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# THE CAYMAN ISLANDS' ANNUAL ECONOMIC REPORT 2010

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**The Economics and Statistics Office**  
Ministry of Finance, Tourism & Development

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## 1. Executive Summary

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1.1 Economic activity in 2010 continued on a downward trend as gross domestic product (GDP) fell at an estimated rate of 4.0 percent from a year ago as the value of output in the services sector continued to dwindle.

1.2 The estimated mid-year population reached 54,824 falling by 2.3 percent compared to the mid-year population in 2009. The decline in real GDP precipitated a fall-off in real per capita income to \$42,605, 1.8 percent lower than the level in 2009.

1.3 The economic contraction in 2010 was stimulated on the demand side by falling government consumption and mitigated by increased demand for stay-over tourism services. Other demand indicators fell: electricity and water consumption went down by 1.3 percent and 2.1 percent respectively, while total consumer goods imports fell by 6.3 percent. Government capital spending and total capital imports fell suggesting a decline in both public and private investment in capital goods.

1.4 The financial services industry in 2010 exhibited mixed signs. Upward movements were seen in new company registrations (3.7%) and new partnership (19.9%). In contrast, downturns were recorded albeit at a slower pace in mutual funds registration (-0.9%) and stock exchange listings (-15.2%). Insurance licences declined by 5.0 percent and banks and trusts continued to fall, this time by 7.9 percent.

1.5 Tourism rebounded with a growth of 5.2 percent, with air arrivals up by 6.0 percent and cruise visitors up by 5.1 percent to bring the total visitor arrivals to 1.89 million in 2010.

1.6 Construction declined in 2010, as indicated by the value of building permits which slid to \$205.6 million (or 42.1% lower than in 2009). The value of planning approvals also fell by 23.9 percent to reach \$330.5 million. Similarly, there were 613 certificates of occupancy valued at \$145.4 million issued during the period, or 48.0 percent below the previous year.<sup>1</sup>

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<sup>1</sup> These indicators pertain to Grand Cayman only.

1.7 Real estate activity continued on a downward path as the number of transferred properties fell by 21.9 percent to 1,787 valued at \$316.4 million.

1.8 The average inflation rate in 2010 was 0.3 percent, higher than the -1.5 percent a year ago due mainly to a reduced rate of decline of the housing price index and the strong growth of food and electricity indices.

1.9 In fall 2010, total labour force was estimated at 35,859, which is 0.7 percent lower than a year ago. Labour force participation declined from 84.2 percent in 2009 to 81.8 percent in 2010. The unemployment rate rose to 6.7 percent compared to 6.0 percent in fall 2009.

1.10 Merchandise imports fell by 6.5 percent to \$688.3 million, despite a 21.9 percent increase in the value of fuel imports, as non-fuel imports declined by 10.4 percent due to reductions in consumption goods, intermediate goods and capital goods.

1.11 Broad liquidity (M2) contracted by 10.8 percent to settle at \$5.3 billion (US\$6.4 billion) in 2010. This contraction emanated from a 13.3 percent slump in foreign currency deposits which offset a 2.0 percent expansion in the local currency denominated broad money.

1.12 Domestic credit from commercial banks expanded by \$171.3 million to reach \$3.0 billion. The public sector indebtedness to the local banking sector increased by 16.8 percent and credit to the private sector increased by 5.0 percent.

1.13 The net foreign asset position of local commercial banks fell by 23.5 percent (or by \$913.6 million) to \$3.0 billion. The decline stemmed from a reduction in foreign assets and an expansion of foreign liabilities.

1.14 During the period, the central government's total current revenue net of current expenditure amounted to a surplus of \$19.8 million from a deficit of \$39.7 million a year ago. Similarly, the overall balance (total revenue minus total expenditure) recorded a smaller deficit of \$62.4 million, compared to a deficit of \$149.3 million in 2009 due to reduction in the level of capital expenditure. The central government's total outstanding debt expanded by 15.9 percent (or 24.5% of GDP) to \$594.9 million as at December 2010.

1.15 GDP growth projection for 2011 is placed at 0.9 percent, due to an expected strong recovery in tourism and stabilization of the decline in financial service. Inflation rate in 2011 is expected to rebound sharply at 1.9 percent arising from international food and oil prices.

**The Cayman Islands Economic Performance: Summary Indicators**

| <b>Indicators</b>   | <b>2008</b> | <b>2009</b> | <b>2010</b> |
|---|-------------|-------------|-------------|
| Real GDP (\$million)  | 2,617.5     | 2,433.9     | 2,335.8*    |
| GDP growth in real terms (percent)                                | (0.7)       | (7.0)       | (4.0)*      |
| Real GDP per capita (in \$)                                       | 46,743      | 43,363      | 42,605*     |
| Nominal GDP per capita (in \$)                                    | 47,635      | 45,280      | 44,355*     |
| Nominal GDP (\$million)   | 2,667.4     | 2,541.6     | 2,431.7*    |
| Population (year-end)   | 57,009      | 55,250      | 54,397      |
| <i>Of which</i> Caymanians  | 31,858      | 31,165      | n/a         |
| Population (mid-year)   | 55,998      | 56,130      | 54,824      |
| Employment  | 37,449      | 33,920      | 33,463      |
| Unemployment rate (percent of labour force)                       | 4.0         | 6.0         | 6.7         |
| Inflation rate (percent)  | 4.1         | (1.5)       | 0.3         |
| Total imports (in \$million)                                      | 879.4       | 735.9       | 688.3       |
| Total imports (percent of GDP)                                    | 32.5        | 29.5        | 28.3        |
| Overall fiscal balance of the central government (\$million)      | (131.1)     | (149.3)     | (62.4)      |
| Overall fiscal balance of the central government (percent of GDP) | (4.9)       | (6.0)       | (2.6)       |
| Outstanding debt of the central government (\$million)            | 354.9       | 513.5       | 594.9       |
| Outstanding debt of the central government (percent of GDP)       | 13.1        | 20.2        | 24.5        |
| Stay-over tourists (in thousands)                                 | 302.9       | 272.0       | 288.3       |
| Cruise ship passengers (in thousands)                             | 1,553.1     | 1,520.4     | 1,597.8     |
| Total money supply (M2, in \$billion)                             | 5.6         | 5.9         | 5.3         |
| Mutual funds  | 9,870       | 9,523       | 9,438       |
| Insurance licenses  | 805         | 808         | 768         |
| Banking and trust licenses  | 278         | 266         | 245         |
| Trust companies   | 141         | 136         | 127         |
| Stock exchange listings   | 1,579       | 1,312       | 1,113       |
| New company registrations   | 11,861      | 7,863       | 8,157       |
| Stock exchange capitalization (US\$, in billion)                  | 167.7       | 163.1       | 145.7       |
| Grand Cayman Building permits (\$million)                         | 502.3       | 355.0       | 205.6       |
| Cayman Islands Planning approvals (\$million)                     | 508.8       | 434.2       | 330.5       |
| Cayman Islands Property transfers (\$million)                     | 558.1       | 397.0       | 316.4       |
| Electricity consumption (percent growth)                          | 2.5         | 2.2         | (1.3)       |
| Water consumption (percent growth)                                | (0.7)       | 5.8         | (2.1)       |
| Total fixed and mobile telephone lines                            | 134,079     | 144,850     | 137,242     |

\*Forecasts.

