

Jersey Retail Prices Index

March 2009

Statistics Unit: www.gov.je/statistics



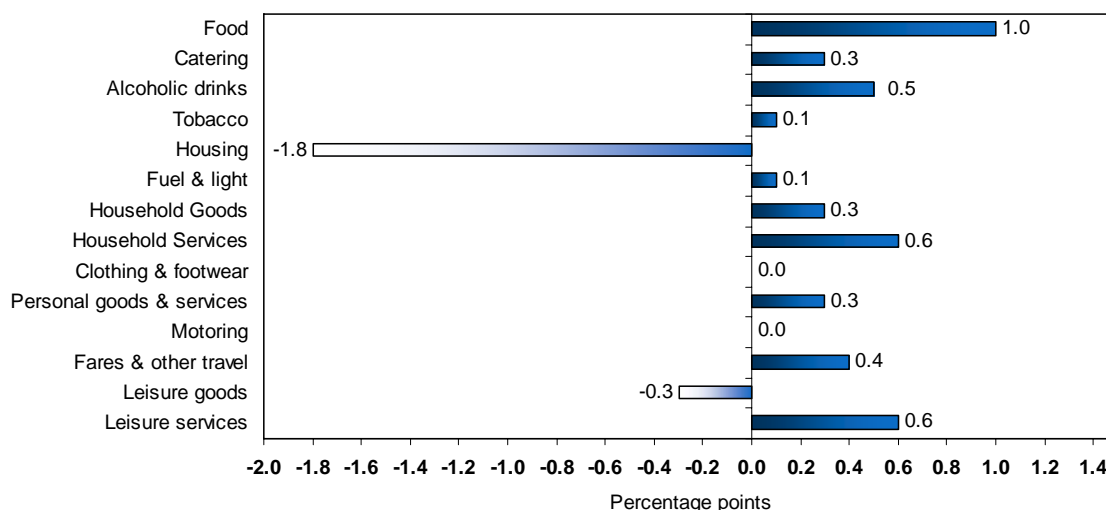
Headlines

- During the twelve months to March 2009 the All-Items Retail Prices Index (RPI) for Jersey rose by 2.1% to stand at 137.3 (June 2000 = 100).
- The increase in the RPI during the twelve months to December 2008 was 3.3%, implying that Jersey's **annual rate of inflation fell by 1.2 percentage points** in the latest quarter.
- The key contributor to this decrease in the annual rate of inflation was the fall in **house purchase costs**, a result of lower mortgage interest payments.
- 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 March 2009.
- In addition to the introduction of GST, a key contributor to the annual increase of the RPI was higher **Food** costs, though the group showed the lowest annual rate of increase for 12 months.
- **RPI(X)**, the Retail Prices Index excluding the cost of house purchase, **increased by 5.2% during the twelve months to March 2009**.
- **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 3.3% during the twelve months to March 2009**; this measure of underlying inflation recorded an annual increase of 3.2% during the twelve months to December 2008.
- The annual rates of increase of **RPI Pensioners** and **RPI Low Income** over the twelve months to March 2009 were 5.0% and 5.3%, respectively.

Annual change

Figure 1 shows the contribution to the overall annual change of 2.1% by each group of the RPI.

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



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:

