



In this Bulletin: The Retail Price Index and Inflation

Estimates of the Retail Price Index and price inflation rates have been calculated for the first quarter of 2021. 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: if it goes up, it does not mean that all prices have gone up, and similarly, if it goes down, it does not mean that all prices have fallen – typically, some prices will have fallen, but some will have also gone up.

Latest index value and inflation rates

For the first quarter of 2021 the RPI has been measured at 106.3 (Chart 1). This is an increase of 0.6% from three-month ago, when the index stood at 105.6. It is also an increase of 0.4% from a year ago, when the RPI was 105.9. This means that the annual inflation rate is 0.4%, comparing prices in the first quarter of 2021 to the same time period in 2020.

Notable increases in prices over the year include items in the alcohol and tobacco category and the clothing category. Notable decreases in annual prices included the price of fuel; petrol fell from £1.37 to £1.28 per litre, and diesel from £1.46 to £1.35 a litre.

Chart 1. St Helena Retail Price Index Q1 2014 to Q1 2021 (Q1 2018=100)

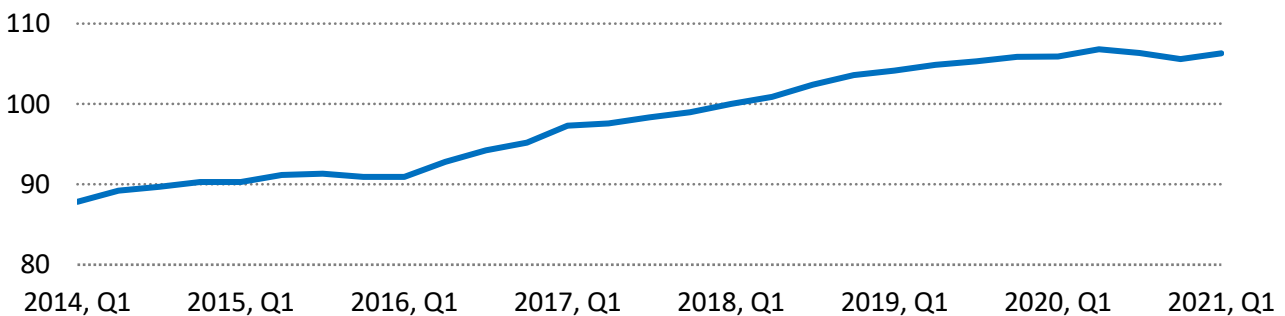
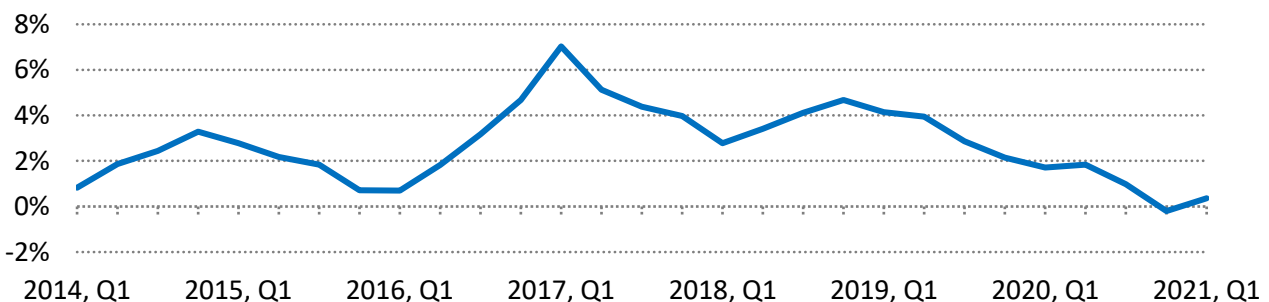


