

Jersey Retail Prices Index – March 2007

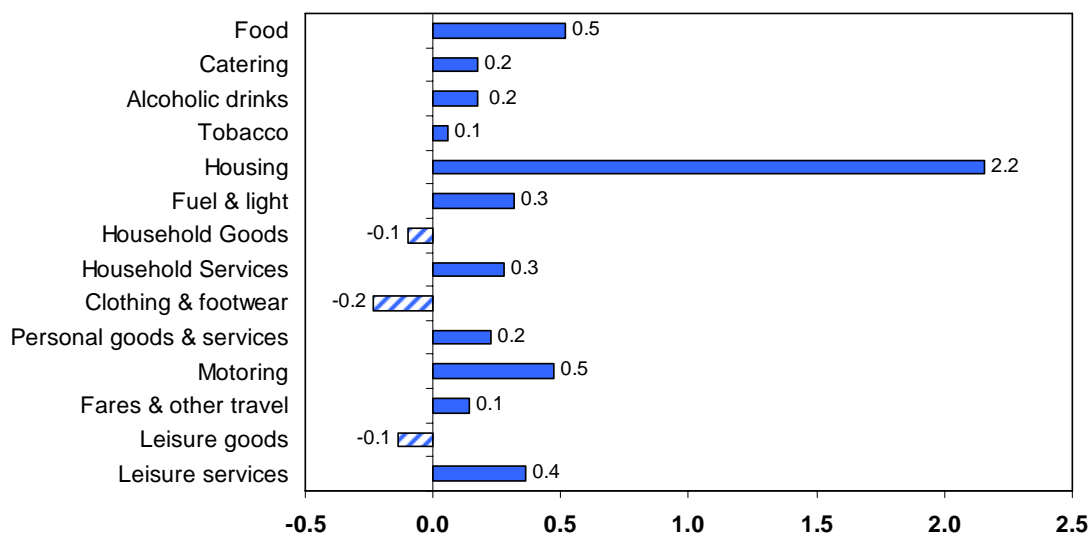
Headlines

- During the twelve months to March 2007 the All-Items Retail Prices Index (RPI) for Jersey rose by 4.4% to stand at 130.3 (June 2000 = 100).
- **Increased mortgage costs**, largely resulting from recent rises in the Bank of England base rate¹, was the key driver and accounted for 1.8 percentage points of the total annual increase in the headline RPI.
- The increase in the RPI during the twelve months to December 2006 was 3.7%, implying that Jersey's **annual rate of inflation rose by 0.7 percentage points** in the latest quarter.
- **RPI(X)**, the Retail Prices Index excluding the cost of house purchase, **increased by 2.8% during the twelve months to March 2007**.
- The annual rate of increase in RPI(X) of 2.8% was 0.3 percentage points higher than in December 2006, due to increases across several groups, particularly **Food**.
- The annual change in RPI(X) has been within 0.5 percentage points of the States' target of 2.5% for eight of the past nine quarters.

Annual change

Figure 1 shows the contribution to the overall annual change of 4.4% for 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.

¹ See Note 4.