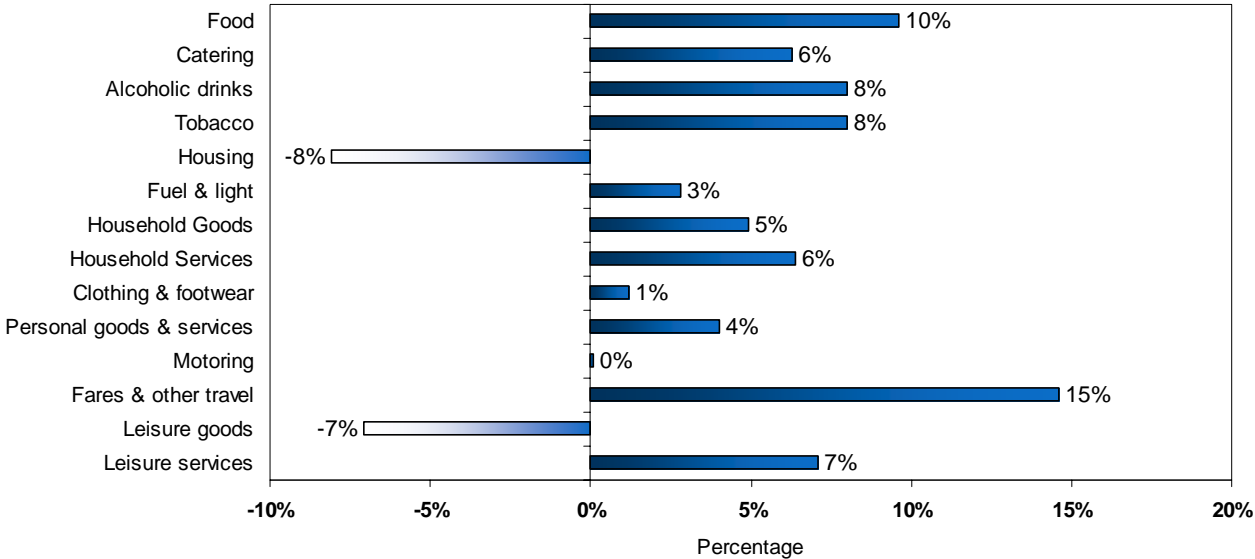
- **Food** costs: were almost 10% higher than in March 2008, contributing 1.0 percentage point to the overall annual increase in the RPI. Price rises were seen across the group, with the exception of lamb and tea which saw small annual decreases.
- **Household services and Leisure services:** each group contributed 0.6 percentage points to the annual change in the RPI. Higher school fees contributed to the increase seen in Household services whereas higher costs of entertainment and recreation (such as fitness centre and evening class subscriptions) and the increased cost of foreign holidays particularly contributed to the increase recorded by the Leisure services group.
- **Housing** costs: fell overall by about 8% over the year to March 2009, contributing -1.8 percentage points to the annual change in the RPI. House purchase costs were the dominant item, decreasing by 31% between March 2008 and March 2009 (contributing -2.7 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 in January 2009 accounted for about 0.1 percentage points.

In contrast, the price of **Leisure goods** (particularly of audio-visual equipment, CDs and DVDs) fell by around 7%, on average, over the twelve months to March 2009.

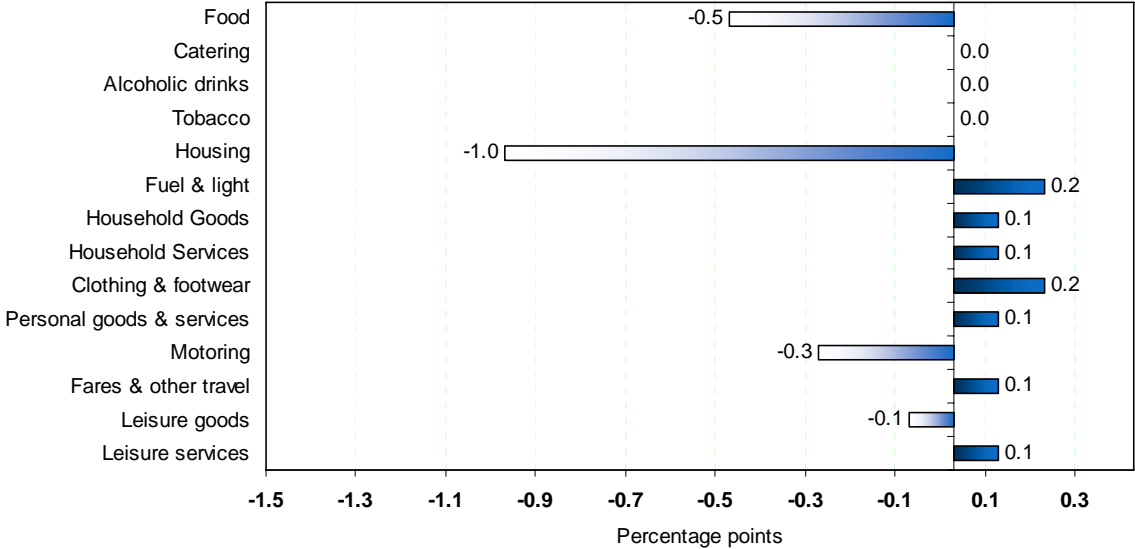
Figure 2 shows the percentage change for each group over the twelve months to March 2009.

