



CAYMAN ECONOMIC REPORT: 2006 ANNUAL INFLATION (Date: March 15, 2007)

Consumer Price Index (CPI) Increased by 0.7 % in 2006

This report is a consolidated report of the average CPI in 2006 and the December 2006 CPI.

Average CPI in 2006

The average Consumer Price Index (CPI) in 2006 stood at 143.0, increasing by 0.7% from the average CPI in 2005. Underlying this increase were the average price increases of the following major categories of goods and services:

- Transportation and communication by 4.8%;
- Clothing by 5.0%;
- Food by 2.7%;
- Personal goods and services by 3.1%;
- Education and medical by 2.1%; and
- Alcohol and tobacco by 1.9%.

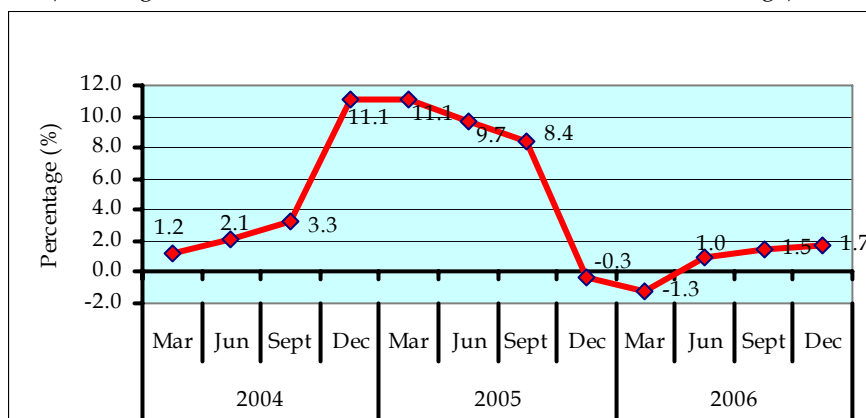
The increases from the above items were offset by average price declines for the following major categories:

- Housing by 4.2%; and
- Household equipment by 0.1%.

The 0.7% average inflation in 2006 was generated amidst a gradual increase throughout 2006: from -1.6% in March 2006, the inflation rate rose to 1.0% in June, 1.5% in September and 1.7% in December. The inflation rates for the first three periods are, however, lower than those recorded in 2005. The exception is the December 2006 inflation rate which represents an increase compared to -0.3% inflation rate recorded in December 2005.

Figure 1: Inflation Rates

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



December 2006 Consumer Price Index

Annual changes. The CPI stood at 144.4 in December 2006, up by 1.7 percent in comparison to December 2005. The upward movement was due to the following:

- **Clothing:** the clothing price index increased by 8.4% caused mainly by higher average price of men's and women's clothing by 19.5%.
- **Transportation and communication:** this price index rose by 6.5% as prices of household vehicles grew by 8.6% even as average taxi fares and car rental rates went down by 7.1%. As well, the average price for communication services fell by 3.9% despite an 87.5%-increase in the price of postage.
- **Household equipment:** this price index moved up by 5.6%, primarily due to increases in the average price of household appliances by 13.9% and furniture and floor coverings by 10.5%. On the other hand, average prices of other household equipment declined by 0.9%.
- **Food:** the price index for food items increased by 4.5%. All groups in this category showed increases except for sugar products which fell by 4.9%. The increase was led by fruits and vegetables (20.8%) and fish (16.3%).
- **Education and Medical:** this index rose by 1.6% which originated mainly from a 2.3%-increase in the average price of educational services and goods.
- **Alcohol and tobacco:** this increased marginally by 0.4%.

On the other hand, the following categories basket posted declines in December 2006 compared to December 2005:

- **Personal goods and services:** this price index fell moderately by 2.3%, emanating mainly from a 15.0%-decrease for gifts and subscriptions and an 8.4%-decline for holiday-related prices. However, there were increases posted for average prices of home entertainment (9.3%), personal goods (7.2%) and domestic services (4.3%).
- **Housing:** the overall housing price index, which accounts for 1/3 of the entire CPI basket, settled at 143.8. This is 0.2% below the level in December 2005 on account mainly of falls in the average price for water and sewage (4.4%) and electricity (4.3%). On the other hand, the average price for house improvement rose by 8.3%.

Quarterly changes. The CPI in December 2006 decreased by 0.2% compared to the CPI in September 2006, which can be traced to the following major categories:

- **Personal goods and services:** This indexed fell by 1.9% mainly due to declines in holiday-related expenses (4.3%); culture, pastimes and hobbies (3.6); and personal services (0.7%).
- **Housing:** the index of this category dipped to 143.8 compared to 144.7 for the previous quarter, representing a decrease of 0.6%. This was caused mainly by payments for electricity which went

down by 2.8% and the category “repairs, maintenance and insurance,” which declined on average by 2.4% and “rent and mortgage payments” which fell by an average of 1.6% compared to the previous quarter.