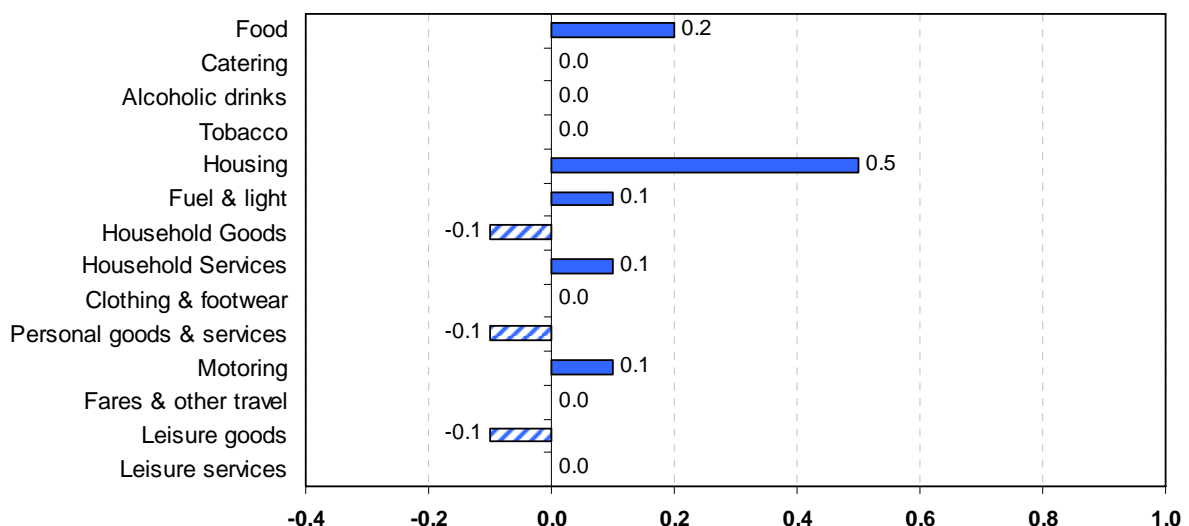
On an **annual** basis the largest contributors to the change in the Retail Prices Index were:

- **Housing** costs: the whole Housing group increased by 10% during the twelve months to March 2007 and accounted for half of the overall annual increase in the RPI (2.2 percentage points). The main factor was increased house purchase costs, predominantly due to three rises in the Bank of England base rate (August and November 2006 and January 2007) which, combined with the ongoing growth in Jersey house prices, accounted for 1.8 percentage points of the overall increase in the RPI.
- **Motoring** costs: increased by 4% over the previous twelve months due to increases across the whole group and accounted for 0.5 percentage points of the overall increase in the RPI.
- **Food** costs: increased by 5% compared to March 2006, contributing 0.5 percentage points of the overall annual increase in the RPI. Price rises were seen across the group, notably for bread, fish, tea and coffee and fruit and vegetables. In contrast, decreases were seen for lamb and pork.
- **Leisure Services:** increased by around 3% over the twelve months to March 2007, contributing 0.4 percentage points to the overall change. This group includes television licences, holidays and entertainment costs, which all showed increases during the year.
- **Fuel and light:** increased by around 10% on average over the last twelve months contributing 0.3 percentage points, mainly as a result of a 20% increase in electricity prices in January 2007. In contrast, however, oil prices fell by 5% compared to March 2006.
- **Household services** increased by around 4% compared to March 2006, contributing 0.3 percentage points to the overall RPI. This group includes domestic services, school fees and postal charges.

Increases were seen in the majority of the other groups, each contributing around 0.1 to 0.2 percentage points to the overall annual change (see figure 1). Increases in impôts (effective in January 2007) accounted for less than 0.2 percentage points of the overall increase in the RPI. In contrast, prices of **Household** and **Leisure goods** were lower than a year earlier, on average, with falls in furniture, household and audiovisual equipment, toys, CDs and DVDs. Prices in **Clothing and footwear** decreased by about 6% on average, with reductions across the group, particularly in women’s outerwear.

Largely as a result of the increases in mortgage interest rates, the **Housing** group was the largest contributor (see figure 2) to the overall increase of 0.7 percentage points in the annual rate of change of Jersey’s RPI between December and March 2007, from 3.7 to 4.4%.

Figure 2 - Contributions to change in annual rate of increase of RPI between Dec 06 & Mar 07 (+0.7% from 3.7% to 4.4%)



The **Food** group saw a larger annual rate of increase in March (5%) than December (3%) and hence contributed 0.2 percentage points to the overall change of the RPI. **Fuel and light, Household services, Motoring** and **Fares & other travel** also exerted upward pressure to the overall rate of increase. In contrast **Leisure goods** saw a decrease in March prices compared to a slight increase in December, exerting downward pressure, whilst **Personal goods and services** saw a slightly lower rate of increase, and thus also exerted downward pressure.

