

## In this Bulletin: retail prices and inflation

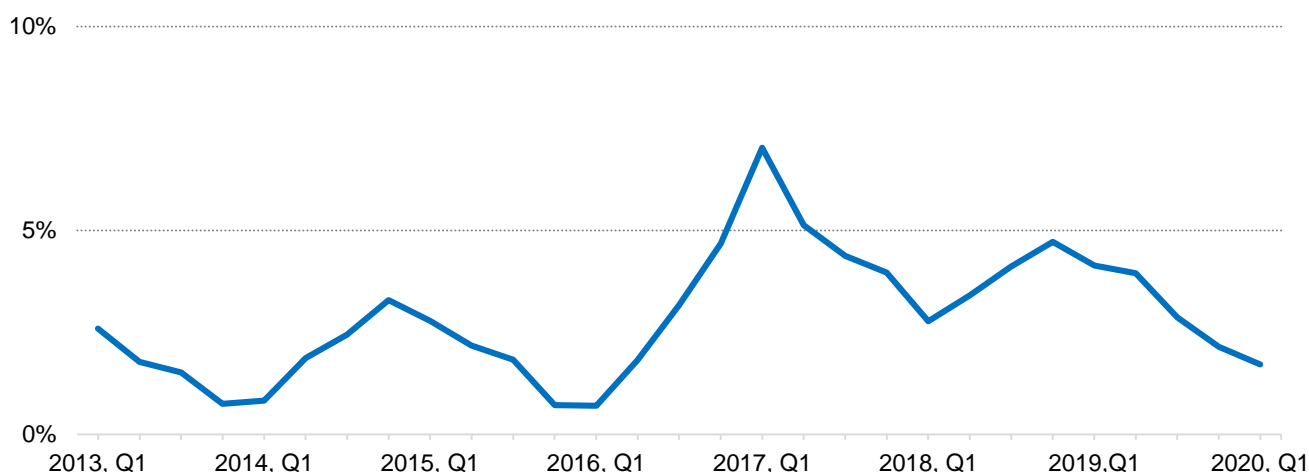
This bulletin includes estimates of the latest annual price inflation rates for the first quarter of 2020, calculated from the Retail Price Index (RPI). The data released in this Bulletin, including the RPI itself, can be downloaded from the St Helena Statistics website at: [www.sainthelena.gov.sh/statistics](http://www.sainthelena.gov.sh/statistics).

## Annual and quarterly inflation rates

The overall Retail Price Index was measured at 105.9 in the first quarter of 2020. This is unchanged from the rate of the fourth quarter of 2019, and an increase from 104.1 in the first quarter of 2019. This means that retail prices rose, on average, by 1.7% over the past year, between the first quarter of 2019 and the first quarter of 2020.

The annual price inflation rate of 1.7% is a smaller increase than the rate from last quarter (Q4 2019), when the annual price inflation rate was measured at 2.1% (see Chart 1).

Chart 1. Annual price inflation rate, St Helena, Q1 2013 to Q1 2020



During Q1 2020, items that made an upward contribution towards the headline rate of 1.7% included the cost of a vehicle purchase, tobacco and fuel. Likewise, there were also items which made a downward contribution toward the rate, including eggs and local fish.

As most of the goods available in retail outlets on St Helena are imported from either South Africa or the United Kingdom, St Helena's prices are heavily influenced by price inflation in those two countries, the value of the St Helena pound compared to the South African Rand, the cost of freight, and import taxes. In the UK, the annual price inflation rate (using the Consumer Price Index) was 1.7% for February 2020, down from 1.8% in January 2020. In South Africa, the Consumer Price Index was 4.6% for February, up from 4.5% in January 2020. In addition, since early 2019 the value of the South African Rand has steadily weakened, from around 17 Rand per pound to around 20 at the end of March 2020; this has a counter effect to the South African inflation, and in some cases may even have made South African goods cheaper to buy. This will mitigate against some pressures which might cause prices to rise, such as increasing freight prices on the MV Helena.

### Changes in prices of different categories of goods and services

Table 1 shows the average price change in item groups, comparing current prices to a year ago (the annual change) and to last quarter (the quarterly change).

