

## **CONSUMER PRICE INDEX**

**JULY 2015** 

## **INFLATION DECLINES**

Consumers paid 1.9 per cent more in July 2015 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). The level of inflation dropped 0.2 percentage points from the 2.1 per cent measured in June 2015.

Between June 2015 and July 2015, the average cost of goods and services in the Consumer Price Index fell 0.1 per cent. The all-items index dropped to 100.6 index points in July. This means that the basket of goods and services that cost \$100.00 in April 2015 now cost \$100.60.

#### YEAR-TO-YEAR ANALYSIS

The Health & Personal Care sector was the largest contributor to the year-over-year increase in the Consumer Price Index, rising 8.3 per cent. The major drivers in this sector are the cost of health insurance, medical care and medicines.

The Food sector and Household Goods, Services & Supplies sector also had a large impact in the year-over-year increase. Price shifts in these sectors were both measured at 2.8 per cent.



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								
	Мо	nthly		Quarterly				
Period	Index	Annual per cent Change	Period	Index	Annual per cent Change			
2014			2013					
Jul	98.7	+1.9	Q1	95.7	+2.0			
Aug	99.0	+2.1	Q2	96.6	+1.8			
Sep	99.7	+2.4	Q3	97.0	+1.7			
Oct	100.0	+2.6	Q4	97.2	+1.6			
Nov	99.1	+2.3						
Dec	98.7	+1.5	2014					
			Q1	97.5	+1.8			
2015			Q2	98.5	+2.0			
Jan	98.6	+1.4	Q3	99.1	+2.1			
Feb	98.9	+1.6	Q4	99.3	+2.2			
Mar	99.1	+1.2						
Apr	100.0	+1.8	2015					
May	99.8	+1.2	Q1	98.9	+1.5			
Jun	100.7	+2.1	Q2	100.2	+1.7			
Jul	100.6	+1.9						

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## **MONTH-TO-MONTH ANALYSIS**

## **Household Goods, Services & Supplies**

The Household Goods, Services & Supplies sector increased 2.1 per cent, as postal rates increased in July.

#### **Fuel & Power**

The Fuel & Power sector increased 4.0 per cent in July as the Fuel adjustment rate jumped 13.0 per cent.

## Clothing & Footwear

The Clothing & Footwear sector increased 0.7 per cent. The average cost of footwear increased 3.6 per cent.

#### Rent

The Rent sector was static in July. However, average rental prices for rent-controlled properties increased by 0.1 per cent.

#### **Food**

The Food sector increased for the third consecutive month, increasing 0.1 per cent in July. Leading factors behind the increase were the average price of green peppers (+5.1 per cent), oranges (+4.3 per cent) and mayonnaise (+2.9 per cent).

## Health & Personal Care

The Health & Personal Care sector was static in July. The average cost of over-the-counter medicines increased 0.3 per cent, but was offset by a 0.1 per cent decrease in the cost of toiletries, cosmetics & perfumes.

## **Tobacco & Liquor**

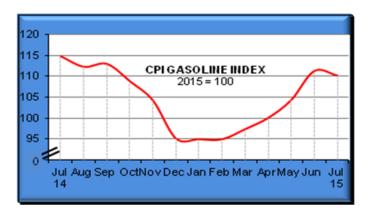
The Tobacco & Liquor sector remained unchanged in July. A 0.4 per cent increase in the average cost of spirits was offset by a 0.4 decrease in the cost of beer.

## **Education, Recreation, Entertainment & Reading**

The Education, Recreation, Entertainment & Reading sector dropped 0.1 per cent in July. The average price of pets & their up-keep fell 1.9 per cent, while boat repair and maintenance costs fell 0.4 per cent.

## **Transport & Foreign Travel**

The Transport & Foreign Travel sector fell 3.6 per cent in July, following an increase of 5.9 per cent in June. Airfares and premium fuels decreased 9.6 per cent and 1.0 per cent, respectively. In contrast, the average price of overseas vehicle rentals rose 1.2 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. 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, 2014 is calculated as Follows:

$$= \frac{\text{Dec } 14 \text{ index } - \text{Nov } 14 \text{ index}}{\text{Nov } 14 \text{ index}} \times 100$$

$$=\frac{99.1-99.6}{99.6}\times100$$

$$=-0.5\%$$

#### B) Year-to-Year Price Change

The price change between December 2013 and December, 2014 is calculated as follows:

$$= \frac{\text{Dec } 14 \text{ index } - \text{Dec } 13 \text{ index}}{\text{Dec } 13 \text{ index}} \times 100$$

$$=\frac{99.1-97.6}{97.6}\times100$$

$$=1.5\%$$

## C) Particular Period Price Change

The price change between February 2013 and January, 2015 is calculated as follows:

$$= \frac{\text{Jan } 15 \text{ index } -\text{Feb} 13 \text{ index}}{\text{Feb} 13 \text{ index}} \times 100$$

