

Jersey Retail Prices Index

September 2009

Statistics Unit: www.gov.je/statistics



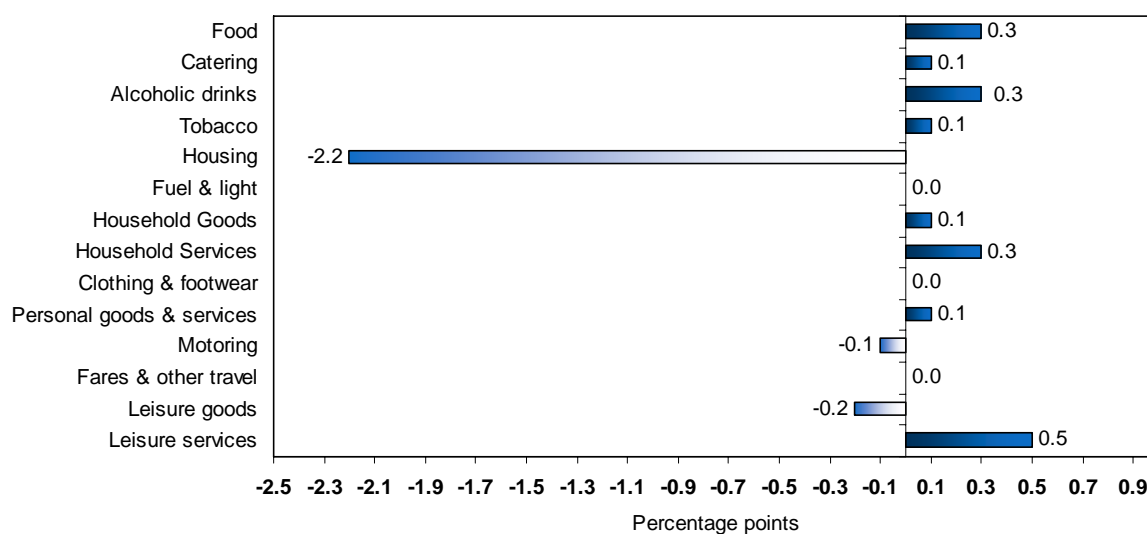
Summary

- During the twelve months to September 2009 the All-Items Retail Prices Index (RPI) for Jersey **decreased by -0.6%** to stand at 139.6 (June 2000 = 100).
- The change in the RPI during the twelve months to June 2009 was -0.4%, implying that Jersey's **annual rate of inflation fell by 0.2 percentage points** in the latest quarter.
- The key contributor to the latest annual change in the RPI was the fall in **house purchase costs**, a result of lower mortgage interest payments.
- **Food** prices increased by 2% over the year to September 2009, the lowest rate of increase seen for three years.
- Underlying inflation, as measured by **RPI(X)**¹ and **RPI(Y)**², was down marginally on the previous quarter.
- Both **RPI(X)** and **RPI(Y)** increased by 2.7% during the twelve months to September 2009.
- The annual rates of increase of **RPI Pensioners** and **RPI Low Income** were 2.8% and 2.7% respectively over the twelve months to September 2009, both marginally down on the previous quarter.

Annual change

Figure 1 shows the contribution to the overall annual change of -0.6% 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 quarterly change due to rounding

¹ The Retail Prices Index excluding mortgage interest payments.

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

The decrease of -0.6% in the RPI between September 2008 and September 2009 represents the second annual decrease seen in Jersey's RPI since the official series began in October 1948. The Jersey RPI fell for the first time on an annual basis in the previous quarter (-0.4% in June 2009).

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

- **Housing** costs: fell overall by 10% over the year to September 2009, contributing -2.2 percentage points to the annual change in the RPI (see Figure 1). House purchase costs were the dominant item, decreasing by 35% between September 2008 and September 2009 (contributing -3.1 percentage points), driven by lower mortgage interest payments following the series of cuts in the Bank of England base rate (see Note 4).
- **Food** costs: increased by 2% in the year to September 2009, contributing 0.3 percentage points to the overall annual change in the RPI. Price rises were seen across the majority of the group, particularly for bread, non-fresh fish, processed fruit and tea. Some price falls were seen within the group, notably for fresh fish, fresh fruit and fresh potatoes. The latest annual increase is the lowest seen by the group for three years and is considerably below the rate of increase seen a year ago when food prices rose by 13% (including GST) in the twelve months to September 2008.
- **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 September 2009.
- **Leisure goods**: contributed -0.2 percentage points to the annual overall change in the RPI with prices in this group falling by 6% on an annual basis, and notably for audio-visual equipment.
- **Motoring**: contributed -0.1 percentage points to the overall change. The price of petrol was 11 pence per litre lower in September 2009 than in September 2008; the price of diesel fell by 19 pence per litre over the same period.

