



## RATE OF INFLATION

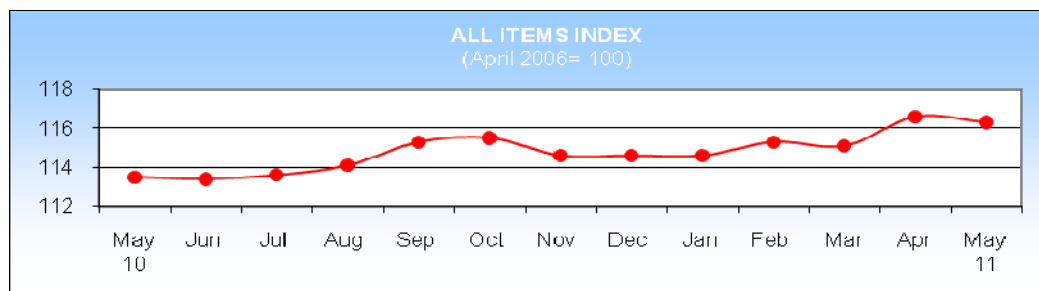
Consumers paid 2.5 per cent more in May 2011 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This rate of inflation edged higher than the 2.4 per cent recorded in April 2011.

Between April and May 2011, the average cost of goods and services in the Consumer Price Index fell 0.3 per cent. The all-items index decreased from 116.6 to 116.3 index points in May. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$116.30.

## YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector was the largest contributor to the twelve-month increase in the Consumer Price Index at 8.1 per cent. This sector contains items such as the cost of doctor's visits, health insurance, prescribed & self-prescribed drugs and toiletries.

The Rent and Food sectors also impacted strongly on the annual rate of inflation, as price shifts in these sectors were 1.6 per cent and 2.2 per cent, respectively.



**Inflation  
Rate  
2.5%**

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>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			
Oct	115.5	+3.0	<b>2010</b>		
Nov	114.6	+2.3	Q1	112.1	+1.6
Dec	114.6	+2.7	Q2	113.6	+2.8
			Q3	114.4	+2.6
<b>2011</b>			Q4	114.9	+2.7
Jan	114.6	+2.2			
Feb	115.3	+3.2	<b>2011</b>		
Mar	115.2	+2.5	Q1	115.0	+2.6
Apr	116.6	+2.4			
May	116.3	+2.5			

## MONTH-TO-MONTH ANALYSIS

### Rent

The Rent sector advanced 0.3 per cent due to the 3.6 per cent rise in building material costs. Rental units not subject to rent control were unchanged for the month.

### Food

On average, food prices edged up 0.4 per cent in May. Among the main items contributing to the increase were codfish (8.1 per cent), bread (5.0 per cent) and top round beef (5.0 per cent).

### Clothing & Footwear

A 2.2 per cent increase in dry cleaning costs led to a 0.1 per cent increase in the Clothing & Footwear sector in May.

### Household Goods, Services & Communications

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

### Tobacco & Liquor

The Tobacco & Liquor sector was static for the month.

### Fuel & Power

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

### Health & Personal Care

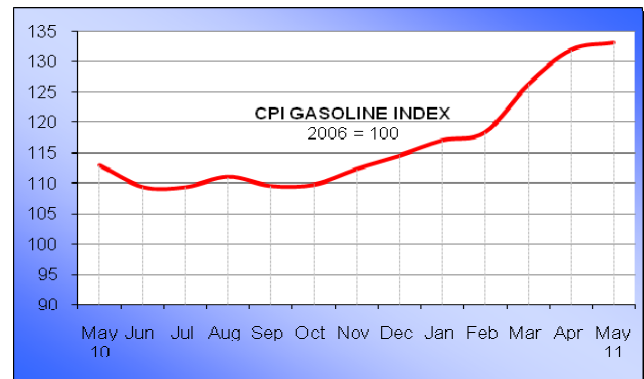
The Health & Personal Care was unchanged in May despite minimal price shifts in the cost of medical supplies.

