

### Summary Economic Indicators: Semi-Annual 2009\*

- On average, Consumer Price Index fell by 0.2%, mainly due to lower average prices of housing, clothing and transportation and communication.
- Merchandise imports fell by 13.0% to register at \$368.8 million.
- Current work permits fell by 7.6%, largely on account of declines in construction, financial services and tourism related services.
- Despite a reduction in non-resident deposits, the banking sector's total assets grew by 14.7% as net domestic assets continued to expand.
- Money supply expanded by 14.7%, boosted by growth in savings and foreign currency deposits.
- Bank credit expanded anew as the weighted average rate on outstanding loans fell to 6.8% from 8.9% while the prime lending rate fell to 3.2%.
- Air arrivals fell by 13.3% while cruise passengers decreased by 6.1%.
- Mutual funds fell by 212 or 2.1% as compared to a year ago, but recovered slightly compared to a quarter ago.
- Bank and trust company registrations fell anew by 3.9% while insurance licenses rose by 1.9%.
- Stock exchange listings contracted by 16.1% to settle at 1,330 while stock market capitalization for specialist debt and mutual funds fell.
- New company registrations declined by 46.2% to total 3,679.
- Total value of building permits plummeted by 17.0% to settle at \$175.6 million.
- The number of property transfers fell by 21.0% whilst the total value slumped by 43.3%.
- Electricity production and consumption fell by 3.0% and 2.2% respectively. While water production and consumption grew by 7.4% and 5.2% respectively.
- The central government's fiscal deficit widened to \$80.8 million from \$1.6 million a year ago.
- Total outstanding debt of the central government increased to \$420.5

\*Comparative data over the first half of 2008, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off

## Table of Contents

|  |           |
|--|-----------|
| <b>1. OVERVIEW .....</b>                                 | <b>1</b>  |
| <b>2. INFLATION .....</b>                                | <b>1</b>  |
| <b>3. TRADE.....</b>                                     | <b>2</b>  |
| <b>4. WORK PERMITS.....</b>                              | <b>3</b>  |
| <b>5. MONEY &amp; BANKING .....</b>                      | <b>4</b>  |
| 5.1. Net Foreign Assets.....                             | 5         |
| 5.2 Net Domestic Assets.....                             | 5         |
| 5.3. Money Supply .....                                  | 6         |
| 5.4. Interest Rates .....                                | 7         |
| <b>6. FINANCIAL SERVICES.....</b>                        | <b>7</b>  |
| 6.1. Banks & Trust.....                                  | 7         |
| 6.2. Insurance.....                                      | 8         |
| 6.3 Mutual Funds and Stock Exchange....                  | 8         |
| 6.4 New Company Registration.....                        | 9         |
| <b>7. TOURISM.....</b>                                   | <b>9</b>  |
| 7.1 Air Arrivals.....                                    | 10        |
| 7.2 Cruise Arrivals .....                                | 10        |
| <b>8. CONSTRUCTION .....</b>                             | <b>11</b> |
| 8.1 Building Permits .....                               | 11        |
| 8.2 Project Approvals .....                              | 11        |
| <b>9. REAL ESTATE .....</b>                              | <b>12</b> |
| <b>10. UTILITIES.....</b>                                | <b>13</b> |
| <b>11. FISCAL OPERATIONS OF CENTRAL GOVERNMENT .....</b> | <b>13</b> |
| 11.1 Revenue.....  | 14        |
| 11.2 Expenditure .....                                   | 14        |
| 11.3. Net Financing and Debt Service Indicators.....     | 15        |

### 1. Overview

As at the end of June 2008, key indicators suggest that the Cayman Islands' GDP contracted at an annualized rate of 7.1% in the first half of 2009. The overall growth for

2009 is now projected at -5.8% as recessionary conditions in source markets impact the domestic economy.

### 2. Inflation

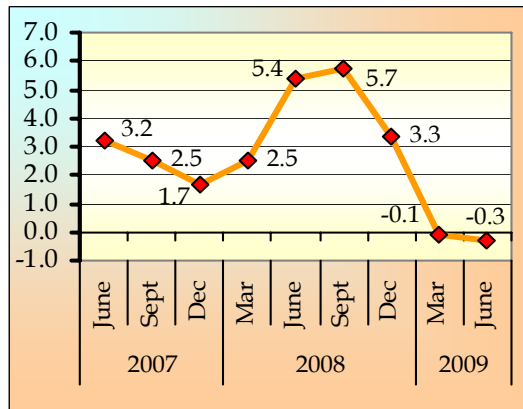
Partly reflecting the inflation path in the US, average inflation for the first half of 2009 was recorded at -0.2%. This resulted mainly from decreases in housing (-6.2%), clothing (-4.8%) and transportation and communication (-2.5%). Countering these pressures were strong price growth in food and household equipment and moderate growth in alcohol and tobacco, education and medical and personal goods and services.

**Table 2: Semi-Annual Inflation by Category**

| CPI Major Categories      | Average Half-Year Inflation Rates (%) |      |      |
|---------------------------|---------------------------------------|------|------|
|                           | 2007                                  | 2008 | 2009 |
| Food                      | 6.0                                   | 3.6  | 6.2  |
| Alcohol & tobacco         | 3.2                                   | 0.5  | 2.7  |
| Housing                   | 2.1                                   | 4.0  | -6.2 |
| Clothing                  | 2.7                                   | 4.0  | -4.8 |
| Household equipment       | 5.2                                   | 7.5  | 11.8 |
| Transport & communication | 2.8                                   | 5.3  | -2.5 |
| Education & medical       | 1.5                                   | 4.2  | 2.4  |
| Personal goods & services | 6.9                                   | 0.9  | 2.5  |
| All items                 | 3.8                                   | 3.6  | -0.2 |

Source: Economics and Statistics Office

For the quarter ended June 2009, the Consumer Price Index (CPI) stood at 153.0, up by 0.5% from March 2009, on account mainly of increasing price indices for clothing and household equipment.

**Figure 2: Quarterly Inflation Rates (in %)**


Source: Economics and Statistics Office

As at the quarter ended June 2009, year-on-year inflation stood at -0.3%. This decline was dominated by price decreases in housing, transportation and communication and clothing although there were strong increases in both household equipment and food.

The price index for housing fell by 4.8% from June 2008 due to decreases in the average cost of utilities, rent maintenance and insurance of housing.

