



RATE OF INFLATION

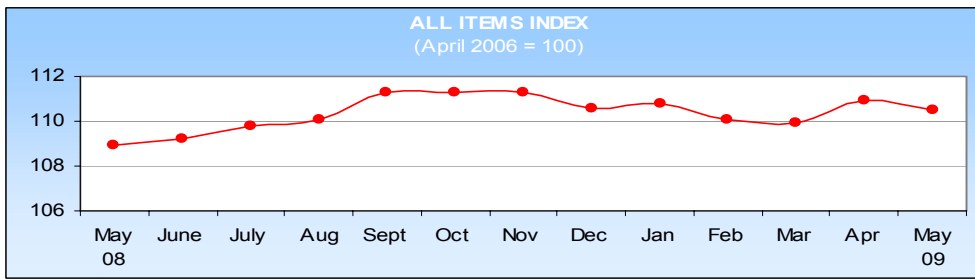
Consumers paid 1.4% more in May 2009 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This rate of inflation abated from the 1.9% measured in April 2009. The annual inflation rate for May represents a 32-year low dating back to February 1977.

Between April 2009 and May of 2009, the average cost of goods and services in the Consumer Price Index fell 0.2%. The all-items index decreased from 110.6 to 110.5 index points in May. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$110.50.

YEAR-TO-YEAR ANALYSIS

The Food sector was the largest contributor to the twelve-month increase in the Consumer Price Index. On average, the cost of food items increased 6.9% year-over-year.

The Rent, and Health and Personal Care sectors also had a strong influence on the annual rate of inflation, as price shifts in these sectors were 2.1% and 6.8%, respectively.



Inflation Rate
1.4%

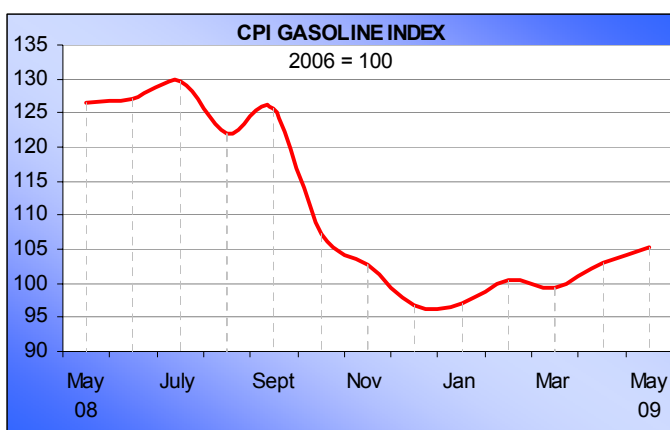
The compilation of the CPI involves the processing of several thousand price quotations. The Department of Statistics wishes to acknowledge the cooperation of the business community in supplying the required price data.

SUMMARY STATISTICS					
Period	Monthly		Period	Quarterly	
	Index	Annual % Change		Index	Annual % Change
2008			2007		
May	108.9	+4.7	Q1	102.1	+3.2
June	109.2	+4.4	Q2	103.9	+3.9
July	109.8	+4.7	Q3	105.0	+4.0
Aug	110.1	+5.0	Q4	105.5	+4.2
Sept	111.3	+5.9			
Oct	111.3	+5.6	2008		
Nov	111.3	+5.2	Q1	106.0	+3.8
Dec	110.5	+4.9	Q2	108.9	+4.8
			Q3	110.4	+5.1
2009			Q4	111.0	+5.2
Jan	110.8	+5.2			
Feb	110.2	+4.4	2009		
Mar	109.9	+2.7	Q1	110.3	+4.1
Apr	110.6	+1.9			
May	110.5	+1.4			

MONTH-TO-MONTH ANALYSIS

Food

On average, food prices edged up 0.3% in May, after the average price stalled in April. Among the main items contributing to the increase were cereals (+2.0%), beef (+3.1%) and other dairy products (+1.5%).



Household Goods, Services & Communications

The Household Goods, Services & Communications sector increased 0.2% for the month. The rise was attributed to a 3.5% boost in the price of household appliances.

Rent

The Rent sector grew 0.1%. The increase reflected a 0.3% rise in rent-controlled properties. Rental units not subject to rent control were up 0.1% for the month.

Health & Personal Care

The Health & Personal Care sector advanced 2.1% in May in response to higher prices for medical and healthcare services.

Tobacco & Liquor

The Tobacco & Liquor sector rose 0.1% reflecting increases in the average price of beer (+0.5%).

Fuel & Power

The Fuel & Power sector remained unchanged for the month.

Clothing & Footwear

The Clothing & Footwear sector was unchanged in May.

Education, Recreation & Reading

The Education, Recreation & Reading sector contracted 0.6% for the month. This was due to an 18.1% fall in the average cost of toys, games and hobbies.

Transport & Vehicles

The Transport and Vehicles sector declined 3.4% in May. An 11.0% drop in the cost of foreign travel caused the sharp fall in prices. Consumers reaped the benefits of discounted airline ticket fares and hotel accommodation rates during May 2009.

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:

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

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

$$= 3.6\%$$

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

	2005	2006	2007	2008	May 09
Bermuda	3.1	3.1	3.8	4.8	1.4
United States¹	3.4	3.2	2.8	3.8	0.3
Canada²	2.2	2.0	2.2	2.3	0.1
United Kingdom³	2.1	2.3	2.3	3.6	-1.1

Sources:

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

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