## 2. Global and Regional Macroeconomic Environment

*The year in review marked a strong recovery of the global economy with varying degrees of growth across regions. This review is based on information culled from the International Monetary Fund and other international organizations.*

### 2.1 Economic Growth

Global recovery gained strength in 2010, as output expanded by 5.0 percent, a significant upswing compared to the decline of 0.5 percent a year ago. The advanced economies rebounded sharply at 3.0 percent while emerging and developing countries expanded strongly at a rate of 7.3 percent (see Table 2.1).

Economic activity in the United States of America (US) expanded by 2.8 percent during the year as financial conditions improved to support private demand. Private consumer spending rebounded although the labour market remained relatively weak. Similarly, the Canadian economic output expanded in 2010 at a rate of 3.1 percent.

**Table 2.1: Global Economic Growth**

|  | 2007           | 2008 | 2009 | 2010 |
|--|----------------|------|------|------|
|  | in Percent (%) |      |      |      |
| World GDP                                | 5.2            | 3.0  | -0.5 | 5.0  |
| Advanced economies                       | 2.7            | 0.9  | -3.4 | 3.0  |
| US                                       | 2.0            | 1.1  | -2.6 | 2.8  |
| Euro area                                | 2.7            | 0.9  | -4.1 | 1.7  |
| Japan                                    | 2.4            | -0.6 | -6.3 | 3.9  |
| UK                                       | 3.0            | 0.7  | -4.9 | 1.3  |
| Canada                                   | 2.7            | 0.5  | -2.5 | 3.1  |
| Emerging market and developing countries | 8.3            | 6.1  | 2.7  | 7.3  |
| China                                    | 13.0           | 9.0  | 9.2  | 10.3 |
| India                                    | 9.3            | 7.3  | 6.8  | 10.4 |

Source: International Monetary Fund (April 2011)

Overall economic growth in the Euro area was recorded at 1.7 percent, as countries recovered with uneven pace with Germany leading the growth at 3.5 percent while Greece, Spain and Ireland continued to deteriorate due to financial woes. The United Kingdom (UK) also posted a modest recovery of 1.3 percent,

supported by strong investment demand and modest private consumption growth.

Emerging and developing economies posted another year of strong economic expansion (7.3%) propelled by buoyant domestic demand and strong export performance.

In 2010, the Caribbean region grew by 3.4 percent which is higher than in the previous two years, due largely to strong growth in Dominican Republic (7.8%), Suriname (4.4%) and Guyana (3.6%). However, growth in most of the English-speaking Caribbean economies remained subdued. Jamaica and St. Vincent and the Grenadines recorded their third year of economic contraction.

**Table 2.2: Caribbean Region Economic Growth**

|                              | 2007           | 2008 | 2009 | 2010 |
|------------------------------|----------------|------|------|------|
|                              | in Percent (%) |      |      |      |
| Caribbean                    | 5.8            | 2.9  | 0.4  | 3.4  |
| Bahamas                      | 0.7            | -1.7 | -4.3 | 0.5  |
| Barbados                     | 3.4            | 0.2  | -4.7 | -0.5 |
| Trinidad & Tobago            | 4.6            | 2.3  | -3.5 | 0.0  |
| Jamaica                      | 1.5            | -0.9 | -3.0 | -1.1 |
| OECS                         |                |      |      |      |
| Antigua & Barbuda            | 6.5            | 1.8  | -8.9 | -4.1 |
| Dominica                     | 2.5            | 3.2  | -0.3 | 1.0  |
| Grenada                      | 4.9            | 2.2  | -7.6 | -1.4 |
| St. Kitts & Nevis            | 2.0            | 4.6  | -9.6 | -1.5 |
| St. Lucia                    | 1.5            | 0.7  | -3.6 | 0.8  |
| St. Vincent & the Grenadines | 8.0            | -0.6 | -1.1 | -2.3 |

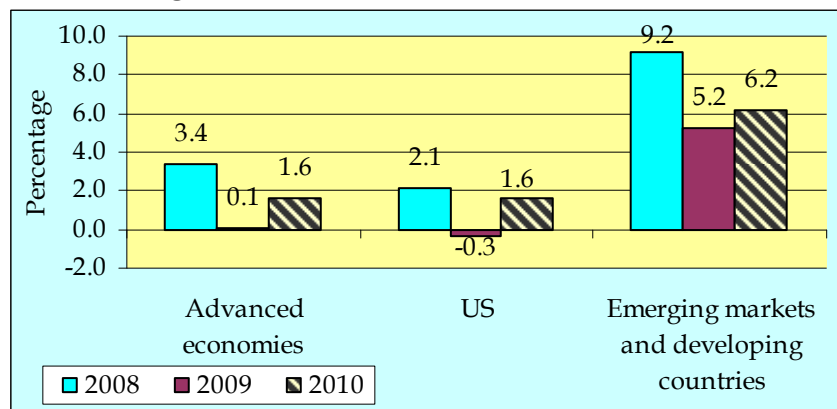
Source: International Monetary Fund (April 2011)



## 2.2 Inflation

Inflation among advanced economies, led by the US, recovered to a moderate rate of 1.6 percent. Private consumption began to ease up while commodity prices moved higher. However, the general price level in emerging markets and developing countries grew at a much stronger rate of 6.2 percent due to strong domestic demand coupled with higher food and energy prices.

**Figure 2.1: Comparative Inflation Rates:**



Source: International Monetary Fund (April 2011)

Inflationary pressures in the Caribbean were significantly stronger resulting in an average inflation rate of 7.1 percent in 2010 from the 3.6 percent of the previous year, fuelled mainly by higher food and energy prices in most countries.