- **Education and medical services:** average prices for this basket fell by 0.4% on account of a 1.5% decrease in the average price of medical care.
- **Transport and communication:** this price index fell by 0.3% in December 2006 compared to September 2006, as the average price of household vehicles and travel decreased by 0.3% and 0.1% respectively. The decrease in household vehicles emanated from decreases in the average price of maintenance and running of motor vehicles (1.7%) and the average price for purchases and other maintenance cost (4.3%) during the period. Similarly, the decrease in the average travel cost resulted from a 0.6% fall in average taxi fares and rental cost of cars.

The following major categories increased in December 2006 compared to December 2005:

- **Clothing:** this index moved up by 5.5% which emanated from increases in men and women clothing (8.7%) and footwear (1.6%), while decrease for boys’ and girls clothing (2.0%) and other clothing (0.1%) were recorded.
- **Food:** the average price of food items increased by 1.9% due to price increases for all food groups except for sugar products which fell by 7.4% and oils and fats which also fell by 2.1%. The prices increases ranged from 0.8% (meat) to 6.3% (fish).
- **Household equipment:** the price index went up by 1.2% as a result of increases in all three minor groups in this category: other household equipment (1.8%), household appliances (1.5%) and furniture and floor coverings (0.4%).
- **Alcohol and tobacco:** the index increased moderately by 0.7%.

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 December 2006 over the December 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 December 2006 over the September 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	140.1	-1.3	-1.3
	June	143.0	2.1	1.0
	September	144.7	1.1	1.5
	December	144.4	-0.2	1.7

Table 2: Consumer Price Index

Annual Averages
 (SEPTEMBER 1994 = 100)

YEAR	INDEX	Percentage change from a year ago
1994 *	100.0	
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	2.4
2003	127.1	0.6
2004	132.7	4.4
2005	142.0	7.0
2006	143.0	0.7

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

Major Group	Weight	Index			Percentage change	
		Dec-06	Sep-06	Dec-05	3 months ago	1 year ago
01 Food	119.6	138.4	135.9	132.5	1.9	4.5
Bread and Cereal	9.6	133.2	129.0	125.8	3.2	5.9
Meat	17.3	144.5	143.3	142.8	0.8	1.2
Fish	3.4	137.7	123.3	118.5	11.7	16.3
Dairy Products and Eggs	8.7	141.3	138.4	138.9	2.1	1.7
Oils & Fats	1.5	136.4	139.3	135.1	-2.1	1.0
Fruit and Vegetables	11.7	156.3	151.8	129.4	2.9	20.8
Drinks (non-alcoholic)	11.7	128.7	124.2	120.3	3.6	6.9
Sugar Products	2.3	119.4	129.0	125.6	-7.4	-4.9
Other Foods	53.3	136.1	134.4	133.7	1.3	1.7
02 Alcohol and Tobacco	15.7	134.6	133.6	134.0	0.7	0.4
Alcoholic Drinks	13.0	131.2	131.1	132.9	0.1	-1.3
Tobacco	2.7	150.9	145.6	139.5	3.6	8.2
03 Housing	310.8	143.8	144.7	144.1	-0.6	-0.2
Rent, Maintenance, Insurance etc	257.9	145.8	146.4	145.0	-0.4	0.6
Utilities	52.9	134.2	136.4	139.6	-1.7	-3.9
04 Clothing	102.8	111.4	105.6	102.8	5.5	8.4
Men and Womens Clothing	94.2	112.6	103.5	94.2	8.7	19.5
Boys and Girls Clothing	144.9	122.2	124.7	144.9	-2.0	-15.7
Other Clothing	90.6	89.4	89.4	90.6	-0.1	-1.3
Footwear	107.0	105.6	103.9	107.0	1.6	-1.3
05 Household Equipment	58.7	136.8	135.1	129.5	1.2	5.6
Furniture and Floor Coverings	22.4	136.7	136.1	123.7	0.4	10.5
Household Appliances	12.5	110.4	108.7	96.9	1.5	13.9
Other Household Equipment	23.8	150.8	148.1	152.2	1.8	-0.9
06 Transport and Communications	168.5	129.7	130.0	121.7	-0.3	6.5
Household Vehicles	128.3	144.9	145.3	133.4	-0.3	8.6
Travel	6.8	136.6	136.7	141.7	-0.1	-3.6
Communications	33.4	70.0	70.0	72.8	0.0	-3.9
07 Education and Medical	64.6	266.9	268.1	262.8	-0.4	1.6
Education	24.9	397.0	395.7	388.0	0.3	2.3
Medical Care	39.7	185.3	188.1	184.2	-1.5	0.6
08 Personal Goods and Services	216.1	132.8	135.4	136.0	-1.9	-2.3
Home Entertainment	20.8	104.3	102.1	95.4	2.1	9.3
Outside Entertainment	0.9	172.4	172.4	180.4	0.0	-4.5
Culture, Pastimes, Hobbies	29.9	121.0	125.5	123.4	-3.6	-2.0
Holiday Expenses	71.6	166.9	174.4	182.1	-4.3	-8.4
Personal Services	38.3	122.0	122.8	121.7	-0.7	0.2
Personal Goods	15.6	121.1	116.6	113.0	3.9	7.2
Domestic Services	38.6	108.8	107.6	104.3	1.2	4.3
Gifts and Subscriptions	0.3	141.7	141.7	166.7	0.0	-15.0
ALL ITEMS	1000.0	144.4	144.7	141.9	-0.2	1.7

