



## RATE OF INFLATION

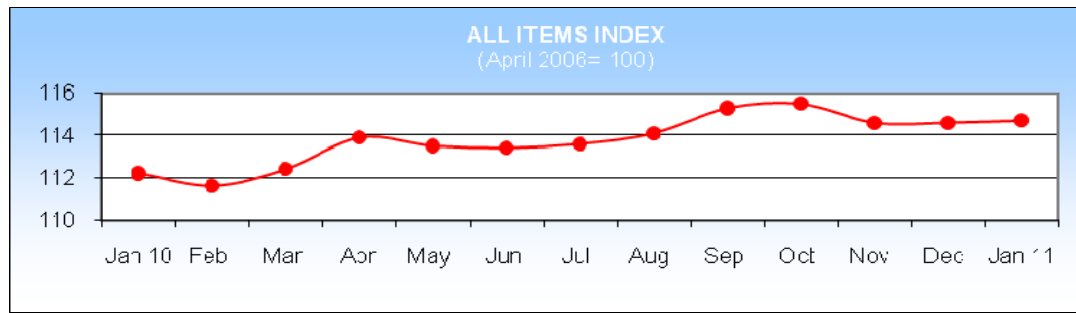
Consumers paid 2.2 per cent more in January 2011 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This level of inflation fell below the 2.7 per cent measured in December 2010.

Between December 2010 and January 2011, the average cost of goods and services in the Consumer Price Index was unchanged. The all-items index remained at 114.6 index points in January. 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 remained the largest contributor to the twelve-month rate of price increase, as measured since October 2010. The annual increase for this sector in January 2011 was 7.7 per cent.

The Rent, and Fuel & Power sectors also impacted strongly on the annual rate of inflation. Price shifts in these two sectors were 1.6 and 8.2 per cent, respectively.



**Inflation  
Rate  
2.2%**

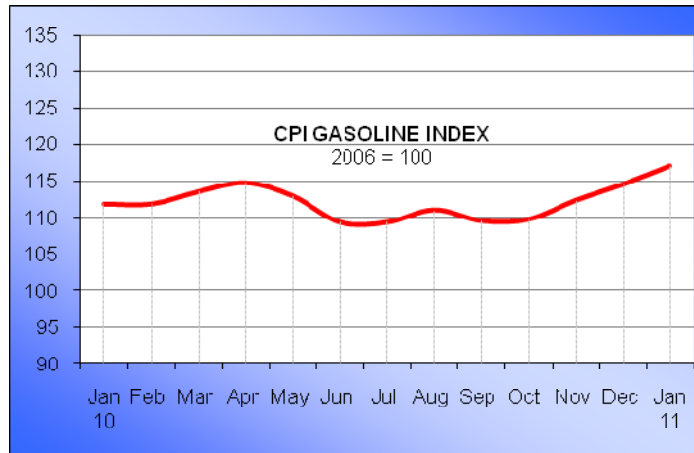
The compilation of the CPI involves the processing of several thousand price quotations. The Department of Statistics wishes to acknowledge the cooperation of the business community in supplying the required price data.

| SUMMARY STATISTICS |         |                        |             |           |                        |
|--------------------|---------|------------------------|-------------|-----------|------------------------|
| Period             | Monthly |                        | Period      | Quarterly |                        |
|                    | Index   | Annual per cent Change |             | Index     | Annual per cent Change |
| <b>2010</b>        |         |                        | <b>2008</b> |           |                        |
| Jan                | 112.2   | +1.2                   | Q2          | 108.9     | +4.8                   |
| Feb                | 111.7   | +1.3                   | Q3          | 110.4     | +5.1                   |
| Mar                | 112.4   | +2.3                   | Q4          | 111.0     | +5.2                   |
| Apr                | 113.9   | +2.9                   | <b>2009</b> |           |                        |
| May                | 113.5   | +2.8                   | Q1          | 110.3     | +4.1                   |
| Jun                | 113.4   | +2.6                   | Q2          | 110.5     | +1.5                   |
| Jul                | 113.7   | +2.3                   | Q3          | 111.5     | +1.0                   |
| Aug                | 114.1   | +2.0                   | Q4          | 111.9     | +0.8                   |
| Sep                | 115.3   | +3.4                   | <b>2010</b> |           |                        |
| Oct                | 115.5   | +3.0                   | Q1          | 112.1     | +1.6                   |
| Nov                | 114.6   | +2.3                   | Q2          | 113.6     | +2.8                   |
| Dec                | 114.6   | +2.7                   | Q3          | 114.4     | +2.6                   |
| <b>2011</b>        |         |                        | Q4          | 114.9     | +2.7                   |
| Jan                | 114.6   | +2.2                   |             |           |                        |

## MONTH-TO-MONTH ANALYSIS

### Food

On average, prices of food items purchased from stores jumped 0.8 per cent for the month. The main items contributing to the increase were fresh wahoo (6.3 per cent), beef liver (4.5 per cent) and frozen chicken parts (4.3 per cent).



### Household Goods, Services & Communications

The Household Goods, Services & Communications sector rose by 0.7 per cent for the month. The average cost of household supplies and child day care increased by 1.8 per cent and 0.8 per cent, respectively.

### Clothing & Footwear

The Clothing & Footwear sector fell 0.1 per cent for the month. The downward pressure on this sector was due to the decline in the price of men's and women's clothing by 1.4 per cent and 0.7 per cent, respectively.

### Rent

The rent sector increased 0.1 per cent in January. Average rents for controlled properties increased 0.2 per cent while average rents for non-controlled properties decreased 0.1 per cent.

### Tobacco & Liquor

The Tobacco & Liquor sector edged up 0.6 per cent for the month due to a 1.6 per cent rise in the price of wines.

### Education, Recreation & Reading

The Education, Recreation & Reading sector advanced 0.1 per cent for the month. The average cost of pet care increased 1.2 per cent while the cost of boat repairs and maintenance rose 0.9 per cent.

### Fuel & Power

The Fuel & Power sector was static in the month of January.

### Health & Personal Care

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

### Transport & Vehicles

The Transport & Vehicles sector contracted 1.4 per cent. On average, the price of foreign travel, which includes airfares and hotel accommodation costs decreased 5.9 per cent. In contrast, cycle repair and maintenance costs increased by 2.7 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.

### a) Month-to-Month Price Change

The price change between November and December, 2003 is calculated as follows:

$$= \frac{\text{Dec 03 index number} - \text{Nov 03 index number}}{\text{Nov 03 index number}} \times 100$$

$$= \frac{92.4 - 92.3}{92.3} \times 100$$

$$= 0.1\%$$

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

The price change between December, 2002 and December, 2003 is calculated as follows:

$$= \frac{\text{Dec 03 index number} - \text{Dec 02 index number}}{\text{Dec 02 index number}} \times 100$$

$$= \frac{92.4 - 89.5}{89.5} \times 100$$

$$= 3.2\%$$



## 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

|                                   | 2007 | 2008 | 2009 | 2010 | Jan 11 |
|-----------------------------------|------|------|------|------|--------|
| <b>Bermuda</b>                    | 3.8  | 4.8  | 1.8  | 2.4  | +2.2   |
| <b>United States<sup>1</sup></b>  | 2.8  | 3.8  | 2.7  | 1.6  | +1.6   |
| <b>Canada<sup>2</sup></b>         | 2.2  | 2.3  | 0.3  | 1.8  | +2.3   |
| <b>United Kingdom<sup>3</sup></b> | 2.3  | 3.6  | -0.5 | 4.6  | +5.1   |

### Sources:

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

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