**Table 2.3: Inflation Rates: Caribbean Region**

|                   | 2007           | 2008 | 2009 | 2010 |
|-------------------|----------------|------|------|------|
|                   | in Percent (%) |      |      |      |
| Caribbean         | 6.7            | 12.0 | 3.6  | 7.1  |
| <i>of which:</i>  |                |      |      |      |
| Bahamas           | 2.5            | 4.5  | 2.1  | 1.7  |
| Barbados          | 4.0            | 8.1  | 3.7  | 5.1  |
| Trinidad & Tobago | 7.9            | 12.0 | 7.0  | 10.7 |
| Jamaica           | 9.3            | 22.0 | 9.6  | 12.6 |

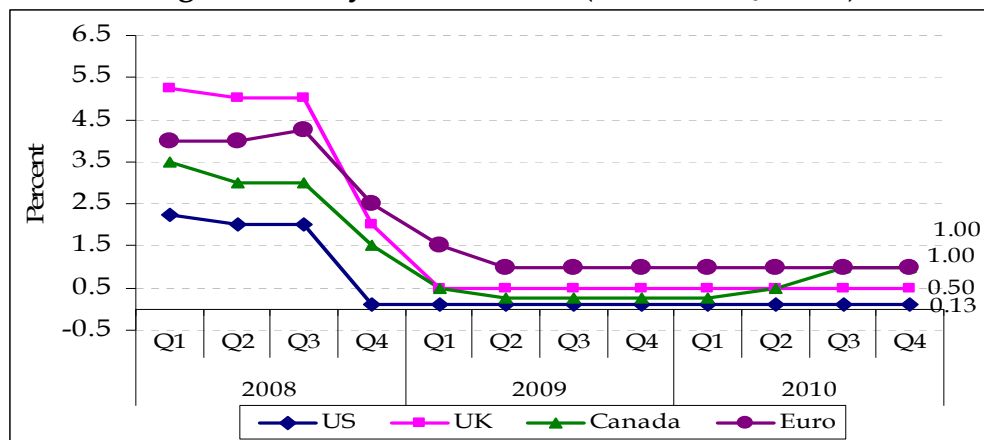
Source: International Monetary Fund (April 2011)

### 2.3 International Finance

The overall fiscal deficit among advanced economies narrowed in 2010 to an average of 8.8 percent of GDP as fiscal policies softened their stimulus stance. The US general government’s fiscal deficit or net borrowing<sup>2</sup> narrowed from 12.7 percent of GDP in 2009 to 10.6 percent of GDP in 2010. Similarly, the overall fiscal deficit of the Euro area improved slightly from 6.3 percent of GDP in 2009 to 6.1 percent of GDP in 2010. However, the UK slightly increased its fiscal deficit to 10.4 percent of GDP from 10.3 percent in 2009.

Interest rate policies in 2010 were generally stable. The Federal Reserve maintained its interest rate from December 2008 to a range of 0 to 0.25 percent since December 2008. The Bank of England maintained its interest rate<sup>3</sup> at 0.5 percent. Likewise, in an effort to lift the Euro zone economy, the European Central Bank retained the key interest rate<sup>4</sup> at 1.0 percent since May 2009. However, Bank of Canada increased its key interest rates<sup>5</sup> two times during the year to reach 1.0 percent at the end of December 2010 (see Figure 2.2).

Figure 2.2: Key Interest Rates (% End of Quarter)



Source: Bank of England, Federal Reserve Bank, European Central Bank & Bank of Canada

<sup>2</sup> Net lending/borrowing is equal to total revenue less total expenditure.

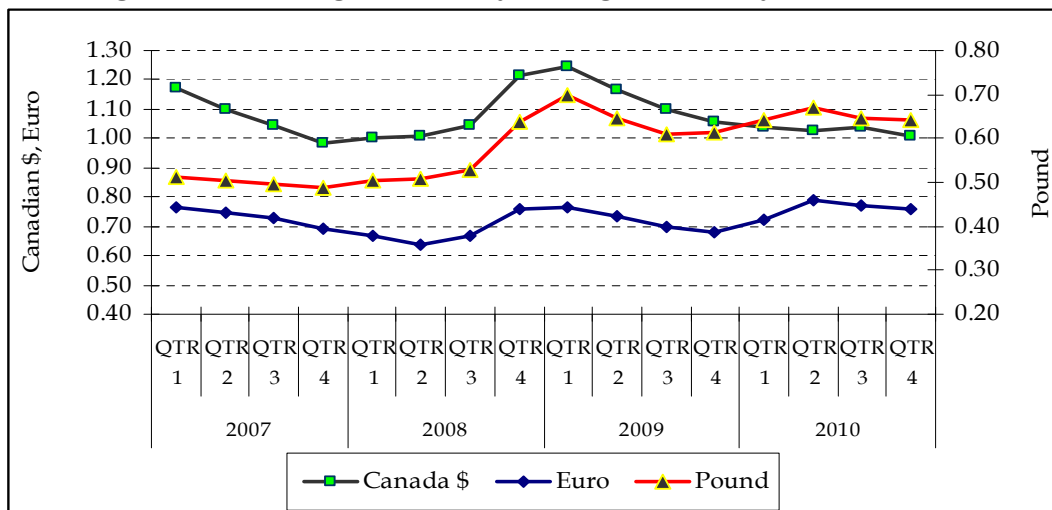
<sup>3</sup> The Bank of England’s key interest rate is also called **current official bank rate**.

<sup>4</sup> The ECB’s key interest rate is for **main refinancing operations** which provide the bulk of liquidity to the banking system.

<sup>5</sup> The Bank of Canada’s key interest rate is also called **the key policy rate** or **the target for the overnight rate**. It is the interest at which major financial institutions borrow and lend one-day (or overnight) funds among themselves.

The U.S dollar generally appreciated against the Canadian dollar but depreciated slightly against the Euro and the pound as exhibited in Figure 2.3. All currencies pegged to the US dollar (including the Cayman Islands dollar) similarly weakened against the UK pound and the Euro.

Figure 2.3: Average Quarterly Foreign Currency per U.S dollar



Source: United States Federal Reserve Bank

## 2.4 Regional and International Tourism<sup>6</sup>

As reported by the World Tourism Organization (WTO), tourism activities in several major markets flourished in 2010 amid persistent economic uncertainty. This outcome was largely on account of notable events hosted by several destinations (including the Winter Olympics in Canada, the FIFA World Cup in South Africa, etc). Overall, international tourist arrivals rebounded by 6.7 percent or by 58 million when compared to 2009, to reach 935 million in 2010. Emerging economies remained the major sources of this recovery.

Meanwhile, tourism performance in other regions was severely affected by natural disasters (i.e. volcanic activity in Iceland and weather-related disruptions in parts of Europe and the USA).

<sup>6</sup> Sources of basic information: World Tourism Organization website, Caribbean Tourism Organization website.

The Caribbean Tourism Organisation similarly reported upbeat tourism arrivals growth during the year in several countries of the region such as Anguilla (10.7%), Jamaica (4.7%), Cuba (4.2%), Guyana (6.3%) and Saint Lucia (9.9%).

Among the source markets, European arrivals to the Caribbean declined in most destinations while US arrivals grew in many destinations and accounted for more than 50 percent of total arrivals. Similarly, arrivals from Canada also strengthened in most Caribbean destinations.

### 3. Macroeconomic Performance

*The domestic economy declined for the third consecutive year causing real per capita income to be at its lowest level. The fall-off in economic activity pushed the unemployment rate higher. The general price level increased modestly mainly due to higher international fuel and food prices.*

#### 3.1 Economic Growth

In 2010, domestic output was estimated to have shrunk for the third consecutive year, as the economy suffered from the slow turn-around of the financial services sector and the continuing decline in local population. The downturn permeated throughout key productive sectors of the economy.

Real Gross Domestic Product (GDP) in 2010 was estimated to have contracted by 4.0 percent to reach \$2.3 billion. This was largely influenced by an estimated 3.2 percent decline in the services sector which accounts for 94.6 percent of GDP.

