

Jersey Retail Prices Index

September 2008

Statistics Unit: www.gov.je/statistics

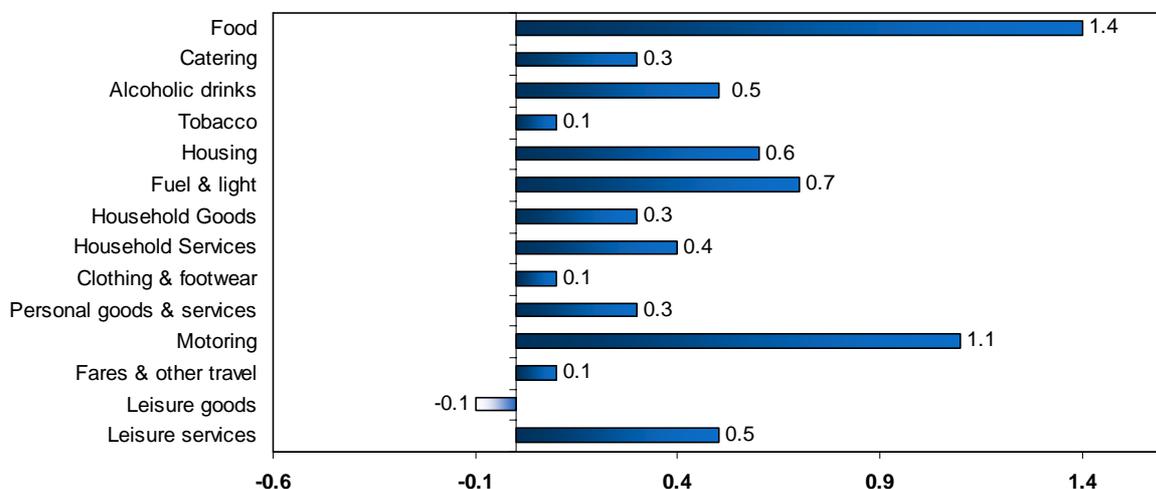
Headlines

- During the twelve months to September 2008 the All-Items Retail Prices Index (RPI) for Jersey rose by 6.4% to stand at 140.5 (June 2000 = 100).
- 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.
- The increase in the RPI during the twelve months to June 2008 was 5.6%, implying that Jersey's **annual rate of inflation rose by 0.8 percentage points** in the latest quarter.
- 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 6.7% during the twelve months to September 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 4.9% during the twelve months to September 2008**; this measure of underlying inflation had recorded an annual increase of 3.9% during the twelve months to June 2008.
- The annual rates of increase of **RPI Pensioners** and **RPI Low Income** over the twelve months to September 2008 were 6.6% and 5.9%, respectively.

Annual change

Figure 1 shows the contribution to the overall annual change of 6.4% 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 points

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:

