



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 third 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.

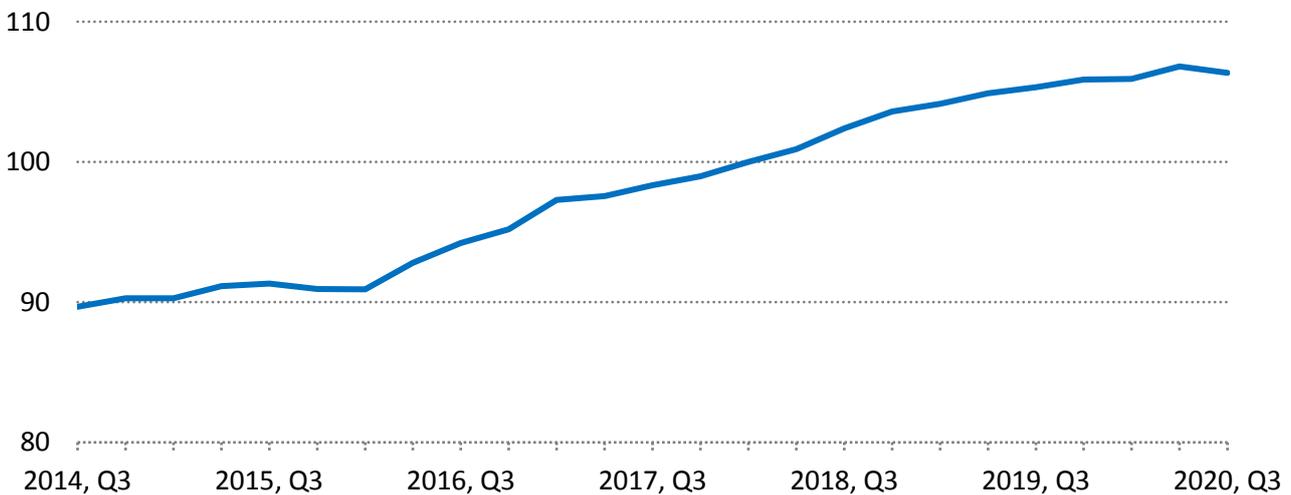
The Retail Price Index

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. It is important to understand that the RPI is an average measure, and if it goes up, it does not mean that all prices have gone up. Similarly, if it goes down, it does not mean that all prices have fallen – typically some prices will have fallen, but some will also have gone up.

Latest inflation rates

For the third quarter of 2020 the Retail Price Index (RPI) has been measured at 106.4. This is a decrease of 0.4% in the index compared to the last time it was measured three months ago, when it was 106.8. However, it is 1.0% higher than a year ago, when the RPI was 105.3. This means that the average annual inflation rate is 1.0%, comparing prices now to the same time period in 2019. Last quarter, the annual inflation rate stood at 1.8%.

Chart 1. St Helena Retail Price Index Q3 2014 to Q3 2020 (Q1 2018=100)



A decrease in the RPI is fairly uncommon; the last time it happened was in Q1 2016. The major cause of the drop is the fall, over the last 12 months or so, in the value of the South African Rand compared to the St Helena Pound. Many of the goods available in retail outlets on St Helena – especially perishable food items – are imported from South Africa, and so the exchange rate has a significant effect on prices, alongside the cost of freight and the level of customs duties. To illustrate, suppose an item cost R100 in Q2 2019, but then the price had risen to R105 in Q2 2020 due to local price inflation in South Africa. Apart from freight, customs duty, and other costs, an importer on St

Helena might expect to pay around £5.40 for that item in Q2 2019 (R100 divided by 18.5, the average daily exchange rate for that period), but only around £4.70 in Q2 2020, or some 13% less (R105 divided by 22.3, the average daily exchange rate for that period).

