



## CAYMAN ECONOMIC REPORT: SEPTEMBER 2006 INFLATION

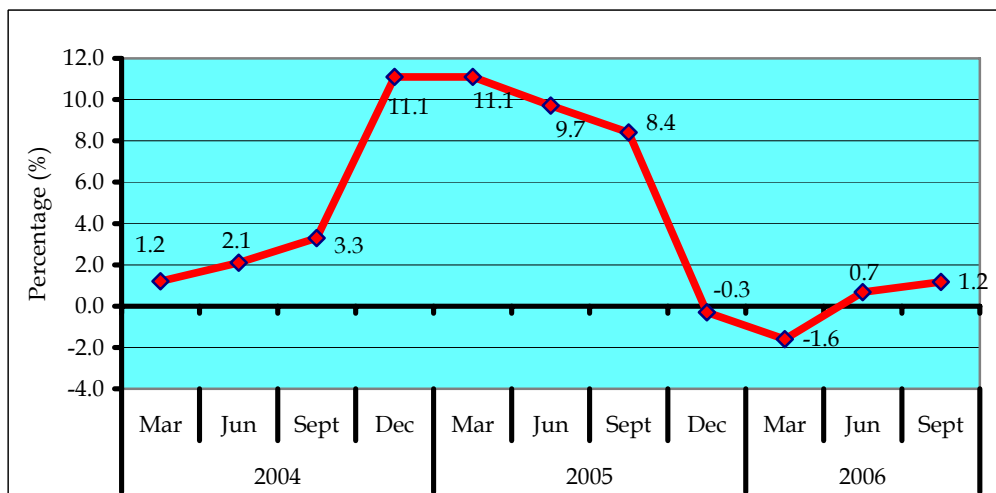
(Date: November 9, 2006)

### Consumer Prices Up 1.2 Percent in the Third Quarter of 2006

The Consumer Price Index (CPI) stood at 144.2 in September 2006, up by 1.2 percent in comparison to one year ago, despite a 3.3% fall in housing cost. The increase was mainly due to increases in the price indices of personal goods and services, clothing, transport and communication and food.

**Figure 1: Inflation Rates**

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



The third quarter CPI also increased by 1.1 percent compared to the June 2006 level as a result of increases in the price indices for household equipment, housing, transport and communication, food and alcohol and tobacco.

### Annual changes

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

- **Transportation and communication:** this price index rose by 6.4% in September 2006 compared to a year ago, as prices of domestic travel-related expenses and motor vehicles increased by 6.1% and 8.9% respectively. Average fares for taxis and car rental rates went up by 6.2% in third quarter of 2006 compared to the same period in 2005.

In contrast, the average price for communication services fell by 9.8% despite an 87.5% increase in the price of postage.

- **Personal goods and services:** the price index of these items moved up moderately by 4.3% in the third quarter of 2006, emanating mainly from an 8.5% average increase in home entertainment and a 6.8% rise in holiday-related prices, particularly accommodation. This was coupled with a 3.4% and 3.0% increase in personal goods and domestic services respectively. The latter increases originated from higher average price of jewellery and higher average wage for domestic helpers.
- **Clothing:** the clothing price index increased by 4.1% compared to the third quarter of 2005, primarily due to an increase in average price of men's and women's clothing by 10.7%.
- **Food:** average price of food increased by 3.2% during the third quarter of 2006 compared to the similar period last year. The increase in this category was led by a 19.1% increase in fruits and vegetables while fish prices followed in tandem with a 6.0% increase.
- **Household equipment:** this price index moved up by 1.5% during the quarter, primarily due to an increase in the average price of furniture and floor coverings by 12.5% and household appliances by 6.9%. On the other hand, household equipment declined by 8.1%.
- **Alcohol and tobacco:** this remained virtually stable, with a marginal change of 0.4%.

