



RATE OF INFLATION

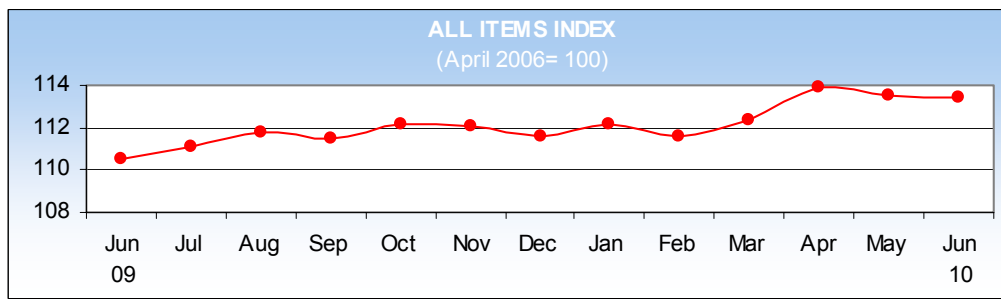
Consumers paid 2.6 per cent more in June 2010 than they did a year ago for the CPI basket of goods and services. However, this rate of inflation was slightly lower than the 2.8 per cent measured a month ago.

Between May and June of 2010, the average cost of goods and services in the Consumer Price Index fell 0.1 per cent. The all-items index declined from the 113.5 index points recorded last month, to 113.4 in June 2010. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$113.40.

YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector was the largest contributor to the twelve-month increase in the Consumer Price Index. On average, the cost of Health & Personal Care items increased 8.6 per cent year-over-year.

The Transport & Vehicle and Rent sectors also impacted strongly on the annual rate of inflation, as price shifts in these sectors were 4.2 per cent and 1.2 per cent, respectively.



**Inflation
Rate
2.6%**

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
2009			2008		
Jun	110.5	+1.2	Q1	106.0	+3.8
Jul	111.1	+1.2	Q2	108.9	+4.8
Aug	111.8	+1.6	Q3	110.4	+5.1
Sep	111.5	+0.2	Q4	111.0	+5.2
Oct	112.1	+0.7	2009		
Nov	112.0	+0.6	Q1	110.3	+4.1
Dec	111.6	+1.0	Q2	110.5	+1.5
2010			Q3	111.5	+1.0
Jan	112.2	+1.2	Q4	111.9	+0.8
Feb	111.7	+1.3	2010		
Mar	112.4	+2.3	Q1	112.1	+1.6
Apr	113.9	+2.9	Q2	113.6	+2.8
May	113.5	+2.8			
Jun	113.4	+2.6			

MONTH-TO-MONTH ANALYSIS

Health & Personal Care

The Health & Personal Care sector edged up 0.6 per cent in June in response to higher prices for lady’s hairstyling (7.6 per cent) and prescribed medicines (3.4 per cent).

Rent

The Rent sector increased 0.2 per cent, reflecting a 0.4 per cent rise in average rents for controlled properties.

Food

On average, food prices rose 0.1 per cent in June. Among the main items contributing to the increase were the cost of pork loins (7.4 per cent), red grapes (6.7 per cent) and onions (5.9 per cent).

Education, Recreation & Reading

The Education, Recreation & Reading sector was unchanged for the month. This was due to a 6.1 per cent rise in the cost of recreational equipment being offset by a 3.1 per cent decrease in boating fuel prices.

Tobacco & Liquor

The Tobacco & Liquor sector saw an overall increase of 0.1 per cent. There was a 0.4 per cent rise in the average cost of beer, while the average cost of spirits fell by 0.3 per cent.

Clothing & Footwear

The Clothing & Footwear sector was unchanged in June.

Fuel & Power

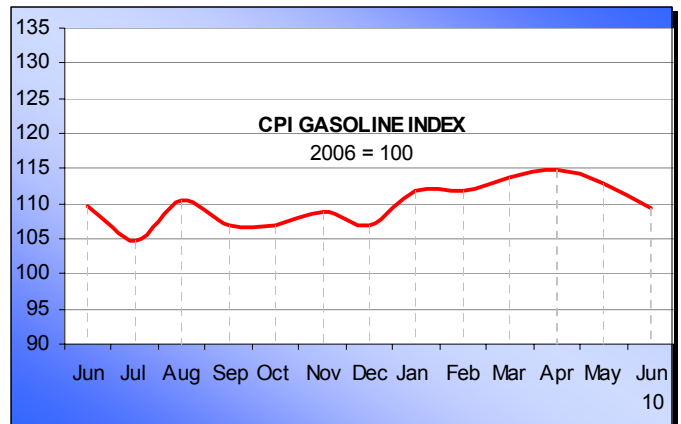
The Fuel & Power sector remained unchanged for June, as the fuel adjustment clause remained at \$11.50 for the twelfth consecutive month.

Household Goods, Services & Communications

The Household Goods, Services & Communications sector fell 0.5 per cent in June. The decline was caused by an 8.4 per cent drop in the price of elder care.

Transport & Vehicles

The Transport & Vehicles sector fell 1.2 per cent in June. Lower airfares and fuel prices were the driving force behind the decline, as average prices contracted by 4.4 per cent and 3.3 per cent, respectively.



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.

a) Month-to-Month Price Change

The price change between November and December, 2007 is calculated as follows:

$$= \frac{\text{Dec 07 index number} - \text{Nov 07 index number}}{\text{Nov 07 index number}} \times 100$$

$$= \frac{105.3 - 105.8}{105.8} \times 100$$

$$= -0.5\%$$

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

The price change between December, 2006 and December, 2007 is calculated as follows:

$$= \frac{\text{Dec 07 index number} - \text{Dec 06 index number}}{\text{Dec 06 index number}} \times 100$$

$$= \frac{105.3 - 101.6}{101.6} \times 100$$

$$= 3.6\%$$

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

	2006	2007	2008	2009	June 10
Bermuda	3.1	3.8	4.8	1.8	+2.6
United States¹	3.2	2.8	3.8	2.7	+1.1
Canada²	2.0	2.2	2.3	0.3	+1.0
United Kingdom³	2.3	2.3	3.6	-0.5	+5.0

Sources:

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

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