



INFLATION RISES

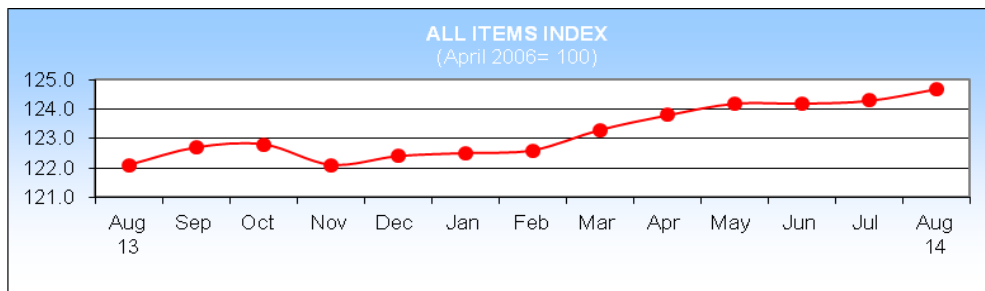
Consumers paid 2.1 per cent more in August 2014 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). The level of inflation increased 0.2 percentage points from the 1.9 per cent measured in July 2014.

Between July and August 2014, the average cost of goods and services in the Consumer Price Index increased 0.3 per cent. The all-items index increased to 124.7 index points in August. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$124.70.

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 August 2014 measured 5.9 per cent.

The Food and Transport & Vehicle sectors also impacted strongly on the annual rate of inflation. Price shifts in these two sectors were 3.3 per cent and 2.3 per cent, respectively.



**Inflation
Rate
2.1%**

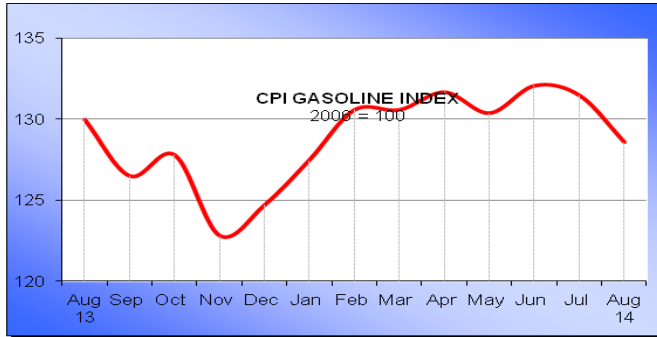
The compilation of the CPI involves the processing of several thousand price quotations. The Department of Statistics wishes to acknowledge the cooperation of the business community in supplying the required price data.

SUMMARY STATISTICS					
Period	Monthly		Period	Quarterly	
	Index	Annual per cent Change		Index	Annual per cent Change
2013			2012		
Aug	122.1	+1.3	Q1	118.2	+2.8
Sep	122.7	+1.8	Q2	119.6	+2.7
Oct	122.8	+1.6	Q3	120.3	+2.5
Nov	122.1	+1.3	Q4	120.5	+1.8
Dec	122.4	+1.9			
2014			2013		
Jan	122.5	+1.8	Q1	120.6	+2.0
Feb	122.6	+1.7	Q2	121.7	+1.8
Mar	123.3	+2.0	Q3	122.3	+1.7
Apr	123.8	+1.9	Q4	122.4	+1.6
May	124.2	+2.1			
Jun	124.2	+1.8	2014		
Jul	124.3	+1.9	Q1	122.8	+1.8
Aug	124.7	+2.1	Q2	124.1	+2.0

MONTH-MONTH ANALYSIS

Transport & Vehicles

The Transport & Vehicle sector increased 1.4 per cent in August as airfares rebounded from July 2014 discounts. Conversely, the average price of premium fuels fell 2.2 per cent.



Food

Food prices increased 0.7 per cent in August. The leading factors behind the increase were fresh and frozen spareribs (7.5 per cent), mayonnaise (7.2 per cent) and hot prepared meals (2.1 per cent).

Fuel & Power

Following a 1.8 per cent increase in July, the Fuel & Power sector continued its upward trend, increasing 1.3 per cent in August. Residential consumers paid an average of 4.2 per cent more for electricity due to an increase in the fuel adjustment rate.

Household Goods, Services & Communications

The Household Goods, Services & Communications sector was static in August. The average cost of lawyer fees increased by 3.0 per cent but was offset by a 2.1 per cent decrease in the average cost of household appliances, such as microwaves and dishwashers.

Rent

The Rent sector was unchanged in August.

Education, Recreation & Reading

The Education, Recreation & Reading sector rose 0.1 per cent in August. On average, the price of personal computers increased 3.7 per cent.

Health & Personal Care

The Health and Personal Care sector was static in August. The average cost of self-prescribed medicines & household medical supplies rose 0.7 per cent. In contrast, toiletries, cosmetics & perfumes prices decreased 0.1 per cent.

Clothing & Footwear

The Clothing & Footwear sector was unchanged in August.

Tobacco & Liquor

The Tobacco & Liquor sector decreased 0.1 per cent in August, following a 0.1 per cent increase in July. The average cost of wine fell 0.8 per cent for the month.

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										
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
Jul	Nil	+0.7	Nil	+0.2	+0.1	+1.8	+0.2	-1.4	+0.1	+0.1
Aug	0.3	+0.7	Nil	Nil	-0.1	+1.3	Nil	+1.4	+0.1	Nil
Aug '14	124.7	135.1	111.5	122.8	136.8	158.2	112.4	110.7	132.2	174.6
<u>Aug '14</u> Aug '13	+2.1	+3.3	+0.8	+1.9	+1.3	Nil	+0.8	+2.3	+2.2	+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	Aug14
Bermuda	2.4	2.7	2.4	1.8	+2.1
United States¹	1.5	3.0	1.7	1.5	+1.7
Canada²	1.8	2.9	1.5	0.9	+2.1
United Kingdom³	4.6	5.2	3.2	3.0	+2.4

Sources:

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

Published by the Government of Bermuda
October 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