

Jersey Retail Prices Index

June 2008

Statistics Unit: www.gov.je/statistics

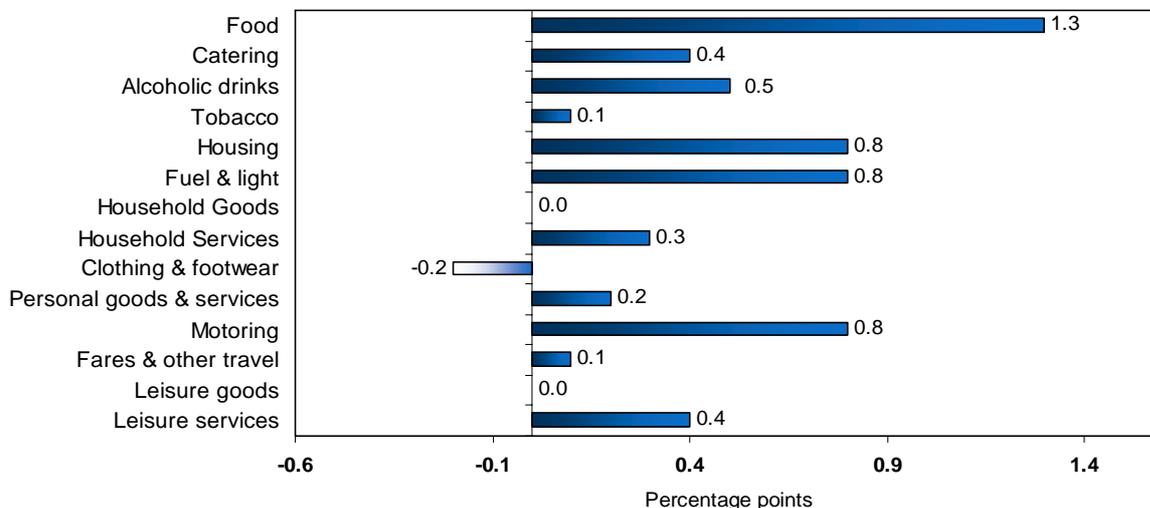
Headlines

- During the twelve months to June 2008 the All-Items Retail Prices Index (RPI) for Jersey rose by 5.6% to stand at 139.0 (June 2000 = 100).
- The increase in the RPI during the twelve months to March 2008 was 3.2%, implying that Jersey's **annual rate of inflation rose by 2.4 percentage points** in the latest quarter.
- Most of this increase in the headline rate of inflation was due to the introduction of a **Goods and Services Tax (GST)** in Jersey in May 2008, contributing **1.9 percentage points to the annual increase of the RPI**.
- In addition to the introduction of GST, key drivers to the annual rate of increase were **Fuel** and **Food prices** and the increased cost of **Motoring** and **Housing**.
- **RPI(X)**, the Retail Prices Index excluding the cost of house purchase, **increased by 5.8% during the twelve months to June 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 3.9% during the twelve months to June 2008**; this measure of underlying inflation had recorded an annual increase of 2.9% during the twelve months to March 2008.
- The annual rates of increase of **RPI Pensioners** and **RPI Low Income** over the twelve months to June 2008 were 5.6% and 5.2%, respectively.

Annual change

Figure 1 shows the contribution to the overall annual change of 5.6% 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

On an **annual** basis the largest contributors to the change in the Retail Prices Index, which includes the effect of the introduction of GST, were:

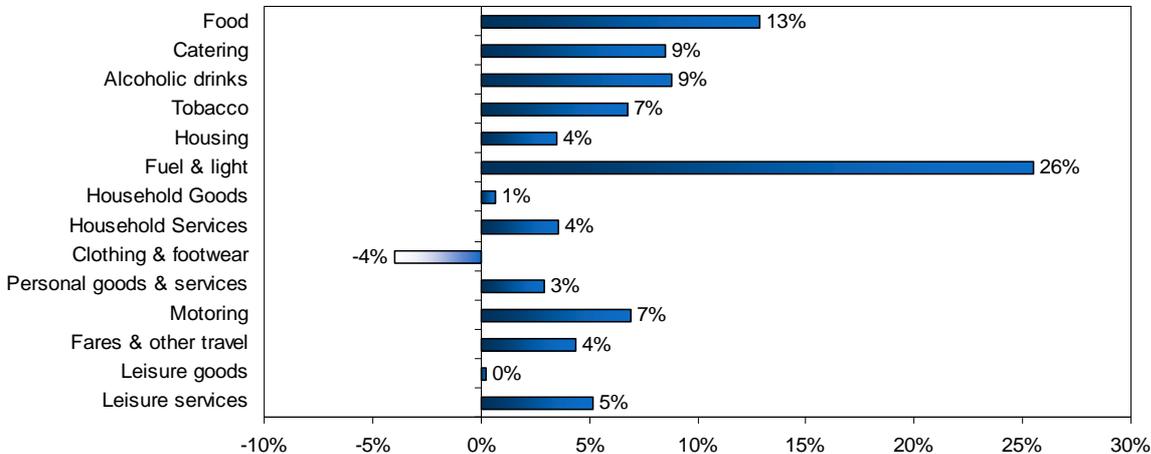
- **Food costs:** increased by 13% compared to June 2007, contributing 1.3 percentage points of the overall annual increase in the RPI. Price rises were seen across the group, notably for meat, eggs, butter, cereals and vegetables.
- **Fuel and light:** increased by more than a quarter (26%) on average over the last twelve months and contributed 0.8 percentage points. The increase seen by this group was largely the result of a considerable rise in the cost of heating oil, up by 74% on an annual basis and reflecting the rise in global oil prices, as well as a 14% increase in gas prices over the same period.
- **Housing costs:** the Housing group as a whole increased by 3.5% during the twelve months to June 2008, contributing 0.8 percentage points to the overall annual increase in the RPI. House purchase costs contributed 0.4 percentage points, with the upward pressure of increasing house prices in Jersey being somewhat moderated by reduced mortgage rates (see Note 4).
- **Motoring costs:** increased by around 7% compared to June 2007, contributing 0.8 percentage points to the overall RPI. The key driver in this group was the price of motor fuels, with petrol and diesel up by about 20p and 32p per litre respectively (of which 2p per litre was due to increases in impôts) compared with June 2007 and, again reflecting the higher global oil prices seen recently.

As Figures 1 and 2 show, overall average price increases were seen for the majority of the other groups. **The introduction of the Goods and Services Tax (GST) in May 2008 accounted for about 1.9 percentage points of the overall change in the RPI**, spread across the groups. Increases in impôts (effective in January 2008) accounted for less than 0.2 percentage points. RPI(Y) provides a measure of underlying inflation by removing the effect of indirect taxes such as GST and impôts as well as mortgage interest payments; RPI(Y) is considered in more detail on pages 6 and 7 of this report.

In contrast to the other groups, the price of **Clothing and footwear** (particularly of footwear and women’s and children’s outerwear) fell by 4%, on average, over the twelve months to June 2008.

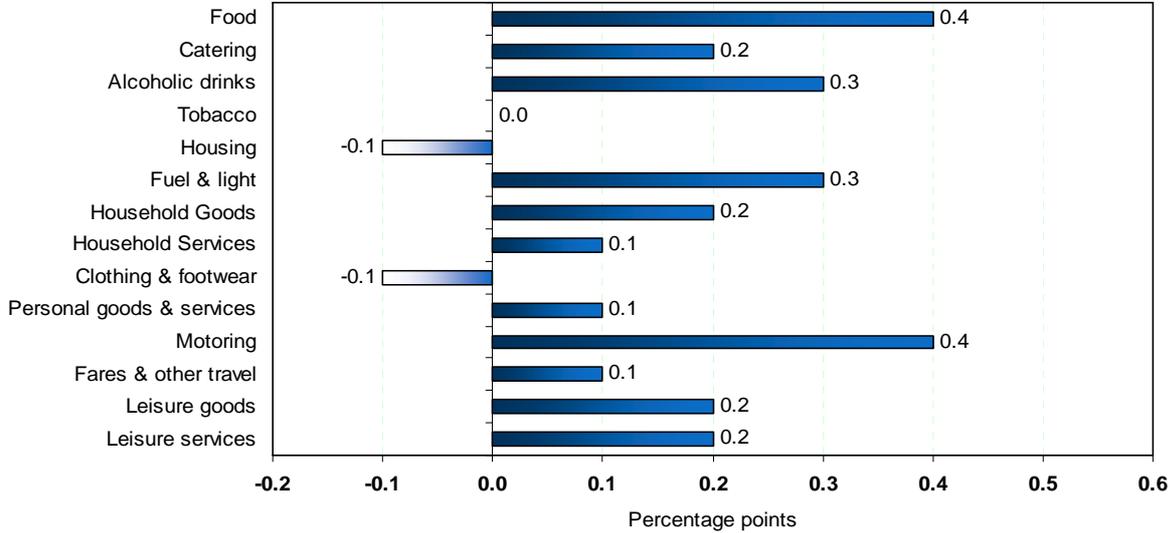
Figure 2 shows the percentage change for each group over the twelve months to June 2008.