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 144.7. This is 3.3% below the level in September 2005 on account mainly of falling rental prices. Average rental prices recorded declines as follows: Prospect, 8.1% and South Sound, 18.2%. The downward trend in rental prices is anticipated, as a result of the housing shortage in the aftermath of hurricane Ivan a year ago followed by the rebuilding phase in recent months.

However, the price index for utilities rose by 2.4% during this period compared to similar period in 2005. Particularly, the price of cooking gas and electricity went up by 3.1% and 5.7% respectively. Electricity prices moved from CI\$55.67 to CI\$58.82 per 200 kilowatt hours between September 2005 to September 2006.

- **Education and medical:** this index fell by 0.9% which originated mainly from an 11.1% drop in the average price of books and related materials.

### Quarterly changes

The CPI in September 2006 increased by 1.1% compared to the CPI in June 2006, which can be traced to the following major categories:

- **Transport and communication:** this price index rose by 2.7% in September 2006 compared to the previous quarter, as prices of household vehicles and communication increased by 2.6% and 7.2% respectively. The increase in communication emanated from an 87.5% increase in the average price of postage during the period.
- **Housing:** the index of this category levelled at 144.7 compared to 141.0 for the previous quarter, representing an increase of 2.6%. This was caused mainly by rent and mortgage payments which rose on average by 2.1%, and by payments for utilities which went up by 4.1% compared to the previous quarter.
- **Household equipment:** the price index went up by 2.2% as a result of increases in furniture and floor coverings (9.7%) and household appliances (4.1%). This offset the decline in the average price of household equipment of 4.1%.
- **Food:** average price of food increased by 2.1% during the third quarter of 2006 compared to the previous quarter. The increase in this category was primarily caused by an 11.2% increase in the average price of fruits and vegetables.

### Declines were seen in the following:

- **Clothing:** this index moved down by 3.3% which emanated from declines in clothing prices for both men and women (4.8%) and for boys' and girls clothing (4.8%), while other clothing and footwear prices increased marginally.
- **Education and medical services:** average prices for this basket fell by 0.3% on account of similar declines in average prices of both medical and educational services.
- **Personal goods and services:** a 4.2% decline in holiday related expenses fuelled pushed down the price index in this category by 1.3% compared to the preceding quarter.

**Additional note**

Taking into account the results of the three CPI surveys in 2006 (March, June and September) brings the average inflation for 2006 so far to 0.1%. Given this average inflation, the forecasted inflation for 2006 is 0.87%.

**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 September 2006 over the September 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 September 2006 over the June 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	141.6	-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	0.7
	September	144.2	1.1	1.2

