



## 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 2022. The data released in this Bulletin can be downloaded from the St Helena Statistics website in the 'Inflation' file at: <https://www.sainthelena.gov.sh/st-helena/statistics/the-economy>.

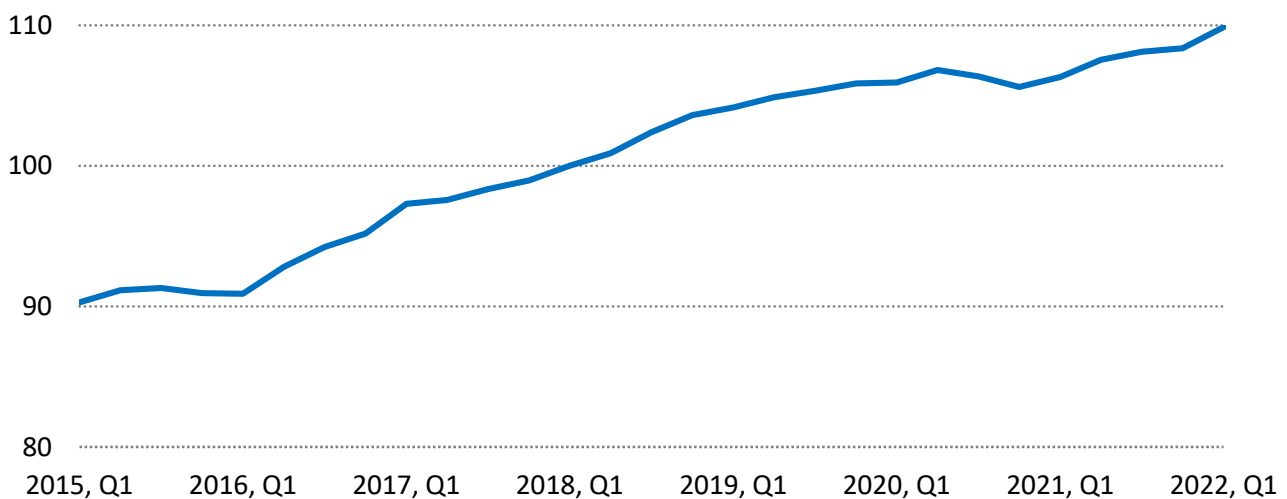
### The Retail Price Index

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.

### Latest index value and inflation rates

For the first quarter of 2022 the RPI has been measured at 109.9 (Chart 1). This is an increase of 1.4% from three months ago. It is also an increase of 3.3% from a year ago, when the RPI was 106.3. This means that the annual inflation rate is 3.3%, comparing prices in the first quarter of 2022 to the same time period in 2021. This continues the general upward trend and is the highest inflation has been since the second quarter of 2019 (4.0%), before the COVID-19 pandemic.

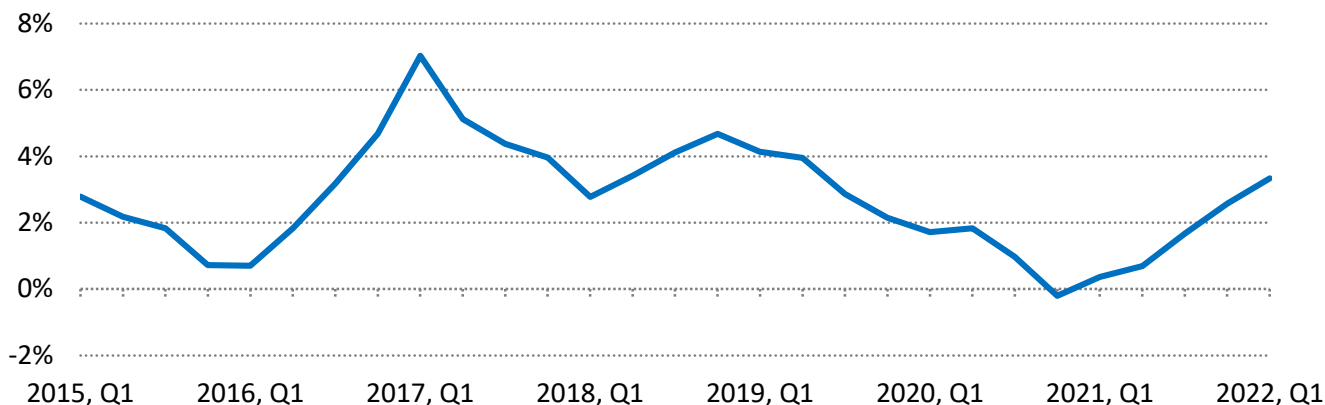
Chart 1. St Helena Retail Price Index Q1 2015 to Q1 2022 (Q1 2018=100)



Compared to the previous annual inflation rate of 2.6% (Q4 2021) this is an increase of 0.7 percentage points. There are a number of contributing factors, including rising inflation rates in both the UK and South Africa and the impact of COVID-19 on availability and supply of certain products and services. Inflation in the United Kingdom was measured at 7.0% in March 2022 (UK Office for National Statistics), with South African inflation measured at 5.7% in February. Price changes in these two countries have a strong impact on prices on St Helena, since it is where the majority of imported goods are purchased. Changes in the value of the Rand compared to the Pound also have an effect. Over the past year, the rand has fluctuated but on average has been at 20 rand to the

pound. This compared to the previous yearly average of 21 rand per pound.

