



## INFLATION FALLS

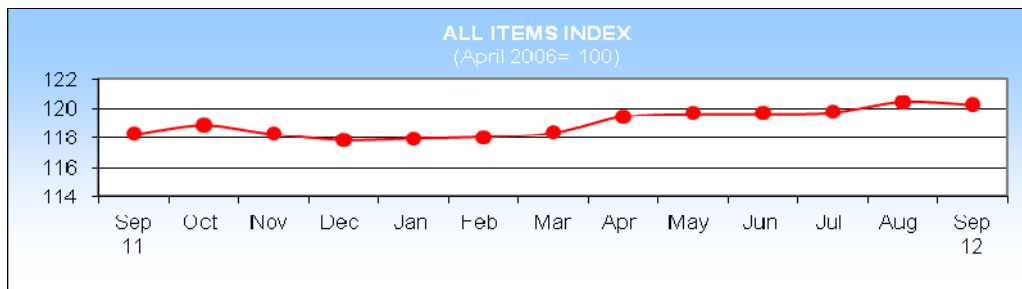
Consumers paid 1.9 per cent more in September 2012 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This was lower than the 3.1 per cent recorded in August 2012.

Between August and September 2012, the average cost of goods and services in the Consumer Price Index did not change. The all-items index remained at 120.5 index points in September. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$120.50.

## 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 prescribed and over-the-counter medicines increased. As a result, there was a 6.0 per cent increase in average prices, year over year, in the sector.

The Food and Fuel & Power sectors also impacted strongly on the annual rate of inflation, as price shifts in these sectors were 3.0 per cent and 6.7 per cent, respectively.



**Inflation Rate**  
**1.9%**

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
<b>2011</b>			<b>2010</b>		
Sep	118.3	+2.6	Q1	112.1	+1.6
Oct	118.9	+2.9	Q2	113.6	+2.8
Nov	118.2	+3.1	Q3	114.4	+2.6
Dec	117.9	+2.9	Q4	114.9	+2.7
<b>2012</b>			<b>2011</b>		
Jan	118.0	+3.0	Q1	115.0	+2.6
Feb	118.1	+2.4	Q2	116.5	+2.6
Mar	118.4	+2.8	Q3	117.4	+2.6
Apr	119.5	+2.5	Q4	118.3	+3.0
May	119.7	+2.9	<b>2012</b>		
Jun	119.7	+2.7	Q1	118.2	+2.8
Jul	119.8	+2.5	Q2	119.6	+2.7
Aug	120.5	+3.1	Q3	120.3	+2.5
Sep	120.5	+1.9			

**MONTH-TO-MONTH ANALYSIS**

**Education, Recreation & Reading**

The Education, Recreation & Reading sector rose 2.1 per cent due to the seasonal rise in educational costs. Average fees for local private school tuition rose 2.8 per cent, while overseas college tuition in the U.S. and Canada increased 3.7 per cent.

**Health & Personal Care**

The Health & Personal Care sector climbed 0.3 per cent in September. The average price of Ladies’ hairstyling and body massages increased by 4.4 per cent and 3.1 per cent, respectively. In contrast, prescribed drugs decreased 0.3 per cent.

**Household Goods, Services & Communications**

The Household Goods, Services & Communications sector edged up 0.3 per cent for the month. The average cost of daycare services for children increased 2.1 per cent.

**Food**

The food sector increased by 0.1 per cent between August and September. Fresh and frozen lamb chops (+4.6 per cent), fresh and frozen pork loins (+4.2 per cent) and fresh carrots (+2.0 per cent) were some of the contributing price increases in the sector.

**Tobacco & Liquor**

The average cost of beer increased by 0.2 per cent leading to a 0.2 per cent rise in the Tobacco & Liquor sector.

**Clothing & Footwear**

The Clothing & Footwear sector was static for the month.

**Fuel & Power**

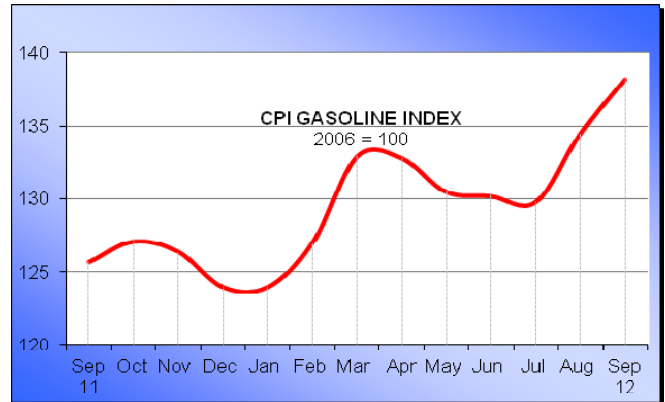
The Fuel & Power sector was unchanged in September.

**Rent**

The Rent sector dipped 0.2 per cent in September. Rent prices for properties not under rent control declined by 0.8 per cent.

**Transport & Vehicles**

The Transport & Vehicle sector slipped 1.0 per cent. Foreign travel declined 4.4 per cent as airfares and cost of foreign hotel accommodation decreased 5.0 per cent and 4.1 per cent, respectively. In contrast, fuel prices increased 2.8 per cent in September for both the premium and mixed blends.



**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 February and March, 2012 is calculated as follows:

$$= \frac{\text{March 12 index number} - \text{Feb 12 index number}}{\text{Feb 12 index number}} \times 100$$

$$= \frac{118.4 - 118.1}{118.1} \times 100$$

$$= 0.2\%$$

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

The price change between March, 2011 and March, 2012 is calculated as follows:

$$= \frac{\text{March 12 index number} - \text{March 11 index number}}{\text{March 11 index number}} \times 100$$

$$= \frac{118.4 - 115.2}{115.2} \times 100$$

$$= 2.8\%$$



## 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	Sep 12
<b>Bermuda</b>	4.8	1.8	2.4	2.7	+1.9
<b>United States<sup>1</sup></b>	3.8	2.7	1.5	3.0	+2.0
<b>Canada<sup>2</sup></b>	2.3	0.3	1.8	1.8	+1.2
<b>United Kingdom<sup>3</sup></b>	3.6	-0.5	4.6	5.2	+2.6

### Sources:

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

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