



INFLATION STABILIZES

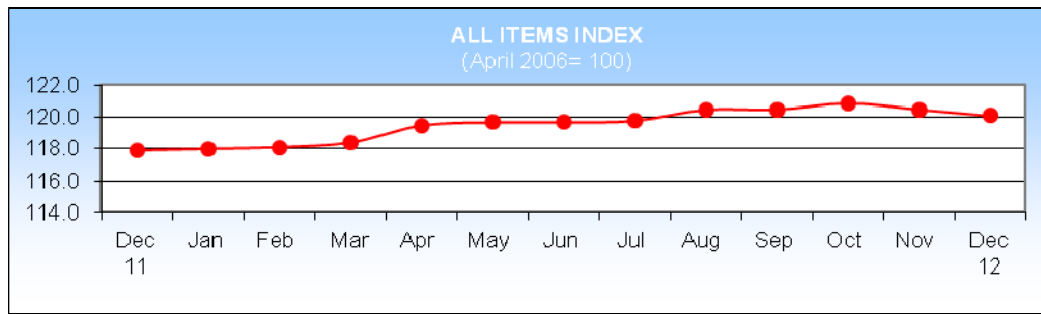
Consumers paid 1.9 per cent more in December 2012 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). The annual rate of inflation remained at the rate measured in November.

Between November and December 2012, the average cost of goods and services in the Consumer Price Index fell 0.3 percentage points. The all-items index declined from 120.5 in November to 120.1 in December. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$120.10.

YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector was the largest contributor to the twelve-month increase in December 2012, up 7.7 per cent. Key factors leading to the increase were higher prices for health insurance and prescribed medicines.

The Food and Transport sectors also impacted strongly on the annual rate of inflation. The price increases in these sectors measured 2.9 per cent and 2.0 per cent, respectively.



**Inflation
Rate
1.9%**

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
2011			2010		
Dec	117.9	+2.9	Q2	113.6	+2.8
			Q3	114.4	+2.6
2012			Q4	114.9	+2.7
Jan	118.0	+3.0	2011		
Feb	118.1	+2.4	Q1	115.0	+2.6
Mar	118.4	+2.8	Q2	116.5	+2.6
Apr	119.5	+2.5	Q3	117.4	+2.6
May	119.7	+2.9	Q4	118.3	+3.0
Jun	119.7	+2.7	2012		
Jul	119.8	+2.5	Q1	118.2	+2.8
Aug	120.5	+3.1	Q2	119.6	+2.7
Sep	120.5	+1.9	Q3	120.3	+2.5
Oct	120.9	+1.7	Q4	120.5	+1.8
Nov	120.5	+1.9			
Dec	120.1	+1.9			

MONTH-TO-MONTH ANALYSIS

Fuel & Power

The Fuel and Power sector rose 2.9 per cent in December. Consumers experienced a 3.1 per cent increase in the cost of electricity.

Health & Personal Care

The Health & Personal Care sector slipped by 0.1 per cent for the month. Consumers paid less for body massages (-3.0 per cent) and ladies hairstyling services (-0.5 per cent).

Education, Recreation & Reading

The Education, Recreation & Reading sector remained static for the month.

Tobacco & Liquor

The Tobacco & Liquor sector climbed 0.1 per cent in December. The price of alcohol spirits rose 0.1 per cent.

Household, Goods, Services and Supplies

The Household Goods, Services & Supplies sector was static in December. Within the supplies sub-sector the average cost of cleaning materials fell 0.2 per cent, but this was offset by a 0.6 per cent increase in detergents & bleaches.

Clothing & Footwear

There was no movement measured in the Clothing & Footwear sector.

Rent

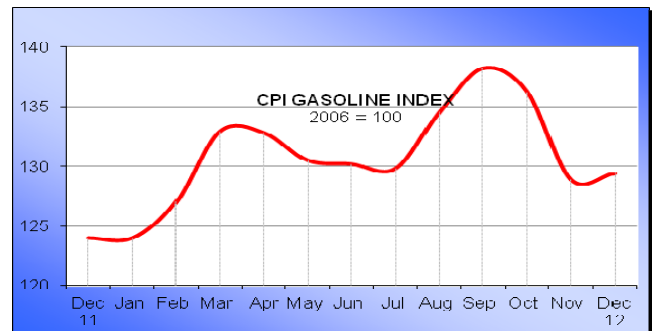
The rent sector was static in December. Residential properties subject to rent control increased marginally by 0.1 per cent. In contrast, the rental cost of properties not under rent control declined 0.1 per cent.