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



Overall, there was an increase of 2.4 percentage points in the annual rate of change of Jersey's RPI between March and June 2008, from 3.2% to 5.6% (see Figure 3). The introduction of GST accounted for 1.9 percentage points of this increase, spread across the groups.

Figure 3 - Contributions to change in annual rate of increase of RPI between March and June 2008 (+2.4% from 3.2% to 5.6%)



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

A higher rate of increase was seen by the **Food** group in the twelve months to June 2008 (13%) compared with the twelve months to March 2008 (9%), resulting in this group being one of the main upward influences on the change in the annual rate, contributing 0.4 percentage points (see Figure 3).

Similarly, **Motoring** costs saw a higher rate of increase in the year to June 2008 (7%) compared to the twelve months to March 2008 (4%), resulting in this group also contributing 0.4 percentage points to the change in the annual rate.

The cost of **Fuel and light** and **Alcoholic drinks** also rose at higher rates over the last twelve months compared with the twelve months to March 2008, and thus were also upward influences to the change in the annual rate, each contributing an upward 0.3 percentage points.

In contrast, **Housing** costs rose at a slightly lower rate, overall, in the year to June 2008 (3.5%) than in the year to March 2008 (4.2%) and hence this group was a downward influence on the change in the annual rate.

The price of **Clothing and footwear** fell by a greater amount over the twelve months to June 2008 (down by 4%) compared to the twelve months to March 2008 (down by 2%) such that this group was also a downward influence and contributed -0.1 percentage points to the change in the overall annual rate.

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 Jun | 2007 Sep | 2007 Dec | 2008 Mar | 2008 Jun | Annual change (percent) | Quarterly change (percent) |
|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--|---|
| Food | 122.1 | 124.0 | 125.8 | 130.7 | 137.9 | 12.9 | 5.5 |
| Catering | 125.3 | 127.4 | 128.7 | 130.8 | 135.9 | 8.5 | 3.9 |
| Alcoholic drinks | 131.2 | 132.8 | 131.3 | 135.2 | 142.7 | 8.8 | 5.5 |
| Tobacco | 172.8 | 172.9 | 174.8 | 179.6 | 184.5 | 6.8 | 2.7 |
| Housing | 156.0 | 159.4 | 161.3 | 158.3 | 161.4 | 3.5 | 2.0 |
| Fuel & light | 157.0 | 156.2 | 167.0 | 176.2 | 197.1 | 25.5 | 11.9 |
| Household goods | 101.9 | 98.9 | 99.1 | 99.8 | 102.6 | 0.7 | 2.8 |
| Household services | 134.9 | 136.8 | 136.3 | 136.9 | 139.8 | 3.6 | 2.1 |
| Clothing & footwear | 87.0 | 82.2 | 86.0 | 83.8 | 83.5 | -4.0 | -0.4 |
| Personal goods & services | 129.3 | 128.5 | 128.9 | 129.8 | 133.1 | 2.9 | 2.5 |
| Motoring | 132.5 | 129.7 | 132.5 | 135.2 | 141.7 | 6.9 | 4.8 |
| Fares & other travel | 165.0 | 169.7 | 156.8 | 165.3 | 172.3 | 4.4 | 4.2 |
| Leisure goods | 89.7 | 90.3 | 90.2 | 89.6 | 89.9 | 0.2 | 0.3 |
| Leisure services | 134.9 | 136.3 | 137.4 | 138.2 | 141.9 | 5.2 | 2.7 |
| All items | 131.6 | 132.1 | 133.3 | 134.5 | 139.0 | 5.6 | 3.3 |