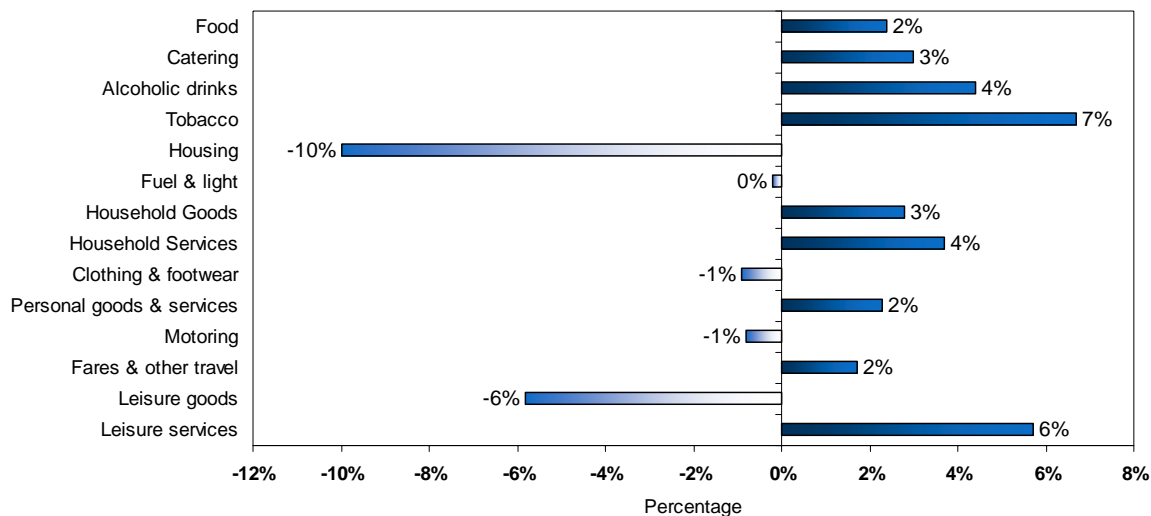
Household services recorded an average price increase of 4% in the twelve months to September 2009, contributing 0.3 percentage points to the overall annual change. This group includes school fees which rose in this quarter and postal charges which increased in May 2009. **Alcoholic drinks** rose by 4% in the twelve months to September 2009, contributing 0.3 percentage points to the annual change due to price increases across the group. Increases in impôts on alcohol, tobacco and motor fuels in January 2009 accounted for about 0.1 percentage points of the overall change.

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 groups³. 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.

³ 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 September 2009.

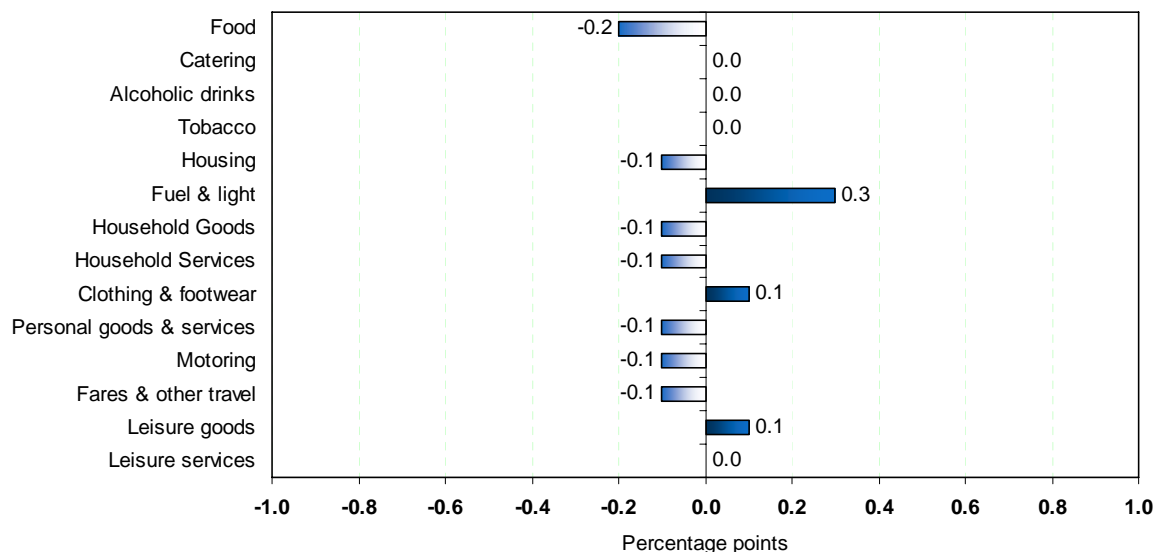
Figure 2 - Annual percentage changes for each group, September 2009



