



INFLATION RISES

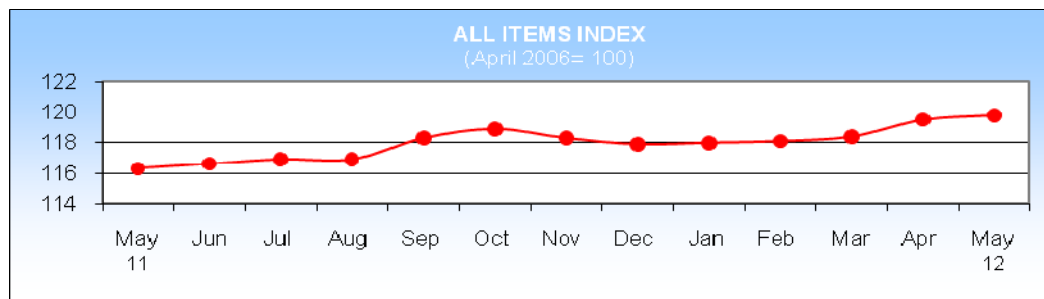
Consumers paid 2.9 per cent more in May 2012 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). The rate of inflation was up from the 2.5 per cent recorded in April 2012.

Between April and May 2012, the average cost of goods and services in the Consumer Price Index rose 0.2 per cent. The all-items index increased from 119.5 to 119.7 index points in May. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$119.70.

YEAR-TO-YEAR ANALYSIS

The Food sector had the strongest impact on the twelve-month increase in the Consumer Price Index at 4.5 per cent. Items such as frozen vegetables (+11.1 per cent), cooking oils & condiments (+9.7 per cent) and fresh fruits (+9.3 per cent) factored heavily in the increase.

The Health & Personal Care and Fuel & Power sectors also contributed to the rise in the annual rate of inflation, as price shifts in these sectors were 5.9 per cent and 13.4 per cent, respectively.



Inflation Rate
2.9%

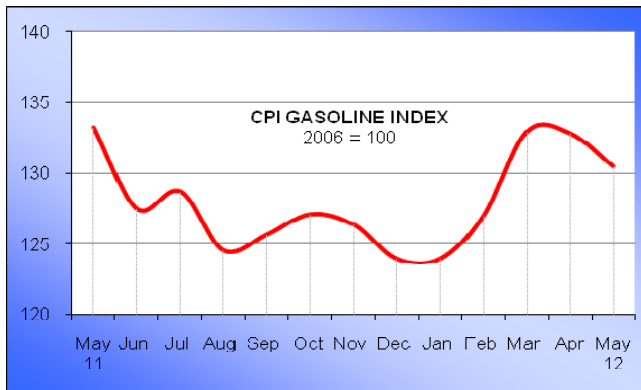
The compilation of the CPI involves the processing of several thousand price quotations. The Department of Statistics wishes to acknowledge the cooperation of the business community in supplying the required price data.

SUMMARY STATISTICS					
Period	Monthly		Period	Quarterly	
	Index	Annual per cent Change		Index	Annual per cent Change
2011			2010		
May	116.3	+2.5	Q1	112.1	+1.6
Jun	116.6	+2.8	Q2	113.6	+2.8
Jul	116.9	+2.8	Q3	114.4	+2.6
Aug	116.9	+2.5	Q4	114.9	+2.7
Sep	118.3	+2.6	2011		
Oct	118.9	+2.9	Q1	115.0	+2.6
Nov	118.2	+3.1	Q2	116.5	+2.6
Dec	117.9	+2.9	Q3	117.4	+2.6
2012			Q4	118.3	+3.0
Jan	118.0	+3.0	2012		
Feb	118.1	+2.4	Q1	118.2	+2.8
Mar	118.4	+2.8			
Apr	119.5	+2.5			
May	119.7	+2.9			

MONTH-TO-MONTH ANALYSIS

Transport & Vehicles

The Transport & Vehicle sector increased 1.1 per cent during the month. The increase was attributed to a 9.0 per cent hike in the average price of airfares. In contrast, fuel prices decreased by 1.7 per cent.



Food

On average, food prices advanced 0.5 per cent in May. Among the main items contributing to the increase were beef tenderloins (+6.2 per cent), frozen spare ribs (+5.3 per cent) and sweet biscuits (+4.0 per cent).

Education, Recreation & Reading

The Education, Recreation & Reading sector edged up 0.2 per cent in May. The average cost of personal computers and pet food increased by 1.4 per cent and 1.6 per cent, respectively.

Clothing & Footwear

A 4.0 per cent increase in the cost of dry cleaning led to a 0.2 per cent increase in the Clothing & Footwear sector in May.

Household Goods, Services & Communications

The Household Goods, Services & Communications sector was unchanged during the month of May.

Fuel & Power

The Fuel & Power sector recorded no movement in May as the fuel adjustment rate remained unchanged.

Tobacco & Liquor

The Tobacco & Liquor sector fell 0.1 per cent in May. The average price of wine decreased by 1.3 per cent, but was offset by a 1.5 per cent increase in cigarette prices.

Health & Personal Care

The Health & Personal Care sector remained the same in May.

Rent

The Rent sector declined 0.1 per cent due to the 0.1 per cent decrease in rental units not subject to rent control.

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:

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

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

$$= -0.3\%$$

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

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

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

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

$$= 1.0\%$$

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	Apr 12
Bermuda	4.8	1.8	2.4	2.7	+2.9
United States¹	3.8	2.7	1.5	3.0	+1.7
Canada²	2.3	0.3	1.8	1.8	+1.2
United Kingdom³	3.6	-0.5	4.6	5.2	+3.1

Sources:

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

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