Chart 2. Annual inflation rate, Q1 2014 to Q1 2021



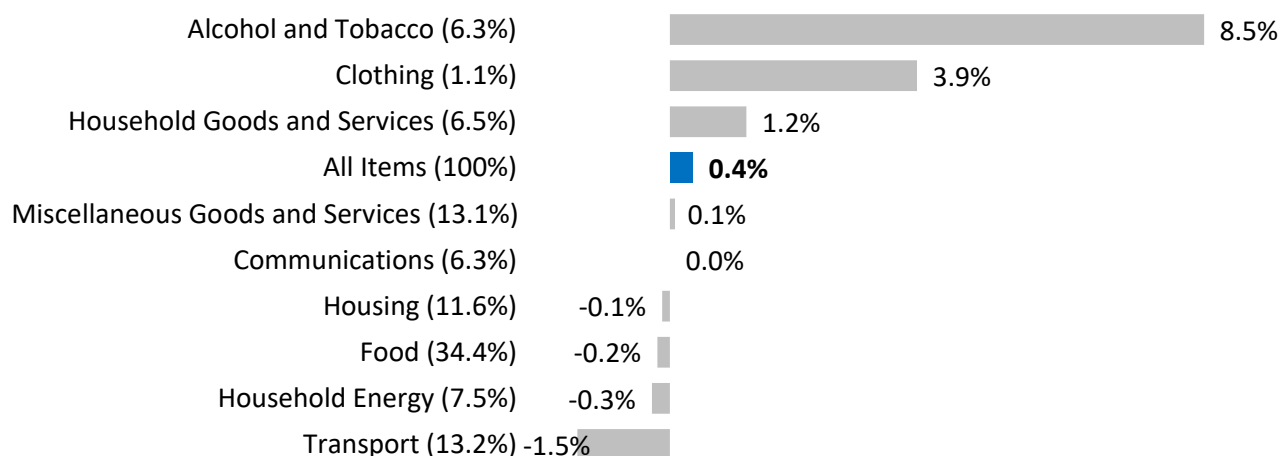
The 0.4% annual inflation rate is a combined result of the low inflation rates in both the UK and South Africa and the impact of the value of the South African Rand compared to the St Helena Pound over the last 12 months. Inflation in the United Kingdom was measured at 0.4% for February 2021 (UK Office for National Statistics), and inflation in South Africa was measured at 2.9% during the same period (Statistics South Africa). The Rand has strengthened slightly against the Pound over the year, contributing to the price change in some items bought from South Africa. Freight costs and rates of customs duties for certain items also have an impact on shelf prices, and the COVID-19 pandemic has also been a contributing factor, limiting some supplier operations and altering the demand for goods and services.

Price changes in the last year

The Retail Price Index uses 203 representative items to measure price changes in nine different categories of household spending. Since a year ago, 55 items increased in price, 50 items decreased in price, and the price of 98 items remained unchanged. Chart 3 illustrates the price change in different categories of goods and services over the last 12-month period and their contribution to the annual inflation rate of 0.4 %.

Increased customs duties for Alcohol and Tobacco products introduced during the last 12 months is the main reason why average prices in this category show the largest annual increase (8.5%). Recent reductions in the price of fuel (petrol fell from £1.37 to £1.28 per litre, and diesel from £1.46 to £1.35 a litre) has led to average prices in the Transport category having the largest annual decrease, or -1.5%.

Chart 3. Annual price change by category, St Helena (Q1 2021 compared to Q1 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.

Price changes in the last quarter

Recent changes in prices can be measured by comparing the index with its value in the last quarter, three months ago (i.e. Q4 2020). Typically, these quarter-on-quarter rates are lower than the annual rates, since they measure price changes over a much shorter period. Chart 4 illustrates that, on

average, prices rose in the last quarter, by around 0.6%. Of the 203 items used to measure the inflation rate, 11 items fell in price, 38 items increased in price, and 154 items stayed the same.

