

## Jersey Retail Prices Index – June 2006

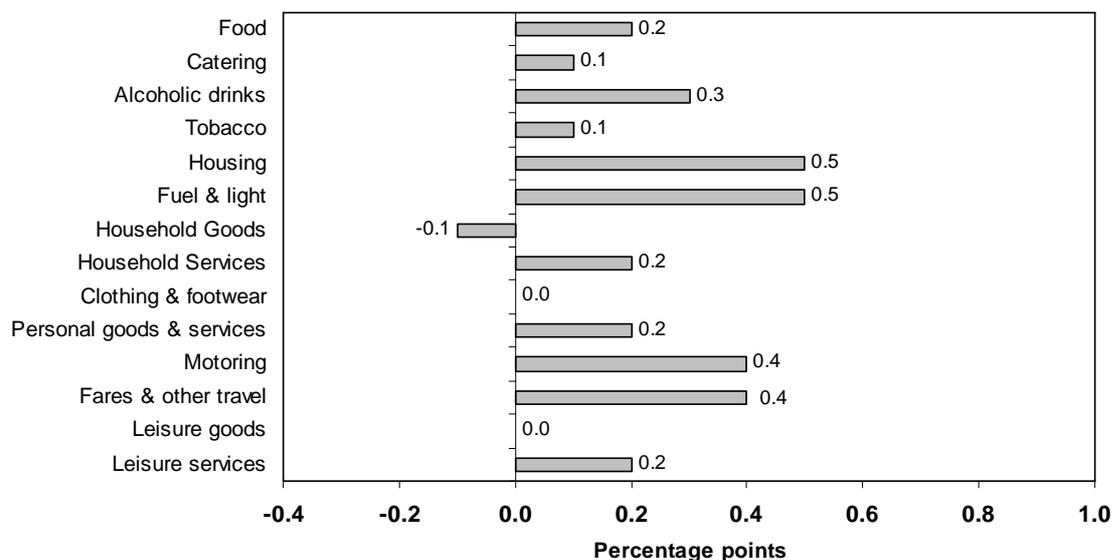
### Headlines

- During the twelve months to June 2006 the All-Items Retail Prices Index (RPI) for Jersey rose by 2.9% to stand at 126.2 (June 2000 = 100).
- Higher energy costs was the key driver, contributing not only within the **Fuel & light** group but also to increases in the **Motoring** and **Fares and other travel** groups. Increases across the **Housing** group were another principal factor, including an increase in water rates, whilst increases in postal charges and TV licenses also occurred this quarter and price increase were seen across the **Food** group.
- The increase in the RPI during the twelve months to March 2006 was 2.4%, implying that Jersey's **annual rate of inflation rose by 0.5 percentage points** in the latest quarter.
- The latest rise represents the **third consecutive quarter that Jersey's rate of inflation has increased** though it still remains below the level seen this decade and especially during 2004 and early 2005 when increases in the Bank of England base rate were the key driver.
- At a quarterly level, the RPI increased by 1.1% between March 2006 and June 2006.
- RPI(X), the Retail Prices Index excluding the cost of house purchase, **increased by 3.1% during the twelve months to June 2006**, the highest rate of increase since December 2004.

### Annual change

Figure 1 shows the contribution to the overall annual change of 2.9% of each of the groups which constitute the Retail Prices Index.

