

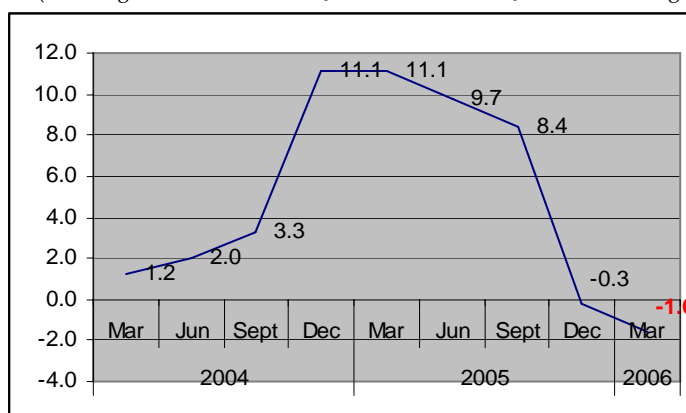
CAYMAN ECONOMIC REPORT: MARCH 2006 INFLATION

(Released June 7, 2006)

Consumer Prices Down 1.6 Percent in the First Quarter of 2006

The Consumer Price Index (CPI) stood at 139.6 in March 2006, down by 1.6 percent in comparison to March 2005, on account mainly of drops in the price indices for housing, education and medical services and household equipment.

Figure 1: Inflation Rates
 (% Change in CPI of Current Quarter Over Same Quarter A Year Ago)



The first quarter CPI also fell by 1.6 percent compared to the December 2005 level as a result of declines in the price indices for housing, education and medical services, household equipment, personal goods and services, alcohol and tobacco.

Annual changes

The following items contributed in pulling down the CPI in March this year from the level a year ago:

- Housing:** the overall housing price index, which accounts for 1/3 of the entire CPI basket, settled at 138.1. This is 8.1% below the level in March 2005 on account mainly of falling rental prices. Rents in all 3 reference areas fell as follows: Prospect, 20%; West Bay 13.5%; and South Sound, 13%. On average, rental prices collected in these areas fell by approximately CI\$365 over the one year review period. Imputed rent of owner-occupied dwellings also fell by 15.7%.

On the other hand, the price index for utilities rose by 13.3% in March 2006 compared to March 2005. Electricity prices increased by 18.9%, to reach CI\$55.58 per 200 kilowatts hours in a month. Similarly, the price of cooking gas went up by 22.9%, from CI\$61.00 to CI\$75.00 per 100 lbs cylinder. These trends could be attributed to the direct impact of international oil prices on these items.

- **Household equipment:** this index fell by 4.7% and was recorded at 128. The decline originated mainly from a 4.0% drop in the price of floor coverings and a 9.9% dip in china, glass and ironmongery prices.
- **Educational and medical services:** average prices of these services inched down by 0.5%, on account of a 1.1%-drop in the education price index.

Average fees for tertiary education slid by 22.4% although school fees were up by 2.2% and books and newspapers also rose by 14.1%

The price index for medical care was marginally up by 0.3% as the average fee for treatment in hospitals and clinics including medical laboratory tests fell by 1.3% in March 2006 compared to a year ago. However, drugs or medicines purchased from private stores rose by 10.4%.

Meanwhile, the price indices for the following household expenditures remained on the uptrend, albeit at varying rates:

- **Personal goods and services:** the price index inched up by 3.4% in the first quarter, pulled up mainly by the 13.2% average increase in holiday-related prices (airline tickets, travel and accommodation). Personal services which include hairdressing and beauty parlours, also rose by 6.2 percent.
- **Alcohol and tobacco:** the price index moved up by 3.8% in the first quarter, primarily due to an increase in the average price of alcoholic drinks.
- **Food:** the average price of the reference food items went up by 2.7% compared to a year ago. Among the significant price changes were those for rice (7.6%), mutton & lamb (29.7%), pork (5.8%), bacon & ham (11.4%), processed fish & fish products (18.4%), and eggs (13.6%)
- **Transportation and communication:** the price index rose by 2.4% in March 2006 compared to a year ago, as prices of household vehicles moved up by 6.8%. In contrast, the price for communication services fell by 23.9% .
- **Clothing:** this index was up slightly by 0.8% as it settled at 106.9 compared to 106.1 for the first quarter of 2005.

