

Jersey Retail Prices Index – September 2007

Headlines

- During the twelve months to September 2007 the All-Items Retail Prices Index (RPI) for Jersey rose by 3.9% to stand at 132.1 (June 2000 = 100).
- Increased mortgage costs, largely as a result of the series of increases in the Bank of England base rate over the past year¹, was the key driver; higher interest rates accounted for 1.5 percentage points of the total annual increase in the RPI. The increased cost of Food was also significant.
- The increase in the RPI during the twelve months to June 2007 was 4.3%, implying that Jersey's annual rate of inflation fell by 0.4 percentage points in the latest quarter.
- RPI(X), the Retail Prices Index excluding the cost of house purchase, increased by 2.2% during the twelve months to September 2007.
- The annual rate of increase in RPI(X) was 0.1 percentage points lower than in June 2007, with downward influences from Clothing & footwear, Household goods and Motoring.
- The annual change in RPI(X) has been within 0.5 percentage points of the States' target of 2.5% for ten of the eleven quarters since March 2005.

Annual change

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

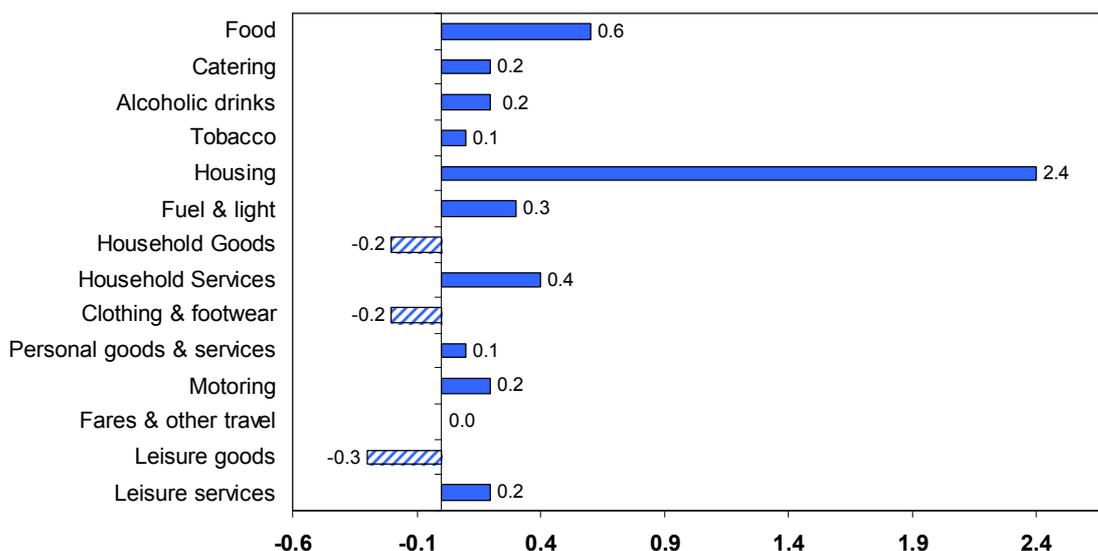


Figure 1 shows the contribution to the overall annual change of 3.9% for each group of the RPI.

Percentage points

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

¹ See Note 4.

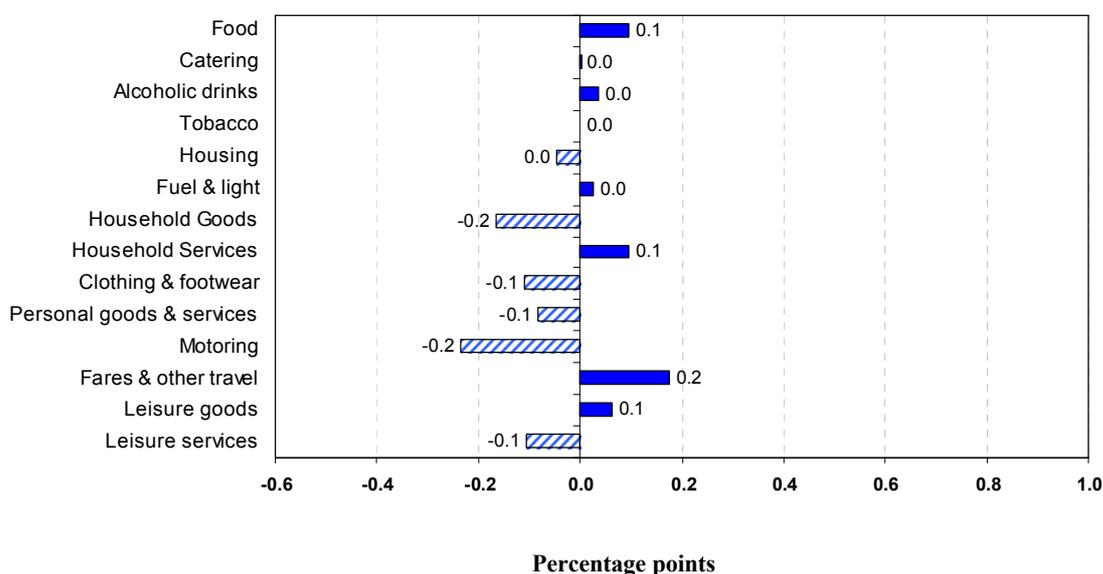
On an **annual** basis the largest contributors to the change in the Retail Prices Index were:

