

Jersey Retail Prices Index – December 2005

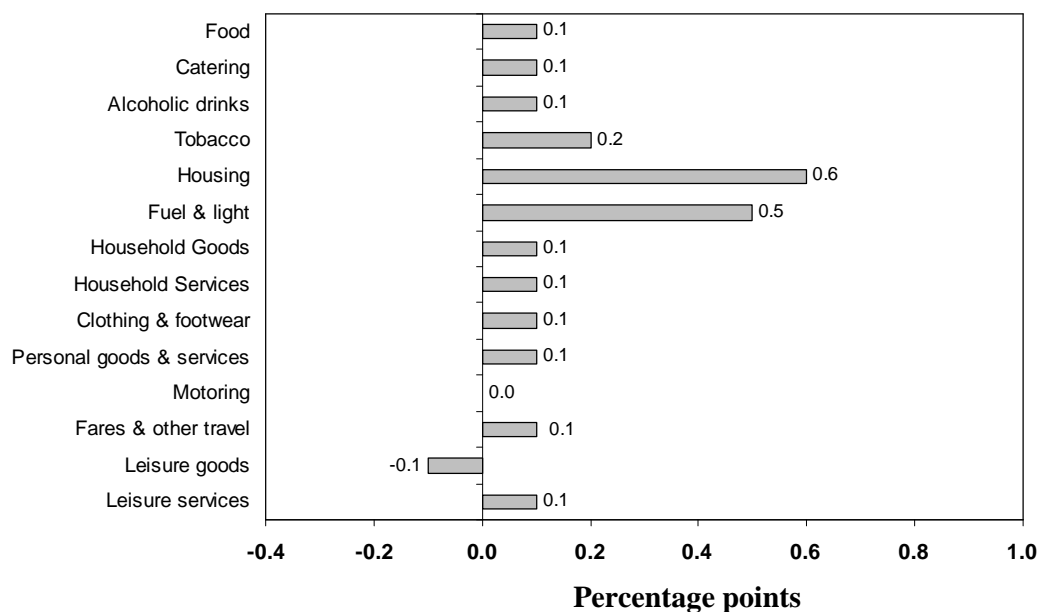
Headlines

- **During the twelve months to December 2005 the All-Items Retail Prices Index (RPI) for Jersey rose by 2.2% to stand at 123.0 (June 2000 = 100) driven by increases across the Housing group and higher energy costs.**
- The increase in the RPI during the twelve months to September 2005 was 2.0%, implying that Jersey's **annual rate of inflation rose by 0.2 percentage points** in the latest quarter.
- This small increase in the annual rate of inflation was principally due to price rises in food, alcoholic drinks and women's clothing.
- Compared with the period of higher inflation seen during 2004 and the first half of 2005, driven by increases in the Bank of England base rate, the annual change in Jersey's RPI in December 2005 remains low.
- **At a quarterly level, the RPI increased by 0.2% between September and December 2005.**
- **RPI(X)**, the Retail Prices Index excluding the cost of house purchase, **increased by 2.2% during the twelve months to December 2005.** The annual rate of increase in RPI(X) has remained at or below the States of Jersey target for the past three quarters.

Annual change

Figure 1 shows the contribution to the overall annual change of 2.2% 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:

- **Housing** costs: increased by 3% over the twelve months to December 2005 and accounted for 0.6 percentage points of the overall annual increase in the RPI. Increases occurred across the group, which includes rents, parish rates, water rates and dwelling maintenance and insurance, as well as house purchase costs.
- **Fuel** costs: increased by 16% compared to December 2004, driven by the global increase in the price of crude oil during the past twelve months and locally by gas and coal price increases. Higher energy costs contributed 0.5 percentage points to the overall annual increase in the RPI.
- **Tobacco** costs: increased by 7% over the previous twelve months. The change in impôt duties effective in January 2005 (applied to tobacco only) accounted for 0.2 percentage points of the total annual increase of 2.2%. Throughout the previous year (2004) the increases in impôts introduced in January 2004 had accounted for 0.5 percentage points of the annual percentage change in the RPI.

Small annual increases occurred in most of the remaining groups, each contributing about 0.1 percentage points to the overall annual change (see figure 1). The exceptions were **Leisure goods**, which fell by about 2%, driven down by lower prices for audio-visual equipment and CDs; and **Motoring**, in which annual petrol price rises were balanced by falls across the remainder of the group.

