

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY M.R. HIGGINS OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 12TH SEPTEMBER 2017**

Question

Will the Minister explain –

- (a) how his Department measures inflation and, in particular, what measures are used to assess the inflation experienced by the elderly, families with children, single persons and other groups;
- (b) what economic measures can he use to influence inflation in the Island?

Answer

The Treasury and Resources Department does not measure inflation. The Retail Prices Index (RPI) is the principal measure of consumer price inflation in Jersey and is produced by the independent Statistics Unit using best practice methodology. The all-items RPI is designed to measure the change 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 Jersey Household Spending Survey.

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, including the internet. Around 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.

Two measures of underlying inflation are also produced by the Statistics Unit; annual changes in the indices RPI(X) and RPI(Y):

- RPI(X) is defined as the all items RPI excluding the cost of mortgage interest payments
- RPI(Y) provides a further measure of underlying inflation by removing the effect not only of mortgage interest payments but also of indirect taxes such as GST and impôts. During periods involving the introduction of, or changes in, indirect taxes, the annual change in RPI(Y) is considered to be the pertinent measure of the rate of underlying inflation

In order to monitor the consumer price inflation experienced by pensioner and low-income households, two further consumer price indices were introduced for Jersey by the Statistics Unit in 2007: RPI Pensioners, for pensioner households; and RPI Low Income, for households in the lowest quintile of household income.

Although Jersey does not have control of interest rates set in the Island, when inflation trends in Jersey are similar to those in the UK decisions by the Bank of England can help to contain inflation in Jersey. In addition, there are a number of other measures that the Island can use which are under our control. Namely:

- Follow FPP advice to make sure fiscal policy acts in a countercyclical way and ensure we balance the budget at the right time to prevent adding to inflationary pressure in the economy.
- Continue to strengthen competition in local markets, which will help keep prices in check by driving efficiency improvements across the economy. This currently includes a continued focus on implementing the 23 recommendations of the Oxera review of the competition framework.
- Implement the Strategic Plan priorities on growth and productivity which will enable supplyside improvements. This includes developing skills, investing in infrastructure and encouraging greater innovation, enterprise and inward investment.

