

Jersey Retail Prices Index

June 2009

Statistics Unit: www.gov.je/statistics



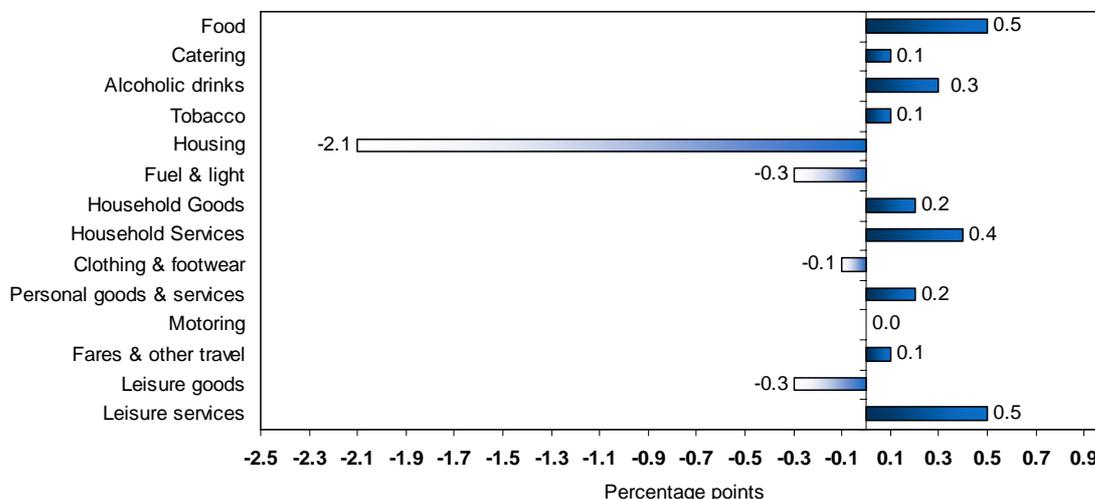
Headlines

- During the twelve months to June 2009 the All-Items Retail Prices Index (RPI) for Jersey **decreased by 0.4%** to stand at 138.5 (June 2000 = 100).
- This is the **first occurrence of an annual decrease** in Jersey's RPI since the official series began in 1948.
- The change in the RPI during the twelve months to March 2009 was 2.1%, implying that Jersey's **annual rate of inflation fell by 2.5 percentage points** in the latest quarter.
- The principal cause of this fall was the effect of the introduction of GST (Goods and Services Tax) dropping out of the change in the index on an annual basis.¹
- The key contributor to the annual change in the RPI of -0.4% was the fall in **house purchase costs**, a result of lower mortgage interest payments.
- **Food** prices increased by 4% over the year to June 2009, the lowest rate of increase seen for two and a half years.
- **RPI(X)**, the Retail Prices Index excluding the cost of house purchase, **increased by 2.8% during the twelve months to June 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 2.9% during the twelve months to June 2009**; this measure of underlying inflation had recorded an annual increase of 3.3% during the twelve months to March 2009.
- Both **RPI Pensioners** and **RPI Low Income** recorded an annual change of **2.9%** over the twelve months to June 2009.

Annual change

Figure 1 shows the contribution to the overall annual change of -0.4% by each group of the RPI.

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



¹ GST was introduced in Jersey in May 2008 and contributed to the annual change in the RPI for the first time in June 2008.

The decrease of -0.4% in the RPI between June 2008 and June 2009 represents the first annual decrease seen in Jersey's RPI since the official series began in October 1948.

A Goods and Services Tax (GST) was introduced in Jersey in May 2008 and had an upward influence on the annual change in the RPI for the first time in June 2008, contributing 1.9 percentage points across the groups². This upward contribution remained present in the annual rate of change of the RPI for the subsequent three quarters before dropping out in June 2009.

