

# Jersey Retail Prices Index

## December 2009

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



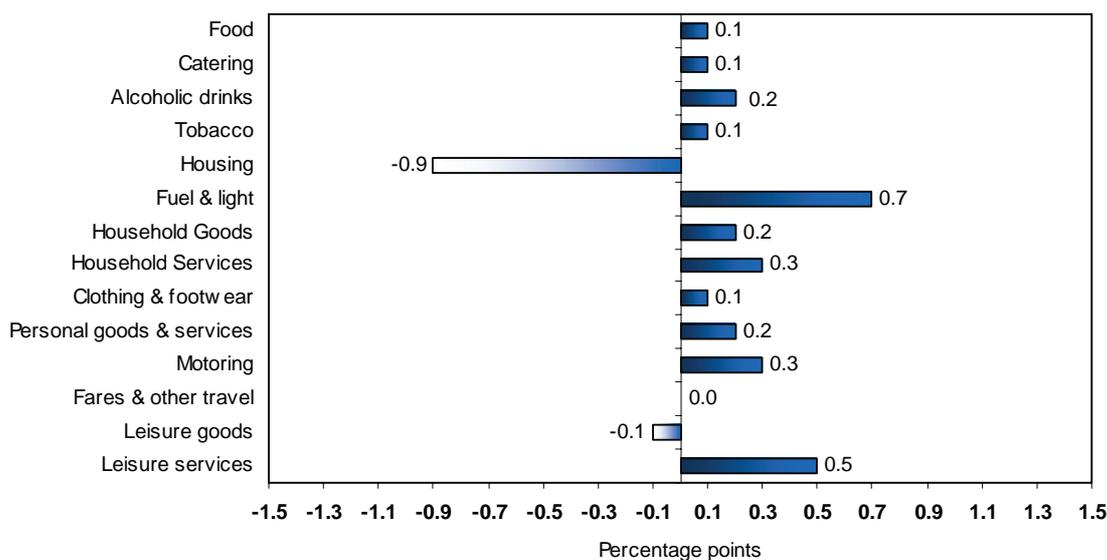
### Summary

- During the twelve months to December 2009 the All-Items Retail Prices Index (RPI) for Jersey **increased by 1.7%** to stand at 140.0 (June 2000 = 100).
- The change in the RPI during the twelve months to September 2009 was -0.6%, implying that Jersey's **annual rate of inflation rose by 2.3 percentage points** in the latest quarter.
- The **change in house purchase costs** on an annual basis was the key upward driver to this increase in the rate of inflation; this was the result of a smaller fall in the Bank of England base rate over the year to December 2009 (down by 1.5 percentage points) compared to the twelve months to September 2009 (down by 4.5 percentage points), which affected mortgage interest payments.
- The **Fuel & light** group was also a significant upward driver to the increase in the annual rate of inflation, with the cost of heating oil rising by almost a fifth over the year to December 2009 in contrast to a fall of a third in the twelve months to September 2009.
- **Food** prices increased by less than 1% over the year to December 2009, the lowest rate of increase seen by this group for three years.
- Underlying inflation, as measured by **RPI(X)**<sup>1</sup> and **RPI(Y)**<sup>2</sup>, increased by 3.5% and 3.6% respectively, over the twelve months to December 2009.
- The annual rate of increase of **RPI Pensioners** was 3.9% in the year to December 2009 whilst **RPI Low Income** increased by 3.3% over the same period.

### Annual change

Figure 1 shows the contribution to the overall annual change of 1.7% 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*

<sup>1</sup> The Retail Prices Index excluding mortgage interest payments.

<sup>2</sup> The Retail Prices Index excluding the effect of indirect taxes (such as GST and impôts) and mortgage interest payments.