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

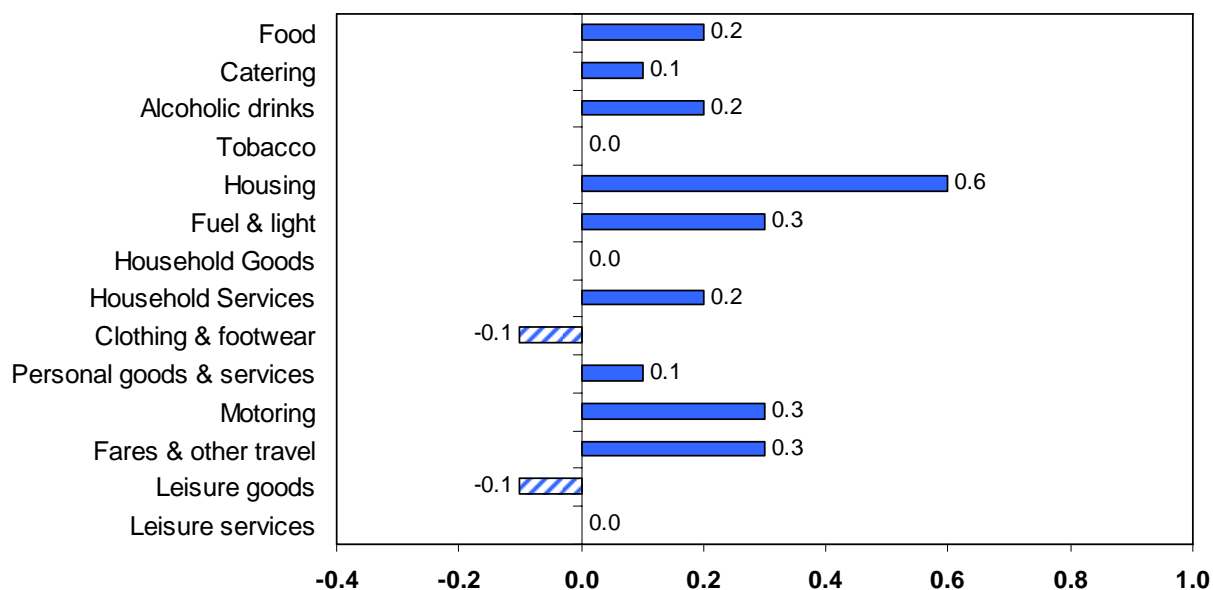
GROUP	2006 Mar	2006 Jun	2006 Sep	2006 Dec	2007 Mar	<i>Annual change (percent)</i>	<i>Quarterly change (percent)</i>
Food	114.8	117.0	117.5	118.6	120.5	5.0	1.6
Catering	120.0	120.2	121.8	122.7	124.3	3.6	1.3
Alcoholic drinks	127.5	127.7	128.4	126.4	131.2	2.9	3.7
Tobacco	165.8	166.2	166.4	166.4	170.9	3.1	2.8
Housing	138.2	140.0	143.4	147.7	151.9	9.9	2.9
Fuel & light	139.5	142.4	140.6	139.0	154.0	10.4	10.8
Household goods	105.2	102.6	102.5	102.6	103.1	-2.0	0.6
Household services	128.9	129.2	130.0	130.9	133.6	3.6	2.1
Clothing & footwear	90.7	90.0	86.8	86.9	85.6	-5.6	-1.5
Personal goods & services	123.0	124.6	125.7	126.0	127.9	4.0	1.5
Motoring	125.2	127.4	127.2	126.7	130.6	4.3	3.1
Fares & other travel	156.6	174.3	169.7	150.7	164.7	5.2	9.3
Leisure goods	95.7	96.4	95.7	95.7	93.2	-2.6	-2.6
Leisure services	130.9	131.9	134.0	134.3	135.0	3.1	0.5
All items	124.8	126.2	127.1	127.5	130.3	4.4	2.2

Quarterly changes

The quarterly increase of 2.2% between December 2006 and March 2007 was the result of increases across the majority of the groups. The key group contributing to the net increase was **Housing**, accounting for 0.6 percentage points (figure 3), the key driver being the latest increase in the Bank of England base rate. Over the last quarter prices increased on average for **Fuel & light, Motoring** and **Fares & other travel**, each group contributing 0.3 percentage points.