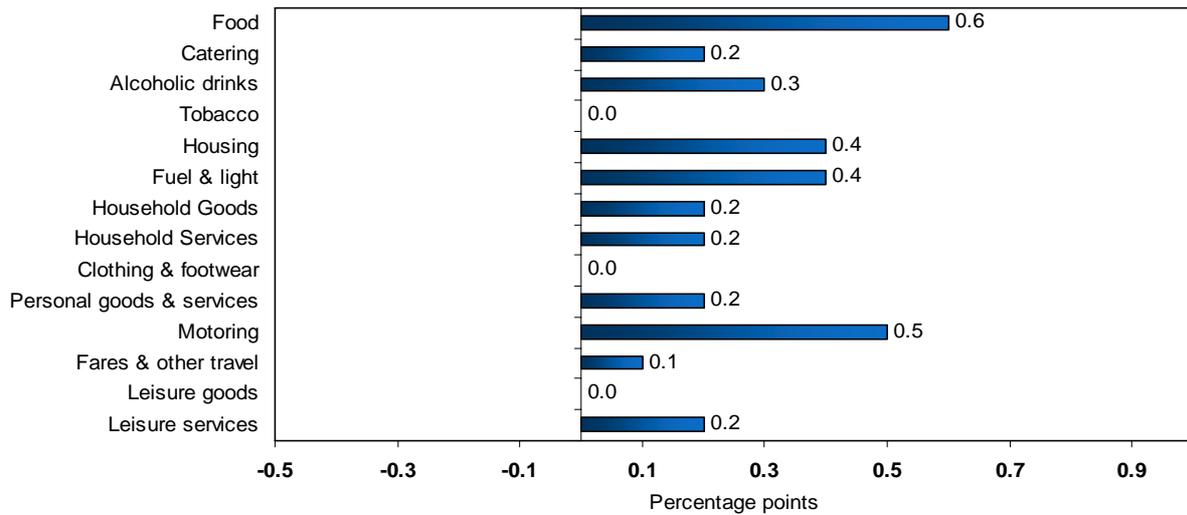
Quarterly changes

The RPI increased by 3.3% between March and June 2008. **The dominant contributor to this quarterly increase was the introduction of GST in May 2008.**

The **Food** group contributed 0.6 percentage points to the overall net quarterly increase (see Figure 4) whilst **Motoring** contributed 0.5 percentage points and **Housing** and **Fuel and light** each about 0.4 percentage points.

Clothing and footwear saw a marginal fall in prices over the quarter whilst prices in **Leisure goods** remained almost stable on average.

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



Excluding house purchase costs: RPI(X)

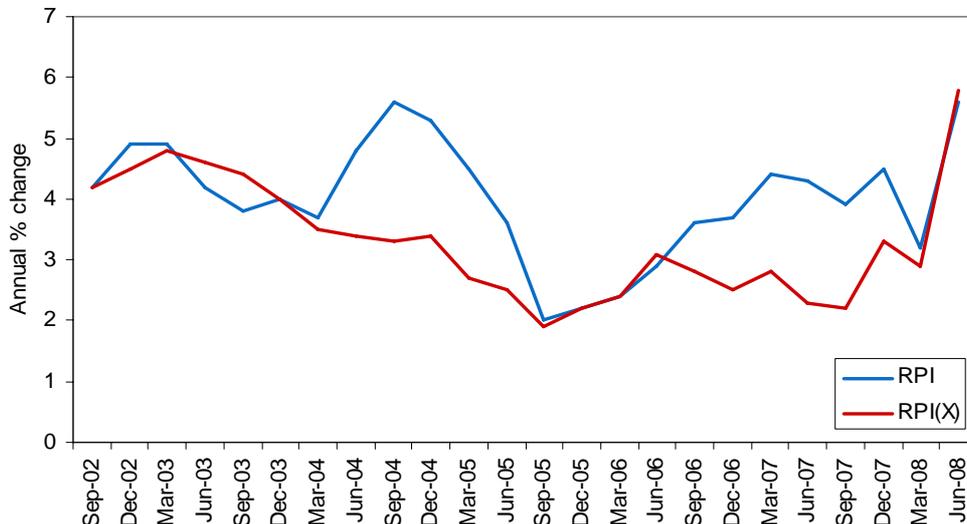
RPI(X) is the RPI excluding the cost of mortgage interest payments.

