



THE CAYMAN ISLANDS' CONSUMER PRICE REPORT: September 2010

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Consumer Price Index (CPI) decreased by 0.1 % in September 2010

The overall Consumer Price Index (CPI) stood at 98.7 in September 2010 which represents a decline of 0.1 percent in comparison to September 2009. The decline is mainly due to a downward movement in the average prices of housing rentals which offset the increase in utility prices and majority of the CPI divisions of goods and services.

Figure 1: Inflation Rates (March 2007- Sept 2010)
(% Change in CPI of Current Quarter over Same Quarter a Year Ago)



Annual changes

The CPI in the third quarter of 2010 compared to the third quarter of 2009 was due to the following:

- **Housing and utilities¹:** this price index, which accounts for approximately forty percent of the CPI basket, declined by 6.2 percent. This was primarily due to the downward movement in the average actual rentals for housing (-13.8%) and imputed rentals for owner-occupied housing² (-11.2%). These movements offset the increases in the average

¹ Also known as housing, water, electricity, gas and other fuels.

² Imputed rentals are based on actual rentals for the same type of housing of a sample of owner-occupied houses.

cost of electricity, gas and other fuels (24.1%), water supply and miscellaneous services (7.4%) and maintenance and repair of dwelling (5.5%).

- **Education:** the overall price index stood at **103.8**. This was **0.5** percent below the level in September 2009 due to decreases in the average school fees of pre-primary and primary (-0.6%) and secondary (-1.2%) education. There are no fees in government schools for Caymanians while the average fees for Non-Caymanians dropped compared to last year.

Meanwhile, the following major categories showed increases:

- **Alcohol and tobacco:** this price index soared by 11.1 percent, as prices of tobacco products rose on average by 39.3 percent as compared September 2009, while alcoholic beverages also registered an increase (6.2%).
- **Transport:** this price index increased by **7.4** percent mainly due to increases in the average cost of operation of personal transport equipment (9.8%) and transport services (4.2%).
- **Miscellaneous goods and services:** the upward movement of this price index by **5.3** percent resulted mainly from increases for the price of personal effects not elsewhere classified (34.3%) and other services not elsewhere classified (13.0%). This occurred amidst a decline in the average cost of financial services by 8.2 percent.
- **Restaurants and hotels:** this price index moved upwards by **3.5** percent, driven by an increase in the average cost of accommodation services (18.8%) coupled with an increase in cost for catering services (1.2%).
- **Food and non-alcoholic beverages:** the average price of this index increased by **2.9** percent resulting from a number of groups led by vegetables (16.4%) and fruits (7.3%). These were partially offset by price changes for fish and sea food (-9.9%), sugars, jam, honey, chocolate and confectionery (-1.5%) and bread and cereals (-1.0%).
- **Communication:** this division's average price rose by **2.9** percent mainly due to changes in prices for telephone and telefax services (3.3%). In contrast, the average cost of postal services declined by 36.9 percent.
- **Recreation and culture:** this price index moved up by **1.4** percent the quarter ending September 2010 compared to September 2009. Increases were recorded for audio-visual, photographic and information processing equipment (9.9%), other recreational items associated with gardens and pets (4.3%) and other major durables for recreation and culture (0.6%). On the other hand, there were decreases in the average cost of newspapers, books and stationery (-5.6%), and recreational and cultural services (-0.1%).

- **Household equipment and routine household maintenance:** this division index moved up by **0.9** percent, mainly due to increases in the average cost of household appliances (14.4%) and household textiles (4.9%). Meanwhile, the average cost of goods and services for routine household maintenance declined slightly by 0.4 percent.
- **Clothing and footwear:** this rose by **0.5** percent due to an increase in the average cost of footwear (5.9%) amidst a decrease by 0.4 percent in the price index for clothing.
- **Health:** the price index increased by **0.1** percent due to price changes for hospital services (6.2%) and medical products, appliances and equipment (2.6%), amidst a 1.2-percent price decline for out-patient services.