Chart 2. Annual inflation rate, Q1 2015 to Q1 2022



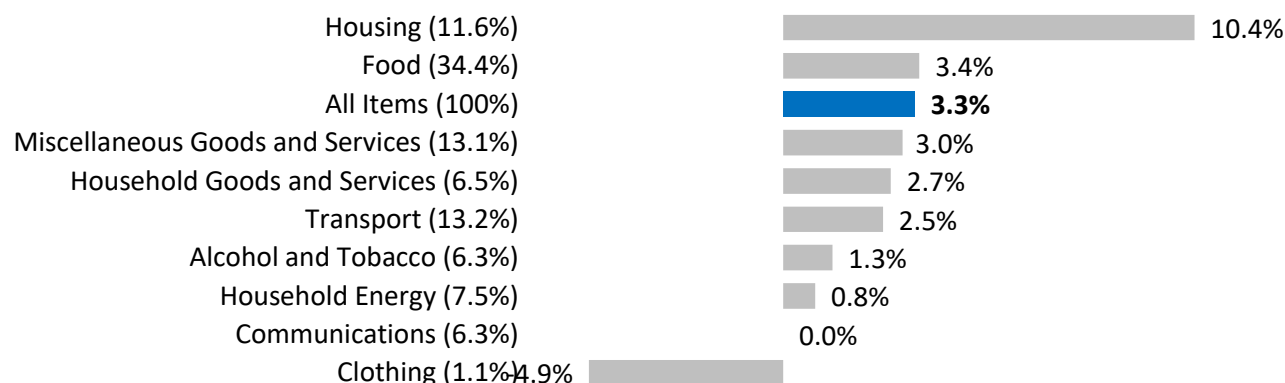
**Price changes in the last year**

The index uses 203 representative items to measure price changes in nine different categories of household spending; since a year ago, 77 items increased in price, 42 items decreased in price, and the price of 84 items remained unchanged.

Seven of the nine index categories saw prices increase, on average, over the past year (Chart 3). Average prices of representative items within the Housing category again increased the most (10.4%), while the communications category showed no increase over the last year. Prices in the Housing category were affected by increases in building materials and by changes to the Government Landlord Housing rent scheme adopted from April 2021. On average Food prices have increased by 3.4% since the same period last year, the highest annual increase since quarter 3 2019. Petrol and Diesel prices have remained stable over the past few quarters, despite the global energy and oil concerns resulting from the war between Russia and Ukraine.

Chart 3. Annual price change by category, St Helena (Q1 2022 compared to Q1 2021)

**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. Q4 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 4 2021 and 1 of 2022, average prices rose by 1.4%: 22 prices rose, 19 prices fell, and 162 prices remained unchanged.

On average, over the quarter prices in items representing Food and Housing rose the most. Food rose by 2.8% between quarter 4 2021 and quarter 1 2022, the highest quarterly rate since the third quarter of 2018. Prices used to measure Household Goods and Services and Clothing fell on average between the quarters, possibly due to the effect of disruptions in supply chains resulting from the COVID pandemic.