On an **annual** basis the largest upward contributors to the Retail Prices Index were (see Figure 1):

- **Fuel & light** costs: rose by 21%, overall, from December 2008 to December 2009, contributing 0.7 percentage points to the overall annual change. Electricity prices increased by 25% in January 2009 and heating oil prices rose by almost a fifth (19%) over the twelve months to December 2009. In contrast, gas prices fell on an annual basis, by almost 2%, with gas tariffs being reduced in the first quarter of 2009 before increasing in October 2009.
- **Leisure services**: contributed 0.5 percentage points to the annual change in the RPI. The cost of foreign holidays rose by about 7% over the twelve months to December 2009, whilst higher costs of entertainment and recreation, as well as an increase in the price of television licences in April 2009 (up by £3), also contributed to the increase recorded for this group.
- **Motoring**: contributed 0.3 percentage points to the overall annual change. The price of petrol was 13 pence per litre higher in December 2009 than in December 2008.
- **Household services** recorded an average price increase of 3% in the twelve months to December 2009, contributing 0.3 percentage points to the overall annual change. This group includes school fees which rose in September 2009 and postal charges which increased in May 2009.

Downward contributors to the Retail Prices Index were:

- **Housing** costs: fell overall by 4% over the year to December 2009, contributing -0.9 percentage points to the annual change in the RPI (see Figure 1). House purchase costs were the dominant item, decreasing by 21% between December 2008 and December 2009 (contributing -1.6 percentage points), driven by lower mortgage interest payments on an annual basis following the series of cuts in the Bank of England base rate (see Note 4).
- **Leisure goods**: contributed -0.1 percentage points to the annual overall change in the RPI with prices in this group falling by almost 3% on an annual basis, notably for CDs, DVDs and audio-visual equipment.

The majority of the remaining groups contributed either 0.1 or 0.2 percentage points to the overall annual change. Increases in impôts on alcohol, tobacco and motor fuels in January 2009 accounted for about 0.1 percentage points of the overall change.

The **Food** group, notably, saw an overall increase in prices of 0.9% over the year to December 2009, the lowest rate of increase seen by this group for three years and considerably below the rate of increase seen a year ago, when food prices rose by 14% (including GST) over the twelve months to December 2008.

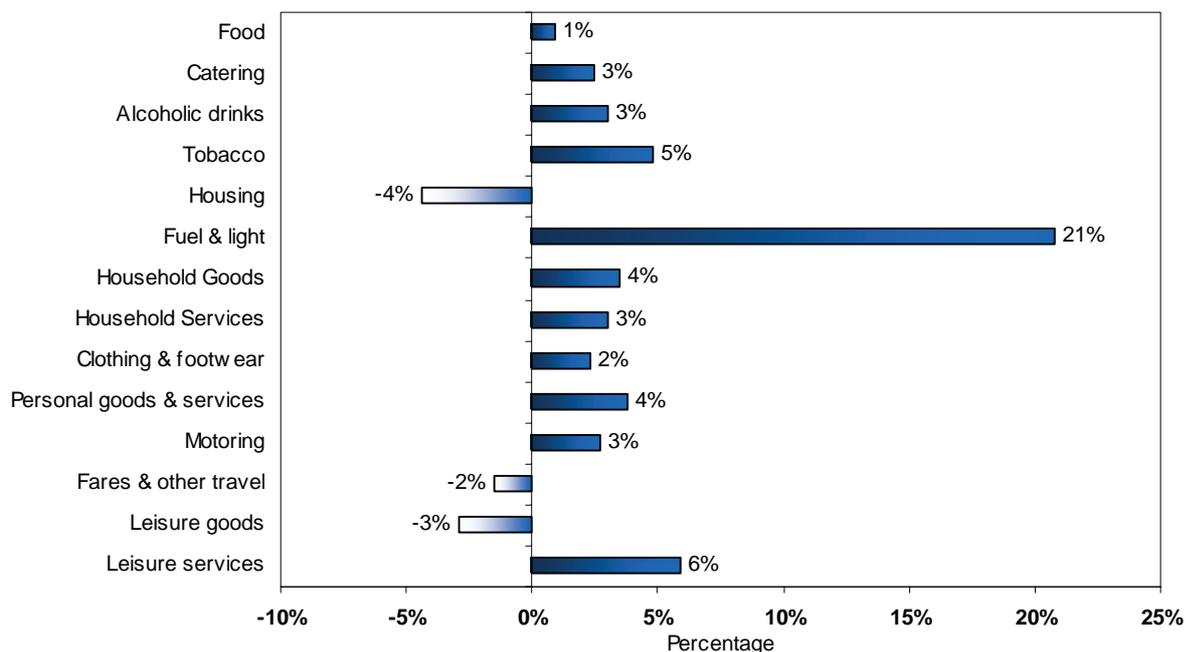
A Goods and Services Tax (GST) was introduced in Jersey in May 2008 and had an upward influence on the annual change in the RPI for the first time in June 2008, contributing 1.9 percentage points across the groups<sup>3</sup>. This upward contribution remained present in the annual rate of change of the RPI for the subsequent three quarters before dropping out in June 2009.

