

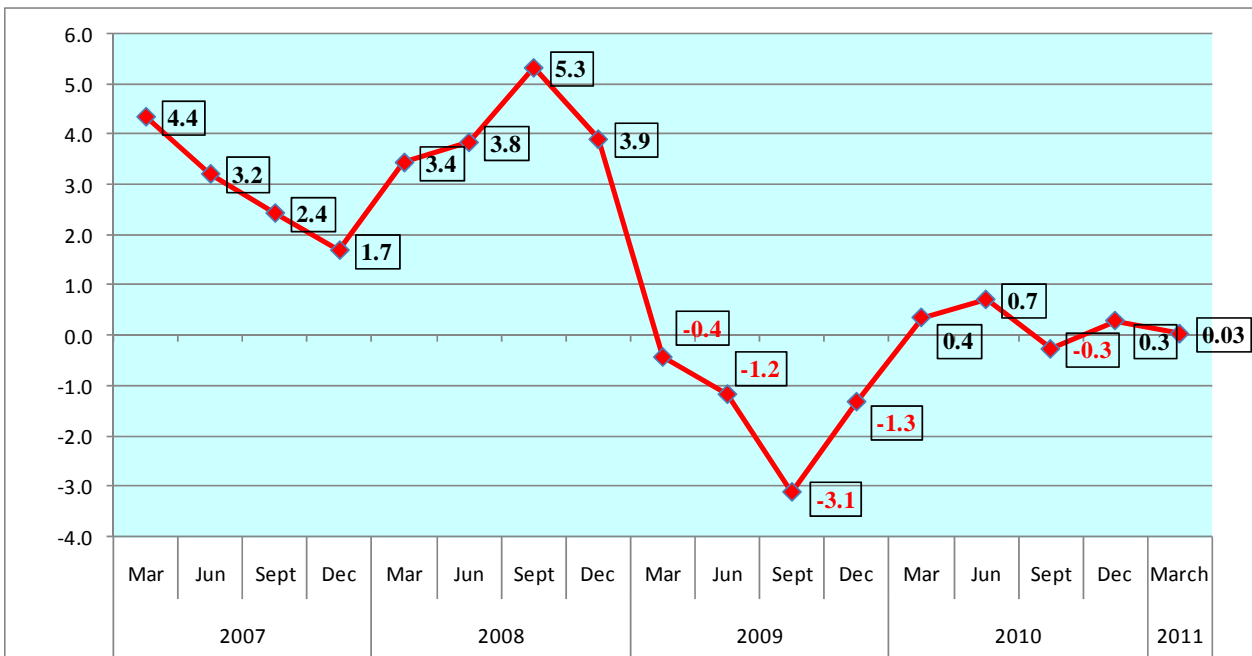


THE CAYMAN ISLANDS' CONSUMER PRICE REPORT: FIRST QUARTER 2011 (Date of release: May 6, 2011)

Consumer Price Index (CPI) increased by 0.03 % in March 2011 Compared to March 2010

The overall Consumer Price Index (CPI) stood at 99.2 in March 2011 which represents a marginal increase of 0.03 percent in comparison to March 2010. The low inflation rate is traced primarily to the continued decline in housing rentals which offset the rising cost of fuel and electricity.

Figure 1: Inflation: March 2007- March 2011
(% Change in CPI of Current Quarter Over Same Quarter A Year Ago)



Annual changes: March 2011 compared to March 2010

The marginal increase in CPI in the first quarter of 2011 compared to the first quarter of 2010 was due to the following:

- **Transportation:** this price index increased by 9.3 percent due to an increase in the average cost of operations of personal transport equipment (12.6%), mainly associated

with fuel prices which rose 25.8 percent. Transport services also recorded price increases by an average of 6.1 percent.

