Guernsey, Channel Islands

A: Identification

Title of the CPI: Retail Price Index

Organisation responsible: States of Guernsey, Policy Council, Policy and Research Unit

Periodicity: Quarterly

Price reference period: 1965

Index reference period: 2008

Weights reference period: 2008 (update due 2013)

Main uses of CPI: Indexation of wages, pensions and/or social security payment, indexation of rents, contracts and/or other payments, main inflation indicator used for monetary policy, deflate household expenditures in national accounts, macroeconomic modelling and other analytic uses.

B: CPI Coverage

Geographical Coverage

Weights: Covers Island of Guernsey but not entire Bailiwick (Alderney, Herm, Sark and Jethou)

Price collection: Covers Island of Guernsey but not entire Bailiwick (Alderney, Herm, Sark and Jethou)

Population coverage: Resident households of nationals and resident households of foreigners in the country.

Consumption expenditure includes:

- Food consumed away from home;
- Income in-kind receipts of goods;
- Income in-kind receipts of services;
- Mortgage interest;
- Housing maintenance, minor repairs;
- Second hand goods purchased (second hand motor cars only);
- Luxury goods;
- Non-life insurance premiums (e.g. vehicle, housing, other property, medical), gross of claims;
- Life insurance premiums;
- Licences and fees (e.g. driver’s licence, hunting licence, vehicle registration)
Consumption expenditure excludes:

- Foods produced for own final consumption;
- Other goods produced for own final consumption;
- Services produced for own final consumption;
- In-kind goods received as gifts;
- In-kind services received as gifts;
- Purchase of owner-occupied housing;
- Mortgage repayments;
- Major repairs, conversions and extensions to owner occupied housing;
- Purchase of gifts of goods and services given to others outside the household;
- Financial services (including fees for financial advice, brokerage fees);
- Interest payments (excluding mortgage interest payments);
- Gambling expenditure, gross of winnings;
- Investment-related expenditures (e.g. purchase of shares/stocks);
- Occupational expenditures;
- Other business-related expenditures;
- Social transfers in-kind of goods and services from government and No-profit institutions serving households;
- Expenditures abroad

C: Concepts, definitions, classifications and weights

Definition of the CPI and its objectives: RPI is a weighted index reflecting the average change in price levels experienced by households with the objective of monitoring the levels of inflationary pressure on the economy and the real value of the currency.

Definition of consumption expenditures: The acquisition (including goods and services acquired through payment or as payment in kind) of goods and services for the consumption of the household or any of its member excluding payment for financial services and capital investments.

Classification: COICOP (Classification of individual consumption by purpose) at the division level.

Weights include value of consumption from own production: No

Sources of weights: Household expenditure surveys.

Frequency of weight updates: Every 3-5 years

Price updating of weight reference period to the index reference period: No

Weights for different population groups or regions: No

D: Sample design

Sampling methods:
Localities: Sampling with probability proportional to size (PPS)

Outlets: Sampling with probability proportional to size (PPS)

Products: Sampling with probability proportional to size (PPS)

Frequency of sample updates:

Localities: Every five years

Outlets: Every five years

Products: Every five years

If sample updates are irregular indicate when last updates were introduced: Full update is conducted in conjunction with review of weights, but continuous updates are included with changes in the local outlet (limited number of local outlets mean samples are collected from almost all major outlets).

Criteria used for determining the optimal sample sizes and the coverage of localities, outlets, items and variety samples: Where no natural monopoly exists, sample sizes are determined by weight and degree of price variance with the group. Coverage of outlets is determined using HES data.

Criteria used for selecting an item variety in the outlet in case of loose specifications provided by the central office: Where specifications are unclear, item selected should be the most basic available variety of the item of the most commonly available size/colour etc.