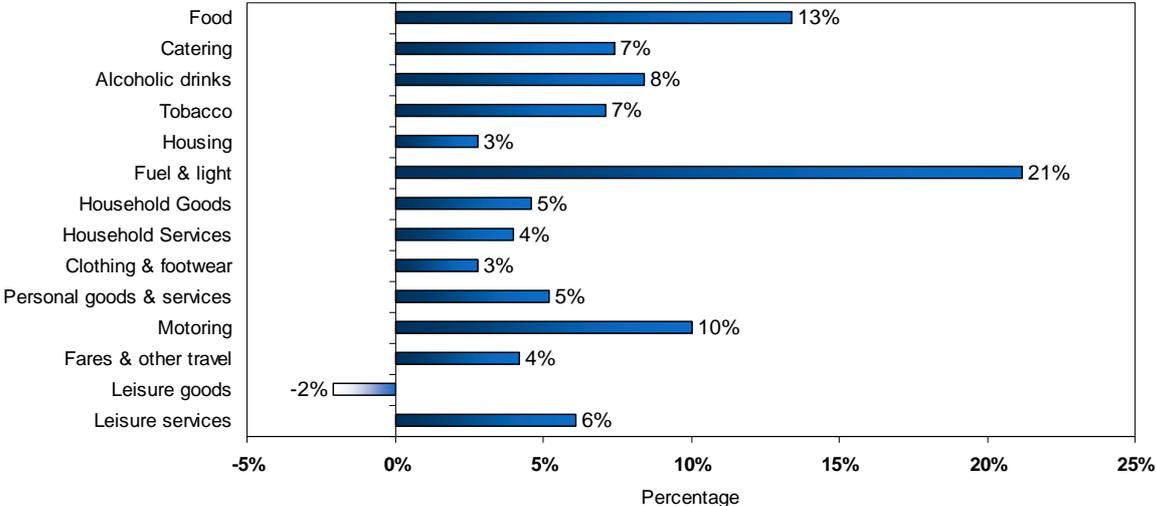
- **Food costs:** increased by 13% compared to September 2007, contributing 1.4 percentage points of the overall annual increase in the RPI. Price rises were seen across the group, notably for fresh meat and cereals.
- **Motoring costs:** increased by 10% compared to September 2007, contributing 1.1 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 26p per litre respectively (of which 2p per litre was due to increases in impôts) compared with September 2007 and, reflects the higher global oil prices seen on an annual basis.
- **Fuel and light:** increased by about a fifth (21%) on average over the last twelve months and contributed 0.7 percentage points. The increase seen by this group was largely the result of a considerable rise in the cost of heating oil, up by 59% on an annual basis and reflecting global oil prices, as well as a 25% increase in gas prices over the same period.
- **Housing costs:** the Housing group as a whole increased by 2.8% during the twelve months to September 2008, contributing 0.6 percentage points to the overall annual increase in the RPI, with house purchase costs, driven by increased house prices, contributing 0.2 percentage points. This group also includes Parish rates which saw an average increase of almost 3% compared with a year earlier.

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.

In contrast to the other groups, the price of **Leisure goods** (particularly of audio-visual equipment, toys and sports goods) fell by 2%, on average, over the twelve months to September 2008.

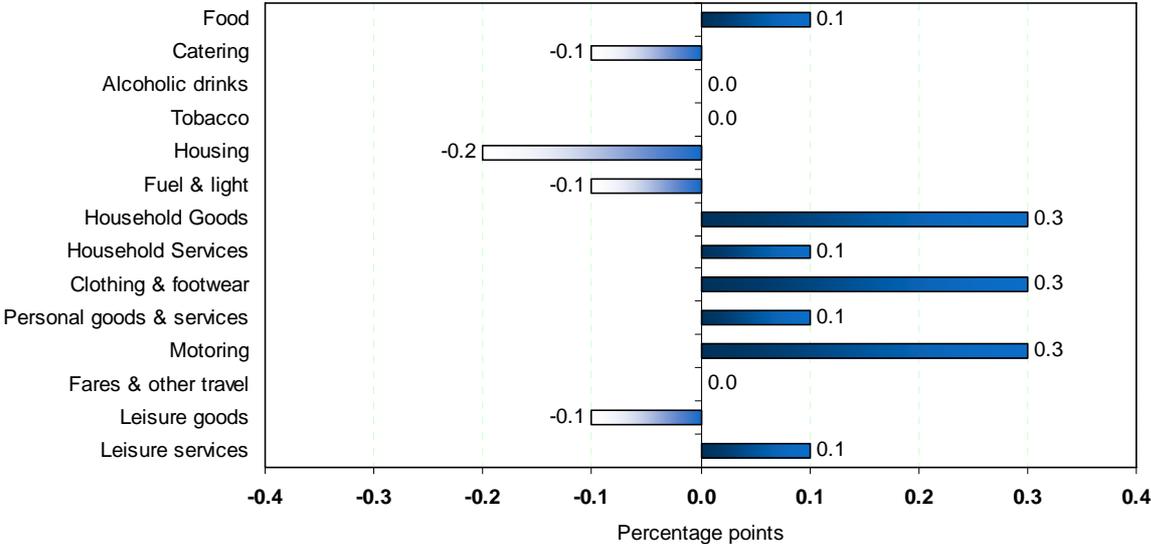
Figure 2 shows the percentage change for each group over the twelve months to September 2008.

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



Overall, there was an increase of 0.8 percentage points in the annual rate of change of Jersey's RPI between June and September 2008, from 5.6% to 6.4% (see Figure 3).

