

# Jersey Retail Prices Index

## March 2008

Statistics Unit: [www.gov.je/statistics](http://www.gov.je/statistics)



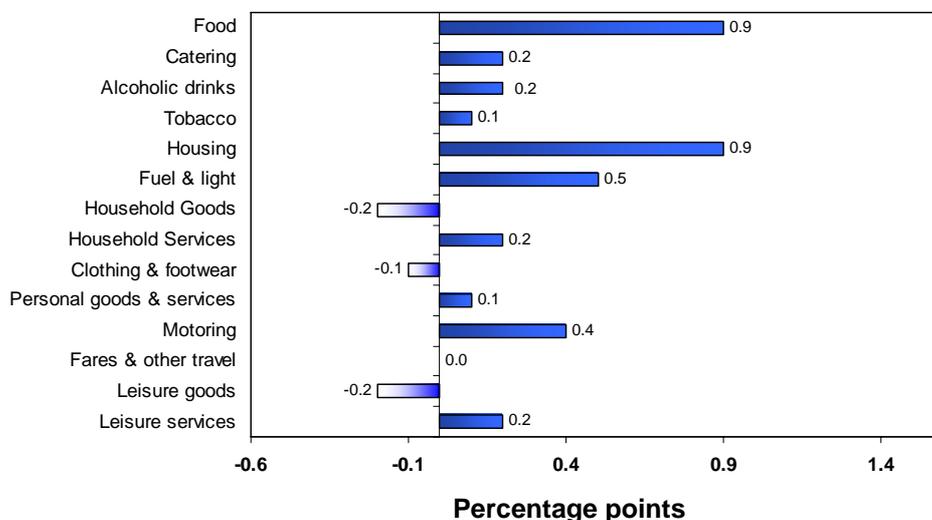
### Headlines

- During the twelve months to March 2008 the All-Items Retail Prices Index (RPI) for Jersey rose by 3.2% to stand at 134.5 (June 2000 = 100).
- The key drivers were **Food** prices and increased **Housing** costs (predominantly due to increases in house prices) both groups contributing 0.9 percentage points to the overall annual increase in the RPI. The increased cost of **Fuel & light** and **Motoring** was also significant.
- The increase in the RPI during the twelve months to December 2007 was 4.5%, implying that Jersey's **annual rate of inflation fell by 1.3 percentage points** in the latest quarter.
- This decrease in the annual change of the RPI was driven by a reduction in the net change of mortgage interest rates on an annual basis.
- **RPI(X)**, the Retail Prices Index excluding the cost of house purchase, **increased by 2.9% during the twelve months to March 2008.**
- The annual rate of increase in RPI(X) was 0.3 percentage points lower than in December 2007 with **downward influences from Fuel & light, Motoring, and Household services.**
- The annual rates of increase of **RPI Pensioners, RPI Low Income, and RPI(Y)** over the twelve months to March 2008 were 2.9%, 2.7% and 2.9%, respectively.

### Annual change

Figure 1 shows the contribution to the overall annual change of 3.2% by each group of the RPI.

