

In this Bulletin: The Retail Price Index and Inflation

Estimates of the Retail Price Index and price inflation rates have been calculated for the second quarter of 2022 (Q2 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 second quarter of 2022 the RPI has been measured at 112.8 (Chart 1). This is an increase of 3.5% from three months ago, and an increase of 4.8% from a year ago. This means that the annual inflation rate is 4.8%, comparing prices in the second quarter of 2022 to the same period in 2021. This is the highest annual inflation rate measured since 2017 (Chart 2), which was just after the vote was held in the UK to leave the European Union (for comparison, the average annual inflation rate for that year was measured at 5.1%).

Chart 1. St Helena Retail Price Index Q2 2015 to Q2 2022 (Q1 2018=100)

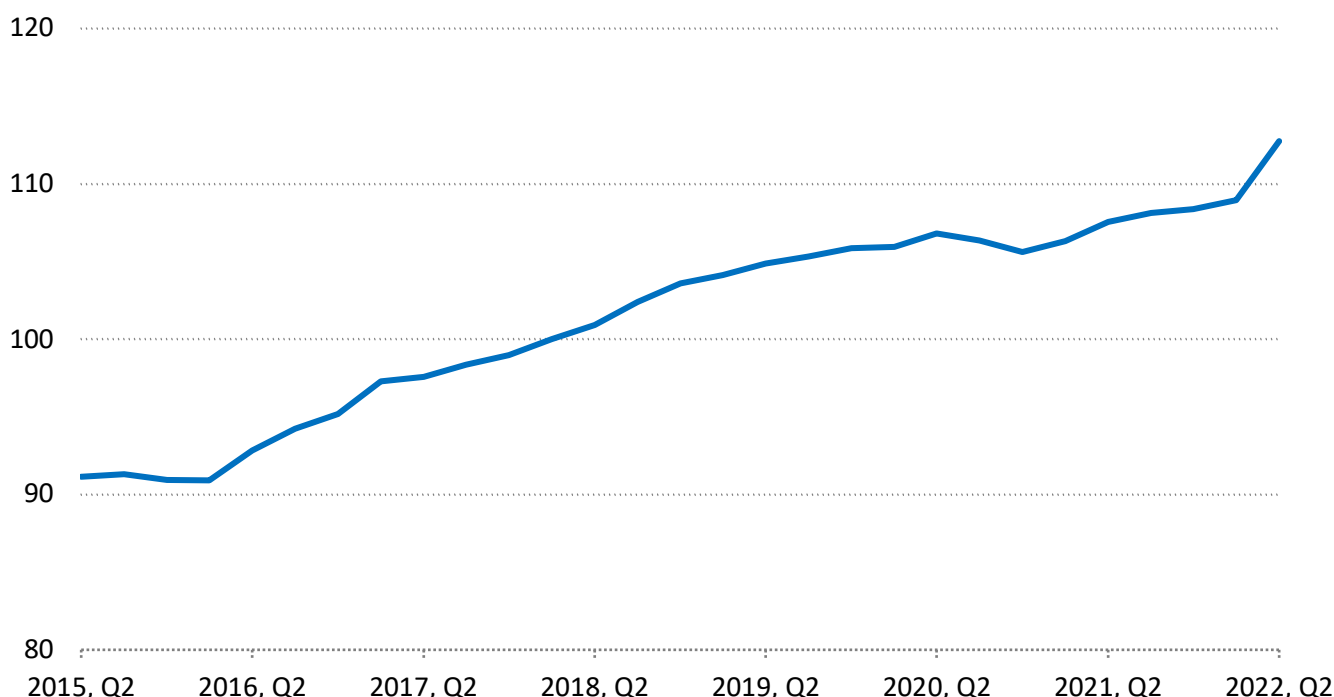
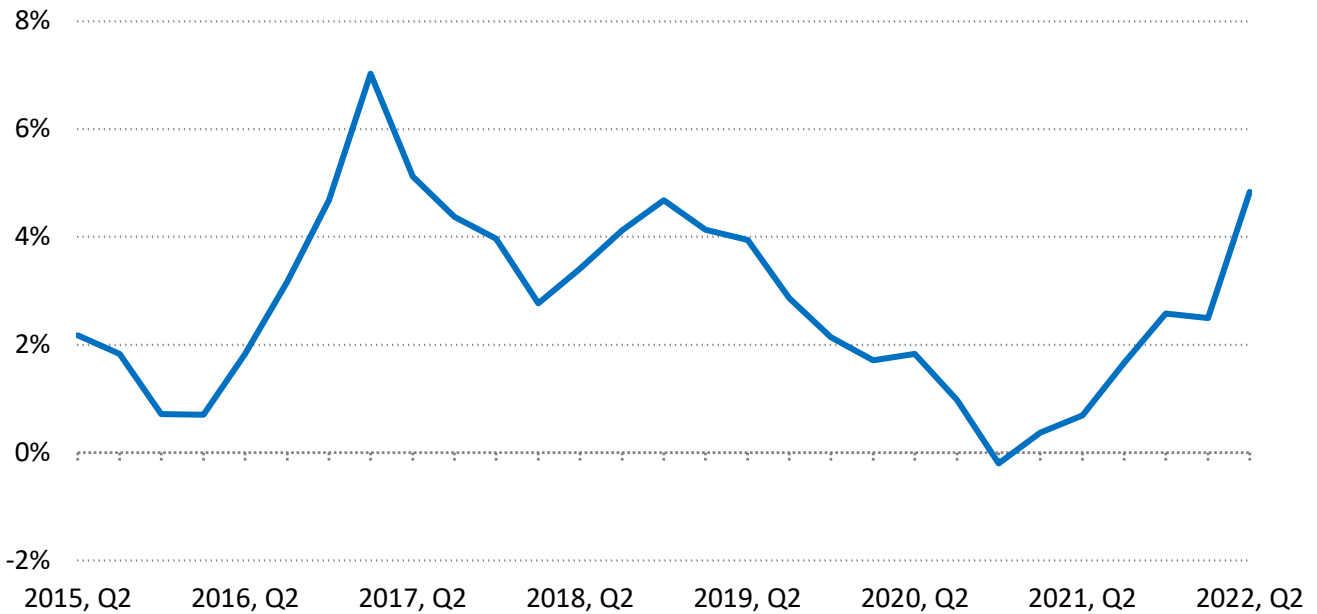