Figure 3 - Contributions to change in annual rate of increase of RPI between June and Sept 2008 (+0.8% from 5.6% to 6.4%)



A higher rate of increase was seen by the **Motoring** group in the twelve months to September 2008 (10%) compared with the twelve months to June 2008 (7%), resulting in this group being one of the main upward influences on the change in the annual rate, contributing 0.3 percentage points (see Figure 3).

Similarly, the **Household goods** group saw a higher rate of increase in the year to September 2008 (5%) compared to the twelve months to June 2008 (0.7%), resulting in this group also contributing 0.3 percentage points to the change in the annual rate.

The price of **Clothing and footwear** fell, overall, in the year to June 2008 (down by 4%) whereas in the twelve months to September 2008 this group saw a rise of 3% and hence this group was also an upward influence on the change in the annual rate, contributing 0.3 percentage points.

The **Food group, Household Services, Personal goods and services and Leisure services** each contributed 0.1 percentage points to the overall change in the annual rate. Each of these groups exhibited a faster rate of increase in the year to September 2008 than in the year to June 2008.

In contrast, **Housing** costs rose at a slightly lower rate, overall, in the year to September 2008 (2.8%) than in the year to June 2008 (3.5%) meaning that this group was a downward influence on the change in the annual rate, contributing -0.2 percentage points.

The **Fuel and light** and **Catering** groups both contributed -0.1 percentage points to the overall change in the annual rate, as these groups saw lower rates of increase in the year to September 2008 compared to the year to June 2008. The cost of **Leisure goods** was also a downward pressure, with prices falling by 2% in the twelve months to September 2008 compared to a slight increase of 0.2% in the year to June 2008.

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 Sep	2007 Dec	2008 Mar	2008 Jun	2008 Sep	Annual change (percent)	Quarterly change (percent)
Food	124.0	125.8	130.7	137.9	140.6	13.4	2.0
Catering	127.4	128.7	130.8	135.9	136.8	7.4	0.6
Alcoholic drinks	132.8	131.3	135.2	142.7	143.9	8.4	0.8
Tobacco	172.9	174.8	179.6	184.5	185.2	7.1	0.4
Housing	159.4	161.3	158.3	161.4	163.8	2.8	1.5
Fuel & light	156.2	167.0	176.2	197.1	189.3	21.2	-3.9
Household goods	98.9	99.1	99.8	102.6	103.4	4.6	0.9
Household services	136.8	136.3	136.9	139.8	142.3	4.0	1.8
Clothing & footwear	82.2	86.0	83.8	83.5	84.5	2.8	1.1
Personal goods & services	128.5	128.9	129.8	133.1	135.2	5.2	1.5
Motoring	129.7	132.5	135.2	141.7	142.7	10.0	0.7
Fares & other travel	169.7	156.8	165.3	172.3	176.8	4.2	2.6
Leisure goods	90.3	90.2	89.6	89.9	88.4	-2.1	-1.6
Leisure services	136.3	137.4	138.2	141.9	144.6	6.1	1.9
All items	132.1	133.3	134.5	139.0	140.5	6.4	1.1

