



## INFLATION DECLINES SLIGHTLY

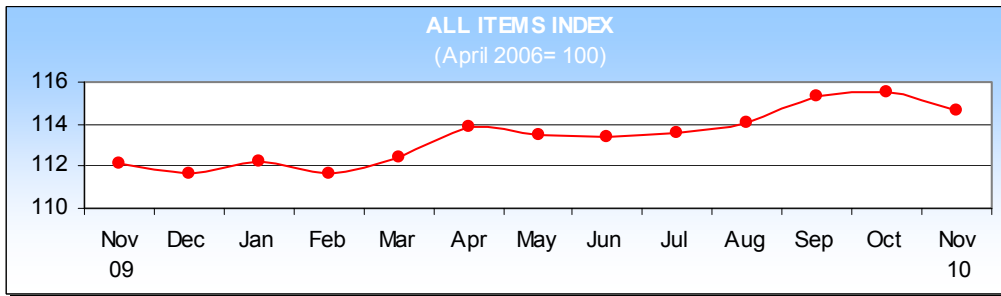
Consumers paid 2.3 per cent more in November 2010 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This rate of inflation declined by 0.7 percentage points compared to October 2010.

Between October and November 2010, the average cost of goods and services in the Consumer Price Index fell 0.8 per cent. The all-items index decreased from 115.5 in October, to 114.6 index points in November. 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. The average cost of Health & Personal care items increased 7.6 per cent year-over-year.

The Food and Rent sectors also impacted heavily on the annual rate of inflation; as the measured increases in these sectors were 3.4 per cent and 1.7 per cent, respectively.



**Inflation Rate**  
**2.3%**

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					
Period	Monthly		Period	Quarterly	
	Index	Annual per cent Change		Index	Annual per cent Change
<b>2009</b>			<b>2008</b>		
Nov	112.0	+0.6	Q1	106.0	+3.8
Dec	111.6	+1.0	Q2	108.9	+4.8
			Q3	110.4	+5.1
<b>2010</b>			Q4	111.0	+5.2
Jan	112.2	+1.2	<b>2009</b>		
Feb	111.7	+1.3	Q1	110.3	+4.1
Mar	112.4	+2.3	Q2	110.5	+1.5
Apr	113.9	+2.9	Q3	111.5	+1.0
May	113.5	+2.8	Q4	111.9	+0.8
Jun	113.4	+2.6	<b>2010</b>		
Jul	113.7	+2.3	Q1	112.1	+1.6
Aug	114.1	+2.0	Q2	113.6	+2.8
Sep	115.3	+3.4	Q3	114.4	+2.6
Oct	115.5	+3.0			
Nov	114.6	+2.3			

## MONTH-TO-MONTH ANALYSIS

### Food

The Food sector edged up 0.1 per cent during November. Among the main items contributing to the increase were margarine (+6.6 per cent), frozen spare ribs (+4.0 per cent) and fresh roasting chickens (+3.6 per cent).

### Rent

The Rent sector increased by 0.1 per cent due mainly to a 0.2 per cent rise in rent for controlled properties.

### Household Goods, Services & Communications

The Household Goods, Services & Communications sector was unchanged for the month.

### Tobacco & Liquor

The Tobacco & Liquor sector increased marginally by 0.2 per cent, reflecting a 1.1 per cent rise in the price of cigarettes.

### Fuel & Power

The Fuel & Power sector was unchanged in November.

### Clothing & Footwear

Price movement in the Clothing & Footwear sector was static during the month of November.

### Health & Personal Care

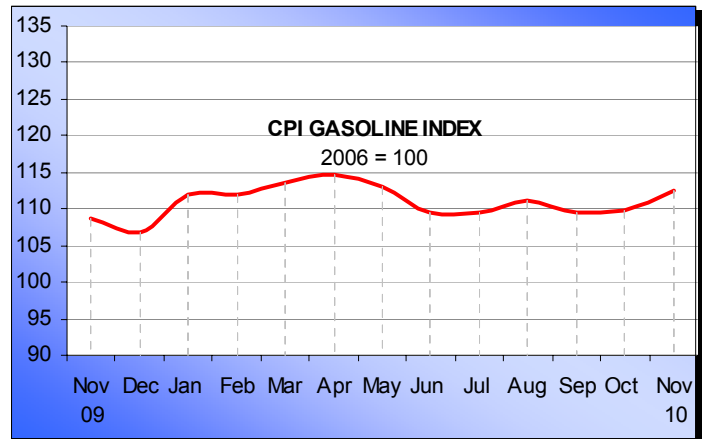
The Health & Personal Care sector remained unchanged in November.

### Education, Recreation & Reading

The Education, Recreation & Reading remained unchanged for the month.

### Transport & Vehicles

The Transport and Vehicle sector declined 6.3 per cent. Consumers enjoyed reduced airfares (9.0 per cent) and hotel accommodation rates (25.6 per cent) during their trips overseas. In contrast, consumers paid more to fuel their vehicles as the price of gasoline increased by 4.0 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](http://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 ( PER CENT)

### Selected Countries & Bermuda

	2006	2007	2008	2009	Nov 10
<b>Bermuda</b>	3.1	3.8	4.8	1.8	+2.3
<b>United States<sup>1</sup></b>	3.2	2.8	3.8	2.7	+1.1
<b>Canada<sup>2</sup></b>	2.0	2.2	2.3	0.3	+2.0
<b>United Kingdom<sup>3</sup></b>	2.3	2.3	3.6	-0.5	+4.7

### Sources:

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

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