



RATE OF INFLATION

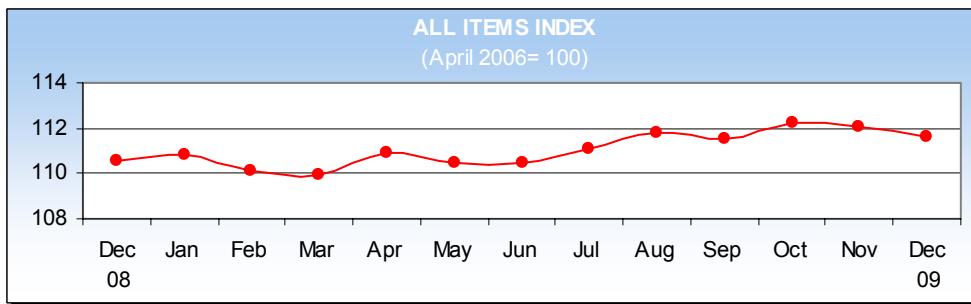
Consumers paid 1.0 per cent more in December 2009 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). The rate of inflation rose from the 0.6 per cent measured in November.

Between November and December 2009, the average cost of goods and services in the Consumer Price Index decreased by 0.3 per cent. The all-items index decreased from 112.0 index points in November to 111.6 in December. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$111.60.

YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector was the largest contributor to the twelve-month increase in the Consumer Price Index, up 7.2 per cent. The Health & Personal Care sector has been the largest contributor to the twelve-month increase in the CPI for the entire fourth quarter.

The Household Goods, Services & Communications sector and the Rent sector also impacted strongly on the annual rate of inflation, with measured increases of 3.2 per cent and 1.1 per cent, respectively.



**Inflation
Rate
1.0%**

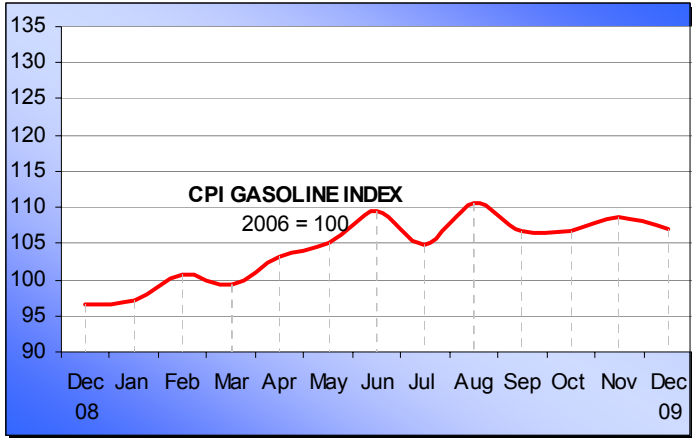
The compilation of the CPI involves the processing of several thousand price quotations. The Department of Statistics wishes to acknowledge the cooperation of the business community in supplying the required price data.

SUMMARY STATISTICS					
Period	Monthly		Period	Quarterly	
	Index	Annual per cent Change		Index	Annual per cent Change
2008			2007		
Dec	110.5	+4.9	Q4	105.5	+4.2
2009			2008		
Jan	110.8	+5.2	Q1	106.0	+3.8
Feb	110.2	+4.4	Q2	108.9	+4.8
Mar	109.9	+2.7	Q3	110.4	+5.1
Apr	110.6	+1.9	Q4	111.0	+5.2
May	110.5	+1.4	2009		
Jun	110.5	+1.2	Q1	110.3	+4.1
Jul	111.1	+1.2	Q2	110.5	+1.5
Aug	111.8	+1.6	Q3	111.5	+1.0
Sep	111.5	+0.2	Q4	111.9	+0.8
Oct	112.1	+0.7			
Nov	112.0	+0.6			
Dec	111.6	+1.0			

MONTH-TO-MONTH ANALYSIS

Household, Goods, Services and Supplies

The rate of price increase for goods and services in the Household Goods, Services & Communications sector was 0.3 per cent. This increase was triggered by an increase in the price of air parcel postage.



