# CONSUMER PRICE INDEX

INFLATION RISES

Consumers paid 3.0 per cent more in January 2012 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This level of inflation increased 0.1 per cent from the 2.9 per cent measured in December 2011.

Between December 2011 and January 2012, the average cost of goods and services in the Consumer Price Index increased by 0.1 per cent. The all-items index increased to 118.0 index points in January. This means that the basket of goods and services that cost $100.00 in April 2006 now cost $118.00.

YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector remained the largest contributor to the twelve-month rate of price increase. The annual increase to January 2012 was 6.9 per cent.

The Food and Fuel & Power sectors also impacted strongly on the annual rate of inflation. Price shifts in these two sectors were 3.8 and 13.4 per cent, respectively.

ALL ITEMS INDEX
(April 2006= 100)
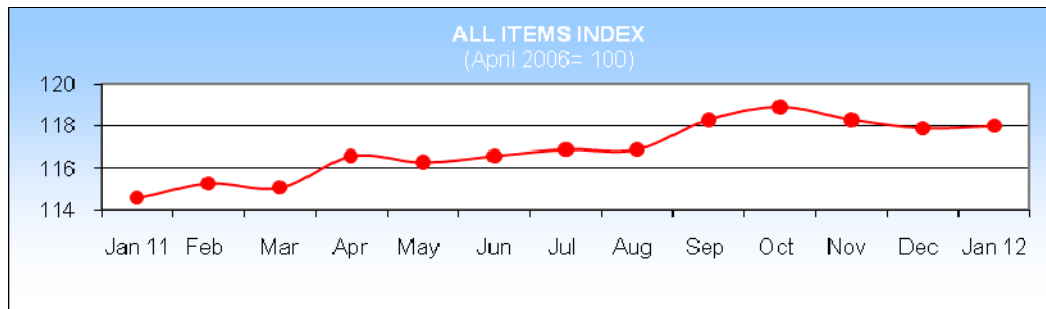
Inflation Rate 3.0%

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**		
Jan	114.6	+2.2		Q2	110.5	+1.5
Feb	115.3	+3.2		Q3	111.5	+1.0
Mar	115.2	+2.5		Q4	111.9	+0.8
Apr	116.6	+2.4				
May	116.3	+2.5		**2010**		
Jun	116.6	+2.8		Q1	112.1	+1.6
Jul	116.9	+2.8		Q2	113.6	+2.8
Aug	116.9	+2.5		Q3	114.4	+2.6
Sep	118.3	+2.6		Q4	114.9	+2.7
Oct	118.9	+2.9				
Nov	118.2	+3.1		**2011**		
Dec	117.9	+2.9		Q1	115.0	+2.6
				Q2	116.5	+2.6
2012				Q3	117.4	+2.6
Jan	118.0	+3.0		Q4	118.3	+3.0

MONTH-TO-MONTH ANALYSIS

Food

On average, the basket price of food items purchased from grocery stores jumped 1.6 per cent for the month. The main items contributing to the increase were spare ribs (+5.5 per cent), block cheese (+5.0 per cent) and milk (+2.0 per cent).

Household Goods, Services & Communications

The Household Goods, Services & Communications sector rose by 0.1 per cent for the month. The average cost of household supplies increased by 1.6 per cent.

Health & Personal Care

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

Rent

A marginal increase of 0.2 per cent in average prices of properties subject to rent control was offset by a 0.1 per cent decline in properties not subject to rent control. This caused the rent sector to remain static in January.

Clothing & Footwear

On average, the cost of men's and women's clothing increased by 2.5 per cent and 2.1 per cent, respectively. However, a sharp decline in the cost of children's clothing caused the Clothing & Footwear sector to remain static in January.

Fuel & Power

The Fuel & Power sector was unchanged in January.

### Education, Recreation & Reading

The Education, Recreation & Reading sector was unchanged between December and January.

Tobacco & Liquor

The Tobacco & Liquor sector fell 0.1 per cent for the month due to a 1.5 per cent decrease in the price of wines.

Transport & Vehicles

The Transport & Vehicles sector contracted 1.7 per cent. On average, the price of airfares and foreign hotel accommodation costs decreased 3.6 per cent and 6.1 per cent, respectively. In addition, the capital cost for motorcycles decreased by 2.8 per cent while fuel costs were unchanged.
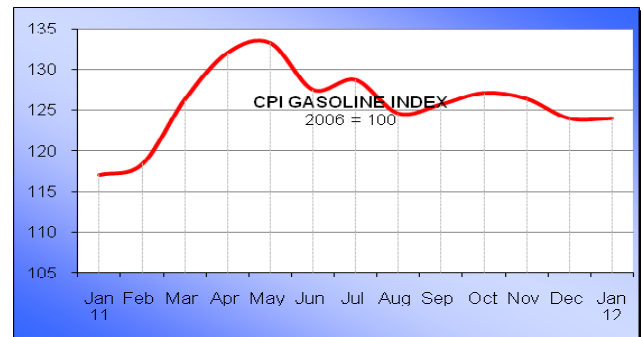
COMPUTING PRICE INCREASES

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, 2011 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, 2010 and December, 2011 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 & Communications	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										
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
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
Jan '12	**118.0**	**124.4**	**110.6**	**120.6**	**125.7**	**156.2**	**110.7**	**104.3**	**125.6**	**142.8**
$\frac{\text{Jan '12}}{\text{Jan '11}}$	**+3.0**	**+3.8**	**+0.3**	**+9.3**	**+2.3**	**+13.4**	**+1.8**	**+1.6**	**+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	Jan 12
Bermuda	4.8	1.8	2.4	2.7	+3.0
United States[1]	3.8	2.7	1.5	3.0	+2.9
Canada[2]	2.3	0.3	1.8	1.8	+2.5
United Kingdom[3]	3.6	-0.5	4.6	5.2	+3.9

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

Published by the Government of Bermuda
March 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