



## INFLATION HITS LOWEST POINT

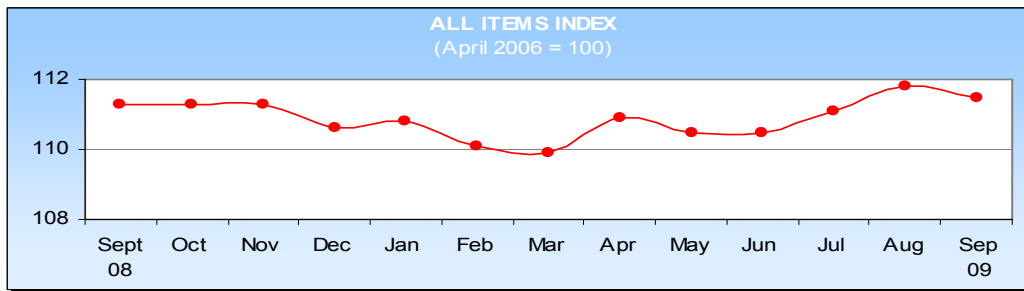
Consumers paid 0.2 per cent more in September 2009 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This marked the lowest rate of inflation recorded since December 1974, when no change was recorded.

Between August 2009 and September 2009, the average cost of goods and services in the Consumer Price Index fell 0.3 per cent. The all-items index declined from 111.8 to 111.5 index points in September. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$111.50.

## YEAR-TO-YEAR ANALYSIS

The Fuel & Power sector was the driving force behind the sharp reduction in the rate of inflation for the Consumer Price Index. The average cost of electricity fell. This was largely influenced by a large drop in the fuel adjustment clause. As a result, prices within the sector fell 22.7 per cent annually.

In contrast, the Food and Health and Personal Care sectors were the largest contributors to the twelve-month increase as price shifts in these sectors were 4.9 per cent and 6.4 per cent, respectively.



**Inflation Rate**  
**0.2%**

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>2008</b>			<b>2007</b>		
Sept	111.3	+5.9	Q2	103.9	+3.9
Oct	111.3	+5.6	Q3	105.0	+4.0
Nov	111.3	+5.2	Q4	105.5	+4.2
Dec	110.5	+4.9			
<b>2009</b>			<b>2008</b>		
Jan	110.8	+5.2	Q1	106.0	+3.8
Feb	110.2	+4.4	Q2	108.9	+4.8
Mar	109.9	+2.7	Q3	110.4	+5.1
Apr	110.6	+1.9	Q4	111.0	+5.2
May	110.5	+1.4			
Jun	110.5	+1.2	<b>2009</b>		
Jul	111.1	+1.2	Q1	110.3	+4.1
Aug	111.8	+1.6	Q2	110.5	+1.5
Sep	111.5	+0.2	Q3	111.5	+1.0

## MONTH-TO-MONTH ANALYSIS

### Education, Recreation & Reading

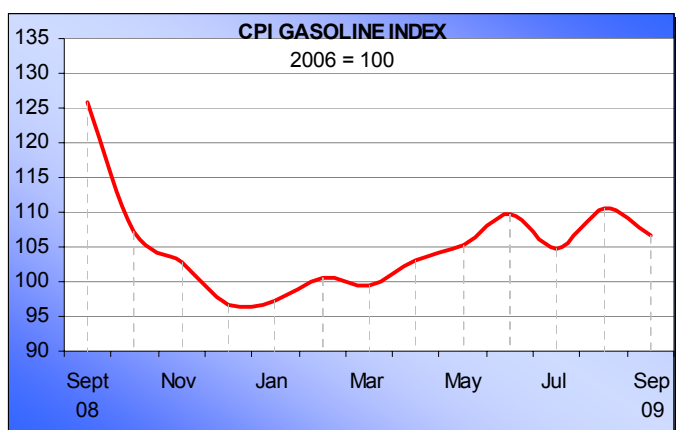
The Education, Recreation & Reading sector rose 1.8 per cent due to higher educational costs. Average tuition fees for local private schools rose 5.3 per cent. Students studying at overseas colleges and universities in the U.S.A. and Canada experienced a 3.0 per cent rise in their tuition.

### Rent

The Rent sector advanced 0.3 per cent. The increase was attributed to a 0.2 per cent rise in non rent-controlled properties. Rental units not subject to rent control also increased by 0.2 per cent for the month.

### Household Goods, Services & Communications

The Household Goods, Services & Communications sector edged up 0.4 per cent. This reflected a seasonal rise of 6.2 per cent in the cost of child daycare services.



### Health & Personal Care

The Health & Personal Care sector climbed 0.2 per cent in September in response to higher costs for medical supplies. The average cost for prescribed medication increased 0.1 per cent, while self-prescribed medicines and household medical supplies rose 1.4 per cent. In addition, the cost of women's hairstyling advanced 1.6 per cent.

### Tobacco & Liquor

The Tobacco & Liquor sector recorded a modest gain of 0.1 per cent.

### Food

The food sector remained unchanged for the month.