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<sup>3</sup> The introduction of GST introduced a similar upward contribution of 2.1 percentage points to the annual change of RPI(X).

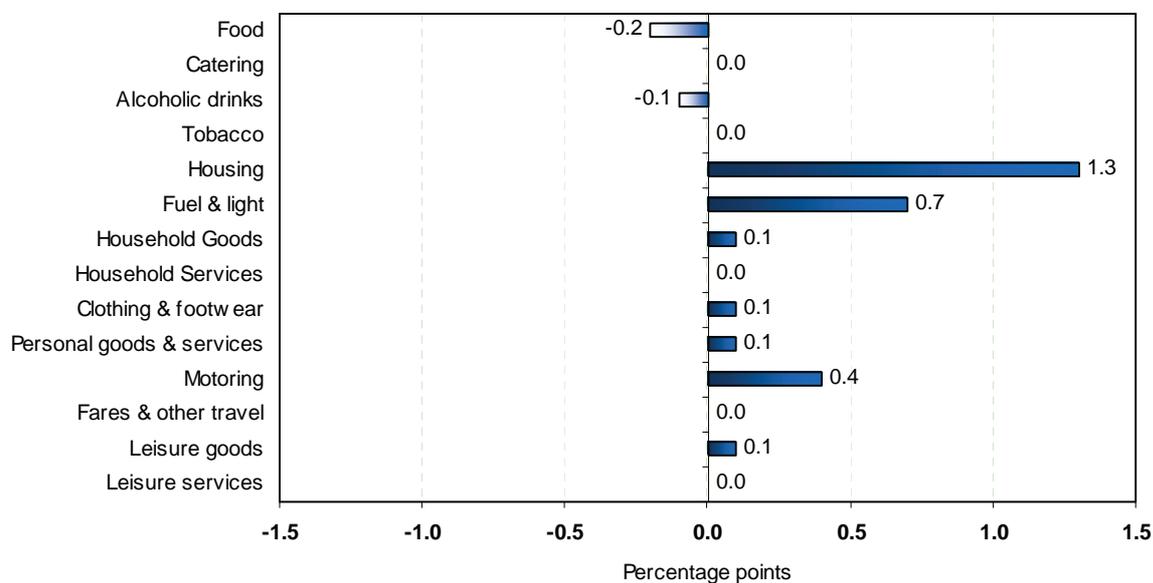
Figure 2 shows the percentage change for each group over the twelve months to December 2009.

**Figure 2 - Annual percentage changes for each group, December 2009**



There was an increase of 2.3 percentage points in the annual change of Jersey's RPI between September and December 2009, from -0.6% to 1.7%. (Figure 3).

**Figure 3 - Contributions to *change* in annual rate of increase of RPI between Sept and Dec 2009 (+2.3 from -0.6% to 1.7%)**



*Individual contributions do not sum to the total annual change due to rounding*

**Housing** costs were the key upward driver to the increase in the annual rate of change of the RPI, with prices, overall, falling at a slower rate in the twelve months to December 2009 (-4%) than in the year to September 2009 (-10%). This was due to the effect of the change in the Bank of England base rate on mortgage interest payments on an annual basis: down by 4.5 percentage points between September 2008 and September 2009 but down by only 1.5 percentage points between December 2008 and December 2009.

