



In this Bulletin: The Retail Price Index and Inflation

Estimates of the Retail Price Index and price inflation rates have been calculated for the third 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 third quarter of 2021 the RPI has been measured at 108.2 (Chart 1). This is an increase of 0.6% from three months ago, when the index stood at 107.5. It is also an increase of 1.7% from a year ago, when the RPI was 106.4. This means that the annual inflation rate is 1.7%, comparing prices in the third quarter of 2021 to the same time period in 2020. This is the highest inflation has been since the start of the COVID-19 pandemic.

Notable changes over the 12 months include the impact of the recent increases in petrol and diesel prices as well as increases in representative items within the Alcohol and Tobacco category. Items which saw notable decreases include representative items used to measure housing and also include some items within the Food category, for example items used to represent cooking stock and some dairy products. However, despite these downward pressures, all nine categories experienced positive inflation during this current quarter.

Chart 1. St Helena Retail Price Index Q3 2014 to Q3 2021 (Q1 2018=100)

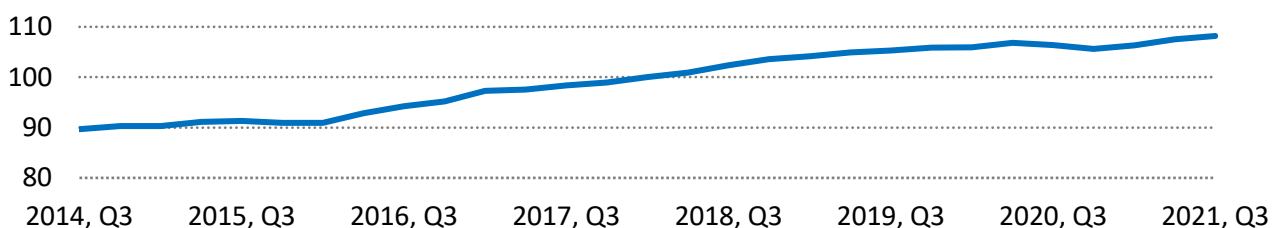
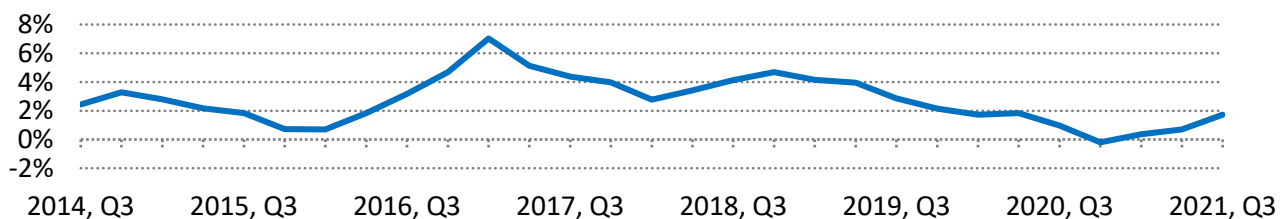


Chart 2. Annual inflation rate, Q3 2014 to Q3 2021



The Retail Price Index has risen by 1.7% between Q3 2020 and Q3 2021. This change from the previous inflation rate of 0.7% (Q2 2020) reflects a number of contributing factors including rising inflation rates in both the UK and South Africa, as both countries recover from the COVID-19 pandemic. Inflation changes in these two countries directly influence prices on St Helena as this is where the majority of consumer goods are purchased. Inflation in the United Kingdom was measured at 3.2% in August 2021 (UK Office for National Statistics), with South Africa measured at 4.9% for the same period. Exchange rates and the changes in freight charges also have an impact on shelf prices. The Rand has weakened against the pound in recent months but, at the time most goods currently on the shelves were purchased, the Rand would have been stronger – causing some purchase prices to be slightly higher.

The index uses 203 representative items to measure price changes in nine different categories of household spending; since a year ago, 84 items increased in price, 28 items decreased in price, and the price of 91 items remained unchanged.