Quarterly changes

The September 2010 CPI decreased by **1.1** percent compared to the June 2010 CPI as a result of decreases in the price indices of the following major categories:

- **Housing and utilities:** this price index declined by **4.2** percent due to the movement in imputed (owner occupied) rentals (-7.6%) and actual rental for housing (-4.2%). On the other hand, there were increases in the average cost of electricity, gas and other fuels (4.8%), water supply and miscellaneous services (3.1%) and maintenance and repair of dwelling (2.4%).
- **Clothing and footwear:** This index stood at **100.8**, a decrease of **1.3** percent compared to June 2010.
- **Food and non-alcoholic beverages:** the average price of this index decreased by **1.2** percent resulting from a number of groups led by vegetables (-11.1%), milk, cheese and eggs (-2.6%) and fish and seafood (-2.2%). Meanwhile, there were increases in the average cost of several groups led by meat and meat products (2.0%), fruits (1.9%) and sugars, jam, honey, chocolate and confectionery (1.1%).
- **Household equipment and routine household maintenance:** this division index decreased by **1.0** percent, mainly due to glassware, table and household utensils (-15.4%) and tools and equipment for house and garden (-9.2%).
- **Education:** the overall price index stood at **103.8**, 0.6 percent lower compared to June 2010, mainly due to a decline in tertiary education fees by 2.6 percent.
- **Restaurants and hotels:** this price index fell marginally by **0.2** percent, as the average cost of catering services fell by 0.3 percent.

Meanwhile, the indices for the following divisions increased in September 2010 compared to June 2010:

- **Transport:** this index experienced a net increase of 3.2 percent arising from price movements in the operation of personal transport equipment (3.9%) and transport services (2.5%). Meanwhile, the average purchase cost of vehicles fell slightly by 0.1 percent.
- **Recreation and culture:** this rose by 2.5 percent as prices increases were registered for recreational items associated with garden and pets (4.7%) and recreational and cultural services (3.6%). On the other hand, price decreases were recorded for newspapers, books and stationery (-2.8%) and audio-visual, photographic and information processing equipment (-1.3%).
- **Miscellaneous goods and services:** this index went up by 2.1 percent which resulted mainly from price movements for personal effects (14.2%) and insurance (1.4%)³.
- **Alcohol and tobacco:** the price index went up by 0.3 percent as alcoholic beverages registered an increase of 0.4 percent while tobacco prices were stable.
- **Communication:** this price index rose by 0.2 percent mainly due to telephone and telefax services (0.2%). Meanwhile, the average cost of telephone and telefax equipment decreased by 6.9 percent.
- **Health:** the price index moved up slightly (0.1%) due to medical products, appliances and equipment (0.5%).

³ The insurance index comprises of life, housing, health and vehicle.

NOTES ON THE CPI COMPILATION

Data collection

1. This report uses the new CPI basket for the Cayman Islands which was developed based on the results of the 2007 Survey of Living Conditions/Household Budget Survey (HBS) as updated in June 2008. (ESO ceased the measurement of CPI using the 1994 CPI basket as of September 2009). The goods and services in the new basket are classified into twelve (12) divisions using the United Nations’ Classification of Individual Consumption According to Purpose (COICOP). In all, there are 1,393 items (7th-digit COICOP level) included in the 2008-based CPI basket collected from 147 providers/outlets in Grand Cayman, classified as follows:

Number of Items in the 2008 CPI Basket

Division		
1	Food and non-alcoholic beverages	477
2	Alcoholic beverages and tobacco	5
3	Clothing and footwear	137
4	Housing, utilities and fuels	6
5	Furnishings, household equipment and routine household maintenance.	191
6	Health	4
7	Transport	7
8	Communication	4
9	Recreation and Culture	6
1	Education	1
1	Restaurants and hotels	130
1	Miscellaneous goods and services	9
Total		1,393

2. ESO also adopted new collection periods and price averaging methodologies in accordance with updated international standards and as advised by the Caribbean Technical Assistance Centre (CARTAC). Beginning in the fourth quarter of 2009, price data for all items are now collected every second month of the quarter (whereas they were previously collected every third month). Prices of selected items that are vulnerable to monthly changes such as vegetables and fruits, fish and meat, and gas are now also collected on a monthly basis. Prices across outlets are averaged using the geometric mean formula to reduce the impact of extreme or outlier prices (please see below).