- **Housing** costs: the Housing group as a whole increased by 11% during the twelve months to September 2007, contributing 2.4 percentage points to the overall annual increase in the RPI. The key driver was increased house purchase costs, predominantly due to four rises in the Bank of England base rate (November 2006 and January, May and July 2007) which, combined with the ongoing growth in Jersey house prices, accounted for 2.0 percentage points of the overall increase in the RPI. The dominant factor was increased bank interest rates, accounting for 1.5 of the 2.0 percentage points, with increased house prices accounting for the remaining 0.5 percentage points.
- **Food** costs: increased by 5% compared to September 2006, contributing 0.6 percentage points of the overall annual increase in the RPI. Price rises were seen across the majority of the group, notably for beef, pork, eggs and dairy products, as well as the effect of increased global wheat prices on the cost of bread, cereal and biscuits.
- **Household services** increased by 5% compared to September 2006, contributing 0.4 percentage points to the overall RPI. This group includes school fees, postal charges and domestic services all of which saw increases over the year.
- **Fuel and light:** increased by 11% 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, heating oil prices were 1% lower than in September 2006.

Increases were seen in several 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, average prices in **Leisure goods** were lower than a year earlier, with falls seen for audio-visual equipment, toys, CDs, DVDs and gardening products. The price of **Household goods** and **Clothing & footwear** both decreased in the year to September 2007, each group contributing -0.2 percentage points to the overall annual change.

Overall there was a decrease of 0.4 percentage points in the annual rate of change of Jersey's RPI between June and September 2007, from 4.3% to 3.9% (see Figure 2).

Figure 2 - Contributions to *change* in annual rate of increase of RPI between Jun and Sept 07 (-0.4% from 4.3% to 3.9%)



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

A lower rate of increase (2%) was seen in the **Motoring** group in the twelve months to September 2007 compared with the year to June 2007 (4%) resulting in downward pressure to

the annual rate. Similarly, the cost of **Household goods** fell by less than 1% from June 2006 to June 2007 but by 3.5% in the year to September 2007, whilst **Clothing & footwear** also saw a larger annual decrease (down by 5% to September 2007 compared with 3% to June 2007).

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

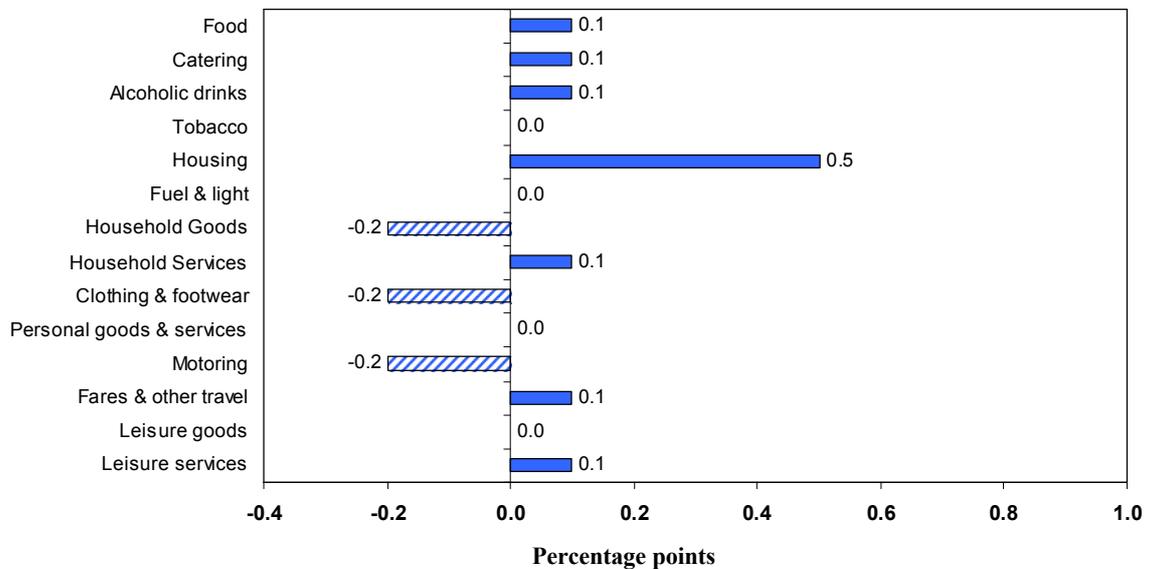
GROUP	2006 Sep	2006 Dec	2007 Mar	2007 Jun	2007 Sep	<i>Annual change (percent)</i>	<i>Quarterly change (percent)</i>
Food	117.5	118.6	120.5	122.1	123.8	5.4	1.4
Catering	121.8	122.7	124.3	125.3	127.4	4.6	1.7
Alcoholic drinks	128.4	126.4	131.2	131.2	132.8	3.4	1.2
Tobacco	166.4	166.4	170.9	172.8	172.9	3.9	0.2
Housing	143.4	147.7	151.9	156.0	159.4	11.2	2.2
Fuel & light	140.6	139.0	154.0	157.0	156.2	11.1	-0.5
Household goods	102.5	102.6	103.1	101.9	98.9	-3.5	-2.9
Household services	130.0	130.9	133.6	134.9	136.8	5.2	1.4
Clothing & footwear	86.8	86.9	85.6	87.0	82.2	-5.3	-5.5
Personal goods & services	125.7	126.0	127.9	129.3	128.5	2.2	-0.6
Motoring	127.2	126.7	130.6	132.5	129.7	2.0	-2.1
Fares & other travel	169.7	150.7	164.7	165.0	169.7	0.0	2.8
Leisure goods	95.7	95.7	93.2	89.7	90.3	-5.6	0.7
Leisure services	134.0	134.3	135.0	134.9	136.3	1.7	1.1
All items	127.1	127.5	130.3	131.6	132.1	3.9	0.4