The transportation and communication index decreased by 4.2% as the average price of household vehicles and travel fell.

The clothing index stood at 111.4 which represent a decline of 4.0% as the average price of men's and women's clothing decreased.

The household equipment index moved up by 11.2% due to higher average price of household

equipment and household appliances.

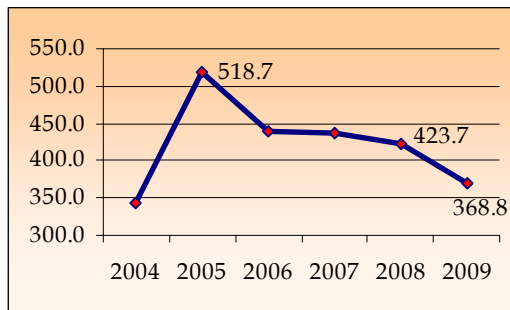
Increasing prices for food pushed the food index up by 5.0% as fruits and vegetables, oil and fats and meat recorded higher average prices.

Other increases were as follows: education and medical services (1.7%), alcohol and tobacco (2.7%) and personal good and services (2.0%).

### 3. Trade

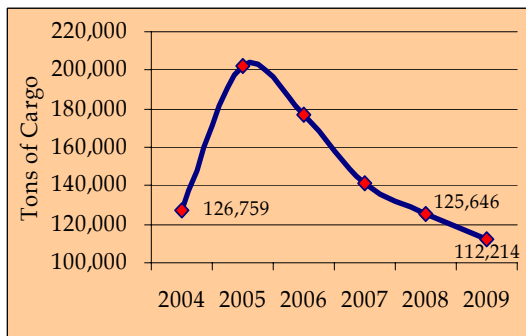
Preliminary data for the first half of 2009 indicates that merchandise imports fell by 13.0% to \$368.8 million from the comparative period in 2008 (see Figure 3.1). This decline was anticipated in light of the projected economic downturn in the Cayman Islands.

In absolute terms, merchandise imports fell by \$54.9 million, partly due to reduction in building materials, transport and transport-related items, fuel and petroleum-related products, tobacco and alcohol, and manufactured products.

**Figure 3.1: Semi-Annual Merchandise Imports (CI\$ Millions)**


Source: Customs Department and ESO

Since June 2005, the volume of imported cargo declined consistently. As at June 2009, the tonnage of cargo imports declined by 10.7% compared to the similar period of 2008 (see Figure 3.2).

**Figure 3.2: Semi-Annual Total Tonnage of Cargo**


Source: Cayman Island Port Authority

As exhibited in Table 3.1, the quantity of imported fuel fell by 3.8% during the review period. Diesel imports which accounts for 68.6% of total fuel, fell by 4.5%, while gas and aviation fuel grew by 3.6% and 5.4% respectively. Reduction in diesel is likely associated with declines in demand for electricity power. Finally, propane gas imports declined by 46.9% during the period.

**Table 3.1: Quantity of Fuel Imports**

|               |                              |        |        | %      |
|---------------|------------------------------|--------|--------|--------|
|               | Jun-07                       | Jun-08 | Jun-09 | Change |
|               | Millions of imperial gallons |        |        |        |
| Total Fuel    | 18.49                        | 20.09  | 19.33  | -3.8   |
| Diesel        | 12.89                        | 13.89  | 13.27  | -4.5   |
| Gas           | 2.89                         | 3.94   | 4.08   | 3.6    |
| Aviation Fuel | 2.06                         | 1.49   | 1.57   | 5.4    |
| Propane       | 0.42                         | 0.60   | 0.32   | -46.9  |

Source: Cayman Island Port Authority

## 4. Work Permits

In line with the downturn in economic activity, work permits in effect issued by the Immigration Department sharply contracted by 7.6% in the first six months of 2009 from 26,260 in the same period of 2008.

**Table 4.1: Work Permits as at June 2008/09**

|                            | Jun-08        | Jun-09        |
|----------------------------|---------------|---------------|
| Trades/ Technical/ Skilled | 11,426        | 10,341        |
| Unskilled                  | 9,730         | 9,100         |
| Professional               | 4,306         | 4,148         |
| Administrative/ Managerial | 796           | 680           |
| Other                      | 2             | 1             |
| <b>Total</b>               | <b>26,260</b> | <b>24,270</b> |

Source: Immigration Department

Declines were recorded in all skill classes of work permits with the steepest reductions occurring in the administration/managerial (14.6%) and trades/technical/skilled (9.5%).

### Industrial Analysis

Lower workers for permits in all industries were recorded in the first half of 2009, with the exception of 'Other Community, Social and Personal Services' which posted marginal growth of 1.4%.

The retrenchment of foreign employment was most severe in construction and tourism services.

The construction industry, which is the largest employer of foreign labour, bore the brunt of job losses with work permits decreasing by 15.9% to 5,228.

In the tourism industry, weak demand, as reflected in depressed air arrivals, resulted in the downsizing of foreign workers in hotels and condominiums by 15.4% that of restaurant and bars by 8.0%.

Continuing effects of the worldwide financial crisis also depressed permits growth in the financial services industry by 10.0% to 2,037.

The impact of softer household demand is also shown in the decline of work permits in wholesale and retail (3.6%), and households with employed persons (2.3%).

**Table 4.2: Work Permits for All Industries**

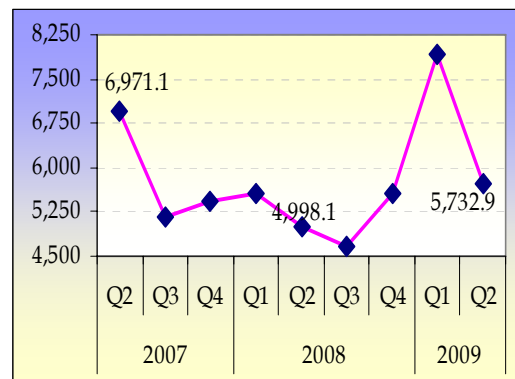
|   | Jun-07        | Jun-08        | Jun-09        | % Change 2009/08 |
|---|---------------|---------------|---------------|------------------|
| Construction                            | 6,232         | 6,215         | 5,228         | (15.9)           |
| Financial Services                      | 1,995         | 2,264         | 2,037         | (10.0)           |
| Restaurant & Bars                       | 2,315         | 2,638         | 2,426         | (8.0)            |
| Business Services                       | 2,644         | 2,937         | 2,770         | (5.7)            |
| Hotels & Condominiums                   | 693           | 761           | 644           | (15.4)           |
| Wholesale & Retail                      | 2,921         | 3,157         | 3,042         | (3.6)            |
| Private Households w/ Employed People   | 3,925         | 4,173         | 4,076         | (2.3)            |
| Community, Social & Personal Services   | 1,377         | 1,500         | 1,521         | 1.4              |
| All Other Industries                    | 2,390         | 2,615         | 2,526         | (3.4)            |
| <b>Total</b>                            | <b>24,492</b> | <b>26,260</b> | <b>24,270</b> | <b>(7.6)</b>     |
| <i>of which CI Government Contracts</i> | <i>1,381</i>  | <i>1,462</i>  | <i>1,411</i>  | <i>(3.5)</i>     |

