



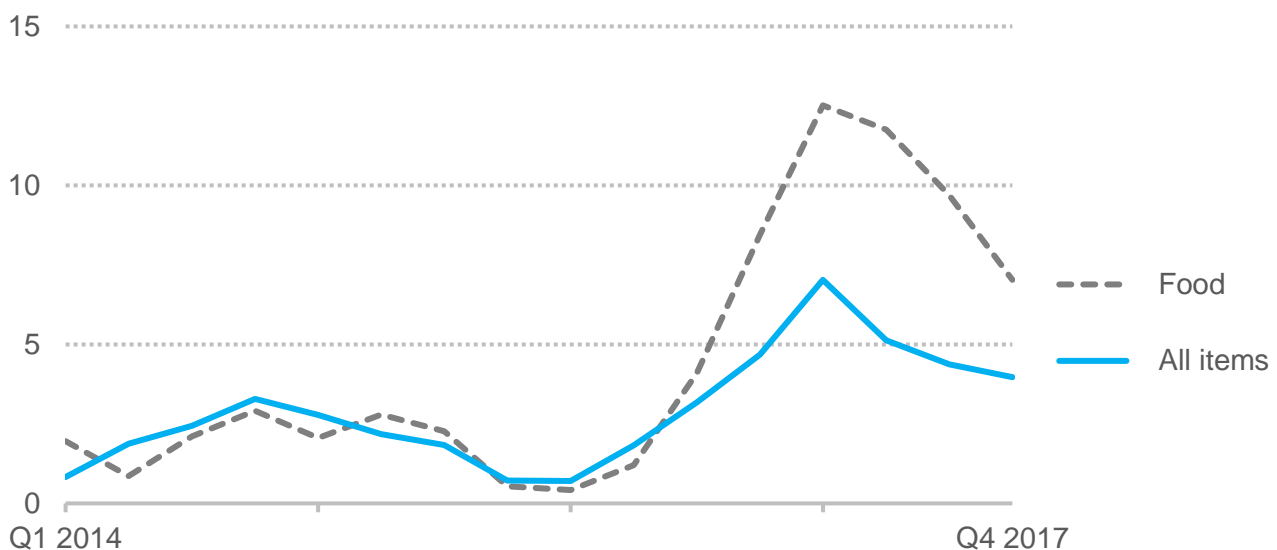
## About this Bulletin

This is the first Statistical Bulletin of 2018, and covers the release of new estimates of inflation rates, based on the Retail Price Index. The data released in this Bulletin, and the Retail Price Index itself, can be downloaded from the St Helena Statistics website at [www.sainthelena.gov.sh/statistics](http://www.sainthelena.gov.sh/statistics).

## Latest inflation rates

The latest rate of annual price inflation is estimated to be 4.0%, between the fourth quarter of 2017 and the fourth quarter of 2016. This is a small decline in the annual rate from the previous quarter, which was 4.4%.

Chart 1: Annual price inflation rate for All Items and Food (%)



## Price changes

The 'Alcohol and Tobacco' category had the highest rate of annual price increase, at 10.8%, and prices in the 'Food' category continued to increase faster than the average, at 7.0% (Chart 1). Food has a much larger share of the average shopping basket and a correspondingly larger impact on the overall inflation rate. The inflation rate for 'Housing' increased sharply, from 0.4% in the third quarter to 4.6% in the fourth quarter, largely due to the increase in the water tariff introduced by the utilities company Connect from 1 October 2017.

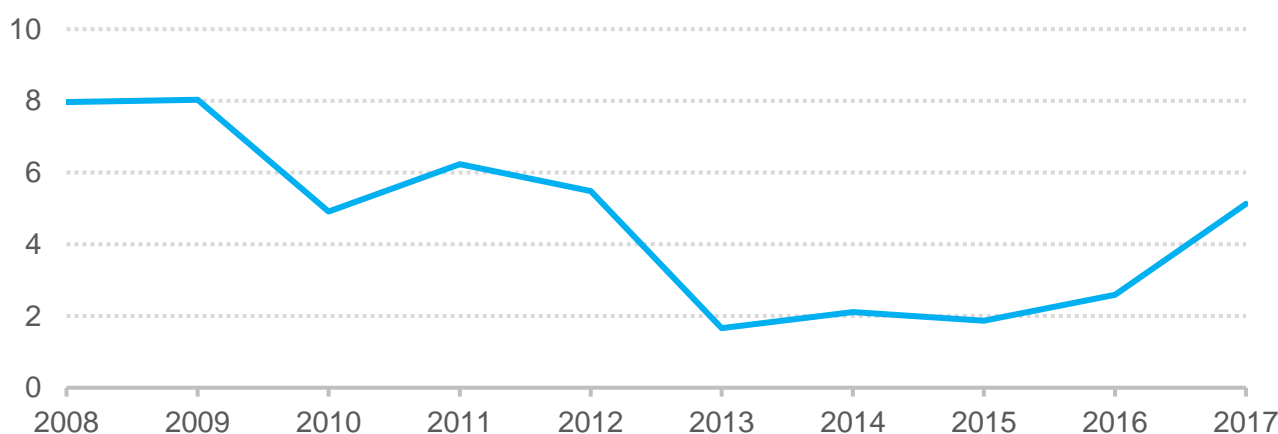
The categories with the lowest price inflation rate were 'Household Goods', at 0.1%, and 'Fuel and Light', which includes electricity, at 0.2%. Table 2 shows annual inflation rates by category for Q3 and Q4 2017.

