



CAYMAN ECONOMIC REPORT: JUNE 2007 INFLATION

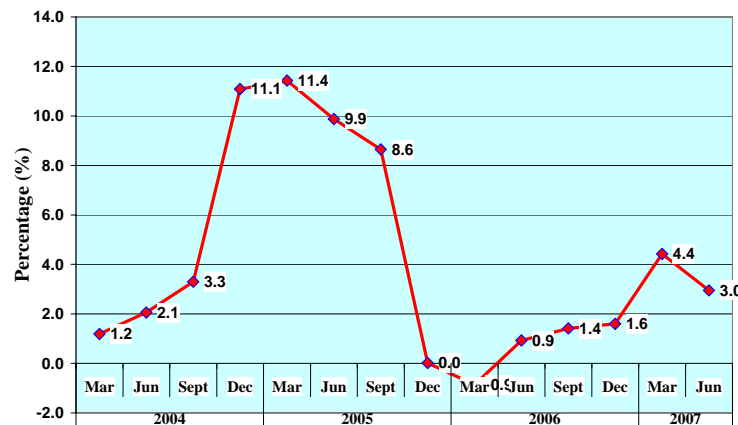
(Date: August 3, 2007)

Consumer Prices Up 3.0 Percent in June 2007

The Consumer Price Index (CPI) stood at **147.5** in June 2007, up by **3.0** percent in comparison to June 2006, due to increases in the average prices of all major groups, except housing, led by food (7.2%), personal goods & services (5.1%) and transport and communication (4.5%).

Figure 1: Inflation Rates

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



The second quarter CPI increased by **0.1** percent compared to the March 2007 CPI as a result of increases in the price indices of all categories except housing.

Annual changes

The upward movement of the CPI in the second quarter of 2007 compared to the CPI in the same quarter of 2006 were due to the following:

- **Food:** the average prices of food items increased by **7.2** percent as higher average prices were posted across all food categories. The highest increases were recorded for fish (13.2%), non-alcoholic drinks (9.9%), meat (8.5%) and dairy products and eggs (8.5%).
- **Personal goods and services:** Average price increases for domestic services (37.9%), and personal goods (20.7%), fuelled the upward movement of this price index by **5.1** percent compared to June last year. Minimum rates for maid service and baby sitting rose by 50

percent from a year ago. These increases were mitigated by decreases in the average price of holiday expenses (-5.5%).

- **Transportation and communication:** this price index moved up by **4.5** percent, as the average price for communications rose by 7.2 percent; in particular, the cost of postage soared by 87.5 percent. A 4.3 percent increase in the average cost of household vehicles was recorded which is traced to higher average cost for the maintenance and running of motor vehicle (up by 7.6%) and the purchase of motor vehicles (up by 0.5%). On the other hand, the average cost of purchase and maintenance of other vehicles (man's racer, ladies bicycle, baby stroller, bicycle tyre for mans racer and bicycle inner tube) declined by 17.1 percent.
- **Household equipment:** this price index moved up by **4.0** percent, due to increases in the average price of furniture and floor coverings (22.0%) and household appliances (5.6%) which offset the decline in the average price of other household equipment (-10.2%).
- **Alcohol and tobacco:** this increased by **3.4** percent mainly due to a 10.3 percent jump in the average price of tobacco goods.
- **Clothing:** the clothing price index marginally rose by **2.1** percent compared to June 2006, despite decreases of 9.1 percent and 0.5 percent in the average prices for boys' and girls' clothing and other clothing, respectively. Increases were recorded in the average prices of footwear (7.5%) and men's and women clothing (3.3%).
- **Education and medical:** the price index rose by **0.8** percent as a result of increases in the average cost of education and (1.0%) and medical care (0.6%).

In contrast to the above increases, the overall **housing price index**, which accounts for 1/3 of the entire CPI basket, settled at **140.9**. This is **0.1** percent below the level in June 2006 on account of a marginal decline in the average cost of rent, maintenance and insurance of housing (-0.6%). However, the average cost of utilities rose by 2.8 percent.

