



## RATE OF INFLATION

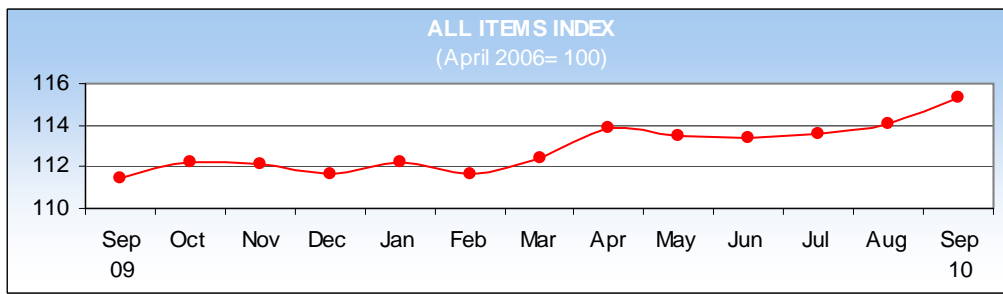
Consumers paid 3.4 per cent more in September 2010 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This was the highest recorded since February 2009 when the rate of inflation was 4.4 per cent.

Between August and September 2010, the average cost of goods and services in the Consumer Price Index jumped 1.1 per cent. The all-items index increased from 114.1 to 115.3 index points in September. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$115.30.

## YEAR-TO-YEAR ANALYSIS

The Transport & Vehicles sector was the largest contributor to the twelve-month increase in the Consumer Price Index. The average cost to travel overseas during the month of September increased 16.6 per cent. Residents paid more for hotel accommodations and airfare. As a result, the rate of price increase for this sector increased a strong 7.4 per cent.

The Health & Personal Care and Rent sectors also impacted strongly on the annual rate of inflation, as price shifts in these sectors were 8.7 per cent and 1.6 per cent, respectively.



**Inflation  
Rate  
3.4%**

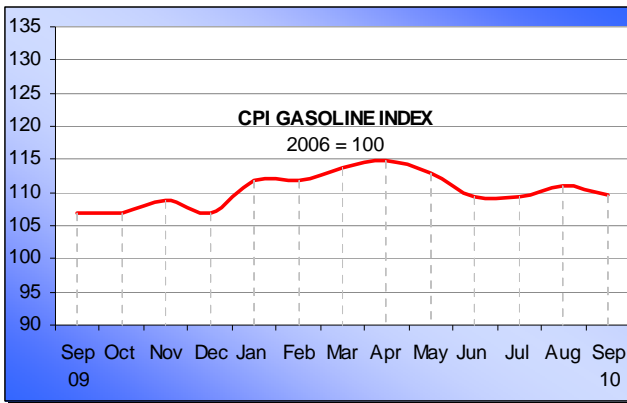
The compilation of the CPI involves the processing of several thousand price quotations. The Department of Statistics wishes to acknowledge the cooperation of the business community in supplying the required price data.

SUMMARY STATISTICS					
Period	Monthly		Period	Quarterly	
	Index	Annual per cent Change		Index	Annual per cent Change
<b>2009</b>			<b>2008</b>		
Sep	111.5	+0.2	Q1	106.0	+3.8
Oct	112.1	+0.7	Q2	108.9	+4.8
Nov	112.0	+0.6	Q3	110.4	+5.1
Dec	111.6	+1.0	Q4	111.0	+5.2
<b>2010</b>			<b>2009</b>		
Jan	112.2	+1.2	Q1	110.3	+4.1
Feb	111.7	+1.3	Q2	110.5	+1.5
Mar	112.4	+2.3	Q3	111.5	+1.0
Apr	113.9	+2.9	Q4	111.9	+0.8
May	113.5	+2.8	<b>2010</b>		
Jun	113.4	+2.6	Q1	112.1	+1.6
Jul	113.7	+2.3	Q2	113.6	+2.8
Aug	114.1	+2.0	Q3	114.4	+2.6
Sep	115.3	+3.4			

## MONTH-TO-MONTH ANALYSIS

### Transport & Vehicles

Foreign travel costs jumped 21.0 per cent in response to rising airfares among major carriers and higher hotel rates in gateway cities. In contrast, gasoline prices fell by 3 cents in September representing a 3.0 per cent decrease for both the premium and mixed blends. As a result, the Transport & Vehicles sector rose sharply 7.1 per cent.



### Education, Recreation & Reading

The Education, Recreation & Reading sector rose 1.5 per cent due to the seasonal rise in educational costs. Average fees for local private school tuition rose 4.8 per cent. In addition, overseas college tuition in the U.S. increased 4.0 per cent.

### Health & Personal Care

The Health & Personal Care sector climbed 0.2 per cent in September in response to higher personal care services. The average cost of facials, manicures and massages, advanced 3.9 per cent, while the cost of lady's hair styling services increased 1.6 per cent.

### Rent

The Rent sector advanced 0.2 per cent. The increase was attributed to a 2.5 per cent rise in the repair and maintenance costs for housing.

### Household Goods, Services & Communications

The Household Goods, Services & Communications sector edged up 0.2 per cent for the month. In the services sub-component the average cost of child daycare services for children increased 2.3 per cent. In contrast, the price of household supply products declined 0.2 per cent.

### Fuel & Power

The Fuel & Power sector was unchanged from August.

### Clothing & Footwear

The Clothing & Footwear sector was static for the month of August with no price change at the sector level.

### Tobacco & Liquor

The Tobacco & Liquor sector declined 0.1 per cent. On average wine prices decreased 0.8 per cent. However, this was offset by increases in the price of beer (0.4 per cent) and spirits (0.1 per cent) during the month.

### Food

The Food sector fell 0.4 per cent in September. Notable price changes occurred for fresh oranges (-7.2 per cent); fresh and frozen lamb (-3.8 per cent); and fresh and frozen pork (-3.4 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. 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>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>2009</b>	+1.8	+5.4	+1.9	+3.0	+5.9	-6.3	+0.7	-4.3	+5.3	+6.7
<b>MONTHLY ( per cent)</b>										
<b>2008</b>										
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
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
<b>Sept '10</b>	<b>115.3</b>	<b>120.0</b>	<b>110.0</b>	<b>111.1</b>	<b>121.0</b>	<b>132.6</b>	<b>108.0</b>	<b>110.6</b>	<b>121.7</b>	<b>133.1</b>
Sept'10 Sept'09	<b>+3.4</b>	<b>+3.0</b>	<b>+1.6</b>	<b>+3.2</b>	<b>+0.9</b>	<b>+4.4</b>	<b>+1.2</b>	<b>+7.4</b>	<b>+1.9</b>	<b>+8.7</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

	2006	2007	2008	2009	Sep 10
<b>Bermuda</b>	3.1	3.8	4.8	1.8	+3.4
<b>United States<sup>1</sup></b>	3.2	2.8	3.8	2.7	+1.1
<b>Canada<sup>2</sup></b>	2.0	2.2	2.3	0.3	+1.9
<b>United Kingdom<sup>3</sup></b>	2.3	2.3	3.6	-0.5	+4.6

### Sources:

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

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