Chart 4. Quarterly inflation rate, Q1 2014 to Q1 2021

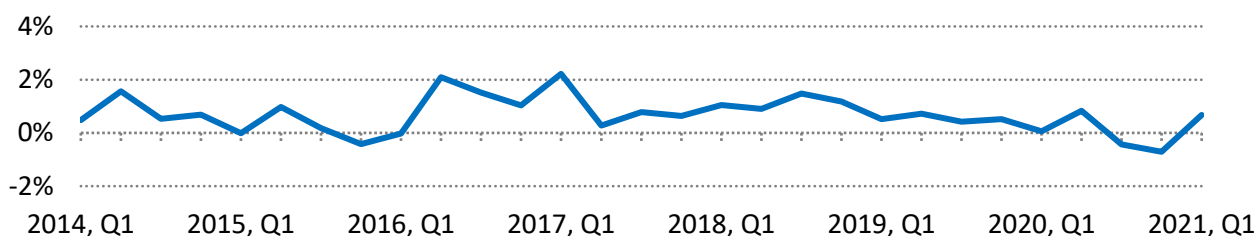
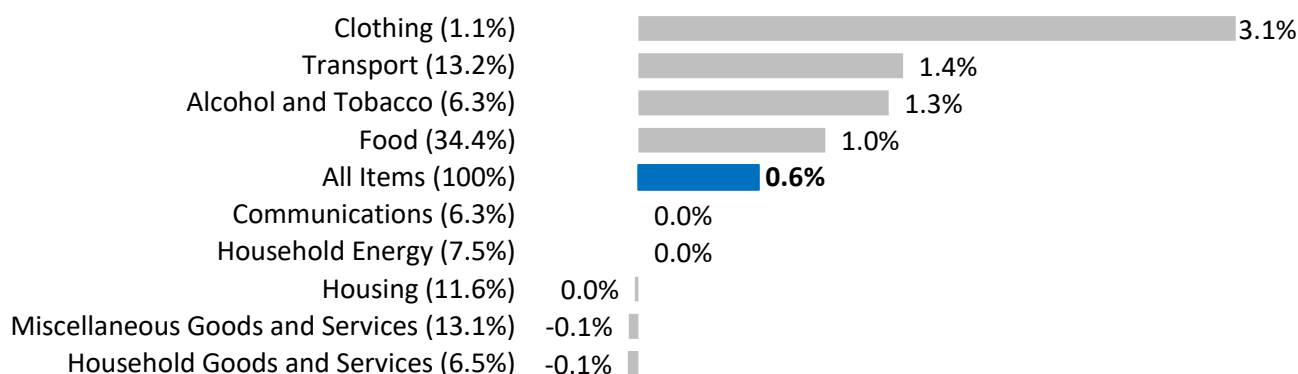


Chart 5 illustrates the latest quarterly inflation rate by category of expenditure. Compared to the last quarter, the highest average price increases were in the Clothing, Transport and Alcohol & Tobacco categories; it is notable that when measured over the year average prices in the Transport category fell, but these price reductions were not observed in the shorter term.

Chart 5. Quarterly price change by category, St Helena (Q1 2021 compared to Q4 2020)

Quarter on quarter 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.

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 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 3 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.

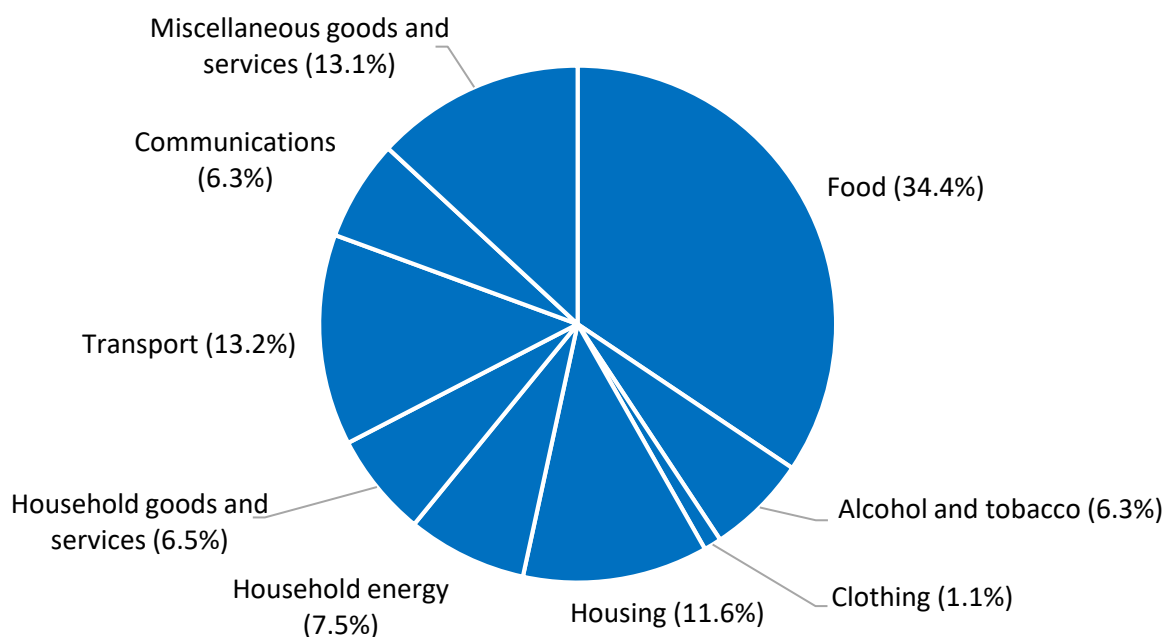
Why do we measure inflation?

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).