Source: Immigration Department and ESO

## 5. Money & Banking

After peaking in the first quarter of 2009, broad money supply (M2) declined in the second quarter to \$5,732.9 million. However, this represents an increase of 14.7% from June 2008.

**Figure 5.0: Total Money Supply (M2) in \$ millions**



Source: Cayman Islands Monetary Authority

Using the balance sheet concept, M2 representing the liabilities side is equivalent to the asset side (see

Table 5.0). The asset side shows an increase of 9.6% and 24.7% in net foreign assets and net domestic assets respectively.

**Table 5.0: Monetary and Banking Summary Indicators (\$ millions)**

|                                  | Jun-08         | Jun-09         | Change %     |
|----------------------------------|----------------|----------------|--------------|
| <b>Net Foreign Assets</b>        | <b>3,276.3</b> | <b>3,592.1</b> | <b>9.6</b>   |
| Monetary Authority               | 96.1           | 96.5           | 0.4          |
| Commercial Banks                 | 3,180.2        | 3,495.6        | 9.9          |
| <b>Net Domestic Assets</b>       | <b>2,409.0</b> | <b>3,002.9</b> | <b>24.7</b>  |
| <b>Other Items</b>               | <b>-687.2</b>  | <b>-862.1</b>  | <b>-25.4</b> |
| <b>Total Assets</b>              | <b>4,998.1</b> | <b>5,732.9</b> | <b>14.7</b>  |
| Narrow Money (M1)                | 318.4          | 372.7          | 17.1         |
| Quasi Money                      | 4,679.7        | 5,360.2        | 14.5         |
| <b>Monetary Liabilities (M2)</b> | <b>4,998.1</b> | <b>5,732.9</b> | <b>14.7</b>  |

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

**5.1. Net Foreign Assets.** The combined net foreign assets of the Cayman Islands Monetary Authority and the domestic commercial banking sector improved by 9.6% over the review period (see Table 5.1). This arose mainly from a reduction in non-resident deposits which brought down overall foreign liabilities of commercial banks. The fall in non-resident deposits continues to show the impact of the global financial crunch, along with the lower interest rates on deposits.

**Table 5.1: Net Foreign Assets (\$ millions)**

|                             | Jun-08         | Jun-09         | Change %     |
|-----------------------------|----------------|----------------|--------------|
| <b>Net Foreign Assets</b>   | <b>3,276.3</b> | <b>3,592.1</b> | <b>9.6</b>   |
| Monetary Authority          | 96.1           | 96.5           | 0.4          |
| Commercial Banks            | 3,180.2        | 3,495.6        | 9.9          |
| <b>Foreign Assets</b>       | <b>7,285.7</b> | <b>6,521.5</b> | <b>-10.5</b> |
| Bal. with Banks & Branches  | 4,112.3        | 3,712.2        | -9.7         |
| Total Investment            | 1,530.8        | 1,266.2        | -17.3        |
| Total Non-Resident Loans    | 1,642.5        | 1,543.1        | -6.1         |
| <b>Foreign Liabilities</b>  | <b>4,105.4</b> | <b>3,025.9</b> | <b>-26.3</b> |
| Total Non-Resident Deposits | 3,929.4        | 2,874.5        | -26.8        |
| Other Liabilities           | 176.0          | 151.4          | -14.0        |

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

**5.2 Net Domestic Assets.** Total net domestic assets comprising total net domestic credit granted by the commercial banking sector grew by 24.7% to reach \$3,002.9 million in June 2009. Loans allocated to both public and private sectors increased by 47.5% (\$130.9 million) and 21.7% (\$463.1 million) respectively, reflecting the possible impact of record-low lending rates.

**Table 5.2A: Net Domestic Assets (\$ millions)**

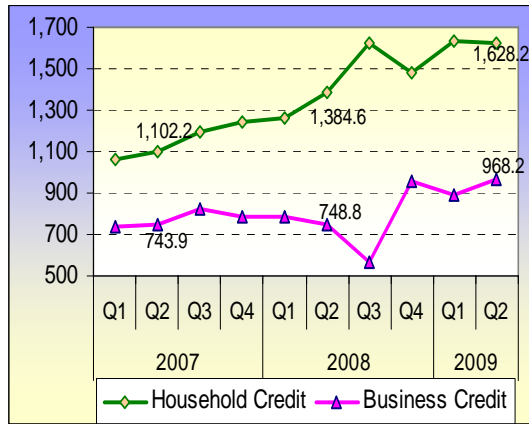
|                                       | Jun 2008       | Jun 2009       | Change %    |
|---------------------------------------|----------------|----------------|-------------|
| <b>Net Domestic Assets</b>            | <b>2,409.0</b> | <b>3,002.9</b> | <b>24.7</b> |
| Net Domestic Credit to Public Sector  | 275.4          | 406.3          | 47.5        |
| Net Domestic Credit to Private Sector | 2,133.5        | 2,596.6        | 21.7        |

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Figure 5.2B plots the major components of private sector domestic credit: i.e. credit to businesses and credit to households. Both components are on a general

upward trend, with household credit accelerating faster than business lending.

Figure 5.2: Credit to Business and Households



Source: Cayman Islands Monetary Authority

The loans allocated to households — which accounted for 62.7% of total private sector credit — rose by 17.6% (or \$243.6 million) in June 2009 compared to June 2008 (see Table 5.5). Credit for domestic property continued to dominate the increase in household lending in absolute terms.