E: Data Collection

Approximate number of localities, outlets and price observations: Localities: Island wide, Outlets: 300, Price observations: 2,700

Frequency with which prices are collected: All quarterly

Reference period for data collection: Shop/website based items are priced in the last two weeks of the quarter. Motor fuels, utilities, rents, airline flights and other volatile items are priced in the last working day of the quarter. Mortgage interests are calculated from historic quarterly property price time series and quarterly average AER interest.

Methods of Price Collection

- Personal data collection for groceries and supermarket items.
- Mailed questionnaires for rents, insurance quotes etc.
- Telephone interviews for tradesman’s rates, car sales and high value items.
- Internet for web based companies and airline flights.
- Official tariffs for utilities, government fees and charges

**Treatment of:**

**Discounts and sales prices:** Noted but included.

**Black market prices:** Not collected.

**Second hand purchases:** Included for second-hand motor cars only.

**Missing or faulty prices:** Omission.

Period for allowing imputed missing prices: Items are replaced after 2 – 4 consecutive quarters depending on weight and general availability of similar items unless the item is known to be discontinued or the supplier is no longer in operation in which case items are replaced immediately.

**Disappearance of a given type or quality from the market:** Once an item is confirmed permanently unavailable, it is replaced either with the nearest available alternative from the same outlet or the same/similar item from an alternative outlet.

**Quality differences:** Item noted as a change of item. Previous price carried forward at the first occurrence and valid like for like comparison made in subsequent quarters.

**Appearance of new items:** Item omitted from calculation until two consecutive data points are available to make a like for like comparison

**Treatment of seasonal items and seasonality**

**Items that have a seasonal character and their treatment:** Fresh fruits, Fresh vegetables, meat, alcohol brought for home consumption, clothes. No seasonal adjustments are made.

**Seasonal food items:** Seasonal food items are included in the RPI using fixed weights approach: the weights are kept constant over the year, while prices of out-of-season products are estimated or imputed.

**Seasonal Clothing:** Seasonal clothing items are included in the RPI using fixed weights approach: the weights are kept constant over the year, while prices of out-of-season products are estimated or imputed.

**Method to impute the price of seasonal items:** The method used to impute price development in out-of-season periods is carrying forward the last observed price.

**Treatment of housing**

**Treatment of owner-occupied housing:** Imputed rents for owner occupied housing are not included in the RPI. Mortgage interest payments are measured using historic house prices and a local AER.
Types of dwellings covered by the rent data: Rents compared on a like for like basis are collected from private households by letter and from estate agents. Rent data is collected quarterly.

F: Computation

Formula used for calculation of elementary indices: The ratio of arithmetic mean prices (Dutot index) (Direct form)

Formula to aggregate elementary indices to higher level indices:

\[ I_g = \frac{\sum I_e \cdot W_e}{\sum W_e} \]

where:

- \( I_g \) = Group index
- \( I_e \) = Elementary Indices
- \( W_e \) = Weight elementary indices

Seasonally adjusted indices: Rarely using X12

Software used for calculating the CPI: Microsoft Excel, SPSS statistics

G: Editing and validation procedures

Control procedures used to ensure the quality of data collected: Data quality is reviewed by staff and spot checks are made where appropriate.

Control procedures used to ensure the quality of data processed: Final price data set is processed by a second analyst to ensure that identical results are obtained.

H: Documentation and dissemination

Timeliness of dissemination of the CPI data: RPI data is released 3 weeks after the end of the reference quarter

Level of detailed CPI published

Paper publication: All items RPI, Division-level (12 Divisions)

Online: All items RPI, Division-level (12 Divisions)

Restricted Access: Group-level app. 40 groups

Separate indices published for specific population groups: No

Type of products for which average prices are calculated and disseminated: Available on request only
**Documentation**

**Publications and websites where indices can be found:** Quarterly Inflation bulletin available at www.gov.gg/rpi

**Publications and websites where methodological information can be found:** Full methodology not publicly available. A basic guide to the RPI is available at www.gov.gg/rpi

**I: Other Information**

Reported by the country in 2012.