



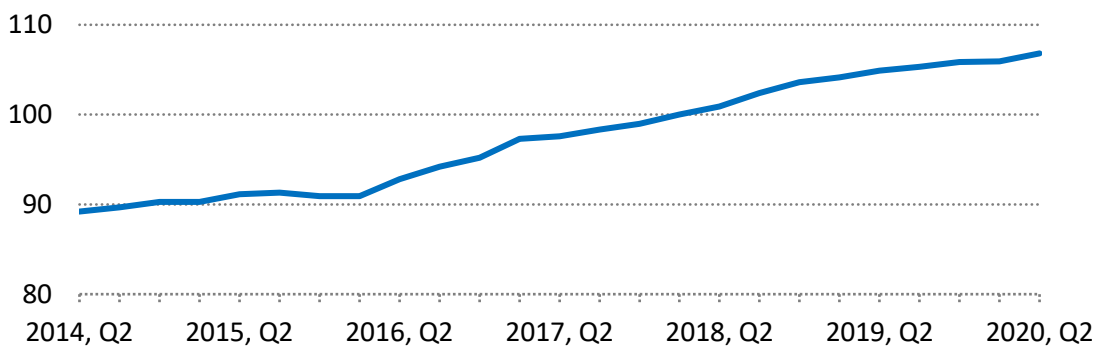
In this Bulletin: The Retail Price Index and Inflation

New estimates of the Retail Price Index (RPI) and price inflation rates have been calculated for the second quarter of 2020. The data released in this Bulletin can be downloaded from the St Helena Statistics website in the 'Inflation.xls' file at: www.sainthelena.gov.sh/statistics.

The Retail Price Index

The Retail Price Index (RPI) is a statistical measure of the change in retail prices on St Helena. An increase in the RPI means that, on average, prices have gone up since the last time they were measured, and a decrease in the RPI means that, on average, prices have fallen (a decrease in the RPI is unusual; the last time this happened was in Q1 2016). In the second quarter of 2020 the Retail Price Index (RPI) has been measured at 106.8, an increase compared to the previous quarter, when it was 105.9.

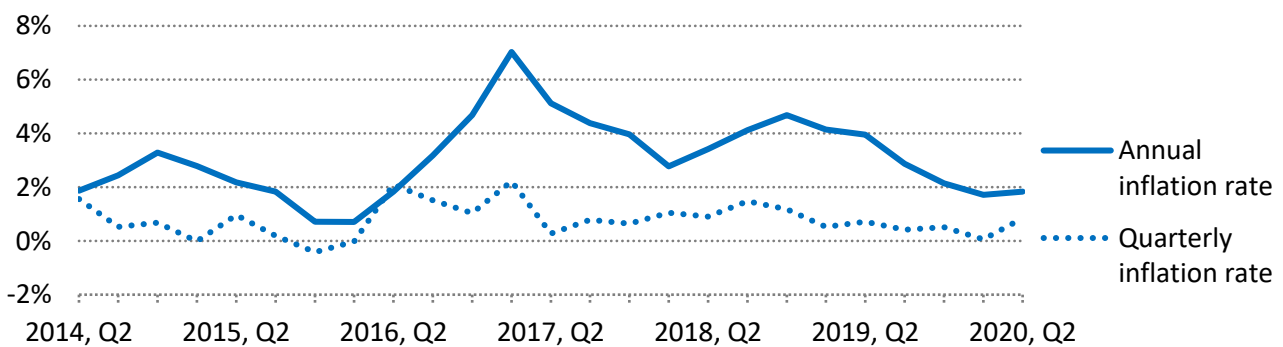
Chart 1. St Helena Retail Price Index Q2 2014 to Q2 2020 (Q1 2018=100)



Inflation rates

The usual measure of price inflation is the annual rate, which is calculated by taking the value of the RPI and comparing it to the value 12 months before. The latest annual inflation rate for Q2 2020 is 1.8%, which is slightly higher than the previous annual rate for Q1 2020, which was 1.7%. The latest quarterly rate, which is calculated by comparing the current value of the RPI and comparing it to the previous quarter, is 0.8%; this means that, on average, retail prices have increased by 0.8% in the second quarter of 2020 compared to the first quarter (the change over a three-month period).

