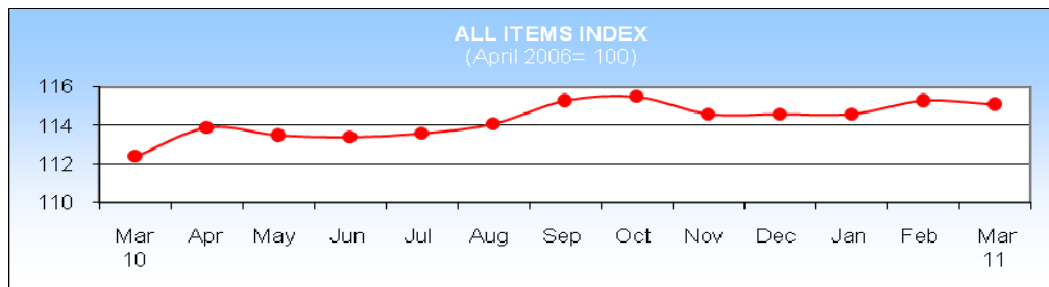## INFLATION RATE ABATES

Consumers paid 2.5 per cent more in March 2011 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This level of inflation fell from the 3.2 per cent measured in February 2011.

Between February 2011 and March 2011, the average cost of goods and services in the Consumer Price Index fell 0.1 per cent. The all-items index decreased from 115.3 to 115.2 index points in March. This means that the basket of goods and services that cost $100.00 in April 2006 now cost $115.20.

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. This sector contains items such as the cost of doctor's visits, health insurance, prescribed & self-prescribed drugs and toiletries. The annual increase for this sector was 7.6 per cent.

The Rent and Fuel & Power sectors also impacted strongly on the annual rate of inflation, advancing by 1.7 per cent and 8.1 per cent, respectively.

ALL ITEMS INDEX
(April 2006= 100)

Inflation Rate 2.5%

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

	Monthly			Quarterly		
Period	**Index**	**Annual per cent Change**		**Period**	**Index**	**Annual per cent Change**
2010				**2009**		
Mar	112.4	+2.3		Q1	110.3	+4.1
Apr	113.9	+2.9		Q2	110.5	+1.5
May	113.5	+2.8		Q3	111.5	+1.0
Jun	113.4	+2.6		Q4	111.9	+0.8
Jul	113.7	+2.3				
Aug	114.1	+2.0		**2010**		
Sep	115.3	+3.4		Q1	112.1	+1.6
Oct	115.5	+3.0		Q2	113.6	+2.8
Nov	114.6	+2.3		Q3	114.4	+2.6
Dec	114.6	+2.7		Q4	114.9	+2.7
2011				**2011**		
Jan	114.6	+2.2		Q1	115.0	+2.6
Feb	115.3	+3.2				
Mar	115.2	+2.5				

MONTH-TO-MONTH ANALYSIS

Rent

The Rent sector edged up 0.2 per cent. The increase was attributed to the 0.3 per cent rise in rent-controlled properties. Rental units not subject to rent control remained unchanged for the month.

Food

Food prices were static in March. On average, staple items such as bread, milk and flour did not change in price.

Education, Recreation & Reading

The Education, Recreation & Reading sector grew by 0.1 per cent for the month. This was caused by a 6.7 per cent rise in boat fuel and a 1.2 per cent increase in the price of sports equipment.

Tobacco & Liquor

The Tobacco & Liquor sector increased 0.2 per cent for the month in response to a 1.2 per cent rise in the average price of beer.

Health & Personal Care

The Health & Personal Care sector advanced 0.1 per cent in March. On average, the cost of prescription drugs climbed by 1.3 per cent.

Clothing & Footwear

The Clothing & Footwear sector was unchanged in March.

Fuel & Power

The Fuel & Power sector recorded no price movement for the month.

Household Goods, Services & Communications

The Household Goods, Services & Communications sector declined 0.1 per cent. The rate of price increase for household supply products, such as cleaning materials, food wraps, trash bags and detergents, fell by 0.2 per cent.

Transport & Vehicles

The Transport & Vehicles sector dropped 1.3 per cent in March. The main contributors to the decline were reduced airfares and lower overseas hotel accommodation rates which fell 12.9 per cent and 3.1 per cent, respectively. In contrast, gasoline prices jumped 6.7 per cent.

CPI GASOLINE INDEX
2006 = 100
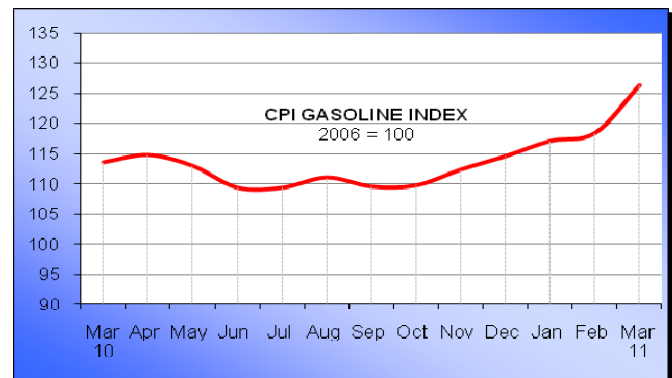
COMPUTING PRICE INCREASES

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:

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

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

$$= -0.3\%$$

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

The price change between December, 2008 and December, 2009 is calculated as follows:

$$= \frac{\text{Dec 09 index number - Dec 08 index number}}{\text{Dec 08 index number}} \times 100$$

$$= \frac{111.6 - 110.5}{110.5} \times 100$$

$$= 1.0\%$$

APRIL 2006 = 100

	All Items	Food	Rent	Clothing & Footwear	Tobacco & Liquor	Fuel & Power	Household Goods, Services & Communica-tions	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)

	All Items	Food	Rent	Clothing & Footwear	Tobacco & Liquor	Fuel & Power	Household Goods, Services & Communica-tions	Transport & Vehicles	Education, Recreation & Reading	Health & Personal Care
2009										
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
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
Mar '11	**115.2**	**120.7**	**110.6**	**110.3**	**124.0**	**137.8**	**108.6**	**104.8**	**122.7**	**133.7**
Mar'11 / Mar'10	+2.5	+1.6	+1.7	+5.6	+3.0	+8.1	+1.2	+0.2	+2.7	+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

	2007	2008	2009	2010	Mar 11
Bermuda	3.8	4.8	1.8	2.4	+2.5
United States[1]	2.8	3.8	2.7	1.6	+2.7
Canada[2]	2.2	2.3	0.3	1.8	+3.3
United Kingdom[3]	2.3	3.6	-0.5	4.6	+5.3

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