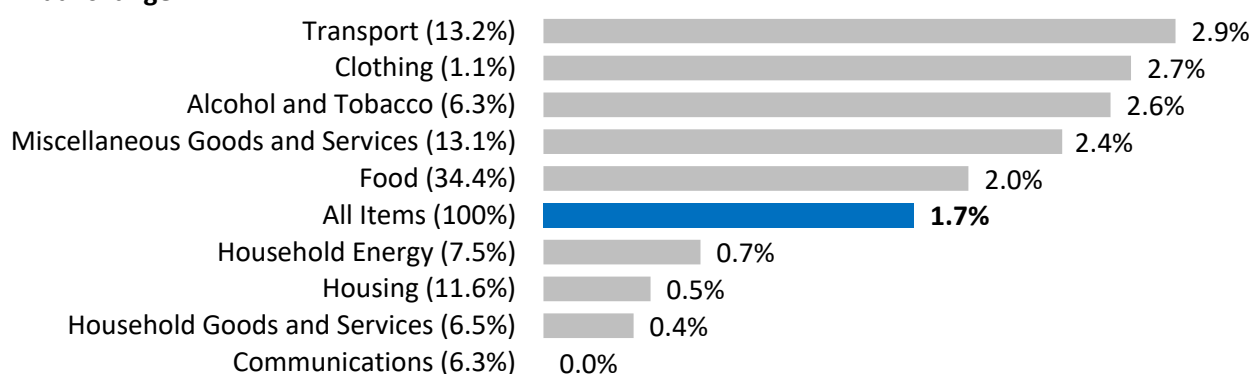
Price changes in the last year

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 1.7 %.

All nine index categories experienced positive inflation during Quarter 3 2021. Increases in prices of representative items within the Transport category, including increased freight rates for importing vehicles, contributed to the largest upward pressure on the overall rate of 1.7%. Petrol prices increased by 4% from the same period in 2020, the last increase taking place at the beginning of August 2021. Diesel prices also saw a 7% increase and, as fuel has a substantial weighting in the St Helena Shopping Basket, is one of the items with the biggest impact on the annual increase.

Chart 3. Annual price change by category, St Helena (Q3 2021 compared to Q3 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.

Average prices within the Food category increased by 2.0 %. This is the largest annual change in the Food category since Quarter 3 2019. Just under half of all items in the food basket increased (44 items, 46%) whilst 30 items remained unchanged (31%) and 22 items dropping in price (23%). Representative items for cold meats and milk contributed the biggest impact on the annual increase.

Recent changes to the Government Landlord Housing rents also had a significant impact on the overall inflation rate however, due to price changes in other items within the category, Housing had the third lowest contribution towards the 1.7% headline rate.

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 2021). Charts 4 and 5 illustrate these quarterly inflation rates; typically they are lower than the annual rates, since they measure price changes over a much shorter period. Between quarter 2 and 3 of 2021, average prices rose by 0.6%. Over the quarter, 38 prices rose, 23 prices fell and 142 prices remained unchanged.

Over the three months, Transport and Alcohol and Tobacco were the largest contributors to the quarterly change. This includes the impact of increases in fuel prices and alcoholic beverages and items used to represent Tobacco.