Chart 2. Annual and quarterly price inflation rates, St Helena, Q2 2014 to Q2 2020



Most of the 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 African Rand, the cost of freight, and import taxes. In the UK, the annual price inflation rate (using the Consumer Price Index) was very low in May 2020, down to around 0.5% – compared to 1.7% in January. In South Africa, the value of the South African Rand has steadily fallen from around 17 Rand per Pound in 2019 to around 21 at the end of May 2020. This weakness of the Rand counteracts pressures that might otherwise cause prices to rise, such as inflation (measured at 3.0% in South Africa in April 2020 using the Consumer Price index) and freight rates.

Price changes in different categories of goods and services

Chart 3 illustrates the price change in different categories of goods and services over the last 12-month period. Note that category weights are provided in parentheses, these indicate the extent to which different categories are represented in the overall index (categories with higher weight will have a greater contribution to the index than categories with lower weights).

Average prices in the four categories of Clothing, Transport, Alcohol and Tobacco, and Housing all increased by more than 4% over the last 12 months. Clothing prices went up as new stock was received by retailers, particularly shoes (note that clothing has a low weight in the RPI, so the impact of this increase in the overall inflation rate is quite small). Transport prices increased over the year largely due to increases in freight for imported vehicles and increases in bus fares, and even though fuel prices have decreased recently, there were increases in the price of fuel in previous months. The 12-month increase in Alcohol and Tobacco was largely due to the impact of increases in customs duty introduced in the 2019/20 budget, and the increase in the Housing category was caused by the recent increases in the price of water from Connect Saint Helena Ltd. The category with the highest weight in the RPI is Food (at 34.4%), and over the year average food prices rose by 1.1%, slightly lower than the overall increase of 1.8%.

Chart 3. Annual price change by category, St Helena, Q2 2020

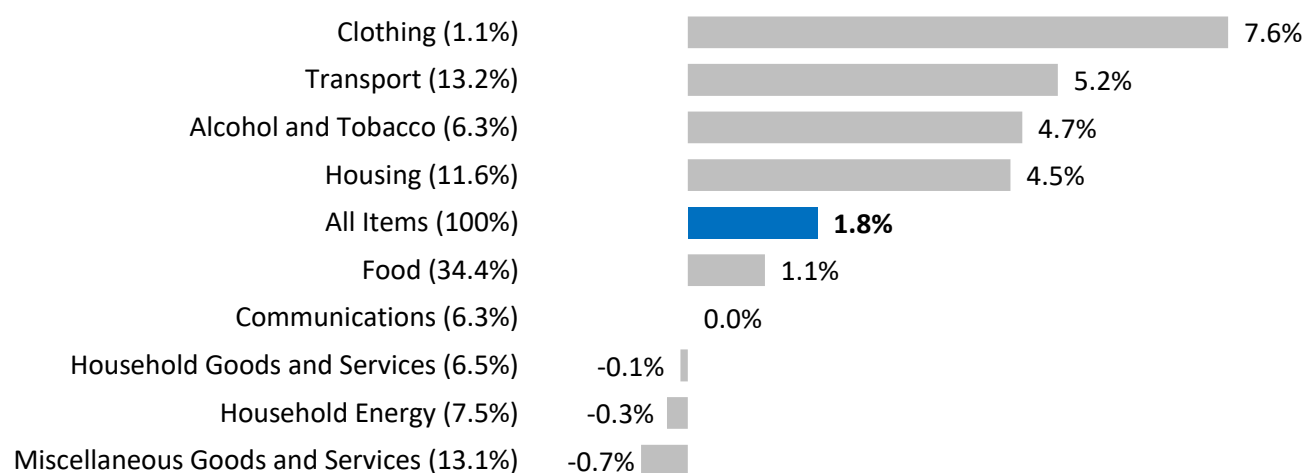
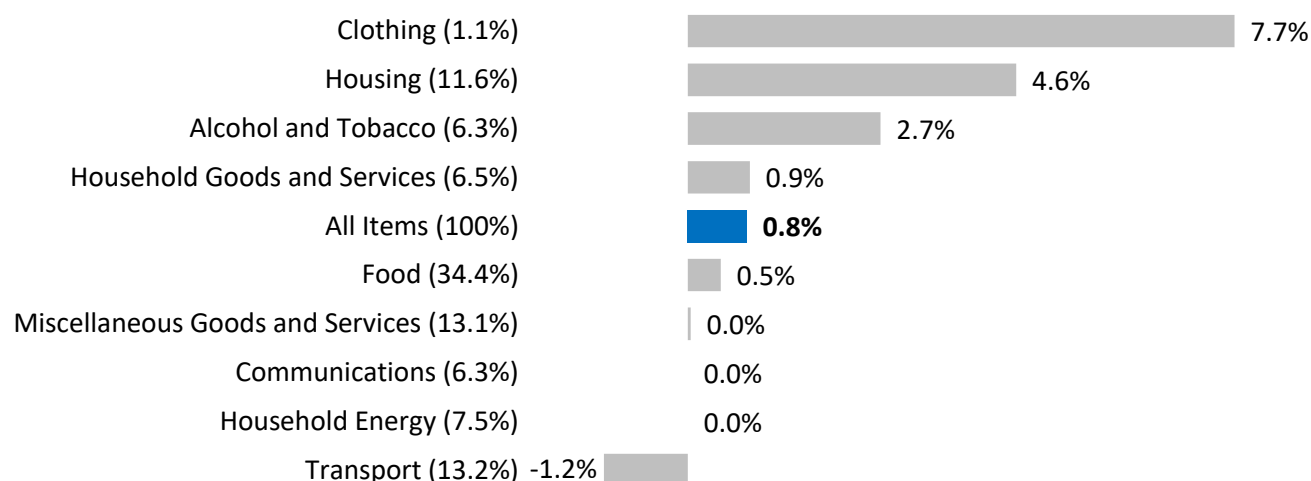