Quarterly changes

The overall decline of 1.6% in the CPI as compared to the December 2005 CPI can be traced to the following indices:

- **Housing:** the index of this category fell anew by 4.1%. Prices of utilities were down by 6.0 percent while rental prices (together with housing maintenance and insurance) also posted a 3.7%-average decline. Electricity prices for 200 kilowatt hours stood at CI\$55.58 per month in first quarter of 2006, from CI\$59.78 in the last quarter of 2005. Rent in the West Bay and Prospect area declined, compared to the last quarter of 2005.
- **Personal goods and services:** this registered a 3.9% decline emanating from a 10.3% downward adjustment in the average price of domestic services and a 34.2%- decline in home entertainment goods.
- **Education and medical services:** average prices for this basket fell by 3.0% on account of similar declines in both medical and educational services. Fees for doctors, dentists and opticians slid by 4.1% from a quarter ago; however, medicine prices rose by 4.0%. School fees registered a 3.7%-decline.
- **Household equipment:** the price index slipped by 1.1% as a result of an 8.8%-drop in china, glass and ironmongery prices. This offset the significant increases posted for household appliances (7.7%), furniture and floor coverings (5.0%).

The index for alcohol and tobacco also fell (1.4%) in March 2006 compared to a quarter ago.

However, upward movements were recorded for food (0.9%), clothing (4.0%), and transportation and communication (4.8%). The latter resulted from a 7.0%-increase in the price of household vehicles, in addition to a 1.1%-increase in taxis and hire car fares.

Additional notes

The negative inflation (or deflation) recorded in March 2006 follows the deflation recorded in December 2005 (-0.3%). Both episodes mark the only episodes of negative year-on-year inflation rates in the Cayman Islands since the CPI was continuously measured starting in 1994. (Year-on-year inflation refers to the measurement of the inflation rate by comparing the CPI of the current quarter to the same quarter a year ago). (See also Table 1 and Figures 2 and 3).

NOTES ON THE INDEX COMPILATION

1. For one month in each quarter of the year namely March, June, September and December, staffs of the Economics and Statistics Office collect data on prices of more than 500 different items on which consumers spend their money, from over 100 different shops and other outlets in Grand Cayman. Every kind of spending is included, from weekly supermarket trips, school lunches, rental payments and insurance to the prices of cars and bicycles. In total about 1,800 prices are collected each quarter.
2. The items have been assigned weights depending upon their importance in the total pattern of consumer spending based on the 1990/91 Household Income and Expenditure survey. The item weights combined with the prices are then compiled to arrive at the published index.

TABLE 1
CAYMAN ISLANDS CONSUMER PRICE INDEX AND INFLATION RATES, MARCH 2000-MARCH 2006
(SEPTEMBER 1994 = 100)

		INDEX	Percentage change from:	
			3 months ago	one year ago
2000	March	121.1	0.2	6.3
	June	121.5	0.3	1.3
	September	122.3	0.7	1.7
	December	122.6	0.2	1.5
2001	March	123.3	0.6	1.8
	June	123.6	0.2	1.7
	September	122.7	-0.7	0.3
	December	123.5	0.7	0.7
2002	March	125.9	2.0	2.1
	June	125.9	0.0	1.9
	September	126.3	0.3	2.9
	December	127.2	0.7	3.0
2003	March	126.2	-0.8	0.2
	June	126.6	0.3	0.6
	September	127.3	0.6	0.8
	December	128.1	0.6	0.7
2004	March	127.7	-0.3	1.2
	June	129.2	1.1	2.0
	September	131.5	1.8	3.3
	December	142.3	8.2	11.1
2005	March	141.9	-0.3	11.1
	June	141.7	-0.1	9.7
	September	142.5	0.5	8.4
	December	141.9	-0.4	-0.3
2006	March	139.6	-1.6	-1.6

