



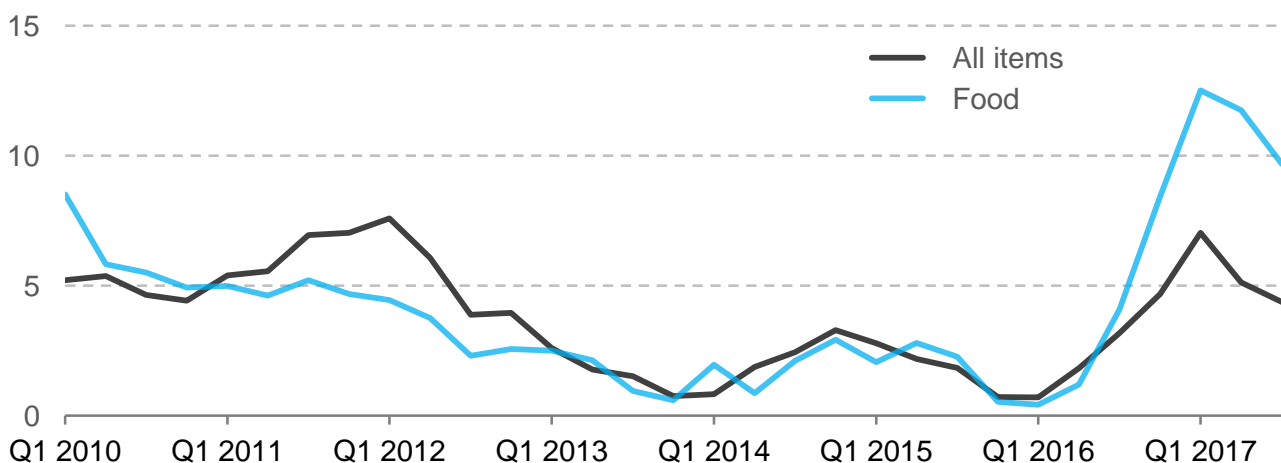
## About this Bulletin

This is the third Statistical Bulletin published in 2017; the previous two Bulletins were published in May and July respectively, covering the quarterly releases of new estimates of retail price inflation and demographic statistics. This Bulletin covers the release of new estimates of the Retail Price Index and price inflation rate estimates only; updated population estimates will be released separately.

## Price inflation: highlights

The latest rate of annual price inflation, measured using St Helena's Retail Price Index (RPI), is estimated to be 4.4 per cent between the third quarter of 2017 and the third quarter of 2016. This is a small decline in the annual rate from the previous quarter, which was 5.1 per cent. The annual rate of food price increases remains high, at 9.7 per cent, slightly less than alcohol and tobacco, which increased by 11 per cent.

Chart 1: Annual price inflation rate (per cent)



This is the fourth quarter in a row in which the annual inflation rate has been above 4 per cent, and it is the second quarter in a row in which the annual rate has fallen slightly, dropping from its high of 7.0 per cent in the first quarter of the year.

## Underlying price changes

Like the previous quarter, the two categories with the highest annual inflation rates are 'Food' and 'Alcohol and Tobacco', at 9.7 per cent and 11.0 per cent respectively. However, food is a much greater share of the average shopping basket than alcohol or tobacco and it is the increases in food prices that is driving the overall inflation rate, accounting for 3.2 percentage points of the 4.4 per cent change.

The categories with the lowest annual inflation rates for Q3 2017 are 'Services', which includes broadband internet and mobile phone services, 'Fuel and Light', which includes electricity, and 'Housing', which includes water. Increases in the cost of water were announced recently, but since the increase will be implemented in October it has not been included in this third quarter calculation.

Table 1: Inflation rates by expenditure category

|                     | Weight in RPI<br>(per cent) | Annual inflation<br>rate Q2 2017 (per<br>cent) | Annual inflation<br>rate Q3 2017<br>(per cent) | Change in annual<br>rate since Q2 2017<br>(percentage points) |
|---------------------|-----------------------------|--|--|---|
| Food                | 33.4                        | 11.7   | 9.7  | -2.1  |
| Transport           | 18.6                        | 2.0  | 1.6  | -0.5  |
| Services            | 12.9                        | -0.5   | 0.3  | +0.8  |
| Housing             | 9.8                         | 0.3  | 0.4  | +0.1  |
| Miscellaneous Goods | 8.9                         | 4.8  | 3.4  | -1.4  |
| Fuel and Light      | 7.8                         | -0.2   | -0.3   | -0.1  |
| Household Goods     | 4.1                         | 5.0  | 3.1  | -1.9  |
| Alcohol and Tobacco | 3.2                         | 9.3  | 11.0   | +1.7  |
| Clothing            | 1.4                         | 2.7  | 3.2  | +0.5  |
| Total               | 100.0                       | 5.1  | 4.4  | -0.7  |

