

## Jersey Retail Prices Index – September 2006

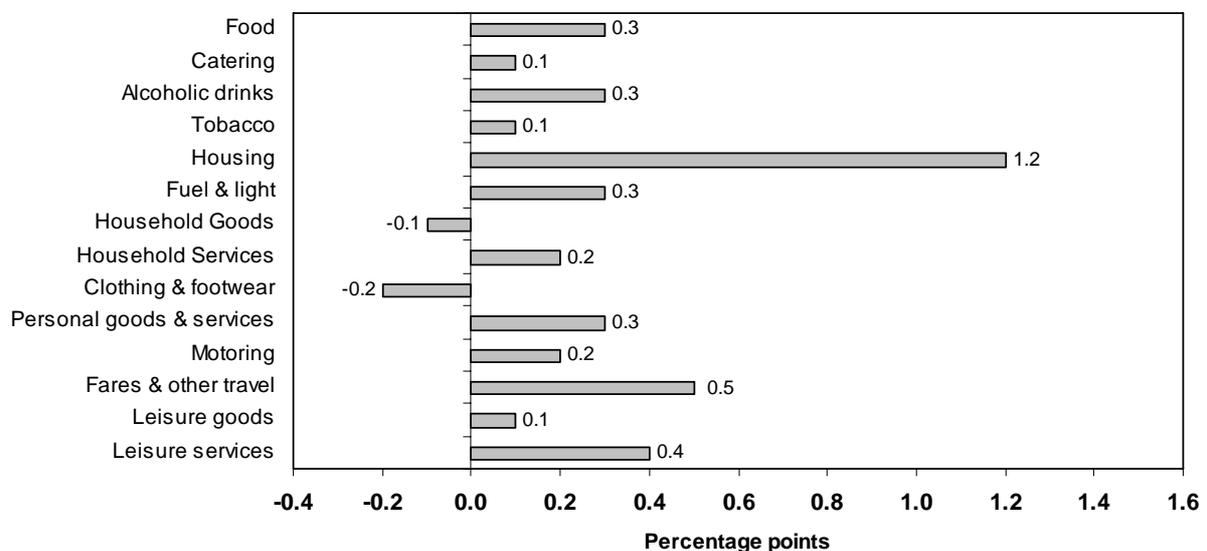
### Headlines

- During the twelve months to September 2006 the All-Items Retail Prices Index (RPI) for Jersey rose by 3.6% to stand at 127.1 (June 2000 = 100).
- Increased mortgage costs, resulting from of the recent rise in the Bank of England base rate<sup>1</sup> and increasing house prices, was the key driver and accounted for 1.0 percentage points of the total annual increase.
- The increase in the RPI during the twelve months to June 2006 was 2.9%, implying that Jersey’s annual rate of inflation rose by 0.7 percentage points in the latest quarter.
- The latest rise represents the **fourth consecutive quarter that Jersey’s rate of inflation has increased** though it still remains below the level seen during 2004 and early 2005 when a series of increases in the Bank of England base rate was also the key driver.
- At a quarterly level, the RPI increased by 0.7% between June and September 2006.
- RPI(X), the Retail Prices Index excluding the cost of house purchase, increased by 2.8% during the twelve months to September 2006, a fall of 0.3 percentage points on the annual rate seen in June 2006.
- The fall in the rate of increase of RPI(X) is largely the result of falls in clothes prices and lower rates of increase in Motoring, Fuel and Housing partially offsetting increases in Leisure services and Fares.

### Annual change

Figure 1 shows the contribution to the overall annual change of 3.6% for each RPI group.

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.

<sup>1</sup> See Note 4.