In addition to the effect of the introduction of GST dropping out, the most significant contributors to the overall annual change in the Retail Prices Index were:

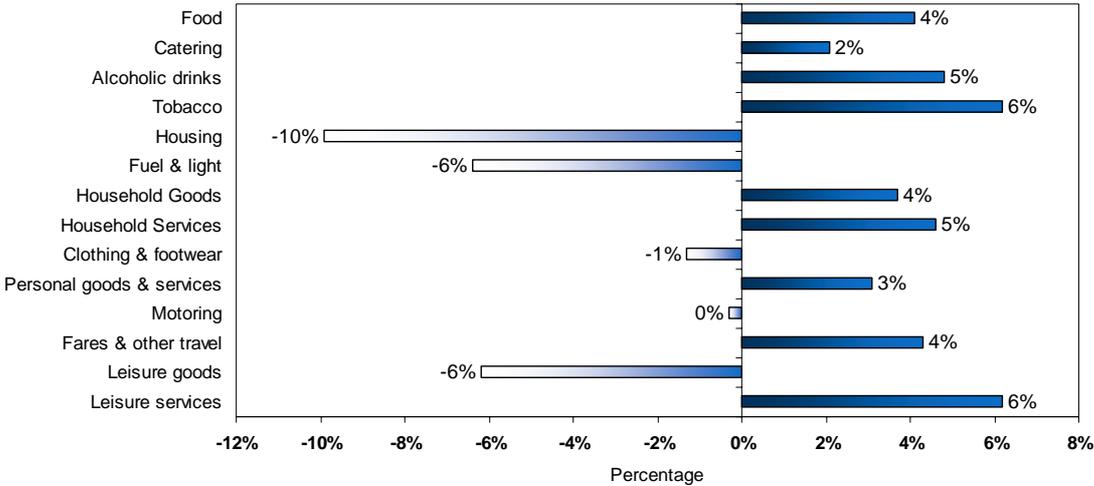
- **Housing** costs: fell overall by about 10% over the year to June 2009, contributing -2.1 percentage points to the annual change in the RPI (see Figure 1). House purchase costs were the dominant item, decreasing by 34% between June 2008 and June 2009 (contributing -3.0 percentage points), driven by lower mortgage interest payments following the recent series of cuts in the Bank of England base rate (see Note 4).
- **Fuel & light and Leisure goods**: prices in these groups were about 6% lower on average than in June 2008, each group contributing -0.3 percentage points to the overall annual change in the RPI. Price falls were seen across the Leisure goods group, particularly for audio-visual equipment. A fall in the average price of heating oil of 30 pence per litre (45%) contributed to the net decrease in the Fuel & light group, more than offsetting the 25% increase in electricity prices seen in January 2009.
- **Food** costs: increased by 4% in the year to June 2009, contributing 0.5 percentage points to the overall annual change in the RPI. Price rises were seen across the majority of the group, notably for bread and cereals, non-fresh fish, processed fruit and sugar and preserves. This latest annual increase is the lowest seen by the group for two and a half years and is substantially below that of previous quarters: food prices rose on an annual basis by 13% in both June and September 2008; by 14% in December 2008; and by 9% in March 2009.
- **Leisure services**: contributed 0.5 percentage points to the annual change in the RPI. Higher costs of entertainment and recreation, an increase in the price of television licences (up £3) and the increased cost of foreign holidays particularly contributed to the 6% rise recorded by the Leisure services group in the year to June 2009.
- **Household services**: recorded an average price increase of 5% in the twelve months to June 2009, contributing 0.4 percentage points to the overall annual change. Postal charges increased in May 2009 whilst higher school fees were introduced in September 2008.
- **Clothing**: prices decreased by 1% in the year to June 2009, with prices falling across the group, particularly for men's and women's outerwear.
- **Motoring**: the price of petrol was 13 pence per litre lower in June 2009 than in June 2008; the price of diesel fell by 25 pence per litre over the same period.

As Figures 1 and 2 show, overall price increases were seen for the majority of the other groups. Increases in impôts on alcohol, tobacco and motor fuels in January 2009 accounted for about 0.1 percentage points.

² The introduction of GST introduced a similar upward contribution of 2.1 percentage points to the annual change of RPI(X).