Chart 4 shows the price changes in different categories over the last three-month period (i.e. Q1 2020 to Q2 2020) instead of the 12-month period. This illustrates the most recent price increases,

including Clothing (largely the result of new stock arrivals), Housing (the result of the increased price of water from 1 April, 2020), and Alcohol and Tobacco (the result of increased import duties). It also illustrates some recent fall in price in fuel (both petrol and diesel), which has resulted in a drop in the average price of goods and services in the transport category of 1.2% over the quarter.

Chart 4. Quarterly price change by category, St Helena, Q2 2020



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 known as price deflation.

Why do we measure inflation?

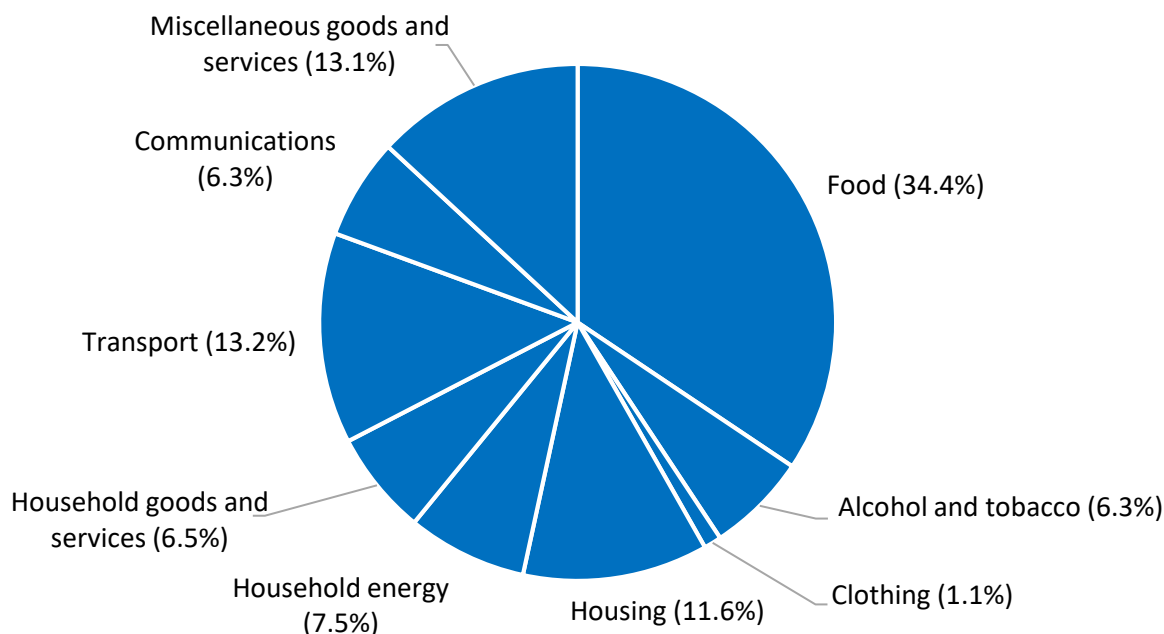
An accurate measure of price inflation helps understand the extent and nature of the impact of price changes on the government, businesses, households and individuals. Inflation rates are often used in budgeting and accounting processes so that costs can be adjusted for the effect of price changes.

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 RPI '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.

Composition of 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, Kelly Clingham and Justine Joshua, Senior Statistical Assistants, 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).