CPI formula

3. The CPI is computed using Lowe’s formula. The Lowe indices is one of the widest and popular class of price indices which is obtained by defining the index as the percentage change, between the periods compared, in the total cost of purchasing a given set of quantities, generally described as a “basket”.⁴ The Lowe index, PL_o , is defined as follows⁵:

⁴ International Labor Organization, Consumer Price Index Manual (2004)

$$P_{Lo} = \frac{\sum_{i=1}^n p_i^t q_i}{\sum_{i=1}^n p_i^0 q_i}$$

Where n = number of products in the basket with prices p_i and quantities q_i
 0 = base period
 t = later period being compared

Geometric mean

The price $p = [p_1, p_2, \dots, p_n]$ for each item from different outlets is the average of prices of the outlets using geometric mean or the formula:

$$p = \left(\prod_{i=1}^n p_i \right)^{1/n} = \sqrt[n]{p_1, p_2, \dots, p_n}$$

Definition of common terms

4. **Inflation:** this 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.
5. **Annual Inflation Rate:** the percentage change of the CPI in the quarter under review over the CPI of the same quarter a year ago. This is also known as **year-on-year inflation rate**.
6. **Quarterly Inflation Rate:** the percentage change of the CPI in the quarter under review over the immediate previous quarter. This is also known as **quarter-on-quarter inflation rate**.

⁵ Ibid , p.3

Table 1: Quarterly Consumer Price Index and Inflation Rates
JUNE 2008 = 100

Year	Quarter Ending	INDEX	Percentage change in CPI:	
			3 months ago	1 year ago
2001	March	80.3	0.5	1.8
	June	80.5	0.2	1.8
	September	79.9	-0.7	0.3
	December	80.5	0.8	0.8
2002	March	82.0	1.9	2.1
	June	82.0	0.0	1.9
	September	82.3	0.4	3.0
	December	82.9	0.7	3.0
2003	March	82.2	-0.8	0.2
	June	82.5	0.4	0.6
	September	82.9	0.5	0.7
	December	83.4	0.6	0.6
2004	March	83.2	-0.2	1.2
	June	84.2	1.2	2.1
	September	85.7	1.8	3.4
	December	92.7	8.2	11.2
2005	March	92.7	0.0	11.4
	June	92.5	-0.2	9.9
	September	93.1	0.6	8.6
	December	92.7	-0.4	0.0
2006	March	91.9	-0.9	-0.9
	June	93.3	1.5	0.9
	September	94.4	1.2	1.4
	December	94.2	-0.2	1.6
2007	March	95.9	1.8	4.4
	June	96.3	0.4	3.2
	September	96.7	0.4	2.4
	December	95.8	-0.9	1.7
2008	March	99.2	3.5	3.4
	June	100.0	0.8	3.8
	September	101.8	1.8	5.3
	December	99.5	-2.3	3.9
2009	March	98.8	-0.7	-0.4
	June	98.7	-0.1	-1.3
	September	98.9	0.2	-2.9
	December	98.9	0.0	-0.6
2010	March	99.3	0.4	0.5
	June	99.9	0.5	1.2
	September	98.7	-1.1	-0.1

Table 2
CAYMAN ISLANDS CONSUMER PRICE INDEX
ANNUAL AVERAGES 1995 TO 2009
(June 2008 = 100)

YEAR	INDEX	Percentage change from a year ago
1995	66.7	
1996	68.4	2.5
1997	70.3	2.7
1998	72.4	3.0
1999	77.3	6.9
2000	79.4	2.7
2001	80.3	1.1
2002	82.3	2.5
2003	82.8	0.5
2004	86.5	4.5
2005	92.8	7.3
2006	93.5	0.8
2007	96.2	2.9
2008	100.1	4.1
2009	98.8	-1.3