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.*

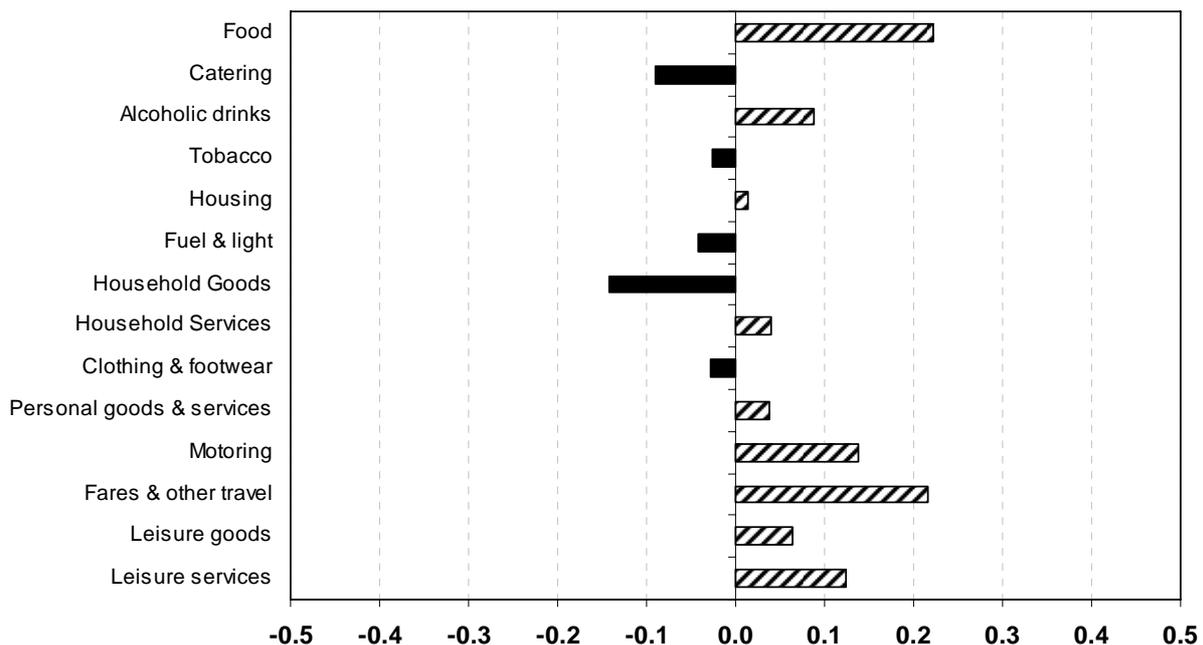
On an **annual** basis the largest contributors to the change in the Retail Prices Index were:

- **Fuel** costs: increased by 14% compared to June 2005, contributing 0.5 percentage points of the overall annual increase in the RPI. Prices were up across this group, reflecting global increases in energy prices as well as local increases, including electricity in January 2006.
- **Housing** costs: increased by 2% over the previous twelve months and accounted for 0.5 percentage points of the overall annual increase in the RPI. Increases occurred across the group, which includes rents, parish rates, water rates (which increased in April 2006) and dwelling maintenance and insurance, as well as house purchase costs.
- **Fares & other travel** costs: increased by 14% over the twelve months to June 2006 and accounted for 0.4 percentage points of the overall annual increase in the RPI; increases occurred particularly in air and ferry fares, with fuel surcharges a factor.
- **Motoring** costs: increased by 4% over the twelve months to June 2006, accounting for 0.4 percentage points of the overall annual change in the RPI. Higher global oil costs fed through to the price of petrol locally, which was up by around 7p per litre on June 2005.

Increases were seen in most of the other groups, each of which contributed around 0.1 to 0.2 percentage points to the overall annual change (see figure 1). **Alcoholic drinks** saw a slightly larger increase, contributing 0.3 percentage points, mainly due to price reductions in off-sales a year earlier. Increases in impôts (effective in January 2006) accounted for about a fifth of the increase recorded by this group, whilst all impôts increases contributed less than 0.2 percentage points to the overall increase in the RPI. In contrast, prices in **Household goods** decreased overall by about 1% whilst the **Clothing and footwear** and **Leisure goods** groups were essentially unchanged on an annual basis

The **Food** and **Fares & other travel** groups were the largest contributors (see figure 2) to the increase of 0.5 percentage points in the annual rate of change of the RPI compared to March 2006, from 2.4 to 2.9%. After a period of much smaller annual changes, the **Food** group saw its largest increase for 18 months.

**Figure 2 - Contribution of each group to change of +0.5 percentage points in annual rate of increase of RPI from March to June 2006**