Lending to the business sector — which comprised 37.3% of total private sector credit — grew by 29.3% over the review period (see Table 5.5). The credit expansion was recorded for all sectors except utilities sector.

Table 5.2B: Net Credit to the Private Sector (\$ millions)

|                                      | Jun-08         | Jun-09         | % Change     |
|--------------------------------------|----------------|----------------|--------------|
| <b>Total</b>                         | <b>2,133.5</b> | <b>2,596.6</b> | <b>21.7</b>  |
| <b>Credit to Businesses</b>          | <b>748.8</b>   | <b>968.2</b>   | <b>29.3</b>  |
| <i>of which</i>                      |                |                |              |
| Construction                         | 77.0           | 139.7          | 81.4         |
| Hotel, Restaurant and Bar            | 61.2           | 114.1          | 86.4         |
| Real Estate, Renting & Other         | 382.6          | 422.7          | 10.5         |
| Utilities (Electricity, Gas & Water) | 29.7           | 28.1           | -5.4         |
| Trade & Commerce                     | 77.7           | 84.2           | 8.5          |
| Other                                | 120.7          | 179.3          | 48.6         |
| <b>Credit to Households</b>          | <b>1,384.6</b> | <b>1,628.2</b> | <b>17.6</b>  |
| Domestic Property                    | 1,117.7        | 1,393.5        | 24.7         |
| Motor Vehicles                       | 43.2           | 61.7           | 43.0         |
| Education & Technology               | 1.6            | 3.1            | 96.4         |
| Miscellaneous                        | 222.2          | 169.9          | -23.5        |
| <b>Other NonProfit Organisations</b> | <b>0.1</b>     | <b>0.2</b>     | <b>216.5</b> |

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

'Miscellaneous' include consolidated debt, insurance, medical & travel

**5.3. Money Supply.** Broad money supply (M2) in the first half of 2009 reflected double digit expansions in both quasi-money and narrow money.

M1 or narrow money supply (used primarily for day-day spending) rose by 17.1% to reach \$372.7 million as at June 2009, mirroring a 20.7% increase in total demand deposits and a 6.0% expansion in currency in circulation.

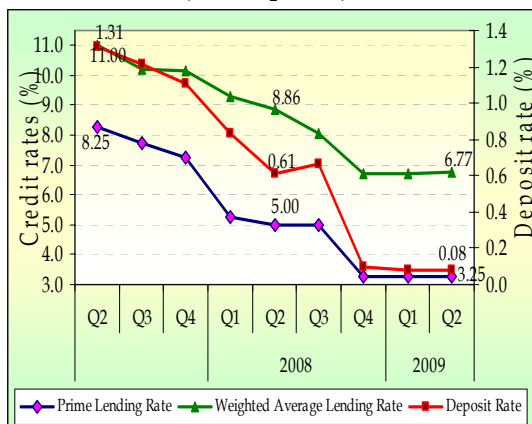
Despite lower interest rates, quasi-money increased by 14.5% (\$680.5 million) to reach about \$5.4 billion as at June 2009. The expansion came from increases in both savings and foreign currency deposits.

**Table 5.3: Money Supply (CI\$ millions)**

|                                  | Jun-08         | Jun-09         | % Change    |
|----------------------------------|----------------|----------------|-------------|
| <b>Monetary Liabilities (M2)</b> | <b>4,998.1</b> | <b>5,732.9</b> | <b>14.7</b> |
| <b>Narrow Money (M1)</b>         | <b>318.4</b>   | <b>372.7</b>   | <b>17.1</b> |
| Currency with public             | 78.8           | 83.5           | 6.0         |
| Total demand deposits            | 239.6          | 289.1          | 20.7        |
| <b>Quasi Money</b>               | <b>4,679.7</b> | <b>5,360.2</b> | <b>14.5</b> |
| Savings deposits                 | 201.1          | 247.6          | 23.1        |
| Fixed Deposits                   | 528.3          | 393.5          | -25.5       |
| Foreign Currency Deposits        | 3,950.3        | 4,719.0        | 19.5        |

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

**5.4. Interest Rates.** Since the fourth quarter of 2008, cost of borrowing indicators remain at their lowest following trends of the U.S. Federal Reserve policy rates. The Cayman Islands' prime lending rate was stable at 3.25% in June 2009. Similarly, average savings deposit rate and the weighted average rate on outstanding loans remained almost constant since the fourth quarter of 2008 but lower than June 2008 rates (see Figure 5.4).

**Figure 5.4: Interest Rates (%) (End of period)**


Source: Cayman Islands Monetary Authority

## 6. Financial Services

The Cayman Islands financial services sector continued to bear the brunt of the global financial shock in the first half of 2009. Total mutual fund licensees, listings on stock exchange for mutual funds, specialist debt and international equity, new company registrations and bank and trust licences were on a downward trend. However, growth still occurred in the captive insurance market, trust licences, Eurobonds and stock exchange listings.

### 6.1. Banks & Trust

Efficiency-driven global consolidations continued to negatively impact bank and trust licences in the Cayman Islands. This declined to 269 as at June 2009, a 3.9% reduction from the June 2008 figure. Licences to trust companies rose marginally by 1.5%.

**Table 6.1: Bank & Trust Companies**

|                        | Jun 2008   | Jun 2009   | % Change    |
|------------------------|------------|------------|-------------|
| <b>Bank and Trust</b>  | <b>280</b> | <b>269</b> | <b>-3.9</b> |
| Class "A"              | 19         | 18         | -5.3        |
| Class "B"              | 260        | 249        | -4.2        |
| Class "B" restricted   | 1          | 2          | 100.0       |
| <b>Trust Companies</b> | <b>136</b> | <b>138</b> | <b>1.5</b>  |
| Restricted             | 85         | 85         | 0.0         |
| Unrestricted           | 51         | 53         | 3.9         |

Source: Cayman Islands Monetary Authority

Europe and USA are the main participants in Cayman's banking industry accounting for 29.4% and

27.5% respectively of the banking licensees. The rest are allocated as follows: South America 16.4%, Asia and Australia 10.0%, Caribbean and Central America 7.8%, Canada and Mexico 5.2% and Middle East and Africa 3.7%.

## 6.2. Insurance

The Cayman Islands insurance company business managed to grow by 15 as of June 2008.