Chart 4. Quarterly inflation rate, Q3 2014 to Q3 2021

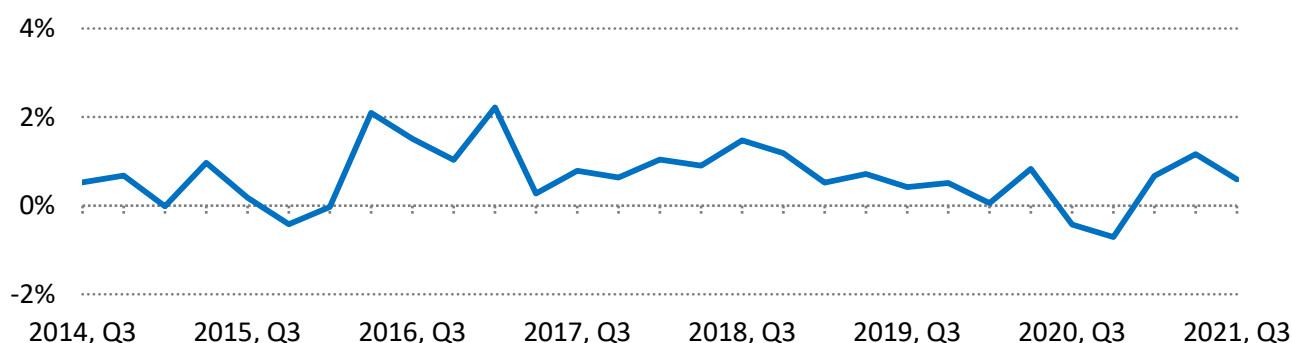
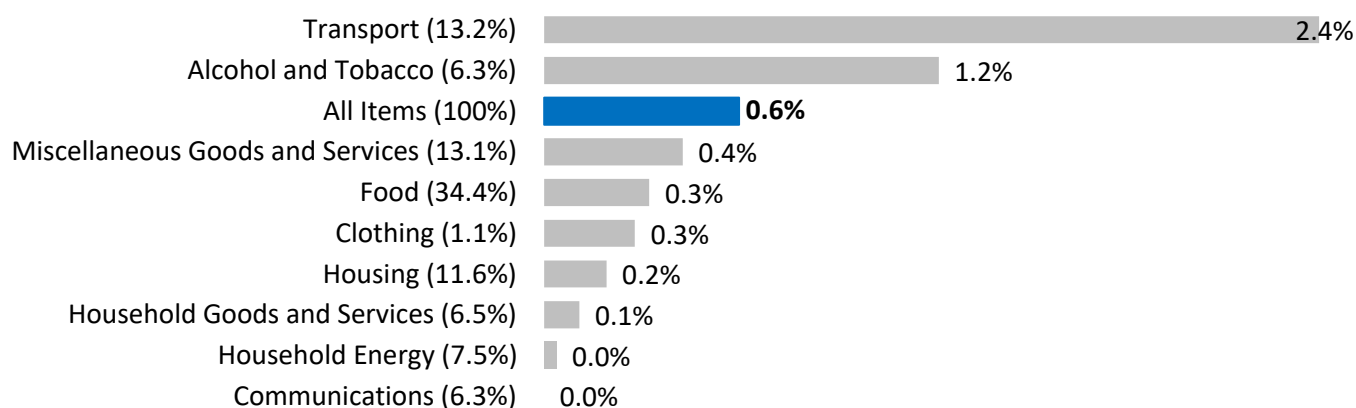


Chart 5. Quarterly price change by category, St Helena (Q3 2021 compared to Q3 2020)

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 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.

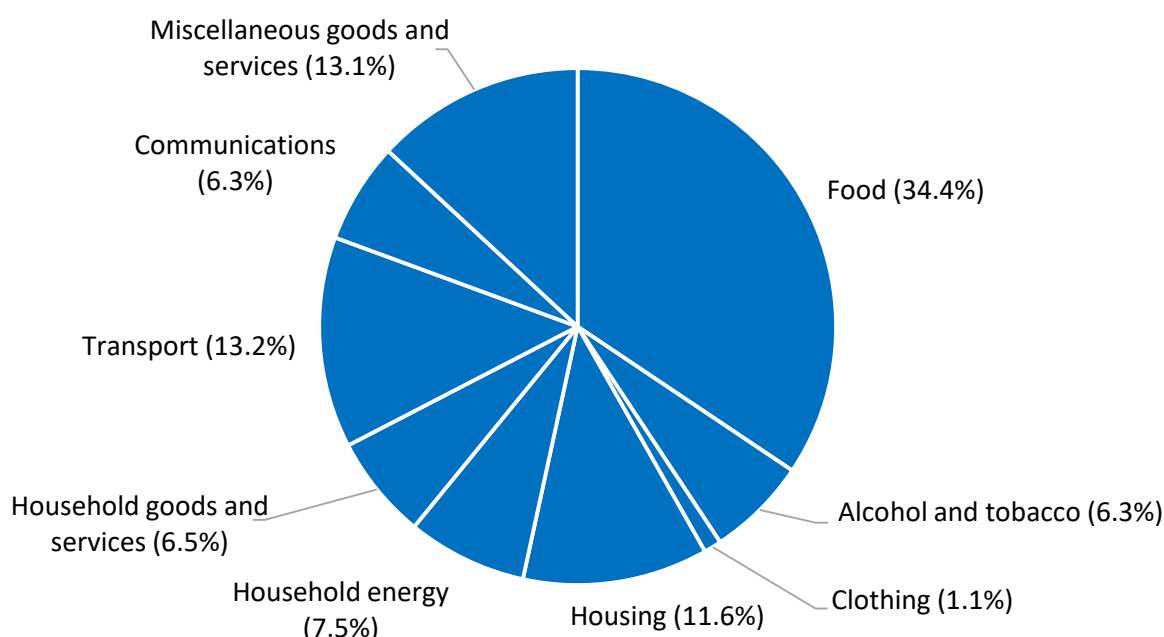
Why do we measure inflation?

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 **top floor of the Post Office**, Jamestown. You can also contact us by telephone on our direct line: **22138**. 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`).