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 and Percentage Changes**

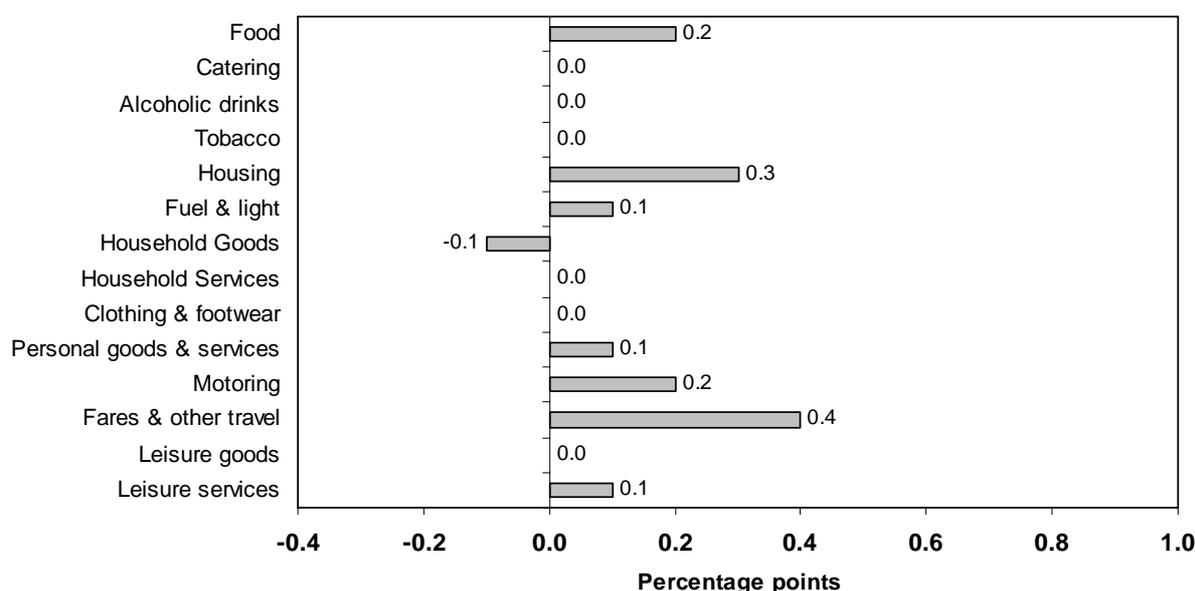
(June 2000 = 100)

GROUP	2005	2005	2005	2006	2006	Annual	Quarterly	
	Jun	Sep	Dec	Mar	Jun	change	change	
							(per cent)	(per cent)
Food	114.4	114.2	115.3	114.8	117.0	2.3	1.9	
Catering	118.8	119.0	118.9	120.0	120.2	1.2	0.2	
Alcoholic drinks	122.1	122.6	122.6	127.5	127.7	4.6	0.2	
Tobacco	162.1	162.2	162.1	165.8	166.2	2.5	0.2	
Housing	136.9	136.2	137.3	138.2	140.0	2.3	1.3	
Fuel & light	124.9	130.1	131.8	139.5	142.4	14.0	2.1	
Household goods	103.7	103.5	103.5	105.2	102.6	-1.1	-2.5	
Household services	125.3	125.8	127.1	128.9	129.2	3.1	0.2	
Clothing & footwear	90.3	90.8	91.9	90.7	90.0	-0.3	-0.8	
Personal goods & services	119.7	119.2	119.4	123.0	124.6	4.1	1.3	
Motoring	122.9	125.2	122.0	125.2	127.4	3.7	1.8	
Fares & other travel	153.1	147.4	148.2	156.6	174.3	13.8	11.3	
Leisure goods	95.7	94.0	95.2	95.7	96.4	0.7	0.7	
Leisure services	129.7	130.2	130.0	130.9	131.9	1.7	0.8	
<b>All items</b>	<b>122.6</b>	<b>122.7</b>	<b>123.0</b>	<b>124.8</b>	<b>126.2</b>	<b>2.9</b>	<b>1.1</b>	

## Quarterly changes

The key groups contributing to the increase of 1.1% in Jersey's RPI between March and June 2006 were **Fares & other travel** and **Housing**, accounting for 0.4 and 0.3 percentage points, respectively (figure 3).

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



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

Fuel costs were a factor in **Fares & other travel** for air and ferry travel whilst increased water rates (effective April 2006) contributed to the increase in the **Housing** group.

The cost of TV licences and postal charges also went up this quarter, within the **Leisure services** and **Household services** groups respectively, whilst the **Food** group recorded its largest quarterly increase for more than five years. In contrast, the cost of **Household goods** decreased in the latest quarter, with sales seen in furnishings, crockery and kitchen utensils.

