



INFLATION RISES

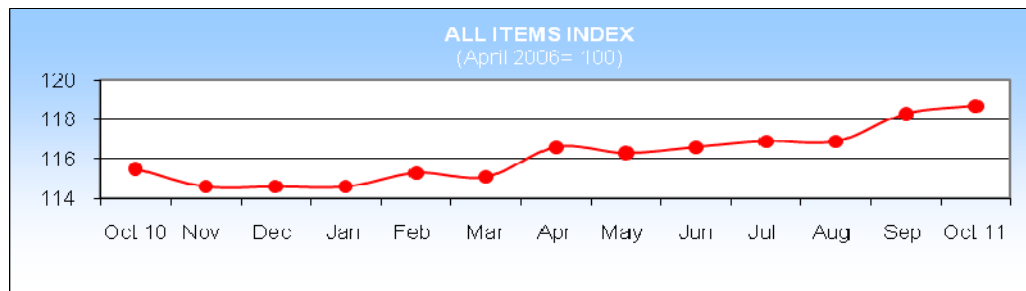
Consumers paid 2.9 per cent more in October 2011 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This rate of inflation increased from the 2.6 per cent measured in September 2011.

Between September and October 2011, the average cost of goods and services in the Consumer Price Index increased 0.5 per cent. The all-items index increased to 118.9 index points in October. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$118.90.

YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector was the largest contributor to the twelve-month increase in the Consumer Price Index. The average cost of Health & Personal Care goods and services increased by 7.1 per cent year over year.

The Fuel & Power sector also impacted strongly on the annual rate of inflation, increasing 13.3 per cent. In addition, the Food sector rose 2.7 per cent in the last 12 months.



Inflation Rate
2.9%

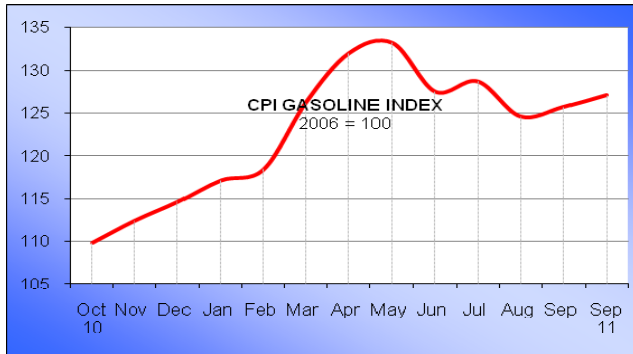
The compilation of the CPI involves the processing of several thousand price quotations. The Department of Statistics wishes to acknowledge the cooperation of the business community in supplying the required price data.

SUMMARY STATISTICS					
Period	Monthly		Period	Quarterly	
	Index	Annual per cent Change		Index	Annual per cent Change
2010			2009		
Oct	115.5	+3.0	Q2	110.5	+1.5
Nov	114.6	+2.3	Q3	111.5	+1.0
Dec	114.6	+2.7	Q4	111.9	+0.8
2011			2010		
Jan	114.6	+2.2	Q1	112.1	+1.6
Feb	115.3	+3.2	Q2	113.6	+2.8
Mar	115.2	+2.5	Q3	114.4	+2.6
Apr	116.6	+2.4	Q4	114.9	+2.7
May	116.3	+2.5	2011		
Jun	116.6	+2.8	Q1	115.0	+2.6
Jul	116.9	+2.8	Q2	116.5	+2.6
Aug	116.9	+2.5	Q3	117.4	+2.6
Sep	118.3	+2.6			
Oct	118.9	+2.9			

MONTH-TO-MONTH ANALYSIS

Transport & Vehicles

The Transport & Vehicles sector was the largest contributor to the monthly CPI increase. The sector climbed 1.5 per cent between September and October. Airfare prices and the cost of mixed gas increased 14.2 per cent 1.2 per cent, respectively. In contrast, the cost of overseas hotel accommodation decreased by 3.6 per cent in October.



Food

The Food sector rose 0.4 per cent in October. Notable price increases occurred for spare ribs (8.6 per cent), beef tenderloin (7.8 per cent) and carrots (4.5 per cent).

Clothing & Footwear

The Clothing & Footwear sector increased by 4.6 per cent. The average cost of children’s and men’s clothing rose by 4.8 per cent and 1.6 per cent, respectively. In addition Jewelry costs jumped 17.1 per cent.

Rent

The Rent sector advanced 0.1 per cent in response to a 0.3 per cent rise in rent controlled properties.

Fuel & Power

The Fuel & Power sector rose 0.6 per cent between September and October. This reflected a 1.4 per cent increase in the fuel adjustment clause. Residential electricity costs rose by 0.7 per cent.

Household Goods, Services & Communications

The Household Goods, Services & Communications sector increased 0.1 per cent for the month. On average, household furnishing & textiles increased 1.3 per cent as china and flatware prices climbed 10.8 per cent.

Health & Personal Care

The Health & Personal Care sector edged up 0.1 per cent for the month. Consumers paid 4.1 per cent more for dental services. In contrast, eye care costs which consists of eye exams and eye wear decreased by 5.2 per cent.

Tobacco & Liquor

The Tobacco & Liquor sector rose 0.2 per cent in October. The sector saw increases in the average cost of spirits (0.4 per cent), beer and tobacco (0.1 per cent) during the month.

Education, Recreation & Reading

The Education, Recreation & Reading sector fell 0.1 per cent in October. This decrease was due to a 0.2 per cent decline in the recreational equipment sub-sector.

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:

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

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

$$= -0.3\%$$

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

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

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

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

$$= 1.0\%$$

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	Oct 11
Bermuda	3.8	4.8	1.8	2.4	+2.9
United States¹	2.8	3.8	2.7	1.6	+3.5
Canada²	2.2	2.3	0.3	1.8	+2.9
United Kingdom³	2.3	3.6	-0.5	4.6	+5.4

Sources:

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

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