



RATE OF INFLATION

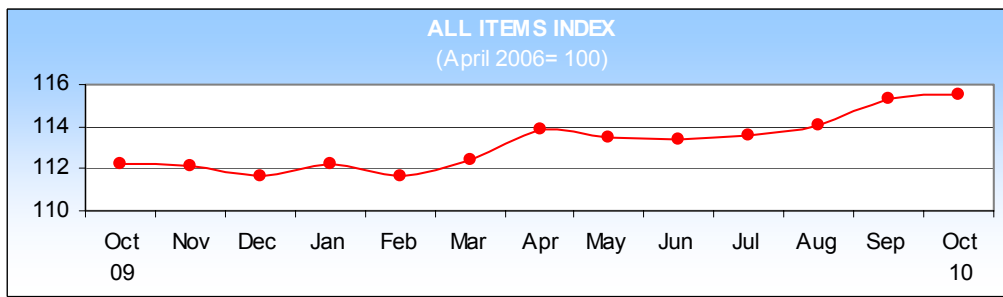
Consumers paid 3.0 per cent more in October 2010 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This rate of inflation abated from the 3.4 per cent measured in September 2010.

Between September and October 2010, the average cost of goods and services in the Consumer Price Index increased 0.2 per cent. The all-items index stood at 115.5 index points in October. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$115.50.

YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector was the largest contributor to the twelve-month increase in the Consumer Price Index. The average cost of Health & Personal Care items increased by 7.6 per cent year over year.

The Food and Rent sectors also impacted strongly on the annual rate of inflation, as price shifts in these sectors were 3.6 per cent and 1.9 per cent, respectively.



**Inflation
Rate
3.0%**

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 |
| 2009 | | | 2008 | | |
| Oct | 112.1 | +0.7 | Q1 | 106.0 | +3.8 |
| Nov | 112.0 | +0.6 | Q2 | 108.9 | +4.8 |
| Dec | 111.6 | +1.0 | Q3 | 110.4 | +5.1 |
| | | | Q4 | 111.0 | +5.2 |
| 2010 | | | 2009 | | |
| Jan | 112.2 | +1.2 | Q1 | 110.3 | +4.1 |
| Feb | 111.7 | +1.3 | Q2 | 110.5 | +1.5 |
| Mar | 112.4 | +2.3 | Q3 | 111.5 | +1.0 |
| Apr | 113.9 | +2.9 | Q4 | 111.9 | +0.8 |
| May | 113.5 | +2.8 | | | |
| Jun | 113.4 | +2.6 | 2010 | | |
| Jul | 113.7 | +2.3 | Q1 | 112.1 | +1.6 |
| Aug | 114.1 | +2.0 | Q2 | 113.6 | +2.8 |
| Sep | 115.3 | +3.4 | Q3 | 114.4 | +2.6 |
| Oct | 115.5 | +3.0 | | | |

MONTH-TO-MONTH ANALYSIS

Fuel & Power

The Fuel & Power sector was the largest contributor to the monthly rate of inflation. A 3.9 per cent increase was measured reflecting increases in both the fuel adjustment clause and the cost of a cylinder of propane gas.

Food

The Food sector jumped 0.5 per cent in October. Notable price changes occurred for fresh and frozen stewing beef cubes (4.7 per cent), butter (3.7 per cent) and onions (3.6 per cent).

Education, Recreation & Reading

The Education, Recreation & Reading sector advanced 0.6 per cent for the month. This increase was due to higher costs of cinema and show tickets, which include movie theatre and the Bermuda music festival tickets.

Health & Personal Care

The Health & Personal Care sector accelerated 0.4 per cent for the month. This was due primarily to higher health care costs. Consumers paid more for eye care services and doctors' visits, which increased 6.8 per cent and 6.1 per cent, respectively.

Rent

The Rent sector advanced 0.1 per cent. The increase was attributed to a 0.2 per cent rise in rent controlled properties. Rental units not subject to rent control edged up 0.1 per cent for the month.

Tobacco & Liquor

The Tobacco & Liquor sector rose 0.3 per cent due to increases in the average cost of cigarettes (1.5 per cent) and alcohol (0.2 per cent) during the month.