Food

On average, food prices fell 1.0 per cent in December 2012 due to discounted holiday specials offered in super markets. Consumers experienced lower prices when purchasing food items such as: potatoes (-8.5 per cent), eggs (-5.9 per cent) and mayonnaise (-5.0 per cent).

Transport & Vehicles

The Transport & Vehicles sector decreased 2.0 per cent during the month, in part reflecting a 13.4 per cent decline in overseas hotel accommodations. In contrast, air fares and the cost of car fuel increased by 6.4 per cent and 0.4 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.

a) Month-to-Month Price Change

The price change between March and February, 2012 is calculated as follows:

$$= \frac{\text{March 12 index number} - \text{Feb 12 index number}}{\text{Feb 12 index number}} \times 100$$

$$= \frac{118.4 - 118.1}{118.1} \times 100$$

$$= 0.2\%$$

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

The price change between March, 2011 and March, 2012 is calculated as follows:

$$= \frac{\text{March 12 index number} - \text{March 11 index number}}{\text{March 11 index number}} \times 100$$

$$= \frac{118.4 - 115.2}{115.2} \times 100$$

$$= 2.8\%$$

BERMUDA CONSUMER PRICE INDEX

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)										
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
2011	+2.7	+2.3	+1.1	+5.7	+3.1	+11.3	+2.0	+0.6	+2.6	+7.5
MONTHLY (per cent)										
2010										
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
Apr	+1.3	-0.6	Nil	+4.7	Nil	Nil	-0.1	+3.8	+0.2	+6.6
May	-0.3	+0.4	+0.3	+0.1	Nil	Nil	Nil	-3.6	-0.1	Nil
Jun	+0.3	+0.5	+0.1	Nil	+0.2	+2.8	+1.2	-0.4	-0.4	+0.1
Jul	+0.2	-0.2	-0.1	-0.3	+0.6	+1.8	+0.1	+1.1	+0.4	+0.1
Aug	Nil	+2.1	Nil	+0.1	+0.2	+3.8	+0.2	-4.2	+0.2	+0.1
Sep	+1.2	+0.1	-0.4	Nil	+0.1	+3.7	+0.4	+8.0	+2.0	+0.1
Oct	+0.5	+0.4	+0.1	+4.6	+0.2	+0.6	+0.1	+1.5	-0.1	+0.1
Nov	-0.6	+0.2	Nil	Nil	+0.1	+0.1	+0.1	-4.9	+0.1	Nil
Dec	-0.2	-1.4	-0.1	Nil	+0.1	Nil	-0.1	+0.5	+0.1	0.2
2012										
Jan	+0.1	+1.6	Nil	Nil	-0.1	Nil	+0.1	-1.7	Nil	Nil
Feb	+0.1	-0.2	+0.1	Nil	+0.4	Nil	+0.1	+1.0	-0.1	Nil
Mar	+0.2	+0.9	+0.1	Nil	+0.2	Nil	+0.1	+0.4	-0.1	+0.1
Apr	+0.9	Nil	+0.1	+1.5	+0.7	Nil	Nil	+1.3	+0.2	+5.6
May	+0.2	+0.5	-0.1	+0.2	-0.1	Nil	Nil	+1.1	+0.2	Nil
Jun	Nil	+0.2	+0.2	Nil	+0.4	+5.3	-0.7	-1.8	+0.3	+0.1
Jul	+0.1	+0.2	-0.1	-1.8	+0.5	+2.4	+0.2	-0.5	Nil	-0.1
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
Dec '12	120.1	125.9	111.1	118.0	129.1	154.1	110.9	108.2	129.3	153.8
<u>Dec'12</u> Dec'11	+1.9	+2.9	+0.5	-2.2	+2.6	-1.3	+0.3	+2.0	+2.9	+7.7

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

	2009	2010	2011	2012	Dec 12
Bermuda	1.8	2.4	2.7	2.5	+1.9
United States¹	2.7	1.5	3.0	1.7	+1.7
Canada²	0.3	1.8	2.9	1.5	+0.8
United Kingdom³	-0.5	4.6	5.2	3.2	+3.1

Sources:

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

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