In the twelve months to June 2008 **RPI(X) increased by 5.8%** to 134.0. The main contributor to this annual rate of increase was, as for the RPI, the introduction of GST, accounting for 2.1 percentage points of the overall increase, spread across the groups. The principal group level drivers were **Food, Fuel & light** and **Motoring**.

The latest annual rate of increase of RPI(X) is 2.9 percentage points higher than that for March 2008. Notable upward influences to the change in the rate were **Food, Motoring, Fuel and light** and **Alcoholic drinks**. The **Clothing and footwear** group was the only group to exert a downward influence.

On a quarterly basis, RPI(X) increased by 3.5% between March and June 2008, a slightly larger quarterly increase than for RPI (3.3%). As Figure 5 and the table in the Annex show, the June 2008 quarter has seen the greatest change in RPI(X) since the index was first produced for Jersey in 2000.

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

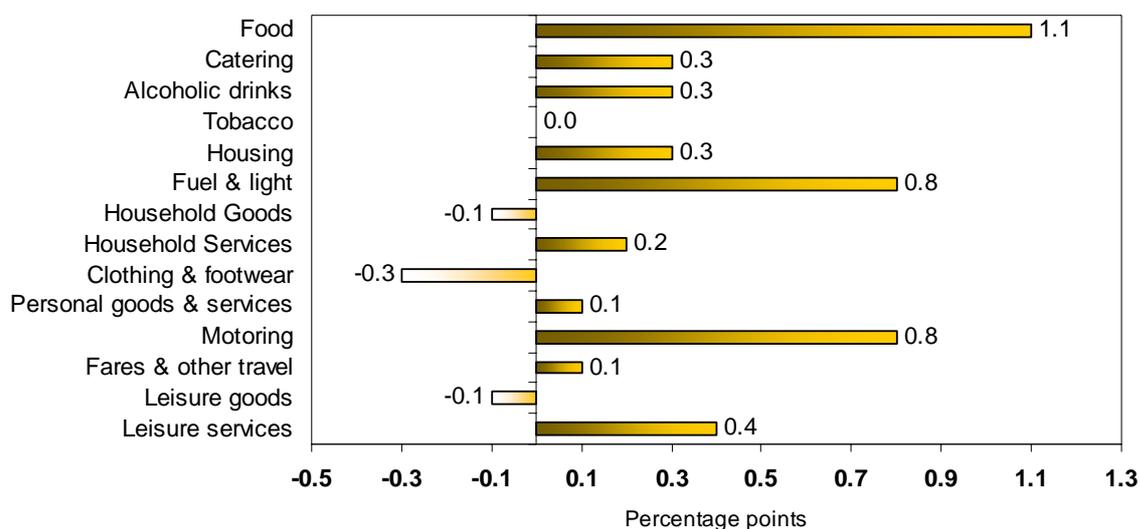
| | Dec 07 | Mar 08 | Jun 08 |
|-----------------------|--------|--------|--------|
| RPI (Y) | 3.5 | 2.9 | 3.9 |
| RPI Pensioners | 3.5 | 2.9 | 5.6 |
| RPI Low Income | 3.7 | 2.7 | 5.2 |

Due to the introduction of GST in the latest quarter it is informative to consider RPI(Y) in more detail. Figures 7, 8 and 9 show the group level analysis: contributions to the overall annual rate of increase; annual percentage changes; and contributions to the change in the overall annual rate of increase, respectively.