Figure 2 - Annual percentage changes for each group, March 2009



There was a decrease of 1.2 percentage points in the annual rate of increase of Jersey’s RPI between December 2008 and March 2009, from 3.3% to 2.1% (see Figure 3).

Figure 3 - Contributions to *change* in annual rate of increase of RPI between Dec 2008 and Mar 2009 (-1.2% from 3.3% to 2.1%)



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

The **Housing** group exerted a downward influence to the change in the annual rate of increase of the RPI between December 2008 and March 2009. In the year to March 2009, the Housing group overall saw a decrease of 8% whereas in the twelve months to December 2008 this group saw costs fall by 3.3%. As a result, this group contributed -1.0 percentage points to the change in the annual rate, the key driver being lower house purchase costs in March 2009, following the series of cuts in the Bank of England base rate.

The **Food** group saw a lower rate of increase in the twelve months to March 2009 (10%) compared to the increase seen in the year to December 2008 (14%), meaning that this group was a key downward influence to the change in the annual rate of increase of the RPI, contributing -0.5 percentage points.

Similarly, the **Motoring** group also saw a lower rate of increase in the year to March 2009 (0.1%) than in the year to December 2008 (3.1%) thus this group was also a downward influence, contributing -0.3 percentage points.

The majority of the remaining groups exerted small upward influences, as seen in Figure 3.

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	2008 Mar	2008 Jun	2008 Sep	2008 Dec	2009 Mar	Annual change (percent)	Quarterly change (percent)
Food	130.7	137.9	140.6	143.0	143.2	9.6	0.1
Catering	130.8	135.9	136.8	138.7	139.0	6.3	0.1
Alcoholic drinks	135.2	142.7	143.9	142.5	146.0	8.0	2.5
Tobacco	179.6	184.5	185.2	187.1	194.0	8.0	3.8
Housing	158.3	161.4	163.8	155.9	145.5	-8.1	-6.6
Fuel & light	176.2	197.1	189.3	163.7	181.1	2.8	10.6
Household goods	99.8	102.6	103.4	103.3	104.7	4.9	1.4
Household services	136.9	139.8	142.3	143.4	145.6	6.4	1.5
Clothing & footwear	83.8	83.5	84.5	82.7	84.8	1.2	2.5
Personal goods & services	129.8	133.1	135.2	133.8	135.0	4.0	0.9
Motoring	135.2	141.7	142.7	136.6	135.4	0.1	-0.8
Fares & other travel	165.3	172.3	176.8	174.1	189.5	14.6	8.8
Leisure goods	89.6	89.9	88.4	86.5	83.2	-7.1	-3.8
Leisure services	138.2	141.9	144.6	146.0	148.0	7.1	1.4
All items	134.5	139.0	140.5	137.7	137.3	2.1	-0.3

Quarterly changes

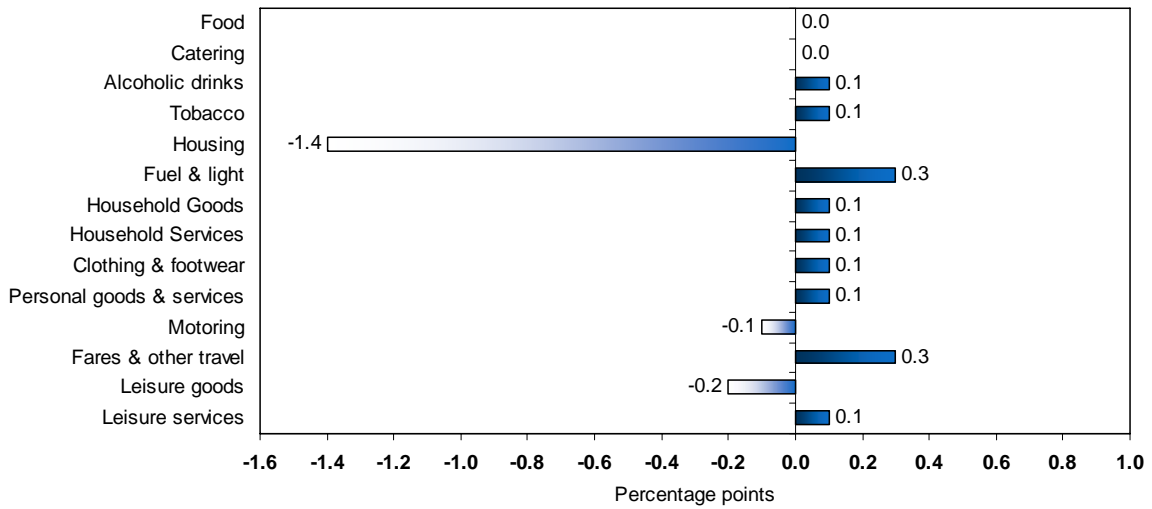
The RPI decreased by 0.3 percentage points between December 2008 and March 2009.

