## INFLATION FALLS

Consumers paid 1.3 per cent more in August 2013 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). The rate of inflation decreased 0.5 percentage points from the 1.8 per cent recorded in July 2013.

Between July and August 2013, the all-items index increased to 122.1 from the 122.0 index points measured in July. This means that the basket of goods and services that cost $100.00 in April 2006 now cost $122.10.

YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector had the strongest impact on the twelve-month increase in the Consumer Price Index. The total cost of the Health & Personal Care basket increased 9.1 per cent year-over-year.

The Food and Education, Recreation & Reading sectors also had a significant impact on the annual rate of inflation, as price shifts in these sectors were 2.9 per cent and 2.5 per cent, respectively.

ALL ITEMS INDEX
(April 2006= 100)
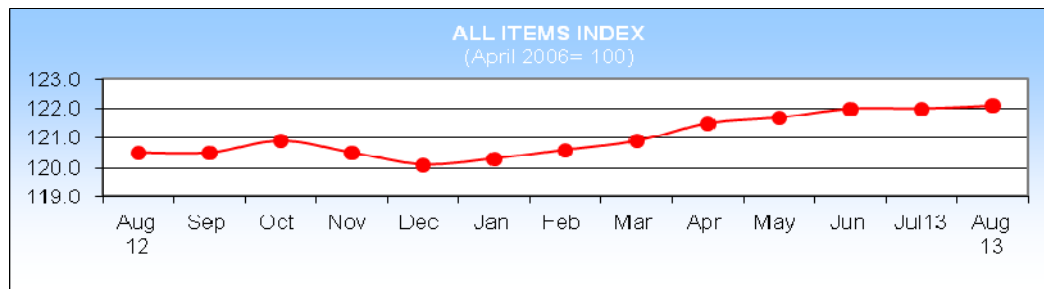
Inflation Rate 1.3%

The compilation of the CPI involves the processing of several thousand price quotations. The Department of Statistics wishes to acknowledge the cooperation of the business community in supplying the required price data.

SUMMARY STATISTICS

	Monthly			Quarterly		
Period	**Index**	**Annual per cent Change**		**Period**	**Index**	**Annual per cent Change**
2012				**2011**		
Aug	120.5	+3.1		Q1	115.0	+2.6
Sep	120.5	+1.9		Q2	116.5	+2.6
Oct	120.9	+1.7		Q3	117.4	+2.6
Nov	120.5	+1.9		Q4	118.3	+3.0
Dec	120.1	+1.9				
				2012		
2013				Q1	118.2	+2.8
Jan	120.3	+1.9		Q2	119.6	+2.7
Feb	120.6	+2.1		Q3	120.3	+2.5
Mar	120.9	+2.1		Q4	120.5	+1.8
Apr	121.5	+1.7				
May	121.7	+1.7		**2013**		
Jun	122.0	+1.9		Q1	120.6	2.0
Jul	122.0	+1.8		Q2	121.7	1.8
Aug	122.1	+1.3				

MONTH-TO-MONTH ANALYSIS

Food

Food prices in grocery stores rose 0.8 per cent in August compared to a 0.3 per cent rise in July. Leading price increases were frozen spare ribs (6.1 per cent), fresh and frozen local wahoo (5.5 per cent) and mayonnaise (4.6 per cent).

Household Goods, Services & Communications

The Household Goods, Services & Communications sector rose 0.4 per cent in July following an increase of 0.1 per cent in July. The average cost of water delivery per load increased by 9.3 per cent.

Fuel & Power

The Fuel & Power sector surged 0.9 per cent in August following no change in July. The fuel adjustment rate increased 2.8 per cent.

Rent

The Rent sector increased by 0.1 per cent in July, following a 0.2 per cent increase in June. Average rental prices for rent-controlled properties increased by 0.1 per cent.

Education, Recreation & Reading

The Education, Recreation & Reading sector increased 0.1 per cent in August. The average cost of flat screen televisions increased 2.3 per cent. In contrast, the cost of boat fuel fell 1.4 per cent.

Tobacco & Liquor

The Tobacco & Liquor sector rose 0.1 per cent following the 0.1 per cent increase in July. The average price of spirits increased by 0.2 per cent in August.

Health

The Health and Personal Care sector was unchanged in August following a 0.1 per cent increase in July.

Clothing & Footwear

The Clothing sector was unchanged in August.

Transport & Vehicles

The Transport & Vehicle sector decreased 0.5 per cent in July, following a 1.8 per cent decrease in July. The decrease was attributed to lower average cost of airfares (1.8 per cent) and premium fuel (1.4 per cent). In contrast, overseas hotel accommodation costs rose by 0.3 per cent.