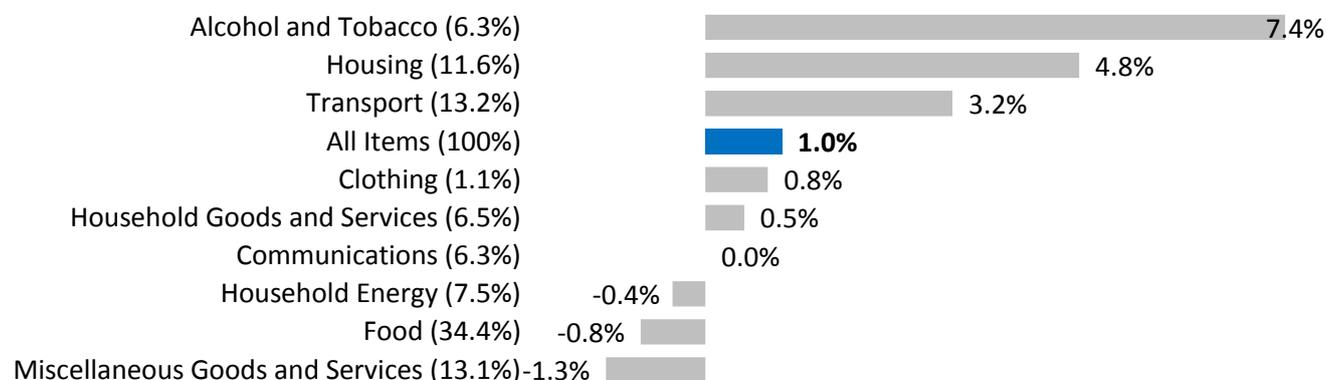
Price changes in the last year

Chart 2 illustrates the price change in different categories of goods and services over the last 12-month period. The largest annual increases in average prices were in the Alcohol and Tobacco and Housing categories: 7.4% and 4.8% respectively. The increase in the Alcohol and Tobacco category is due to increases in Customs duties during the year (duty on alcohol was increased by 2.9% and tobacco and tobacco products by 3.9%). The increase in the higher rate of water tariff that took place in the second quarter of 2020 is still a major factor contributing to the 4.8% annual increase in the Housing category and affects households that use over 25m³ per quarter. The increase in the Transport category is largely attributable to increases in shipping freight rates for imported vehicles.

Average prices of goods and services fell over the year in three categories: Household Energy, Food, and Miscellaneous Goods and Services. The 0.8% fall in average food prices is especially significant, because Food comprises more than a third of the overall basket. As explained previously, this is largely a result of the lower value of the Rand compared to the St Helena pound; some South African food items are now cheaper than they were a year ago.

Chart 2. Annual price change by category, St Helena (Q3 2020 compared to Q2 2020)

Annual change



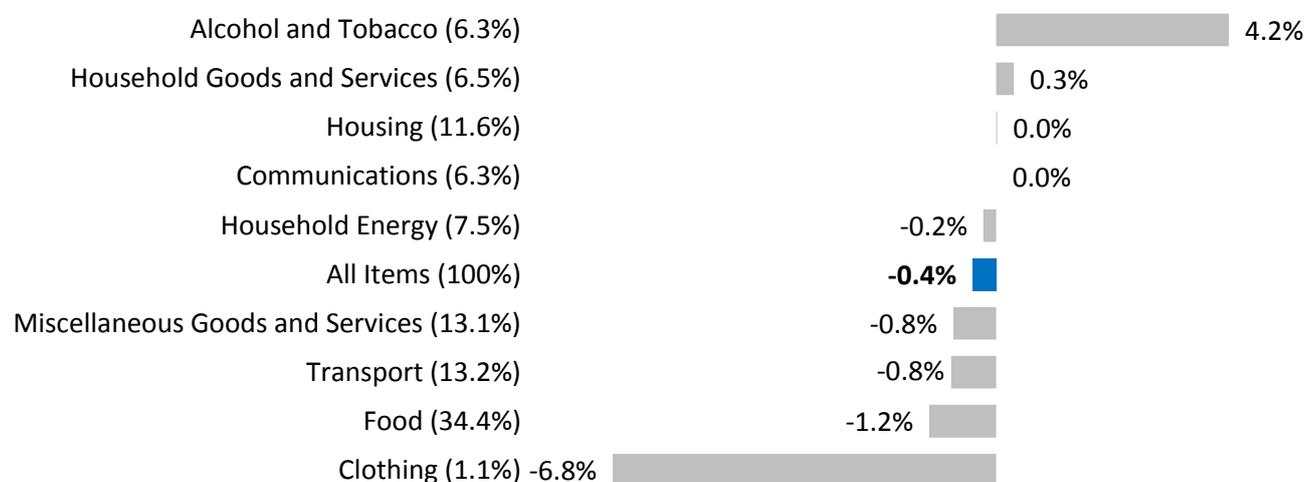
Note: category weights are provided in parentheses; these indicate the extent to which different categories are represented in the overall index. Categories with higher weight have a greater contribution to the index than categories with lower weights.