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



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

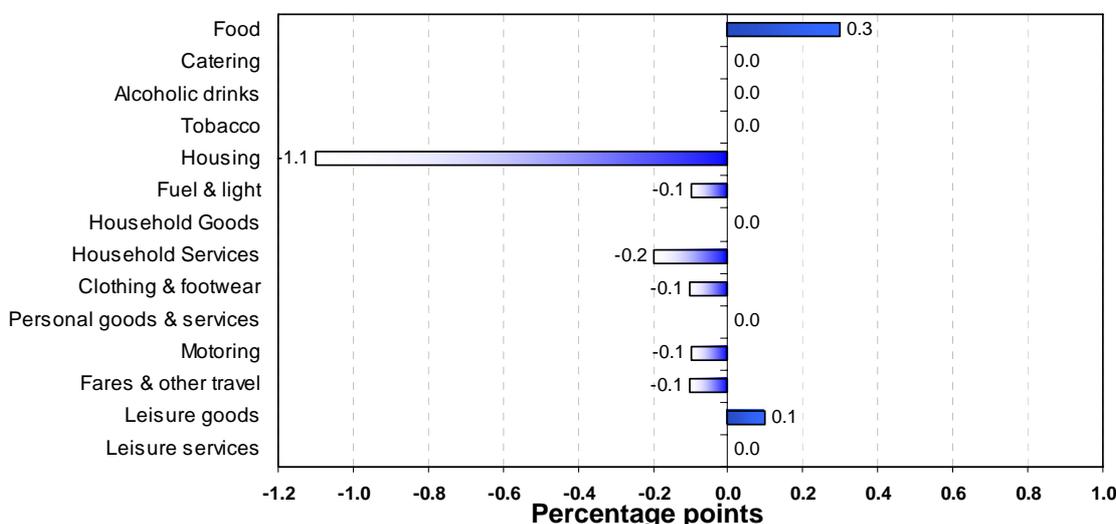
- **Housing** costs: the Housing group as a whole increased by 4% during the twelve months to March 2008, contributing 0.9 percentage points to the overall annual increase in the RPI. The key driver was increased house purchase costs driven by increased house prices, contributing 0.6 percentage points. For this quarter, in contrast to the December quarter, there was no change in bank mortgage interest rates on an annual basis.
- **Food** costs: increased by about 9% compared to March 2007, contributing 0.9 percentage points of the overall annual increase in the RPI. Price rises were seen across the majority of the group, notably for bread, fresh fruit, meat and dairy produce such as eggs, butter and milk products. This latest increase represents the largest annual increase in food prices in over a decade (since December 1995).
- **Fuel and light:** increased by 14% on average over the last twelve months and contributed 0.5 percentage points. This was mainly the result of an increase of 47% in the cost of heating oil over the last year, reflecting the rise in global oil prices, as well as an 11% increase in gas prices on the same basis.
- **Motoring costs:** increased by around 4% compared to March 2007, contributing 0.4 percentage points to the overall RPI. The key driver in this group was the price of motor fuels with petrol and diesel up by more than 12p and 15p per litre respectively (of which 2p per litre was due to increases in impôts) compared with March 2007 and, again reflecting the higher global oil prices seen recently.

Increases were seen in the majority 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 2008) accounted for less than 0.2 percentage points of the overall increase in the RPI.

In contrast, the price of **Household goods**, notably furniture, furnishings and electrical appliances were lower overall than a year earlier and contributed -0.2 percentage points to the overall change. Average prices in **Leisure goods** were also lower than a year earlier, with falls seen for audio-visual equipment and gardening products. The cost of **Clothing & footwear** (particularly footwear and children’s outerwear) was also slightly lower, and this group contributed -0.1 percentage points to the overall annual change.

Overall, there was a decrease of 1.3 percentage points in the annual rate of change of Jersey’s RPI between December 2007 and March 2008, from 4.5% to 3.2% (see Figure 2).

**Figure 2 - Contributions to change in annual rate of increase of RPI between Dec 07 and Mar 08 (-1.3% from 4.5% to 3.2%)**



A lower rate of increase (4%) was seen in the **Housing** group in the twelve months to March 2008 compared with the twelve months to December 2007 (9%) resulting in this group being the main downward influence on the change in the annual rate (see Figure 2).

The cost of **Fuel & Light** and **Motoring** also rose at slower rates in the last twelve months compared with the twelve months to December 2007, and therefore also exerted downward pressure.

In contrast, the cost of **Food** rose by a faster rate from March 2007 to March 2008 (9%) compared with the twelve months to December 2007 (6%) and was the main upward influence.