Per capita income at constant 2007 prices fell by 1.8 percent to \$42,605 as GDP declined while the mid-year population dropped (see Table 3.1). The reduction in the transient portion of the population (non-Caymanians) continued as higher work permit fees along with weak economic activity resulted in lower demand for foreign labour.

**Table 3.1: Cayman Islands' Gross Domestic Product**

|  | 2007    | 2008    | 2009    | 2010 <sup>E</sup> |
|--|---------|---------|---------|-------------------|
| GDP at Current Prices (\$M)                                | 2,637.1 | 2,667.4 | 2,541.6 | 2,431.7           |
| <i>Current GDP growth (%)</i>                              | 7.7     | 1.2     | (4.7)   | (4.3)             |
| Per Capita GDP at constant 2007 prices (CI\$) <sup>1</sup> | 48,763  | 46,743  | 43,363  | 42,605            |
| GDP at constant 2007 prices (\$M)                          | 2,637.1 | 2,617.5 | 2,434.0 | 2,335.8           |
| <i>Real GDP growth (%)</i>                                 | 4.3     | (0.7)   | (7.0)   | (4.0)             |

<sup>1</sup> Using mid- year population figures.

<sup>E</sup> Preliminary estimates based on sector economic indicators

Source: Economics & Statistics Office

The contraction in economic activity was strongest in construction, wholesale and retail trade, real estate, and renting and business activities, and financing and insurance services.

As shown in Table 3.2, construction activity fell anew in 2010 by an estimated 24 percent, following the previous year's reduction of 29.3 percent. The decline in 2010 is associated with the 42.1 percent drop in building permits and the 25 percent fall in capital and net lending expenditures of the central government by 25.0 percent (see Section 5).

Financing and insurance services which accounted for approximately 43.0 percent of GDP was estimated to have declined by 3.9 percent compared to 14.4 percent a year ago (see also Section 4.1).

Wholesale and retail trade declined by 6.5 percent as indicated by the reduction in imports of consumer and intermediate goods. Real estate, renting and business activities was estimated to have contracted by 2.4 percent, induced mainly by reductions in the volume of rented properties and lower property transfers both of which were likely to suffer from the lost in population. Transportation, storage and communication fell by 3.7 percent as growth in tourism transportation was outweighed by the estimated decline in telecommunication.

Production of government services fell by 2.1 percent as government consumption expenditure (recurrent expenditure) was reduced by 2.5 percent after adjusting for inflation as compared to a growth of 2.8 percent a year ago (see also Section 5). In contrast to the above sector, the hotels and restaurants sector was estimated to have increased by 6.0 percent, mirroring the rate of growth in stay-over visitors (see Section 4.2).

**Table 3.2: Real GDP at 2007 prices by Sector (\$ million)**

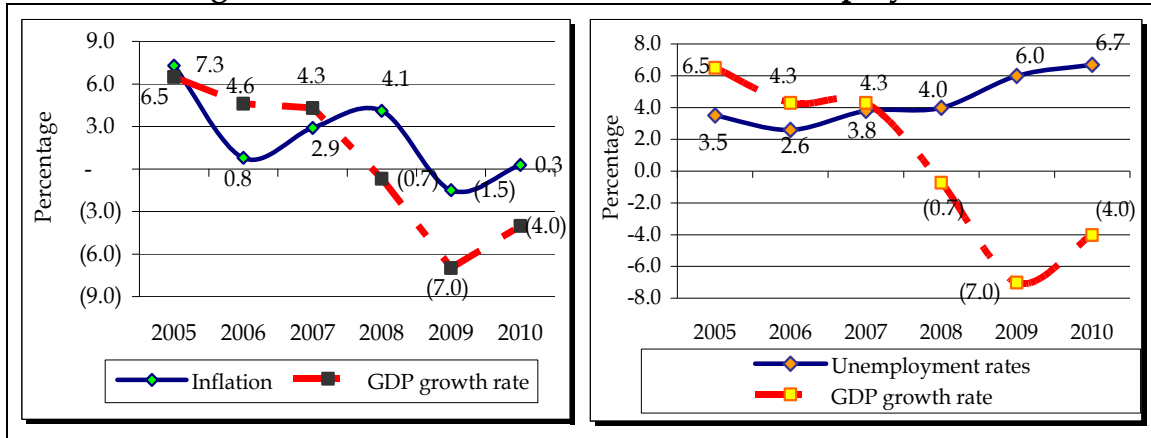
|   | 2007                               | 2008           | 2009           | 2010 <sup>E</sup> | %<br>Change |
|---|------------------------------------|----------------|----------------|-------------------|-------------|
|   | Millions of Cayman Islands Dollars |                |                |                   |             |
| <b>Primary Sector</b>   | <b>37.2</b>                        | <b>28.8</b>    | <b>28.4</b>    | <b>27.5</b>       | -3.0        |
| Agriculture & Fishing   | 7.6                                | 8.1            | 8.9            | 9.1               | 2.1         |
| Mining & Quarrying  | 29.6                               | 20.8           | 19.5           | 18.5              | -5.3        |
| <b>Secondary Sector</b>                                       | <b>163.5</b>                       | <b>167.8</b>   | <b>124.3</b>   | <b>99.8</b>       | -19.7       |
| Manufacturing   | 23.7                               | 25.5           | 23.7           | 23.3              | -1.5        |
| Construction  | 139.8                              | 142.4          | 100.6          | 76.5              | -24.0       |
| <b>Services Sector</b>  | <b>2,436.3</b>                     | <b>2,420.9</b> | <b>2,281.3</b> | <b>2,208.6</b>    | -3.2        |
| Electricity & Water Supply                                    | 91.3                               | 93.0           | 96.0           | 95.8              | -0.2        |
| Electricity   | 57.1                               | 58.3           | 59.3           | 58.9              | -0.6        |
| Water Supply  | 34.2                               | 34.7           | 36.7           | 36.9              | 0.4         |
| Wholesale & Retail Trade, Repairs & Installation of Machinery | 236.4                              | 244.5          | 216.4          | 202.4             | -6.5        |
| Hotels & Restaurants incl. Bars                               | 133.5                              | 134.3          | 120.6          | 127.9             | 6.0         |
| Transport, Storage & Communication                            | 217.7                              | 214.2          | 213.6          | 205.8             | -3.7        |
| Financing & Insurance Services                                | 1,267.7                            | 1,219.6        | 1,044.1        | 1,003.2           | -3.9        |
| Real Estate, Renting & Business Activities                    | 594.1                              | 596.7          | 588.0          | 574.1             | -2.4        |
| Business Activities   | 317.5                              | 319.4          | 324.7          | 334.0             | 2.9         |
| Real Estate   | 221.9                              | 223.1          | 212.8          | 196.4             | -7.7        |
| Administrative & Support Services                             | 54.7                               | 54.2           | 50.5           | 43.7              | -13.5       |
| Producers of Government Services                              | 341.8                              | 356.8          | 348.5          | 341.4             | -2.1        |
| Other Services  | 51.1                               | 49.3           | 45.8           | 40.9              | -10.6       |
| Financial Services Indirectly Measured (FISIM)*               | 497.1                              | 487.5          | 391.8          | 383.0             | -2.2        |
| <b>GDP constant at basic prices</b>                           | <b>2,637.1</b>                     | <b>2,617.5</b> | <b>2,434.0</b> | <b>2,335.8</b>    |             |
| Growth (%)  | 4.3                                | -0.7           | -7.0           | -4.0              |             |

<sup>E</sup> Preliminary estimates based on sector economic indicators.