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

There was a decrease of -0.2 percentage points in the annual change of Jersey's RPI between June and September 2009, from -0.4% to -0.6%. (Figure 3)

Figure 3 - Contributions to *change* in annual rate of increase of RPI between June and Sept 2009 (-0.2% from -0.4% to -0.6%)



The **Food** group exerted the greatest downward influence; with prices rising at a slower rate in the twelve months to September 2009 (2%) than the twelve months to June 2009 (4%) and contributing -0.2 percentage points to the change in the annual rate.

The **Fuel & light** group exerted upward pressure with prices remaining effectively unchanged in the twelve months to September 2009, due to the 25% increase in electricity prices being offset by the 32% fall in the price of heating oil. This compares to a fall (-6%) in the twelve months to June 2009, resulting in this group contributing +0.3 percentage points to the change in the annual rate.

Clothing & footwear and **Leisure goods** each contributed +0.1 percentage points to the change in the annual rate, due to a smaller decrease in prices in the twelve months to September 2009 than June 2009

The majority of the other groups were a downward influence on the annual change, either recording a greater percentage decrease or a lower rate of increase in the twelve months to September 2009 compared with the twelve months to June 2009.

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 Sep	2008 Dec	2009 Mar	2009 Jun	2009 Sep	Annual change (percent)	Quarterly change (percent)
Food	140.6	143.0	143.2	143.6	144.0	2.4	0.3
Catering	136.8	138.7	139.0	138.8	140.9	3.0	1.5
Alcoholic drinks	143.9	142.5	146.0	149.6	150.3	4.4	0.5
Tobacco	185.2	187.1	194.0	196.0	197.7	6.7	0.8
Housing	163.8	155.9	145.5	145.5	147.5	-10.0	1.4
Fuel & light	189.3	163.7	181.1	184.4	188.9	-0.2	2.5
Household goods	103.4	103.3	104.7	106.4	106.3	2.8	0.0
Household services	142.3	143.4	145.6	146.3	147.5	3.7	0.8
Clothing & footwear	84.5	82.7	84.8	82.4	83.7	-0.9	1.7
Personal goods & services	135.2	133.8	135.0	137.2	138.3	2.3	0.8
Motoring	142.7	136.6	135.4	141.3	141.6	-0.8	0.3
Fares & other travel	176.8	174.1	189.5	179.7	179.8	1.7	0.1
Leisure goods	88.4	86.5	83.2	84.3	83.3	-5.8	-1.1
Leisure services	144.6	146.0	148.0	150.7	152.9	5.7	1.4
All items	140.5	137.7	137.3	138.5	139.6	-0.6	0.8

