## INFLATION DROPS

Consumers paid 2.4 per cent more in February 2012 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 decreased 0.6 percentage points from the 3.0 per cent measured in January 2012.

Between January and February 2012, the average cost of goods and services in the Consumer Price Index advanced 0.1 per cent. The all-items index increased from 118.0 to 118.1 index points in February. This means that the basket of goods and services that cost $100.00 in April 2006 now cost $118.10.

YEAR-TO-YEAR ANALYSIS

On a year-over-year basis the Health & Personal Care sector was the largest contributor to the twelve-month increase in the Consumer Price Index. The total cost of the Health & Personal Care basket increased 6.9 per cent year-over-year.

The Fuel & Power and Food sectors also impacted strongly on the annual rate of inflation. The rate of price increase for these sectors measured 13.4 per cent and 2.9 per cent, respectively.

**ALL ITEMS INDEX**
(April 2006= 100)
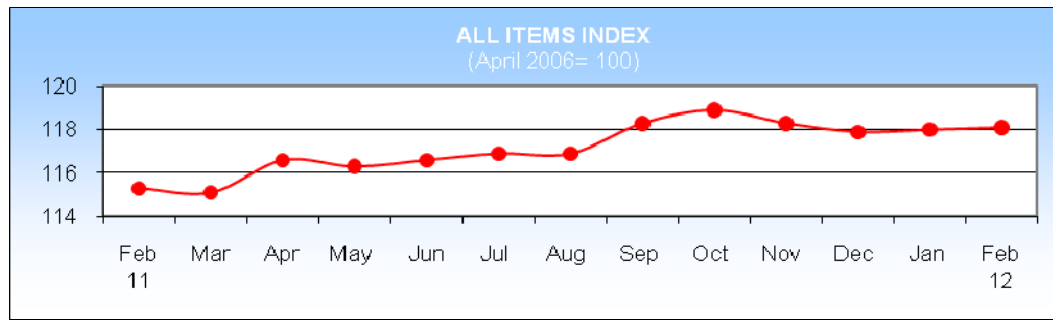
Inflation Rate 2.4%

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
2011				**2009**		
Feb	115.3	+3.2		Q2	110.5	+1.5
Mar	115.2	+2.5		Q3	111.5	+1.0
Apr	116.6	+2.4		Q4	111.9	+0.8
May	116.3	+2.5				
Jun	116.6	+2.8		**2010**		
Jul	116.9	+2.8		Q1	112.1	+1.6
Aug	116.9	+2.5		Q2	113.6	+2.8
Sep	118.3	+2.6		Q3	114.4	+2.6
Oct	118.9	+2.9		Q4	114.9	+2.7
Nov	118.2	+3.1				
Dec	117.9	+2.9		**2011**		
				Q1	115.0	+2.6
2012				Q2	116.5	+2.6
Jan	118.0	+3.0		Q3	117.4	+2.6
Feb	118.1	+2.4		Q4	118.3	+3.0

MONTH-TO-MONTH ANALYSIS

Transport & Vehicles

The combined increases in fuel prices (2.4 per cent) and airfares (3.6 per cent) led to a 1.0 per cent rise in this sector. In contrast, the average cost for overseas hotel accommodations fell 10.0 percent.
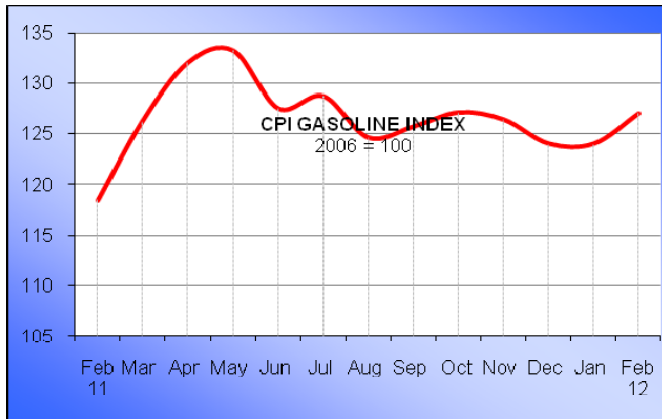
Rent

The Rent sector rose fractionally by 0.1 per cent in the month of February. Properties under rent control and materials used for repair & maintenance both increased 0.3 per cent.