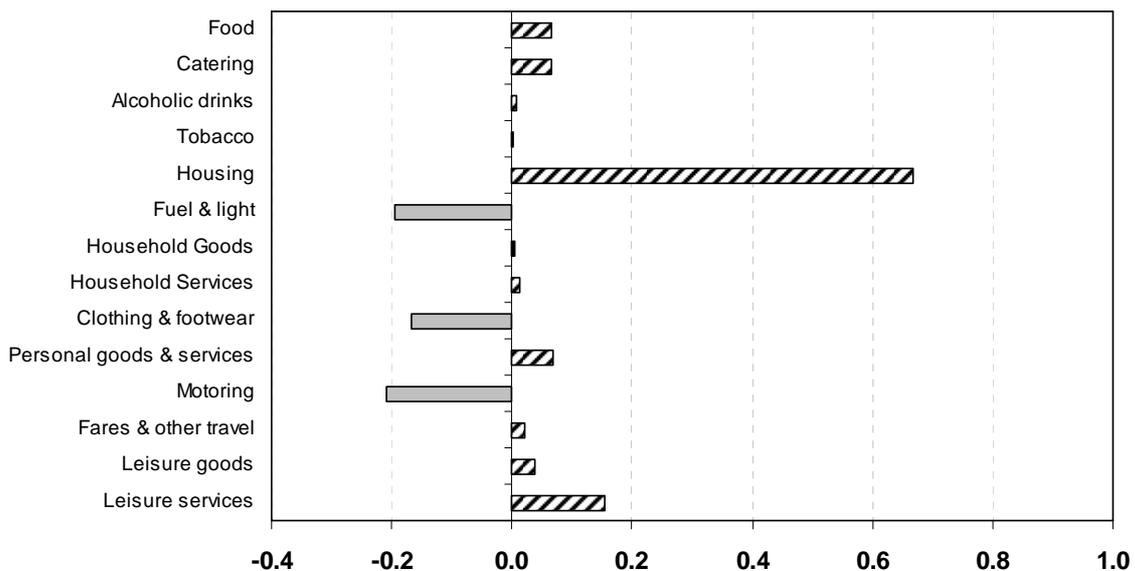
On an **annual** basis the largest contributors to the change in the Retail Prices Index were:

- **Housing** costs: increased by 5% over the previous twelve months and accounted for about a third of the overall annual increase in the RPI. The main factor was increased house purchase costs following the rise in the Bank of England base rate in August 2006 and ongoing house price growth, which accounted for 1.0 percentage points of the overall increase in the RPI. Downward pressure in the Housing group came from a lower rate of increase for repairs and maintenance and the change in the rates system<sup>2</sup>, effective in September 2006, which resulted in rates seeing an overall decrease averaged across the whole Island of around 4%, compared to an increase in September 2005
- **Fares & other travel** costs: increased by 15% over the twelve months to September 2006 and accounted for 0.5 percentage points of the overall annual increase in the RPI; increases occurred in air (in previous quarters) and ferry fares, with fuel surcharges a factor.
- **Leisure services** costs: increased by 3% compared to September 2005, contributing 0.4 percentage points of the overall annual increase in the RPI. The increase largely resulted from higher school fees (effective each September) and entertainment and recreation charges.

Increases were seen in most of the other groups, each contributing around 0.1 to 0.3 percentage points to the overall annual change (see figure 1). Increases in impôts (effective in January 2006) accounted for about a fifth of the increase recorded by **Alcoholic drinks**, whilst all impôts increases contributed less than 0.2 percentage points to the overall increase in the RPI. Prices in **Clothing & footwear** (driven by falls in women's clothing) and **Household goods** decreased, by about 4% and 1%, respectively.

As a result of the increase in mortgage interest rates, the **Housing** group was the largest contributor (see figure 2) to the increase of 0.7 percentage points in the annual rate of change of the RPI compared to June 2006, from 2.9 to 3.6%.

**Figure 2 - Contribution of each group to change of +0.7 percentage points in annual rate of increase of RPI from June to Sept 2006**



<sup>2</sup> The rates system implemented in September 2006 incorporated an all-Island rate as well as Parish-specific rates.

**Leisure services** saw a larger annual increase in September than in June and hence contributed to the rise in the overall annual rate. In contrast **Clothing & footwear** saw a larger annual decrease than in June and thus exerting downward pressure to the overall rate of increase.