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**

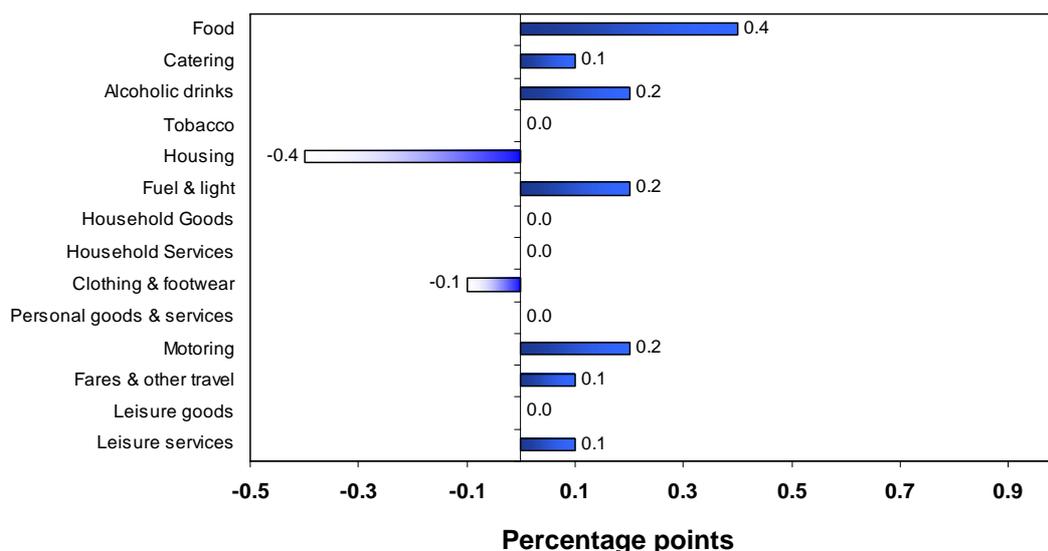
<b>GROUP</b>	<b>2007 Mar</b>	<b>2007 Jun</b>	<b>2007 Sep</b>	<b>2007 Dec</b>	<b>2008 Mar</b>	<b>Annual change (percent)</b>	<b>Quarterly change (percent)</b>
Food	120.5	122.1	124.0	125.8	130.7	8.5	4.0
Catering	124.3	125.3	127.4	128.7	130.8	5.2	1.6
Alcoholic drinks	131.2	131.2	132.8	131.3	135.2	3.0	2.9
Tobacco	170.9	172.8	172.9	174.8	179.6	5.1	2.8
Housing	151.9	156.0	159.4	161.3	158.3	4.2	-1.9
Fuel & light	154.0	157.0	156.2	167.0	176.2	14.4	5.4
Household goods	103.1	101.9	98.9	99.1	99.8	-3.2	0.7
Household services	133.6	134.9	136.8	136.3	136.9	2.5	0.4
Clothing & footwear	85.6	87.0	82.2	86.0	83.8	-2.1	-2.6
Personal goods & services	127.9	129.3	128.5	128.9	129.8	1.5	0.7
Motoring	130.6	132.5	129.7	132.5	135.2	3.5	2.1
Fares & other travel	164.7	165.0	169.7	156.8	165.3	0.4	5.5
Leisure goods	93.2	89.7	90.3	90.2	89.6	-3.9	-0.5
Leisure services	135.0	134.9	136.3	137.4	138.2	2.4	0.6
<b>All items</b>	<b>130.3</b>	<b>131.6</b>	<b>132.1</b>	<b>133.3</b>	<b>134.5</b>	<b>3.2</b>	<b>0.9</b>

## Quarterly changes

The RPI increased by 0.9% between December 2007 and March 2008. The **Food** group contributed an upward 0.4 percentage points (see Figure 3) to the overall net increase whilst **Alcoholic drinks, Fuel & light** and **Motoring** each contributed about 0.2 percentage points to the overall quarterly change.

A downward contribution came from the **Housing** group (-0.4 percentage points), largely due to falls in mortgage lenders' interest rates in the latest quarter<sup>1</sup>. **Clothing & footwear** fell in price, overall on average over the quarter, and contributed -0.1 percentage points to the overall quarterly change.

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*

## 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.

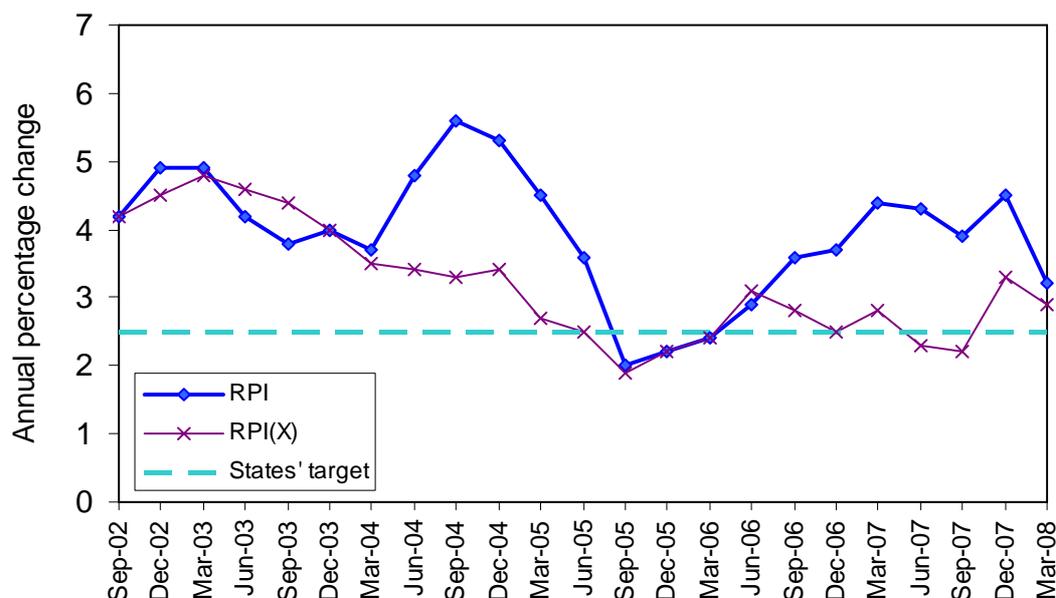
In the twelve months to March 2008 **RPI(X) increased by 2.9%** to 129.5. The main contributors to this annual rate of increase were **Food, Fuel & light** and **Motoring**, as described for the RPI itself.