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 - SEPTEMBER 2006**

Major Group	Weight	Index			Percentage change	
		Sept-06	Jun-06	Sep-05	3 months ago	1 year ago
<b>01 Food</b>	<b>119.6</b>	<b>135.9</b>	<b>133.1</b>	<b>131.7</b>	<b>2.1</b>	<b>3.2</b>
Bread and Cereal	9.6	129.0	130.2	127.6	-0.9	1.1
Meat	17.3	143.3	140.3	144.5	2.1	-0.8
Fish	3.4	123.3	122.8	116.3	0.4	6.0
Dairy Products and Eggs	8.7	138.4	136.9	136.3	1.1	1.5
Oils & Fats	1.5	139.3	135.7	135.7	2.7	2.7
Fruit and Vegetables	11.7	151.8	136.5	127.5	11.2	19.1
Drinks (non-alcoholic)	11.7	124.2	121.9	119.9	1.9	3.6
Sugar Products	2.3	129.0	129.0	131.0	0.0	-1.5
Other Foods	53.3	134.4	133.0	132.0	1.0	1.8
<b>02 Alcohol and Tobacco</b>	<b>15.7</b>	<b>133.6</b>	<b>132.7</b>	<b>133.0</b>	<b>0.7</b>	<b>0.4</b>
Alcoholic Drinks	13.0	131.1	131.3	131.7	-0.2	-0.5
Tobacco	2.7	145.6	139.5	139.5	4.4	4.4
<b>03 Housing</b>	<b>310.8</b>	<b>144.7</b>	<b>141.0</b>	<b>149.6</b>	<b>2.6</b>	<b>-3.3</b>
Rent, Maintenance, Insurance etc	257.9	146.4	143.1	153.0	2.4	-4.3
Utilities	52.9	136.4	131.1	133.3	4.1	2.3
<b>04 Clothing</b>	<b>46.1</b>	<b>105.6</b>	<b>109.2</b>	<b>101.5</b>	<b>-3.3</b>	<b>4.1</b>
Men and Womens Clothing	29.3	103.5	108.8	93.5	-4.8	10.7
Boys and Girls Clothing	5.6	124.7	131.1	134.8	-4.8	-7.5
Other Clothing	1.9	89.4	87.1	101.6	2.7	-12.0
Footwear	9.3	103.9	101.6	106.6	2.3	-2.5
<b>05 Household Equipment</b>	<b>58.7</b>	<b>135.1</b>	<b>132.2</b>	<b>133.1</b>	<b>2.2</b>	<b>1.5</b>
Furniture and Floor Coverings	22.4	136.1	124.1	121.0	9.7	12.5
Household Appliances	12.5	108.7	104.5	101.7	4.1	6.9
Household Equipment	23.8	148.1	154.5	161.1	-4.1	-8.1
<b>06 Transport and Communications</b>	<b>168.5</b>	<b>130.0</b>	<b>126.7</b>	<b>122.2</b>	<b>2.7</b>	<b>6.4</b>
Household Vehicles	128.3	145.3	141.7	133.4	2.6	8.9
Travel	6.8	136.7	144.7	128.8	-5.5	6.1
Communications	33.4	70.0	65.3	77.7	7.2	-9.9
<b>07 Education and Medical</b>	<b>64.6</b>	<b>261.7</b>	<b>262.4</b>	<b>264.1</b>	<b>-0.3</b>	<b>-0.9</b>
Education	24.9	378.9	380.3	387.4	-0.3	-2.2
Medical Care	39.7	188.1	188.3	186.7	-0.2	0.7
<b>08 Personal Goods and Services</b>	<b>216.1</b>	<b>135.4</b>	<b>137.2</b>	<b>129.8</b>	<b>-1.3</b>	<b>4.3</b>
Home Entertainment	20.8	102.1	101.0	94.1	1.1	8.5
Outside Entertainment	0.9	172.4	172.4	180.4	0.0	-4.5
Culture, Pastimes, Hobbies	29.9	125.5	124.1	124.4	1.2	0.9
Holiday Expenses	71.6	174.4	182.0	163.3	-4.2	6.8
Personal Services	38.3	122.8	122.7	121.8	0.1	0.9
Personal Goods	15.6	116.6	112.4	112.7	3.7	3.4
Domestic Services	38.6	107.6	107.3	104.3	0.3	3.1
Gifts and Subscriptions	0.3	141.7	141.7	166.7	0.0	-15.0
<b>ALL ITEMS</b>	<b>1000.0</b>	<b>144.2</b>	<b>142.5</b>	<b>142.5</b>	<b>1.1</b>	<b>1.2</b>