The **Housing** group contributed -1.4 percentage points to the overall net quarterly change, with lower house purchase costs being the key driver (see Figure 4).

The **Motoring and Leisure goods** groups each contributed -0.1 and -0.2 percentage points, respectively, with lower prices of petrol and diesel, CDs, DVDs and books and newspapers being seen in March 2009 compared to December 2008.

The remainder of the groups exerted small upward increases, with upward contributions of 0.3 percentage points being recorded for both the **Fuel and light** group (largely as a result of the increase in electricity tariffs of around 25%) and the **Fares and other travel** group.

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



Excluding house purchase costs: RPI(X)

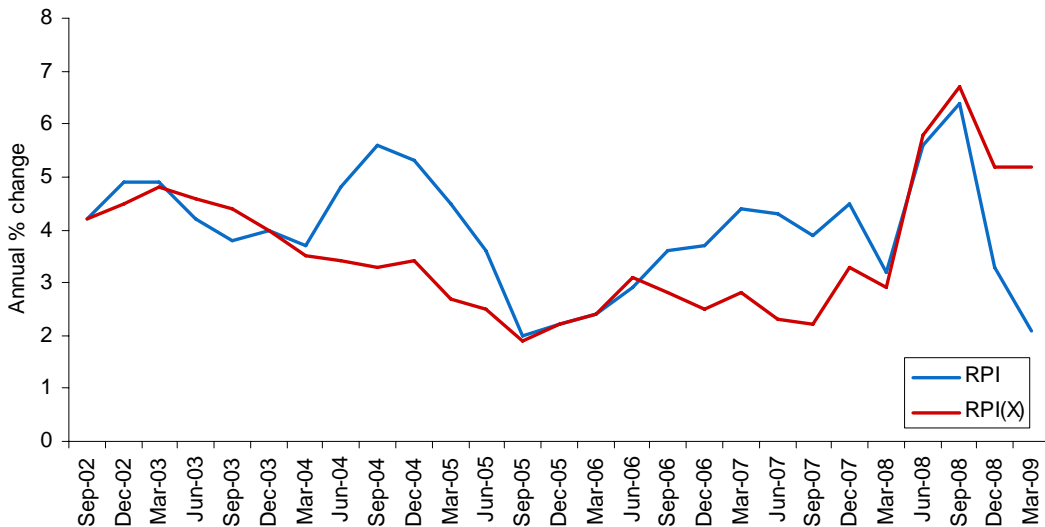
RPI(X) is the RPI excluding the cost of mortgage interest payments.

In the twelve months to March 2009 **RPI(X) increased by 5.2%** to 136.2. 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 contributing 1.1 and 1.0 percentage points, respectively.

The latest annual rate of increase of RPI(X) remains at a similar level to that seen for December 2008.

On a quarterly basis, RPI(X) increased by 1.4% between December 2008 and March 2009.

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	Mar 09
RPI (Y)	3.5	2.9	3.9	4.9	3.2	3.3
RPI Pensioners	3.5	2.9	5.6	6.6	4.8	5.0
RPI Low Income	3.7	2.7	5.2	5.9	4.9	5.3

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 1.0 percentage points to the increase in the Jersey RPI whereas this group contributed 0.5 percentage points in Guernsey, whilst the **Housing** group overall saw a larger downward contribution in Guernsey (-3.2 percentage points) than in Jersey (-0.8 percentage points). Other notable differences included the **Fuel and light** group which contributed 0.1 percentage points to the Jersey RPI, but was a downward contribution in Guernsey (-0.2 percentage points); **Fares and other travel** and **Household goods** contributed 0.4 and 0.3 percentage points respectively to the Jersey RPI, but had small contributions to the Guernsey RPI.