This annual rate of increase of RPI(X) is 0.3 percentage points lower than that for December 2007 (see Figure 4). Downward influences to the change in the rate were **Fuel & light, Household Services** and **Motoring**, with increased **Food** prices exerting upward pressure.

On a quarterly basis, RPI(X) increased by 1.4% between December 2007 and March 2008, a larger quarterly increase than for RPI (0.9%), due to the increased effect of the higher food and motoring costs in this index. As the table in the Annex shows, the March quarter has had the highest change in RPI(X) in recent years.

<sup>1</sup> The quarter point reduction in the Bank of England base rate in December 2007 was not passed on in the December quarter to mortgage customers by the majority of the main clearing banks, but was subsequently passed on in the March quarter.

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



As Figure 4 shows, the annual change in the RPI(X) for March 2008 has returned to a level within 0.5 percentage points of the States' target.

### Comparison with other jurisdictions

Although annual changes in **Food** prices and in the **Housing** group were major factors contributing to the rates of increase of the RPI in all jurisdictions shown in Table 2, 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.

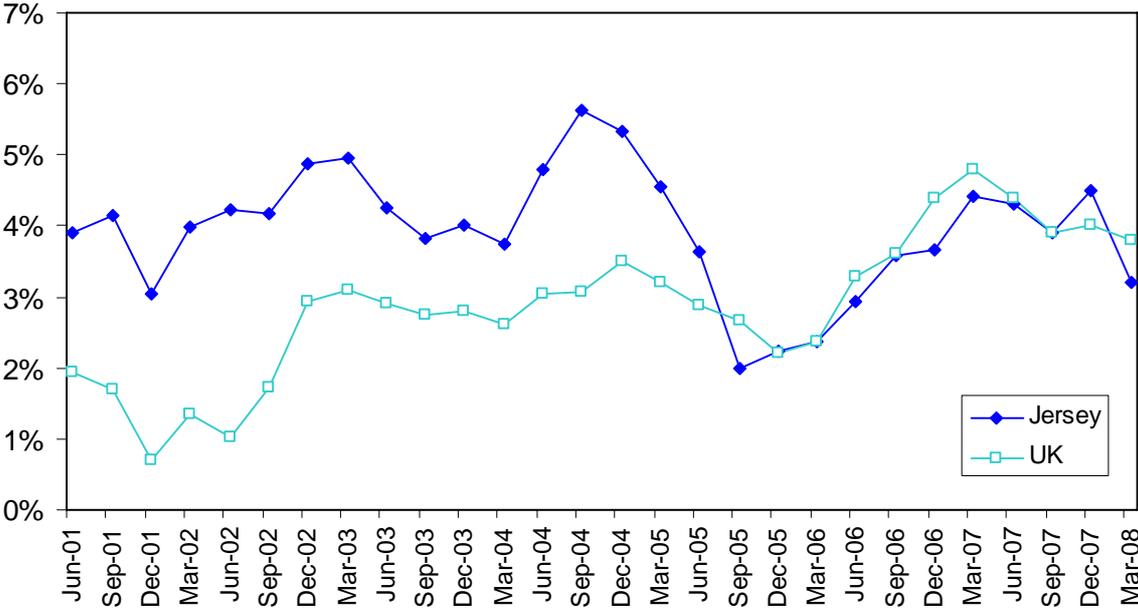
**Table 2: Annual % increases in RPI and RPI(X) for Dec 2007 and Mar 2008**