The slight increase of 0.2 percentage points in the annual rate for the latest quarter is largely a result of price increases in **Food, Alcoholic drinks** and **Clothing & footwear**, notably women's outerwear, compared to falls in the twelve months to September 2005. In contrast, the **Motoring** group contributed 0.3 percentage points less to the December figure due to recent decreases in the price of petrol.

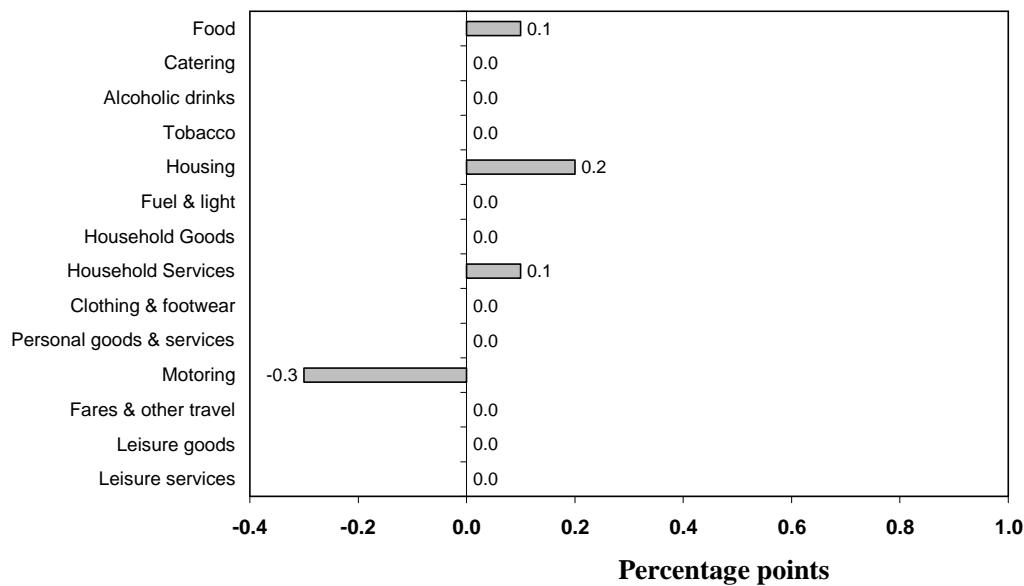
The rate of increase of the RPI has remained at the historically low level of around 2%. In December 2004 the annual rate stood at 5.3%. The dominant cause of the reduction in Jersey's inflation over the past year has been the changes in the Bank of England base rate (see Note 5). As a result, the **Housing** group contributed 2.1 percentage points less to the annual change in the RPI in December 2005 compared to December 2004. Further downward contributions came from **Leisure services**, contributing 0.4 percentage points less due to reductions in the price of foreign holidays and **Motoring**, contributing 0.5 percentage points less due to falls throughout the group and lower annual increases in the price of petrol.

Quarterly changes

The key groups contributing to the increase of 0.2% in Jersey's RPI between September and December 2005 were **Housing**, accounting for about 0.2 percentage points of the overall quarterly change, and **Food** and **Household services**, each contributing about 0.1 percentage points (see figure 2).

All other groups saw small changes over the latest quarter, except for **Motoring** which was down by 3%, contributing a fall of 0.3 percentage points, largely due to decreases in petrol prices of around 8 to 9p per litre during the quarter.

Figure 2 - Contribution of each group to quarterly change in the RPI.



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

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	2004	2005	2005	2005	2005	Annual change (per cent)	Quarterly change (per cent)
	Dec	Mar	Jun	Sep	Dec		
Food	114.6	114.6	114.4	114.2	115.3	0.6	1.0
Catering	116.6	116.6	118.8	119.0	118.9	2.0	-0.1
Alcoholic drinks	119.8	123.7	122.1	122.6	122.6	2.3	0.0
Tobacco	151.1	160.2	162.1	162.2	162.1	7.3	-0.1
Housing	133.4	135.2	136.9	136.2	137.3	2.9	0.8
Fuel & light	113.3	120.5	124.9	130.1	131.8	16.3	1.3
Household goods	102.4	103.5	103.7	103.5	103.5	1.1	0.0
Household services	124.6	125.9	125.3	125.8	127.1	2.0	1.0
Clothing & footwear	90.2	90.3	90.3	90.8	91.9	1.9	1.2
Personal goods & services	116.2	119.0	119.7	119.2	119.4	2.8	0.2
Motoring	121.9	122.4	122.9	125.2	122.0	0.1	-2.6
Fares & other travel	141.6	146.1	153.1	147.4	148.2	4.7	0.5
Leisure goods	97.3	96.6	95.7	94.0	95.2	-2.2	1.3
Leisure services	129.0	130.0	129.7	130.2	130.0	0.8	-0.2
All items	120.3	121.9	122.6	122.7	123.0	2.2	0.2