Table 1: Inflation rates by expenditure category

	Weight in RPI (%)	Annual inflation rate Q3 2017 (%)	Annual inflation rate Q4 2017 (%)	Change in annual rate since Q3 2017 (percentage points)
Food	33.4	9.7	7.0	-2.7
Transport	18.6	1.6	1.3	-0.3
Services	12.9	0.3	0.6	+0.3
Housing	9.8	0.4	4.6	+4.2
Miscellaneous Goods	8.9	3.4	4.6	+1.2
Fuel and Light	7.8	-0.3	0.2	+0.5
Household Goods	4.1	3.1	0.1	-3.0
Alcohol and Tobacco	3.2	11.0	10.8	-0.2
Clothing	1.4	3.2	4.4	+1.2
Total	100.0	4.4	4.0	-0.4

### Average inflation for 2017

For some purposes, an average inflation rate is more useful than the latest quarterly annual inflation rate, since the quarterly rates are subject to some variability as prices of different items change throughout the year. The Statistics Office publishes average rates for each calendar year, calculated as the average rate of the four quarters that make up that year. For 2017, the average annual rate was 5.1%, an increase compared to the average quarterly rate for 2016. This is the highest average rate for five years; for the four years 2013 to 2016, the average inflation rate was around 2% (see Chart 2).

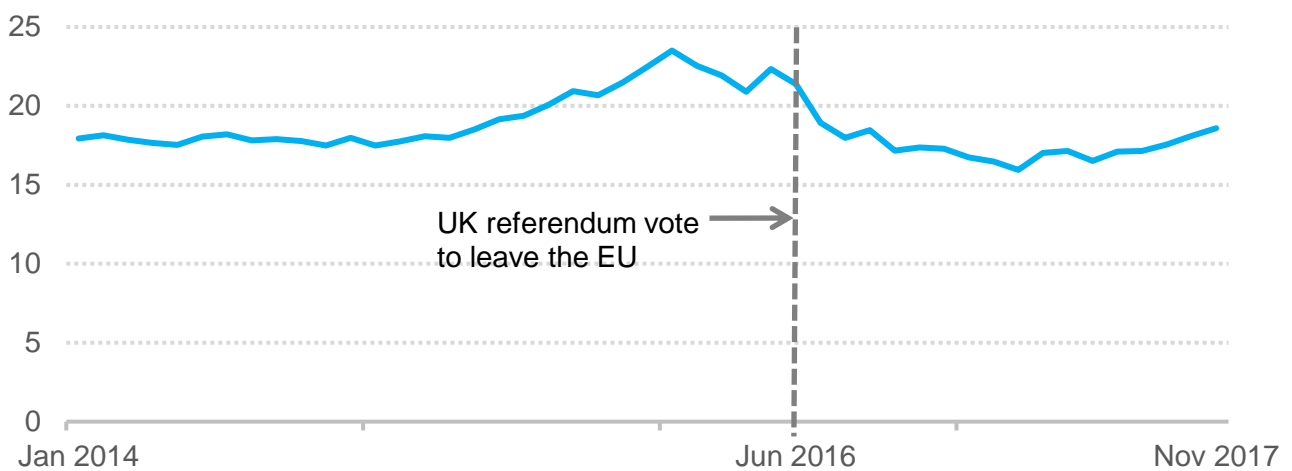
Chart 2: Average annual price inflation rate, 2008 to 2017 (%)

### Prices of imported goods

St Helena imports most items from abroad, especially from South Africa and the United Kingdom. So price changes of imported goods, caused either by inflation or the exchange rate between the St Helena Pound and the South African Rand, have a direct impact on the St Helena inflation rate.