### Clothing & Footwear

The Clothing & Footwear sector remained static for the month.

### Fuel & Power

There was no change within the Fuel & Power sector during the month.

### Transport & Vehicles

Premium and mixed blends gasoline prices declined in September by 3.4 per cent and 3.1 per cent, respectively. Meanwhile, the average price for vehicles increased 0.2 per cent. In contrast, foreign travel costs, which include airfare and hotel rates, contracted by 10.0 per cent. Overall, the Transport and Vehicles Sector was down 4.2 per cent in September 2009.

## 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, 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:

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

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

$$= 3.6\%$$

## 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>2003</b>	+3.2	+2.0	+1.8	+1.9	+1.4	+4.8	+2.2	+4.5	+5.8	+7.0
<b>2004</b>	+3.6	+2.5	+2.2	+1.9	+5.2	+1.9	+1.6	+4.0	+6.2	+9.1
<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>MONTHLY ( per cent)</b>										
<b>2007</b>										
Aug	Nil	-0.2	+0.1	Nil	+0.4	+4.6	Nil	-2.1	+0.4	+0.1
Sept	+0.2	+0.6	+0.3	Nil	+0.1	+1.5	+0.3	-1.7	+2.4	Nil
Oct	+0.3	+0.4	+0.1	-4.9	+0.1	Nil	+0.1	+1.9	Nil	+0.5
Nov	+0.4	+0.1	+0.2	+0.2	+0.5	+1.5	-0.1	+1.5	+0.2	+0.1
Dec	-0.5	-0.7	+0.2	Nil	+1.1	+4.6	Nil	-4.5	+0.1	Nil
<b>2008</b>										
Jan	+0.1	+1.5	+0.2	-0.6	+1.0	+0.1	+0.1	-1.3	-0.1	-0.1
Feb	+0.2	+0.4	+0.2	Nil	-0.2	+2.8	+0.1	-0.2	-0.1	Nil
Mar	+1.3	+0.5	+0.2	Nil	+2.8	+1.2	Nil	+7.6	+0.8	+0.1
Apr	+1.5	+1.0	+0.4	+7.3	+2.9	Nil	+1.0	+2.5	+0.1	+5.1
May	+0.3	-0.1	+0.3	Nil	+1.1	+2.0	-0.1	+0.4	+0.3	+0.2
June	+0.3	+1.5	+0.1	Nil	+0.4	+0.4	+0.5	-0.5	Nil	+0.4
July	+0.5	Nil	+0.3	-0.2	Nil	+8.9	+0.7	Nil	+0.2	+0.1
Aug	+0.3	+1.0	+0.3	Nil	+0.5	Nil	+0.6	-0.4	Nil	+0.1
Sept	+1.1	+0.4	+0.1	Nil	+0.5	+14.0	+0.3	-0.1	+4.4	+0.3
Oct	Nil	+2.0	+0.2	+1.1	+0.2	Nil	+0.1	-3.4	+0.6	+0.6
Nov	Nil	+0.4	+0.2	Nil	+0.9	-0.1	+0.1	-1.1	+0.5	Nil
Dec	-0.7	+0.1	+0.3	Nil	0.5	-3.5	-2.7	-2.7	+0.2	Nil
<b>2009</b>										
Jan	+0.3	+0.9	+0.2	-1.2	+0.5	-2.1	+0.3	+1.5	+0.2	Nil
Feb	-0.5	+0.3	+0.2	Nil	+0.3	-10.1	+0.2	-1.4	-0.4	Nil
Mar	-0.3	-0.3	+0.2	Nil	+0.1	-5.3	+0.1	-1.3	+0.2	+0.3
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
Jun	+0.1	-0.1	-0.1	Nil	+0.3	Nil	+Nil	+0.3	+0.7	+0.2
Jul	+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
Sep	-0.3	Nil	+0.3	Nil	+0.1	Nil	+0.4	-4.2	+1.8	+0.2
<b>Sep '09</b>	<b>111.5</b>	<b>116.5</b>	<b>108.3</b>	<b>107.7</b>	<b>119.9</b>	<b>127.0</b>	<b>106.7</b>	<b>103.0</b>	<b>119.4</b>	<b>122.4</b>
<u>Sep'09</u> <u>Sep'08</u>	<b>+0.2</b>	<b>+4.9</b>	<b>+1.5</b>	<b>+2.6</b>	<b>+4.7</b>	<b>-22.7</b>	<b>+0.1</b>	<b>-7.3</b>	<b>+3.9</b>	<b>+6.4</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 ( PER CENT) Selected Countries & Bermuda

	2005	2006	2007	2008	Sep 09
<b>Bermuda</b>	3.1	3.1	3.8	4.8	+0.2
<b>United States<sup>1</sup></b>	3.4	3.2	2.8	3.8	-1.3
<b>Canada<sup>2</sup></b>	2.2	2.0	2.2	2.3	-0.9
<b>United Kingdom<sup>3</sup></b>	2.1	2.3	2.3	3.6	-1.4

### Sources:

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

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