



RATE OF INFLATION

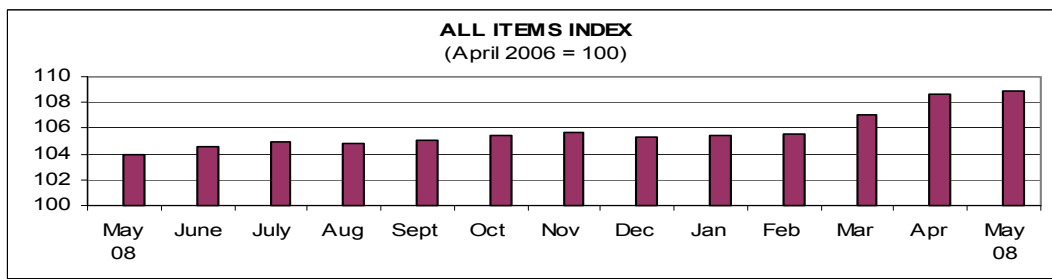
Consumers paid 4.7% more in May 2008 than they did a year ago for the basket of goods and services included in the Consumer Price Index (CPI). This rate of inflation abated from the 5.3% measured in April 2008.

Between April 2008 and May of 2008, the average cost of goods and services in the Consumer Price Index rose 0.3%. The all-items index increased from 108.6 to 108.9 index points in May. This means that the basket of goods and services that cost \$100.00 in April 2006 now cost \$108.90.

YEAR-TO-YEAR ANALYSIS

The Fuel & Power sector was the largest contributor to the twelve-month increase in the Consumer Price Index. The average cost for electricity was largely influenced by higher fuel adjustment clause rates. As a result, the annual rate of price increase for this sector reached 27.5%.

The Transport & Vehicles and Rent sectors also impacted strongly on the annual rate of inflation, as price shifts in these sectors were 5.7% and 2.4%, respectively.



Inflation Rate 4.7%

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
2007			2006		
Apr	103.1	+3.1	Q1	98.9	+2.7
May	104.0	+4.5	Q2	100.0	+3.3
June	104.6	+4.0	Q3	101.0	+3.4
July	104.9	+4.3	Q4	101.2	+2.8
Aug	104.9	+4.0	2007		
Sept	105.1	+3.6	Q1	102.1	+3.2
Oct	105.4	+4.3	Q2	103.9	+3.9
Nov	105.8	+4.8	Q3	105.0	+4.0
Dec	105.3	+3.6	Q4	105.5	+4.2
2008			2008		
Jan	105.4	+3.9	Q1	106.0	+3.8
Feb	105.6	+3.4			
Mar	107.0	+4.2			
Apr	108.6	+5.3			
May	108.9	+4.7			

MONTH-TO-MONTH ANALYSIS

Rent

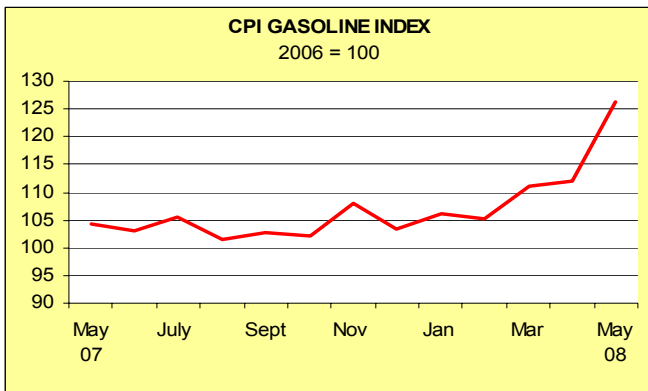
The Rent sector advanced 0.3%. The increase was attributed to the 0.3% rise in rent-controlled properties as home owners continued to make improvements to the housing stock. Rental units not subject to rent control were unchanged for the month.

Fuel & Power

The Fuel & Power sector accelerated 2.0% in May as a direct result of higher electricity costs. The fuel adjustment clause rate rose 2.0% for the month while the average price of propane gas increased 2.4%.