### UK and South African prices

This quarter, like last quarter, it is the increase in price of some imported food items that have impacted the inflation rate estimate the most. However, some items from South Africa, such as certain fresh fruit and vegetables, were slightly cheaper this quarter, probably due to the fluctuations in the exchange rate of the St Helena Pound to the South African Rand – illustrated in Chart 2. At the end of the third quarter of 2017, one St Helena Pound was able to buy more Rand than at any point during the previous twelve months.

Chart 2: South African Rand per St Helena Pound, daily spot exchange rate

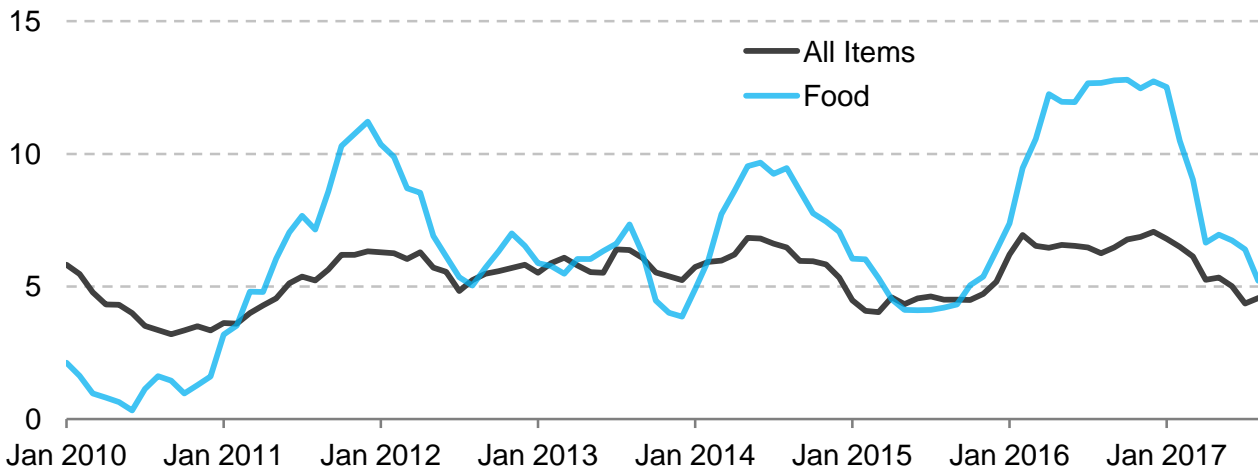
Source: Bank of England

St Helena is heavily dependent on imported goods from South Africa and the UK, and, in the case of South Africa, the currency exchange rate is a major factor in determining prices paid by St Helenian importers.

South African price inflation has also fallen slightly compared to the previous quarter, from 5.3 per cent in May to 4.6 per cent in August. In South Africa, the annual price increases in food have also dropped, from 7.0 per cent in May to 5.2 per cent in August. But food price increases in South Africa have been

much higher than other non-food items over the past year or so.