\*Financial Intermediation Services Indirectly Measured (FISIM) is the difference between the higher rates charged to borrowers and the lower rates paid to lenders. It is an implicit charge to customers for the service provided by financial intermediaries.

Source: Economics & Statistics Office

Figure 3.1: GDP Growth, Inflation and Unemployment



Source: Economics & Statistics Office

### 3.2 Inflation

In 2010, consumer prices rose on average by 0.3 percent, as compared to a decline of 1.5 percent in the preceding year. This year's inflation can be traced mainly to the sharp movement of fuel prices.

Table 3.3: Average Inflation Rates

| Categories                     | Average Inflation (%) |
|--------------------------------|-----------------------|
| Food & Non Alcoholic Beverages | 3.0                   |
| Alcohol and Tobacco            | 10.2                  |
| Clothing and Footwear          | -0.2                  |
| Housing and Utilities          | -4.0                  |
| Household Equipment            | 0.6                   |
| Health                         | 1.2                   |
| Transport                      | 8.1                   |
| Communication                  | 2.1                   |
| Recreation and Culture         | 1.2                   |
| Education                      | 1.7                   |
| Restaurants and Hotels         | 5.1                   |
| Misc Goods and Services        | 1.6                   |
| Overall CPI Inflation          | 0.3                   |

Source: Economics & Statistics Office

During the year, all major categories of CPI inflation increased except housing and utilities and clothing and footwear (see Table 3.3). The average price growth



of alcohol and tobacco reflected the recent revenue measure which increased the duties of alcohol and tobacco products. Transportation was positively affected by higher prices of fuel and lubricants as oil prices surged during the period. The average price of restaurants and hotels increased on account of higher prices for accommodation services<sup>7</sup>.

The local economic recession and the resulting downsizing of the labour market stimulated the downward adjustment of housing-related cost which declined continuously since the third quarter of 2009 (see Table 3.4). The housing and utility index is the highest weighted category of the consumer price index basket at 39.4 percent, thus exerting significant influence on the rate of inflation. In 2010, average housing and utilities inflation stood at -4.0 percent despite a hike in electricity inflation of an average 21.3 percent. Housing inflation (housing excluding utilities) was influenced by the combined forces of actual rental for housing which on average went down by 13.5 percent and the imputed rentals of owner-occupied housing which fell by 7.1 percent. Meanwhile, the average price of electricity increased continuously since the fourth quarter of 2009 as international oil prices surged from the beginning of 2010, as evidenced by Brent crude which increased by 21.6 percent from US\$77.93 per barrel to US\$94.75 per barrel as at end December 2010. Overall, consumer price index inflation when housing and utilities is excluded averaged 2.9 percent in 2010 which is indicative of the dampened impact of housing on the annual inflation.

The local inflation is largely imported as transmitted mainly through the household's monthly food budget. The average food inflation in 2010 stood at 3.0 percent, having been positive in all four quarters of the year and with a stable average of 3.5 percent for the last three quarters. One of the reasons for the increase in the average food prices was a 2.0 percentage points increase in import duties at the beginning of 2010. Another contributor is the surge in international oil prices, recent boom in bio-fuels and increased demand for agricultural commodities. Finally, adverse weather conditions in the major source markets such as drought in Russia and Ukraine, extreme weather conditions in Canada and Midwest US and flooding in Asia reduced rice production, causing an increase in food prices.

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<sup>7</sup> Accommodation services consist of:

- hotels, boarding houses, motels, inns and establishments offering "bed and breakfast"; and
- boarding schools, universities and other educational establishments;

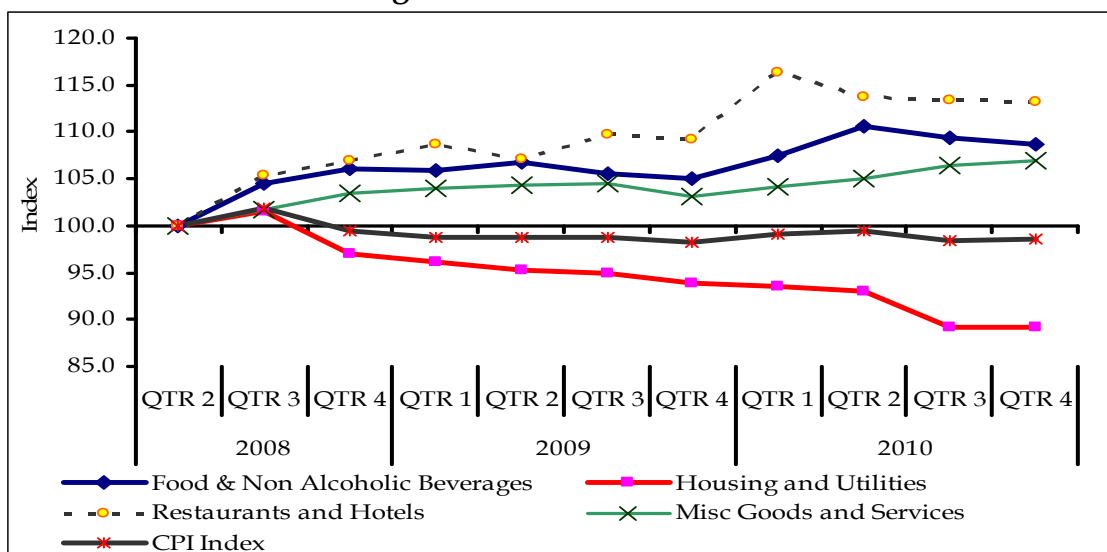
**Table 3.4: Selected Quarterly Inflation Rates**  
**% Change Over the Same Quarter a Year Ago**

|                     | CPI Inflation | Non Food Inflation | CPI: Excluding; Food & Electricity | CPI: Excluding; Housing & Utilities | Food Inflation | Housing & Utilities Inflation | Electricity Inflation |
|---------------------|---------------|--------------------|------------------------------------|-------------------------------------|----------------|-------------------------------|-----------------------|
| 2009                | QTR 3         | -3.1               | -3.5                               | -1.6                                | -0.9           | 1.0                           | -6.5                  |
|                     | QTR 4         | -1.3               | -1.3                               | -1.8                                | 0.0            | -1.0                          | 9.5                   |
| 2010                | QTR 1         | 0.4                | 0.3                                | -0.5                                | 2.3            | 1.5                           | -2.8                  |
|                     | QTR 2         | 0.7                | 0.5                                | -0.3                                | 2.5            | 3.5                           | -2.2                  |
|                     | QTR 3         | -0.3               | -0.6                               | -1.7                                | 3.3            | 3.5                           | -6.0                  |
|                     | QTR 4         | 0.3                | 0.0                                | -0.7                                | 3.4            | 3.4                           | -4.9                  |
| Annual average 2010 | 0.3           | 0.0                | -0.8                               | 2.9                                 | 3.0            | -4.0                          | 21.3                  |