Table 1. Annual and quarterly change in the Retail Price Index compared to Q1 2020, by category

Category (weight given in brackets)	Annual change (Q1 2019 to Q1 2020)	Quarterly change (Q4 2019 to Q1 2020)
Food (34.4%)	0.9%	0.3%
Alcohol and Tobacco (6.3%)	3.0%	0.3%
Housing (11.6%)	0.0%	0.1%
Household Energy (7.5%)	-0.3%	-0.1%
Clothing (1.1%)	2.2%	1.6%
Household Goods and Services (6.5%)	2.2%	-0.3%
Transport (13.2%)	6.5%	0.0%
Communications (6.3%)	1.6%	0.0%
Miscellaneous Goods and Services (13.1%)	1.0%	-0.6%
<b>All Items (100%)</b>	<b>1.7%</b>	<b>0.1%</b>

The average prices of items within seven of the nine basket categories saw positive inflation compared to a year ago. This includes categories such as 'Food', which is the highest weighted basket category (0.9%), and Alcohol and Tobacco (3.0%). The average price of the 'Housing' category has not increased or decreased compared to the same period last year. This category includes the price of water and sewerage, which has not increased in price since July 2018, although increased prices were introduced with effect from April 2020: this change will be included in inflation calculations next quarter (Q2 2020). The 'Household Energy' category stands at -0.3% and includes the price of domestic electricity, one of the highest-weighted items in the index, which has not increased since 2016.

The largest annual increase was in the 'Transport' category (6.5%), primarily the result of an increase in petrol prices over the year, the vehicle purchase component (both items are highly weighted within the index), and the impact of the changes to the vehicle import duty tariff (December 2019). The second largest annual increase (3.0%) was in 'Alcohol and Tobacco' products, the effect of the tariff changes to tobacco products applied in October 2019. The annual percentage change for the 'Food' category was 0.9% in the year between quarter 1 2019 and quarter 1 2020. This is a lower annual rate than last quarter, when the annual change was 1.4%.

The five sub-categories which had the largest downward impact on the headline rate of 1.7 per cent were all within the 'Food' category. These include the prices of local eggs, which follows a period where the market has been saturated and suppliers across the Island have lowered prices and, following the closure of St Helena Fisheries Corporation, the price of fresh fish products.

**Some frequently asked questions:****What is price inflation?**

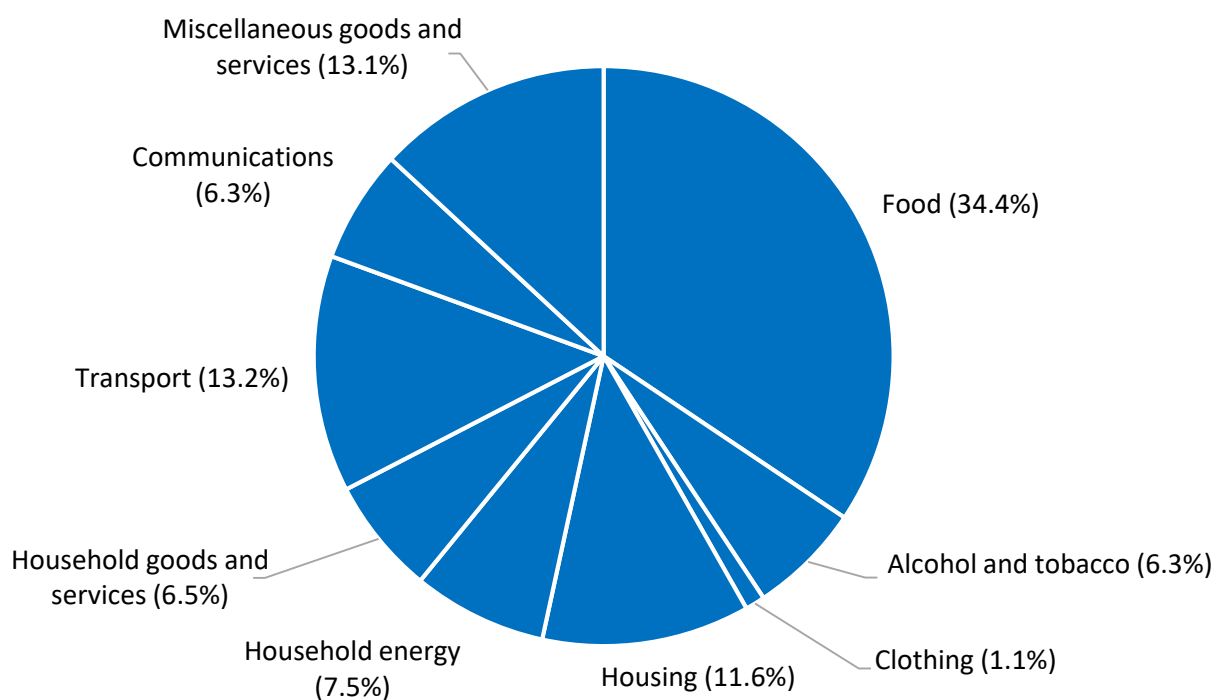
Price inflation is the change in the average prices of goods and services over time. The rate of price inflation is calculated from the change in the Retail Price Index (RPI), which is the official measure of the average change in the prices of goods and services paid by consumers. The RPI is estimated 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 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.

**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 '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.

**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: [www.sainthelena.gov.sh/statistics-data](http://www.sainthelena.gov.sh/statistics-data) 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).