- **Miscellaneous goods and services:** the upward movement of this price index by 2.9 percent resulted primarily from increases for other services not elsewhere classified (9.2%). Meanwhile the bigger component of this division (insurance) moved up by 2.8 percent.
- **Food and non-alcoholic beverages:** the average price of this index increased by 2.7 percent resulting from increases in a number of groups, led by meat and meat products (6.8%), fish and seafood (6.0%) and vegetables (4.8%). These were partially offset by a decline in the average fruit prices (4.4%).
- **Education:** the overall price index stood at 105.4. This was 1.8 percent above the level in March 2010 due to increases in the average cost of pre-primary and primary education (2.8%) and secondary education (1.7%).
- **Household equipment:** this division's index moved up by 1.6 percent, mainly due to an increase in the average cost of non-electric kitchen equipment (24.2%) which pushed the price index for glassware, table and household utensils (17.7%). In addition, increases were also recorded for household appliances (6.2%), household textiles (6.2%) and furniture and furnishing (4.7%).
- **Recreation and culture:** this price index moved up by 1.4 percent, due to increases in recreational and cultural services (3.9%), other durables for recreation and culture (2.3%) and recreational items (1.8%).
- **Restaurants and hotels:** this price index moved upwards by 1.0 percent, driven by a 3.4 percent increase for catering services.
- **Health:** the price index increased by 0.5 percent due to changes in the prices of medical products, appliances and equipment (3.7%), amidst a 0.5-percent decrease in the cost of outpatient services and stable prices for hospital services.
- **Clothing and footwear:** this rose by 0.4 percent due to a 7.0 percent increase in the average cost of footwear while clothing posted a decline (-0.7%).
- **Alcohol and tobacco:** this price index rose by 0.4 percent, as the average price of tobacco products moved up by 1.0 percent, coupled with a mild increase in the average cost of alcoholic beverages (0.3%).

Meanwhile, the following major categories showed declines:

- **Housing and utilities:** this price index, which accounts for approximately forty percent of the CPI basket, declined by 4.6 percent due to the downward movement in imputed rentals for owner-occupied housing¹ (-11.1%) and actual rentals for housing (-4.3%). Meanwhile a significant increase was recorded for the average cost of electricity, gas and other fuels (14.8%) followed by maintenance and repair of dwelling (8.3%) and water supply and miscellaneous services (4.4%).
- **Communication:** this division's average price declined by 0.7 percent mainly due to a reduction in the prices for telephone and telefax equipment (-19.1%).

Quarterly changes: March 2011 compared to December 2010

The March 2011 CPI increased by 0.7 percent compared to the December 2010 CPI as a result of increases in the price indices of the following major categories:

- **Restaurants and hotels:** this price index moved up by 3.7 percent, driven mainly by a 25.3 percent decrease in the average cost of accommodation services.
- **Transportation:** this price index experienced a net increase of 3.2 percent due to increases in the average cost of operations of personal transport equipment (3.5%) associated with fuel price increases and transport services (3.3%).
- **Food and non-alcoholic beverages:** the average price of this index increased 1.7 percent as all groups moved up, led by fish and seafood (6.7%) and vegetables (4.0%).
- **Household equipment:** this division index increased by 0.8 percent, mainly due to the cost of glassware, table and household utensils (12.8%), household textiles (3.4%) and furniture and furnishings (2.4%).
- **Miscellaneous goods and services:** this price index went up by 0.2 percent which resulted mainly from services not elsewhere classified (4.5%). Meanwhile, the price index for financial service was stable while insurance posted a slight decline (-0.3%).
- **Health:** the price index inched up by 0.1 percent due to marginal changes in prices of medical products, appliances and equipment (0.3%).

The following four divisions showed no changes in the average prices between December 2010 and March 2011: alcoholic beverages and tobacco, housing and utilities, communication and education.

¹ Imputed rentals are based on actual rentals for the same type of housing of a sample of owner-occupied houses.

Although the **housing and utilities** index was stable, increases were recorded for electricity, gas and other fuels (3.2%), actual housing rentals (3%), and water supply and miscellaneous services (2.1%). However, these increases were offset by reductions in imputed rentals for housing (1.8%) and maintenance and repair of dwelling (1.1%).

Meanwhile, the following divisions declined in March 2011 compared to December 2010:

- **Clothing and footwear:** This index stood at 100.2, as both components slid by an average of 0.9 percent.
- **Recreation and culture:** this price index inched down by 0.3 percent in March 2011 compared to December 2010, due mainly to a 3.7-percent decrease in the average cost of newspapers, books and stationery and a 1.2-percent decline in the average cost of audio-visual, photographic and information processing equipment. However, there was an increase in the average cost of other major durables for recreation and culture (1.4%) and recreational and cultural services (0.5%).

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	-0.8	-0.4
	June	98.8	0.1	-1.2
	September	98.7	-0.2	-3.1
	December	98.2	-0.5	-1.3
2010	March	99.1	0.9	0.4
	June	99.5	0.4	0.7
	September	98.4	-1.1	-0.3
	December	98.5	0.1	0.3
2011	March	99.2	0.7	0.03

Table 2
CAYMAN ISLANDS CONSUMER PRICE INDEX
ANNUAL AVERAGES 1995 TO 2010
(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	98.6	-1.5
2010	98.9	0.3

