



CAYMAN ECONOMIC REPORT: JUNE 2006 INFLATION

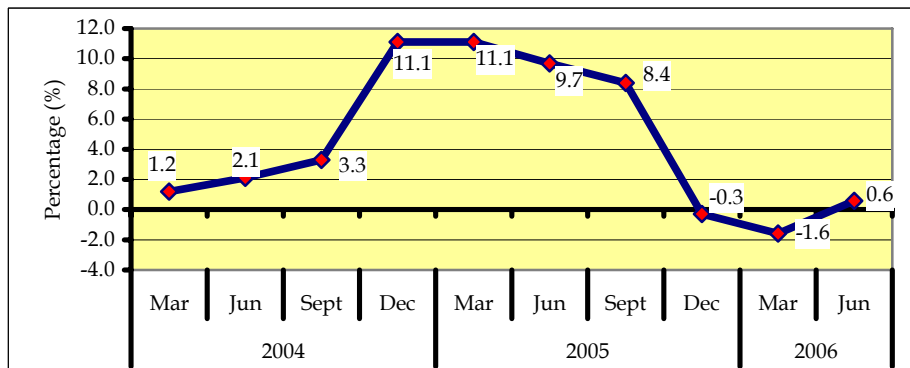
(Date: August 3, 2006)

Consumer Prices Up 0.6 Percent in the Second Quarter of 2006

The Consumer Price Index (CPI) stood at 142.5 in June 2006, up by 0.6 percent in comparison to June 2005, mainly due to increases in the price indices primarily of personal goods and services, clothing and transport and communication.

Figure 1: Inflation Rates

(% Change in CPI of Current Quarter Over Same Quarter A Year Ago)



The second quarter CPI also increased by 2.1 percent compared to the March 2006 level as a result of increases in the price indices for personal goods and services, education and medical services, household equipment, housing and clothing.

Annual changes

The upward movement of the CPI in the second quarter of 2006 compared to the CPI level in the same quarter of 2005 were due to the following:

- **Personal goods and services:** the price index of these items moved up significantly by 7.5% in the second quarter, emanating mainly from a 14.6% average increase in holiday-related prices, particularly accommodation. This was coupled with a 7.3% hike in home entertainment and 4.6% increase in the average price for outside entertainment. Average price of domestic services also rose by 3.1% due to increases in wages for domestic helpers.

- **Clothing:** the clothing price index increased by 6.9% to 109.2 compared to 102.2 in the second quarter of 2005, primarily due to an increase in average price of men's and women's clothing by 13.8%.
- **Transportation and communication:** this price index rose by 3.8% in June 2006 compared to a year ago, as prices of domestic travel-related expenses and household vehicles increased by 17.9% and 4.7% respectively. In particular, average fares for taxis and car rental rates went up by 25.9% in June 2006 compared to June 2005. In contrast, the average price for communication services fell by 7.8%.
- **Alcohol and tobacco:** this price index moved up by 3.0% in the second quarter, primarily due to an increase in the average price of alcoholic drinks by 3.6% compared to the second quarter of 2006. In particular, the price per case of beer increased by 9.4% over the same period last year.

Other price increases in June 2006 were noted for food (0.4%) and education and medical (0.9%).

On the other hand, the following categories of the Consumer Prices Index basket posted declines:

- **Housing:** the overall housing price index, which accounts for 1/3 of the entire CPI basket, settled at 141. This is 5.3% below the level in June 2005 on account mainly of falling rental prices. Average rental prices recorded declines as follows: Prospect, 11.7%; West Bay 2.6%; and South Sound, 10.2%. This downward trend in rental prices is anticipated, due to the housing shortage in the aftermath of hurricane Ivan and hence the rebuilding phase following the housing shock.

However, the price index for utilities rose by 0.8% in June 2006 compared to June 2005. Particularly, the price of cooking gas went up by 17.3%, from CI\$63.95 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 2.4% and was recorded at 132.2. The decline originated mainly from an 11% drop in the price of floor coverings and a 4.1% dip in china, glass and ironmongery prices.