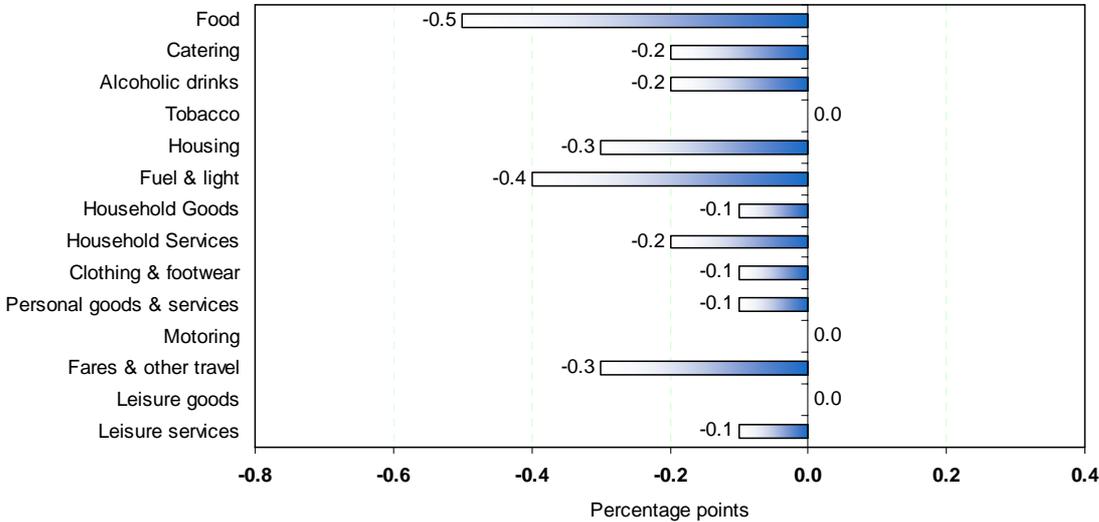
Figure 2 shows the percentage change for each group over the twelve months to June 2009.

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



There was a decrease of 2.5 percentage points in the annual change of Jersey’s RPI between March and June 2009, from 2.1% to -0.4%. Figure 3 shows that every group of the RPI exerted a downward influence on the annual change, with each group recording either a greater percentage decrease or a lower rate of increase in the twelve months to June 2009 compared with the twelve months to March 2009, with the exception of Leisure goods (which saw a marginally lower rate of decrease).

Figure 3 - Contributions to change in annual rate of increase of RPI between Mar and Jun 2009 (-2.5% from 2.1% to -0.4%)



The **Food** group saw a lower rate of increase in the twelve months to June 2009 (4%) than in the twelve months to March 2009 (10%); as a result this group was a key downward influence, contributing -0.5 percentage points to the change in the annual rate.

The **Fuel & light** group was also a downward influence on the change in the overall annual rate between March and June 2009. In the year to March 2009 fuel costs rose by about 3% whereas in the twelve months to June 2009 this group saw prices fall by around 6%, on average. As a result, this group contributed -0.4 percentage points to the change in the annual rate.

The **Housing** group contributed -0.3 percentage points to the change in the annual rate, due to a greater decrease in the twelve months to June 2009 compared with that to March 2009. In the year to March 2009, the Housing group overall saw a decrease of 8% whereas in the twelve months to June 2009 this group saw costs fall by about 10%.

Fares & other travel: prices in this group saw an increase of about 15% in the twelve months to March 2009 compared with an increase of 4% in the year to June 2009, this lower rate of increase to June 2009 means that that this group contributed -0.3 percentage points to the change in the annual rate.