Source: Economics & Statistics office

The consumer price index was rebased in the second quarter of 2008 (see Figure 3.2), since then the overall CPI index hovered around the initial index value of 100.0 due to a netting effect of some major categories. Food and non-alcoholic beverages, restaurants and hotels and miscellaneous goods and services exerted upward pressure on CPI, while housing and utilities forced the CPI inflation downwards. Since the rebasing of the CPI index, cumulative inflation of food and non-alcoholic beverages, restaurants and hotels, and miscellaneous goods and services increased by 8.5 percent, 12.9 percent and 6.8 percent respectively, while housing and utilities fell 11.2 percent.

**Figure 3.2: Inflation Indices**



Source: Economics & Statistics office

### 3.3 Labour Force and Employment

Similar to economic activity, labour market indicators weakened further in 2010. However, the pace of decline moderated from the sharp contraction recorded a year ago.

Preliminary estimates from the 2010 Housing and Population Census indicated that the population decreased by approximately 1.5 percent from 55,250 in 2009 to 54,397. The labour force also shrunk by 0.7 percent to 35,859 which mirrors the negative economic growth.

The number of employed persons fell by 1.3 percent to 33,463 in 2010 (see Table 3.5) as employers continued to reduce their workforce.

The number of unemployed persons stood at 2,396 pushing the unemployment rate upwards from 6.0 percent to 6.7 percent.

**Table 3.5: Summary of Labour Force Survey Indicators**

|  | 2007   | 2008   | 2009                | 2010   |
|--|--------|--------|---------------------|--------|
| <b>Population Estimate</b>                 | 54,986 | 57,009 | 55,250 <sup>R</sup> | 54,397 |
| <b>Labour Force</b>                        | 37,431 | 38,998 | 36,100              | 35,859 |
| Employed                                   | 36,026 | 37,449 | 33,920              | 33,463 |
| Unemployed                                 | 1,405  | 1,549  | 2,180               | 2,396  |
| <b>Labour Force Participation Rate (%)</b> | 83.0   | 84.1   | 81.8                | 81.8   |
| <b>Unemployment Rate (%)</b>               | 3.8    | 4.0    | 6.0                 | 6.7    |

<sup>R</sup> Revised

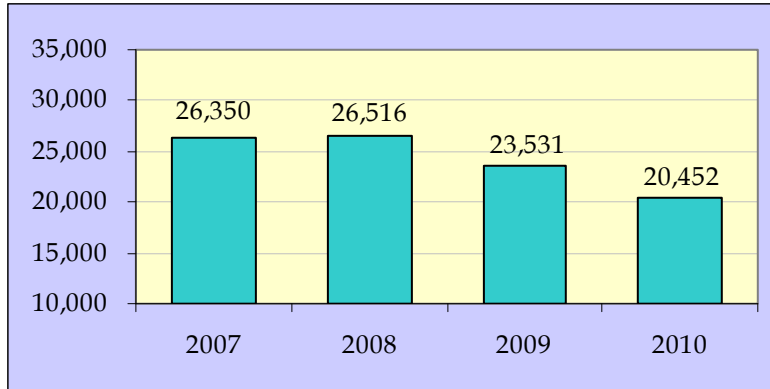
Source: Economics & Statistics Office

The participation rate, which measures the share of the labour force in the total working age population (15+ years), was stable in 2010 at 81.8 percent.

Foreign employment levels, as measured by total work permits issued by the Immigration Department, decreased throughout 2010 as both the public and private sector reduced their workforces.

As at the close of 2010, the total number of issued work permits contracted by 13.1 percent from the 23,531 recorded a year ago to 20,452 (see Figure 3.3).

Figure 3.3: Work Permits in Effect, December 2007-2010



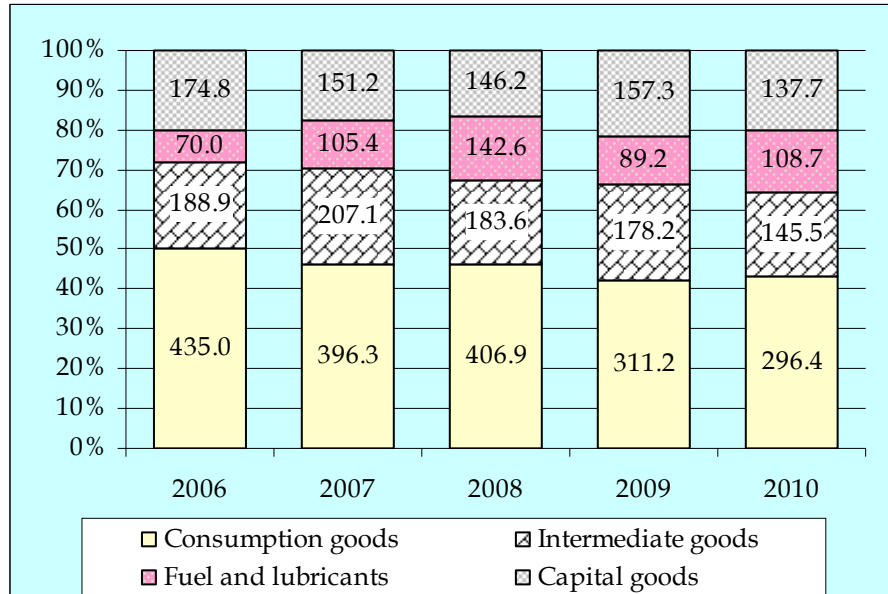
Source: Immigration Department

### 3.4 External Sector

**Imports.** Total merchandise imports fell for the second consecutive year, this time by 6.5 percent in 2010 to reach \$688.3 million<sup>8</sup>. The decline spread across consumption, intermediate and capital goods which had a combined reduction of 10.4 percent. The decline in these categories is indicative of the reduced economic activity in construction and other production sectors as well as reduced domestic demand due to a lower population base. Consumer goods decreased by 4.8 percent with lower private and private domestic demand. The recovery in stay-over tourism was not sufficient to arrest the fall in domestic demand.

<sup>8</sup> Value of imports and export includes cost of insurance and freight.

**Figure 3.4: Imports by Broad Economic Categories  
(\$ million and percentage share)**



Source: Economics and Statistics Office

The value of fuel imports rose during the period; however, in terms of volume, the demand for fuel went down by 4.74 million imperial gallons (or 9.3%). All the different types of fuel declined in 2010 with diesel and gasoline imports falling by 9.7 percent and 8.5 percent respectively, whilst aviation fuel fell by 6.6 percent and propane fell by 12.0 percent. This can be explained by the combined forces of lower economic activity and population decline.