Clothing and footwear saw decreases in average prices across the group in the latest quarter. **Leisure goods** saw a decrease of around 3% on a quarterly basis, primarily due to price decreases in audio-visual equipment, CDs and DVDs.

Figure 3 - Contribution of each group to quarterly change in the RPI.



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

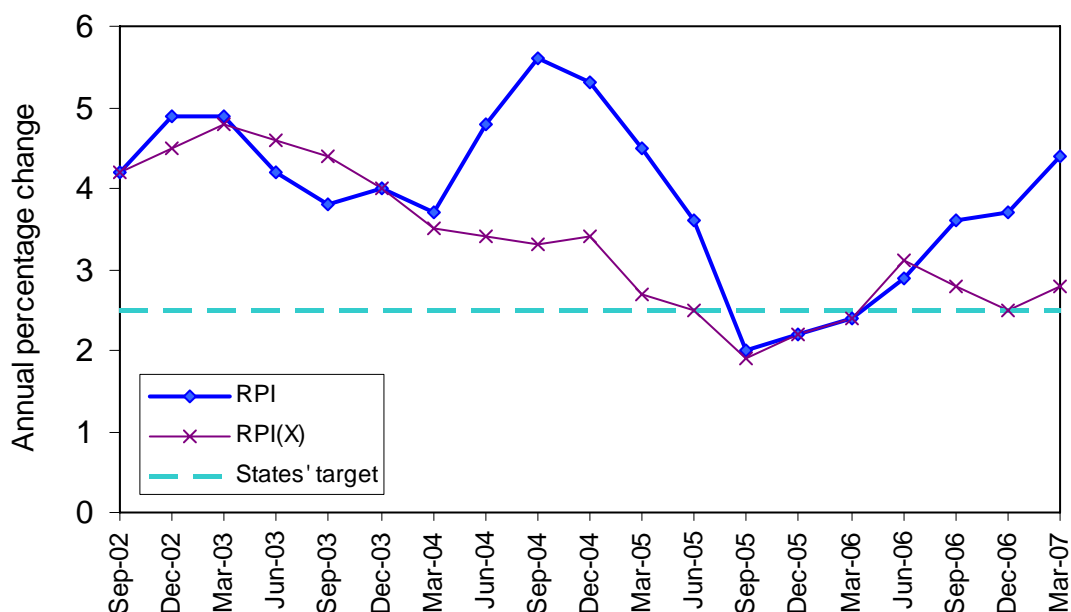
Excluding house purchase costs: RPI(X)

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

In the twelve months to March 2007 **RPI(X) increased by 2.8%** to 125.9. This annual rate of increase of RPI(X) was 0.3 percentage points higher than in the previous quarter (see figure 4). The **Food** group, in particular, exerted upward pressure whilst **Leisure goods** was a downward influence.

On a quarterly basis, between December 2006 and March 2007, RPI(X) increased by 1.8%.

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



As figure 4 shows, the annual change in RPI(X) has been within 0.5 percentage points of the States' target for eight of the past nine quarters (i.e. since March 2005).