The **Fuel & light** and **Motoring** groups saw lower annual increases as a result of a considerable fall in the rate of increase of global crude oil prices (which still remain at high levels) and a decrease in local petrol prices. Hence these groups also exerted downward pressure to the overall rate of increase of the RPI despite still rising, e.g. Fuel & light up 8% in the twelve months to September 2006, but up 14% in the twelve months 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** (June 2000 = 100) **and Percentage Changes**

GROUP	2005	2005	2006	2006	2006	Annual	Quarterly
	Sep	Dec	Mar	Jun	Sep	change	change
						(per cent)	(per cent)
Food	114.2	115.3	114.8	117.0	117.5	2.9	0.4
Catering	119.0	118.9	120.0	120.2	121.8	2.4	1.3
Alcoholic drinks	122.6	122.6	127.5	127.7	128.4	4.7	0.5
Tobacco	162.2	162.1	165.8	166.2	166.4	2.6	0.1
Housing	136.2	137.3	138.2	140.0	143.4	5.3	2.4
Fuel & light	130.1	131.8	139.5	142.4	140.6	8.1	-1.3
Household goods	103.5	103.5	105.2	102.6	102.5	-1.0	-0.1
Household services	125.8	127.1	128.9	129.2	130.0	3.3	0.6
Clothing & footwear	90.8	91.9	90.7	90.0	86.8	-4.4	-3.6
Personal goods & services	119.2	119.4	123.0	124.6	125.7	5.5	0.9
Motoring	125.2	122.0	125.2	127.4	127.2	1.6	-0.2
Fares & other travel	147.4	148.2	156.6	174.3	169.7	15.1	-2.6
Leisure goods	94.0	95.2	95.7	96.4	95.7	1.8	-0.7
Leisure services	130.2	130.0	130.9	131.9	134.0	2.9	1.6
<b>All items</b>	<b>122.7</b>	<b>123.0</b>	<b>124.8</b>	<b>126.2</b>	<b>127.1</b>	<b>3.6</b>	<b>0.7</b>

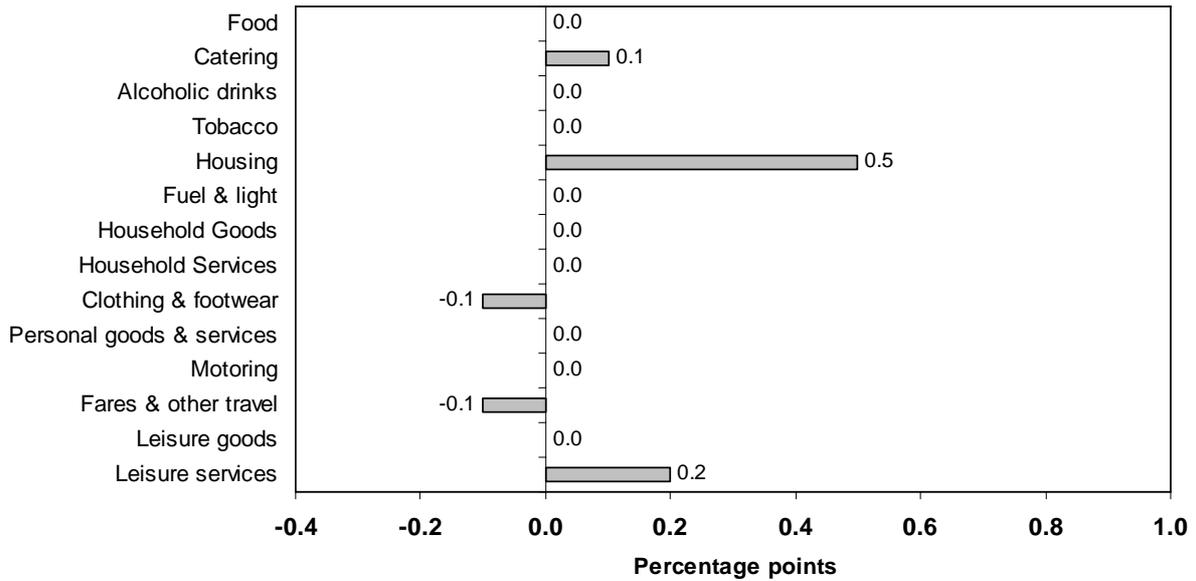
### Quarterly changes

The key group contributing to the increase of 0.7% in Jersey's RPI between June and September 2006 was **Housing**, accounting for 0.5 percentage points (figure 3). The rise in the Bank of England base rate in the latest quarter was the key upward driver, increasing house purchase costs.