TABLE 3: CONSUMER PRICE INDICES AND INFLATION BY DIVISIONS AND GROUPS - THIRD QUARTER 2010

Major Group	Weigh	Inde			Percentage Change	
		Sept-10	Jun-	Sept-09	3 months ag	1 year ago
All Divisions - All items	1000.0	98.7	99.8	98.9	-1.1	-0.1
0 Food & Non Alcoholic Beverage	79.6	109.0	110.3	105.9	-1.2	2.9
Bread & cereals	9.9	107.8	108.3	108.9	-0.4	-1.0
Meat & meat products	10.4	111.9	109.7	106.7	2.0	4.9
Fish & seafood	4.2	101.7	104.0	112.8	-2.2	-9.9
Milk, cheese & egg	8.3	104.2	107.0	104.0	-2.6	0.2
Oils & fats	2.0	99.9	99.9	99.0	0.0	0.8
Fruiti	6.7	128.3	126.0	119.6	1.9	7.3
Vegetables	8.6	116.6	131.1	100.1	-11.1	16.4
Sugars, jam, honey, chocolate & confectionery	5.5	106.2	105.1	107.9	1.1	-1.5
Food products n.e.c.	5.6	104.4	103.9	103.8	0.5	0.6
Coffee, tea & cocoa	1.6	100.7	101.5	101.5	-0.8	-0.8
Mineral water, soft drinks, fruit & vegetable juices	16.9	104.7	104.0	101.7	0.6	3.0
0 Alcohol and Tobacco	6.5	115.6	115.3	104.1	0.3	11.1
Alcohol	5.6	108.5	108.1	102.2	0.4	6.2
Tobacco	0.9	161.9	161.9	116.2	0.0	39.3
0 Housing and Utilities	394.4	89.1	93.1	95.0	-4.2	-6.2
Actual rentals for housing	78.7	78.7	82.2	91.4	-4.2	-13.8
Imputed rentals for housing	223.4	87.9	95.1	98.9	-7.6	-11.2
Maintenance and repair of dwelling	28.5	110.8	108.2	105.0	2.4	5.5
Water supply and miscellaneous services	16.4	99.0	96.1	92.2	3.1	7.4
Electricity, gas and other fuels	47.3	95.9	91.5	77.3	4.8	24.1
0 Clothing and Footwear	34.3	100.8	102.1	100.2	-1.3	0.5
Clothing	29.5	99.1	100.9	99.5	-1.8	-0.4
Footwear	4.8	111.1	109.0	104.9	1.9	5.9
0 Household Equipment and routine household maintenance	56.4	101.9	102.9	101.0	-1.0	0.9
Furniture and furnishings	5.7	102.6	101.7	100.5	0.9	2.1
Household textiles	1.1	103.6	104.0	98.7	-0.4	4.9
Household appliances	2.8	115.0	115.8	100.5	-0.7	14.4
Glassware, tableware and household utensils	2.8	105.7	124.9	104.2	-15.4	1.5
Tools and equipment for house and garden	1.5	91.5	100.7	88.5	-9.2	3.3
Goods and services for routine household maintenance	42.4	101.0	100.8	101.4	0.2	-0.4
0 Health	24.2	97.8	97.7	97.7	0.1	0.1
Medical products, appliances and equipment	5.0	106.8	106.3	104.1	0.5	2.6
Outpatient services	17.9	94.6	94.6	95.8	0.0	-1.2
Hospital services	1.4	106.5	106.5	100.2	0.0	6.2
0 Transport	96.1	100.5	97.4	93.6	3.2	7.4
Purchase of vehicles	6.1	103.0	103.1	101.4	-0.1	1.6
Operations of personal transport equipment	57.4	102.3	98.5	93.2	3.9	9.8
Transport services	32.6	96.7	94.3	92.8	2.5	4.2
0 Communication	69.7	102.9	102.7	100.0	0.2	2.9
Postal services	0.5	94.8	94.8	150.3	0.0	-36.9
Telephone & telefax equipment	0.3	93.1	100.0	93.1	-6.9	0.0
Telephone & telefax services	68.9	103.0	102.8	99.7	0.2	3.3
0 Recreation and Culture	40.5	101.2	98.7	99.8	2.5	1.4
Audio-visual, photographic and information processing equipment	4.2	91.1	92.3	82.9	-1.3	9.9
Other major durables for recreation and culture	3.4	99.5	98.1	99.0	1.4	0.6
Other recreational items and equipment, gardens and pets	10.5	110.5	105.5	106.0	4.7	4.3
Recreational & cultural services	17.6	100.5	97.0	100.7	3.6	-0.1
Newspapers, books and stationery	4.8	93.4	96.0	98.9	-2.8	-5.6
1 Education	27.9	103.8	104.4	104.3	-0.6	-0.5
Pre-primary and primary education	16.1	105.1	104.7	105.8	0.4	-0.6
Secondary education	2.4	110.1	109.3	111.5	0.7	-1.2
Tertiary education	9.4	100.0	102.6	100.0	-2.6	0.0
1 Restaurants and Hotels	40.2	113.4	113.6	109.6	-0.2	3.5
Catering Services	33.8	115.2	115.6	113.8	-0.3	1.2
Accommodation Services	6.4	104.0	103.5	87.5	0.4	18.8
1 Miscellaneous Goods and Services	130.2	109.1	106.9	103.6	2.1	5.3
Personal care	26.5	106.2	105.3	104.5	0.8	1.6
Personal effects n.e.c.	7.7	151.4	132.5	112.7	14.2	34.3
Social protection	8.4	100.0	100.0	100.0	0.0	0.0
Insurance	74.8	106.7	105.2	103.7	1.4	2.9
Financial services n.e.c.	0.5	91.8	91.8	100.0	0.0	-8.2
Other services n.e.c.	12.2	110.5	109.2	97.8	1.2	13.0