**Chart 3: South African annual consumer price inflation rates, per cent**

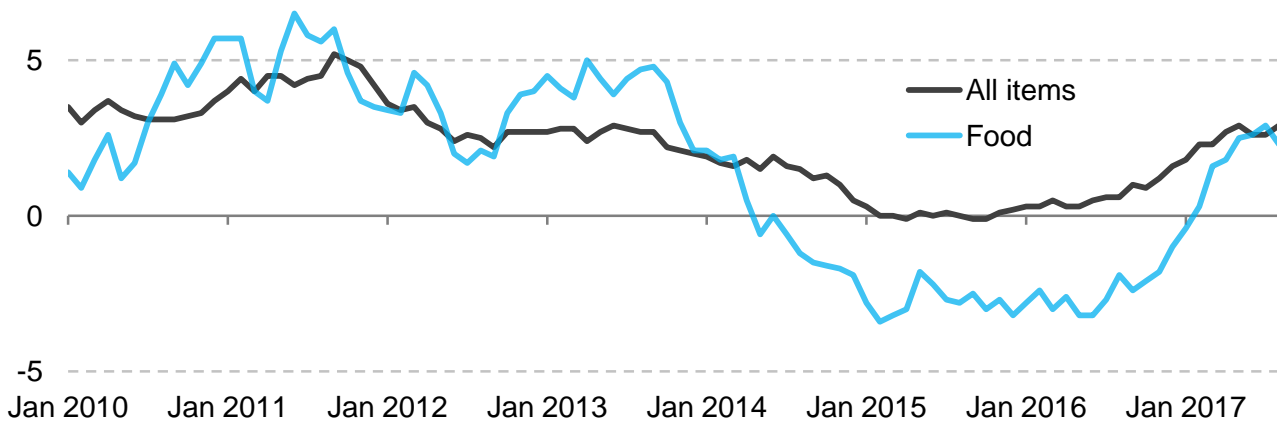


Source: Statistics South Africa

In the UK, the consumer price inflation rate was close to zero during 2015, but since early 2016 average prices have been increasing, and the inflation rate has risen to 2.9 per cent in August 2017. Annual food price inflation has also risen steeply in the UK recently, following a lengthy period when food prices were falling (i.e. annual inflation was negative).

Please note that caution is always advised when comparing inflation rates between countries because the methods and coverage of the calculations are not harmonised.

**Chart 4: UK annual consumer price inflation rates, in per cent**



Source: UK Office for National Statistics

**Some Frequently Asked Questions**

**What is the Retail Price Index (RPI)?**

The Retail Price Index is the official measure of the average change in the retail prices of goods and

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services. It is estimated each quarter, or once every three months. Changes in the RPI measure retail price inflation, and are usually computed on an annual basis; that is, comparing price changes over a twelve month period. For detailed tables of the RPI, please visit [www.sainthelena.gov.sh/statistics](http://www.sainthelena.gov.sh/statistics).

### **What is price inflation?**

Inflation simply means that something is growing or increasing, but when used in the context of the economy it usually refers to the change in average prices of goods and services over time. On St Helena, the primary measure of inflation is the RPI, and it is usually quoted as an annual estimate: it is the amount by which the RPI has grown over the preceding twelve months. A decrease in the RPI is also possible, though unusual: over a twelve month period, a drop in the RPI would result in retail price deflation.

### **Why do we measure the RPI?**

The rate of change of retail prices is an important indicator of economic performance and is used by Government, businesses and society in general. It enables an understanding of the impact of price changes on households and individuals, including for specific groups of goods and services.

### **How is the Retail Price Index (RPI) constructed?**

The basis for the RPI is the average cost of goods and services purchased by households on St Helena, or a weekly 'shopping basket'. Items which households purchase more of, such as food, have a bigger share, or weight, in the RPI basket (the full specification of the RPI basket is available from the Statistics Office website). The current RPI uses a basket from the last Household Expenditure Survey in 2009, and baseline prices for that basket were recorded in the second quarter of 2010. Prices have been collected every quarter since then, to calculate the latest price of the average shopping basket. By convention, the value of the basket in the baseline period is scaled to 100, and the RPI values are quoted in relation to that baseline. Thus, an RPI value of 120 means that average prices have increased by 20 per cent compared to those recorded in the base period.

### **What happens when an item is not available?**

If a particular item is not available during a round of price checks, a series of prescribed steps are followed to ensure the RPI measurement is not distorted. An important principle is that price changes should reflect actual price increases, and not changes in the quality of items. If an item is not available then either the previous price will be carried forward from the previous quarter, or a suitable substitute item will be identified and an adjustment calculation made. Great care is taken to ensure that this substitution is similar to the original item, that it represents the item category, and that it does not introduce error to the measurement of the RPI.

## **News from the Statistics Office**

### **The 2017 Household Expenditure Survey is underway**

A Household Expenditure Survey is being conducted by the Statistics Office during October and November 2017. This is the ninth survey of its kind on St Helena, and it is used as a baseline average 'shopping basket' for the Retail Price Index. A new survey is needed now because the current basket was measured in 2009, and spending patterns have changed since then.

The Statistics Office would like to express its thanks to all those households that have agreed to participate in the survey; your cooperation is greatly appreciated. All responses will be treated with the utmost confidentiality, as required by the Statistics Ordinance. Thanks are also due to the local businesses that are supporting the survey by providing items for a hamper, which will be raffled among participating households at the end of the survey:

- Queen Mary Store
- Joshua Brothers Covered Production
- Essence Beauty Salon
- G-Unique Designs
- Thorpe's and Sons
- Rose and Crown
- Solomon and Company (St Helena) PLC

## **Contact us and find out more**

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**In person:** the Statistics Office is on the **first floor of the Castle**, Jamestown, at the back of the main courtyard. Call by, we would love to see you!

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**On the web:** for data and reports, including detailed tables for the RPI and population estimates in excel format, please visit **www.sainthelena.gov.sh/statistics**.