Tobacco & Liquor

The Tobacco & Liquor sector rose 0.4 per cent. This reflected an increase in the average price of wines (1.2 per cent).

Household Goods, Services & Communications

The Household Goods, Services & Communications sector advanced 0.1 per cent. Within the household goods sub-sector of the index, the average cost of household appliances increased by 0.4 per cent.

Health & Personal Care

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

Clothing & Footwear

The Clothing & Footwear sector remained static in February.

Fuel & Power

The Fuel and Power sector was unchanged for the month. Households paid the same for electricity and a cylinder of gas as in the previous month.

Education, Recreation & Reading

The Education, Recreation & Reading sector slipped 0.1 per cent for the month. This was due in part, to lower average prices for flat screen televisions (2.0 per cent) and the drop in pet cost & up-keep (1.3 per cent). In contrast, average costs for boat repair & maintenance increased 1.0 per cent.

Food

On average, food prices declined 0.2 per cent in February. Among the main items contributing to the decrease were: cantaloupes (6.3 per cent), fresh beef tenderloin (5.5 per cent), and imported lettuce (5.5 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. 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, 2009 is calculated as follows:

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

$$= \frac{117.9 - 118.2}{118.2} \times 100$$

$$= -0.2\%$$

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

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

$$= \frac{\text{Dec 11 index number - Dec 10 index number}}{\text{Dec 10 index number}} \times 100$$

$$= \frac{117.9 - 114.6}{114.6} \times 100$$

$$= 2.9\%$$

BERMUDA CONSUMER PRICE INDEX

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)

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	-0.8	+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

MONTHLY (per cent)

2010										
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
2011										
Jan	Nil	+0.8	+0.1	-0.1	+0.6	Nil	+0.7	-1.4	+0.1	Nil
Feb	+0.6	+0.8	+0.1	Nil	+0.7	Nil	Nil	+3.4	-0.1	Nil
Mar	-0.1	Nil	+0.2	Nil	+0.2	Nil	-0.1	-1.3	+0.1	+0.1
Apr	+1.3	-0.6	Nil	+4.7	Nil	Nil	-0.1	+3.8	+0.2	+6.6
May	-0.3	+0.4	+0.3	+0.1	Nil	Nil	Nil	-3.6	-0.1	Nil
Jun	+0.3	+0.5	+0.1	Nil	+0.2	+2.8	+1.2	-0.4	-0.4	+0.1
Jul	+0.2	-0.2	-0.1	-0.3	+0.6	+1.8	+0.1	+1.1	+0.4	+0.1
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
Feb '12	**118.1**	**124.2**	**110.7**	**120.6**	**126.2**	**156.2**	**110.8**	**105.3**	**125.5**	**142.8**
$\frac{\text{Feb'12}}{\text{Feb'11}}$	**+2.4**	**+2.9**	**+0.3**	**+9.3**	**+2.0**	**+13.4**	**+1.9**	**-0.8**	**+2.4**	**+6.9**

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

	2008	2009	2010	2011	Feb 12
Bermuda	4.8	1.8	2.4	2.7	+2.4
United States[1]	3.8	2.7	1.5	3.0	+2.9
Canada[2]	2.3	0.3	1.8	1.8	+2.6
United Kingdom[3]	3.6	-0.5	4.6	5.2	+3.7

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

Published by the Government of Bermuda
April 2012

The Cabinet Office
Department of Statistics
Cedar Park Centre,
48 Cedar Avenue, Hamilton HM 11
P.O. Box HM 3015
Hamilton HM MX, Bermuda
Tel: (441) 297-7761, Fax: (441) 295-8390
E-mail: statistics@gov.bm
Website: www.statistics.gov.bm