Excluding house purchase: RPI(X)

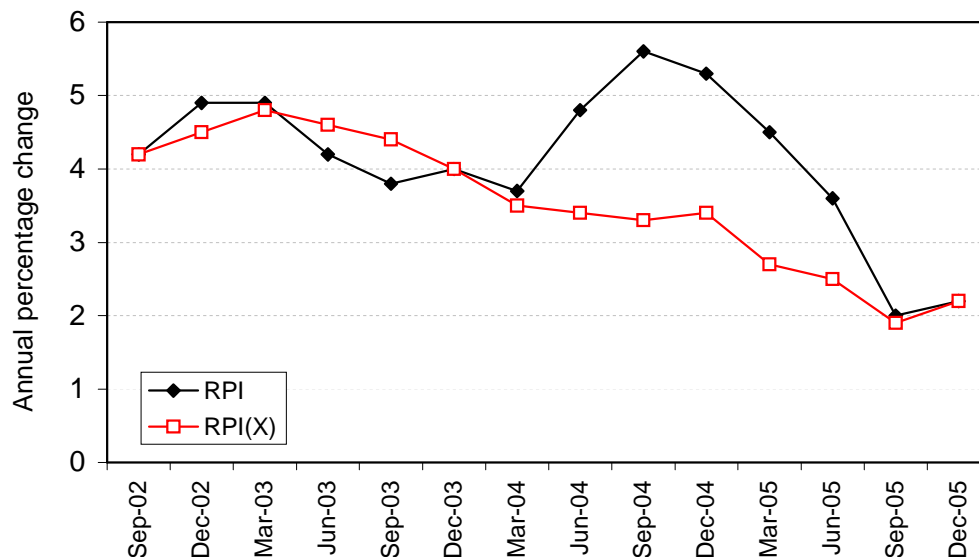
RPI(X) is the RPI excluding the cost of mortgage interest payments and interest on States loans, and is the measure against which Jersey’s inflation target rate of 2.5% is set.

In the twelve months to December 2005 **RPI(X) increased by 2.2%** to 120.7. Although this annual rate of increase of RPI(X) was 0.3 percentage points higher than in the previous quarter, it continues to be one of the lowest recorded annual changes since the series was introduced in 1999.

The principal contributors to the rise of 0.2 percentage points in the annual rate of increase of RPI(X) were the **Food, Alcoholic drinks** and **Clothing & Footwear** groups, each of which saw small increases on a twelve-month basis in contrast to the annual declines seen in September.

On a quarterly basis, between September and December 2005, RPI(X) increased by 0.1%.

Figure 3: Annual percentage changes in RPI and RPI(X).



As Figure 3 shows, the underlying rate of inflation in Jersey, as measured by RPI(X), has predominantly been on a decreasing trend for the past two years. For the last three quarters the annual change in RPI(X) has been at or below the States’ target of 2.5%.

Comparison with other jurisdictions

Lower mortgage rates set against increases in global fuel prices were the key drivers 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.

Table 2: Annual percentage increases in RPI and RPI(X) for September and December 2005.

	RPI		RPI(X)	
	Sep 05	Dec 05	Sep 05	Dec 05
Jersey	2.0	2.2	1.9	2.2
Guernsey	3.8	3.3	3.6	3.0
Isle of Man	3.2	3.3	3.3*	3.9*
UK	2.7	2.2	2.5	2.0

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

The headline rates of inflation in Jersey and the UK were the same in December 2005. However, because increases in the Housing group were greater for the UK, the underlying rate of inflation was lower in the UK. Notable differences occurred for the Clothing & footwear and Fares & other travel groups, both of which saw decreases on an annual basis in the UK but increases in Jersey. Food and Household and Leisure services increased at a slower rate in Jersey.

The groups of the Guernsey RPI generally moved in the same direction as in Jersey. A notable difference was for the Housing group which showed a larger annual increase in Guernsey (up by 5%), contributing 1.3 percentage points to the annual change in the RPI compared to 0.6 percentage points in Jersey. The Fares & other travel group also increased more in Guernsey, up by 15% compared to about 5% in Jersey and contributing 0.6 and 0.1 percentage points to the respective RPIs. In contrast, Guernsey saw larger price falls in Leisure goods, whilst Clothing & footwear decreased in Guernsey but increased in Jersey.