Quarterly changes

The CPI in June 2006 increased by 2.1% compared to the CPI in March 2006, which can be traced to the following major categories:

- **Personal goods and services:** average prices for these items went up by 5.0% primarily due to an increase in the average price of home entertainment appliances. This was coupled with a 2.5% increase in expenses related to overseas travel and a 6.3% increase in hairdressing and beauty parlours.
- **Housing:** the index of this category levelled at 141 compared to 138.1 for the previous quarter, representing an increase of 2.1%. This was caused mainly by rent and mortgage payments which rose on average by 4.7 percent.
- **Household equipment:** the price index went up by 3.2% as a result of a 15.2% increase in china, glass and ironmongery prices. This offset the decline in the average price of furniture and floor coverings of 4.4%.
- **Education and medical services:** average prices for this basket rose by 2.9% on account of similar increases in both medical and educational services. Fees for doctors, dentists and opticians increased by 7% from a quarter ago; however, medicine prices fell by 4.1%. Average prices in education registered an increase of 1.1%, which is comprised of a 1.3% rise in school fees and a decline for books and newspapers of 2.3%.
- **Clothing:** this index moved up by 2.1% to settle at 109.2. Price movement in this category emanated from increases in clothing prices for both men and women (3.6%) and for boys' and girls clothing (3.2%), while footwear prices fell by 2.9%.

The index for alcohol and tobacco also rose (0.4%) in June 2006 compared to a quarter ago. However, average prices of food items fell by 0.4%.

Additional note

Taking into account the results of the two CPI surveys in 2006 (March and June) brings the average inflation for 2006 so far to -0.5%. This implies that the official inflation forecast for 2006 (3.0%) remains on track.

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.

DEFINITION OF COMMON TERMS

Consumer Price Index: an index representing the average price of a basket of goods and services purchased in the Cayman Islands as described above. There are eight (8) major categories of items included in the CPI baskets which are listed below with their respective weights:

Major Categories	Weights*
1. Food	119
2. Alcohol & Tobacco	16
3. Housing	311
4. Clothing	46
5. Household Equipment	59
6. Transport & Communication	168
7. Education & Medical	65
8. Personal Goods & Services	216

*Total=1,000

Inflation: refers to the percentage change in the Consumer Price Index from one period to another. Typically, this period would be a year or a quarter.

Annual Inflation Rate: the percentage change of the CPI in the quarter under review over the CPI of the same quarter a year ago. In this report, the annual inflation rate refers to the increase of the CPI in June 2006 over the June 2005 CPI. This is also known as year-on-year inflation rate.

Quarterly Inflation Rate: the percentage change of the CPI in the quarter under review over the immediate previous quarter. In this report, the quarterly inflation rate refers to the increase of the CPI in June 2006 over the March 2006 CPI. This is also known as quarter-on-quarter inflation rate.

Table 1: Consumer Price Index, Quarterly Averages

SEPTEMBER 1994 = 100

Year	Quarter Ending	INDEX	Percentage change from:	
			3 months ago	1 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	1.2	2.1
	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
	June	142.5	2.1	0.6

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

TABLE 3: CONSUMER PRICE INDEX BY MAJOR GROUPS - JUNE 2006

Major Group	Weight	Index			Percentage change	
		Jun-06	Mar-06	Jun-05	3 months ago	1 year ago
01 Food	119.6	133.1	133.6	132.6	-0.4	0.4
Bread and Cereal	9.6	130.2	128.1	122.8	1.6	6.0
Meat	17.3	140.3	142.4	134.2	-1.4	4.5
Fish	3.4	122.8	118.6	114.7	3.5	7.0
Dairy Products and Eggs	8.7	136.9	139.7	135.3	-2.0	1.2
Oils & Fats	1.5	135.7	136.2	138.9	-0.4	-2.3
Fruit and Vegetables	11.7	136.5	133.8	131.1	2.1	4.1
Drinks (non-alcoholic)	11.7	121.9	122.5	119.4	-0.5	2.1
Sugar Products	2.3	129.0	128.3	128.9	0.6	0.1
Other Foods	53.3	133.0	134.4	137.7	-1.0	-3.4
02 Alcohol and Tobacco	15.7	132.7	132.2	128.9	0.4	3.0
Alcoholic Drinks	13.0	131.3	130.7	126.7	0.5	3.6
Tobacco	2.7	139.5	139.5	139.5	0.0	0.0
03 Housing	310.8	141.0	138.1	149.0	2.1	-5.3
Rent, Maintenance, Insurance etc	257.9	143.1	139.5	152.8	2.5	-6.4
Utilities	52.9	131.1	131.2	130.0	-0.1	0.8
04 Clothing	46.1	109.2	106.9	102.2	2.1	6.9
Men and Womens Clothing	29.3	108.8	105.1	95.6	3.6	13.8
Boys and Girls Clothing	5.6	131.1	127.0	130.2	3.2	0.7
Other Clothing	1.9	87.1	87.1	98.2	-0.1	-11.4
Footwear	9.3	101.6	104.7	106.9	-2.9	-4.9
05 Household Equipment	58.7	132.2	128.0	135.5	3.2	-2.4
Furniture and Floor Coverings	22.4	124.1	129.8	130.2	-4.4	-4.7
Household Appliances	12.5	104.5	104.3	101.7	0.1	2.7
Household Equipment	23.8	154.5	138.9	158.2	11.2	-2.3
06 Transport and Communications	168.5	126.7	127.6	122.0	-0.8	3.8
Household Vehicles	128.3	141.7	142.7	135.3	-0.7	4.7
Travel	6.8	144.7	149.1	122.7	-2.9	17.9
Communications	33.4	65.3	65.3	70.8	0.0	-7.8
07 Education and Medical	64.6	262.4	254.9	260.0	2.9	0.9
Education	24.9	380.3	376.1	380.6	1.1	-0.1
Medical Care	39.7	188.3	178.7	184.2	5.4	2.3
08 Personal Goods and Services	216.1	137.2	130.7	127.6	5.0	7.5
Home Entertainment	20.8	101.0	62.7	94.1	61.0	7.3
Outside Entertainment	0.9	172.4	172.4	164.8	0.0	4.6
Culture, Pastimes, Hobbies	29.9	124.1	124.5	120.6	-0.3	2.9
Holiday Expenses	71.6	182.0	177.5	158.8	2.5	14.6
Personal Services	38.3	122.7	128.8	121.3	-4.8	1.2
Personal Goods	15.6	112.4	112.3	113.0	0.0	-0.6
Domestic Services	38.6	107.3	93.6	104.1	14.7	3.1
Gifts and Subscriptions	0.3	141.7	141.7	166.7	0.0	-15.0
ALL ITEMS	1000.0	142.5	139.6	141.7	2.1	0.6