Table 6.2A: Insurance Companies

|              | Jun<br>2008 | Jun<br>2009 | %<br>Change |
|--------------|-------------|-------------|-------------|
| Class 'A'    | 28          | 28          | 0.0         |
| Class 'B'    | 772         | 787         | 1.9         |
| <b>Total</b> | <b>800</b>  | <b>815</b>  | <b>1.9</b>  |

Source: Cayman Islands Monetary Authority

Healthcare continued to dominate the insurance licensees (see Table 6.2B)

Table 6.2B: Captive Insurance Licences by Primary Class of Business, June 2009

|                        | licences   | %            |
|------------------------|------------|--------------|
| Healthcare             | 282        | 35.8         |
| Workers' Compensation  | 163        | 20.7         |
| Property               | 93         | 11.8         |
| General Liability      | 74         | 9.4          |
| Professional Liability | 64         | 8.1          |
| Other                  | 111        | 14.2         |
| <b>Total</b>           | <b>787</b> | <b>100.0</b> |

Source: Cayman Islands Monetary Authority

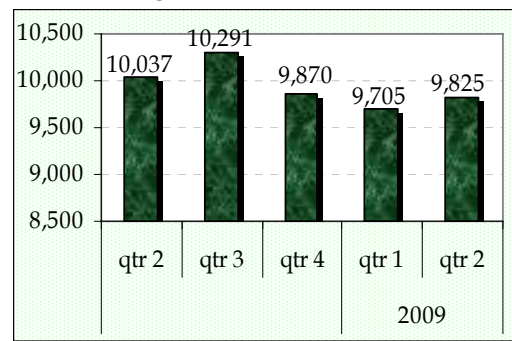
North America comprises the prime geographical source for captive insurance companies accounting for 89.7% of the total.

Premiums for captive insurance reached US\$7.99 billion at the end of June 2009, an increase of about US\$350 million from June 2008.

## 6.3 Mutual Funds and Stock Exchange

As the global financial market remained fragile, the total number of mutual funds contracted by 2.1% or 212 from June 2008, although it recovered from a quarter ago.

Figure 6.3: Mutual Funds



Source: Cayman Islands Monetary Authority

Meanwhile, the Cayman Islands Stock Exchange total stock listings fell sharply from 1,586 in June 2008 to 1,330 in June 2009, a 16.1% reduction (see Table 6.3A). Following the global downward trend, mutual funds listings experienced the largest decline of 248 (or 30.3%). Indeed, the number and aggregate capitalization of mutual funds fell below the number of specialist debt for the first time since 2001. Specialist debt are securities which are, as determined from time to time by the Exchange, by their nature usually purchased

and traded by a limited number of investors who are particularly knowledgeable in investment matters and which are credit-linked securities or are asset-backed securities or are limited in recourse to a specific asset or assets of the issuer.

The Eurobond proved resilient to the global financial crisis, adding 41.3% (or 19) in stock listings and 41.1% (or US\$9.3 billion) in total nominal value.

**Table 6.3A: Number of Stock Listings by Instruments**

| Instruments          | 2007         | 2008         | 2009         |
|----------------------|--------------|--------------|--------------|
| Mutual Funds         | 916          | 819          | 571          |
| Specialist Debt      | 415          | 715          | 689          |
| Eurobond             | 9            | 46           | 65           |
| International Equity | 4            | 4            | 3            |
| Domestic Equity      | 1            | 2            | 2            |
| <b>Total</b>         | <b>1,345</b> | <b>1,586</b> | <b>1,330</b> |

Source: Cayman Islands Stock Exchange

**Table 6.3B: Market Capitalization by Instruments (US\$ billions)<sup>1</sup>**

| Instruments          | 2007 | 2008 | 2009 |
|----------------------|------|------|------|
| Mutual Funds         | 88.8 | 90.4 | 48.4 |
| Specialist Debt      | 27.1 | 82.2 | 80.3 |
| Eurobond             | 8.7  | 22.6 | 31.9 |
| International Equity | 1.9  | 1.9  | 0.9  |
| Domestic Equity      | 0.18 | 0.17 | 0.12 |

Source: Cayman Islands Stock Exchange

<sup>1</sup> The figures for mutual funds and domestic equity refer to market capitalization. Figures for specialist debt, Eurobond and international equity are based on par values.

## 6.4 New Company Registration

For the first half of 2009, total new company registrations was placed at 3,679, a record 46.2% decline compared to a year ago. The fall was spread across all types of registration which may be associated with the unprecedented shrinking of business activity among the advanced economies.

**Table 6.4: Companies Registration**

|                       | 2007         | 2008         | 2009         |
|-----------------------|--------------|--------------|--------------|
| <b>Total</b>          | <b>7,068</b> | <b>6,844</b> | <b>3,679</b> |
| Exempt                | 6,314        | 6,102        | 3,158        |
| Non-Resident          | 283          | 152          | 94           |
| Resident              | 276          | 306          | 235          |
| Foreign               | 195          | 284          | 192          |
| Percentage change (%) |              |              |              |
| <b>Total</b>          | <b>13.3</b>  | <b>-3.2</b>  | <b>-46.2</b> |
| Exempt                | 16.2         | -3.4         | -48.2        |
| Non-Resident          | -0.4         | -46.3        | -38.2        |
| Resident              | -15.6        | 10.9         | -23.2        |
| Foreign               | 0.5          | 45.6         | -32.4        |

Source: Registrar of Companies

## 7. Tourism

Recessionary conditions in the advanced economies continued to hit tourist arrivals. Compared to the first six months of 2008, total visitor arrivals to the Cayman Islands stood at 1,001,59 or a decrease of 7.2%. Albeit at a lesser rate, this contraction was the second consecutive decline in overall visitor

arrivals. Whereas cruise arrivals fell for the second year, air arrivals weakened for the first time since 2005.

### 7.1 Air Arrivals

Air arrivals decreased by 13.3% between January and June to 154,640, as the number of visitors from across all major markets fell.