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 will be available later this year.
2. Indices on the earlier December 1977 = 100 and March 1989 = 100 bases are set out in the Annex alongside the index on the latest June 2000 = 100 base. The series based on December 1977 = 100 will be published for the last time in the June 2006 release. Users of this series should contact the Statistics Unit for advice on moving to the current series.
3. 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.
4. 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.
5. 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 December 2005 was thus a decrease from 4.75% to 4.50%, compared with an increase from 3.75% to 4.75% over the twelve months to December 2004.
6. **The March 2006 Index will be released on Wednesday 26 April 2006.**
7. The Jersey Retail Prices Index is compiled by the Statistics Unit, The Parade, St Helier, JE4 8QT; (enquiries to Kim Guegan– 01534 603423 and Nicola Johnson– 01534 603425; e-mail: statistics@gov.je).

*Statistics Unit
25 January 2006*

Annex**ALL-ITEMS RETAIL PRICES INDEX****RPI 1999 – 2005**

		<u>JERSEY INDEX</u>			<u>ANNUAL MOVEMENTS %</u>			<u>QUARTERLY MOVEMENTS %</u>		
		Dec 1977 = 100	Mar 1989 = 100	Jun 2000 = 100	JERSEY	UK	GUERNSEY	JERSEY	UK	GUERNSEY
1999	Mar	(391.8)	162.5		3.4	2.1	2.1	1.1	-0.2	-0.2
	Jun	(396.1)	164.3		3.3	1.3	2.2	1.1	0.9	1.0
	Sep	(399.7)	165.8	(96.7)	3.4	1.1	1.8	0.9	0.5	0.4
	Dec	(404.3)	167.7	(97.7)	4.4	1.8	2.4	1.1	0.7	1.1
2000	Mar	(409.6)	169.9	(99.0)	4.6	2.6	3.8	1.3	0.3	1.2
	Jun	(413.7)	171.6	100.0	4.4	3.3	4.4	1.0	1.6	1.6
	Sep	(418.3)	(173.5)	101.1	4.6	3.3	4.5	1.1	0.4	0.7
	Dec	(420.2)	(174.3)	101.6	4.0	2.9	3.9	0.5	0.3	0.5
2001	Mar	(426.1)	(176.7)	103.0	4.0	2.3	3.3	1.4	0.0	0.6
	Jun	(429.8)	(178.3)	103.9	3.9	1.9	2.3	0.9	1.3	0.8
	Sep	(435.6)	(180.7)	105.3	4.2	1.7	2.6	1.3	0.1	0.8
	Dec	(433.1)	(179.7)	104.7	3.1	0.7	1.9	-0.6	-0.7	-0.1
2002	Mar	(443.1)	(183.8)	107.1	4.0	1.3	2.9	2.3	0.6	1.6
	Jun	(447.9)	(185.8)	108.3	4.2	1.0	3.3	1.1	1.0	1.0
	Sep	(453.9)	(188.3)	109.7	4.2	1.7	3.9	1.3	0.8	1.4
	Dec	(454.3)	(188.5)	109.8	4.9	2.9	4.4	0.1	0.5	0.4
2003	Mar	(464.8)	(192.8)	112.4	4.9	3.1	4.7	2.4	0.8	1.9
	Jun	(466.7)	(193.6)	112.9	4.2	2.9	4.3	0.4	0.8	0.6
	Sep	(471.0)	(195.4)	113.9	3.8	2.8	3.3	0.9	0.7	0.4
	Dec	(472.4)	(196.0)	114.2	4.0	2.8	3.9	0.3	0.5	1.0
2004	Mar	(482.2)	(200.0)	116.6	3.7	2.6	4.2	2.1	0.6	2.2
	Jun	(489.1)	(202.9)	118.3	4.8	3.0	4.5	1.5	1.2	0.9
	Sep	(497.5)	(206.4)	120.3	5.6	3.1	5.2	1.7	0.7	1.1
	Dec	(497.5)	(206.4)	120.3	5.3	3.5	4.9	0.0	1.0	0.7
2005	Mar	(504.1)	(209.0)	121.9	4.5	3.2	4.6	1.3	0.3	1.9
	Jun	(506.9)	(210.2)	122.6	3.6	2.9	4.6	0.6	0.9	0.9
	Sep	(507.4)	(210.5)	122.7	2.0	2.7	3.8	0.1	0.5	0.3
	Dec	(508.6)	(211.0)	123.0	2.2	2.2	3.3	0.2	0.5	0.2

Retail Prices Index eXcluding house purchase costs

RPI(X) 1999-2005

		<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>
1999	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
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