



RATE OF INFLATION

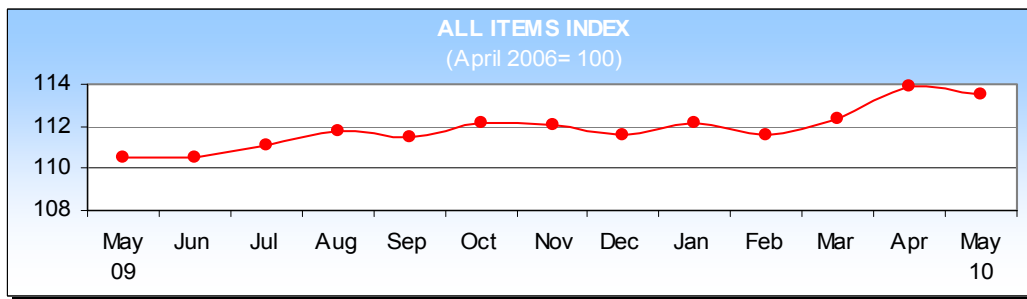
Consumers paid 2.8 per cent more in May 2010 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This rate of inflation abated from the 2.9 per cent measured in April 2010.

Between April 2010 and May of 2010, the average cost of goods and services in the Consumer Price Index fell 0.3 per cent. The all-items index decreased from 113.9 to 113.5 index points in May. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$113.50.

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 for health & Personal care items increased 2.0 per cent.

The Transport & Vehicles and Food sectors also impacted strongly on the annual rate of inflation, as price shifts in these sectors were 6.1 per cent and 2.3 per cent, respectively.



Inflation Rate
2.8%

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		
May	110.5	+1.4	Q1	106.0	+3.8
Jun	110.5	+1.2	Q2	108.9	+4.8
Jul	111.1	+1.2	Q3	110.4	+5.1
Aug	111.8	+1.6	Q4	111.0	+5.2
Sep	111.5	+0.2	2009		
Oct	112.1	+0.7	Q1	110.3	+4.1
Nov	112.0	+0.6	Q2	110.5	+1.5
Dec	111.6	+1.0	Q3	111.5	+1.0
2010			Q4	111.9	+0.8
Jan	112.2	+1.2	2010		
Feb	111.7	+1.3	Q1	112.1	+1.6
Mar	112.4	+2.3			
Apr	113.9	+2.9			
May	113.5	+2.8			

MONTH-TO-MONTH ANALYSIS

Rent

The Rent sector advanced 0.2 per cent due to the 0.4 per cent rise in rent-controlled properties. Rental units not subject to rent control were unchanged for the month.

Education, Recreation & Reading

The Education, Recreation & Reading sector accelerated 0.2 per cent in May as a result of a 3.7 per cent and 3.6 per cent increase in the cost of leisure boats and televisions, respectively.

Household Goods, Services & Communications

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

Health & Personal Care

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

Fuel & Power

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

Clothing & Footwear

The Clothing & Footwear sector was unchanged for the month of May.

Tobacco & Liquor

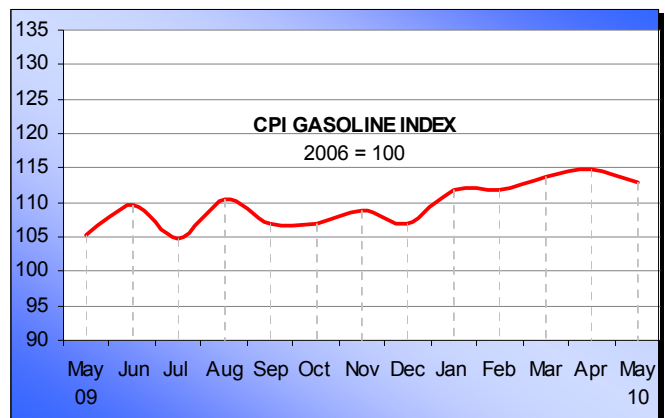
The Tobacco & Liquor sector retreated 0.1 per cent for the month. This was due to a 0.5 per cent decrease in the average cost of beer.

Food

On average, food prices edged down 1.0 per cent in May. Among the main items contributing to the decrease were lettuce (-8.3 per cent), cantaloupes (7.0 per cent) and lamb (-3.4 per cent).

Transport & Vehicles

The Transport & Vehicle sector decreased 1.8 per cent for the month. The decline was attributed to an 18.4 per cent reduction in the price foreign airfares and a 2.1 per cent drop in the cost of motor cycles.



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	May 10
Bermuda	3.1	3.8	4.8	1.8	+2.8
United States¹	3.2	2.8	3.8	2.7	+2.0
Canada²	2.0	2.2	2.3	0.3	+1.4
United Kingdom³	2.3	2.3	3.6	-0.5	+5.1

Sources:

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

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