



INFLATION RISES

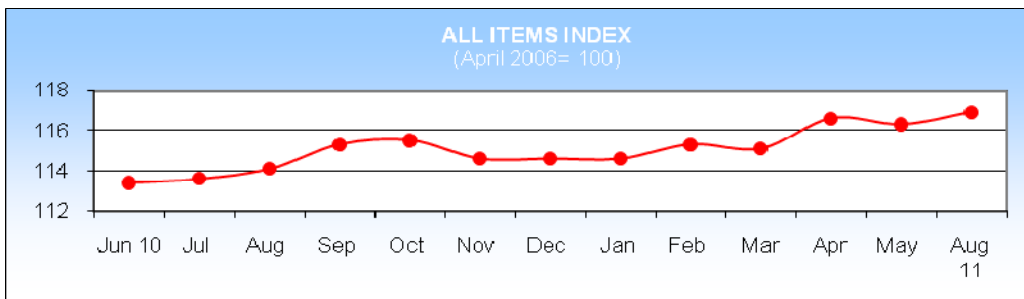
Consumers paid 2.8 per cent more in June 2011 than they did a year ago for the CPI basket of goods and services. The rate of inflation increased from the 2.5 per cent measured in May.

Between May and June of 2011, the average cost of goods and services in the Consumer Price Index rose 0.3 per cent. The all-items index increased from the 116.3 index points recorded last month, to 116.6 in June 2011. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$116.60.

YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector was the largest contributor to the year-over-year increase in the Consumer Price Index. This sector has been the leading contributor since September 2010 due to the rising average costs of health insurance premiums and prescription drugs. On average, the cost of Health & Personal Care items increased 7.5 per cent since June last year.

The Fuel and Rent sectors also impacted strongly on the annual rate of inflation, as price shifts in these sectors were 11.1 per cent and 1.6 per cent, respectively.



Inflation Rate
2.8%

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
2010			2009		
Jun	113.4	+2.6	Q1	110.3	+4.1
Jul	113.7	+2.3	Q2	110.5	+1.5
Aug	114.1	+2.0	Q3	111.5	+1.0
Sep	115.3	+3.4	Q4	111.9	+0.8
Oct	115.5	+3.0	2010		
Nov	114.6	+2.3	Q1	112.1	+1.6
Dec	114.6	+2.7	Q2	113.6	+2.8
2011			Q3	114.4	+2.6
Jan	114.6	+2.2	Q4	114.9	+2.7
Feb	115.3	+3.2	2011		
Mar	115.2	+2.5	Q1	115.0	+2.6
Apr	116.6	+2.4	Q2	116.5	+2.6
May	116.3	+2.5			
Jun	116.6	+2.8			

MONTH-TO-MONTH ANALYSIS

Fuel & Power

The Fuel & Power sector increased 2.8 per cent, due to an increase in the fuel adjustment clause. Consumers also paid 3.1 per cent more for a cylinder of gas.

Household Goods, Services & Communications

The Household Goods, Services & Communications sector climbed 1.2 per cent in June. This was largely attributed to a 21.9 per cent increase in the cost of care services at rest homes.

Food

On average, food prices rose 0.5 per cent in June. Among the main items contributing to the increase were the cost of oranges (+5.1 per cent), hotdogs (+4.4 per cent) and cookies (+3.8 per cent).

Rent

The Rent sector increased 0.1 per cent, reflecting a 0.2 per cent rise in average rents for controlled properties.

Health & Personal Care

The Health & Personal Care sector edged up 0.1 per cent in June. This resulted from a 2.8 per cent price increase for prescribed medicines.

Tobacco & Liquor

The Tobacco & Liquor sector increased by 0.2 per cent. The average cost of beer increased 0.5 per cent, while the cost of spirits fell by 0.1 per cent.

Clothing & Footwear

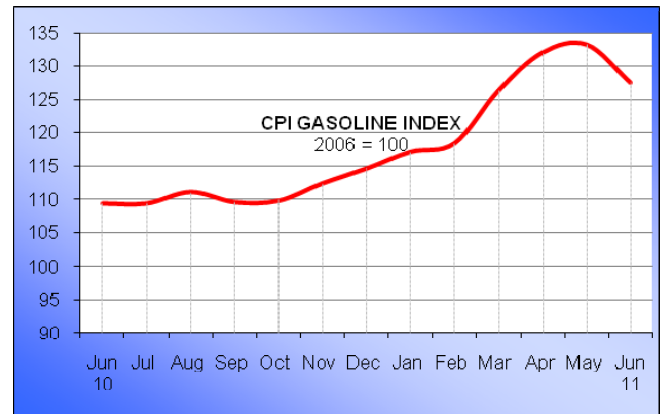
The Clothing & Footwear sector was unchanged in June.

Education, Recreation & Reading

The Education, Recreation & Reading sector declined 0.4 per cent in June. This was due to a 5.3 per cent decrease in the cost of magazines and a 4.3 per cent decline in the cost of boating fuel.

Transport & Vehicles

The Transport & Vehicles sector fell 0.4 per cent in June. Hotel room rates and fuel prices fell by 7.0 per cent and 4.3 per cent, respectively. In contrast, airfare costs increased as average prices climbed by 21.7 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:

$$= \frac{\text{Dec 09 index number} - \text{Nov 09 index number}}{\text{Nov 09 index number}} \times 100$$

$$= \frac{111.6 - 112.0}{112.0} \times 100$$

$$= -0.3\%$$

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

The price change between December, 2006 and December, 2007 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
2004 WEIGHT	1000	146	325	37	20	30	140	139	71	92
ANNUAL AVERAGE (per cent)										
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
2010	+2.4	+3.0	+1.3	+2.4	+1.9	-0.8	+1.6	+1.8	+2.5	+8.1
MONTHLY (per cent)										
2009										
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
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
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
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
Jun '11	116.6	121.1	111.0	115.6	124.3	141.6	109.8	104.5	122.3	142.6
<u>Jun'11</u> Jun'10	+2.8	+2.5	+1.6	+4.3	+3.2	+11.1	+2.9	-0.1	+2.0	+7.5

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

	2007	2008	2009	2010	Jun 11
Bermuda	3.8	4.8	1.8	2.4	+2.8
United States¹	2.8	3.8	2.7	1.6	+3.6
Canada²	2.2	2.3	0.3	1.8	+3.1
United Kingdom³	2.3	3.6	-0.5	4.6	+5.0

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