TABLE 2

**CAYMAN ISLANDS CONSUMER PRICE INDEX
ANNUAL AVERAGES 1994 TO 2005**

(SEPTEMBER 1994 = 100)

YEAR	INDEX	Percentage change from a year ago
1994	99.9	
1995	102.4	2.5
1996	105.0	2.6
1997	107.9	2.7
1998	111.1	3.0
1999	118.7	6.9
2000	121.9	2.7
2001	123.3	1.1
2002	126.3	2.4
2003	127.1	0.6
2004	132.7	4.4
2005	142.0	7.0

NOTE: The annual average consumer price index is the average of the March, June, September and December indices.

**TABLE 3:
CONSUMER PRICE INDEX BY MAJOR GROUPS - MARCH 2006 06**

	Major Group	Weight	Index	Percentage change	
				3 months ago	one year ago
01	Food	119.6	133.65	0.9	2.7
	Bread and Cereal	9.6	128.12	1.8	3.5
	Meat	17.3	142.35	-0.3	4.3
	Fish	3.4	118.61	0.1	-3.7
	Dairy Products and Eggs	8.7	139.66	0.5	4.6
	Oils & Fats	1.5	136.21	0.8	1.6
	Fruit and Vegetables	11.7	133.75	3.4	-0.7
	Drinks (non-alcoholic)	11.7	122.46	1.8	3.1
	Sugar Products	2.3	128.27	2.1	0.7
	Other Foods	53.3	134.37	0.5	2.96
02	Alcohol and Tobacco	15.7	132.19	-1.4	3.8
	Alcoholic Drinks	13.0	130.71	-1.7	4.7
	Tobacco	2.7	139.47	0.0	0.0
03	Housing	310.8	138.12	-4.1	-8.1
	Rent, Maintenance, Insurance etc	257.9	139.55	-3.7	-11.3
	Utilities	52.9	131.18	-6.0	13.3
04	Clothing	46.1	106.93	4.0	0.8
	Men and Women's Clothing	29.3	105.06	11.6	0.9
	Boys and Girls Clothing	5.6	126.97	-12.3	3.1
	Other Clothing	1.9	87.13	-3.8	-11.3
	Footwear	9.3	104.70	-2.1	1.0
05	Household Equipment	58.7	128.05	-1.1	-4.7
	Furniture and Floor Coverings	22.4	129.82	5.0	-1.4
	Household Appliances	12.5	104.34	7.7	2.7
	Household Equipment	23.8	138.86	-8.8	-9.9
06	Transport and Communications	168.5	127.63	4.8	2.4
	Household Vehicles	128.3	142.73	7.0	6.8
	Travel	6.8	149.06	5.2	3.7
	Communications	33.4	65.30	-10.3	-23.9
07	Education and Medical	64.6	254.88	-3.0	-0.5
	Education	24.9	376.14	-3.0	-1.1
	Medical Care	39.7	178.74	-3.0	0.3
08	Personal Goods and Services	216.1	130.71	-3.9	3.4
	Home Entertainment	20.8	62.74	-34.2	-31.8
	Outside Entertainment	0.9	172.37	-4.5	9.0
	Culture, Pastimes, Hobbies	29.9	124.49	0.8	6.1
	Holiday Expenses	71.6	177.51	-2.5	13.2
	Personal Services	38.3	128.84	5.9	6.2
	Personal Goods	15.6	112.33	-0.6	-1.6
	Domestic Services	38.6	93.57	-10.3	-10.2
	Gifts and Subscriptions	0.3	141.67	-15.0	-15.0
	ALL ITEMS	1,000	139.64	-1.6	-1.6