Table 7.1: Air arrivals by countries

|                          | 2007  | 2008  | 2009  | % Change |
|--------------------------|-------|-------|-------|----------|
| In Thousands             |       |       |       |          |
| <b>USA</b>               | 133.0 | 145.0 | 125.0 | -13.7    |
| Northeast                | 44.7  | 51.4  | 44.8  | -12.7    |
| Midwest                  | 31.7  | 33.2  | 29.0  | -12.8    |
| Southeast                | 27.6  | 28.6  | 23.8  | -16.9    |
| Southwest                | 19.1  | 21.1  | 19.1  | -9.2     |
| West Coast               | 9.9   | 10.7  | 8.4   | -22.2    |
| <b>Europe</b>            | 11.0  | 11.8  | 10.5  | -10.9    |
| <b>Canada</b>            | 10.1  | 11.9  | 10.7  | -10.2    |
| <b>Others</b>            | 9.1   | 9.6   | 8.4   | -13.1    |
| <b>Total</b>             | 163.1 | 178.3 | 154.6 | -13.3    |
| <i>of Which: USA (%)</i> | 81.5  | 81.3  | 80.9  |          |

Source: Department of Tourism

As presented in Table 7.1, US visitors led the decline with a 13.7% drop, followed by Europe (-10.9%), Canada (-10.2%) and other countries (-13.2%).

#### Accommodation

Occupancy levels for both hotels, and apartments, improved slightly from 62.2% in 2008 to 66.4% in 2009, and 44.0% to 49.3%, respectively. This was mainly on account of a reduction in local room supply with

the closure of the Marriott Courtyard in the latter half of 2008.

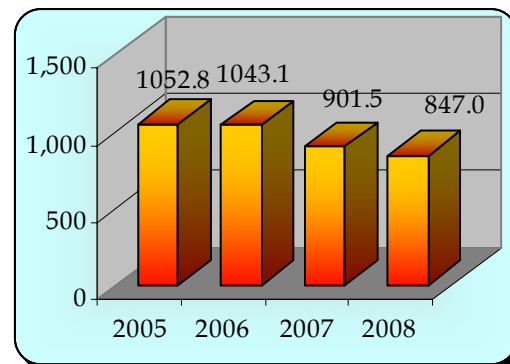
The average length of stay for hotels showed a marginal decrease from 4.5 days to 4.4 days while the average length of stay at apartments increased from 6.4 days to 7.4 days.

In June, the Alexander Hotel was opened in Cayman Brac. This new development offers 29 single rooms and two two-bedroom suites.

### 7.2 Cruise Arrivals

Cruise arrivals declined anew during the first half of the year. Whereas, 901,474 cruise passengers visited in 2008, a total of 846,952 visitors were noted this year.

Figure 7.2: Cruise Visitors ('000)



Source: Department of Tourism

As at June, the number of cruise ship calls decreased by 9.5% to 313 calls. Despite a brief upturn in 2006, this contraction began since 2004. Nonetheless, it is an improvement over the contraction in cruise ship calls in 2008 (-16.6%).

Cruise passengers per day averaged 4,705 persons, a decrease of 303 visitors less than first half 2008.

## 8. Construction

### 8.1 Building Permits

On the ground construction in the first six months of the year was muted as waning non-residential activity offset the strong growth of residential expansion.

In the first half of the year, building permits dropped by 17.0% from \$211.5 million in 2008. Similarly, the number of building permits also fell from 599 in 2008 to 528, a decrease of 11.8%.

Table 8.1: Building Permits  
Semi-Annual (\$Million)

|              | 2007         | 2008         | 2009         | 2008/09 %<br>Change |
|--------------|--------------|--------------|--------------|---------------------|
| Houses       | 55.5         | 69.5         | 80.4         | 15.7                |
| Apartments   | 74.7         | 40.5         | 64.4         | 59.1                |
| Commercial   | 122.9        | 34.0         | 8.0          | (76.6)              |
| Government   | 0.6          | 62.2         | 0.2          | (99.7)              |
| Industrial   | 28.3         | 1.7          | -            | (100.0)             |
| Other        | 4.4          | 3.6          | 22.6         | 532.2               |
| <b>Total</b> | <b>286.5</b> | <b>211.5</b> | <b>175.6</b> | <b>-17.0</b>        |

Source: Cayman Islands Government, Planning Department

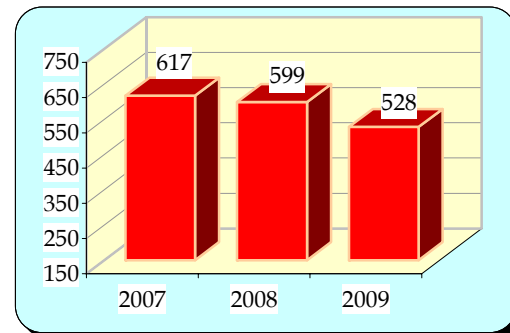
In the non-residential sector, lower investment spending because of the economic slowdown plunged building permits from \$97.9 million in 2008 to \$8.2 million.

During this period, building permits in the government category, owing to the advancement of existing capital projects and increasing fiscal pressure, shrank to \$0.2 million. The commercial category also slid to a record low of \$8.0 million.

In the houses category, the presence of several multi-million dollar projects pushed building permits by 15.9% to \$80.4 million.

Three-luxury condominium developments along with the completion of existing apartment developments boosted building permits in this category from \$40.4 million in 2008 to \$64.4 million.

Figure 7.2: Building Permits, (Number)



Source: Cayman Islands Government, Planning Department

### 8.2 Project Approvals

After weakening in the first quarter of the year, the number of construction intentions as measured by project approvals held steady. However, the total value shot upwards by 21.9% from \$214.1 million in 2008 to \$261.0 million.

**Figure 8.2: Project Approvals by Sector  
Semi-Annual (\$Millions)**

|              | 2007         | 2008         | 2009         | 2008/09 %<br>Change |
|--------------|--------------|--------------|--------------|---------------------|
| Houses       | 77.2         | 60.2         | 72.7         | 20.6                |
| Apartments   | 59.4         | 67.4         | 100.2        | 48.6                |
| Commercial   | 30.4         | 33.1         | 15.0         | (54.5)              |
| Government   | 51.4         | 18.2         | 0.1          | (99.5)              |
| Industrial   | 1.7          | 4.2          | 1.1          | (73.2)              |
| Other        | 37.9         | 31.0         | 71.9         | 131.7               |
| <b>Total</b> | <b>257.9</b> | <b>214.1</b> | <b>261.0</b> | <b>21.9</b>         |

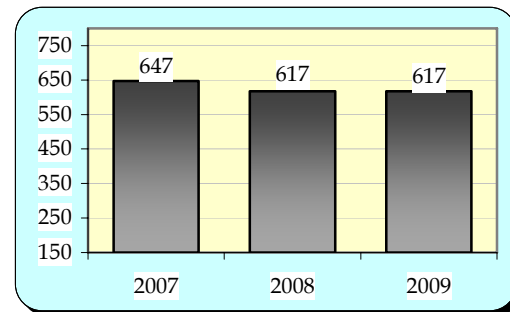
Source: Cayman Islands Government, Planning Department

Residential projects continues to be the dominant type of future developments representing 66.2% or \$172.9 million of the total.

