



RATE OF INFLATION

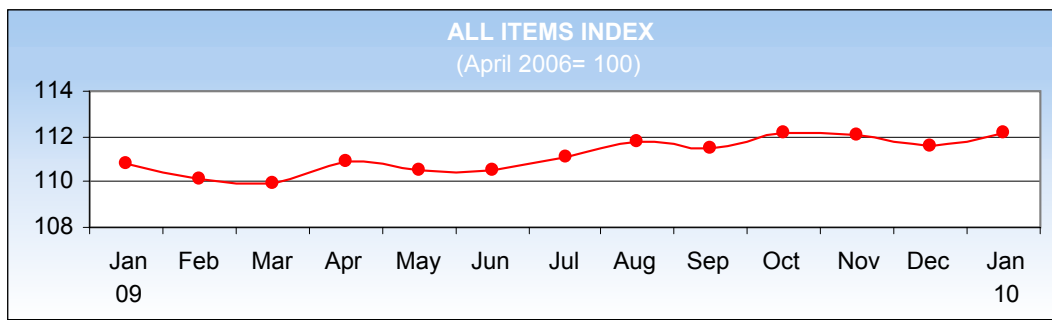
Consumers paid 1.2 per cent more in January 2010 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This level of inflation accelerated from the 1.0 per cent measured in December 2009.

Between December 2009 and January 2010, the average cost of goods and services in the Consumer Price Index edged up 0.5 per cent. The all-items index increased from 111.6 to 112.2 index points in January. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$112.20.

YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector continues to be the largest contributor to the twelve-month increase, as it was for the entire fourth quarter of 2009. The annual increase for January 2010 was 7.2 per cent equaling the increase measured in December 2009.

The Food and Household Goods, Services & Communications sectors also impacted strongly on the annual rate of inflation, as price shifts in these two sectors were both 3.0 per cent.



**Inflation
Rate
1.2%**

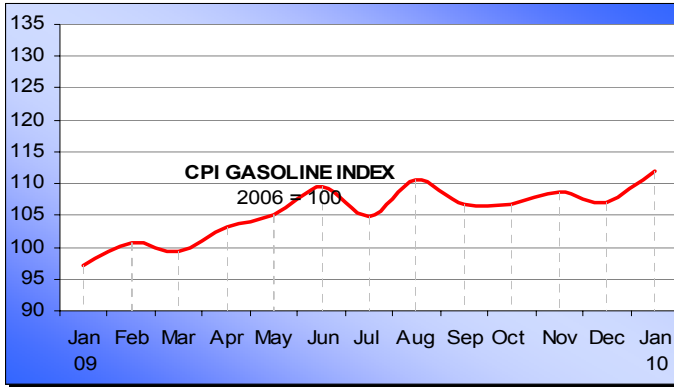
The compilation of the CPI involves the processing of several thousand price quotations. The Department of Statistics wishes to acknowledge the cooperation of the business community in supplying the required price data.

SUMMARY STATISTICS					
Period	Monthly		Period	Quarterly	
	Index	Annual per cent Change		Index	Annual per cent Change
2009			2007		
Jan	110.8	+5.2	Q4	105.5	+4.2
Feb	110.2	+4.4	2008		
Mar	109.9	+2.7	Q1	106.0	+3.8
Apr	110.6	+1.9	Q2	108.9	+4.8
May	110.5	+1.4	Q3	110.4	+5.1
Jun	110.5	+1.2	Q4	111.0	+5.2
Jul	111.1	+1.2	2009		
Aug	111.8	+1.6	Q1	110.3	+4.1
Sep	111.5	+0.2	Q2	110.5	+1.5
Oct	112.1	+0.7	Q3	111.5	+1.0
Nov	112.0	+0.6	Q4	111.9	+0.8
Dec	111.6	+1.0			
2010					
Jan	112.2	+1.2			

MONTH-TO-MONTH ANALYSIS

Food

On average, prices of food purchased from stores jumped 2.1 per cent for the month. The main items contributing to the increase were bread (2.8 per cent), whole chicken (4.2 per cent) and canned vegetables (3.9 per cent).



The above chart shows that the gasoline index rose from 97.2 in January 2009 to 111.9 in January 2010.

Transport & Vehicles

The Transport & Vehicles sector advanced 1.9 per cent in January. Factoring into the increase was a 4.6 per cent increase in the price of fuel and a 5.6 per cent increase in airfare.

Rent

The Rent sector edged up 0.1 per cent. The increase was attributed to the 0.2 per cent rise in rent-controlled properties Rental units not subject to rent control showed no change for the month.

Household Goods, Services & Communications

The Household Goods, Services & Communications sector rose by 0.1 per cent for the month. Contributing to this increase was a 0.8 per cent rise in the cost of child care services. Also the price of household supplies such as cleaning materials, detergents & bleaches and paper supplies rose by 0.6 per cent.

Education, Recreation & Reading

The Education, Recreation & Reading sector advanced 0.1 per cent for the month. The average cost of pet care increased 1.2 per cent and the cost of boat fuel rose 4.6 per cent.

Fuel & Power

The Fuel & Power sector rose 0.2 per cent for the month reflecting a 3.3 per cent increase in the price of a cylinder of propane gas.

Health & Personal Care

The Health & Personal Care sector remained unchanged for the month.

Tobacco & Liquor

The Tobacco & Liquor sector slipped 0.1 per cent for the month due to 0.7 per cent drop in the price of beer.

Clothing & Footwear

The Clothing & Footwear sector contracted 2.6 per cent. The average price of men’s and women’s clothing decreased 13.0 per cent and 10.8 per cent, respectively. In contrast, jewelry prices increased by 28.8 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										
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
2010										
Jan	+0.5	+2.1	+0.1	-2.6	-0.1	+0.2	+0.1	+1.9	+0.1	Nil
Jan '10	112.2	118.4	108.6	104.5	121.1	127.3	107.3	104.0	119.4	124.1
Jan'10 Jan'09	+1.2	+3.0	+1.0	-0.4	+3.5	-17.9	+3.0	-0.8	+2.4	+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	Jan 10
Bermuda	3.1	3.8	4.8	1.8	+1.2
United States¹	3.2	2.8	3.8	2.7	+2.6
Canada²	2.0	2.2	2.3	0.3	+1.9
United Kingdom³	2.3	2.3	3.6	-0.5	+3.7

Sources:

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

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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