**TABLE 4: CONSUMER PRICE INDEX BY MAJOR GROUP MARCH 2002 - MARCH 2006
(SEPTEMBER 1994=100)**

PERIOD/ MAJOR GROUP	Food	Alcohol & Tobacco	Housing	Clothing	Household Equipment	Transport & Communication	Education & Medical	Personal Goods & Services	ALL ITEMS
WEIGHT	119	16	311	46	59	168	65	216	1,000
2002									
MARCH	116.5	122.3	119.0	113.6	124.0	114.1	227.6	123.3	125.9
JUNE	118.5	121.6	119.4	114.1	122.7	114.2	228.2	121.5	125.9
SEPTEMBER	120.2	122.6	121.3	109.4	125.9	113.3	230.8	119.9	126.3
DECEMBER	120.9	121.4	120.4	109.1	122.7	114.0	237.4	123.1	127.2
ANNUAL AVERAGE	119.0	122.0	120.0	111.6	123.8	113.9	231.0	122.0	126.3
% CHANGE PREV YR	2.2	1.8	2.0	0.4	1.1	0.8	8.9	2.0	2.4
2003									
MARCH	122.1	123.1	116.4	109.2	130.1	117.0	240.0	118.7	126.2
JUNE	122.2	121.5	115.8	109.4	133.1	115.6	241.1	120.9	126.6
SEPTEMBER	122.2	122.5	116.0	109.8	129.1	114.9	248.8	123.3	127.3
DECEMBER	125.0	123.4	117.0	112.8	129.4	114.8	248.7	123.1	128.1
ANNUAL AVERAGE	122.9	122.6	116.3	110.3	130.4	115.6	244.7	121.5	127.1
% CHANGE PREV YR	3.2	0.5	-3.1	-1.1	5.3	1.5	5.9	-0.4	0.6
2004									
MARCH	125.9	123.8	116.6	111.9	133.3	113.1	250.2	121.7	127.7
JUNE	127.1	126.7	112.4	108.6	134.6	118.9	253.0	128.7	129.2
SEPTEMBER	129.5	121.5	117.5	105.2	142.6	117.9	257.5	129.0	131.5
DECEMBER	130.3	125.3	153.0	96.4	133.9	122.2	260.1	127.3	142.3
ANNUAL AVERAGE	128.2	124.3	124.9	105.5	136.1	118.0	255.2	126.7	132.7
% CHANGE PREV YR	4.3	1.4	7.4	-4.3	4.4	2.1	4.3	4.3	4.4
2005									
MARCH	130.1	127.3	150.3	106.1	134.3	124.6	256.2	126.4	141.9
JUNE	132.6	128.9	149.0	102.2	135.5	122.0	260.0	127.6	141.7
SEPTEMBER	131.7	133.0	149.6	101.5	133.1	122.2	264.1	129.8	142.5
DECEMBER	132.5	134.0	144.1	102.8	129.5	121.7	262.8	136.0	141.9
ANNUAL AVERAGE	131.7	130.8	148.2	103.1	133.1	122.6	260.8	129.9	142.0
% CHANGE PREV YR	2.8	5.2	18.7	-2.3	-2.2	3.9	2.2	2.6	7.0
2006									
MARCH	133.6	132.2	138.1	106.9	128.0	127.6	254.9	130.7	139.6
% CHANGE PREV YR	2.73	3.84	-8.10	0.78	-4.66	2.43	-0.51	3.41	-1.60
% CHANGE PREV QTR	0.87	-1.36	-4.13	4.05	-1.14	4.83	-3.01	-3.89	-1.62