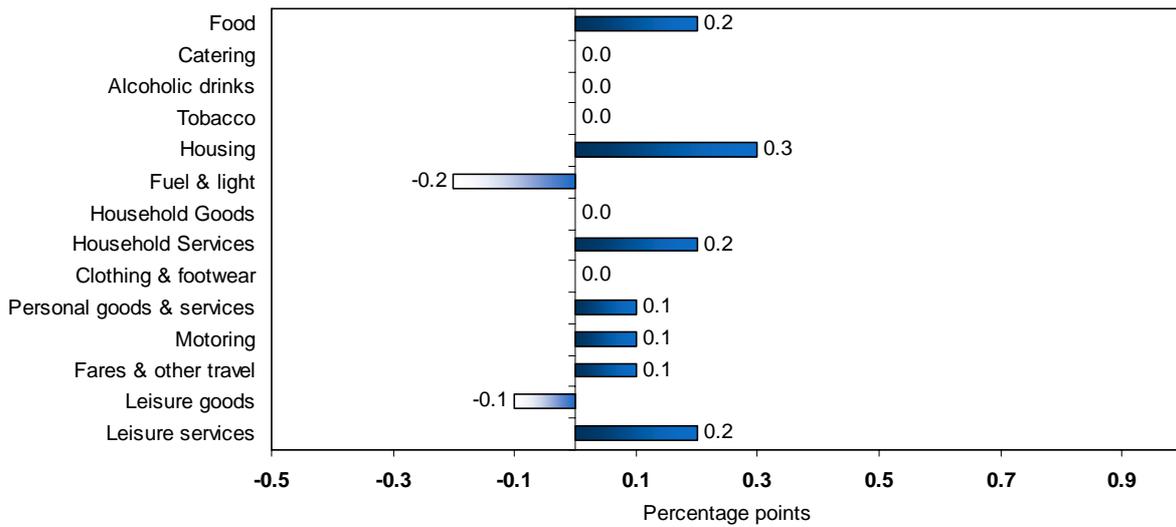
Quarterly changes

The RPI increased by 1.1% between June and September 2008.

The **Housing** group contributed 0.3 percentage points to the overall net quarterly change, with increases in house prices and Parish rates the key drivers, whilst **Food** and **Leisure services** each contributed 0.2 percentage points (see Figure 4). **Household services** also contributed 0.2 percentage points to the increase; this group includes school fees which increased in the latest quarter.

A downward contribution came from the **Fuel and light** group (-0.2 percentage points), largely due to falls in oil prices in the latest quarter. Petrol prices also fell in the latest quarter; however this effect was offset by increases across the rest of the group, resulting in the **Motoring** group contributing 0.1 percentage points to the quarterly change. **Leisure goods** fell in price, overall on average over the quarter, and contributed -0.1 percentage points to the overall quarterly change.

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)

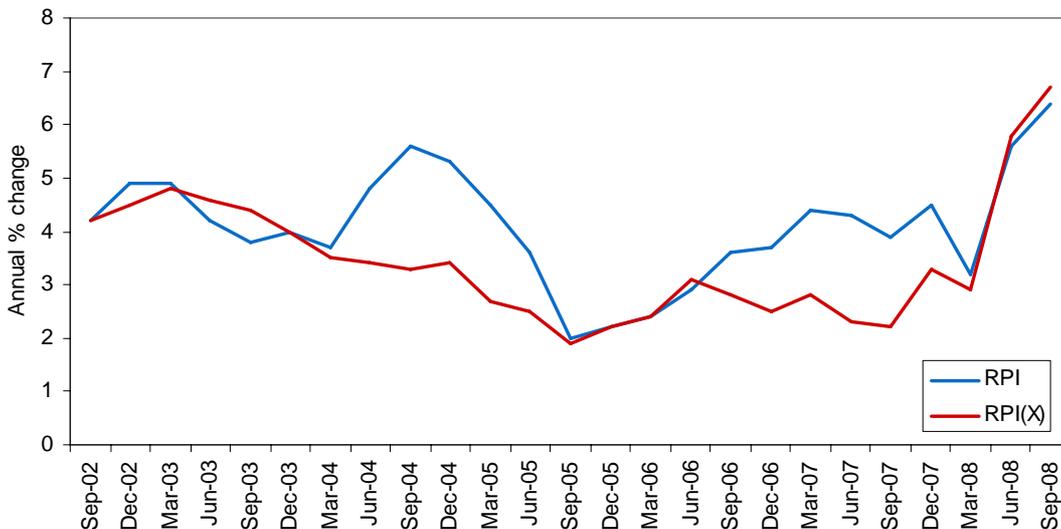
RPI(X) is the RPI excluding the cost of mortgage interest payments.

In the twelve months to September 2008 **RPI(X) increased by 6.7%** to 135.2. 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, Motoring and Fuel & light**.

The latest annual rate of increase of RPI(X) is 0.9 percentage points higher than that for June 2008. Notable upward influences to the change in the rate were **Household goods, Motoring and Clothing & footwear**.

On a quarterly basis, RPI(X) increased by 0.9% between June and September 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
RPI (Y)	3.5	2.9	3.9	4.9
RPI Pensioners	3.5	2.9	5.6	6.6
RPI Low Income	3.7	2.7	5.2	5.9

Comparison with other jurisdictions

Annual changes in **Food** and **Fuel** prices and were major factors contributing to the rates of increase of the RPI in all jurisdictions shown in Table 3. However, local trends and issues in each location dictate the full extent of these effects.