CPI GASOLINE INDEX
2006 = 100
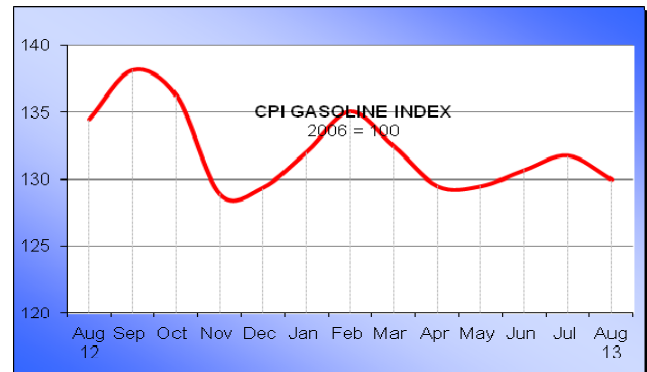
COMPUTING PRICE INCREASES

The Department of Statistics receives numerous calls daily requesting the rate of inflation over specific periods of time. The following calculations are provided to guide users as to how to compute rates of price increases. The monthly index numbers can be obtained from our website www.statistics.gov.bm.

a) Month-to-Month Price Change

The price change between November and December, 2012 is calculated as Follows:

$$= \frac{\text{Dec 12 index} - \text{Nov 12 index}}{\text{Nov 12 index}} \times 100$$

$$= \frac{120.1 - 120.5}{120.5} \times 100$$

$$= -0.3\%$$

b) Year-to-Year Price Change

The price change between December 2011 and December, 2012 is calculated as follows:

$$= \frac{\text{Dec 12 index} - \text{Dec 11 index}}{\text{Dec 11 index}} \times 100$$

$$= \frac{120.1 - 117.9}{117.9} \times 100$$

$$= 1.9\%$$

c) Particular Period Price Change

The price change between February 2010 and January, 2013 is calculated as follows:

$$= \frac{\text{Jan 13 index} - \text{Feb 10 index}}{\text{Feb 10 index}} \times 100$$

$$= \frac{120.3 - 111.7}{111.7} \times 100$$

$$= 7.7\%$$

APRIL 2006 = 100

	All Items	Food	Rent	Clothing & Footwear	Tobacco & Liquor	Fuel & Power	Household Goods, Services & Communica-tions	Transport & Vehicles	Education, Recreation & Reading	Health & Personal Care
2004 WEIGHT	1000	146	325	37	20	30	140	139	71	92
ANNUAL AVERAGE (per cent)										
2008	+4.8	+5.6	+2.4	+2.7	+9.3	+31.8	+2.6	+3.9	+5.1	+6.6
2009	+1.8	+5.4	+1.9	+3.0	+5.9	-6.3	+0.7	-4.3	+5.3	+6.7
2010	+2.4	+3.0	+1.3	+2.4	+1.9	-0.8	+1.6	+1.8	+2.5	+8.1
2011	+2.7	+2.3	+1.1	+5.7	+3.1	+11.3	+2.0	+0.6	+2.6	+7.5
2012	+2.4	+3.5	+0.2	+4.3	+2.5	+9.3	+1.0	+1.6	+2.7	+6.6
MONTHLY (per cent)										
2011										
Aug	Nil	+2.1	Nil	+0.1	+0.2	+3.8	+0.2	-4.2	+0.2	+0.1
Sep	+1.2	+0.1	-0.4	Nil	+0.1	+3.7	+0.4	+8.0	+2.0	+0.1
Oct	+0.5	+0.4	+0.1	+4.6	+0.2	+0.6	+0.1	+1.5	-0.1	+0.1
Nov	-0.6	+0.2	Nil	Nil	+0.1	+0.1	+0.1	-4.9	+0.1	Nil
Dec	-0.2	-1.4	-0.1	Nil	+0.1	Nil	-0.1	+0.5	+0.1	0.2
2012										
Jan	+0.1	+1.6	Nil	Nil	-0.1	Nil	+0.1	-1.7	Nil	Nil
Feb	+0.1	-0.2	+0.1	Nil	+0.4	Nil	+0.1	+1.0	-0.1	Nil
Mar	+0.2	+0.9	+0.1	Nil	+0.2	Nil	+0.1	+0.4	-0.1	+0.1
Apr	+0.9	Nil	+0.1	+1.5	+0.7	Nil	Nil	+1.3	+0.2	+5.6
May	+0.2	+0.5	-0.1	+0.2	-0.1	Nil	Nil	+1.1	+0.2	Nil
Jun	Nil	+0.2	+0.2	Nil	+0.4	+5.3	-0.7	-1.8	+0.3	+0.1
Jul	+0.1	+0.2	-0.1	-1.8	+0.5	+2.4	+0.2	-0.5	Nil	-0.1
Aug	+0.6	+0.6	+0.3	Nil	+0.1	-1.8	+0.1	+4.1	-0.1	+0.1
Sep	Nil	+0.1	-0.2	Nil	+0.2	Nil	+0.3	-1.0	+2.1	+0.3
Oct	+0.3	+0.4	Nil	-2.0	+0.3	-1.9	+0.2	+1.3	+0.3	+1.5
Nov	-0.4	-0.4	+0.1	Nil	Nil	-7.8	Nil	Nil	+0.1	+0.1
Dec	-0.3	-1.0	Nil	Nil	+0.1	+2.9	Nil	-2.0	Nil	-0.1
2013										
Jan	+0.2	+2.3	-0.1	+1.1	+0.5	-1.4	+0.1	-1.2	+0.2	Nil
Feb	+0.2	Nil	+0.1	Nil	-0.2	+1.4	Nil	+1.3	Nil	Nil
Mar	+0.2	+0.4	-0.5	Nil	Nil	+2.8	Nil	+1.4	Nil	+0.1
Apr	+0.5	+0.4	-0.3	+0.8	+1.7	Nil	Nil	-1.9	Nil	+6.3
May	+0.1	-0.4	Nil	Nil	+2.0	-2.7	+0.1	+1.2	Nil	+0.7
Jun	+0.3	+0.1	Nil	Nil	+0.4	+1.8	-0.1	+1.6	-0.1	+0.1
Jul	Nil	+0.3	+0.2	+0.2	+0.1	Nil	+0.1	-1.8	-0.1	+0.1
Aug	+0.1	+0.8	+0.1	Nil	+0.1	+0.9	+0.4	-0.5	+0.1	Nil
Aug' 13	**122.1**	**130.8**	**110.6**	**120.5**	**135.1**	**158.2**	**111.5**	**108.2**	**129.4**	**164.9**
Aug'13 / Aug'12	**+1.3**	**+2.9**	**-0.5**	**+0.1**	**+5.2**	**-4.4**	**+1.0**	**-1.7**	**+2.5**	**+9.1**