TABLE 3: CONSUMER PRICE INDICES AND INFLATION BY DIVISIONS AND GROUPS - FIRST QUARTER 2011

Major Group	Weight	Index			Percentage Change	
		Mar-11	Dec-10	March-10	3 months Ago	1 year ago
All Divisions - All items	1000.0	99.2	98.5	99.1	0.7	0.03
01 Food & Non Alcoholic Beverage	79.6	110.4	108.6	107.5	1.7	2.7
Bread & cereals	9.9	108.8	108.2	108.5	0.6	0.3
Meat & meat products	10.4	112.9	110.7	105.6	2.0	6.8
Fish & seafood	4.2	108.6	101.8	102.4	6.7	6.0
Milk, cheese & egg	8.3	107.5	106.8	106.9	0.6	0.6
Oils & fats	2.0	100.1	99.1	99.2	0.9	0.8
Fruit	6.7	117.8	114.9	123.2	2.5	-4.4
Vegetables	8.6	120.9	116.3	115.4	4.0	4.8
Sugars, jam, honey, chocolate & confectionery	5.5	110.4	110.0	108.5	0.4	1.8
Food products n.e.c.	5.6	106.9	104.9	103.8	1.9	2.9
Coffee, tea & cocoa	1.6	101.6	99.9	101.1	1.7	0.5
Mineral water, soft drinks, fruit & vegetable juices	16.9	106.7	106.5	101.8	0.2	4.8
02 Alcohol and Tobacco	6.5	115.0	115.1	114.5	0.0	0.4
Alcohol	5.6	107.5	107.6	107.2	0.0	0.3
Tobacco	0.9	163.5	163.5	161.9	0.0	1.0
03 Clothing and Footwear	34.3	100.2	101.1	99.8	-0.9	0.4
Clothing	29.5	98.9	99.7	99.6	-0.7	-0.7
Footwear	4.8	108.2	109.8	101.1	-1.5	7.0
04 Housing and Utilities	394.4	89.2	89.2	93.5	0.0	-4.6
Actual rentals for housing	78.7	81.1	78.7	84.8	3.0	-4.3
Imputed rentals for housing	223.4	84.6	86.2	95.1	-1.8	-11.1
Maintenance and repair of dwelling	28.5	113.5	114.7	104.8	-1.1	8.3
Water supply and miscellaneous services	16.4	104.3	102.1	99.9	2.1	4.4
Electricity, gas and other fuels	47.3	104.6	101.4	91.1	3.2	14.8
05 Household Equipment	56.4	102.5	101.7	100.8	0.8	1.6
Furniture and furnishings	5.7	105.1	102.6	100.3	2.4	4.7
Household textiles	1.1	107.4	103.9	101.2	3.4	6.2
Household appliances	2.8	106.8	105.7	100.6	1.1	6.2
Glassware, tableware and household utensils	2.8	119.2	105.7	101.3	12.8	17.7
Tools and equipment for house and garden	1.5	91.5	91.2	90.4	0.3	1.2
Goods and services for routine household maintenance	42.4	101.0	101.4	101.2	-0.4	-0.2
06 Health	24.2	97.9	97.8	97.4	0.1	0.5
Medical products, appliances and equipment	5.0	108.6	108.3	104.7	0.3	3.7
Outpatient services	17.9	94.2	94.2	94.6	0.0	-0.5
Hospital services	1.4	106.5	106.5	106.5	0.0	0.0
07 Transport	96.1	105.0	101.8	96.1	3.2	9.3
Purchase of vehicles	6.1	102.3	102.3	105.9	0.0	-3.5
Operations of personal transport equipment	57.4	107.0	103.4	95.0	3.5	12.6
Transport services	32.6	102.1	98.8	96.2	3.3	6.1
08 Communication	69.7	102.1	102.1	102.8	0.0	-0.7
Postal services	0.5	92.7	92.9	93.2	-0.2	-0.6
Telephone & telefax equipment	0.3	93.1	93.1	115.1	0.0	-19.1
Telephone & telefax services	68.9	102.2	102.2	102.8	0.0	-0.6
09 Recreation and Culture	40.5	99.5	99.7	98.1	-0.3	1.4
Audio-visual, photographic and information processing equipment	4.2	79.2	80.2	83.0	-1.2	-4.5
Other major durables for recreation and culture	3.4	100.9	99.5	98.6	1.4	2.3
Other recreational items and equipment, gardens and pets	10.5	110.3	110.5	108.3	-0.2	1.8
Recreational & cultural services	17.6	100.2	99.8	96.4	0.5	3.9
Newspapers, books and stationery	4.8	89.9	93.4	94.9	-3.7	-5.3
10 Education	27.9	105.4	105.4	103.5	0.0	1.8
Pre-primary and primary education	16.1	107.7	107.7	104.7	0.0	2.8
Secondary education	2.4	111.2	111.2	109.3	0.0	1.7
Tertiary education	9.4	100.0	100.0	100.0	0.0	0.0
11 Restaurants and Hotels	40.2	117.5	113.3	116.4	3.7	1.0
Catering Services	33.8	118.0	117.3	114.2	0.6	3.4
Accommodation Services	6.4	115.1	91.8	128.5	25.3	-10.4
12 Miscellaneous Goods and Services	130.2	107.2	107.0	104.1	0.2	2.9
Personal care	26.5	106.4	107.0	106.3	-0.6	0.1
Personal effects n.e.c.	7.7	105.5	105.3	101.5	0.2	3.9
Social protection	8.4	103.2	103.2	100.0	0.0	3.2
Insurance	74.8	106.8	107.1	103.9	-0.3	2.8
Financial services n.e.c.	0.5	91.8	91.8	91.8	0.0	0.0
Other services n.e.c.	12.2	115.5	110.5	105.7	4.5	9.2