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 Jun	2008 Sep	2008 Dec	2009 Mar	2009 Jun	Annual change (percent)	Quarterly change (percent)
Food	137.9	140.6	143.0	143.2	143.6	4.1	0.3
Catering	135.9	136.8	138.7	139.0	138.8	2.1	-0.1
Alcoholic drinks	142.7	143.9	142.5	146.0	149.6	4.8	2.5
Tobacco	184.5	185.2	187.1	194.0	196.0	6.2	1.0
Housing	161.4	163.8	155.9	145.5	145.5	-9.9	0.0
Fuel & light	197.1	189.3	163.7	181.1	184.4	-6.4	1.8
Household goods	102.6	103.4	103.3	104.7	106.4	3.7	1.6
Household services	139.8	142.3	143.4	145.6	146.3	4.6	0.5
Clothing & footwear	83.5	84.5	82.7	84.8	82.4	-1.3	-2.8
Personal goods & services	133.1	135.2	133.8	135.0	137.2	3.1	1.6
Motoring	141.7	142.7	136.6	135.4	141.3	-0.3	4.4
Fares & other travel	172.3	176.8	174.1	189.5	179.7	4.3	-5.2
Leisure goods	89.9	88.4	86.5	83.2	84.3	-6.2	1.3
Leisure services	141.9	144.6	146.0	148.0	150.7	6.2	1.8
All items	139.0	140.5	137.7	137.3	138.5	-0.4	0.9

Quarterly changes

On a quarterly basis, the RPI increased by 0.9 percentage points between March and June 2009 (see Figure 4).

The **Motoring** group contributed 0.5 percentage points to the overall net quarterly change, with higher petrol costs being the key driver. The cost of unleaded petrol was about 12 pence per litre higher in June 2009 compared to March 2009, whilst diesel was about 4 pence per litre higher.

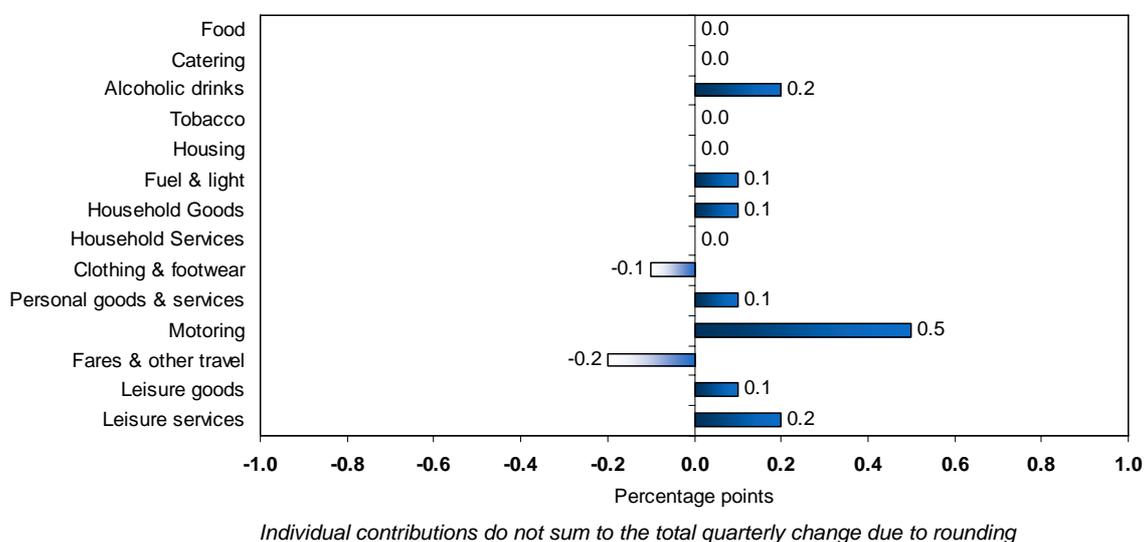
The cost of **Alcoholic drinks** was higher in June than in March 2009; as a result this group contributed 0.2 percentage points to the overall quarterly change.

Food prices increased by 0.2% over the quarter with, notably, the increase in the average price of bread and cereals (about 3%) being offset by the lower cost of fresh fruit and vegetables.

The cost of heating oil increased by 3 pence per litre over the quarter, whilst higher postal charges introduced in May 2009 meant average postal prices were almost 7% higher in June 2009 than in March 2009. An increase in the price of television licences in April 2009 contributed to the quarterly change seen by the **Leisure services** group.