Price changes in the last quarter

Shorter-term changes in prices can be measured by comparing the index with its value in the last quarter, three months ago (i.e. Q2 2020). Chart 3 illustrates these quarterly inflation rates and shows that significant short-term price increases are evident in the Alcohol and Tobacco category (4.2%).

For most other categories, on average, prices were either unchanged or they fell. Transport prices fell by 0.8% because of a fall in the retail price of petrol and diesel. Food prices fell on average by 1.2%, because of the impact of weaker Rand and Clothing fell the most, by 6.8% on average – this was in part due to the arrival of new stock in some retailers, with slightly lower prices.

Chart 3. Quarterly price change by category, St Helena (Q3 2020 compared to Q2 2020)



Note: category weights are provided in parentheses; these indicate the extent to which different categories are represented in the overall index. Categories with higher weight have a greater contribution to the index than categories with lower weights.

Some frequently asked questions

What is price inflation?

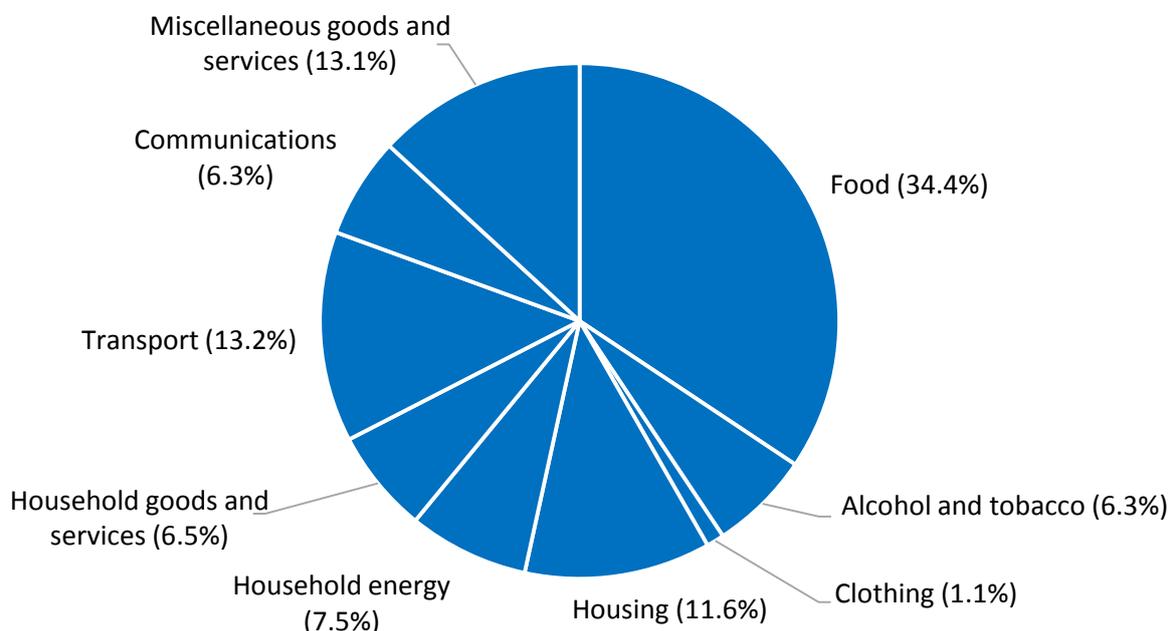
Price inflation is the change in the average prices of goods and services over time. The rate of price inflation is calculated from the change in the Retail Price Index (RPI), which is the official measure of the average change in the prices of goods and services paid by consumers. The RPI is estimated 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: <https://www.sainthelena.gov.sh/st-helena/statistics/> 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).