The **Fuel & light** group also exerted upward pressure, contributing 0.7 percentage points to the change in the annual rate. Prices had remained effectively unchanged over the twelve months to September 2009, the 25% increase in electricity prices having been offset by a 32% fall in the price of heating oil. This contrasts to an overall increase of 21% for the Fuel & light group over the twelve months to December 2009, which saw an increase in the cost of heating oil of almost a fifth, 19%.

**Motoring** costs contributed 0.4 percentage points to the change in the annual rate, with prices falling by nearly 1% in the year to September 2009 compared to prices increasing by almost 3% in the twelve months to December 2009. This difference is largely due to petrol prices which fell by 12% in the twelve months to September 2009 but increased by 11% in the year to December 2009.

The **Food** group was a downward influence, with prices rising at a slower rate in the twelve months to December 2009 (0.9%) than in the twelve months to September 2009 (2.4%), thereby contributing -0.2 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**

<b>GROUP</b>	<b>2008 Dec</b>	<b>2009 Mar</b>	<b>2009 Jun</b>	<b>2009 Sep</b>	<b>2009 Dec</b>	<b>Annual change (percent)</b>	<b>Quarterly change (percent)</b>
Food	143.0	143.2	143.6	144.0	144.3	0.9	0.2
Catering	138.7	139.0	138.8	140.9	142.1	2.5	0.9
Alcoholic drinks	142.5	146.0	149.6	150.3	146.8	3.0	-2.3
Tobacco	187.1	194.0	196.0	197.7	196.0	4.8	-0.9
Housing	155.9	145.5	145.5	147.5	149.0	-4.4	1.0
Fuel & light	163.7	181.1	184.4	188.9	197.8	20.8	4.7
Household goods	103.3	104.7	106.4	106.3	106.9	3.5	0.6
Household services	143.4	145.6	146.3	147.5	147.7	3.0	0.1
Clothing & footwear	82.7	84.8	82.4	83.7	84.6	2.3	1.1
Personal goods & services	133.8	135.0	137.2	138.3	138.9	3.8	0.4
Motoring	136.6	135.4	141.3	141.6	140.3	2.7	-0.9
Fares & other travel	174.1	189.5	179.7	179.8	171.5	-1.5	-4.6
Leisure goods	86.5	83.2	84.3	83.3	84.0	-2.9	0.8
Leisure services	146.0	148.0	150.7	152.9	154.6	5.9	1.1
<b>All items</b>	<b>137.7</b>	<b>137.3</b>	<b>138.5</b>	<b>139.6</b>	<b>140.0</b>	<b>1.7</b>	<b>0.3</b>

## Quarterly changes

On a quarterly basis, the RPI increased by 0.3 percentage points between September and December 2009 (see Figure 4).