Comparison with other jurisdictions

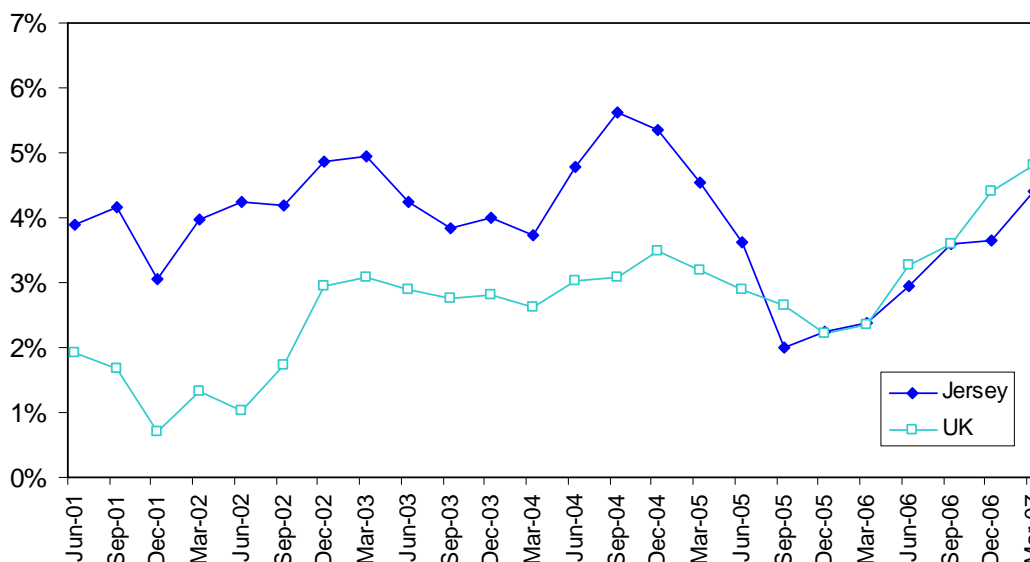
Increases in the Bank of England base rate was the key driver to the changes in the annual rates of increase of the RPI in all jurisdictions shown in table 2. However, local trends and issues in each location dictate the full extent of these effects and thus the differences between the relative rates 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 December 06 and March 07

	RPI		RPI(X)	
	Dec 06	Mar 07	Dec 06	Mar 07
Jersey	3.7	4.4	2.5	2.8
Guernsey	4.4	4.8	2.8	3.1
Isle of Man	3.1	3.8	2.6*	3.1*
UK	4.4	4.8	3.8	3.9

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

Figure 5 - Annual percentage change in RPI: Jersey and UK 2001-2007



Overall price movements in Jersey and the UK were similar in the year to March 2007 with higher house purchase costs the key driver in the increase in both jurisdiction's headline RPI. The **Housing** group overall rose by similar rates in both Jersey (10%) and the UK (9%). **Food** prices also saw similar changes, up around 5%, over the past twelve months, whilst both jurisdictions experienced decreases in **Clothing and Footwear** and **Leisure Goods** over the twelve months to March 2007. A key difference remains around **Fuel costs** (up by 10% overall in Jersey, but by 24% in the UK), notably due to gas prices increasing by a third in the UK in the last twelve months. Another area of difference was in furniture prices, which increased in the UK, but which recorded a decrease in Jersey.

Increased house purchase costs were also the key reason for the latest increase in the RPI in Guernsey. The difference between the headline rates of inflation in Jersey and Guernsey was largely due to the Housing group overall, which contributed 2.8 percentage points in Guernsey and 2.2 in Jersey. For the remainder of the groups the annual percentage changes and contributions to overall change were similar in both jurisdictions.

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 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 2000 to date. The movements of the 85 individual section indices which comprise the Jersey RPI are published on the website www.gov.je/statistics.
4. The Bank of England base rate stood at 4.50% in August 2005 and remained stable for twelve months. It has since increased three times, to 4.75% on 3 August 2006, 5.00%, 9 November 2006 and then to 5.25% on 11 January 2007. The movement in the base rate over the twelve months to March 2007 was thus an increase from 4.50% to 5.25%, compared with an increase from 4.50% to 5.00% over the twelve months to December 2006.
5. **The June 2007 Index will be released on Wednesday 18th July 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).

*Statistics Unit
25 April 2007*

All items Retail Prices Index: 2000 - 2007

		<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>
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

Retail Prices Index eXcluding house purchase costs

		<u>RPI(X) 2000 - 2007</u>				
		<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>
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