

5. Statement by the Chief Minister regarding the introduction of additional Retail Price Indices for Jersey

5.1 Senator F.H. Walker (The Chief Minister):

My apologies. I overlooked the immediacy of the statement. The statement is about the introduction of additional retail price indices for Jersey. I would like to draw attention to the recent publication by the States of Jersey Statistics Unit of 3 additional retail price indices. Thanks to the availability of these new indices and their future quarterly publication, we will be better placed than ever before to develop social policy based on the economic needs of Jersey households and particularly for the potentially most vulnerable in our community. The 3 indices published for the first time by the Statistics Unit on 23rd January and relating to December 2007, were: R.P.I. (Retail Price Index) Pensioners, based on the spending of households which are headed by a person of States' pension age, which came out at 3.5 per cent; R.P.I. Low Income, based on the spending of households in the lowest fifth of total income, which came out at 3.7 per cent; and R.P.I.Y. (Retail Price Index excluding Mortgage Interest Payments and Indirect Taxes), which will provide further insight into the underlying rate of inflation for all households in Jersey. In response to a Question Without Notice from Deputy Southern on 16th January 2007, I indicated that the concept of more specific inflation rates, particularly for pensioners, merited investigation. I subsequently asked the Head of Statistics to research the matter and on 5th June 2007 I was able to confirm to this House the publication of such an index designed to measure the inflation rate for pensioner households was indeed feasible. Furthermore, soon after this, the Head of Statistics - stimulated by discussion with the Statistics Users Group - informed me that his unit would also be developing a similar index designed to measure the inflation rate for households in the lowest quintile, i.e. the lowest fifth, of total income in Jersey. The publication of such an index will be particularly important in the context of the new income support system. The third new price index produced by the Statistics Unit is R.P.I.Y. and this will be an important tool in providing further understanding of underlying inflation in future. The index achieves this by removing the contribution of both mortgage interest payments and indirect taxes. In Jersey, the latter includes Parish rates, impôt, Vehicle Registration Duty (V.R.D.) and, from May 2008, G.S.T. The R.P.I.Y. thus measures the movement of base pre-tax prices and therefore allows a deeper understanding of underlying inflation than that already provided by the R.P.I.X., which removes mortgage interest payments only. This extensive and robust price index development has only been made possible by the superb response of the people of Jersey to the household expenditure survey, which provided the detailed data underpinning the statistical methodology. The new indices are a result of this rich dataset and the expertise, which I warmly acknowledge, of our resident independent Statistics Unit. In conclusion, the new price indices, together with those which the unit have been publishing for years, mean that we will be particularly well informed in order to develop policies designed to safeguard the needs of all Jersey residents.

The Deputy Bailiff:

Does any Member wish to put a question? Yes, Deputy Southern.

5.1.1 Deputy G.P. Southern:

May I first congratulate the Chief Minister for responding so promptly and so comprehensively to my request, and can I seek his assurance that by and large the R.P.I. will be used as an indicator for wage claims in the future and not the R.P.I.Y. and, furthermore, does he accept that the R.P.I. for pensions, at 3.5 per cent, appears to be higher than the underlying rate of 3.2 per cent from the R.P.I.X., which is the natural comparator for the 2 because housing costs are fairly stable for pensioners.

Senator F.H. Walker:

I am not going to give any assurances about how future wage negotiations are going to be handled. I have never done that in public and I do not intend to do so now. As far as the pension

rate is concerned, I accept the Deputy's point, but I would point out that the rate of inflation for pensioners, at 3.5 per cent, is well below the rate of average earnings upon which pensions are calculated. That is the crucial point. It is keeping a gap between an increase in pensions calculated on average earnings and the cost of living for pensioners in Jersey and that is absolutely - thankfully - the situation at this time. But I thank the Deputy, Sir, for his warm comments at the beginning of his question.