In contrast, **Fares & other travel costs** were lower in June than in March 2009; as a result this group contributed -0.2 percentage points to the overall quarterly change.

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



Excluding house purchase costs: RPI(X)

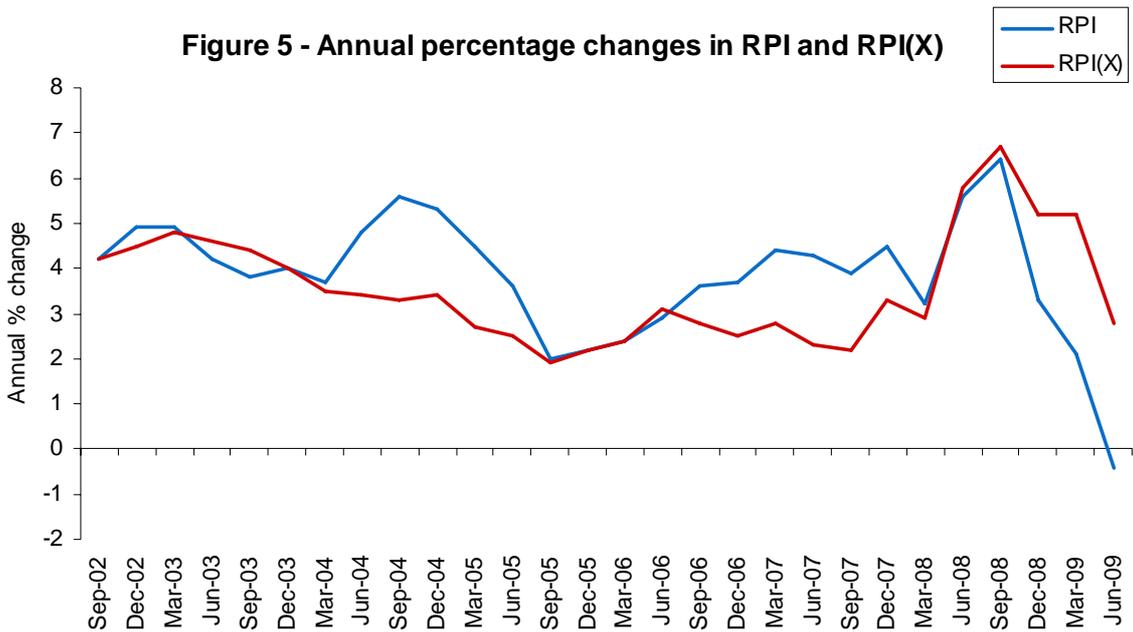
RPI(X) is the RPI excluding the cost of mortgage interest payments. The annual change in RPI(X) is often considered as a measure of underlying inflation.

In the twelve months to June 2009 **RPI(X) increased by 2.8%** to 137.8.

Housing costs (excluding mortgage interest payments) were the key upward driver, contributing 0.9 percentage points to the annual change of RPI(X). **Food** and **Leisure services** contributed 0.5 and 0.6 percentage points, respectively, to the overall annual increase. Other groups saw similar upward and downward influences as described for the RPI itself.

The latest annual rate of increase of RPI(X) is at a similar level to that seen prior to the introduction of GST (see Figure 5). The introduction of GST (in May 2008) resulted in an upward contribution of 2.1 percentage points to the annual change of RPI(X) for each of the subsequent four quarters but which has dropped out of the annual measure to June 2009.

On a quarterly basis, RPI(X) increased by 1.2% between March and June 2009.



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

In June 2009, the annual percentage changes for RPI(Y), RPI Pensioners and RPI Low Income are similar to that for RPI(X).

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.