Chart 4. Quarterly inflation rate, Q1 2015 to Q1 2022

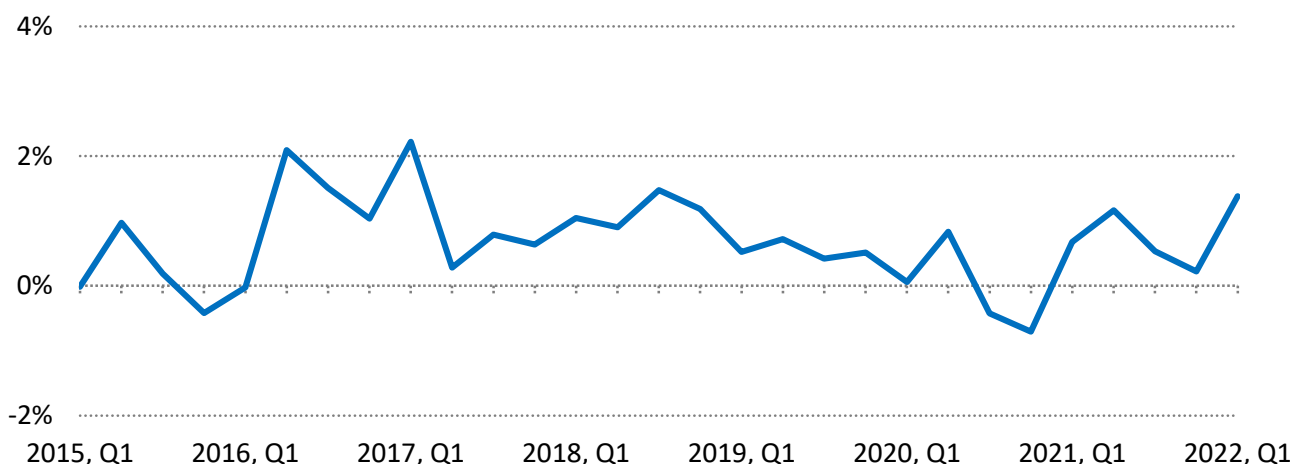
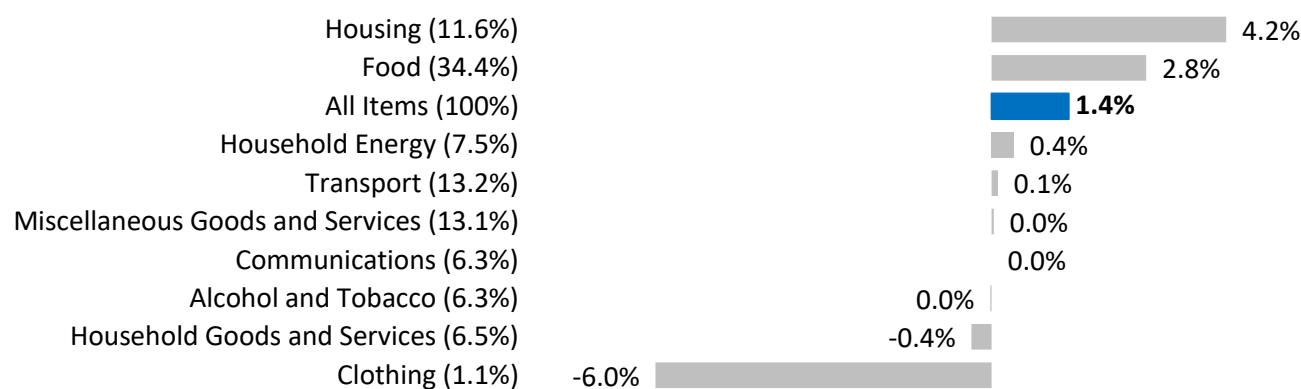


Chart 5. Quarterly price change by category, St Helena (Q1 2022 compared to Q1 2021)

#### 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.

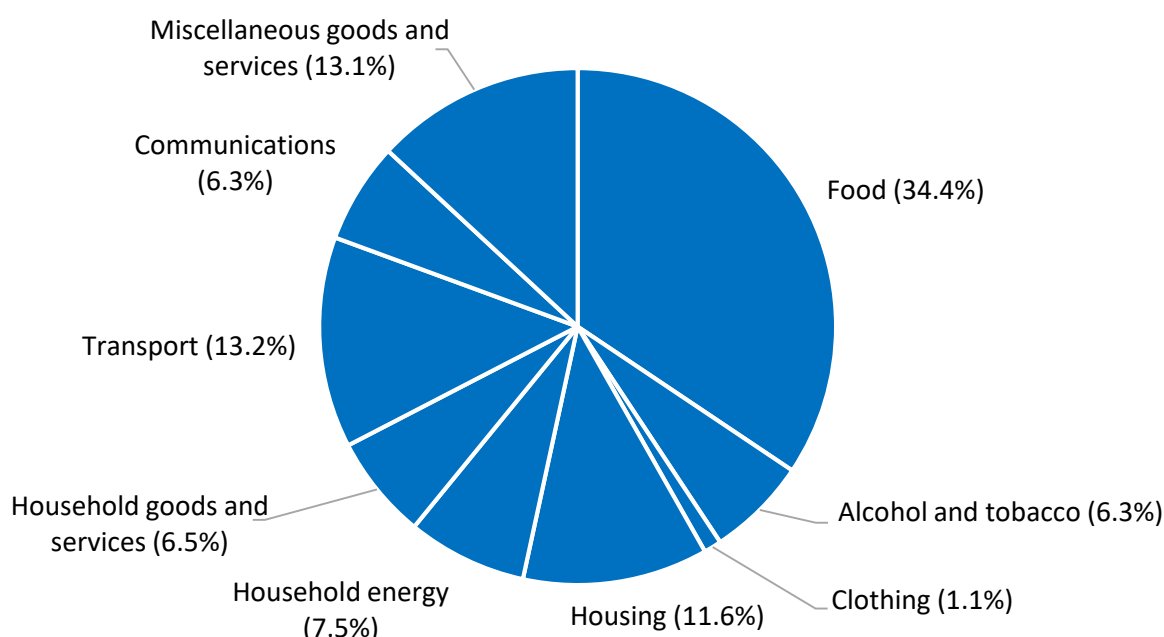
### Why do we measure inflation?

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`).