



INFLATION FALLS

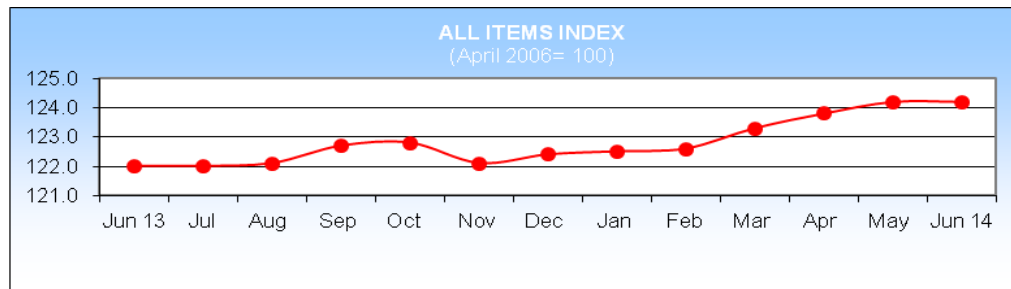
Consumers paid 1.8 per cent more in June 2014 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This level of inflation decreased 0.3 percentage points from the 2.1 per cent measured in May 2014.

Between May 2014 and June 2014, the average cost of goods and services in the Consumer Price Index was unchanged. The all-items index remained at 124.2 index points in June. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$124.20.

YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector remained the largest contributor to the twelve-month rate of price increase. The annual increase in June 2014 measured 5.9 per cent. Prescribed medicines increased 2.5 per cent.

The Food and Rent sectors also impacted strongly on the annual rate of inflation. Price shifts in these two sectors were 2.9 per cent and 1.1 per cent, respectively.



**Inflation
Rate
1.8%**

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 |
| 2013 | | | 2012 | | |
| Jun | 122.0 | +1.9 | Q1 | 118.2 | +2.8 |
| Jul | 122.0 | +1.8 | Q2 | 119.6 | +2.7 |
| Aug | 122.1 | +1.3 | Q3 | 120.3 | +2.5 |
| Sep | 122.7 | +1.8 | Q4 | 120.5 | +1.8 |
| Oct | 122.8 | +1.6 | | | |
| Nov | 122.1 | +1.3 | 2013 | | |
| Dec | 122.4 | +1.9 | Q1 | 120.6 | +2.0 |
| | | | Q2 | 121.7 | +1.8 |
| 2014 | | | Q3 | 122.3 | +1.7 |
| Jan | 122.5 | +1.8 | Q4 | 122.4 | +1.6 |
| Feb | 122.6 | +1.7 | | | |
| Mar | 123.3 | +2.0 | 2014 | | |
| Apr | 123.8 | +1.9 | Q1 | 122.8 | +1.8 |
| May | 124.2 | +2.1 | Q2 | 124.1 | +2.0 |
| Jun | 124.2 | +1.8 | | | |

MONTH-MONTH ANALYSIS

Household Goods, Services & Communications

The Household Goods, Services & Communications sector increased 0.5 per cent in June. The average cost of elderly care, such as rest homes, increased by 9.0 per cent.

Food

Food prices increased 0.2 per cent in June following a 0.2 per cent decrease in May. The average cost of dining in restaurants rose 1.4 per cent while the cost of grocery items declined 0.1 per cent. The leading factors behind the decrease were local carrots (-7.9 per cent) and canned tuna fish (-2.9 per cent).

Fuel & Power

The Fuel & Power sector continued its upward trend, increasing 0.7 per cent in June following a 0.8 per cent increase in May. Residential consumers paid an average of 2.0 per cent more for electricity due to an increase in the fuel adjustment rate.

Health & Personal Care

The Health and Personal Care sector increased 0.1 per cent in June. The average cost of prescribed medicines rose 2.2 per cent.

Rent

The Rent sector edged up a 0.1 per cent in June. Average rent prices for properties under rent control increased 0.1 per cent.

Education, Recreation & Reading

The Education, Recreation & Reading sector rose 0.1 per cent in June as the cost of boat fuel increased 1.3 per cent.

Tobacco & Liquor

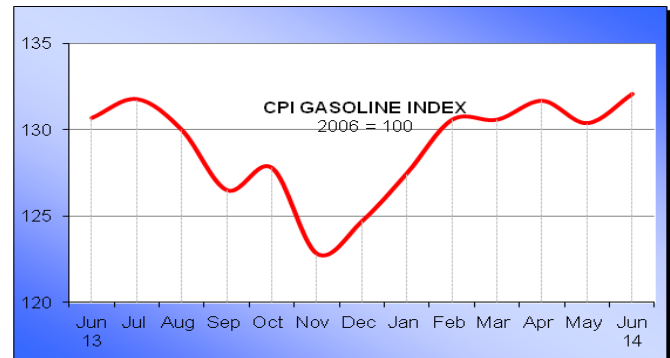
The Tobacco & Liquor sector increased 0.1 per cent in June as it did in May. The cost of beer rose 0.4 per cent on average in June.

Clothing & Footwear

The Clothing & Footwear sector was unchanged in June.

Transport & Vehicles

The Transport & Vehicle sector decreased 1.2 per cent in June, following an increase of 2.6 per cent in May. The leading contributor to the decrease was a 11.6 per cent drop in overseas hotel accommodations. In contrast, the average price of airfares and gasoline rose 6.9 per cent and 1.3 per cent, respectively.



