

Jersey Retail Prices Index – March 2006

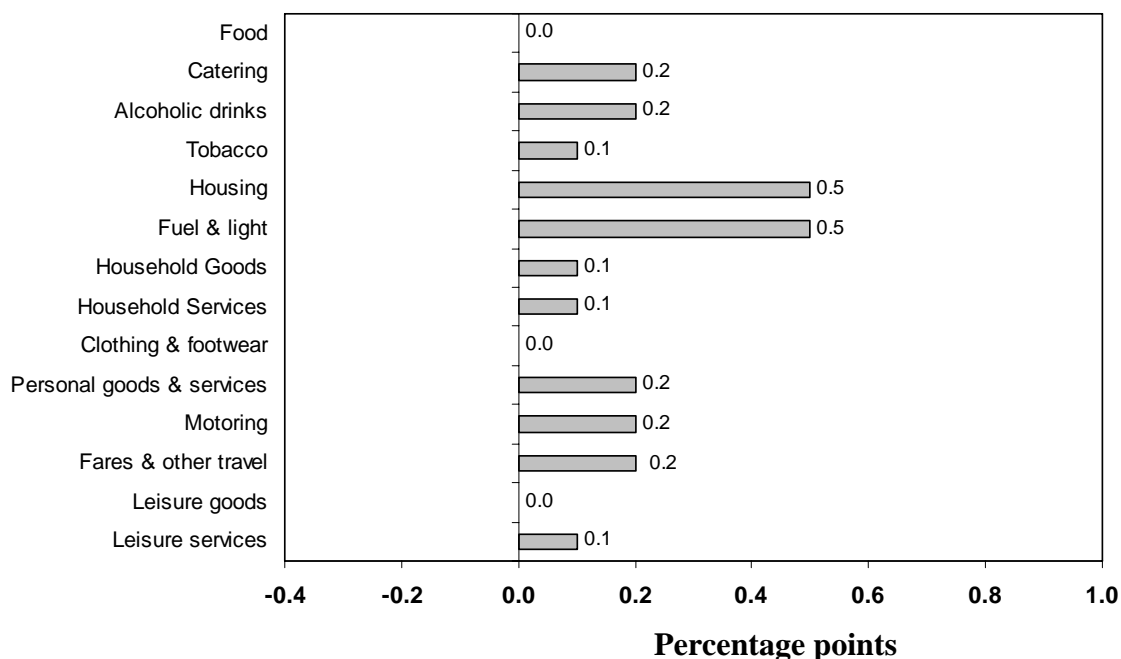
Headlines

- **During the twelve months to March 2006 the All-Items Retail Prices Index (RPI) for Jersey rose by 2.4% to stand at 124.8 (June 2000 = 100) driven by higher energy costs and increases across the Housing group.**
- The increase in the RPI during the twelve months to December 2005 was 2.2%, implying that Jersey's **annual rate of inflation rose by 0.2 percentage points** in the latest quarter.
- Compared with the period of higher inflation seen during 2004 and the first half of 2005, driven by increases in the Bank of England base rate, the annual change in Jersey's RPI in March 2006 remains low.
- **At a quarterly level, the RPI increased by 1.5% between December 2005 and March 2006.**
- **RPI(X)**, the Retail Prices Index excluding the cost of house purchase, **increased by 2.4% during the twelve months to March 2006.** The annual rate of increase in RPI(X) has remained at or below the States of Jersey target for the past four quarters.

Annual change

Figure 1 shows the contribution to the overall annual change of 2.4% of each of the groups which constitute the Retail Prices Index.

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



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

- **Fuel** costs: increased by 16% compared to March 2005 and accounted for 0.5 percentage points of the overall annual increase in the RPI. Prices were up across this group, reflecting global increases in energy prices; specifically important to Jersey were electricity, which saw its first increase for a number of years, and oil.
- **Housing** costs: increased by 2% over the twelve months to March 2006 and accounted for 0.5 percentage points of the overall annual increase in the RPI. Increases occurred across the group, which includes rents, parish rates, water rates and dwelling maintenance and insurance, as well as house purchase costs.

Small increases were seen in most of the other groups, each of which contributed about 0.1 to 0.2 percentage points to the overall annual change (see figure 1), except for the **Food, Clothing and footwear** and **Leisure goods** groups which were essentially unchanged on an annual basis. The change in impôt duties effective in January 2006 accounted for less than 0.2 percentage points of the total annual change.