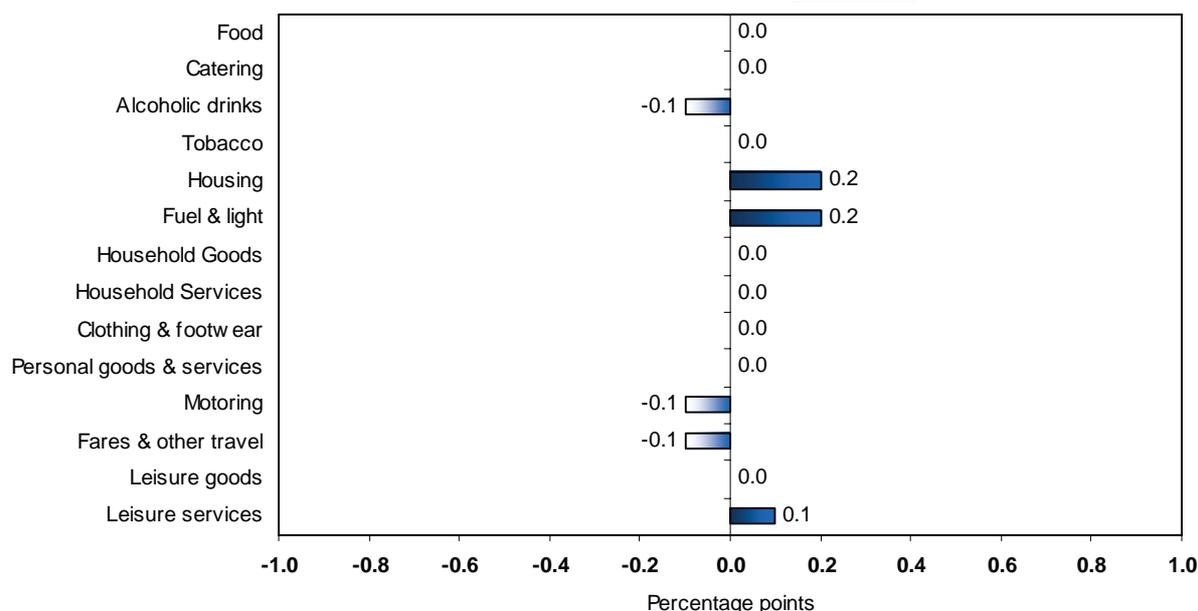
The **Housing** group contributed 0.2 percentage points to the overall net quarterly change. Public sector rents increased by 2.5% in October 2009 and the price of DIY materials also increased over the quarter.

The **Fuel & light** group also contributed 0.2 percentage points to the quarterly change. The cost of heating oil rose by 5p per litre over the quarter, whilst gas prices, overall, increased by 13% following the introduction of a higher tariff in October 2009.

**Leisure services** contributed 0.1 percentage points to the net change, with entertainment, recreation and foreign holidays all seeing price rises.

**Alcoholic drinks, Motoring** and **Fares & other travel** all saw prices fall, overall, on a quarterly basis, each group contributing -0.1 percentage points to the change in the RPI. The remaining groups saw essentially no change over the quarter.

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



*Individual contributions do not sum to the total annual change due to rounding*

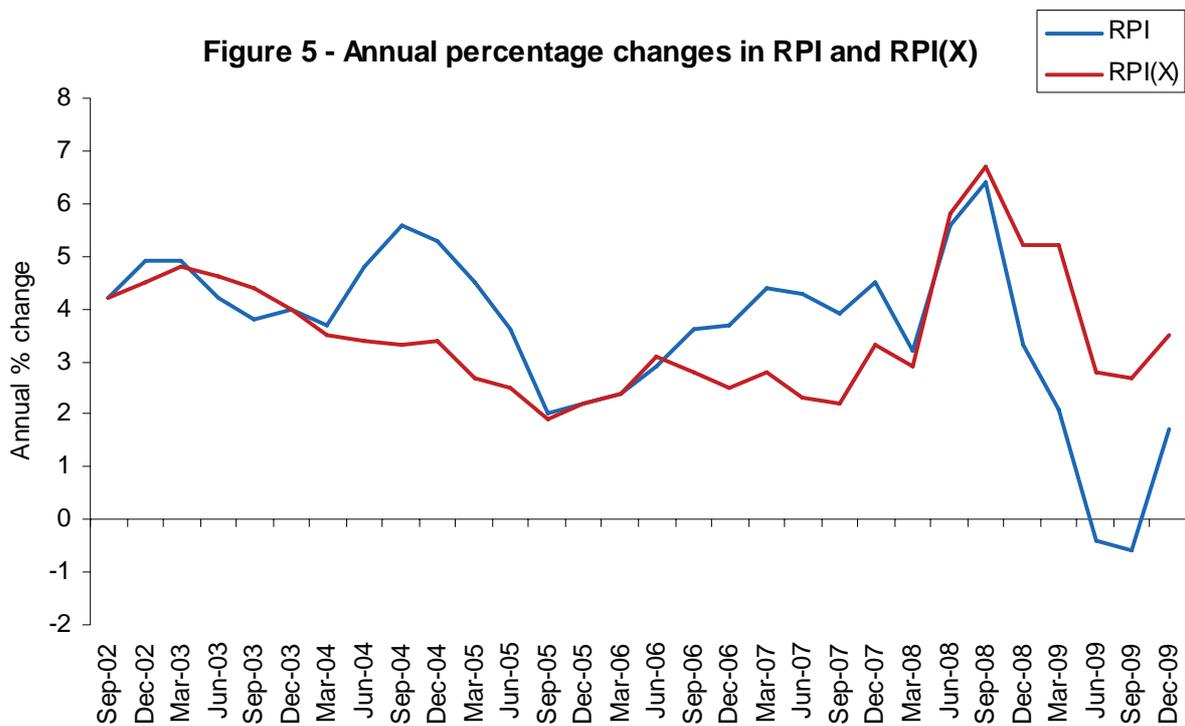
## Excluding house purchase costs: RPI(X)