	RPI		RPI(X)	
	Dec 07	Mar 08	Dec 07	Mar 08
<b>Jersey</b>	4.5	3.2	3.2	2.9
<b>Guernsey</b>	4.9	4.8	3.9	4.3
<b>UK</b>	4.0	3.8	3.1	3.5

The difference between the rates of increase of the RPI in Jersey and the UK in the latest quarter was primarily due to three groups: Housing, Motoring and Household goods. **Housing** was a major contributor to the annual change in the UK, contributing 1.5 percentage points compared to 0.9 percentage points in Jersey. However, there were important differences in this group between the two jurisdictions, particularly for council tax (rates), water rates and DIY costs: in the UK, council tax increased by 4% whilst rates in Jersey, overall, fell by almost 2%; water rates rose by around 7% in the UK compared to only a 2% increase in Jersey; whilst DIY costs in the UK increased by 5% but remained essentially unchanged in Jersey. The **Motoring** group contributed 0.7 percentage points to the UK RPI compared to 0.4 in Jersey due to greater annual rates of increase in petrol prices in the UK, whilst **Household goods** were a downward influence on the Jersey RPI but were almost unchanged in the UK.

As in Jersey, the **Housing** group was a major contributor to the Guernsey RPI contributing 1.2 percentage points to the overall annual change. The **Food** group contributed similarly to the annual changes in both jurisdictions (0.9 percentage points). However, several groups account for the greater rate of increase of the Guernsey RPI. The change in price of **Alcoholic drinks** contributed 0.4 percentage points in Guernsey compared to 0.2 percentage points in Jersey, whilst **Catering** contributed 0.5 percentage points in Guernsey but only 0.2 percentage points in Jersey. **Fuel & light** also had a greater contribution in Guernsey than Jersey (0.5 and 0.8 percentage points, respectively), whilst **Household goods** rose on average in Guernsey but fell in Jersey (contributing 0.3 and -0.2 percentage points respectively).

**Figure 5 - Annual percentage change in RPI: Jersey and UK 2001-2008**



**Other inflation measures**

In December 2007, a further three retail price indices were introduced for Jersey, namely for pensioner households, RPI Pensioners, for low income households (defined as those in the lowest quintile of household income) RPI Low 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 3 shows the latest annual increases for these indices.

**Table 3: Annual % increases in RPI(Y), RPI Pensioners and RPI Low Income**

	Dec 07	Mar 08
RPI (Y)	3.5	2.9
RPI Pensioners	3.5	2.9
RPI Low Income	3.7	2.7

## 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. 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 5.0% on 9 November 2006 and rose to 5.25% on 11 January 2007, 5.50% on 10 May 2007 and 5.75% on 5 July 2007. The base rate then decreased to 5.50% on 6 December 2007 and again on 7 February 2008 to 5.25%. (The main clearing banks did not pass on the December 2007 cut in the base rate to mortgage customers until the following quarter).
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), Vehicle Registration Duty (VRD) and Air Passenger Duty. After its introduction (due in May 2008) the effect of the Goods and Services Tax (GST) will subsequently be excluded from RPI(Y). Full details can be found in the December 2007 RPI report on the website [www.gov.je/statistics](http://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](http://www.gov.je/statistics).
7. **The June 2008 Index will be released on Wednesday 16<sup>th</sup> July 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](mailto:statistics@gov.je)).

**Statistics Unit**  
**16 April 2008**

ALL ITEMS RETAIL PRICES INDEX: 2000 - 2008								
Jersey RPI (June 2000=100)			Annual Movements %			Quarterly Movements %		
			Jersey	UK	Guernsey	Jersey	UK	Guernsey
<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
	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
<b>2008</b>	Mar	134.5	3.2	3.8	4.8	0.9	0.6	2.0

**RETAIL PRICES INDEX EXCLUDING HOUSE PURCHASE COSTS: 2000 - 2008**

Jersey RPI(X) (June 2000=100)			Annual Movements %			Quarterly Movements %
			Jersey	UK	Guernsey	Jersey
<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
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	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
	Sep	126.7	2.2	2.8	2.9	0.0
	Dec	127.7	3.2	3.1	3.9	0.8
<b>2008</b>	Mar	129.5	2.9	3.5	4.3	1.4