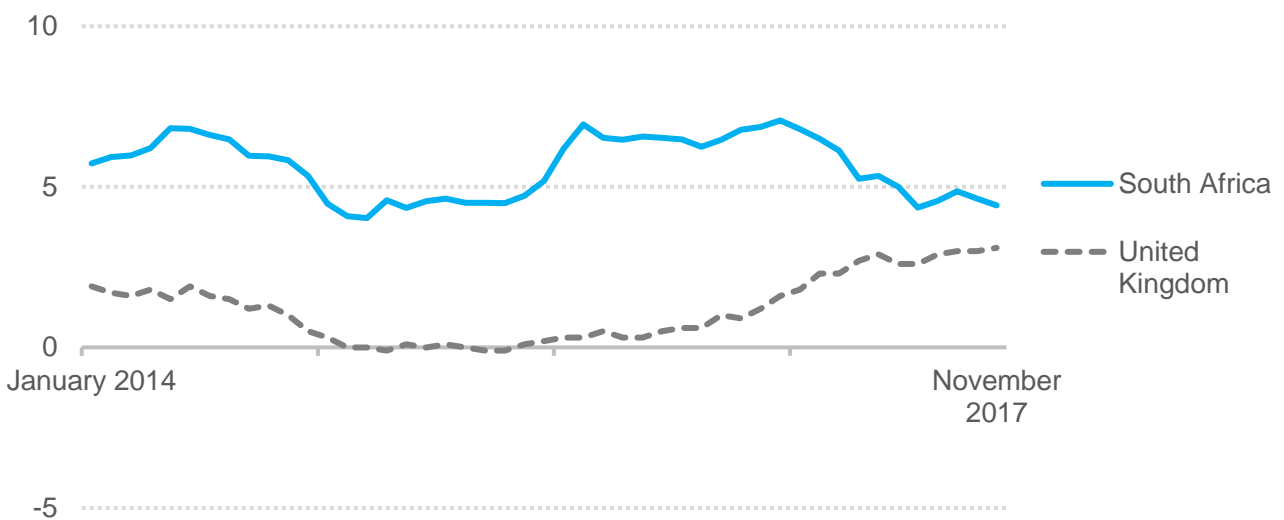
Towards the end of 2017, the value of the South African Rand fell slightly against the Pound (Chart 3). This has the effect of reducing the price of South African goods slightly. In addition, the South African inflation rate (measures using their Consumer Price Index) also fell slightly. That means that while prices are still rising in South Africa, they are rising at a slower rate. Both of these trends contribute to the reduction in St Helena’s inflation rate. On the other hand, inflation in the United Kingdom has been rising, largely as a result of the weaker pound following the ‘Brexit’ vote to leave the European Union in June 2016 (Chart 4). This is also measured using the UK Consumer Price Index; please note that care should be taken when comparing CPIs, since their coverage may differ slightly.

**Chart 3. Monthly exchange rate (average of daily spot rates), South African Rand per St Helena Pound**



Source: Bank of England

**Chart 4. Monthly inflation rates of United Kingdom and South Africa, %**



Source: UK Office for National Statistics, Statistics South Africa

## **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 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

### **Fieldwork for the 2017 Household Expenditure Survey is complete**

A Household Expenditure Survey was conducted by the Statistics Office during October and November 2017, the ninth survey of its kind on St Helena. It will be used to compute a baseline average 'shopping basket' for the Retail Price Index, updating the current shopping basket which was measured in 2009.

The Statistics Office would like to express its thanks to all those households that participated in the survey. Your cooperation is greatly appreciated, and all responses will be treated with the utmost confidentiality, as required by the Statistics Ordinance. The Statistics Office is currently processing the raw data, and the aim is to rebase the RPI in March.

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

#### **Who we are:**

Neil Fantom, Statistical Commissioner; Kelly Clingham, Senior Statistical Assistant; Justine Joshua, Senior Statistical Assistant; Asita O'Bey, Statistics Assistant.

#### **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!

#### **By telephone:**

Our direct line is **22138** or via the Castle switchboard on 22470. If calling from overseas, the international dialling code for St Helena is +290.

#### **By email:**

Our general office email address is **statistics@sainthelena.gov.sh**, or you can email team members directly (the format is **firstname.lastname@sainthelena.gov.sh**)

#### **On the web:**

For more statistical data and reports, covering many aspects of St Helena's social and economic development, please visit **[www.sainthelena.gov.sh/statistics](http://www.sainthelena.gov.sh/statistics)**.