**TABLE 5
CAYMAN ISLANDS: AVERAGE PRICES OF SELECTED FOOD ITEMS MARCH 2006**

ITEM		QUANTITY	AVERAGE PRICES (CI\$)		
			Mar 2006	Dec 2005	Mar 2005
101-04	Wholewheat bread(imported)	1 lb. 4 oz	2.06	1.98	1.83
107-01	Long grain rice	5 lb.	6.58	6.34	5.17
108-12	Cornflakes	24 oz	4.64	4.46	4.21
111-01	Stew beef	1 lb.	4.12	4.12	4.19
114-01	Bacon	1 lb.	5.98	5.98	5.74
125-02	Snapper fillets (frozen)	1 lb.	5.09	5.36	5.58
127-05	Canned Tuna in water	6.5 oz	1.44	1.46	1.09
130-02	Eggs(Grade A Large)	1 doz.	1.60	1.43	2.31
131-02	Anchor Butter	1 lb	3.39	3.36	2.56
133-05	Fresh milk(McArthur)	1 gal.	5.22	5.26	3.38
135-09	Evaporated milk	14.5 oz	1.09	1.02	0.78
139-19	Shortening	3 lb.	5.01	4.91	5.00
141-01	Plantains	1 lb.	0.62	0.86	0.75
142-07	Idaho potatoes	1 lb.	0.76	0.79	0.69
147-11	Lettuce	Head	1.79	1.79	1.46
146-15	Sweet potatoes	1 lb.	1.29	1.39	1.46
151-01	Tomatoes	1 lb.	2.76	2.16	1.59
152-03	Ripe bananas	1 lb.	0.72	0.62	0.62
153-01	Apples(Golden Delicious)	1 lb.	1.52	1.52	1.66
155-11	Oranges	each	0.50	0.40	0.38
161-01	Tea bags (Liptons)	48	2.49	2.55	2.42
163-02	Instant coffee(Maxwell House)	8 oz.	5.18	5.19	5.56
		12 oz.			
166-02	Soda	can	0.70	0.67	0.70
171-01	White sugar	2 kg.	2.09	2.09	1.73
172-02	Strawberry Preserves	12 oz.	3.26	3.14	2.71
181-02	Canned vegetable soup	10.5 oz	1.29	1.30	1.06
182-04	Corned beef hash	15 oz	2.49	2.49	2.19
186-16	Salt	8 oz	0.66	0.63	0.58