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
WEIGHT	119	16	311	46	59	168	65	216	1000
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	2.2	1.8	2.0	0.4	1.1	0.8	8.9	2.0	2.4
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	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	141.6
SEPTEMBER	131.7	133.0	149.6	101.5	133.1	122.2	264.1	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	148.1	103.1	133.1	122.6	260.8	129.9	142.0
% CHANGE PREV YEAR	2.7	5.2	18.6	-2.3	-2.2	3.9	2.2	2.6	7.0
2006									
MARCH	133.6	132.2	138.1	106.9	128.0	127.6	261.1	130.7	140.1
JUNE	133.1	132.7	141.0	109.2	132.2	126.7	268.7	137.2	143.0
SEPTEMBER	135.9	133.6	144.7	105.6	135.1	130.0	268.1	135.4	144.7
DECEMBER	138.4	134.6	143.8	111.4	136.8	129.7	266.9	132.8	144.4
% CHANGE PREV YEAR	4.5	0.4	-0.2	8.4	5.6	6.5	1.6	-2.3	1.7
% CHANGE PREV QTR	1.9	0.7	-0.6	5.5	1.2	-0.3	-0.4	-1.9	-0.2
ANNUAL AVERAGE	135.3	133.2	141.9	108.3	133.0	128.5	266.2	134.0	143.0
% CHANGE PREV YEAR	2.7	1.9	-4.2	5.0	-0.1	4.8	2.1	3.1	0.7

TABLE 5: AVERAGE PRICES OF SELECTED FOOD ITEMS DECEMBER 2006

ITEM	QUANTITY	AVERAGE PRICES (CIS)			
		Dec 2006	Sept 2006	Dec 2005	
101-04	Wholewheat bread(imported)	1 lb. 4 oz	2.04	2.04	1.98
107-01	Long grain rice	5 lb.	6.58	6.58	6.34
108-12	Cornflakes	24 oz	4.64	4.74	4.46
111-01	Stew beef	1 lb.	3.82	3.66	4.12
114-01	Bacon	1 lb.	6.34		5.98
125-02	Snapper fillets (frozen)	1 lb.	6.38	5.06	5.36
127-05	Canned Tuna in water	6.5 oz	1.12	1.42	1.46
130-02	Eggs(Grade A Large)	1 doz.	1.49	1.48	1.43
131-02	Anchor Butter	1 lb	3.88	3.53	3.36
133-05	Fresh milk(McArthur)	1 gal.	5.26	5.09	5.26
135-09	Evaporated milk	14.5 oz	1.06	1.06	1.02
139-19	Shortening	3 lb.	5.07	5.01	4.91
141-01	Plantains	1 lb.	0.89	0.76	0.86
142-07	Idaho potatoes	1 lb.	0.79	0.79	0.79
147-11	Lettuce	Head	1.46	2.12	1.79
146-15	Sweet potatoes	1 lb.	1.72	1.49	1.39
151-01	Tomatoes	1 lb.	2.26	2.86	2.16
152-03	Ripe bananas	1 lb.	0.74	0.62	0.62
153-01	Apples(Golden Delicious)	1 lb.	1.82	2.09	1.52
155-11	Oranges	each	0.86	0.66	0.40
161-01	Tea bags(Liptons)	48	2.46	2.71	2.55
163-02	Instant coffee(Maxwell House)	8 oz.	5.91	5.61	5.19
166-02	Soda	12 oz. can	0.72	0.72	0.67
171-01	White sugar	2 kg.	3.23	3.28	2.09
172-02	Strawberry Preserves	12 ozs	3.25	2.99	3.14
181-02	Canned vegetable soup	10.5 oz	1.39	1.30	1.30
182-04	Corned beef hash	15 oz	2.49	2.49	2.49
186-16	Salt	8 oz	0.73	0.73	0.63