Chart 2. Annual inflation rate, Q2 2015 to Q2 2022



The biggest contributing factor in this quarter to the increase in the inflation rate is the higher price of imported petrol and diesel used for road vehicle transportation. At the time when prices were measured, petrol had risen to 1.98 a litre, and diesel had risen to £2.22 a litre, which were increases of 44.5% and 53.1% respectively on their prices in the previous quarter. Together, based on the weight of these two items in the index, these two items increased the average household shopping basket by 2.8%, compared to the previous year.

High inflation rates in both the UK and South Africa, where almost all imported goods are purchased, are a further contributing factor to higher levels of inflation on St Helena. Measured using the respective Consumer Price Indices, annual inflation in May 2022 in the United Kingdom was 9.1% (UK Office for National Statistics) and in South Africa it was 6.5% (Statistics South Africa). This is the highest inflation rate in the UK since 1982, and the highest rate in South Africa since 2017.

Changes in the value of the Rand compared to the Pound also have an effect, and it has fluctuated at around 20 Rand to the Pound over the past year. Recently, the Pound has strengthened slightly compared to the Pound, which, if this trend continues, may slightly cushion the effect of price rises in South Africa.

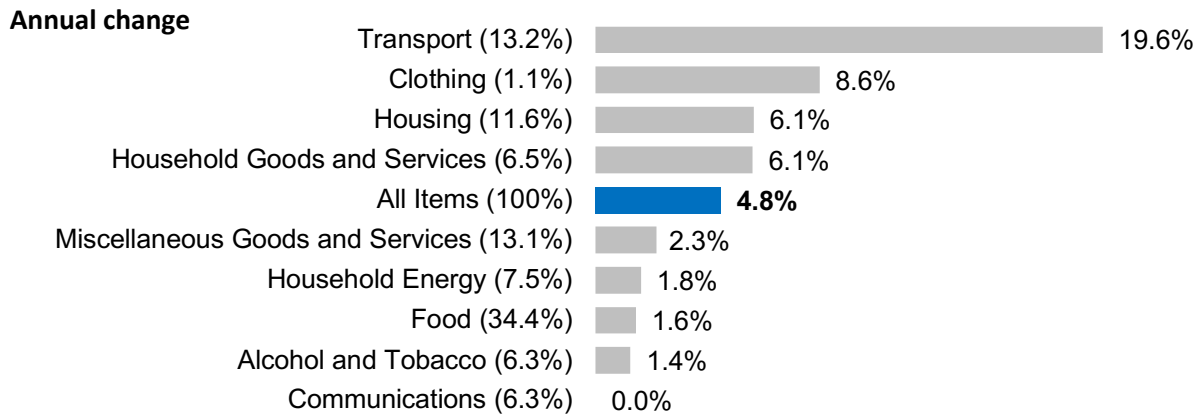
Price changes in the last year

The index uses 203 representative items to measure price changes in nine different categories of household spending. Over the past year, 71 of these items increased in price, 38 items decreased in price, and the price of 94 items remained unchanged.