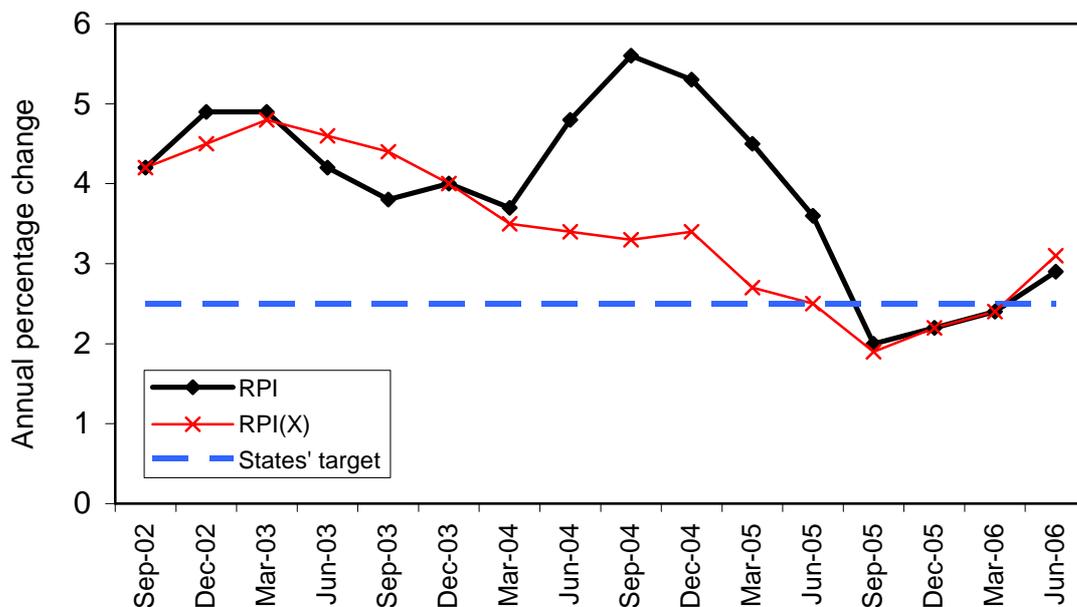
### Excluding house purchase: RPI(X)

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

In the twelve months to June 2006 **RPI(X) increased by 3.1%** to 123.9. This annual rate of increase of RPI(X) was 0.7 percentage points higher than in the previous quarter (see figure 4).

On a quarterly basis, between March and June 2006, RPI(X) increased by 1.1%.

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



The annual change in RPI(X) in June 2006 exceeded the States' target of 2.5% by 0.6 percentage points. As figure 4 shows, the annual rates of change of both RPI and RPI(X) have increased for three consecutive quarters, though the increases remain below the levels seen during the period 1999-2004.

### Comparison with other jurisdictions

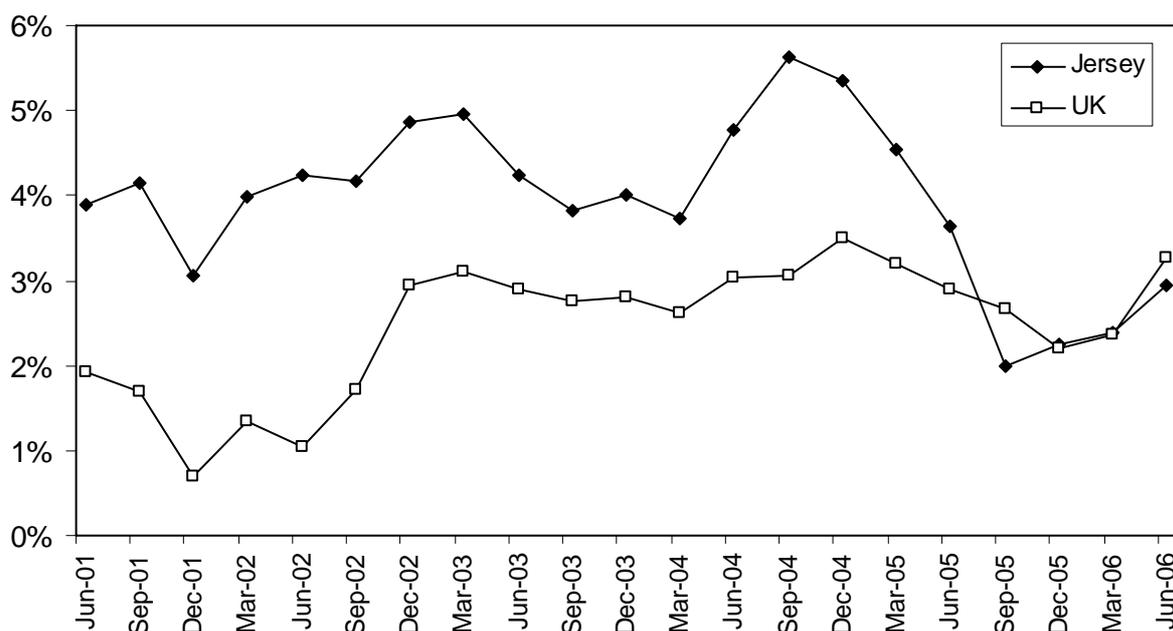
Increases in global fuel prices were the key driver to the changes in the annual rates of increase of the RPI in all jurisdictions shown in table 2. However, local trends and issues in each location dictate the full extent of these effects and thus the differences between the relative rates of inflation. 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 06**

