution seen for this group in the UK (of +1.2 percentage points) primarily due to considerable increases in UK gas and electricity prices (up 51% and 31%, respectively, on an annual basis). The opposite behaviour was seen in the **Motoring** group, which contributed +0.3 percentage points in Jersey but was a downward influence in the UK (contributing -0.9 percentage points) largely as a result of the lower cost of purchasing motor vehicles.

Figure 6 - Annual percentage change in RPI: Jersey and UK 2001 - 2008



The change in RPI(Y) provides a meaningful comparison of underlying inflation in both Jersey and the UK by removing the effects of mortgage interest payments and the relevant indirect taxes. From this perspective, underlying inflation in Jersey in December 2008 was 0.8 percentage points lower than in the UK (3.2% in Jersey compared with 4.0% in the UK).

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 eight 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.
4. The Bank of England base rate stood at 5.50% on 6th December 2007 and rose to 5.25% on 7th February 2008. It then fell, to 5.00% on 10th April, to 4.50% on 8th October, to 3.00% on 6th November and then to 2.00% on 4th December 2008.
5. RPI(Y) excludes mortgage interest payments and indirect taxes. For Jersey, the indirect taxes excluded are Parish rates and all taxes and duties that directly affect retail prices, namely impôts (on tobacco, alcohol and motor fuels), the Goods and Services Tax (GST) and Air Passenger Duty. Full details can be found in the December 2007 RPI report on the website www.gov.je/statistics.
6. Group and section weights for RPI pensioners and RPI low income are derived from information on expenditure collected by the 2004/05 Household Expenditure Survey (HES). Section and item weights therefore differ from those in the Jersey RPI due to the different expenditure patterns for these households compared to all households. Full details of the methodology behind these new indices can be found in the December 2007 RPI report on the website www.gov.je/statistics.
7. **The March 2009 Index will be released on Wednesday 22nd April 2009.**
8. 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).

Statistics Unit
21st January 2009

ALL ITEMS RETAIL PRICES INDEX: 2000 - 2008								
Jersey RPI (June 2000=100)			Annual Movements %			Quarterly Movements %		
			Jersey	UK	Guernsey	Jersey	UK	Guernsey
2000	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
2001	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
2002	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
2003	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
2004	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
2005	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
2006	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
2007	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
	Sep	132.1	3.9	3.9	4.9	0.4	0.3	0.6
	Dec	133.3	4.5	4.0	4.9	0.9	1.4	1.1
2008	Mar	134.5	3.2	3.8	4.8	0.9	0.6	2.0
	Jun	139.0	5.6	4.6	5.5	3.3	2.2	1.7
	Sep	140.5	6.4	5.0	5.8	1.1	0.7	0.9
	Dec	137.7	3.3	0.9	1.2	-2.0	-1.2	-3.4

RETAIL PRICES INDEX EXCLUDING HOUSE PURCHASE COSTS: 2000 - 2008						
Jersey RPI(X) (June 2000=100)			Annual Movements %			Quarterly Movements %
			Jersey	UK	Guernsey	Jersey
2000	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
2001	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
2002	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
2003	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
2004	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
2005	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
2006	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
2007	Mar	125.9	2.8	3.9	3.1	1.8
	Jun	126.7	2.3	3.3	3.1	0.6
	Sep	126.7	2.2	2.8	2.9	0.0
	Dec	127.7	3.2	3.1	3.9	0.8
2008	Mar	129.5	2.9	3.5	4.3	1.4
	Jun	134.0	5.8	4.8	5.4	3.5
	Sep	135.2	6.7	5.5	6.2	0.9
	Dec	134.3	5.2	2.8	4.6	-0.7