Eight of the nine index categories saw prices increase, on average, over the past year (Chart 3). Average prices of representative items within the Transport category increased the most (19.6%) due to the rise in the cost of fuel, while the Communications category again showed no increase over the last year. Unusually, prices in the Alcohol & Tobacco category increased less than most other

categories (1.4% on the year).

Chart 3. Annual price change by category, St Helena (Q2 2022 compared to Q2 2021)

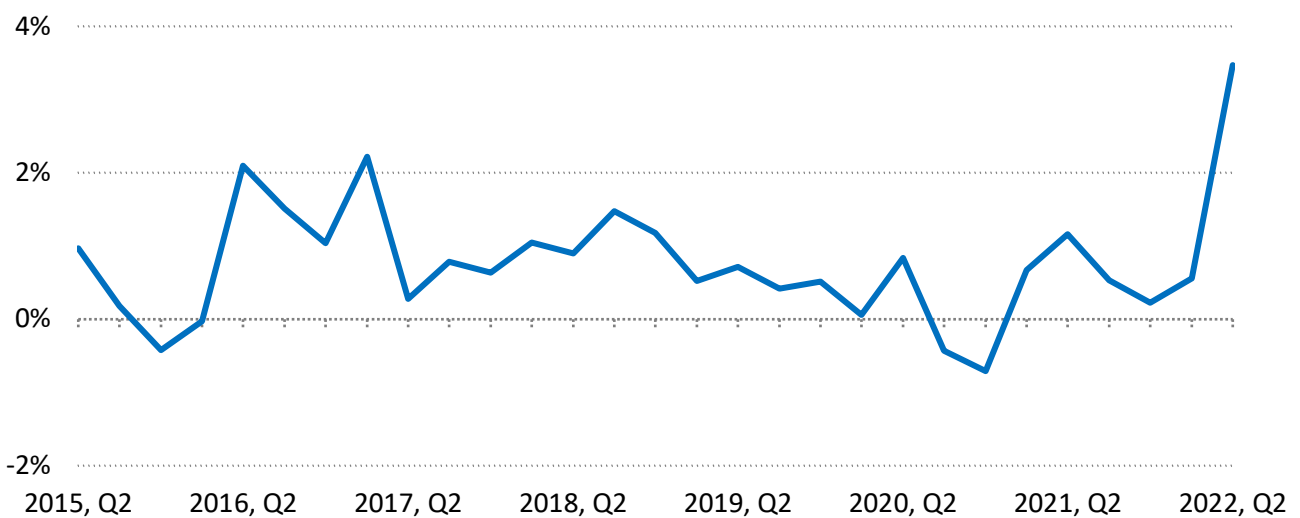


Note: Category weights are provided in brackets. These show how different categories are represented in the overall index: categories with higher weights have a greater contribution to the index than categories with lower weights.

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. Q1 2022). Charts 4 and 5 illustrate these quarterly inflation rates; they are usually lower than the annual rates, since they measure price changes over a much shorter period. Between Quarter 1 2022 and Quarter 2 of 2022, average prices rose by 3.5%, the highest quarterly jump in average prices since 2008, when there was a global economic shock caused by a financial crisis in the United States.

