



RATE OF INFLATION

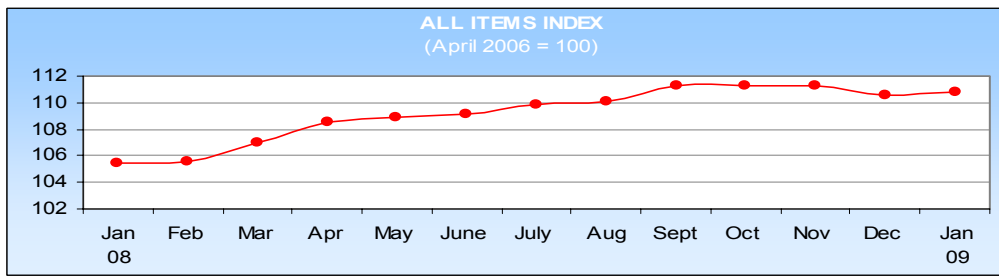
Consumers paid 5.2% more in January 2009 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This level of inflation represented a marginal rise from the 4.9% measured in December 2008.

Between December 2008 and January 2009, the average cost of goods and services in the Consumer Price Index increased 0.3%. The all-items index stood at 110.8 index points in January. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$110.80.

YEAR-TO-YEAR ANALYSIS

The Food sector continued to be the largest contributor to the twelve-month increase in the Consumer Price Index. The annual rate of price increase for this sector reached 8.4%.

The Fuel and Power, and Rent sectors also impacted strongly on the annual rate of inflation, as price shifts in these sectors were 24.5% and 2.6%, respectively.



**Inflation
Rate
5.2%**

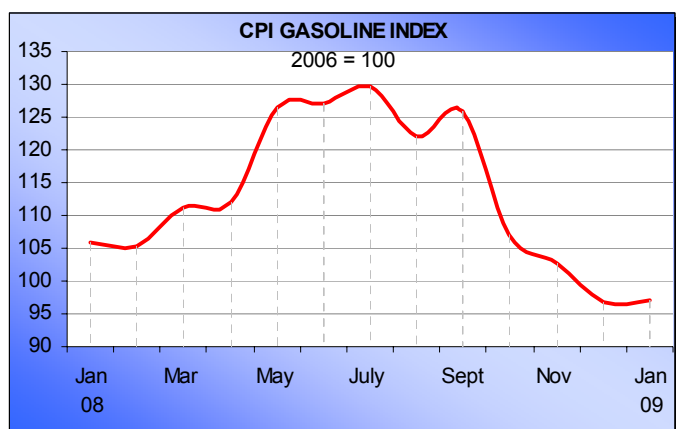
The compilation of the CPI involves the processing of several thousand price quotations. The Department of Statistics wishes to acknowledge the cooperation of the business community in supplying the required price data.

SUMMARY STATISTICS					
Period	Monthly		Period	Quarterly	
	Index	Annual % Change		Index	Annual % Change
2008			2006		
Jan	105.4	+3.9	Q2	100.0	+3.3
Feb	105.6	+3.4	Q3	101.0	+3.4
Mar	107.0	+4.2	Q4	101.2	+2.8
Apr	108.6	+5.3	2007		
May	108.9	+4.7	Q1	102.1	+3.2
June	109.2	+4.4	Q2	103.9	+3.9
July	109.8	+4.7	Q3	105.0	+4.0
Aug	110.1	+5.0	Q4	105.5	+4.2
Sept	111.3	+5.9	2008		
Oct	111.3	+5.6	Q1	106.0	+3.8
Nov	111.3	+5.2	Q2	108.9	+4.8
Dec	110.5	+4.9	Q3	110.4	+5.1
2009			Q4	111.0	+5.2
Jan	110.8	+5.2			

MONTH-TO-MONTH ANALYSIS

Transport & Vehicles

Prices rose in the Transport & Vehicle sector by 1.5%, due to higher gasoline prices for premium (4.9%) and mixed blends (4.0%). Within the foreign travel sub-index, the cost of hotel accommodations rose 6.8%.



Food

On average, food prices increased 0.9% in January. Among the notable price increases were frozen poultry (+3.2%), local fish (4.6%) and bottled water and sodas (+7.3%).

Household Goods, Services & Communications

The Household Goods, Services & Communications sector increased by 0.3% for the month. The growth in this sector can be attributed to a 3.1% increase in the cost of childcare services.

Education, Recreation & Reading

The Education, Recreation & Reading sector edged up 0.2%. This increase can be partially attributed to the average cost of boat fuel rising 4.9% during the month.

Tobacco & Liquor

The Tobacco & Liquor sector climbed 0.5% for the month reflecting an increase in the price of wine (+1.6%).

Health & Personal Care

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

Rent

The Rent prices increased marginally by 0.2% on average, with rents of controlled and non-controlled properties moving up 0.4% and 0.1%, respectively.

Clothing & Footwear

The Clothing & Footwear sector dropped 1.2% as the average price for men's and women's clothing decreased 1.0% and 3.6%, respectively.

Fuel & Power

The Fuel & Power sector declined 2.1% in January as the cost of a cylinder of propane gas fell 10.2%. Additionally, consumers paid less for electricity as the price of a kilowatt-hour declined 1.8%

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 (%)										
2003	+3.2	+2.0	+1.8	+1.9	+1.4	+4.8	+2.2	+4.5	+5.8	+7.0
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
MONTHLY (%)										
2006										
Dec	+0.6	+0.1	+0.2	Nil	-0.2	Nil	-0.2	+3.9	+0.3	+0.1
2007										
Jan	-0.2	+1.0	+0.2	-2.7	+0.1	+0.1	Nil	-2.0	Nil	+0.1
Feb	+0.7	+0.5	+0.1	+0.1	Nil	-0.6	Nil	+4.0	+0.3	+0.1
Mar	+0.6	+0.3	+0.1	Nil	Nil	-0.7	Nil	+3.6	+0.3	+0.2
Apr	+0.4	+0.6	+0.1	+0.7	+0.5	+0.2	+1.6	-3.4	+0.1	+5.0
May	+0.9	-0.6	+0.1	Nil	Nil	+7.6	Nil	+5.4	+0.2	+0.2
June	+0.6	+1.1	+0.1	Nil	+0.1	+4.5	+0.4	+1.0	+0.3	+0.2
July	+0.3	-0.2	+0.2	+2.3	Nil	+1.9	+0.1	+0.9	Nil	Nil
Aug	Nil	-0.2	+0.1	Nil	+0.4	+4.6	Nil	-2.1	+0.4	+0.1
Sept	+0.2	+0.6	+0.3	Nil	+0.1	+1.5	+0.3	-1.7	+2.4	Nil
Oct	+0.3	+0.4	+0.1	-4.9	+0.1	Nil	+0.1	+1.9	Nil	+0.5
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
Jan '09	110.8	114.9	107.5	104.9	117.0	155.0	104.2	104.8	116.6	115.8
<u>Jan'09</u> Jan'08	+5.2	+8.4	+2.6	+7.0	+10.7	+24.5	+0.8	+3.2	+7.2	+7.0

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

	2005	2006	2007	2008	Jan 09
Bermuda	3.1	3.1	3.8	4.8	5.2
United States ¹	3.4	3.2	2.8	3.8	0.0
Canada ²	2.2	2.0	2.2	2.3	1.1
United Kingdom ³	2.1	2.3	2.3	3.6	0.1

Sources:

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

Published by the Government of Bermuda
March 2009

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