Several themes are apparent, in particular:

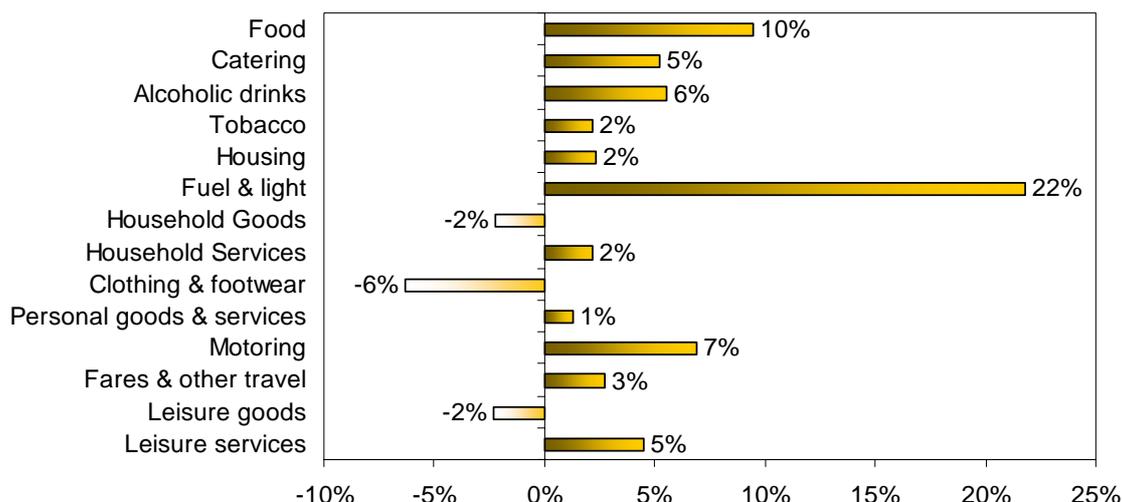
- the **Food, Fuel and light** and **Motoring** groups were the major contributors to the overall annual rate of increase of RPI(Y) as apparent in Figure 7. Excluding the cost of house purchase means that the Housing group is not such a major a contributor to RPI(Y) as to the RPI.

Figure 7 - Contribution of each group to annual change in RPI(Y)



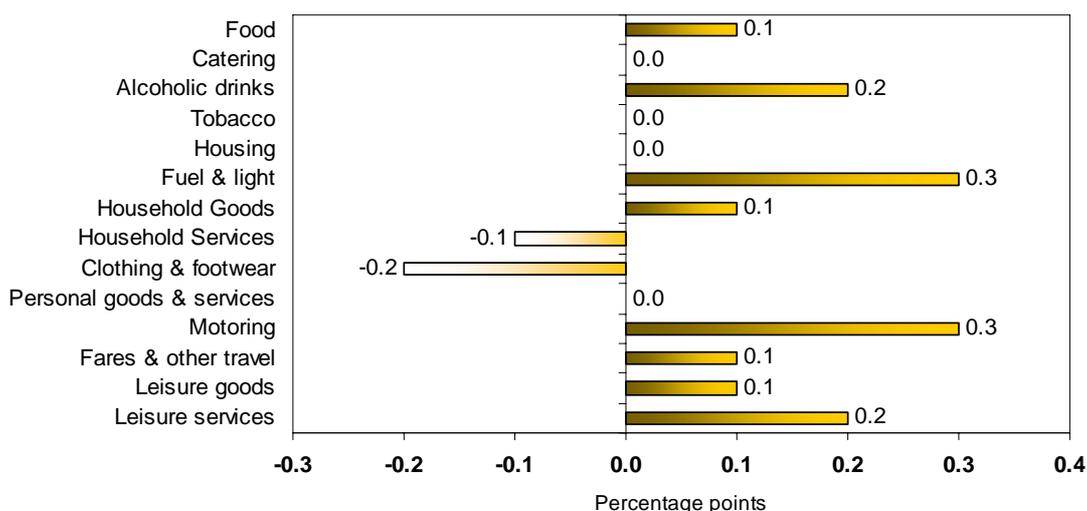
- excluding the effect of indirect taxes, **Fuel and light** and **Food** saw annual increases of 22% and 10%, respectively (Figure 8).
- excluding the effect of indirect taxes shows that the goods groups (**Households goods**, **Leisure goods** and **Clothing and footwear**) saw overall price reductions, on average.

Figure 8 - Annual percentage changes for each RPI(Y) group, June 2008



- the **Fuel and Light** and **Motoring** groups were the largest upward influences to the change in the annual rate of increase of RPI(Y) of 1.0 percentage points, from 2.9% in March 2008 to 3.9% in June 2008 (Figure 9).

