

Inflation indices

Year	BCIS/ABI ¹		Gross Domestic Product Deflator ²		Retail Price ³	
	Rebuilding Cost Index (1988=100)	% increase	Market Prices Index	% increase	Index (1986/87= 100)	% increase
1993	115.3	-1.4	102.5	2.5	140.5	3.0
1994	118.7	2.9	104.0	1.5	143.8	2.3
1995	126.0	6.1	107.0	2.9	147.9	2.9
1996	129.2	2.5	110.8	3.5	152.3	3.0
1997	134.6	4.2	113.6	2.5	156.5	2.8
1998	143.3	6.5	116.9	2.9	160.6	2.6
1999	148.9	3.9	119.4	2.2	164.3	2.3
2000	154.6	3.8	121.0	1.3	168.1	2.1
2001	165.7	7.2	124.1	2.6	172.1	2.4
2002	176.6	6.6	128.3	3.4	177.6	3.2
2003	183.8	4.1	132.0	2.8	182.6	2.8

Hospital and community health services (HCHS) pay and price inflation is a weighted average of two separate inflation indices: the pay cost index (PCI) and the health service cost index (HSCI). The PCI measures pay inflation in the HCHS. The PCI is itself a weighted average of increases in unit staff costs for each of the staff groups within the HCHS sector. Pay cost inflation tends to be higher than pay settlement inflation because of an element of pay drift within each staff group. Pay drift is the tendency for there to be a gradual shift up the incremental scales, and is additional to settlement inflation. The estimate of pay inflator for the current year is based on pay awards. The HSCI is calculated monthly to measure the price change for each of 40 sub-indices of goods and services purchased by the HCHS. The sub-indices are weighted together according to the proportion of total expenditure which they represent to give the overall HSCI value. The pay cost index and the health service cost index are weighted together according to the proportion of HCHS expenditure on each. This provides an HCHS combined pay and prices inflation figure.

Personal Social Services (PSS) pay and prices indices are based on information supplied by the Department of Health using New Earnings Survey data. A three-year average of the Pay variable real terms increases is used to obtain a trend estimate of the annual growth which is then applied to the Pay index in real terms to obtain its estimated value for 2003/2004.

Year	Hospital & Community Health Services (HCHS)				Personal Social Services (PSS)			
	Pay and Prices Index (1987/8=100)	Annual percentage increases			Pay and Prices Index (1992/3=100)	Annual percentage increases		
		Pay and Prices	Pay ⁴	Prices ⁵		Pay and Prices	Pay ⁶	Prices ⁷
1994/95	159.6	2.6	3.4	0.9	103.5	0.0	-0.6	1.5
1995/96	166.0	4.0	4.4	3.2	106.8	3.2	3.3	2.9
1996/97	170.6	2.8	3.3	1.5	111.4	4.4	4.8	3.5
1997/98	173.5	1.7	2.5	0.4	116.1	4.1	4.8	2.5
1998/99	180.4	4.0	4.9	2.5	121.6	4.8	5.6	2.9
1999/00	188.5	4.5	6.9	1.2	125.6	3.3	3.8	2.2
2000/01	196.4	4.2	7.1	-0.3	131.2	4.4	5.7	1.3
2001/02	201.1	2.4	4.0	0.1	137.0	4.4	5.2	2.6
2002/03	206.5	2.7	3.6	1.3	143.4	4.7	5.2	3.4
2003/04 (E)	212.5	2.9	3.2	2.5	151.0	5.3	6.4	2.8

1 Building Cost Information Service (2004) Indices and Forecasts, BCIS, Royal Institution of Chartered Surveyors, London.

2 Prices obtained from HMT GDP Deflator as updated 30/03/04.

3 Source www.statistics.gov.uk/statbase.

4 Estimated figures provided by PSSRU, based on NHS pay awards.

5 Provided by the Department of Health

6 Prices obtained from relevant years of the New Earnings Survey — ONS

7 Prices obtained from HMT GDP Deflator as updated 30/03/04