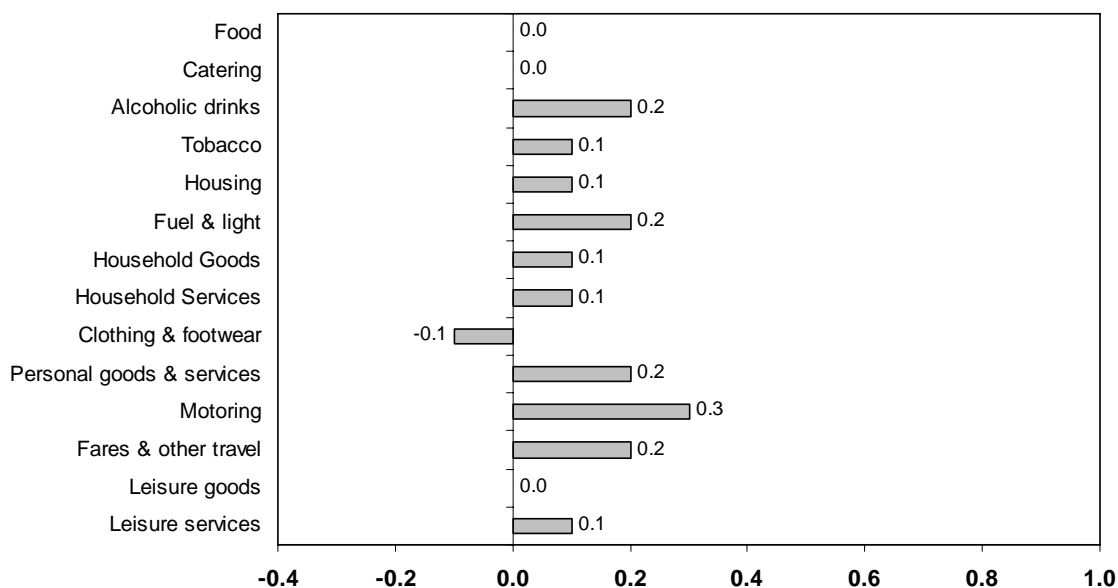
The **Motoring** group was the largest contributor at a group level to the slight increase of 0.2 percentage points in the annual rate of increase of the RPI compared to December 2005. Larger price increases on an annual basis were seen across the group, notably for petrol.

The rate of increase of the RPI has remained at the historically low level of between 2 and 2½ % for the past three quarters, compared to 4.5% in March 2005. The dominant cause of the reduction in Jersey's inflation over the past year has been the end of increases in the Bank of England base rate (see Note 4). As a result, the **Housing** group contributed 2.0 percentage points less to the annual change in the Jersey RPI in March 2006 compared to March 2005. A further notable downward contribution came from **Leisure services** which contributed 0.4 percentage points less due to reductions in the price of foreign holidays.

Quarterly changes

The quarterly increase of 1.5% in Jersey's RPI between December 2005 and March 2006 was the result of small increases for most groups (figure 2).

Figure 2 - Contribution of each group to quarterly change in the RPI.



Percentage points

The largest contributor to the quarterly change was **Motoring** which saw price increases across the group and accounted for 0.3 percentage points of the total quarterly change in the RPI. The remaining groups each contributed lesser amounts to the total change, whilst **Clothing and footwear** saw a decrease of 1.3% on a quarterly basis, primarily due to reductions in the price of footwear and children's clothes.

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 and Percentage Changes

(June 2000 = 100)

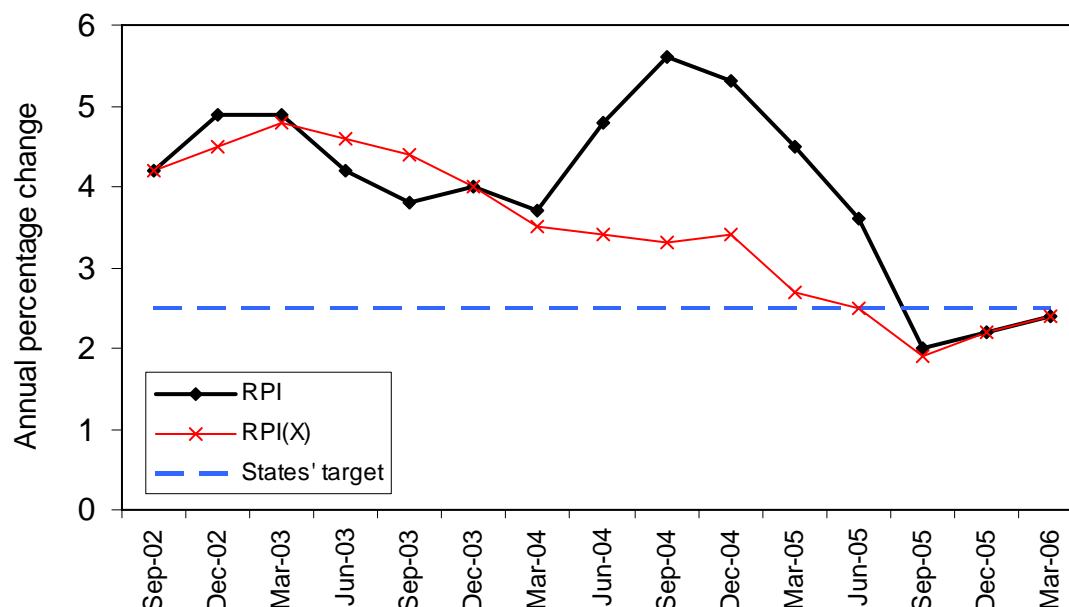
GROUP	2005	2005	2005	2005	2006	Annual	Quarterly
	Mar	Jun	Sep	Dec	Mar	change	change
						(per cent)	(per cent)
Food	114.6	114.4	114.2	115.3	114.8	0.2	-0.4
Catering	116.6	118.8	119.0	118.9	120.0	2.9	0.9
Alcoholic drinks	123.7	122.1	122.6	122.6	127.5	3.1	4.0
Tobacco	160.2	162.1	162.2	162.1	165.8	3.5	2.3
Housing	135.2	136.9	136.2	137.3	138.2	2.2	0.7
Fuel & light	120.5	124.9	130.1	131.8	139.5	15.8	5.8
Household goods	103.5	103.7	103.5	103.5	105.2	1.6	1.6
Household services	125.9	125.3	125.8	127.1	128.9	2.4	1.4
Clothing & footwear	90.3	90.3	90.8	91.9	90.7	0.4	-1.3
Personal goods & services	119.0	119.7	119.2	119.4	123.0	3.4	3.0
Motoring	122.4	122.9	125.2	122.0	125.2	2.3	2.6
Fares & other travel	146.1	153.1	147.4	148.2	156.6	7.2	5.7
Leisure goods	96.6	95.7	94.0	95.2	95.7	-0.9	0.5
Leisure services	130.0	129.7	130.2	130.0	130.9	0.7	0.7
All items	121.9	122.6	122.7	123.0	124.8	2.4	1.5