Quarterly changes

The RPI increased by 0.4% between June and September 2007. The **Housing** group contributed an upward 0.5 percentage points (see Figure 3) to the overall net increase, the main driver being the rise in the Bank of England base rate in July 2007.

Downward pressure came from the **Clothing & footwear**, **Household goods** and **Motoring** groups, each contributing -0.2 percentage points to the quarterly change. Price reductions were seen across the Clothing & footwear group and in furniture and furnishings, electrical appliances and garden furniture in Household goods. Reduced car servicing costs were a factor in the Motoring group.

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

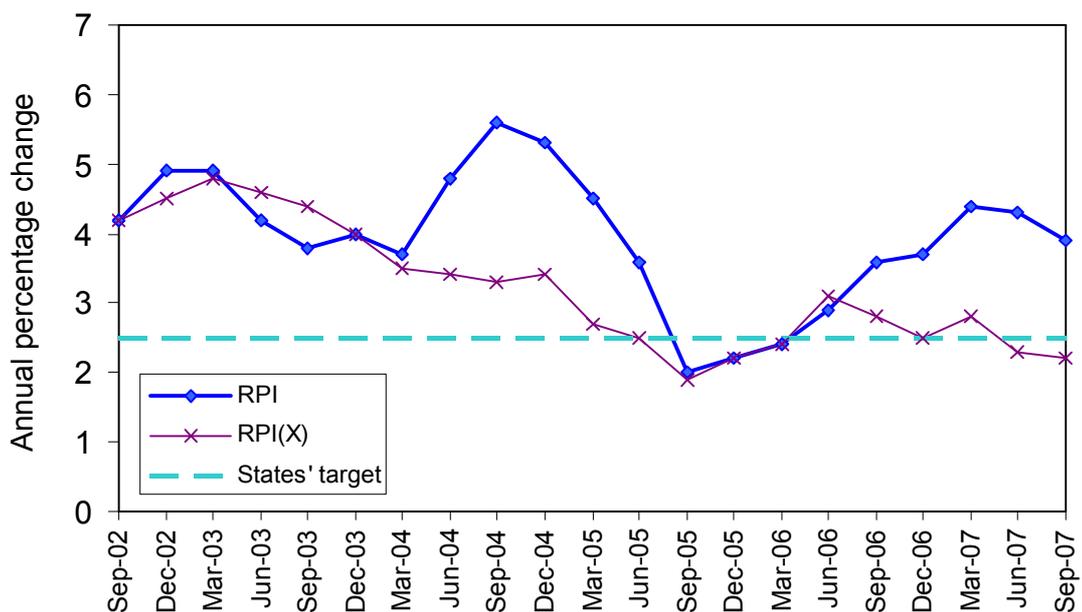
Excluding house purchase costs: RPI(X)

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 September 2007 **RPI(X) increased by 2.2%** to 126.7. This annual rate of increase of RPI(X) was 0.1 percentage points lower than in June 2007 (see Figure 4). The **Household goods, Clothing & footwear** and **Motoring** groups were downward influences.