TABLE 4: CONSUMER PRICE INDICES BY DIVISIONS, 2009 TO 2011

PERIOD / DIVISION	Food & Non-alcoholic beverages	Alcoholic Beverages & Tobacco	Clothing & Footwear	Housing and Utilities	Household Equipment	Health	Transport	Communication	Recreation & Culture	Education	Restaurants & Hotels	Miscellaneous Goods & Services	ALL ITEMS
WEIGHT	79.6	6.5	34.3	394.4	56.4	24.2	96.1	69.7	40.5	27.9	40.2	130.2	1000
2009													
MARCH	105.9	104.4	102.4	96.2	101.8	95.6	89.3	98.4	98.3	101.8	108.8	104.1	98.8
JUNE	106.9	104.6	102.4	95.2	101.6	96.3	90.8	101.6	98.5	102.0	107.1	104.3	98.8
SEPTEMBER	105.6	104.1	100.3	94.9	100.9	97.2	92.7	99.5	97.6	103.5	109.7	104.5	98.7
DECEMBER	105.1	104.7	99.9	93.8	100.5	97.1	93.2	102.7	96.7	103.5	109.2	103.1	98.2
ANNUAL AVERAGE 2009	105.9	104.5	101.2	95.0	101.2	96.6	91.5	100.5	97.7	102.7	108.7	104.0	98.6
2010													
MARCH	107.5	114.5	99.8	93.5	100.8	97.4	96.1	102.8	98.1	103.5	116.4	104.1	99.1
JUNE	110.6	103.5	102.1	93.1	102.9	97.7	97.4	102.7	97.5	103.5	113.6	105.0	99.5
SEPTEMBER	109.3	115.6	101.1	89.1	101.8	97.8	100.5	102.9	100.1	105.4	113.4	106.4	98.4
DECEMBER	108.6	115.1	101.1	89.2	101.7	97.8	101.8	102.1	99.7	105.4	113.3	107.0	98.5
ANNUAL AVERAGE 2010	109.0	112.2	101.0	91.2	101.8	97.7	98.9	102.6	98.9	104.5	114.2	105.6	98.9
2011													
MARCH	110.4	115.0	100.2	89.2	102.5	97.9	105.0	102.1	99.5	105.4	117.5	107.2	99.2
% CHANGE PREV YEAR	2.7	0.4	0.4	-4.6	1.6	0.5	9.3	-0.7	1.4	1.8	1.0	2.9	0.03
% CHANGE PREV QTR	1.7	0.0	-0.9	0.0	0.8	0.1	3.2	0.0	-0.3	0.0	3.7	0.2	0.7

NOTES ON THE INDEX COMPILATION

1. Data collection

This report uses the 2008 CPI basket based on the results of the 2007 Survey of Living Conditions/Household Budget Survey (HBS) as updated in June 2008. The goods and services in the 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 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	47
2	Alcoholic beverages and tobacco	5
3	Clothing and footwear	13
4	Housing, utilities and	6
5	Furnishings household equipment and routine household	19
6	Health	4
7	Transport	7
8	Communication	4
9	Recreation and	6
1	Education	1
1	Restaurants and	13
1	Miscellaneous goods and services	9
Total		1,393

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 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).

2. CPI formula

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”.² The Lowe index, PLo, is defined as follows³:

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

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 = [p₁, p₂, . . . , p_n] for each item from different outlets is the average of prices of the outlets using geometric mean or the formula:

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

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.

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**.

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**.

² ILO (2004, p. 2). Consumer price index manual

³ Ibid, p.3