



## INFLATION SLOWS

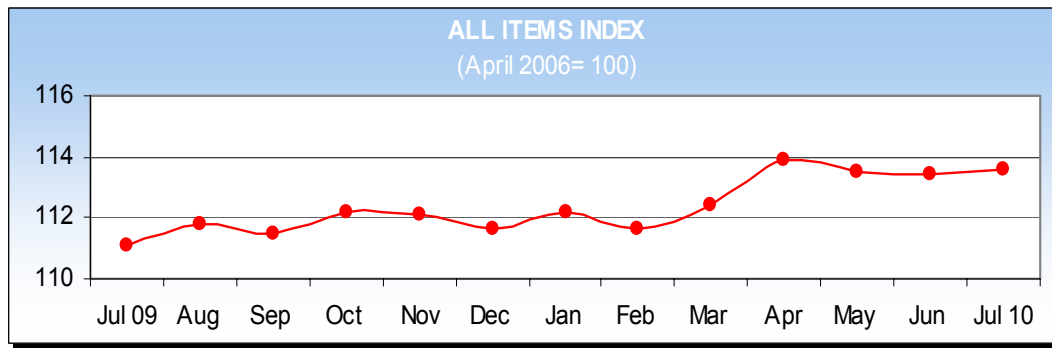
Consumers paid 2.3 per cent more in July 2010 than they did a year ago for the CPI basket of goods and services. This rate was 0.3 percentage points lower than the inflation level reached in June 2010

Between June and July 2010, the average cost of goods and services in the Consumer Price Index rose 0.2 per cent. The all-items index increased from 113.4 to 113.7 index points. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$113.70.

## YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector continued to be the largest contributor to the twelve-month increase in the Consumer Price Index. On average, the cost of Health & Personal Care items increased 8.7 per cent year-over-year.

The Rent and Food sectors also impacted strongly on the annual rate of inflation, as price shifts in these sectors were 1.4 per cent and 2.8 per cent, respectively.



**Inflation Rate**  
**2.3 %**

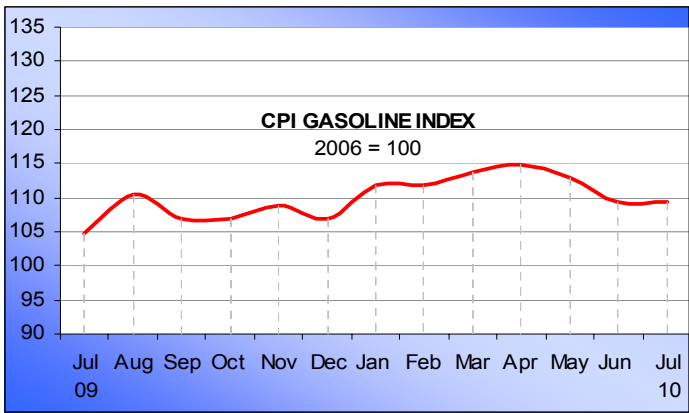
The compilation of the CPI involves the processing of several thousand price quotations. The Department of Statistics wishes to acknowledge the cooperation of the business community in supplying the required price data.

SUMMARY STATISTICS					
Period	Monthly		Period	Quarterly	
	Index	Annual per cent Change		Index	Annual per cent Change
<b>2009</b>			<b>2008</b>		
Jul	111.1	+1.2	Q1	106.0	+3.8
Aug	111.8	+1.6	Q2	108.9	+4.8
Sep	111.5	+0.2	Q3	110.4	+5.1
Oct	112.1	+0.7	Q4	111.0	+5.2
Nov	112.0	+0.6	<b>2009</b>		
Dec	111.6	+1.0	Q1	110.3	+4.1
<b>2010</b>			Q2	110.5	+1.5
Jan	112.2	+1.2	Q3	111.5	+1.0
Feb	111.7	+1.3	Q4	111.9	+0.8
Mar	112.4	+2.3	<b>2010</b>		
Apr	113.9	+2.9	Q1	112.1	+1.6
May	113.5	+2.8	Q2	113.6	+2.8
Jun	113.4	+2.6			
Jul	113.7	+2.3			

## MONTH-TO-MONTH ANALYSIS

### Transport & Vehicles

The Transport & Vehicles sector accelerated 1.1 per cent in July. Higher repair and maintenance costs for cars and cycles of 9.1 per cent and 1.2 per cent respectively, were the driving force behind the growth. Prices for overseas hotel accommodation also rose substantially (14.0 per cent) for the month.



### Rent

The Rent sector climbed 0.1 per cent. The increase was attributed to a 0.2 per cent rise in the average rent for controlled properties. Rent prices for units not subject to rent control recorded no change for the month.

### Clothing & Footwear

The Clothing & Footwear sector climbed 0.3 per cent. Average prices for men's, children's and women's clothing increased by 2.1 per cent, 1.9 per cent and 0.5 per cent, respectively.

### Health & Personal Care

The Health & Personal Care sector rose 0.1 per cent in July. This increase was due to a 1.9 per cent and 1.5 per cent rise in cost of facials, manicures & massages and women's hair styling, respectively.

### Food

The food sector advanced 0.1 per cent in July. Notable price changes were; pasta (+5.7 per cent), beef tenderloin (+5.6 per cent) and cheddar cheese (+3.1 per cent).

### Tobacco & Liquor

The Tobacco & Liquor sector rose 0.2 per cent reflecting increases in the average price of wines (+0.3 per cent) and spirits (+0.5 per cent).

### Fuel & Power

The Fuel & Power sector remained unchanged in July.

### Education, Recreation & Reading

The Education, Recreation & Reading sector was unchanged in July.

### Household Goods, Services & Communications

There was no change in the Household Goods, Services & Communications sector for the month.

## 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:

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

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

$$= 3.6\%$$



## 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

	2006	2007	2008	2009	July 10
<b>Bermuda</b>	3.1	3.8	4.8	1.8	+2.3
<b>United States<sup>1</sup></b>	3.2	2.8	3.8	2.7	+1.2
<b>Canada<sup>2</sup></b>	2.0	2.2	2.3	0.3	+1.8
<b>United Kingdom<sup>3</sup></b>	2.3	2.3	3.6	-0.5	+4.8

### Sources:

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

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