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, 2013 is calculated as follows:

$$= \frac{\text{Dec 13 index} - \text{Nov 13 index}}{\text{Nov 13 index}} \times 100$$

$$= \frac{122.4 - 122.1}{122.1} \times 100$$

$$= -0.3\%$$

B) Year-to-Year Price Change

The price change between December 2012 and December, 2013 is calculated as follows:

$$= \frac{\text{Dec 13 index} - \text{Dec 12 index}}{\text{Dec 12 index}} \times 100$$

$$= \frac{122.4 - 120.1}{120.1} \times 100$$

$$= 1.9\%$$

C) Particular Period Price Change

The price change between February 2010 and January, 2014 is calculated as follows:

$$= \frac{\text{Jan 14 index} - \text{Feb 10 index}}{\text{Feb 10 index}} \times 100$$

$$= \frac{122.5 - 111.7}{111.7} \times 100$$

$$= 9.7\%$$

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) | | | | | | | | | | |
| 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 |
| 2012 | +2.4 | +3.5 | +0.2 | +4.3 | +2.5 | +9.3 | +1.0 | +1.6 | +2.7 | +6.6 |
| 2013 | +1.8 | +3.0 | -0.3 | +0.1 | +4.4 | -1.9 | +0.5 | +1.4 | +2.5 | +8.3 |
| MONTHLY (per cent) | | | | | | | | | | |
| 2012 | | | | | | | | | | |
| 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 |
| Sep | Nil | +0.1 | -0.2 | Nil | +0.2 | Nil | +0.3 | -1.0 | +2.1 | +0.3 |
| Oct | +0.3 | +0.4 | Nil | -2.0 | +0.3 | -1.9 | +0.2 | +1.3 | +0.3 | +1.5 |
| Nov | -0.4 | -0.4 | +0.1 | Nil | Nil | -7.8 | Nil | Nil | +0.1 | +0.1 |
| Dec | -0.3 | -1.0 | Nil | Nil | +0.1 | +2.9 | Nil | -2.0 | Nil | -0.1 |
| 2013 | | | | | | | | | | |
| Jan | +0.2 | +2.3 | -0.1 | +1.1 | +0.5 | -1.4 | +0.1 | -1.2 | +0.2 | Nil |
| Feb | +0.2 | Nil | +0.1 | Nil | -0.2 | +1.4 | Nil | +1.3 | Nil | Nil |
| Mar | +0.2 | +0.4 | -0.5 | Nil | Nil | +2.8 | Nil | +1.4 | Nil | +0.1 |
| Apr | +0.5 | +0.4 | -0.3 | +0.8 | +1.7 | Nil | Nil | -1.9 | Nil | +6.3 |
| May | +0.1 | -0.4 | Nil | Nil | +2.0 | -2.7 | +0.1 | +1.2 | Nil | +0.7 |
| Jun | +0.3 | +0.1 | Nil | Nil | +0.4 | +1.8 | -0.1 | +1.6 | -0.1 | +0.1 |
| Jul | Nil | +0.3 | +0.2 | +0.2 | +0.1 | Nil | +0.1 | -1.8 | -0.1 | +0.1 |
| Aug | +0.1 | +0.8 | +0.1 | Nil | +0.1 | +0.9 | +0.4 | -0.5 | +0.1 | Nil |
| Sep | +0.4 | +0.2 | Nil | Nil | -0.1 | +0.8 | -0.1 | +2.2 | +1.6 | Nil |
| Oct | +0.1 | -0.1 | +0.1 | +1.0 | Nil | -0.8 | +0.1 | +0.5 | -0.1 | +0.4 |
| Nov | -0.6 | -0.4 | Nil | +0.2 | +0.4 | -2.7 | Nil | -3.2 | -0.1 | Nil |
| Dec | +0.3 | -0.8 | +0.1 | Nil | +0.1 | Nil | Nil | +2.6 | +0.1 | +0.1 |
| 2014 | | | | | | | | | | |
| Jan | +0.1 | +1.5 | +0.5 | +0.7 | +0.4 | -2.9 | Nil | -1.7 | -0.1 | Nil |
| Feb | +0.1 | +0.3 | Nil | Nil | -0.1 | -2.1 | Nil | +1.2 | +0.2 | -0.1 |
| Mar | +0.5 | +1.2 | Nil | Nil | Nil | +2.1 | +0.1 | +2.0 | Nil | Nil |
| Apr | +0.4 | -0.2 | +0.1 | -0.3 | +0.4 | +1.1 | Nil | -2.4 | +0.2 | +5.3 |
| May | +0.3 | -0.2 | Nil | Nil | +0.1 | +0.8 | Nil | +2.6 | +0.1 | Nil |
| Jun | Nil | +0.2 | +0.1 | Nil | +0.1 | +0.7 | +0.5 | -1.2 | +0.1 | +0.1 |
| Jun '14 | 124.2 | 133.2 | 111.5 | 122.5 | 136.8 | 153.3 | 112.2 | 110.8 | 132.0 | 174.5 |
| <u>Jun '14</u> Jun '13 | +1.8 | +2.9 | +1.1 | +1.9 | +1.5 | -2.2 | +1.1 | +0.1 | +2.0 | +5.9 |

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

| | 2010 | 2011 | 2012 | 2013 | June 14 |
|-----------------------------------|------|------|------|------|---------|
| Bermuda | 2.4 | 2.7 | 2.4 | 1.8 | +1.8 |
| United States¹ | 1.5 | 3.0 | 1.7 | 1.5 | +2.1 |
| Canada² | 1.8 | 2.9 | 1.5 | 0.9 | +2.4 |
| United Kingdom³ | 4.6 | 5.2 | 3.2 | 3.0 | +2.6 |

Sources:

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

Published by the Government of Bermuda
July 2014

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