



In this Bulletin: retail prices and inflation

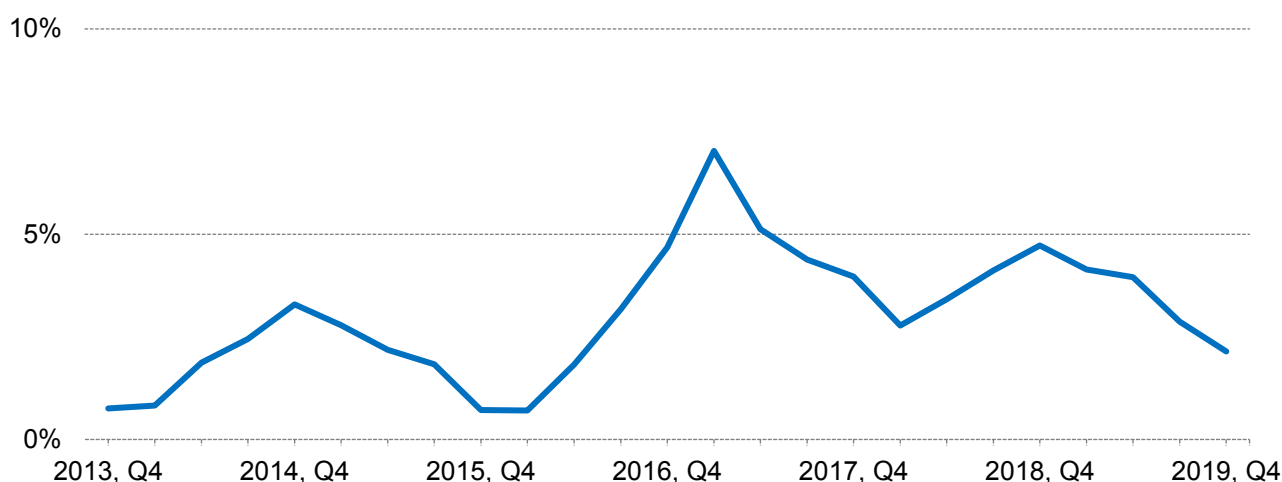
This bulletin includes estimates of the latest annual price inflation rates for the fourth quarter of 2019, calculated from the Retail Price Index (RPI). The data released in this Bulletin, including the RPI itself, can be downloaded from the St Helena Statistics website at: www.sainthelena.gov.sh/statistics.

Annual and quarterly inflation rates

The overall Retail Price Index was measured at 105.9 in the fourth quarter of 2019. This compares with 105.3 in the third quarter of the year, and 103.6 in the fourth quarter of 2018. This means that retail prices rose, on average, by 2.1% over the past year, between the fourth quarter of 2018 and the fourth quarter of 2019, and by 0.5% in the three months between the third and fourth quarters of 2019.

The annual price inflation rate of 2.1% is a decrease in the rate from last quarter (Q3 2019), when the annual price inflation rate was measured at 2.9% (see Chart 1). The quarterly price inflation rate (i.e. Q4 2019 compared to Q3 2019) of 0.5% is a slight increase compared to last quarter, when it was 0.4%.

Chart 1. Annual price inflation rate, St Helena, Q4 2013 to Q4 2019



Price increases that have had an upward impact on the inflation rate this quarter include vehicles, cigarettes, and fuel. But the price survey also recorded decreases in the price of the items that are used to represent the categories of local eggs, rice, sugar and tinned milk.