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

In the twelve months to December 2009 **RPI(X) increased by 3.5%** to 139.0.

**Housing** costs (excluding mortgage interest payments) and **Fuel & light** costs were the key upward drivers, each contributing 0.7 percentage points to the annual change of RPI(X). Other groups saw similar upward and downward influences as described for the RPI itself.

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 and dropped out of the annual measure in June 2009. Excluding those quarters that were affected by the introduction of GST, the latest annual rate of increase of RPI(X) is the highest seen for five years (see Figure 5).



On a quarterly basis, RPI(X) increased by 0.1% between September and December 2009.

#### Other inflation measures

In December 2007, a further three consumer price 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(X), RPI(Y), RPI Pensioners and RPI Low Income**

Date	RPI(X)	RPI(Y)	RPI Pensioners	RPI Low Income
Dec-07	3.2	3.5	3.5	3.7
Mar-08	2.9	2.9	2.9	2.7
Jun-08	5.8	3.9	5.6	5.2
Sep-08	6.7	4.9	6.6	5.9
Dec-08	5.2	3.2	4.8	4.9
Mar-09	5.2	3.3	5.0	5.3
Jun-09	2.8	2.9	2.9	2.9
Sep-09	2.7	2.7	2.8	2.7
Dec-09	3.5	3.6	3.9	3.3

RPI Pensioners recorded a higher annual rate of increase in the twelve months to December 2009 (3.9%) than that recorded for RPI(X) over the same period (3.5%). This difference was largely driven by the increases seen in Fuel & light, Leisure services and the non-purchase elements of the Housing group receiving greater weight in RPI Pensioners than in RPI(X).

In contrast, RPI Low Income recorded a lower annual rate of increase (3.3%) than RPI(X) (3.5%) in the year to December 2009. The greater weight given to the increases seen for Fuel & light and Food in RPI Low Income was more than offset by the lower weight ascribed to the increases seen for Household services, Leisure services and Motoring.

**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 annual change in the Jersey RPI was 0.5 percentage points lower than the annual change in the Guernsey RPI. The **Housing** group saw a decrease in Jersey (-4%) compared to no change in Guernsey, whilst **Motoring** costs rose by more in Guernsey (10%) than in Jersey (3%). These downward influences offset the difference seen in the **Household services** group in the two jurisdictions, whereby Guernsey recorded a decrease of 3% on an annual basis compared to the 3% increase seen in Jersey in the twelve months to December 2009.