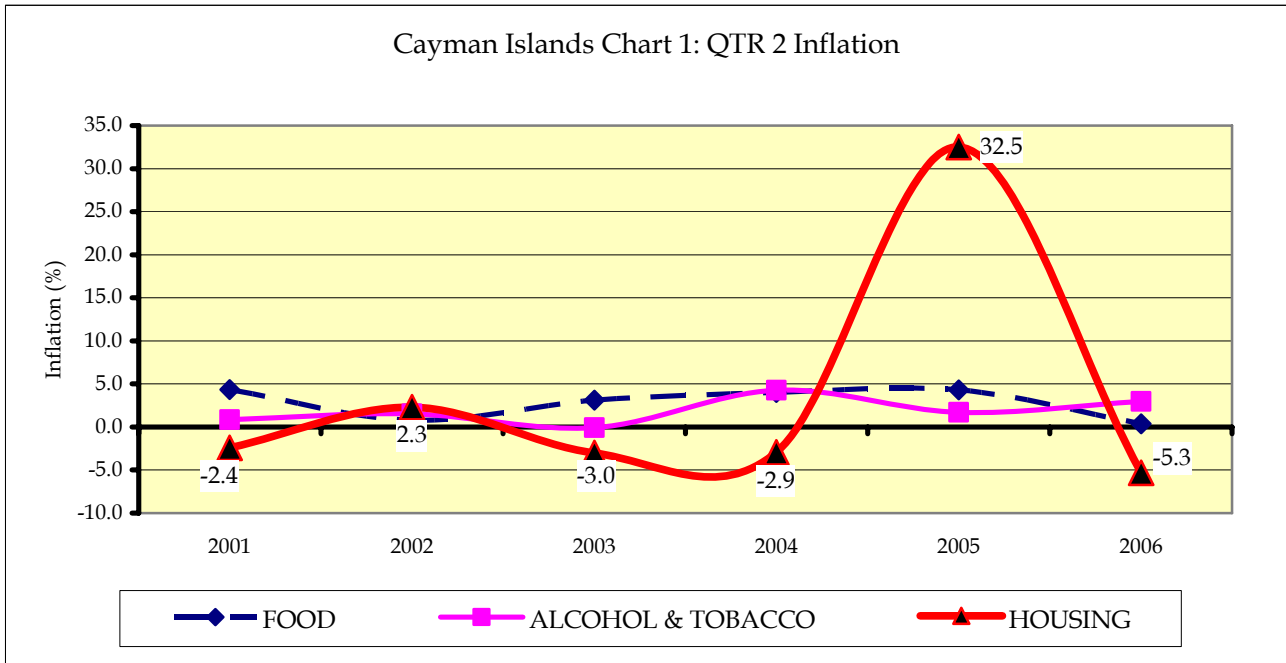
**Table 4: Consumer Price Index, Annual Averages by Major Groups
(SEPTEMBER 1994=100)**