**Table 3.6: Quantity of Imported Fuel**

|               | 2007                         | 2008  | 2009  | 2010  | % Change |
|---------------|------------------------------|-------|-------|-------|----------|
|               | Millions of imperial gallons |       |       |       |          |
| Total Fuel    | 40.81                        | 50.39 | 50.94 | 46.20 | (9.3)    |
| Diesel        | 27.94                        | 34.99 | 36.86 | 33.29 | (9.7)    |
| Gasoline      | 8.51                         | 10.06 | 10.08 | 9.22  | (8.5)    |
| Aviation Fuel | 3.68                         | 4.30  | 3.10  | 2.90  | (6.6)    |
| Propane       | 0.69                         | 1.05  | 0.90  | 0.79  | (12.0)   |

Source: Port Authority of the Cayman Islands

**Exports.** Total merchandise exports in 2010 reached \$11.0 million, a 30.8 percent decrease compared to the previous year.

**Current Account.** The country's current account deficit was estimated to have narrowed by 15.0 percent to \$369.0 million, or 15.2 percent of GDP in 2010 (see Table 3.7) due partly to reductions in outflow of workers remittances and merchandise imports coupled with increases in receipts from tourism and financial services.

**Table: 3.7: Balance of Payments (in CI\$ million)\***

|   | 2007           | 2008           | 2009           | 2010 <sup>E</sup> |
|---|----------------|----------------|----------------|-------------------|
| <b>Current Account Balances:</b>            |                |                |                |                   |
| Trade balance                               | (743.9)        | (771.1)        | (640.5)        | (613.4)           |
| Exports, f.o.b.                             | 20.4           | 15.4           | 17.9           | 14.1              |
| Imports, f.o.b.                             | (764.3)        | (786.5)        | (658.4)        | (627.4)           |
| Services, net                               | 599.7          | 633.7          | 457.9          | 497.3             |
| Inflows                                     | 1,202.3        | 1,292.0        | 120.9          | 1,123.1           |
| o/w tourism visitor expenditures            | 406.3          | 433.0          | 378.4          | 392.4             |
| o/w financial services                      | 454.0          | 515.3          | 371.6          | 389.0             |
| Outflows                                    | (602.6)        | (658.3)        | (663.0)        | (625.8)           |
| Net income                                  | (117.0)        | (106.7)        | (57.0)         | (84.2)            |
| Transfers, net                              | (173.6)        | (187.2)        | (182.5)        | (168.7)           |
| <b>Overall Current Account Balance</b>      | <b>(434.8)</b> | <b>(431.3)</b> | <b>(422.0)</b> | <b>(369.0)</b>    |
| <i>Percent of GDP (%)</i>                   | <i>(16.5)</i>  | <i>(16.2)</i>  | <i>(16.6)</i>  | <i>(15.2)</i>     |
| <b>Financial and Capital Account, net**</b> | <b>442.2</b>   | <b>426.8</b>   | <b>421.0</b>   | <b>359.6</b>      |
| <b>Change in reserves***</b>                | <b>(7.4)</b>   | <b>4.5</b>     | <b>1.0</b>     | <b>9.4</b>        |

<sup>E</sup> Estimated based on selected economic indicators  
f.o.b - Free on board (excludes insurance and freight)

\*2008 and 2009 data reflect revisions of estimates as presented in the BOP (Current Account) Report, February 2011

\*\* Includes overall errors and omissions

\*\*\* Change in foreign currency reserves of the Cayman Islands Monetary Authority's Currency Board.

Source: Economics and Statistics Office

### 3.5 Money & Credit

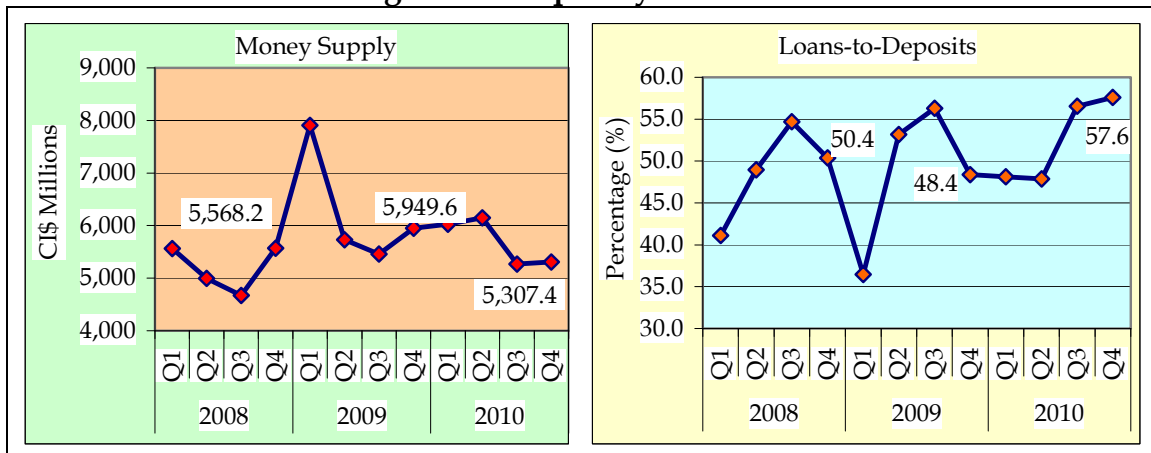
**Broad Liquidity.** Broad liquidity (M2) comprising CI dollar-denominated money and foreign exchange deposits contracted by 10.8 percent to settle at \$5,307.4 million in 2010 (see Figure 3.5 and Table 3.8). The contraction emanated from a 13.3 percent slump in foreign currency deposits which overshadowed a 2.0 percent increase in the local currency money supply (M2).

The decline in foreign currency deposits was precipitated by a reduction of US dollar-denominated deposits by 15.8 percent. This could have resulted from foreign currency mobility in search of higher returns in the wake of a lacklustre global recovery and local recessionary economic conditions.

Broad money comprising of local currency (KYD) deposits and currency in circulation grew by 2.0 percent to \$981.1 million. KYD deposits increased by 2.4 percent while currency in circulation declined by 2.7 percent.

The overall loan-to-deposit ratio of commercial banks increased due to higher loan balances and a simultaneous reduction in both local and foreign currency deposits. In 2010, this ratio averaged 57.6 percent as compared to 48.4 percent in 2009.

**Figure 3.5: Liquidity Indicators**



Source: Cayman Islands Monetary Authority & ESO

The contraction in broad liquidity was associated with a 23.5 percent reduction of net foreign assets of local commercial banks.

Net domestic assets rose by \$282.4 million (or 14.3 percent) as domestic credit rose by 6.0 percent.