$$=\frac{99.1-96.2}{96.2}\times100$$

$$= 3.0\%$$

## BERMUDA CONSUMER PRICE INDEX

## **APRIL 2015 = 100**

	All Items	Food	Rent	Clothing & Footwear	Tobacco & Liquor	Fuel & Power	Household Goods, Services & Supplies	Transport & Foreign Travel	Education, Recreation, Entertain. & Reading	Health & Personal Care
2013 WEIGHT	1000	115	267	25	31	39	116	130	147	130
ANNUAL AVERAGE ( per cent)										
2010 2011 2012 2013 2014	+2.4 +2.7 +2.4 +1.8 +2.0	+3.0 +2.3 +3.5 +3.0 +3.1	+1.3 +1.1 +0.2 -0.3 +0.8	+2.4 +5.7 +4.3 +0.1 +2.0	+1.9 +3.1 +2.5 +4.4 +2.4	-0.8 +11.3 +9.3 -1.9 -2.4	+1.6 +2.0 +1.0 +0.5 +0.8	+1.8 +0.6 +1.6 +1.4 +1.7	+2.5 +2.6 +2.7 +2.5 +1.9	+8.1 +7.5 +6.6 +8.3 +6.7
MONTH	LY ( per cent	)								
2013										
Jul Aug Sep Oct Nov Dec	Nil +0.1 +0.4 +0.1 -0.6 +0.3	+0.3 +0.8 +0.2 -0.1 -0.4 -0.8	+0.2 +0.1 Nil +0.1 Nil +0.1	+0.2 Nil Nil +1.0 +0.2 Nil	+0.1 +0.1 -0.1 Nil +0.4 +0.1	Nil +0.9 +0.8 -0.8 -2.7 Nil	+0.1 +0.4 -0.1 +0.1 Nil Nil	-1.8 -0.5 +2.2 +0.5 -3.2 +2.6	-0.1 +0.1 +1.6 -0.1 -0.1 +0.1	+0.1 Nil Nil +0.4 Nil +0.1
<b>2014</b> Jan	+0.1 +0.1	+1.5 +0.3	+0.5 Nil	+0.7 Nil	+0.4 -0.1	-2.9 -2.1	Nil Nil	-1.7	-0.1 +0.2	Nil -0.1
Feb Mar Apr May Jun	+0.1 +0.5 +0.4 +0.3 Nil	+0.3 +1.2 -0.2 -0.2 +0.2	Nil +0.1 Nil +0.1	Nil -0.3 Nil Nil	-0.1 Nil +0.4 +0.1 +0.1	+2.1 +2.1 +1.1 +0.8 +0.7	+0.1 Nil Nil +0.5	+1.2 +2.0 -2.4 +2.6 -1.2	+0.2 Nil +0.2 +0.1 +0.1	-0.1 Nil +5.3 Nil +0.1
Jul Aug Sep Oct	Nil 0.3 0.7 0.3	+0.7 +0.7 +0.1 +0.1	Nil Nil +0.1 Nil	+0.2 Nil Nil +0.5	+0.1 -0.1 Nil +0.1	+1.8 +1.3 +0.8 -2.6	+0.2 Nil Nil +0.1	-1.4 +1.4 +4.3 +1.0	+0.1 +0.1 +1.5 -0.1	+0.1 Nil +0.1 +1.7
Nov Dec	-0.9 -0.5	Nil -0.7	Nil Nil	Nil Nil	+0.1 -0.1	Nil -9.0	+0.1 Nil	-7.2 Nil	Nil -0.1	Nil -0.1
<b>2015</b> Jan	Nil	1.3	+0.1	+0.2	+0.3	-2.5	+0.4	-1.7	Nil	+0.1
Feb Mar Apr May	+0.2 +0.2 +1.0 -0.2	+0.2 +0.3 Nil +0.4	Nil +0.1 +0.2 +0.1	Nil Nil +0.5 Nil	+0.1 +0.1 +0.4 Nil	Nil +1.3 Nil -2.6	Nil Nil +0.1 Nil	+1.9 +0.7 +0.4 -1.0	-0.6 -0.1 +0.1 Nil	Nil Nil +6.5 Nil
Jun Jul	+0.8 -0.1	+0.1 +0.1	Nil Nil	Nil +0.7	Nil Nil	Nil +4.0	Nil +2.1	+5.9 -3.6	+0.3 -0.1	Nil Nil
Jul '15	100.6	100.6	100.1	100.7	100.0	101.3	102.1	101.0	100.2	100.0
Jul'15 Jul'14	+1.9	+2.8	+0.5	+1.8	+0.9	-9.3	+2.8	+1.4	+1.0	+8.3

# 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 subcomponents 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

	2011	2012	2013	2014	Jul 15
Bermuda	2.7	2.4	1.8	2.0	+1.9
United States <sup>1</sup>	3.0	1.7	1.5	0.8	+0.2
Canada <sup>2</sup>	2.9	1.5	0.9	1.9	+1.3
United Kingdom <sup>3</sup>	5.2	3.2	3.0	2.4	+1.0

#### Sources

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

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