Quarterly changes

The CPI in June 2007 increased by **0.1** percent compared to the CPI in March 2007 which can be attributed to the price movements of the following major categories:

- **Clothing:** this index rose by **2.3** percent which originated from increases in the average cost of footwear (5.9%) and men's and women's clothing (2.1%).
- **Food:** the average price of food items increased by **2.0** percent as the average prices for all minor food groups registered increases except for fruits and vegetables. The highest increase (8.2%) was recorded for fish products.

- **Transport and communication:** this price index went up by **1.7** percent as prices for travel and household vehicles increased by 3.5 percent and 1.9 percent, respectively. The increase for travel resulted from a 9.6 percent rise in the average cost of taxi and cars for hire. Similarly, the increase in household vehicles emanated from a 3.7 percent increase in the average price for the maintenance and running of motor vehicle.
- **Education and Medical:** the price index rose by **1.7** percent as a result of increases in the average cost of both education (1.2%) and medical care (2.3%).
- **Alcohol and tobacco:** the price index moved up by **1.0** percent mainly due to tobacco products.
- **Household equipment:** the price index rose by **0.7** percent as a result of increase in the average cost of furniture and floor coverings (11.1%) which mitigated the decreases in the average cost of household appliances (-3.5%) and other household equipment(-6.6%).
- **Personal goods and services:** the average cost of personal goods and services inched up by **0.1** percent due to increases in the average price of personal goods (9.0%), increased cost associated with activities involving culture, pastimes and hobbies (3.1%) and home entertainment (1.3%). These increases offset the declines in the average cost of holiday expenses (-2.1%) and domestic services (-0.1%).

Finally, the **housing price** index moved down by **2.3** percent from the level in March 2007. This was caused by rent, maintenance and insurance payments which declined on average by 3.0 percent. However, the average price of utilities rose by 1.1 percent compared to the previous quarter.

Additional note

The CPI in the first two quarters of 2007 averaged **147.4**, resulting to an average inflation rate of 3.7 percent for the same period compared to a year ago.

NOTES ON THE CPI 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 661 items on which consumers spend their money, from over 100 different shops and other outlets in Grand Cayman only. Outlets in Cayman Brac and Little Cayman are not included in the CPI. 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 | 120 |
| 2. Alcohol & Tobacco | 16 |
| 3. Housing | 311 |
| 4. Clothing | 46 |
| 5. Household Equipment | 59 |
| 6. Transport & Communication | 169 |
| 7. Education & Medical | 65 |
| 8. Personal Goods & Services | 216 |

* Note that the weights displayed are rounded, note also that **aggregated weights = 1,000** when un-rounded figures are used.

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 2007 over the June 2006 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 2007 over the March 2007 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 |
| 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 | 1.9 | 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 | 142.3 | 0.0 | 11.4 |
| | June | 142.0 | -0.2 | 9.9 |
| | September | 142.9 | 0.6 | 8.6 |
| | December | 142.3 | -0.4 | 0.0 |
| 2006 | March | 141.1 | -0.9 | -0.9 |
| | June | 143.3 | 1.6 | 0.9 |
| | September | 144.9 | 1.1 | 1.4 |
| | December | 144.6 | -0.2 | 1.6 |
| 2007 | March | 147.3 | 1.9 | 4.4 |
| | June | 147.5 | 0.1 | 3.0 |

Table 2**CAYMAN ISLANDS CONSUMER PRICE INDEX
ANNUAL AVERAGES 1994 TO 2006
(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 | 6.8 |
| 2000 | 121.9 | 2.7 |
| 2001 | 123.3 | 1.1 |
| 2002 | 126.3 | 2.5 |
| 2003 | 127.1 | 0.6 |
| 2004 | 132.7 | 4.4 |
| 2005 | 142.4 | 7.3 |
| 2006 | 143.5 | 0.8 |