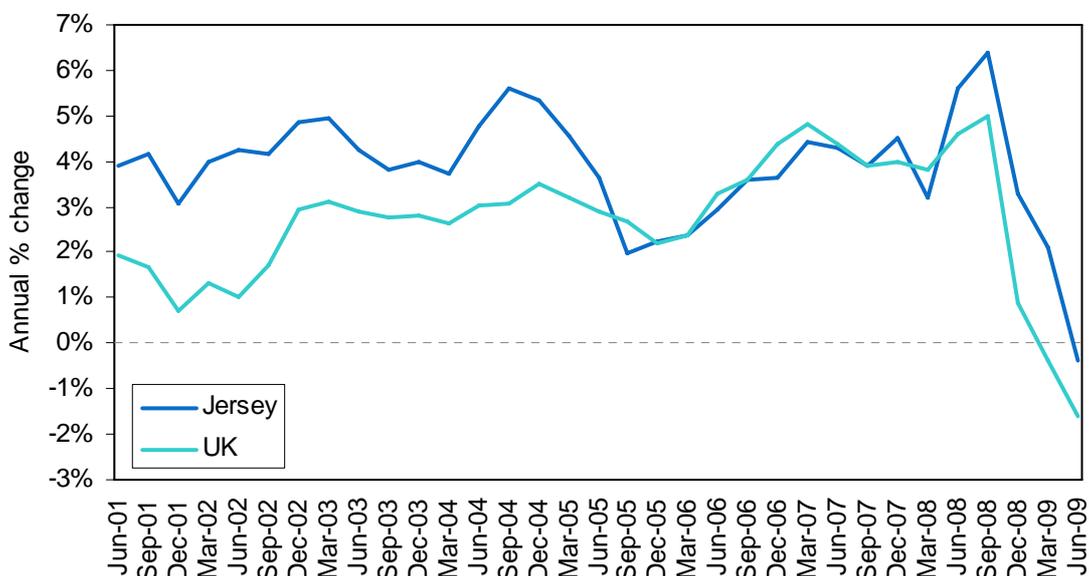
The difference between the annual rates of change of the RPI in Jersey and Guernsey was mainly attributable to the **Housing** group, which saw a larger downward contribution in Guernsey (-2.8 percentage points) than in Jersey (-2.1 percentage points). The underlying rate of inflation, as measured by RPI(X), was similar in both Islands

Table 3: Annual % increases in RPI and RPI(X) for March and June 2009

Jurisdiction	RPI		RPI(X)		RPI(Y)	
	Mar 09	Jun 09	Mar 09	Jun 09	Mar 09	Jun 09
Jersey	2.1	-0.4	5.2	2.8	3.3	2.9
UK	-0.4	-1.6	2.2	1.0	3.2	1.9
Guernsey	-1.2	-1.3	3.3	2.7	~	~

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.

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



Whilst the effect of the introduction of GST in Jersey has dropped out of the annual changes in RPI and RPI(X) for June 2009, the reduction in the rate of VAT in the UK (in December 2008) remains a key downward contributor to both indices, with an estimated contribution of about -1.1 percentage points to the annual change of the UK RPI.

The effect of lower mortgage interest payments was apparent in the **Housing** group for both jurisdictions, with this group contributing -2.1% to the annual change of the RPI to June 2009 in Jersey and -2.9% to the UK RPI for the same period.

The greater rates of increase seen for the underlying measures of inflation in Jersey were largely due to higher increases seen in the **Housing** group (excluding mortgage interest payments) and the **Motoring** group. The **Motoring** group was a significant downward contributor to the UK indices, primarily due to falling petrol prices (which have a greater contribution in the UK) and the lower cost of purchasing vehicles. In Jersey, lower petrol prices were offset by the higher cost of purchasing vehicles.

In contrast, the **Fuel & light** group contributed -0.3 percentage points to the change in the Jersey RPI but recorded a positive contribution in the UK (of 0.3 percentage points), primarily due to the different use of fuels for domestic purposes in the two jurisdictions: gas prices in the UK were up 24% on an annual basis compared with a decrease of 45% for heating oil in Jersey. Electricity prices rose on an annual basis in both jurisdictions, up by 25% in Jersey and by 7% 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 5.25% 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 September 2009 Index will be released on Friday 23rd October 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
	Jun	138.5	-0.4	-1.6	-1.3	0.9	1.0	1.6

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
	Jun	137.8	2.8	1.0	2.7	1.2