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

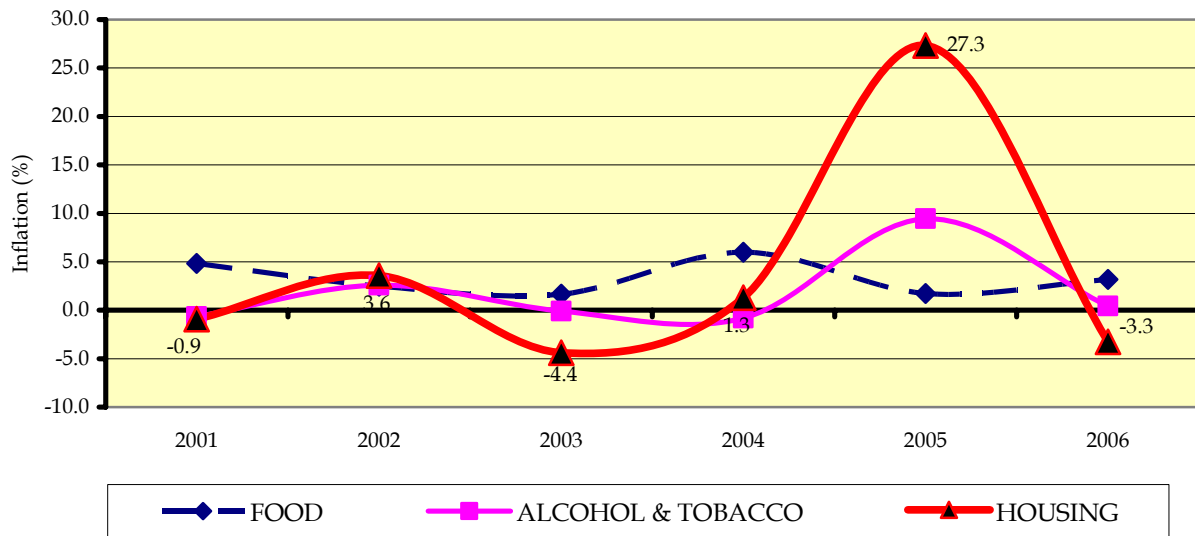
PERIOD/MAJOR GROUP	FOOD	ALCOHOL & TOBACCO	HOUSING	CLOTHING	HOUSEHOLD EQUIPMENT	TRANSPORT & COMMUNICATION	EDUCATION & MEDICAL	PERSONAL GOODS & SERVICES.	ALL ITEMS
<b>2002</b>									
MARCH	116.5	122.3	119	113.6	124	114.1	227.6	123.3	125.9
JUNE	118.5	121.6	119.4	114.1	122.7	114.2	228.2	121.5	125.9
SEPTEMBER	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
<b>ANNUAL AVERAGE</b>	<b>119.0</b>	<b>122.0</b>	<b>120.0</b>	<b>111.6</b>	<b>123.8</b>	<b>113.9</b>	<b>231.0</b>	<b>122.0</b>	<b>126.3</b>
<b>% CHANGE PREV YEAR</b>	<b>3.6</b>	<b>1.3</b>	<b>1.5</b>	<b>-0.8</b>	<b>-0.8</b>	<b>1.1</b>	<b>11.2</b>	<b>3.4</b>	<b>2.5</b>
<b>2003</b>									
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
<b>ANNUAL AVERAGE</b>	<b>122.9</b>	<b>122.6</b>	<b>116.3</b>	<b>110.3</b>	<b>130.4</b>	<b>115.5</b>	<b>244.7</b>	<b>121.5</b>	<b>127.1</b>
<b>% CHANGE PREV YEAR</b>	<b>3.4</b>	<b>1.6</b>	<b>-2.8</b>	<b>3.4</b>	<b>5.5</b>	<b>0.7</b>	<b>4.8</b>	<b>0.0</b>	<b>0.6</b>
<b>2004</b>									
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
<b>ANNUAL AVERAGE</b>	<b>128.2</b>	<b>124.3</b>	<b>124.9</b>	<b>105.5</b>	<b>136.1</b>	<b>118.0</b>	<b>255.2</b>	<b>126.7</b>	<b>132.6</b>
<b>% CHANGE PREV YEAR</b>	<b>4.2</b>	<b>1.5</b>	<b>30.8</b>	<b>-14.5</b>	<b>3.5</b>	<b>6.4</b>	<b>4.6</b>	<b>3.4</b>	<b>4.4</b>
<b>2005</b>									
MARCH	130.1	127.3	150.3	106.1	134.3	124.6	256.2	126.4	141.9
JUNE	132.6	128.9	148.4	102.2	135.5	122.0	260.0	127.6	141.578
SEPTEMBER	131.7	133.0	149.6	101.5	133.1	122.2	264.1	129.8	142.52
DECEMBER	132.5	134.0	144.1	102.8	129.5	121.7	262.8	136.0	141.936
<b>ANNUAL AVERAGE</b>	<b>131.7</b>	<b>130.8</b>	<b>148.1</b>	<b>103.1</b>	<b>133.1</b>	<b>122.6</b>	<b>260.8</b>	<b>129.9</b>	<b>142.0</b>
<b>% CHANGE PREV YEAR</b>	<b>1.7</b>	<b>7.0</b>	<b>-5.8</b>	<b>6.6</b>	<b>-3.3</b>	<b>-0.4</b>	<b>1.0</b>	<b>6.8</b>	<b>7.0</b>
<b>2006</b>									
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
SEPTEMBER	135.9	133.6	144.7	105.6	135.1	130.0	261.7	135.4	144.2
<b>% CHANGE PREV YEAR</b>	<b>3.2</b>	<b>0.4</b>	<b>-3.3</b>	<b>4.1</b>	<b>1.5</b>	<b>6.4</b>	<b>-0.9</b>	<b>4.3</b>	<b>1.2</b>
<b>% CHANGE PREV QTR</b>	<b>2.1</b>	<b>0.7</b>	<b>2.6</b>	<b>-3.3</b>	<b>2.2</b>	<b>2.7</b>	<b>-0.3</b>	<b>-1.3</b>	<b>1.1</b>