TABLE 3 : CONSUMER PRICE INDEX BY MAJOR GROUPS as of June 2007

| Major Group | Weight | Index | | | Percentage change | |
|--|---------------|--------------|--------------|--------------|-------------------|-------------|
| | | June-07 | Mar-07 | June-06 | 3 months ago | 1 year ago |
| | | | | | | |
| 01 Food | 119.6 | 142.6 | 139.9 | 133.1 | 2.0 | 7.2 |
| Bread and Cereal | 9.6 | 136.1 | 135.7 | 130.2 | 0.2 | 4.5 |
| Meat | 17.3 | 152.2 | 145.9 | 140.3 | 4.4 | 8.5 |
| Fish | 3.4 | 139.0 | 128.5 | 122.8 | 8.2 | 13.2 |
| Dairy Products and Eggs | 8.7 | 148.5 | 147.5 | 136.9 | 0.7 | 8.5 |
| Oils & Fats | 1.5 | 142.6 | 141.7 | 135.7 | 0.6 | 5.1 |
| Fruit and Vegetables | 11.7 | 141.0 | 144.1 | 136.5 | -2.1 | 3.3 |
| Drinks (non-alcoholic) | 11.7 | 134.0 | 128.9 | 121.9 | 3.9 | 9.9 |
| Sugar Products | 2.4 | 139.2 | 133.1 | 129.0 | 4.5 | 7.9 |
| Other Foods | 53.3 | 142.3 | 139.8 | 133.0 | 1.8 | 7.0 |
| 02 Alcohol and Tobacco | 15.7 | 137.2 | 135.9 | 132.7 | 1.0 | 3.4 |
| Alcoholic Drinks | 13.0 | 133.8 | 132.8 | 131.3 | 0.8 | 1.9 |
| Tobacco | 2.7 | 153.8 | 151.3 | 139.5 | 1.7 | 10.3 |
| 03 Housing | 310.8 | 140.9 | 144.3 | 141.0 | -2.3 | -0.1 |
| Rent, Maintenance, Insurance etc | 257.9 | 142.2 | 146.6 | 143.1 | -3.0 | -0.6 |
| Utilities | 52.9 | 134.8 | 133.3 | 131.1 | 1.1 | 2.8 |
| 04 Clothing | 46.1 | 111.5 | 109.0 | 109.2 | 2.3 | 2.1 |
| Men and Womens Clothing | 29.3 | 112.4 | 110.0 | 108.8 | 2.1 | 3.3 |
| Boys and Girls Clothing | 5.6 | 119.1 | 119.2 | 131.0 | -0.1 | -9.1 |
| Other Clothing | 1.9 | 86.6 | 90.8 | 87.1 | -4.6 | -0.5 |
| Footwear | 9.3 | 109.3 | 103.2 | 101.6 | 5.9 | 7.5 |
| 05 Household Equipment | 58.7 | 137.5 | 136.6 | 132.2 | 0.7 | 4.0 |
| Furniture and Floor Coverings | 22.4 | 151.4 | 136.2 | 124.1 | 11.1 | 22.0 |
| Household Appliances | 12.5 | 110.3 | 114.3 | 104.5 | -3.5 | 5.6 |
| Other Household Equipment | 23.8 | 138.8 | 148.6 | 154.4 | -6.6 | -10.2 |
| 06 Transport and Communications | 168.5 | 133.8 | 131.5 | 128.1 | 1.7 | 4.5 |
| Household Vehicles | 128.3 | 149.8 | 147.0 | 143.6 | 1.9 | 4.3 |
| Travel | 6.8 | 146.1 | 141.1 | 144.7 | 3.5 | 1.0 |
| Communications | 33.4 | 70.0 | 70.0 | 65.3 | 0.0 | 7.2 |
| 07 Education and Medical | 64.6 | 272.1 | 267.6 | 269.9 | 1.7 | 0.8 |
| Education | 24.9 | 397.9 | 393.1 | 393.9 | 1.2 | 1.0 |
| Medical Care | 39.7 | 193.2 | 188.9 | 192.0 | 2.3 | 0.6 |
| 08 Personal Goods and Services | 216.0 | 144.2 | 144.0 | 137.2 | 0.1 | 5.1 |
| Home Entertainment | 20.9 | 104.6 | 103.3 | 101.0 | 1.3 | 3.5 |
| Outside Entertainment | 0.8 | 172.4 | 172.4 | 172.4 | 0.0 | 0.0 |
| Culture, Pastimes, Hobbies | 29.9 | 126.7 | 122.9 | 124.1 | 3.1 | 2.1 |
| Holiday Expenses | 71.6 | 172.0 | 175.7 | 182.0 | -2.1 | -5.5 |
| Personal Services | 38.3 | 126.3 | 126.4 | 122.7 | 0.0 | 3.0 |
| Personal Goods | 15.6 | 135.7 | 124.5 | 112.4 | 9.0 | 20.7 |
| Domestic Services | 38.6 | 148.0 | 148.1 | 107.3 | -0.1 | 37.9 |
| Gifts and Subscriptions | 0.3 | 141.7 | 141.7 | 141.7 | 0.0 | 0.0 |
| ALL ITEMS | 1000.0 | 147.5 | 147.3 | 143.3 | 0.1 | 3.0 |