Houses, with the approval of the next Frank Hall Homes Development and several multi-million dollar homes, bounced back sharply by 20.6% from the first half in 2008 to reach \$72.7 million.

Mid-year project approvals of apartments/condominiums for the first time in four years, exceeded the 100-million dollar mark. The Ritz Carlton development alone contributed \$85.0 million.

The Other category representing a mixture of residential and non-residential projects more than doubled, jumping from \$31.0 million in 2008 to \$71.9 million.

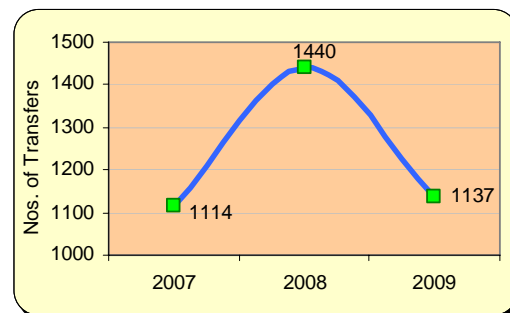
**Table 8.2: Semi-Annual Number of Project Approvals 2007-2009**


Source: Cayman Islands Government, Planning Department

## 9. Real Estate

Real estate activity, following a marginal upturn in 2008, shrank in the first six months of the year.

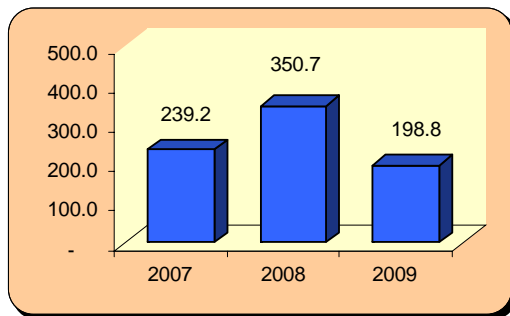
The number of property transfers compared to a year ago decreased by 21.0% to 1,137 in 2009.

**Figure 9.1: Number of Property Transfers: Semi-Annual 2007-2009**


Source: Lands and Surveys Department

The value of properties transferred also plunged to a five-year low reaching \$198.9 million. This represents a 43.3% decline from the \$350.7 million recorded in the previous year.

**Figure 9.2: Value of Property Transfers: Semi-Annual (in CI\$ Millions)**



Source: Lands and Surveys Department

## 10. Utilities

Electricity production dipped by 3.0% to 286.1 megawatt hours (mWh) as at June 2009 (see Table 10.1). This was in response to a cut in total electricity demand (-2.2%) traced to both residential and commercial consumers. The fall in demand can be associated with the impact of economic recession.

**Figure 10.1: Utilities Production/Consumption**

|                         | Jun-08 | Jun-09  | % Change |
|-------------------------|--------|---------|----------|
| Millions of US Gallons  |        |         |          |
| Water Production        | 991.2  | 1,064.6 | 7.4      |
| Water Consumption       | 900.7  | 947.8   | 5.2      |
| '000 of megawatt hrs    |        |         |          |
| Electricity Production  | 294.9  | 286.1   | -3.0     |
| Electricity Consumption | 269.8  | 264.0   | -2.2     |
| Residential             | 122.3  | 118.6   | -3.1     |
| Commercial              | 144.7  | 142.5   | -1.5     |
| Public                  | 2.8    | 2.9     | 4.5      |

Source: Cayman Islands Water Authority, Cayman Water Company, Caribbean Utilities Company

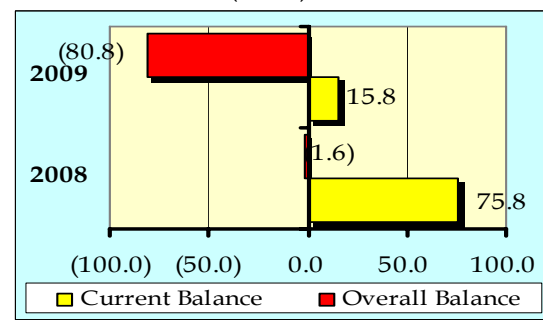
Water production increased by 7.4% for the first half of 2009 compared to a year ago, while consumption

followed with a 5.2% increase to settle at 947.8 million US gallons.

## 11. Fiscal Operations of Central Government

The overall fiscal deficit widened to \$80.8 in the first half of 2009 as compared to \$1.6 million for the same period a year ago (see Figure 11.0). This came about as total expenditure grew by 10.4% while total revenue contracted by 13.7%.

**Figure 11: Central Government Fiscal Balance (CI\$M)**



Source: Cayman Islands Treasury Department

**Table 11.0: Summary of Fiscal Operations (January-June)**

|                                   | 2008          | 2009   | % Change |
|-----------------------------------|---------------|--------|----------|
|                                   | CI\$ Millions |        |          |
| <b>Total Revenue</b>              | 328.7         | 283.8  | (13.7)   |
| <b>Total Expenditure</b>          | 330.3         | 364.6  | 10.4     |
| Current Expenditure               | 247.3         | 251.8  | 1.8      |
| Extraordinary Expenses            | 0.4           | 14.9   | 3985.3   |
| Other Executive Expenses          | 5.3           | 1.3    | (75.1)   |
| Capital Expenditure & Net Lending | 77.4          | 96.5   | 24.7     |
| Current Balance                   | 75.8          | 15.8   | (79.2)   |
| Overall Balance                   | (1.6)         | (80.8) | 4802.9   |
| <b>Financing</b>                  | 1.6           | 80.8   | 4802.9   |
| Net Borrowing                     | 121.8         | 92.5   | (24.1)   |
| Change in Cash (minus=increase)   | (120.2)       | (11.8) | (90.2)   |

Source: Cayman Islands Treasury Department

## 11.1 Revenue

Total revenue fell by 13.7% to reach \$283.8 million (see Table 11.1). Total revenue comprises both coercive (91.9%) and non-coercive revenue (8.1%). Coercive revenue which totalled \$260.9 million fell by \$32.1 million, or 10.9% below the receipts in the preceding year (see Table 11.1). On the other hand, non-coercive revenue amounted to \$22.9 million, 35.9% below the comparative period a year ago.