Transport & Vehicles

Gasoline prices continued to climb in May as the premium and mixed blends rose 5.9% and 5.7% respectively, due to record oil prices. As a result, the Transport and Vehicle sector advanced 0.4%.



Tobacco & Liquor

The Tobacco & Liquor sector rose 1.1% reflecting increases in the average price of beer (+1.0%), wine (+0.2%), spirits (+0.6%) and cigarettes (+2.4%).

Education, Recreation & Reading

The Education, Recreation & Reading sector moved ahead 0.3% for the month. This was due to a rise in the average cost of pet care, up 3.7%.

Health & Personal Care

The Health & Personal Care sector edged up 0.2% in May in response to higher prices for personal care services such as men's haircutting (+3.1%) and ladies hairstyling (+1.7%) services.

Clothing & Footwear

The Clothing & Footwear sector was unchanged for the month of May.

Household Goods, Services & Communications

The Household Goods, Services & Communications sector decreased 0.1% for the month. The decline was attributed to a 0.9% reduction in the price of Household Supplies.

Food

On average, food prices edged down 0.1% in May, after exhibiting strong upwards price movement in April. Among the main items contributing to the decrease were green peppers (-8.6%), carrots (-7.7%) and frozen spare ribs (-4.7%).

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, 2007 is calculated as follows:

$$= \frac{\text{Dec 07 index number} - \text{Nov 07 index number}}{\text{Nov 07 index number}} \times 100$$

$$= \frac{105.3 - 105.8}{105.8} \times 100$$

$$= -0.5\%$$

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

The price change between December, 2006 and December, 2007 is calculated as follows:

$$= \frac{\text{Dec 07 index number} - \text{Dec 06 index number}}{\text{Dec 06 index number}} \times 100$$

$$= \frac{105.3 - 101.6}{101.6} \times 100$$

$$= 3.6\%$$

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 (%)										
2002	+2.3	+1.5	+1.7	+0.6	+3.0	-0.8	+2.6	+2.0	+5.3	+4.9
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
MONTHLY (%)										
2006										
Feb	+0.4	-0.3	+0.6	Nil	Nil	+0.5	+0.1	+1.6	Nil	Nil
Mar	+0.2	+0.3	+0.5	+0.7	+0.2	Nil	Nil	+0.1	Nil	Nil
Apr	+0.8	-0.1	+0.2	+0.3	+0.3	-0.1	+0.3	+1.5	Nil	+5.1
May	-0.5	-0.7	+0.3	Nil	+0.1	Nil	+0.1	-3.6	Nil	Nil
June	+1.1	+1.3	+0.2	+0.1	Nil	+4.6	Nil	+5.1	+0.1	+0.1
July	Nil	-0.5	+0.4	+0.4	+0.5	+2.0	+0.1	-2.1	Nil	+0.5
Aug	+0.3	+0.2	+1.0	Nil	+1.0	+2.7	+0.1	-1.8	+1.1	+0.2
Sept	+0.5	+0.5	+0.3	-0.1	+0.4	+0.7	+0.4	Nil	+2.6	Nil
Oct	-0.3	+0.3	+0.1	+2.8	Nil	-2.1	+0.2	-3.4	Nil	+0.5
Nov	-0.1	+0.2	+0.2	Nil	-0.2	-9.9	Nil	+0.9	+0.1	Nil
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
May '08	108.9	107.8	105.8	105.2	112.8	132.1	104.4	112.1	110.0	114.1
May'08										
May'07	+4.7	+4.5	+2.4	+4.0	+10.3	+27.5	+2.1	+5.7	+4.5	+6.4

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

	2004	2005	2006	2007	May 08
Bermuda	3.6	3.1	3.1	3.8	4.7
United States¹	2.7	3.5	3.2	2.9	4.2
Canada²	1.9	2.1	2.0	2.2	2.2
United Kingdom³	3.0	2.8	3.2	4.3	4.3

Sources:

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

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