Table 3: Annual % increases in RPI and RPI(X) for Dec 2008 and Mar 2009

Jurisdiction	RPI		RPI(X)		RPI(Y)	
	Dec 08	Mar 09	Dec 08	Mar 09	Dec 08	Mar 09
Jersey	3.3	2.1	5.2	5.2	3.2	3.3
UK	0.9	-0.4	2.8	2.2	4.0	3.2
Guernsey	1.2	-1.2	4.6	3.3	~	~

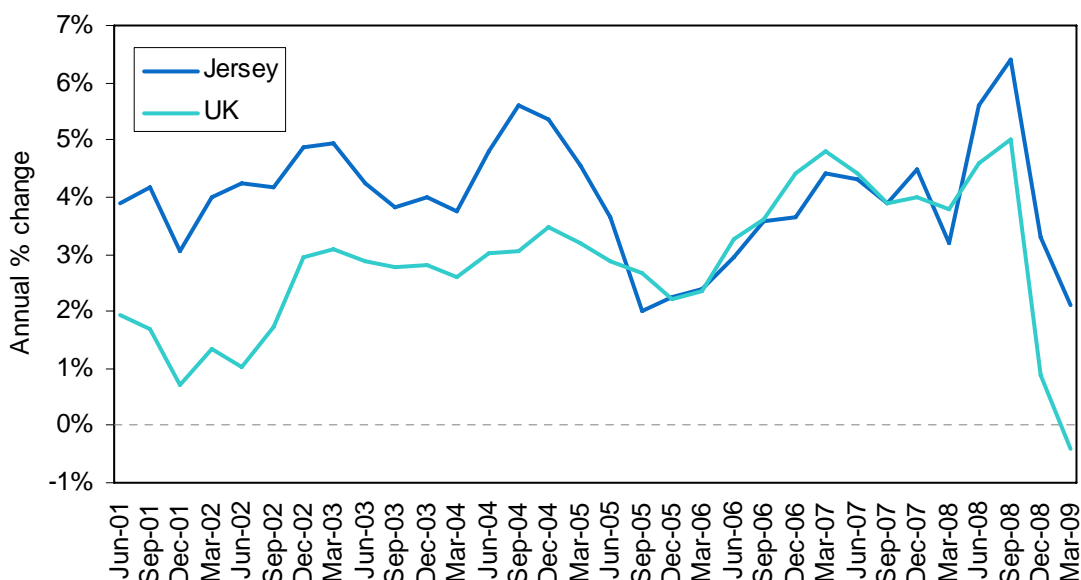
The longer term comparison of annual percentage changes of the RPI for Jersey and the UK, based on the data contained in the Annex, is shown in Figure 6.

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 **Housing** group was a larger downward influence in the UK (-2.6 percentage points) than in Jersey (-1.8 percentage points) due to house prices falling in the UK but rising in Jersey on an annual basis. The **Motoring** group contributed +0.4 percentage points in Jersey but was a large downward influence in the UK (contributing -0.9 percentage points) primarily as a result of the lower cost of purchasing motor vehicles. The **Food** group contributed similarly in both jurisdictions (1.1 percentage points in the UK and 1.0 percentage points in Jersey). The **Fuel & light** group contributed 0.1 percentage points to the change in the Jersey RPI but showed a larger positive contribution in the UK (of 0.6 percentage points) primarily due to considerable increases in UK gas and electricity prices (up 27.9% and 17.5%, respectively, on an annual basis).

Figure 6 - Annual percentage change in RPI: Jersey and UK 2001 - 2009



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 March 2009 was at a similar level to that of the UK (3.3% in Jersey compared with 3.2% 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 nine 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. It then fell a further three times in 2009 to date, to 1.50% on 8th January, to 1.00% on 5th February and to 0.50% on 5th March.
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 June 2009 Index will be released on Wednesday 15th July 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).

ALL ITEMS RETAIL PRICES INDEX: 2000 - 2009								
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	-2.5	-3.4
2009	Mar	137.3	2.1	-0.4	-1.2	-0.3	-0.8	-0.4

RETAIL PRICES INDEX EXCLUDING HOUSE PURCHASE COSTS: 2000 - 2009						
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
2009	Mar	136.2	5.2	2.2	3.3	1.4