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 percentage points to RPI).

Food was the key driver in the Guernsey RPI, followed by the **Housing** group which contributed 1.0 percentage points compared to 0.6 in Jersey. The **Motoring** group was an important driver in both jurisdictions (contributing 0.8 and 1.1 percentage points in Guernsey and Jersey respectively). **Fares and other travel** costs increased at a faster rate in Guernsey, contributing 0.3 percentage points compared to 0.1 in Jersey. Prices of **Clothing and footwear** fell in Guernsey but rose in Jersey, contributing -0.3 and +0.1 percentage points respectively.

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

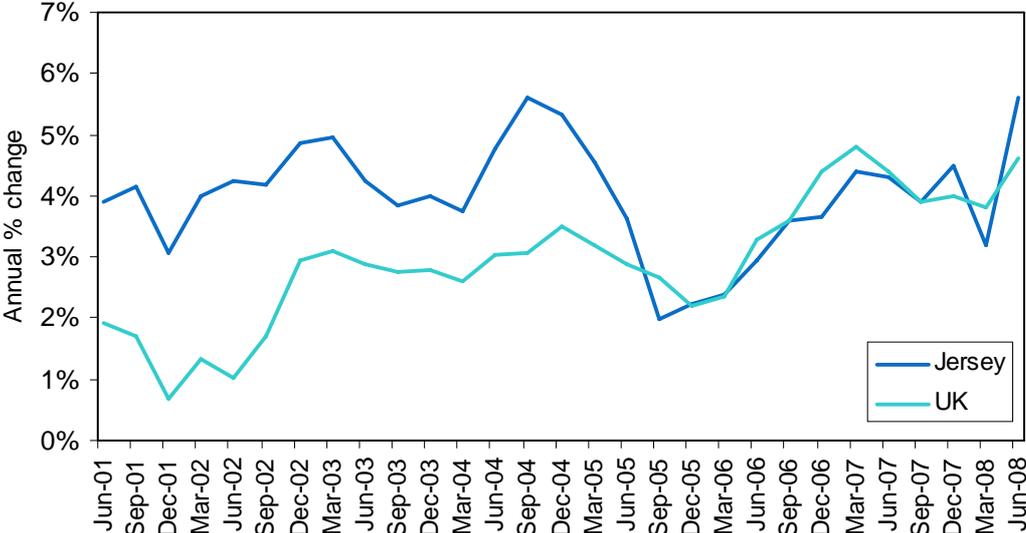
Jurisdiction	RPI		RPI(X)		RPI(Y)	
	Jun 08	Sep 08	Jun 08	Sep 08	Jun 08	Sep 08
Jersey	5.6	6.4	5.8	6.7	3.9	4.9
UK	4.6	5.0	4.8	5.5	4.9	5.6
Guernsey	5.5	5.8	5.4	6.4	~	

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.

In addition to the introduction of GST in Jersey there were some other notable differences between the UK and Jersey annual rates of inflation. The **Fuel** group contributed

0.7 percentage points to the Jersey RPI, compared to 1.3 percentage points in the UK primarily due to large increases in UK electricity prices, up 30% on an annual basis. This difference was offset somewhat by the **Motoring** group, which contributed 1.1 in Jersey and 0.6 percentage points in the UK; and **Clothing and footwear** prices, which increased in Jersey, overall, but fell in the UK.

**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 September 2008 was 0.7 percentage points lower than in the UK, Jersey did see a greater change in the annual rate of increase of RPI(Y) over the quarter (up 1.0 percentage points compared with 0.7 percentage points in the UK).

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:

- **Food** prices increased at similar rates in both jurisdictions (10% in Jersey and 11% in the UK).
- **Clothing and footwear** prices remained essentially unchanged in Jersey, but fell by 4% in the UK.
- The **Fuel and light** group increased by 40% in the UK compared to 18% in Jersey on an annual basis, due to larger increases in UK electricity prices

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 December 2008 Index will be released on Wednesday 21st January 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
24th October 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
	Sep	140.5	6.4	5.0	5.8	1.1	0.7	0.9

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