Most goods available in retail outlets on St Helena are imported from either South Africa or the United Kingdom, and so St Helena's prices are heavily influenced by price inflation in those two countries, the value of the St Helena pound compared to the South Africa Rand, the cost of freight, and import taxes. In both the UK and South Africa, price inflation has fallen considerably and this is one of the key reasons why the St Helena inflation rate has fallen. In the UK, the annual price inflation rate (using the Consumer Price Index) was 1.5% for November 2019, unchanged from October 2019. In South Africa, the Consumer Price Index was 3.6% for November, down from 3.7% in October. In addition, since early 2019 the value of South African Rand has weakened, from around 17 Rand per

pound to around 19 in December; this has a counter effect to South African inflation, and in some cases may even have made South African goods cheaper to buy. On the other hand, there have also been some pressures which might cause prices to rise, such as increasing freight prices on the MV Helena – although the impact on South African goods will have been cushioned by the weaker Rand.

Changes in prices of different categories of goods and services

Table 1 shows the average price change in item groups, comparing current prices to a year ago (the annual change) and to last quarter (the quarterly change).

Table 1. Annual and quarterly change in the Retail Price Index compared to Q4 2019, by category

| Category (weight given in brackets) | Annual change (Q4 2018 to Q4 2019) | Quarterly change (Q3 to Q4, 2019) |
|--|---------------------------------------|--------------------------------------|
| Food (34.4%) | 1.4% | -0.4% |
| Alcohol and Tobacco (6.3%) | 3.8% | 0.1% |
| Housing (11.6%) | 0.0% | 0.0% |
| Household Energy (7.5%) | -0.3% | -0.1% |
| Clothing (1.1%) | 0.4% | -1.2% |
| Household Goods and Services (6.5%) | 2.4% | -0.3% |
| Transport (13.2%) | 7.1% | 5.2% |
| Communications (6.3%) | 1.6% | 0.0% |
| Miscellaneous Goods and Services (13.1%) | 2.0% | 0.1% |
| All Items (100%) | 2.1% | 0.5% |

The average prices of items in each category went up or stayed the same compared to a year ago, apart from 'Household Energy', where the price of domestic electricity (one of the highest-weighted items in the index) has not increased since 2016, and there has been a small price decrease in gas cylinders compared to Q4 2018. The average price of 'Housing' has not increased or decreased; this category includes the price of water and sewerage, which has not increased in price since July 2018.

The largest annual increase (7.1%) was in the 'Transport' category, the result of an increase in fuel prices and the vehicle purchase component of the RPI during quarter 4 2019. The second largest annual increase (3.8%) was in 'Alcohol and Tobacco' products, which is consistent with the tariff changes on vehicles and tobacco products applied in December 2019 and October 2019 respectively. The annual percentage change for the 'Food' category was just 1.4% in the year between quarter 4 2018 and quarter 4 2019. This is a much lower annual rate than last quarter, when the annual change was 4.0%.

The five sub-categories which had the largest downward impact on the headline rate of 2.1 per cent were all within the 'Food' category. The most prominent included the price of local eggs, which follows a period where the market has been saturated and suppliers across the Island have lowered prices. Other small price reductions occurred in items used to monitor rice, sugar and milk.

Some frequently asked questions:

What is price inflation?

Price inflation is the change in the average prices of goods and services over time. The rate of price inflation is calculated from the change in the Retail Price Index (RPI), which is the official measure of the average change in the prices of goods and services paid by consumers. The RPI is estimated each quarter, i.e. once every three months, and the rate of price inflation is usually quoted on an annual basis; that is, comparing price changes over a 12-month period. Prices and the RPI tend to go up, but they can occasionally go down – which is price deflation.