### Education, Recreation & Reading

The Education, Recreation & Reading sector dropped 0.1 per cent in May as a result of a 2.0 per cent and 0.7 per cent decrease in the capital costs of boats and televisions, respectively.

### Transport & Vehicles

The Transport & Vehicle sector decreased 3.6 per cent for the month. The decline was attributed to a 14.8 per cent reduction in the price of airfares and an 11.7 per cent drop in the cost of overseas hotel accommodations. In contrast, there was a 2.6 increase in the capital cost of cars.



## 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:

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

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

$$= 1.0\%$$

# 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
<b>2004 WEIGHT</b>	1000	146	325	37	20	30	140	139	71	92
<b>ANNUAL AVERAGE ( per cent)</b>										
<b>2005</b>	+3.1	+3.0	+2.8	+2.1	+2.6	+5.6	+1.4	+5.1	+5.1	+2.4
<b>2006</b>	+3.1	+2.0	+3.9	+3.3	+2.1	+9.5	+1.4	+1.2	+3.8	+5.7
<b>2007</b>	+3.8	+3.5	+2.6	+0.2	+1.9	+5.5	+2.2	+6.6	+4.8	+6.8
<b>2008</b>	+4.8	+5.6	+2.4	+2.7	+9.3	+31.8	+2.6	+3.9	+5.1	+6.6
<b>2009</b>	+1.8	+5.4	+1.9	+3.0	+5.9	-6.3	+0.7	-4.3	+5.3	+6.7
<b>2010</b>	+2.4	+3.0	+1.3	+2.4	+1.9	-0.8	+1.6	+1.8	+2.5	+8.1
<b>MONTHLY ( per cent)</b>										
<b>2009</b>										
Apr	+0.7	Nil	+0.1	+1.7	+0.3	-0.1	+0.5	+1.6	+0.4	+2.8
May	-0.2	+0.3	+0.1	Nil	+0.1	Nil	+0.2	-3.4	-0.6	+2.1
June	+0.1	-0.1	-0.1	Nil	+0.3	Nil	+Nil	+0.3	+0.7	+0.2
July	+0.5	-0.3	-0.1	+0.9	+0.5	-3.6	+1.0	+4.4	+0.3	Nil
Aug	+0.6	+1.4	+0.1	Nil	+0.9	Nil	Nil	+2.6	+0.1	+0.1
Sept	-0.3	Nil	+0.3	Nil	+0.1	Nil	+0.4	-4.2	+1.8	+0.2
Oct	+0.5	Nil	Nil	-0.4	-0.3	Nil	+0.1	+3.1	Nil	+1.5
Nov	-0.1	+0.3	+0.1	Nil	+0.3	+0.1	Nil	-1.8	Nil	Nil
Dec	-0.3	-0.7	+0.1	Nil	+1.1	Nil	+0.3	-2.2	-0.1	-0.1
<b>2010</b>										
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
<b>2011</b>										
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
<b>May '11</b>	<b>116.3</b>	<b>120.5</b>	<b>110.9</b>	<b>115.6</b>	<b>124.0</b>	<b>137.8</b>	<b>108.5</b>	<b>104.9</b>	<b>122.8</b>	<b>142.5</b>
<u>May'11</u> May'10	<b>+2.5</b>	<b>+2.2</b>	<b>+1.6</b>	<b>+4.3</b>	<b>+3.1</b>	<b>+8.1</b>	<b>+1.1</b>	<b>-0.9</b>	<b>+2.5</b>	<b>+8.1</b>

## 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	May 11
<b>Bermuda</b>	3.8	4.8	1.8	2.4	+2.5
<b>United States<sup>1</sup></b>	2.8	3.8	2.7	1.6	+3.6
<b>Canada<sup>2</sup></b>	2.2	2.3	0.3	1.8	+3.7
<b>United Kingdom<sup>3</sup></b>	2.3	3.6	-0.5	4.6	+5.2

### Sources:

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

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