Chart 4. Quarterly inflation rate, Q2 2015 to Q2 2022

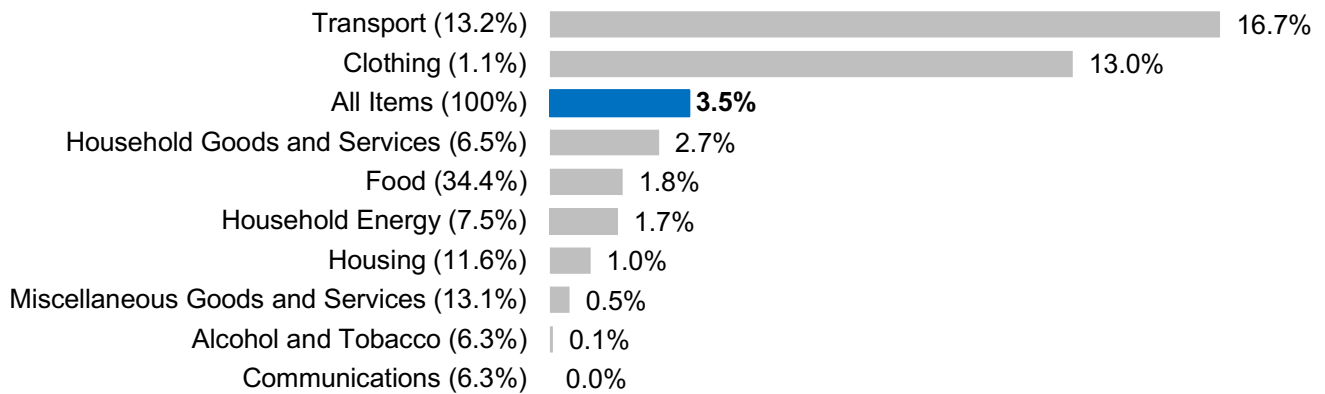


On average, over the quarter, prices in items representing Transport rose the most by almost 17%, reflecting the large increase in the price of petrol and diesel. Transport has a relatively high weight in

the Retail Price Index of 13.2%; items in the Clothing category also increase significantly, by 13.0%, but Clothing has a much lower weight of only 1.1%.

Chart 5. Quarterly price change by category, St Helena (Q1 2022 compared to Q2 2022)

Quarter on quarter change



Note: Category weights are provided in brackets. These show how different categories are represented in the overall index: categories with higher weights have a greater contribution to the index than categories with lower weights.

Revisions

The Statistics Office revises past estimates if new or more accurate information becomes available, or if methods are improved. Better price information has been obtained in three categories for the RPI for Q1 2022 (last quarter), resulting in a revision to the estimates that were previously published (Table 1).

Table 1. Revision to RPI, Q1 2022

Component	Index Value		Annual Inflation Rate		Quarterly Inflation Rate	
	Original	Revised	Original	Revised	Original	Revised
Food	109.5	106.7	3.5%	0.8%	2.8%	0.2%
Alcohol & Tobacco	117.4	117.5	1.2%	1.3%	-0.1%	0.0%
Household Goods & Services	105.5	106.4	2.7%	3.6%	-0.4%	0.5%
Total	109.9	109.0	3.3%	2.5%	1.4%	0.6%

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.

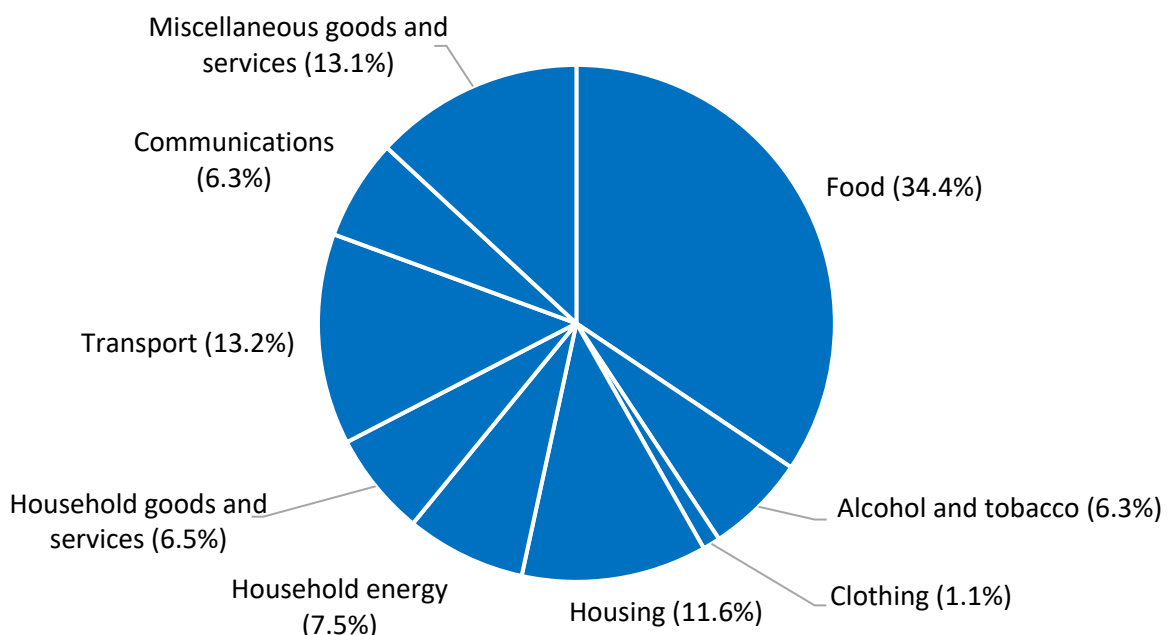
Why do we measure inflation?

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/the-economy> 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`).