On a quarterly basis, RPI(X) was unchanged between June and September 2007.

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 ten of the past eleven quarters (i.e. since March 2005).

Comparison with other jurisdictions

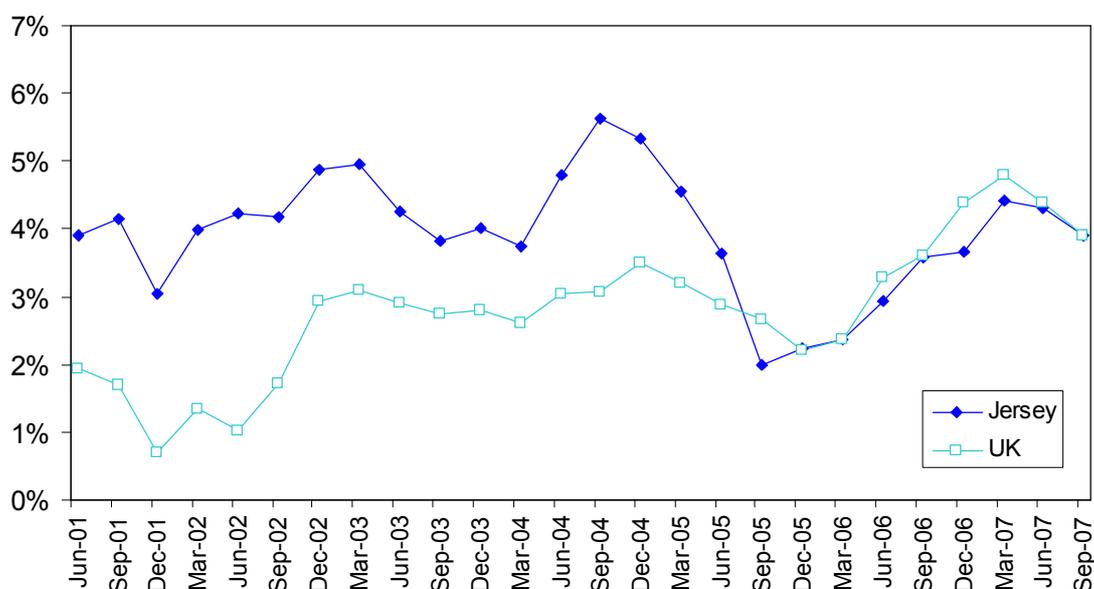
Although changes in the Bank of England base rate have a large influence on the annual rates of increase of the RPI in all jurisdictions shown in Table 2, local trends and issues in each location dictate the full extent of these effects and thus the differences between the relative rates of inflation. 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 2007

	RPI		RPI(X)	
	Jun 07	Sep 07	Jun 07	Sep 07
Jersey	4.3	3.9	2.3	2.2
Guernsey	4.7	4.9	3.1	2.9
Isle of Man	4.4	3.9	3.3*	2.7*
UK	4.4	3.9	3.3	2.8

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

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



In contrast to Jersey, **Fuel & light** and **Fares & other travel costs** were key downward drivers to the UK RPI, with average gas and electricity bills falling in the UK over the year to September 2007 whilst seasonal falls in fares in the UK were greater in 2007 than in 2006. **Household goods**, however, were an upward influence in the UK but fell, overall, in Jersey. The increased cost of **Food** was a key upward driver in both Jersey and the UK.

The increased cost of **house purchase** was the key driver behind the annual increase of the Guernsey RPI, with the **Housing** group contributing 2.6 percentage points. The **Food** group contributed similarly to the annual changes in both jurisdictions (0.6 and 0.5 percentage points in Jersey and Guernsey, respectively). In contrast, the change in the price of **Alcoholic drinks** contributed 0.5 percentage points in Guernsey compared to 0.2 percentage points in Jersey, whilst **Household services** contributed 0.1 percentage points in Guernsey but 0.4 percentage points in Jersey. The change in the cost of **Household goods** was an upward driver in Guernsey (contributing 0.2 percentage points) whereas it had a downward influence in Jersey (contributing -0.2 percentage points).

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 five times: to 4.75% on 3 August 2006; to 5.00% on 9 November 2006; to 5.25% on 11 January 2007; to 5.50% on 10 May 2007 and to 5.75% on 5 July 2007. The movement in the base rate over the twelve months to September 2007 was thus an increase of 1.00 percentage points (from 4.75% to 5.75).
5. **The December 2007 Index will provisionally be released on Wednesday 23rd January 2008.**
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
24th October 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
	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

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
	Jun	126.7	2.3	3.3	3.1	0.6
	Sep	126.7	2.2	2.8	2.9	0.0