Figure 9 - Contributions to change in annual rate of increase of RPI(Y) between March and June 2008 (+1% from 2.9% to 3.9%)



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

Comparison with other jurisdictions

Global increases in commodity and oil prices were the key group level drivers to the rates of increase for all jurisdictions shown in Table 3. As discussed previously, the main contributor to the rise in the annual rates of increase of both RPI and RPI(X) apparent for Jersey in June compared to March 2008 was the introduction of GST.

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 June 2008 was 1.0 percentage points lower than in the UK and saw a lower increase in the overall annual rate of change over the quarter (1.0 percentage points in Jersey compared to 1.3 in the UK).

Table 3: Annual % increases in RPI and RPI(X) for Mar and Jun 2008

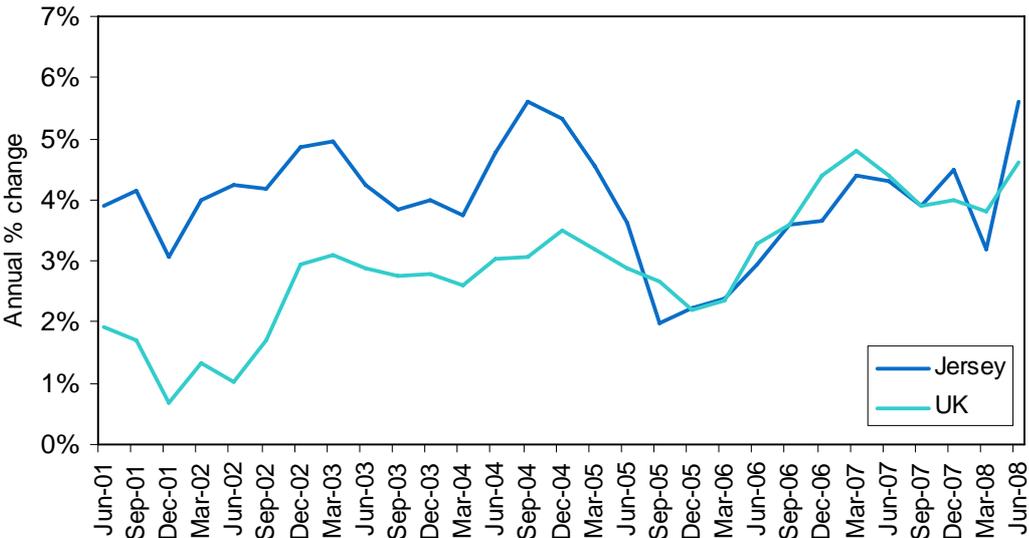
| Jurisdiction | RPI | | RPI(X) | | RPI(Y) | |
|--------------|--------|--------|--------|--------|--------|--------|
| | Mar 08 | Jun 08 | Mar 08 | Jun 08 | Mar 08 | Jun 08 |
| Jersey | 3.2 | 5.6 | 2.9 | 5.8 | 2.9 | 3.9 |
| UK | 3.8 | 4.6 | 3.5 | 4.8 | 3.6 | 4.9 |
| Guernsey | 4.8 | 5.5 | 4.3 | 5.4 | ~ | ~ |

Although a strict comparison of RPI(Y) group level changes is not possible, since such level of detail is not published by the UK, it is, nevertheless, informative to compare the annual percentage changes of those groups in the Jersey RPI(Y) and the UK RPI for which only GST is applicable in Jersey and where there has been no change in indirect taxes in the UK. From such an approach it is apparent that on an annual basis:

- **Household goods** saw an overall reduction in prices in Jersey (down by 2%) but increased in the UK (up almost 4%);
- **Clothing and footwear** and **Leisure goods** saw greater overall reductions in Jersey (6% and 2%, respectively, compared with 4% and 1% in the UK);
- **Food** prices increased at a similar rate of 10% in both jurisdictions.

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.

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



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 5.0% on 9 November 2006 and rose to 5.25% on 11th January 2007, 5.50% on 10th May 2007 and 5.75% on 5th July 2007. The base rate then decreased to 5.50% on 6th December 2007 to 5.25% on 7th February and then to 5.00% on 10th April 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 September 2008 Index will be released on Friday 24th October 2008.**
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
16 July 2008

| 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 |

| 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 |