**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 GOOD & SERVICES. | ALL ITEMS |
|---------------------------|--------------|----------------------|--------------|--------------|------------------------|------------------------------|------------------------|------------------------------|---------------|
| WEIGHT | 119.6 | 15.7 | 310.8 | 46.1 | 58.7 | 168.5 | 64.6 | 216.1 | 1000.0 |
| 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 | 3.2 | 0.5 | -3.1 | -1.1 | 5.3 | 1.4 | 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 | 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 YEAR | 4.3 | 1.4 | 7.4 | -4.3 | 4.4 | 2.2 | 4.3 | 4.2 | 4.4 |
| 2005 | | | | | | | | | |
| MARCH | 130.1 | 127.3 | 150.3 | 106.1 | 134.3 | 126.1 | 258.4 | 126.4 | 142.3 |
| JUNE | 132.6 | 128.9 | 148.4 | 102.2 | 135.5 | 123.4 | 262.1 | 127.6 | 142.0 |
| SEPTEMBER | 131.7 | 133.0 | 149.6 | 101.5 | 133.1 | 123.6 | 265.7 | 129.8 | 142.9 |
| DECEMBER | 132.5 | 134.0 | 144.1 | 102.8 | 129.5 | 123.2 | 265.0 | 136.0 | 142.3 |
| ANNUAL AVERAGE | 131.7 | 130.8 | 148.1 | 103.1 | 133.1 | 124.1 | 262.8 | 129.9 | 142.4 |
| % CHANGE PREV YEAR | 2.7 | 5.2 | 18.6 | -2.3 | -2.2 | 5.1 | 3.0 | 2.6 | 7.3 |
| 2006 | | | | | | | | | |
| MARCH | 133.6 | 132.2 | 138.1 | 106.9 | 128.0 | 129.1 | 261.8 | 134.1 | 141.1 |
| JUNE | 133.1 | 132.7 | 141.0 | 109.2 | 132.2 | 128.1 | 269.9 | 137.2 | 143.3 |
| SEPTEMBER | 135.9 | 133.6 | 144.7 | 105.6 | 135.1 | 131.5 | 268.7 | 135.3 | 144.9 |
| DECEMBER | 138.4 | 134.6 | 143.8 | 111.4 | 136.8 | 131.1 | 267.5 | 132.8 | 144.6 |
| ANNUAL AVERAGE | 135.3 | 133.2 | 141.9 | 108.3 | 133.0 | 129.9 | 267.0 | 134.9 | 143.5 |
| % CHANGE PREV YEAR | 2.7 | 1.9 | -4.2 | 5.0 | -0.1 | 4.7 | 1.6 | 3.8 | 0.8 |
| 2007 | | | | | | | | | |
| MARCH | 139.9 | 135.9 | 144.3 | 109.0 | 136.6 | 131.5 | 267.6 | 144.0 | 147.3 |
| JUNE | 142.6 | 137.2 | 140.9 | 111.5 | 137.5 | 133.8 | 272.1 | 144.2 | 147.5 |
| % CHANGE PREV YEAR | 7.2 | 3.4 | -0.1 | 2.1 | 4.0 | 4.5 | 0.8 | 5.1 | 3.0 |
| % CHANGE PREV QTR | 2.0 | 1.0 | -2.3 | 2.3 | 0.7 | 1.7 | 1.7 | 0.1 | 0.1 |

