



INFLATION RISES

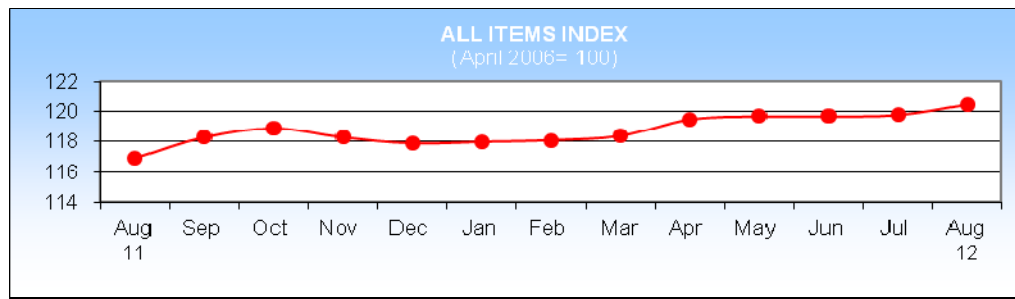
Consumers paid 3.1 per cent more in August 2012 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). The rate of inflation increased from the 2.5 per cent measured in July 2012.

Between July 2012 and August 2012, the average cost of goods and services in the Consumer Price Index rose 0.6 per cent. The all-items index increased to 120.5 index points in August. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$120.50.

YEAR-TO-YEAR ANALYSIS

The Transport & Vehicle sector was the largest contributor to the twelve-month increase in the Consumer Price Index. Notable increases in the cost of overseas travel and fuel prices led to the 8.7 per cent increase over the year.

The Health & Personal Care and Food sectors also impacted strongly on the annual rate of inflation, as price shifts in these sectors were 5.8 per cent and 3.0 per cent, respectively.



Inflation Rate
3.1%

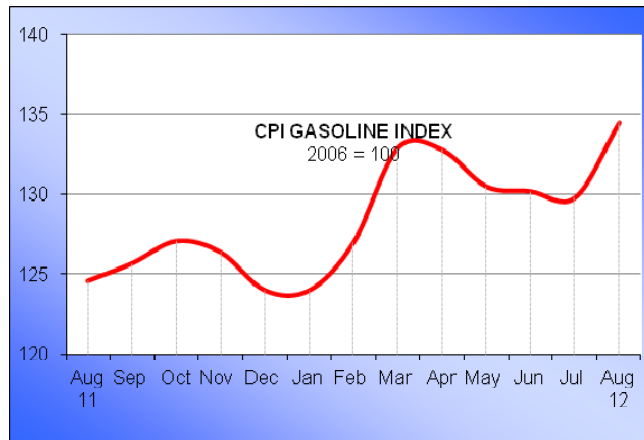
The compilation of the CPI involves the processing of several thousand price quotations. The Department of Statistics wishes to acknowledge the cooperation of the business community in supplying the required price data.

SUMMARY STATISTICS					
Period	Monthly		Period	Quarterly	
	Index	Annual per cent Change		Index	Annual per cent Change
2011			2010		
Aug	116.9	+2.5	Q1	112.1	+1.6
Sep	118.3	+2.6	Q2	113.6	+2.8
Oct	118.9	+2.9	Q3	114.4	+2.6
Nov	118.2	+3.1	Q4	114.9	+2.7
Dec	117.9	+2.9			
2012			2011		
Jan	118.0	+3.0	Q1	115.0	+2.6
Feb	118.1	+2.4	Q2	116.5	+2.6
Mar	118.4	+2.8	Q3	117.4	+2.6
Apr	119.5	+2.5	Q4	118.3	+3.0
May	119.7	+2.9			
Jun	119.7	+2.7	2012		
Jul	119.8	+2.5	Q1	118.2	+2.8
Aug	120.5	+3.1	Q2	119.6	+2.7

MONTH-TO-MONTH ANALYSIS

Transport & Vehicles

The Transport & Vehicle sector jumped 4.1 per cent. Higher prices for overseas hotel accommodation (+14.6 per cent), airfares (+4.4 per cent) and gasoline (+3.6 per cent) were the key contributors to the increase in this sector.



Food

The food sector increased 0.6 per cent in August. Notable price changes were observed for frozen spare ribs (+8.5 per cent), mayonnaise (+7.6 per cent) and bacon (+6.7 per cent).

Rent

Prices for rent-controlled properties increased 0.1 per cent. In addition, the average cost of building materials factored into house repairs and maintenance, increased 3.6 per cent. As a result, the Rent sector edged up 0.3 per cent for the month.

Health & Personal Care

The Health & Personal Care sector increased 0.1 per cent in August. The rate of price increase for self-prescribed medicines and household over-the-counter medical supplies increased 0.8 per cent.

Household Goods, Services & Communications

The Household Goods, Services & Communications sector rose 0.1 per cent. Consumers paid higher prices for legal services as lawyer's fees increased 3.4 per cent.

Tobacco & Liquor

The Tobacco & Liquor sector advanced 0.1 per cent. Increased costs were recorded for the average price of spirits (+0.4 per cent).

Clothing & Footwear

The Clothing & Footwear sector was static in August.

Education, Recreation & Reading

The Education, Recreation & Reading sector slipped 0.1 per cent for the month. The decrease reflected a 4.2 per cent drop in the average price of toys & games. In contrast, the price of boat fuel increased by 3.6 per cent.

