



INFLATION ABATES

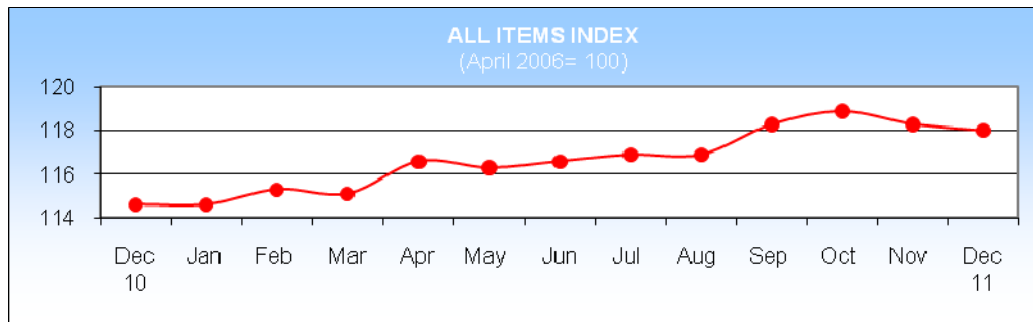
Consumers paid 2.9 per cent more in December 2011 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). The annual rate of inflation was down 0.2 percentage points from the 3.1 per cent measured in November.

Between November and December 2011, the average cost of goods and services in the Consumer Price Index fell 0.2 per cent. The all-items index declined from 118.2 in November to 117.9 in December. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$117.90.

YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector was the largest contributor to the twelve-month increase to December 2011, up 7.0 per cent. During the last 12 months this sector has been the largest contributor to the annual increase in the CPI.

The Fuel & Power and Food sectors also impacted strongly on the annual rate of inflation. The price increases in those sectors measured 13.4 per cent and 3.0 per cent, respectively.



**Inflation
Rate
2.9%**

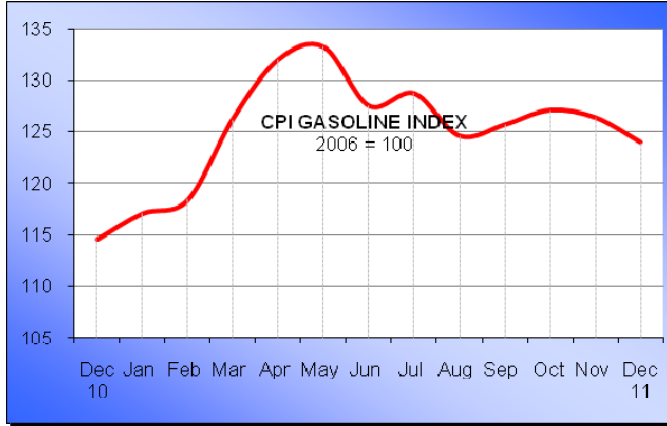
The compilation of the CPI involves the processing of several thousand price quotations. The Department of Statistics wishes to acknowledge the cooperation of the business community in supplying the required price data.

SUMMARY STATISTICS					
Period	Monthly		Period	Quarterly	
	Index	Annual per cent Change		Index	Annual per cent Change
2010			2009		
Dec	114.6	+2.7	Q2	110.5	+1.5
2011			Q3	111.5	+1.0
Jan	114.6	+2.2	Q4	111.9	+0.8
Feb	115.3	+3.2	2010		
Mar	115.2	+2.5	Q1	112.1	+1.6
Apr	116.6	+2.4	Q2	113.6	+2.8
May	116.3	+2.5	Q3	114.4	+2.6
Jun	116.6	+2.8	Q4	114.9	+2.7
Jul	116.9	+2.8	2011		
Aug	116.9	+2.5	Q1	115.0	+2.6
Sep	118.3	+2.6	Q2	116.5	+2.6
Oct	118.9	+2.9	Q3	117.4	+2.6
Nov	118.2	+3.1	Q4	118.3	+3.0
Dec	117.9	+2.9			

MONTH-TO-MONTH ANALYSIS

Transport & Vehicles

The Transport & Vehicles sector increased 0.5 per cent over the month reflecting a 6.5 per cent rise in overseas hotel accommodations. In contrast, air fares and fuel declined by 2.2 per cent and 1.8 per cent, respectively.