	RPI		RPI(X)	
	Mar 06	Jun 06	Mar 06	Jun 06
<b>Jersey</b>	2.4	2.9	2.4	3.1
<b>Guernsey</b>	3.1	3.4	2.8	3.1
<b>Isle of Man</b>	3.0	2.9	3.4*	3.3*
<b>UK</b>	2.4	3.3	2.1	3.1

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

Higher energy costs were the key driver in all jurisdictions. The greater rate of increase of the UK RPI compared to Jersey was largely a result of greater increases in UK electricity and gas prices than in Jersey. The Housing group in the UK also saw a greater increase than in Jersey, with UK house prices continuing to rise at a faster rate, whilst Household goods rose in the UK but fell slightly, overall, in Jersey. In contrast, Jersey saw a greater increase in Fares & other travel costs than the UK whilst Leisure goods rose in Jersey but fell in the UK. The Food group saw annual increases in both jurisdictions: 1.5% in the UK and 2.3% in Jersey.

**Figure 5 - Annual percentage change in RPI: Jersey and UK 2001-2006**

The greater rate of increase of the Guernsey RPI compared to Jersey was primarily a result of the larger contribution from the Housing group in Guernsey, 1.2 percentage points compared to 0.5 in Jersey. Most other groups in Jersey and Guernsey saw similar movements, notably Fuel & light and Fares & other travel costs, resulting in similar rates of increase of RPI(X). Differences were apparent for Clothing & Footwear, which remained flat on an annual basis in Jersey but fell in Guernsey, Household goods which fell in Jersey but rose in Guernsey, and Catering which increased at a faster rate in Guernsey. The Food group contributed 0.2 percentage points to the RPI in both Jersey and Guernsey, indicating similar annual rates of increases.

## 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 HES was last conducted in 1998-99; a further round of the survey was conducted in 2004-05, the results of which were published in July 2006.
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 1999 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 3.75% in December 2003. The rate then increased four times to: 4.00% on 5 February 2004; 4.25% on 6 May 2004; 4.50% on 10 June 2004; and 4.75% on 5 August 2004. The rate then decreased on 4 August 2005 to 4.50%. The movement in the base rate over the twelve months to June 2006 was thus a decrease from 4.75% to 4.50%, compared with an increase from 4.50% to 4.75% over the twelve months to June 2005.
5. **The September 2006 Index will be released on Wednesday 18th October 2006.**
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  
19<sup>th</sup> July 2006*

AnnexAll items Retail Prices IndexRPI 1999 - 2006

		<u>Jersey RPI</u> (June 2000=100)	<u>Annual Movements %</u>			<u>Quarterly Movements %</u>		
			<u>Jersey</u>	<u>UK</u>	<u>Guernsey</u>	<u>Jersey</u>	<u>UK</u>	<u>Guernsey</u>
<b>1999</b>	Sep	(96.7)	3.4	1.1	1.8	0.9	0.5	0.4
	Dec	(97.7)	4.4	1.8	2.4	1.1	0.7	1.1
<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	1.7	1.2

## Retail Prices Index eXcluding house purchase costs

### RPI(X) 1999-2006

		<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>1999</b>	Mar	(95.1)	3.6	2.7	2.6	1.1
	Jun	(96.2)	3.6	2.2	3.1	1.2
	Sep	(97.0)	3.6	2.1	3.0	0.8
	Dec	(98.1)	4.3	2.2	2.8	1.1
<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
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	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