WHAT IS THE CONSUMER PRICE INDEX?

The Consumer Price Index (CPI) is a statistical tool used for measuring changes in the general level of prices of consumer goods and services purchased by private households.

The index measures price movements of a given quality and quantity of goods and services. The mix of these consumer goods and services comprising the index, are figuratively thought of as a "shopping basket." In constructing this "shopping basket", the selected goods and services are organized first by commodity type. They are then divided into sub-components and assigned to a major expenditure group. The Bermuda CPI is structured into nine expenditure groups or sectors:

- Food
- Rent
- Clothing & Footwear
- Tobacco & Liquor
- Fuel & Power
- Transport & Vehicles
- Household Goods, Services & Communications
- Education, Recreation & Reading
- Health & Personal Care

CONCEPTS AND DEFINITIONS

Base Period

The time period which is used as a reference point for measuring the price change of goods and services. The base period for the Bermuda CPI is April 2006.

Price Index Number

A single figure that shows how a set of prices has changed over a specified period of time. An index number on its own means nothing. It must be compared with an index number from another period to have meaning. For example, a comparison of the index number 79.1 for January 1998 with 82.9 for January 2000, reveals that prices have increased by 4.8 percent.

Laspeyres Equation

The CPI is computed using this statistical equation. This formula calculates the total amount of money a household needs today to purchase the same basket of goods and services that it bought in the base period, April 2006.

WEIGHTED AVERAGE

A mathematical formula that takes into account the relative importance of an item's price change compared to the overall change in the sector or CPI.

Inflation

Inflation is the process of rising prices, resulting in diminishing purchasing power of a given sum of money.

Cost of Living Index

Many individuals refer to the Consumer Price Index (CPI) as a cost-of-living index. The CPI is an index of pure price change only. A cost-of-living index reflects the changes in buying or consumption patterns that consumers would ordinarily make to adjust to any change in the price of a good or service.

A COMPARISON OF RATES OF INFLATION (%)
Selected Countries & Bermuda

	2009	2010	2011	2012	Aug 13
Bermuda	1.8	2.4	2.7	2.4	+1.3
United States[1]	2.7	1.5	3.0	1.7	+1.5
Canada[2]	0.3	1.8	2.9	1.5	+1.1
United Kingdom[3]	-0.5	4.6	5.2	3.2	+3.3

Sources:
1. US Bureau of Labour Statistics
2. Statistics Canada
3. UK Office of National Statistics