CONSUMER PRICE INDEX

**DECEMBER 2010**

RATE OF INFLATION

Consumers paid 2.7 per cent more in December 2010 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). The annual rate of inflation was up 0.4 percentage points from the 2.3 per cent measured in November.

Between November and December 2010, the average cost of goods and services in the Consumer Price Index remained the same. The all-items index was unchanged from November standing at 114.6 in December. This means that the basket of goods and services that cost $100.00 in April 2006 now cost $114.60.

YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector was the largest contributor to the twelve-month increase in the Consumer Price Index, up 7.7 per cent. Personal care services such as hairstyling, manicures, facials and massages rose 18.1 per cent during the last 12 months. This sector has been the largest contributor to the year to year increase in the CPI during the entire fourth quarter of 2010.

The Food and the Rent sector also impacted strongly on the annual rate of inflation, with measured increases of 2.4 per cent and 1.6 per cent, respectively.

ALL ITEMS INDEX
(April 2006= 100)
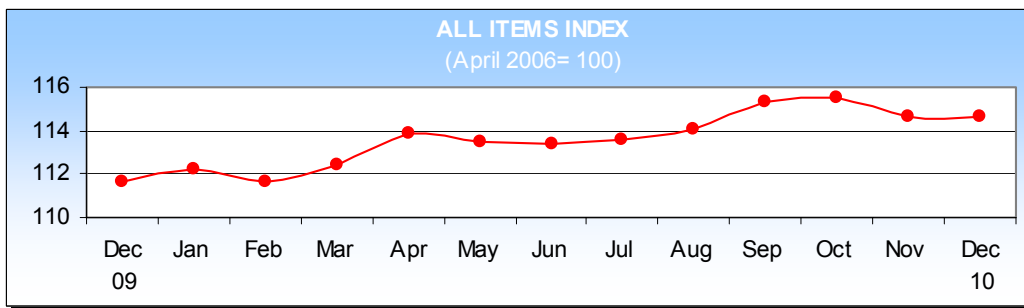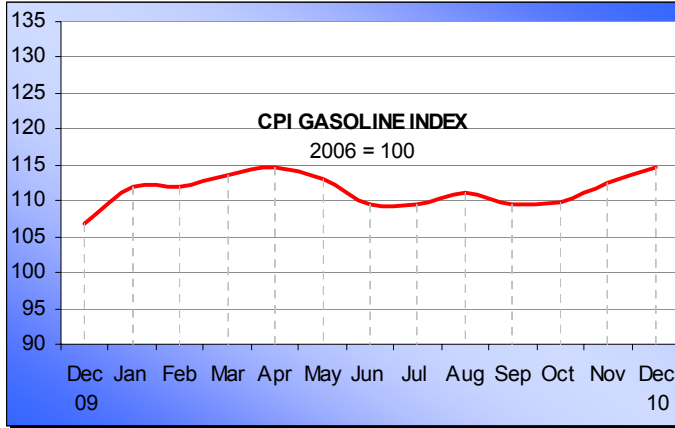
Inflation Rate 2.7%

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**
2009				**2008**		
Dec	111.6	+1.0		Q2	108.9	+4.8
				Q3	110.4	+5.1
2010				Q4	111.0	+5.2
Jan	112.2	+1.2				
Feb	111.7	+1.3		**2009**		
Mar	112.4	+2.3		Q1	110.3	+4.1
Apr	113.9	+2.9		Q2	110.5	+1.5
May	113.5	+2.8		Q3	111.5	+1.0
Jun	113.4	+2.6		Q4	111.9	+0.8
Jul	113.7	+2.3				
Aug	114.1	+2.0		**2010**		
Sep	115.3	+3.4		Q1	112.1	+1.6
Oct	115.5	+3.0		Q2	113.6	+2.8
Nov	114.6	+2.3		Q3	114.4	+2.6
Dec	114.6	+2.7		Q4	114.9	+2.7

MONTH-TO-MONTH ANALYSIS

Transport & Vehicles

The Transport & Vehicles sector increased 1.5 per cent over the month reflecting a 15.5 per cent rise in air travel and 4.4 per cent decline in hotel accommodations. The capital cost of cars increased 0.1 per cent while gasoline prices climbed by 0.5 per cent.

CPI GASOLINE INDEX
2006 = 100

[Line chart showing CPI Gasoline Index from Dec 09 to Dec 10, with values ranging from about 107 to 115, y-axis from 90 to 135]

Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
09   10

Rent

The rent sector was unchanged between November and December. Properties subject to rent control increased marginally by 0.1 per cent while the rental cost of properties not under rent control were static.

Tobacco & Liquor

The Tobacco & Liquor sector climbed 0.5 per cent in December. The price of wines and cigarettes rose 1.2 and 1.1 per cent, respectively.

Education, Recreation & Reading

The Education, Recreation & Reading sector edged up 0.1 per cent for the month. The recreation sub-sector was the leading cause for the upward push in this sector. The average price of boat fuel increased 0.6 per cent while pet cost & up-keep rose 1.9 per cent.

Fuel & Power

The Fuel and Power sector remained unchanged during the month of December.

Clothing & Footwear

There was no movement recorded in the Clothing & Footwear sector.

Health & Personal Care

The Health & Personal Care sector remained unchanged for the month.

Household, Goods, Services and Supplies

There were no changes in price movements for goods and services in the Household Goods, Services & Communications sector.

Food

On average, food prices fell 1.6 per cent in December compared to November. Consumers experienced lower prices for the cost of fresh roast beef (-5.8 per cent), green peppers (-5.2 per cent) and bacon (-3.5 per cent).