Fuel & Power

The Fuel & Power sector fell 1.8 per cent in August. The fuel adjustment rate for residential electricity decreased by 3.7 per cent between July and August. Consumers paid 1.8 per cent less for electricity usage.

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, 2009 is calculated as follows:

$$= \frac{\text{March 12 index number} - \text{Feb 12 index number}}{\text{Feb 12 index number}} \times 100$$

$$= \frac{118.4 - 118.1}{118.1} \times 100$$

$$= 0.2\%$$

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

The price change between December, 2008 and December, 2009 is calculated as follows:

$$= \frac{\text{March 12 index number} - \text{March 11 index number}}{\text{March 11 index number}} \times 100$$

$$= \frac{118.4 - 115.2}{115.2} \times 100$$

$$= 2.8\%$$

BERMUDA CONSUMER PRICE INDEX

APRIL 2006 = 100

	All Items	Food	Rent	Clothing & Footwear	Tobacco & Liquor	Fuel & Power	Household Goods, Services & Communica- tions	Transport & Vehicles	Education, Recreation & Reading	Health & Personal Care
2004 WEIGHT	1000	146	325	37	20	30	140	139	71	92
ANNUAL AVERAGE (per cent)										
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
2010	+2.4	+3.0	+1.3	+2.4	+1.9	-0.8	+1.6	+1.8	+2.5	+8.1
2011	+2.7	+2.3	+1.1	+5.7	+3.1	+11.3	+2.0	+0.6	+2.6	+7.5
MONTHLY (per cent)										
2010										
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
Oct	+0.2	+0.5	+0.1	-0.7	+0.3	+3.9	-0.1	-0.9	+0.6	+0.4
Nov	-0.8	+0.1	+0.1	Nil	+0.2	Nil	Nil	-6.3	Nil	Nil
Dec	Nil	-1.6	Nil	Nil	+0.5	Nil	Nil	+1.5	+0.1	Nil
2011										
Jan	Nil	+0.8	+0.1	-0.1	+0.6	Nil	+0.7	-1.4	+0.1	Nil
Feb	+0.6	+0.8	+0.1	Nil	+0.7	Nil	Nil	+3.4	-0.1	Nil
Mar	-0.1	Nil	+0.2	Nil	+0.2	Nil	-0.1	-1.3	+0.1	+0.1
Apr	+1.3	-0.6	Nil	+4.7	Nil	Nil	-0.1	+3.8	+0.2	+6.6
May	-0.3	+0.4	+0.3	+0.1	Nil	Nil	Nil	-3.6	-0.1	Nil
Jun	+0.3	+0.5	+0.1	Nil	+0.2	+2.8	+1.2	-0.4	-0.4	+0.1
Jul	+0.2	-0.2	-0.1	-0.3	+0.6	+1.8	+0.1	+1.1	+0.4	+0.1
Aug	Nil	+2.1	Nil	+0.1	+0.2	+3.8	+0.2	-4.2	+0.2	+0.1
Sep	+1.2	+0.1	-0.4	Nil	+0.1	+3.7	+0.4	+8.0	+2.0	+0.1
Oct	+0.5	+0.4	+0.1	+4.6	+0.2	+0.6	+0.1	+1.5	-0.1	+0.1
Nov	-0.6	+0.2	Nil	Nil	+0.1	+0.1	+0.1	-4.9	+0.1	Nil
Dec	-0.2	-1.4	-0.1	Nil	+0.1	Nil	-0.1	+0.5	+0.1	0.2
2012										
Jan	+0.1	+1.6	Nil	Nil	-0.1	Nil	+0.1	-1.7	Nil	Nil
Feb	+0.1	-0.2	+0.1	Nil	+0.4	Nil	+0.1	+1.0	-0.1	Nil
Mar	+0.2	+0.9	+0.1	Nil	+0.2	Nil	+0.1	+0.4	-0.1	+0.1
Apr	+0.9	Nil	+0.1	+1.5	+0.7	Nil	Nil	+1.3	+0.2	+5.6
May	+0.2	+0.5	-0.1	+0.2	-0.1	Nil	Nil	+1.1	+0.2	Nil
Jun	Nil	+0.2	+0.2	Nil	+0.4	+5.3	-0.7	-1.8	+0.3	+0.1
Jul	+0.1	+0.2	-0.1	-1.8	+0.5	+2.4	+0.2	-0.5	Nil	-0.1
Aug	+0.6	+0.6	+0.3	Nil	+0.1	-1.8	+0.1	+4.1	-0.1	+0.1
Aug '12	120.5	127.1	111.2	120.4	128.4	165.5	110.4	110.1	126.2	151.1
<u>Aug'12</u> Aug'11	+3.1	+3.0	+0.2	+4.4	+2.5	+10.6	+0.1	+8.7	+2.6	+5.8

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

	2008	2009	2010	2011	Aug 12
Bermuda	4.8	1.8	2.4	2.7	+3.1
United States¹	3.8	2.7	1.5	3.0	+1.7
Canada²	2.3	0.3	1.8	1.8	+1.2
United Kingdom³	3.6	-0.5	4.6	5.2	+2.9

Sources:

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

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The Cabinet Office
Department of Statistics
Cedar Park Centre,
48 Cedar Avenue, Hamilton HM 11
P.O. Box HM 3015
Hamilton HM MX, Bermuda
Tel: (441) 297-7761, Fax: (441) 295-8390
E-mail: statistics@gov.bm
Website: www.statistics.gov.bm