Rent

The rent sector edged up 0.1 per cent between November and December. This rise was due to a marginal increase in the average price of controlled and non-controlled rental properties.

Tobacco & Liquor

The Tobacco & Liquor sector climbed 1.1 per cent in December as the price of beer rose 4.5 per cent over the month.

Fuel & Power

The Fuel and Power sector remained unchanged during the month of December.

Clothing & Footwear

The Clothing & Footwear sector reported no movement for the month.

Education, Recreation & Reading

The Education, Recreation & Reading sector declined 0.1 per cent for the month. The decrease in the price of boat fuel and sporting equipment were the leading causes for the decline.

Health & Personal Care

The Health & Personal Care sector declined 0.1 per cent for the month. An increase of 0.1 per cent in the cost of prescribed drugs was offset by declines in the price of manicures and body massages.

Food

On average, food prices decreased 0.7 per cent in December compared to November. Lettuce and frozen peas fell by 3.1 and 3.0 per cent, respectively.

Transport & Vehicles

The Transport & Vehicles sector fell 2.2 per cent over the month reflecting a 6.6 per cent drop in hotel accommodations and 2.9 per cent decline in air travel. The capital cost of cars declined 0.7 per cent and fuel prices fell by 1.6 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.

a) Month-to-Month Price Change

The price change between November and December, 2003 is calculated as follows:

$$= \frac{\text{Dec 03 index number} - \text{Nov 03 index number}}{\text{Nov 03 index number}} \times 100$$

$$= \frac{92.4 - 92.3}{92.3} \times 100$$

$$= 0.1\%$$

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

The price change between December, 2002 and December, 2003 is calculated as follows:

$$= \frac{\text{Dec 03 index number} - \text{Dec 02 index number}}{\text{Dec 02 index number}} \times 100$$

$$= \frac{92.4 - 89.5}{89.5} \times 100$$

$$= 3.2\%$$

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)										
2007										
Nov	+0.4	+0.1	+0.2	+0.2	+0.5	+1.5	-0.1	+1.5	+0.2	+0.1
Dec	-0.5	-0.7	+0.2	Nil	+1.1	+4.6	Nil	-4.5	+0.1	Nil
2008										
Jan	+0.1	+1.5	+0.2	-0.6	+1.0	+0.1	+0.1	-1.3	-0.1	-0.1
Feb	+0.2	+0.4	+0.2	Nil	-0.2	+2.8	+0.1	-0.2	-0.1	Nil
Mar	+1.3	+0.5	+0.2	Nil	+2.8	+1.2	Nil	+7.6	+0.8	+0.1
Apr	+1.5	+1.0	+0.4	+7.3	+2.9	Nil	+1.0	+2.5	+0.1	+5.1
May	+0.3	-0.1	+0.3	Nil	+1.1	+2.0	-0.1	+0.4	+0.3	+0.2
June	+0.3	+1.5	+0.1	Nil	+0.4	+0.4	+0.5	-0.5	Nil	+0.4
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
Jun	+0.1	-0.1	-0.1	Nil	+0.3	Nil	+Nil	+0.3	+0.7	+0.2
Jul	+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
Sep	-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
Dec '09	111.6	116.0	108.5	107.3	121.2	127.1	107.2	102.1	119.3	124.1
Dec'09 Dec'08	+1.0	+1.8	+1.1	+1.0	+4.1	-19.8	+3.2	-1.2	+2.5	+7.2

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	Dec 09
Bermuda	3.1	3.8	4.8	1.8	+1.0
United States¹	3.2	2.8	3.8	2.7	+0.1
Canada²	2.0	2.2	2.3	0.3	+1.3
United Kingdom³	2.3	2.3	3.6	-0.5	+2.4

Sources:

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

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