Tobacco & Liquor

The Tobacco & Liquor sector climbed 0.1 per cent in December. The price of beer and wines rose 0.3 per cent, 0.1 per cent, respectively.

Education, Recreation & Reading

The Education, Recreation & Reading sector edged up 0.1 per cent for the month. The recreation sub-sector was the leading cause for the upward push in this sector. The average price of magazines increased 1.0 per cent while pet costs rose 1.1 per cent.

Fuel & Power

The Fuel and Power sector remained unchanged during the month of December.

Clothing & Footwear

There was no movement recorded in the Clothing & Footwear sector.

Household, Goods, Services and Supplies

The Household Goods, Services & Supplies sector dropped 0.1 per cent. Average costs of cleaning materials and detergents & bleaches fell 1.3 per cent.

Health & Personal Care

The Health & Personal Care sector declined 0.1 per cent for the month. Ladies hairstyling fell 2.9 per cent while toiletries, cosmetics & perfumes increased 2.1 percent.

Rent

The rent sector fell 0.1 per cent between November and December. Properties subject to rent control increased marginally by 0.1 per cent while the rental cost of properties not under rent control declined 0.1 per cent.

Food

On average, food prices fell 1.4 per cent. Consumers experienced lower prices for the cost of red grapes (-18.0 per cent), spare ribs (-14.2 per cent) and roasting chickens (-9.4 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, 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
2004 WEIGHT	1000	146	325	37	20	30	140	139	71	92
ANNUAL AVERAGE (per cent)										
2006	+3.1	+2.0	+3.9	+3.3	+2.1	+9.5	+1.4	+1.2	+3.8	+5.7
2007	+3.8	+3.5	+2.6	+0.2	+1.9	+5.5	+2.2	+6.6	+4.8	+6.8
2008	+4.8	+5.6	+2.4	+2.7	+9.3	+31.8	+2.6	+3.9	+5.1	+6.6
2009	+1.8	+5.4	+1.9	+3.0	+5.9	-6.3	+0.7	-4.3	+5.3	+6.7
2010	+2.4	+3.0	+1.3	+2.4	+1.9	-0.8	+1.6	+1.8	+2.5	+8.1
2011	+2.7	+2.3	+1.1	+5.7	+3.1	+11.3	+2.0	+0.6	+2.6	+7.5
MONTHLY (per cent)										
2009										
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
2010										
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
2011										
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
Jun	+0.3	+0.5	+0.1	Nil	+0.2	+2.8	+1.2	-0.4	-0.4	+0.1
Jul	+0.2	-0.2	-0.1	-0.3	+0.6	+1.8	+0.1	+1.1	+0.4	+0.1
Aug	Nil	+2.1	Nil	+0.1	+0.2	+3.8	+0.2	-4.2	+0.2	+0.1
Sep	+1.2	+0.1	-0.4	Nil	+0.1	+3.7	+0.4	+8.0	+2.0	+0.1
Oct	+0.5	+0.4	+0.1	+4.6	+0.2	+0.6	+0.1	+1.5	-0.1	+0.1
Nov	-0.6	+0.2	Nil	Nil	+0.1	+0.1	+0.1	-4.9	+0.1	Nil
Dec	-0.2	-1.4	-0.1	Nil	+0.1	Nil	-0.1	+0.5	+0.1	-0.2
Dec '11	117.9	122.4	110.6	120.6	125.8	156.2	110.6	106.1	125.6	142.8
Dec'11	+2.9	+3.0	+0.4	+9.2	+2.9	+13.4	+2.6	+1.8	+2.4	+6.9
Dec'10										

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	Dec 11
Bermuda	4.8	1.8	2.4	2.7	+2.9
United States¹	3.8	2.7	1.5	3.0	+3.0
Canada²	2.3	0.3	1.8	1.8	+2.3
United Kingdom³	3.6	-0.5	4.6	5.2	+4.8

Sources:

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

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