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.

a) Month-to-Month Price Change

The price change between November and December, 2009 is calculated as follows:

$$= \frac{\text{Dec 09 index number - Nov 09 index number}}{\text{Nov 09 index number}} \times 100$$

$$= \frac{111.6 - 112.0}{112.0} \times 100$$

$$= -0.3\%$$

b) Year-to-Year Price Change (annual rate of inflation)

The price change between December, 2008 and December, 2009 is calculated as follows:

$$= \frac{\text{Dec 09 index number - Dec 08 index number}}{\text{Dec 08 index number}} \times 100$$

$$= \frac{111.6 - 110.5}{110.5} \times 100$$

$$= 1.0\%$$

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)

	All Items	Food	Rent	Clothing & Footwear	Tobacco & Liquor	Fuel & Power	Household Goods	Transport & Vehicles	Education, Recreation	Health & Personal Care
2005	+3.1	+3.0	+2.8	+2.1	+2.6	+5.6	+1.4	+5.1	+5.1	+2.4
2006	+3.1	+2.0	+3.9	+3.3	+2.1	+9.5	+1.4	+1.2	+3.8	+5.7
2007	+3.8	+3.5	+2.6	+0.2	+1.9	+5.5	+2.2	+6.6	+4.8	+6.8
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	-0.4	+1.6	+1.8	+2.5	+8.1

MONTHLY (per cent)

	All Items	Food	Rent	Clothing & Footwear	Tobacco & Liquor	Fuel & Power	Household Goods	Transport & Vehicles	Education, Recreation	Health & Personal Care
2008										
Sept	+1.1	+0.4	+0.1	Nil	+0.5	+14.0	+0.3	-0.1	+4.4	+0.3
Oct	Nil	+2.0	+0.2	+1.1	+0.2	Nil	+0.1	-3.4	+0.6	+0.6
Nov	Nil	+0.4	+0.2	Nil	+0.9	-0.1	+0.1	-1.1	+0.5	Nil
Dec	-0.7	+0.1	+0.3	Nil	+0.5	-3.5	-2.7	-2.7	+0.2	Nil
2009										
Jan	+0.3	+0.9	+0.2	-1.2	+0.5	-2.1	+0.3	+1.5	+0.2	Nil
Feb	-0.5	+0.3	+0.2	Nil	+0.3	-10.1	+0.2	-1.4	-0.4	Nil
Mar	-0.3	-0.3	+0.2	Nil	+0.1	-5.3	+0.1	-1.3	+0.2	+0.3
Apr	+0.7	Nil	+0.1	+1.7	+0.3	-0.1	+0.5	+1.6	+0.4	+2.8
May	-0.2	+0.3	+0.1	Nil	+0.1	Nil	+0.2	-3.4	-0.6	+2.1
June	+0.1	-0.1	-0.1	Nil	+0.3	Nil	+Nil	+0.3	+0.7	+0.2
July	+0.5	-0.3	-0.1	+0.9	+0.5	-3.6	+1.0	+4.4	+0.3	Nil
Aug	+0.6	+1.4	+0.1	Nil	+0.9	Nil	Nil	+2.6	+0.1	+0.1
Sept	-0.3	Nil	+0.3	Nil	+0.1	Nil	+0.4	-4.2	+1.8	+0.2
Oct	+0.5	Nil	Nil	-0.4	-0.3	Nil	+0.1	+3.1	Nil	+1.5
Nov	-0.1	+0.3	+0.1	Nil	+0.3	+0.1	Nil	-1.8	Nil	Nil
Dec	-0.3	-0.7	+0.1	Nil	+1.1	Nil	+0.3	-2.2	-0.1	-0.1
2010										
Jan	+0.5	+2.1	+0.1	-2.6	-0.1	+0.2	+0.1	+1.9	+0.1	Nil
Feb	-0.5	-0.8	+0.1	Nil	-0.5	+0.2	-0.1	-2.8	Nil	+0.1
Mar	+0.7	+1.2	+0.1	Nil	-0.1	Nil	Nil	+3.4	+0.1	Nil
Apr	+1.3	+0.2	+0.2	+6.0	Nil	Nil	Nil	+3.1	+0.1	+6.0
May	-0.3	-1.0	+0.2	Nil	-0.1	Nil	Nil	-1.8	+0.2	Nil
June	-0.1	+0.1	+0.2	Nil	+0.1	Nil	-0.5	-1.2	Nil	+0.6
July	+0.2	+0.1	+0.1	+0.3	+0.2	Nil	Nil	+1.1	Nil	+0.1
Aug	+0.4	+2.0	+0.3	Nil	+0.2	+4.0	+1.0	-2.4	+0.1	Nil
Sept	+1.1	-0.4	+0.2	Nil	-0.1	Nil	+0.2	+7.1	+1.5	+0.2
Oct	+0.2	+0.5	+0.1	-0.7	+0.3	+3.9	-0.1	-0.9	+0.6	+0.4
Nov	-0.8	+0.1	+0.1	Nil	+0.2	Nil	Nil	-6.3	Nil	Nil
Dec	Nil	-1.6	Nil	Nil	+0.5	Nil	Nil	+1.5	+0.1	Nil
Dec '10	**114.6**	**118.8**	**110.2**	**110.4**	**122.2**	**137.8**	**107.9**	**104.2**	**122.6**	**133.6**
Dec'10 / Dec'09	+2.7	+2.4	+1.6	+2.9	+0.8	+8.4	+0.7	+2.1	+2.8	+7.7

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

	2007	2008	2009	2010	Dec 10
Bermuda	3.8	4.8	1.8	2.4	+2.7
United States[1]	2.8	3.8	2.7	1.6	+1.5
Canada[2]	2.2	2.3	0.3	1.8	+2.4
United Kingdom[3]	2.3	3.6	-0.5	4.6	+4.8

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

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