**Table 11.1: Revenue Collection of the Central Government (January-June)**

| Revenue Sources                     | 2008          | 2009         | %<br>Change   |
|-------------------------------------|---------------|--------------|---------------|
|                                     | CI\$ Millions |              |               |
| <b>Total Revenue</b>                | <b>328.7</b>  | <b>283.8</b> | <b>(13.7)</b> |
| <b>Coercive Revenue</b>             | <b>293.0</b>  | <b>260.9</b> | <b>(10.9)</b> |
| Taxes on Int'l Trade & Transactions | 92.9          | 78.4         | (15.7)        |
| Domestic Taxes on Goods & Services  | 175.6         | 169.5        | (3.4)         |
| Taxes on Property                   | 23.5          | 11.6         | (50.9)        |
| Fines                               | 0.9           | 1.4          | 54.2          |
| Other Taxes                         | 0.0           | 0.0          | (19.9)        |
| <b>Non-coercive Revenue</b>         | <b>35.7</b>   | <b>22.9</b>  | <b>(35.9)</b> |
| Sale of Goods & Services            | 31.2          | 21.6         | (30.7)        |
| Investment Revenue                  | 3.3           | 0.5          | (84.3)        |
| Operating and Other Revenue         | 1.2           | 0.8          | (36.0)        |
| Extraordinary items                 | 0.0           | 0.0          |               |

Source: Cayman Islands Treasury Department

Except for fines, all revenue sources declined, most notably taxes from international trade and transactions (-15.7%) and taxes on domestic property (-50.9%).

## 11.2 Expenditure

Total expenditure was propped up by an expansion in capital

expenditure and net lending while recurrent expenditure grew marginally. Capital expenditure and net lending rose sharply by 24.7% during the period, coupled with a 1.8% increase in current expenditure. The latter was precipitated by strong growth in personnel cost, interest payments, subsidies and transfer payments (see Table 11.2).

**Table 11.2: Current Expenditure of the Central Government (January-June)**

|                            | 2008          | 2009         | %<br>Change |
|----------------------------|---------------|--------------|-------------|
|                            | CI\$ Millions |              |             |
| <b>Current Expenditure</b> | <b>247.3</b>  | <b>251.8</b> | <b>1.8</b>  |
| Personnel Costs            | 113.9         | 123.4        | 8.3         |
| Supplies & Consumables     | 65.8          | 43.8         | (33.4)      |
| Subsidies                  | 56.5          | 66.3         | 17.4        |
| Transfer Payments          | 6.0           | 11.0         | 83.1        |
| Interest Payments          | 5.1           | 7.3          | 44.6        |

Source: Cayman Islands Treasury Department

During the period, personnel costs expanded to \$123.4 million, higher by 8.3% compared to a year ago, despite a 3.8% reduction in the number of personnel in the civil service to 3,756 as at end of June 2009.

Similarly, transfer payments moved up by 83.1% to settle at \$11.0 million, on account of an introduction of a \$3.0-million rebate to Caribbean Utilities Company.

Interest payments for servicing the disbursed outstanding debt was increased by 44.6% to \$7.3 million as

the stock of debt expanded by 44.3% during the review period.

Subsidies rose by 17.4% to \$66.3 million. This surge was due government support for statutory authorities and government companies: National Roads Authority (up \$2.6 million), Cayman Islands National Insurance Company (up \$8.8 million), Health Services Authority (up \$4.6 million) and Cayman Islands Airport Authority (up \$2.6 million).

### 11.3. Net Financing and Debt Service Indicators

The overall deficit was financed by a disbursement of loan funds which totalled \$79.6 million during the period (see Table 11.3). Net borrowing totalled \$92.5 million after accounting for the loan repayment of \$13.0 million. Additional financing requirements were for an increase in cash reserves by \$11.8 million.

Table 11.3: Overall & Primary Fiscal Balance (January-June)

|                    | 2008    | 2009   | %<br>Change |
|--------------------|---------|--------|-------------|
| <b>Financing</b>   | 1.6     | 80.8   | 4802.9      |
| Net Borrowing      | 121.8   | 92.5   | (24.1)      |
| Disbursements      | 108.4   | 79.6   | (26.6)      |
| Loan Repayment     | 13.5    | 13.0   | (3.8)       |
| (minus = increase) | (120.2) | (11.8) | (90.2)      |

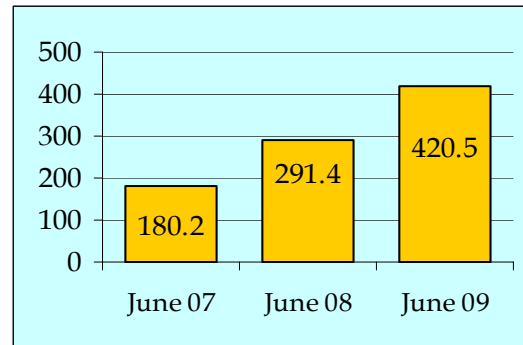
Source: Cayman Islands Treasury Department

Source: Cayman Islands Treasury Department

The expansion in net borrowings as at June 2009 resulted in an increase in the central government's outstanding debt to total \$420.5

million (see Figure 11.3) from \$291.4 million as at end June 2008.<sup>2</sup>

Figure 11.3: Central Government Outstanding Debt (CI\$ Millions)



Source: Cayman Islands Treasury Department

The expansion in central government's outstanding debt by 44.3% has increased the central government's debt service-to-current revenue ratio to 7.1%, from 5.6% a year ago. Similarly, interest payments-to-current revenue ratio stood at 2.6% compared to 1.5% as at June 2008.

<sup>2</sup> Central government's outstanding debt comprises debt managed directly by the Treasury Department and excludes government guaranteed debt and other contingent liabilities.

## **ACKNOWLEDGMENT**

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**Caribbean Utilities Company  
Cayman Islands Water Authority  
Cayman Water Company  
Cayman Islands Monetary Authority  
Cayman Islands Stock Exchange  
Customs Department  
Department of Tourism  
General Registry  
Immigration Department  
Lands and Survey Department  
Planning Department  
Treasury Department**