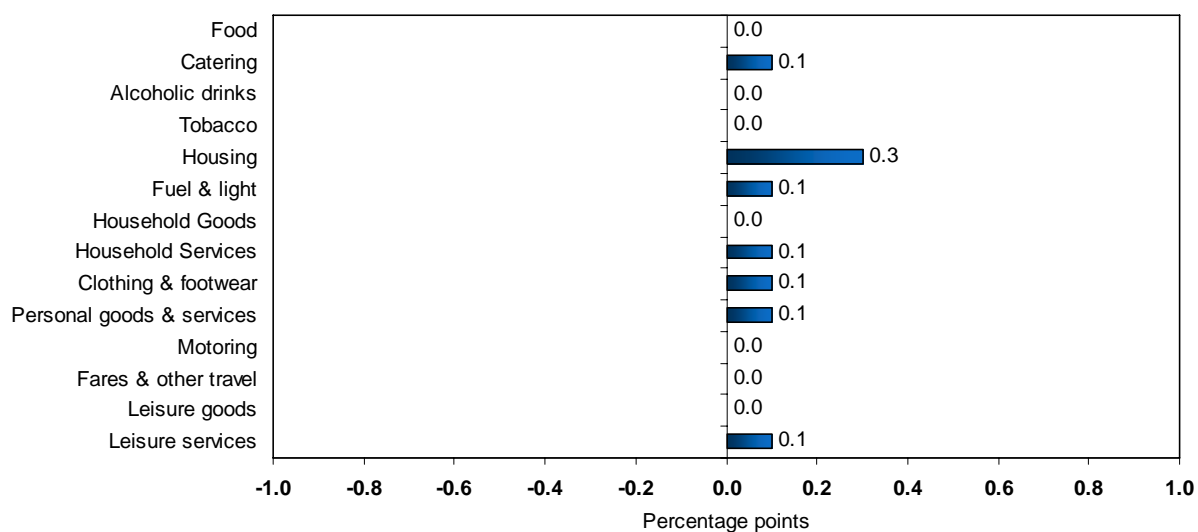
Quarterly changes

On a quarterly basis, the RPI increased by 0.8 percentage points between June and September 2009 (see Figure 4).

The **Housing** group contributed 0.3 percentage points to the overall net quarterly change. Increases were seen across the group, including for Parish rates which rose by 3% on average in the quarter.

The cost of heating oil increased by 3 pence per litre over the quarter, whilst increases in school fees in September contributed to the quarterly change seen by the **Household services** group.

Figure 4 - 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)

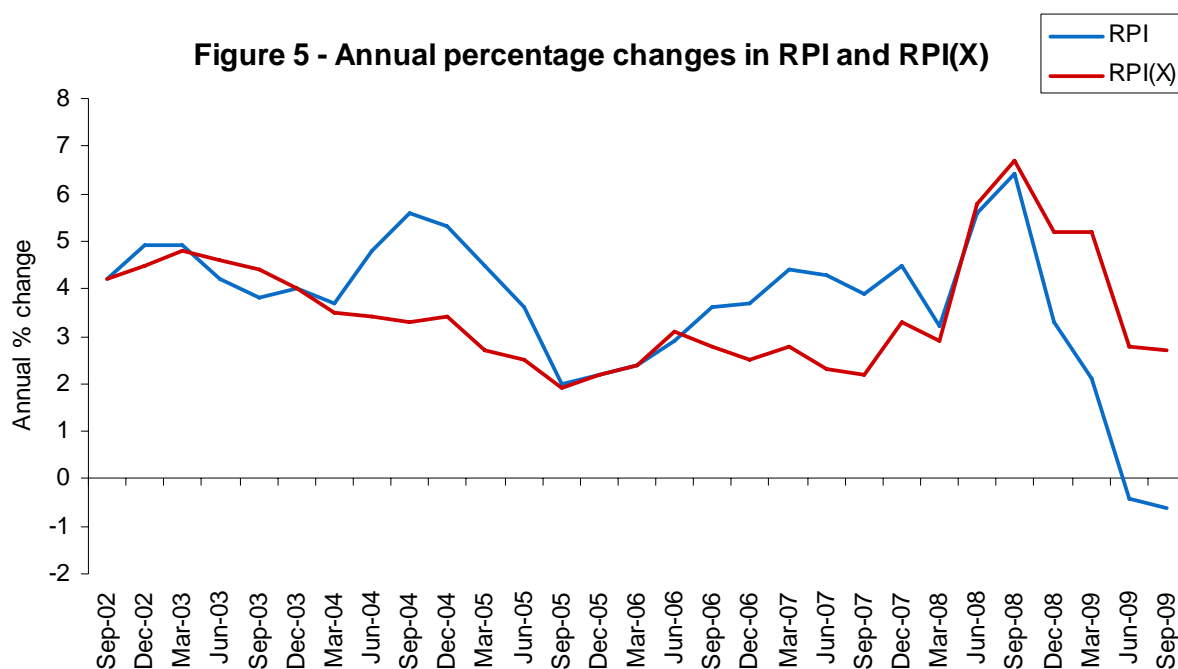
RPI(X) is the RPI excluding the cost of mortgage interest payments. The annual change in RPI(X) is often considered as a measure of underlying inflation.

In the twelve months to September 2009 **RPI(X) increased by 2.7%** to 138.8.