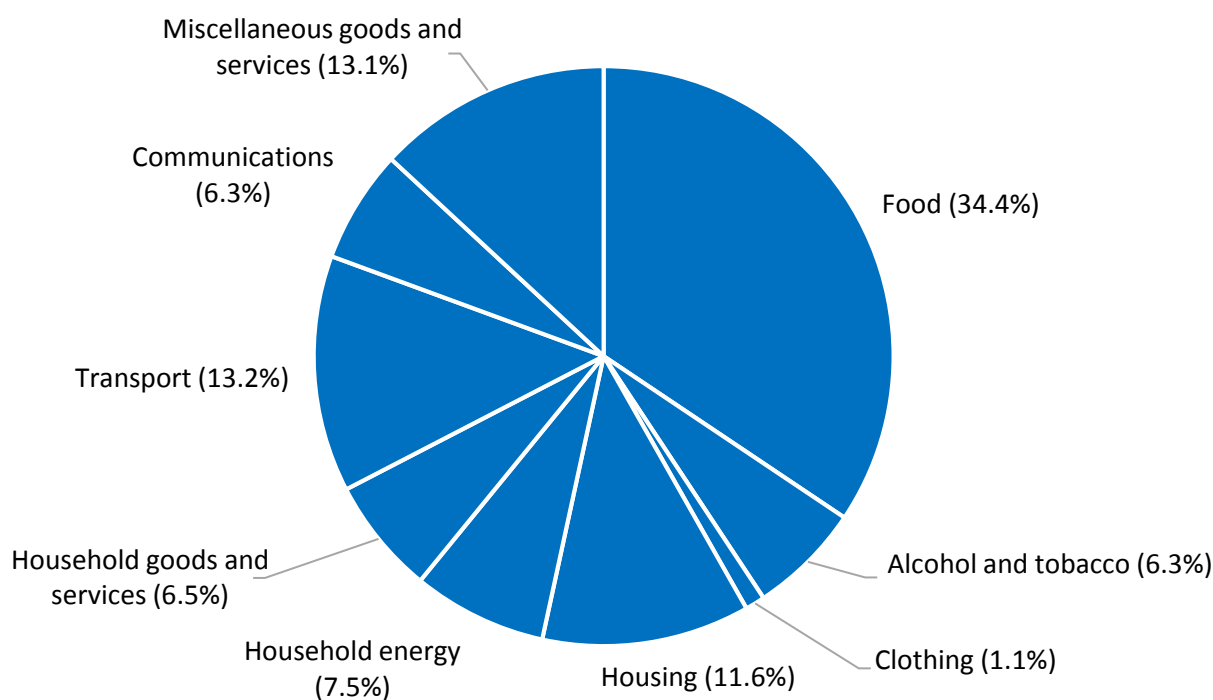
Why do we measure inflation?

An accurate measure of price inflation helps understand the extent and nature of the impact of price changes on the government, businesses, households and individuals.

How is the RPI calculated?

The basis for the RPI is the average weekly cost of goods and services purchased by households on St Helena, sometimes called the ‘shopping basket’. Items which households purchase more of, such as food, have the biggest share of the RPI basket. The current RPI uses a basket from the latest Household Expenditure Survey in 2017; prices representing the groups of items in the basket are collected every quarter, and the price of the total basket is compared to the price in the baseline period, the first quarter of 2018. 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. For example, an RPI value of 120 means that average prices have increased by 20 per cent compared to those recorded in the baseline period.

Average household weekly expenditure (Q1 2018 RPI ‘Shopping Basket’)



What happens when items are not available?

If an item of the 'basket' 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. Care is taken to ensure that this substitute item represents the item category and that it does not introduce error to the measurement of the RPI. An important principle is that price changes should reflect actual price increases and decreases, and not changes in the quality of items.

Where can I get the data?

For detailed tables of the RPI and annual inflation rates from 1994 onwards, please visit: www.sainthelena.gov.sh/statistics-data and download the 'inflation' data file. Other datasets, bulletins and reports are also available on our website: <http://www.sainthelena.gov.sh/statistics>.

Have more questions or comments?

Please get in touch: we are Neil Fantom, Statistical Commissioner, Justine Joshua, Senior Statistical Assistant, and Bertina Benjamin, Statistical Assistant. You can find us in person at the Statistics Office on the **first floor of the Castle**, Jamestown, at the back of the main courtyard. You can also contact us 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. Our general office e-mail address is **statistics@sainthelena.gov.sh**, or you can email team members directly (the format is firstname.lastname@sainthelena.gov.sh).