Figure 1-1. Cayman Islands CPI Inflation Rates for Quarter 1, 2000-2006

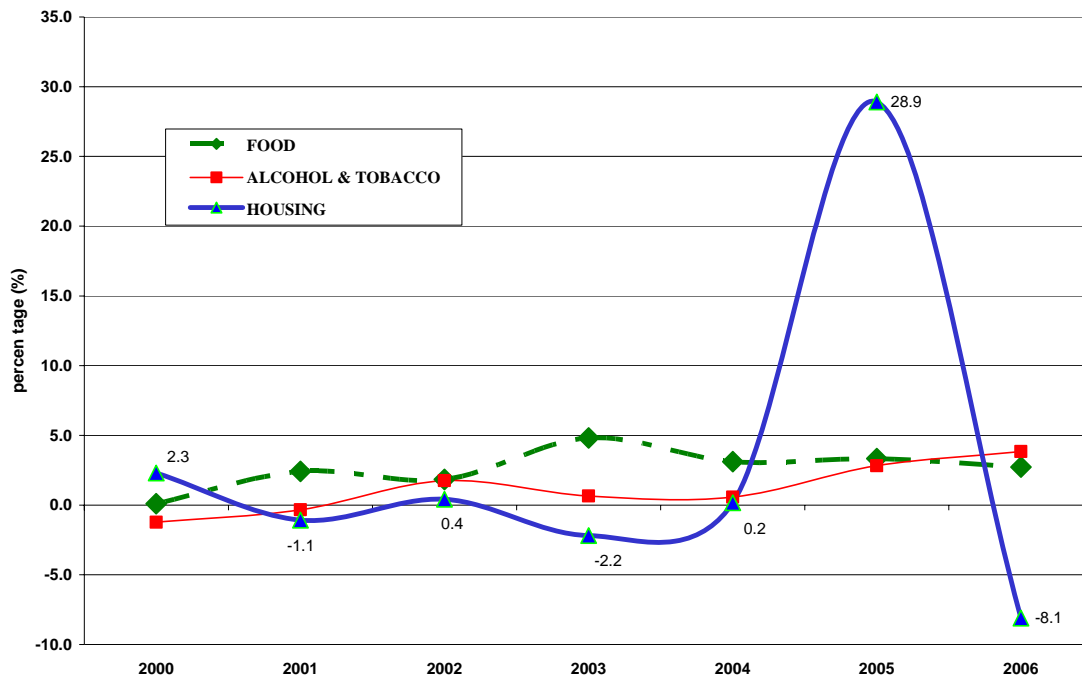


Figure 1- 2. Cayman Islands CPI Inflation Rates for Quarter 1, 2000-2006

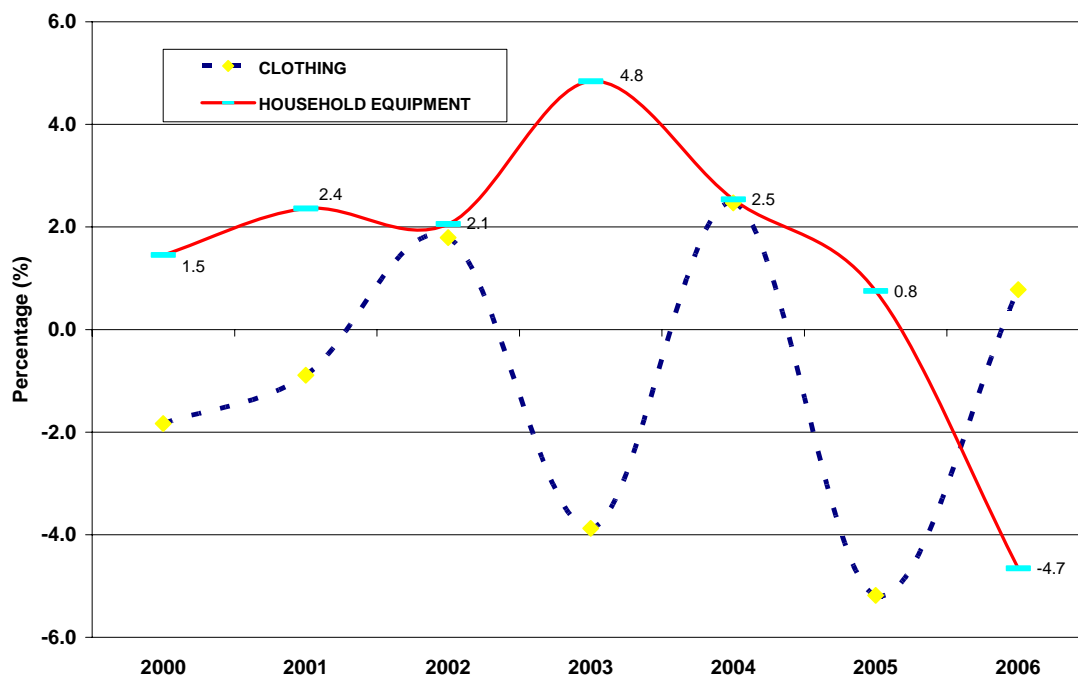