PERIOD/MAJOR GROUP	FOOD	ALCOHOL & TOBACCO	HOUSING	CLOTHING	HOUSEHOLD EQUIPMENT	TRANSPORT & COMMUNICATION	EDUCATION & MEDICAL	PERSONAL GOODS & SERVICES.	ALL ITEMS
2001									
MARCH	114.4	120.2	118.5	111.6	121.5	113.6	211.5	119.4	123.3
JUNE	117.6	119.8	116.7	112.1	122.6	113.4	211.0	121.4	123.6
SEPTEMBER	117.3	119.5	117.1	110.8	121.9	112.0	212.8	118.3	122.7
DECEMBER	116.7	119.8	118.6	110.0	123.7	112.8	213.5	119	123.5
ANNUAL AVERAGE	116.5	119.8	117.7	111.1	122.4	113.0	212.2	119.5	123.3
% CHANGE PREV YEAR	2.3	-0.8	0.2	-4.1	1.5	-0.1	2.0	1.1	0.6
2002									
MARCH	116.5	122.3	119	113.6	124	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	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 YEAR	3.6	1.3	1.5	-0.8	-0.8	1.1	11.2	3.4	2.5
2003									
MARCH	122.1	123.1	116.4	109.2	130	116.7	240.0	118.8	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	115.5	244.7	121.5	127.1
% CHANGE PREV YEAR	3.4	1.6	-2.8	3.4	5.5	0.7	4.8	0.0	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	131.2
DECEMBER	130.3	125.3	153	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	132.6
% CHANGE PREV YEAR	4.2	1.5	30.8	-14.5	3.5	6.4	4.6	3.4	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	264.2	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 YEAR	1.7	7.0	-5.8	6.6	-3.3	-0.4	1.0	6.8	7.0
2006									
MARCH	133.6	132.2	138.1	106.9	128.0	127.6	254.9	130.7	139.6
JUNE	133.1	132.7	141.0	109.2	132.2	126.7	262.4	137.2	142.5
ANNUAL AVERAGE	133.4	132.4	139.6	108.1	130.1	127.1	258.6	133.9	141.1
% CHANGE PREV YEAR	0.4	3.0	-5.3	6.9	-2.4	3.8	0.9	7.5	0.6
% CHANGE PREV QTR	-0.4	0.4	2.1	2.1	3.2	-0.8	2.9	5.0	2.1

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

ITEM	QUANTITY	AVERAGE PRICES (C\$)			
		June 2006	Mar 2006	Dec 2005	
101-04	Wholewheat bread(imported)	1 lb. 4 oz	2.06	2.06	1.98
107-01	Long grain rice	5 lb.	6.58	6.58	6.34
108-12	Cornflakes	24 oz	4.64	4.64	4.46
111-01	Stew beef	1 lb.	3.46	4.12	4.12
114-01	Bacon	1 lb.	5.98	5.98	5.98
125-02	Snapper fillets (frozen)	1 lb.	6.13	5.09	5.36
127-05	Canned Tuna in water	6.5 oz	1.46	1.44	1.46
130-02	Eggs(Grade A Large)	1 doz.	1.31	1.60	1.43
131-02	Anchor Butter	1 lb	3.58	3.39	3.36
133-05	Fresh milk(McArthur)	1 gal.	5.06	5.22	5.26
135-09	Evaporated milk	14.5 oz	1.09	1.09	1.02
139-19	Shortening	3 lb.	5.01	5.01	4.91
141-01	Plantains	1 lb.	0.69	0.62	0.86
142-07	Idaho potatoes	1 lb.	0.76	0.76	0.79
147-11	Lettuce	Head	1.89	1.79	1.79
146-15	Sweet potatoes	1 lb.	1.29	1.29	1.39
151-01	Tomatoes	1 lb.	3.09	2.76	2.16
152-03	Ripe bananas	1 lb.	0.72	0.72	0.62
153-01	Apples(Golden Delicious)	1 lb.	1.36	1.52	1.52
155-11	Oranges	each	0.50	0.50	0.40
161-01	Tea bags(Liptons)	48	2.49	2.49	2.55
163-02	Instant coffee(Maxwell House)	8 oz.	5.65	5.18	5.19
166-02	Soda	12 oz. can	0.72	0.70	0.67
171-01	White sugar	2 kg.	2.64	2.09	2.09
172-02	Strawberry Preserves	12 ozs	2.99	3.26	3.14
181-02	Canned vegetable soup	10.5 oz	1.30	1.29	1.30
182-04	Corned beef hash	15 oz	2.49	2.49	2.49
186-16	Salt	8 oz	0.73	0.66	0.63

Cayman Islands Chart 1: QTR 2 Inflation



Cayman Islands Chart 2: QTR 2 Inflation

