



RATE OF INFLATION

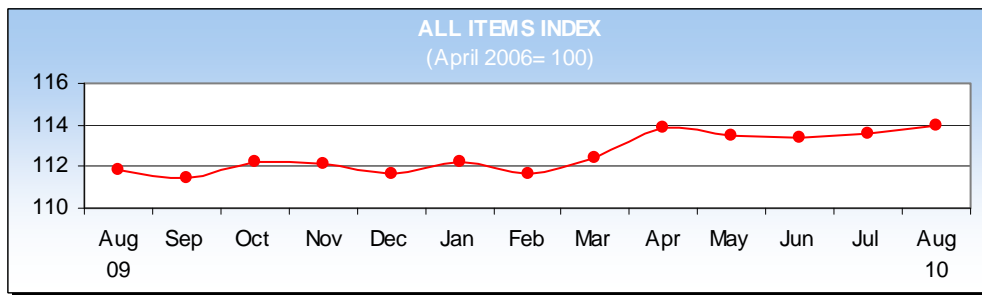
Consumers paid 2.0 per cent more in August 2010 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). The rate of inflation dropped from the 2.3 per cent measured in July 2010.

Between July 2010 and August 2010, the average cost of goods and services in the Consumer Price Index rose 0.4 per cent. The all-items index increased from 113.7 to 114.1 index points in August. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$114.10.

YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector was the largest contributor to the twelve-month increase in the Consumer Price Index. Notable increases in the cost of self-prescribed medication and household medical supplies led to the 8.7 per cent increase for the year.

The Food and Rent sectors also impacted strongly on the annual rate of inflation, as price shifts in these sectors were 3.4 per cent and 1.7 per cent, respectively.



Inflation Rate
2.0%

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		
Aug	111.8	+1.6	Q1	106.0	+3.8
Sep	111.5	+0.2	Q2	108.9	+4.8
Oct	112.1	+0.7	Q3	110.4	+5.1
Nov	112.0	+0.6	Q4	111.0	+5.2
Dec	111.6	+1.0			
2010			2009		
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			
Jun	113.4	+2.6	2010		
Jul	113.7	+2.3	Q1	112.1	+1.6
Aug	114.1	+2.0	Q2	113.6	+2.8

MONTH-TO-MONTH ANALYSIS

Food

The food sector jumped 2.0 per cent in August. Notable price changes were eggs (+7.1) per cent, oranges (+6.6) per cent and frozen meals (+5.5) per cent.

Fuel & Power

The Fuel & Power sector rose 4.0 per cent in August. The fuel adjustment rate for electricity increased by one cent, from \$0.115 to \$0.125.

Household Goods, Services & Communications

The Household Goods, Services & Communications sector accelerated 1.0 per cent for the month as the average cost of lawyer fees increased by 23.5 per cent. Additionally, the average cost of a load of water increased by 14.2 per cent.

Education, Recreation & Reading

The Education, Recreation & Reading sector edged up 0.1 per cent for the month. The increase reflected a 1.6 per cent and 0.8 per cent increase in the average price of pet cost & up-keep and pleasure boats, respectively.

Health & Personal Care

The Health & Personal Care sector was unchanged in August.

Tobacco & Liquor

The Tobacco & Liquor sector advanced 0.2 per cent as increased costs were recorded for the average price of beer (+0.8) per cent and cigarettes (+0.5) per cent.

Clothing & Footwear

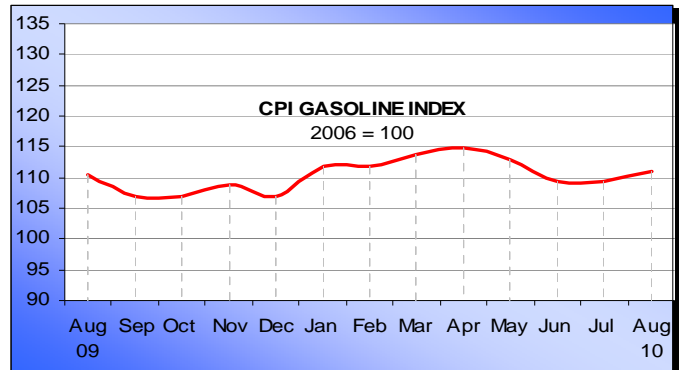
The Clothing & Footwear sector remained static for the month.

Rent

Rent prices for units not subject to rent control increased 0.1 per cent, while rent-controlled properties rose 0.3 per cent. Repair and maintenance costs were up 2.1 per cent. As a result, the Rent sector advanced 0.3 per cent for the month.

Transport & Vehicles

The Transport & Vehicle sector dropped by 2.4 per cent. Declines in the prices of automobiles (-1.1) per cent and airfares (-14.6) per cent, were the key contributors for the decline. In contrast, fuel prices increased 1.8 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.

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
2004 WEIGHT	1000	146	325	37	20	30	140	139	71	92
ANNUAL AVERAGE (per cent)										
2004	+3.6	+2.5	+2.2	+1.9	+5.2	+1.9	+1.6	+4.0	+6.2	+9.1
2005	+3.1	+3.0	+2.8	+2.1	+2.6	+5.6	+1.4	+5.1	+5.1	+2.4
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
MONTHLY (per cent)										
2008										
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
2009										
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
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
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
Jun	-0.1	+0.1	+0.2	Nil	+0.1	Nil	-0.5	-1.2	Nil	+0.6
Jul	+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
Aug '10	114.1	120.5	109.8	111.1	121.1	132.6	107.8	103.2	120.0	132.8
<u>Aug'10</u> Aug'09	+2.0	+3.4	+1.7	+3.2	+1.1	+4.4	+1.4	-4.0	+2.3	+8.7

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	Aug 10
Bermuda	3.1	3.8	4.8	1.8	+2.0
United States¹	3.2	2.8	3.8	2.7	+1.1
Canada²	2.0	2.2	2.3	0.3	+1.7
United Kingdom³	2.3	2.3	3.6	-0.5	+4.7

Sources:

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

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