**Table 3: Annual % increases in RPI and RPI(X) for September and December 2009**

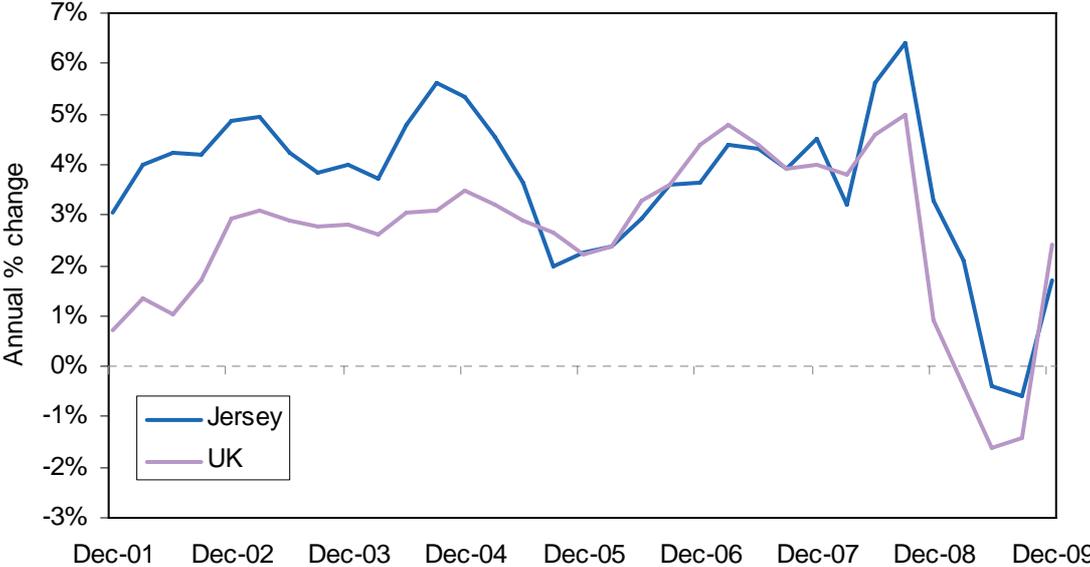
Jurisdiction	RPI		RPI(X)		RPI(Y)	
	Sep 09	Dec 09	Sep 09	Dec 09	Sep 09	Dec 09
<b>Jersey</b>	-0.6	1.7	2.7	3.5	2.7	3.6
<b>UK</b>	-1.4	2.4	1.3	3.8	2.0	3.8
<b>Guernsey</b>	-1.2	2.2	2.4	2.9	~	2.7

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.

The effect of lower mortgage interest payments was apparent in the **Housing** group for both jurisdictions, with this group contributing -0.9 percentage points to the annual change of the RPI to December 2009 in Jersey and -1.0 percentage points to the UK RPI for the same period.

Whilst **Motoring** costs rose in the year to December 2009 by 15% in the UK, contributing 1.8 percentage points to the overall change of the UK RPI, Jersey motoring costs recorded a much lower increase of 3%, contributing 0.3 percentage points to the Jersey RPI. In contrast, the **Fuel & light** group fell by 6% in the UK, contributing -0.3 percentage points to the annual change of the UK RPI, whilst Jersey recorded an increase of 21% for this group, contributing 0.7 percentage points to the change in the Jersey RPI over the same period.

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



## 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 7<sup>th</sup> February 2008. It then fell, to 5.00% on 10<sup>th</sup> April, to 4.50% on 8<sup>th</sup> October, to 3.00% on 6<sup>th</sup> November and then to 2.00% on 4<sup>th</sup> December 2008. It then fell a further three times in 2009, to 1.50% on 8<sup>th</sup> January, to 1.00% on 5<sup>th</sup> February and to 0.50% on 5<sup>th</sup> 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](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 March 2010 Index will be released on Friday 23<sup>rd</sup> April 2010.
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 Berry – 01534 440425; e-mail: [statistics@gov.je](mailto: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
<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
	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
<b>2009</b>	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
	Sep	139.6	-0.6	-1.4	-1.2	0.8	0.9	1.1
	Dec	140.0	1.7	2.4	2.2	0.3	1.3	0.0

RETAIL PRICES INDEX EXCLUDING HOUSE PURCHASE COSTS: 2000 - 2009						
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
<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
	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
	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
<b>2009</b>	Mar	136.2	5.2	2.2	3.3	1.4
	Jun	137.8	2.8	1.0	2.7	1.2
	Sep	138.8	2.7	1.3	2.4	0.7
	Dec	139.0	3.5	3.8	2.9	0.1