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

	ITEM	QUANTITY	AVERAGE PRICES (CIS)		
			Sept 2006	June 2006	Mar 2006
101-04	Wholewheat bread(imported)	1 lb. 4 oz	2.04	2.06	2.06
107-01	Long grain rice	5 lb.	6.58	6.58	6.58
108-12	Cornflakes	24 oz	4.74	4.64	4.64
111-01	Stew beef	1 lb.	3.66	3.46	4.12
114-01	Bacon	1 lb.	6.34	5.98	5.98
125-02	Snapper fillets (frozen)	1 lb.	5.06	6.13	5.09
127-05	Canned Tuna in water	6.5 oz	1.42	1.46	1.44
130-02	Eggs(Grade A Large)	1 doz.	1.48	1.31	1.60
131-02	Anchor Butter	1 lb	3.53	3.58	3.39
133-05	Fresh milk(McArthur)	1 gal.	5.09	5.06	5.22
135-09	Evaporated milk	14.5 oz	1.06	1.09	1.09
139-19	Shortening	3 lb.	5.01	5.01	5.01
141-01	Plantains	1 lb.	0.76	0.69	0.62
142-07	Idaho potatoes	1 lb.	0.79	0.76	0.76
147-11	Lettuce	Head	2.12	1.89	1.79
146-15	Sweet potatoes	1 lb.	1.49	1.29	1.29
151-01	Tomatoes	1 lb.	2.86	3.09	2.76
152-03	Ripe bananas	1 lb.	0.62	0.72	0.72
153-01	Apples(Golden Delicious)	1 lb.	2.09	1.36	1.52
155-11	Oranges	each	0.66	0.50	0.50
161-01	Tea bags(Liptons)	48	2.71	2.49	2.49
163-02	Instant coffee(Maxwell House)	8 oz.	5.61	5.65	5.18
166-02	Soda	12 oz. can	0.72	0.72	0.70
171-01	White sugar	2 kg.	3.28	2.64	2.09
172-02	Strawberry Preserves	12 ozs	2.99	2.99	3.26
181-02	Canned vegetable soup	10.5 oz	1.3	1.30	1.29
182-04	Corned beef hash	15 oz	2.49	2.49	2.49
186-16	Salt	8 oz	0.73	0.73	0.66

Cayman Islands Chart 1: QTR 3 Inflation



Cayman Islands Chart 2: QTR 3 Inflation