**TABLE 5: CAYMAN ISLANDS: AVERAGE PRICES OF SELECTED FOOD ITEM
JUNE 2007**

| | ITEM | QUANTITY | AVERAGE PRICES (CI\$) | | |
|--------|--------------------------------|------------|-----------------------|----------|-----------|
| | | | June 2007 | Mar 2007 | June 2006 |
| 101-04 | Wholewheat bread (imported) | 1 lb. 4 oz | 2.16 | 2.14 | 2.06 |
| 107-01 | Long grain rice | 5 lb. | 6.58 | 6.58 | 6.58 |
| 108-12 | Cornflakes | 24 oz | 4.64 | 4.64 | 4.64 |
| 111-01 | Stew beef | 1 lb. | 3.66 | 3.69 | 3.46 |
| 114-01 | Bacon | 1 lb. | 6.64 | 6.44 | 5.98 |
| 125-02 | Snapper fillets (frozen) | 1 lb. | 6.85 | 7.02 | 6.13 |
| 127-05 | Canned Tuna in water | 6.5 oz | 1.37 | 1.12 | 1.46 |
| 130-02 | Eggs (Grade A Large) | 1 doz. | 1.98 | 2.06 | 1.31 |
| 131-02 | Anchor Butter | 1 lb | 2.96 | 2.96 | 3.58 |
| 133-05 | Fresh milk (McArthur) | 1 gal. | 5.49 | 5.22 | 5.06 |
| 135-09 | Evaporated milk | 14.5 oz | 1.10 | 1.08 | 1.09 |
| 139-19 | Shortening | 3 lb. | 5.14 | 5.09 | 5.01 |
| 141-01 | Plantains | 1 lb. | 0.83 | 0.79 | 0.69 |
| 142-07 | Idaho potatoes | 1 lb. | 0.69 | 0.62 | 0.76 |
| 147-11 | Lettuce | Head | 1.63 | 1.79 | 1.89 |
| 146-15 | Sweet potatoes | 1 lb. | 1.12 | 1.72 | 1.29 |
| 151-01 | Tomatoes | 1 lb. | 1.96 | 2.12 | 3.09 |
| 152-03 | Ripe bananas | 1 lb. | 0.62 | 0.68 | 0.72 |
| 153-01 | Apples (Golden Delicious) | 1 lb. | 1.99 | 1.89 | 1.36 |
| 155-11 | Oranges | each | 0.62 | 0.56 | 0.50 |
| 161-01 | Tea bags (Lipton) | 48 | 3.15 | 2.46 | 2.49 |
| 163-02 | Instant coffee (Maxwell House) | 8 oz. | 5.29 | 5.19 | 5.65 |
| 166-02 | Soda | 12 oz. can | 0.68 | 0.72 | 0.72 |
| 171-01 | White sugar | 2 kg. | 3.23 | 3.23 | 2.64 |
| 172-02 | Strawberry Preserves | 12 ozs | 2.81 | 2.78 | 2.99 |
| 181-02 | Canned vegetable soup | 10.5 oz | 1.61 | 1.39 | 1.30 |
| 182-04 | Corned beef hash | 15 oz | 2.49 | 2.52 | 2.49 |
| 186-16 | Salt | 8 oz | 0.74 | 0.74 | 0.73 |