Increased school fees, effective in September, was the main factor in the 1.6% quarterly rise recorded by **Leisure Services**.

The **Clothing & footwear**, **Fares and other travel** and **Fuel & light** groups all saw falls of more than 1% on a quarterly basis.

**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.*

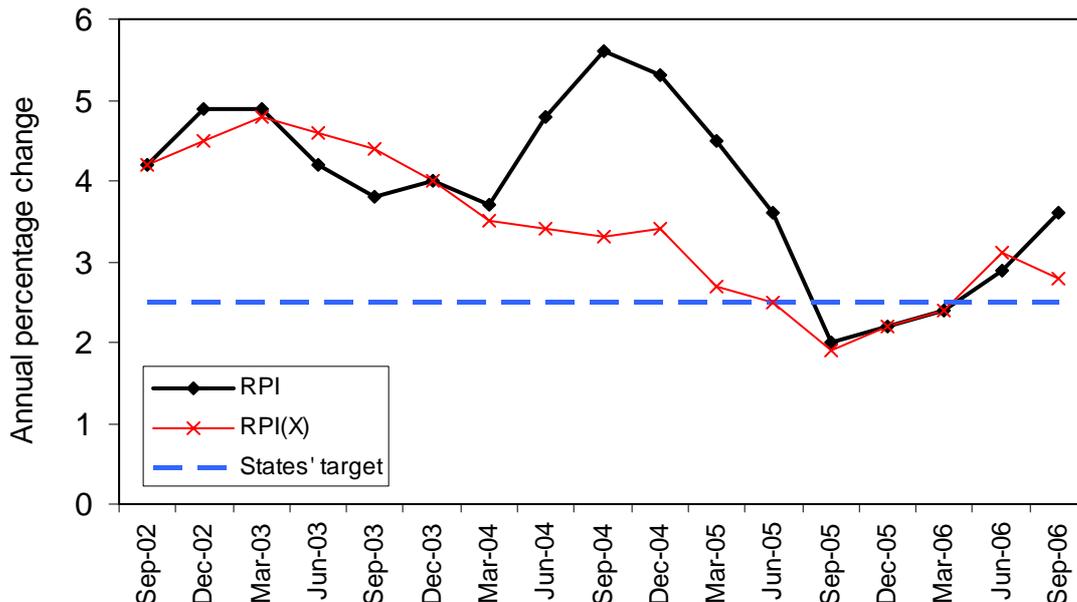
### Excluding house purchase: RPI(X)

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 September 2006 **RPI(X) increased by 2.8%** to 124.0. This annual rate of increase of RPI(X) was 0.3 percentage points less than in the previous quarter (see figure 4). The key downward drivers were lower prices in **Clothing & footwear** and lower rates of increase in the **Fuel & light, Motoring** and remainder of the **Housing** groups.

On a quarterly basis, between June and September 2006, RPI(X) decreased by 0.3%.

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



The annual change in RPI(X) in September 2006 exceeded the States’ target of 2.5% (by 0.3 percentage points) having done so for two consecutive quarters, but remains below the level seen during the period 1999-2004.

## Comparison with other jurisdictions

Increases in the Bank of England base rate was 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.