Excluding house purchase: RPI(X)

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

In the twelve months to March 2006 **RPI(X) increased by 2.4%** to 122.5. Although this annual rate of increase of RPI(X) was 0.2 percentage points higher than in the previous quarter, it continues to be one of the lowest recorded annual changes since the series was introduced in 1999 (see figure 3).

On a quarterly basis, between December 2005 and March 2006, RPI(X) increased by 1.5%.

Figure 3 - Annual percentage changes in RPI and RPI(X).

The annual change in RPI(X) has been at or below the States' target of 2.5% for each of the last four quarters.

Comparison with other jurisdictions

Lower mortgage rates set against increases in global fuel prices were the key drivers 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.

Table 2: Annual percentage increases in RPI and RPI(X) for December 05 and March 06

	RPI		RPI(X)	
	Dec 05	Mar 06	Dec 05	Mar 06
Jersey	2.2	2.4	2.2	2.4
Guernsey	3.3	3.1	3.0	2.8
Isle of Man	3.3	3.0	3.9*	3.4*
UK	2.2	2.4	2.0	2.1

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

The headline rates of inflation in Jersey and the UK were the same in March 2006. However, because increases in the Housing group were greater for the UK, the underlying rate of inflation was lower in the UK. Notable differences occurred for the Food and Clothing and footwear groups which saw decreases on an annual basis in the UK but remained essentially stable in Jersey. Fares and other travel costs increased at a higher annual rate in Jersey whilst the price of Leisure goods decreased at a lower rate.

The groups of the Guernsey RPI generally moved in the same direction as for Jersey. However, there were some notable differences: the Housing group increased by more than 4% in Guernsey compared to about 2% in Jersey, contributing 1.1 and 0.5 percentage points to the respective RPIs; Fares & other travel costs increased more in Guernsey (10%) than in Jersey (7%); whilst Guernsey saw a decrease of 8% in the cost of Clothing and footwear compared to a small increase (0.4%) in Jersey.

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 HES was last conducted in 1998-99; a further round of the survey was conducted in 2004-05, the results of which will be available later this year.
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 1999 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 3.75% in December 2003. The rate then increased four times to: 4.00% on 5 February 2004; 4.25% on 6 May 2004; 4.50% on 10 June 2004; and 4.75% on 5 August 2004. The rate then decreased on 4 August 2005 to 4.50%. The movement in the base rate over the twelve months to March 2006 was thus a decrease from 4.75% to 4.50%, compared with an increase from 4.00% to 4.75% over the twelve months to March 2005.
5. **The June 2006 Index will be released on Wednesday 19th July 2006.**
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).

AnnexAll items Retail Prices IndexRPI 1999 - 2006

		<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>
1999	Sep	(96.7)	3.4	1.1	1.8	0.9	0.5	0.4
	Dec	(97.7)	4.4	1.8	2.4	1.1	0.7	1.1
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

Retail Prices Index eXcluding house purchase costs

RPI(X) 1999-2006

		<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>
1999	Mar	(95.1)	3.6	2.7	2.6	1.1
	Jun	(96.2)	3.6	2.2	3.1	1.2
	Sep	(97.0)	3.6	2.1	3.0	0.8
	Dec	(98.1)	4.3	2.2	2.8	1.1
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