Figure 1-3. Cayman Islands CPI Inflation Rates for Quarter 1, 2000-2006

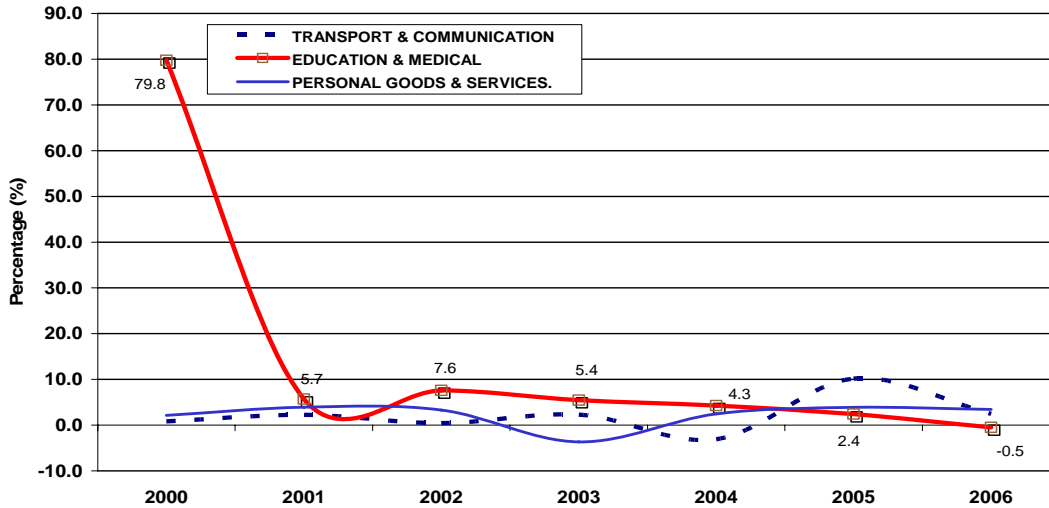


Figure 2. Cayman Islands CPI and Inflation Quarter 1, 2000-2006

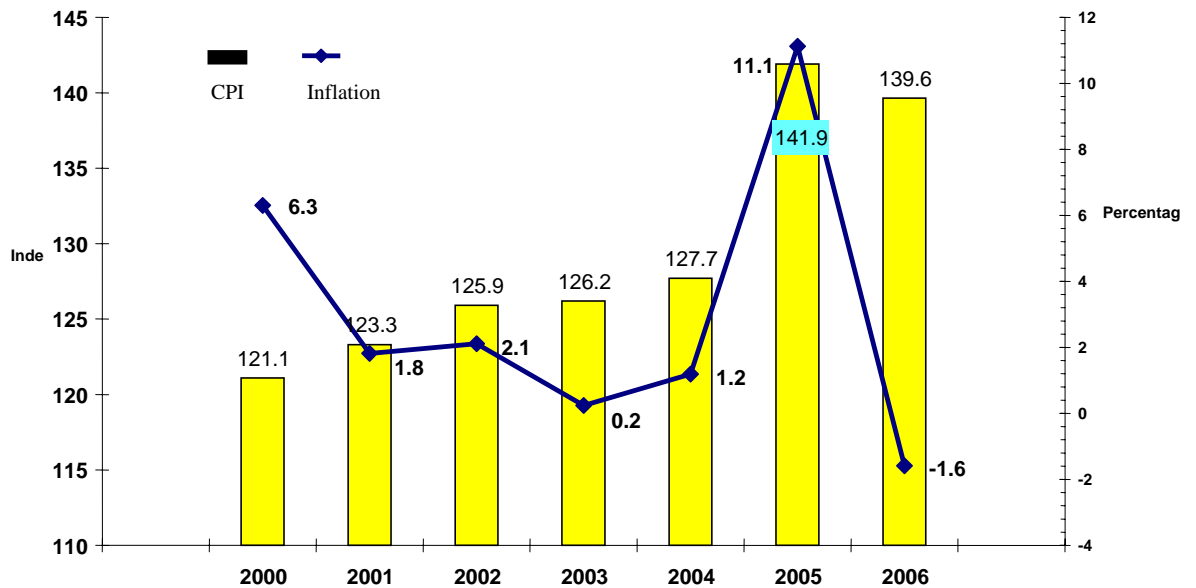


Figure 3. Cayman Islands CPI and Inflation Rates 2000-2006