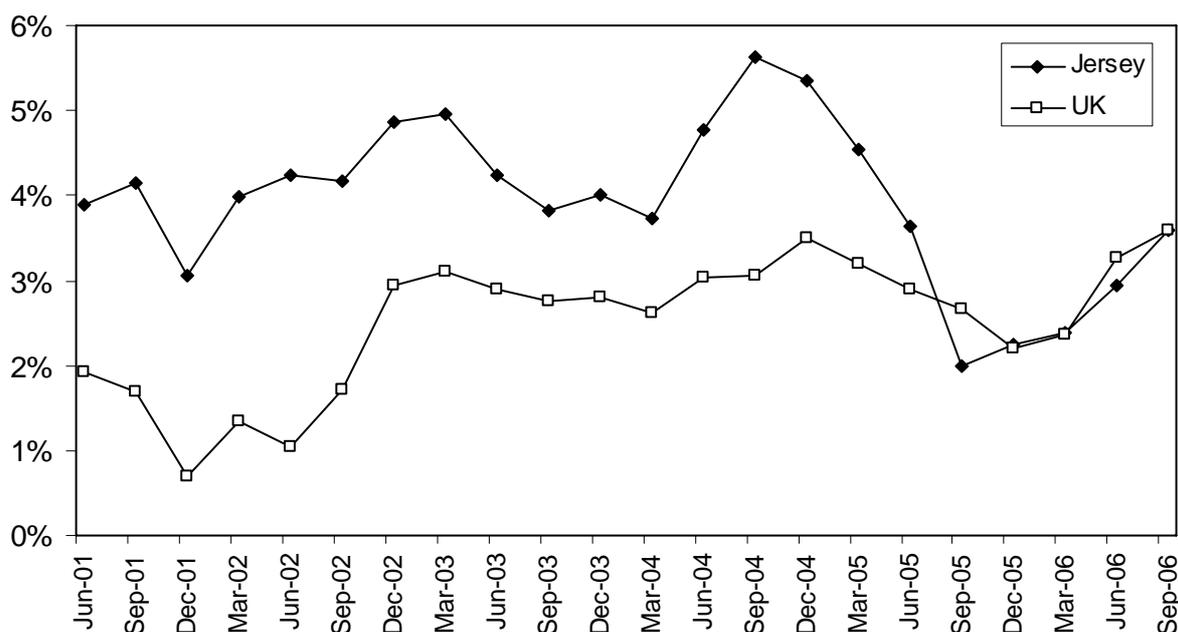
**Table 2: Annual percentage increases in RPI and RPI(X) for June and September 06**

	RPI		RPI(X)	
	Jun 06	Sep 06	Jun 06	Sep 06
<b>Jersey</b>	2.9	3.6	3.1	2.8
<b>Guernsey</b>	3.4	3.5	3.1	2.5
<b>Isle of Man</b>	2.9	3.3	3.3*	3.5*
<b>UK</b>	3.3	3.6	3.1	3.2

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

Overall price movements in Jersey and the UK were similar in the year to September 2006 with higher house purchase costs the key driver in the increase in both jurisdiction's headline RPI. Food prices, driven by increases in most meats, fish and fresh fruit and vegetables increased similarly (3.5% in UK and 2.9% in Jersey) over the past 12 months. Both jurisdictions experienced increases in school fees, lower petrol prices and to a lesser degree in the UK lower clothing prices. The key differences remain around fuel costs where the UK again saw a 29% increase (as gas and electricity prices rose) compared to 8% in Jersey and in the latest period the UK experiencing rising furniture prices pushing up household goods by 2.4% on the year compared to a fall of 1% in Jersey.

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



The increase in house purchase costs was also the key reason for the increase in the headline RPI seen in Guernsey. Indeed with house prices currently increasing faster in Guernsey the increase was more marked with the Housing group accounting for 2.1 percentage points of the overall 3.5% increase (compared to 1.2 of 3.6% for Jersey). The upward movement in housing costs were offset in Guernsey by smaller increases in energy and travel costs than seen in Jersey. Across the remainder of the groups the changes were fairly similar with both jurisdictions seeing significant falls in clothing prices, lower petrol prices and similar increases in food (2.3% and 2.9% respectively).

## 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 conducted in 1998-99 and 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%, remained stable for twelve months and then increased on 3 August 2006 to 4.75%. The movement in the base rate over the twelve months to September 2006 was thus an increase from 4.50% to 4.75%, compared with a decrease from 4.75% to 4.50% over the twelve months to June 2006.
5. **The December 2006 Index will be released on Wednesday 24th January 2007.**
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*  
*18<sup>th</sup> October 2006*

AnnexAll items Retail Prices Index: 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
	Sep	127.1	3.6	3.6	3.5	0.7	0.8	0.4

## 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
<b>2003</b>	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
<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
	Sep	124.0	2.8	3.2	2.5	0.1