Housing costs (excluding mortgage interest payments) were the key upward driver, contributing 1.0 percentage points to the annual change of RPI(X). **Leisure services** and **Household services** contributed 0.5 and 0.4 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 and which dropped out of the annual measure to June 2009.

On a quarterly basis, RPI(X) increased by 0.7% between June and September 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(Y), RPI Pensioners and RPI Low Income

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

In September 2009, the annual percentage changes for RPI(Y), RPI Pensioners and RPI Low Income were marginally lower than in the previous quarter.

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.

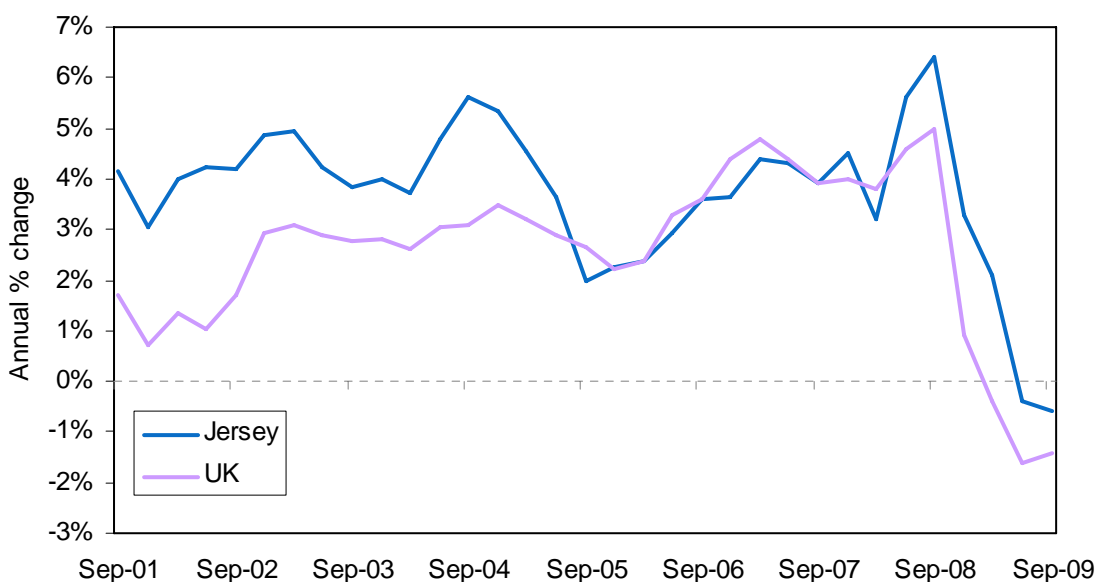
The main differences between the annual rates of change of the RPI in Jersey and Guernsey were the **Housing** group, which saw a larger downward contribution in Guernsey (-2.5 percentage points) than in Jersey (-2.2 percentage points) and **Leisure services** which contributed 0.2 percentage points in Guernsey and 0.5 percentage points in Jersey. 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 June and September 2009

Jurisdiction	RPI		RPI(X)		RPI(Y)	
	Jun 09	Sep 09	Jun 09	Sep 09	Jun 09	Sep 09
Jersey	-0.4	-0.6	2.8	2.7	2.9	2.7
UK	-1.6	-1.4	1.0	1.3	1.9	2.0
Guernsey	-1.3	-1.2	2.7	2.4	~	~

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), the reduction in the rate of VAT in the UK (in December 2008) remains a key downward contributor to both indices for the UK.

The effect of lower mortgage interest payments was apparent in the **Housing** group for both jurisdictions, with this group contributing -2.2 percentage points to the annual change of the

RPI to September 2009 in Jersey and -2.8 percentage points 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 greater increases seen in the **Housing** group (excluding mortgage interest payments). The **Fuel & light** group fell by 8% in the UK, contributing -0.4 percentage points to the change in the UK RPI but remained essentially unchanged in Jersey. This difference is primarily due to gas and electricity prices in the UK falling by 6% and 7% respectively on an annual basis, whereas in Jersey the 25% increase in electricity prices offset the 32% fall in the price of heating oil.

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 December 2009 Index will be released on Friday 22nd January 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 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
	Sep	139.6	-0.6	-1.4	-1.2	0.8	0.9	1.1

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
	Sep	138.8	2.7	1.3	2.4	0.7