Household Goods, Services & Communications

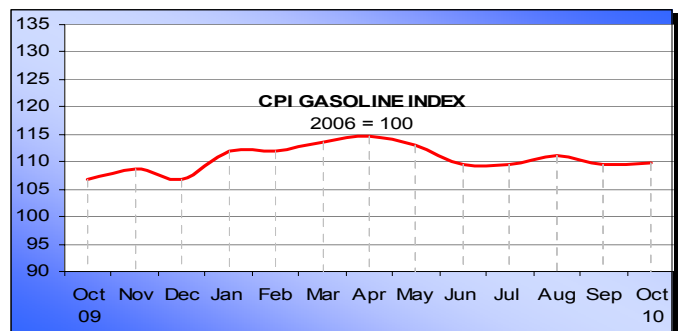
The Household Goods, Services & Communications sector edged down 0.1 per cent for the month. On average, furniture prices decreased 3.2 per cent.

Clothing & Footwear

The Clothing & Footwear sector dropped 0.7 per cent for the month as the average cost of jewelry fell by 3.1 per cent. In addition, men's clothing and children's clothing decreased by 1.4 per cent and 0.8 per cent, respectively.

Transport & Vehicles

Lower foreign travel prices in October helped push the Transport & Vehicle sector down 0.9 per cent. The cost of hotel accommodation and airfares fell 0.9 per cent and 3.4 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, 2009 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, 2008 and December, 2009 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) | | | | | | | | | | |
| 2004 | +3.6 | +2.5 | +2.2 | +1.9 | +5.2 | +1.9 | +1.6 | +4.0 | +6.2 | +9.1 |
| 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 |
| MONTHLY (per cent) | | | | | | | | | | |
| 2008 | | | | | | | | | | |
| July | +0.5 | Nil | +0.3 | -0.2 | Nil | +8.9 | +0.7 | Nil | +0.2 | +0.1 |
| Aug | +0.3 | +1.0 | +0.3 | Nil | +0.5 | Nil | +0.6 | -0.4 | Nil | +0.1 |
| Sept | +1.1 | +0.4 | +0.1 | Nil | +0.5 | +14.0 | +0.3 | -0.1 | +4.4 | +0.3 |
| Oct | Nil | +2.0 | +0.2 | +1.1 | +0.2 | Nil | +0.1 | -3.4 | +0.6 | +0.6 |
| Nov | Nil | +0.4 | +0.2 | Nil | +0.9 | -0.1 | +0.1 | -1.1 | +0.5 | Nil |
| Dec | -0.7 | +0.1 | +0.3 | Nil | +0.5 | -3.5 | -2.7 | -2.7 | +0.2 | Nil |
| 2009 | | | | | | | | | | |
| Jan | +0.3 | +0.9 | +0.2 | -1.2 | +0.5 | -2.1 | +0.3 | +1.5 | +0.2 | Nil |
| Feb | -0.5 | +0.3 | +0.2 | Nil | +0.3 | -10.1 | +0.2 | -1.4 | -0.4 | Nil |
| Mar | -0.3 | -0.3 | +0.2 | Nil | +0.1 | -5.3 | +0.1 | -1.3 | +0.2 | +0.3 |
| Apr | +0.7 | Nil | +0.1 | +1.7 | +0.3 | -0.1 | +0.5 | +1.6 | +0.4 | +2.8 |
| 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 |
| Oct '10 | 115.5 | 120.7 | 110.4 | 111.0 | 121.4 | 137.8 | 107.9 | 109.6 | 122.5 | 133.6 |
| <u>Oct'10</u> Oct'09 | +3.0 | +3.6 | +1.9 | +3.4 | +1.6 | +8.5 | +1.0 | +3.2 | +2.6 | +7.6 |

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

| | 2006 | 2007 | 2008 | 2009 | Sep 10 |
|-----------------------------------|------|------|------|------|--------|
| Bermuda | 3.1 | 3.8 | 4.8 | 1.8 | +3.0 |
| United States¹ | 3.2 | 2.8 | 3.8 | 2.7 | +1.2 |
| Canada² | 2.0 | 2.2 | 2.3 | 0.3 | +2.4 |
| United Kingdom³ | 2.3 | 2.3 | 3.6 | -0.5 | +4.5 |

Sources:

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

Published by the Government of Bermuda
December 2010

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