**Table 3.8: Monetary and Banking Summary, in CI\$ million**

|                               | Dec-08         | Dec-09         | Dec-10         | %<br>Change |
|-------------------------------|----------------|----------------|----------------|-------------|
| <b>Total Assets</b>           | <b>5,568.2</b> | <b>5,949.6</b> | <b>5,307.4</b> | (10.8)      |
| <b>Net Foreign Assets</b>     | <b>3,579.1</b> | <b>3,981.1</b> | <b>3,056.5</b> | (23.2)      |
| Monetary Authority            | 101.6          | 100.4          | 89.4           | (11.0)      |
| Commercial Banks              | 3,477.5        | 3,880.7        | 2,967.1        | (23.5)      |
| <b>Net Domestic Assets</b>    | <b>1,989.1</b> | <b>1,968.5</b> | <b>2,250.9</b> | 14.3        |
| Domestic credit               | 2,763.1        | 2,836.8        | 3,008.1        | 6.0         |
| Claims on central government  | 271.7          | 172.1          | 219.0          | 27.2        |
| Claims on other public sector | 54.0           | 66.5           | 59.8           | (10.1)      |
| Claims on private sector      | 2,437.5        | 2,598.1        | 2,729.3        | 5.0         |
| Other items net (assets +)    | (774.0)        | (868.3)        | (757.2)        | (12.8)      |
| <b>Broad Liquidity</b>        | <b>5,568.2</b> | <b>5,949.6</b> | <b>5,307.4</b> | (10.8)      |
| Broad money (KYD) M2          | <b>1,017.7</b> | <b>962.2</b>   | <b>981.1</b>   | 2.0         |
| Currency in circulation       | 83.6           | 87.5           | 85.2           | (2.7)       |
| KYD Deposits                  | <b>934.1</b>   | <b>874.6</b>   | <b>895.9</b>   | 2.4         |
| Demand deposits               | 250.7          | 254.5          | 298.9          | 17.4        |
| Time and savings deposits     | 683.3          | 620.1          | 597.0          | (3.7)       |
| FOREX deposits                | <b>4,550.5</b> | <b>4,987.5</b> | <b>4,326.2</b> | (13.3)      |
| <i>of which:</i> US dollars   | 4,218.7        | 4,316.0        | 3,632.8        | (15.8)      |

Source: Cayman Islands Monetary Authority & ESO

**Net foreign assets.** Net foreign assets (NFA) of the Cayman Islands Monetary Authority's (CIMA) contracted by 11.0 percent while the commercial banks' NFA declined by 23.5 percent during the period (see Table 3.9). CIMA's NFA declined as external investments which accounts for 99 percent of NFA fell by 11.3 percent. The reduction of commercial banks' NFA stemmed from an increase in foreign liabilities by 15.4 percent as non-resident deposits grew by \$398.3 million while foreign assets fell by 7.4 percent due to reductions in balances in banks and branches, investment and loans.



In 2010, foreign currency-denominated liabilities to total liabilities ratio (a financial soundness indicator which measures the relative importance of foreign currency funding within total liabilities) stood at 86.6 percent. This represented a slight fall compared to 89.3 percent in 2009 and 89.6 in 2008. This is an indication that foreign currency continued to be an important source of funding in the Cayman Islands' "dollarized economy", supporting its fixed exchange rate in the currency board system.

**Table 3.9: Net Foreign Assets, CI\$ million**

|                             | Dec-08         | Dec-09         | Dec-10         | %<br>Change |
|-----------------------------|----------------|----------------|----------------|-------------|
| <b>Net Foreign Assets</b>   | <b>3,579.1</b> | <b>3,981.1</b> | <b>3,056.5</b> | (23.2)      |
| Monetary Authority          | 101.6          | 100.4          | 89.4           | (11.0)      |
| Commercial Banks            | 3,477.5        | 3,880.7        | 2,967.1        | (23.5)      |
| <b>Foreign Assets</b>       | <b>7,430.7</b> | <b>6,630.9</b> | <b>6,140.1</b> | (7.4)       |
| Bal. with Banks & Branches  | 4,450.8        | 3,923.2        | 3,785.8        | (3.5)       |
| Total Investment            | 1,427.8        | 1,170.9        | 906.7          | (22.6)      |
| Total Non-Resident Loans    | 1,552.1        | 1,536.8        | 1,447.6        | (5.8)       |
| <b>Foreign Liabilities</b>  | <b>3,953.2</b> | <b>2,750.2</b> | <b>3,173.0</b> | 15.4        |
| Total Non-Resident Deposits | 3,732.7        | 2,677.9        | 3,076.2        | 14.9        |
| Other Liabilities           | 220.5          | 72.3           | 96.8           | 33.9        |

Source: Cayman Islands Monetary Authority & ESO

**Net domestic assets.** The expansion in net domestic assets was driven by the continued growth in domestic credit which went up by 6.0 percent to \$3,008.1 million. This was due to the growth in both public and private sectors' stock of debt. Credit to the public sector increased by 16.8 percent as central government debt from commercial banks expanded by 27.2 percent to \$219.0 million (see Tables 3.10 and 3.8). Credit allocated to the private sector rose by 5.0 percent as both credit to businesses and households expanded.

**Table 3.10: Net Domestic Assets, CI\$ million**

|                                   | Dec-08         | Dec-09         | Dec-10         | %<br>Change |
|-----------------------------------|----------------|----------------|----------------|-------------|
| <b>Domestic Assets</b>            | <b>2,763.1</b> | <b>2,836.8</b> | <b>3,008.1</b> | 6.0         |
| Domestic Credit to Public Sector  | 325.6          | 238.7          | 278.9          | 16.8        |
| Domestic Credit to Private Sector | 2,437.5        | 2,598.1        | 2,729.3        | 5.0         |

Source: Cayman Islands Monetary Authority & ESO

Credit to households which constituted 61.5 percent of total credit to the private sector rose by 3.2 percent during the period, as credit to domestic property and education and technology expanded (see Table 3.11).

Credit to the business sector which accounted for 38.5 percent of total credit to the private sector grew by 8.1 percent, as lending to other financial corporations and the production and manufacturing sectors expanded. In contrast, credit to the service sectors, and trade and commerce declined by 18.9 percent and 12.5 percent, respectively.

In 2010, US dollar-denominated loans continued to dominate total loans as foreign currency-denominated loans to total loans ratio stood at 66.1 percent, down from 67.3 percent in 2009 and 68.7 percent in 2008.

The household debt-to-GDP ratio which measures the overall level of household indebtedness as a share of GDP stood at 69.1 percent as compared to 64.0 percent in 2009 and 55.7 percent in 2008. This worsening of household indebtedness resulted from increases in loans to households amidst a reduction in economic output.

**Table 3.11: Net Credit to the Private Sector, CI\$ million**

|   | Dec-08         | Dec-09         | Dec-10         | %<br>Change |
|---|----------------|----------------|----------------|-------------|
| <b>Total</b>  | <b>2,437.5</b> | <b>2,598.1</b> | <b>2,729.3</b> | 5.0         |
| <b>Credit to Businesses</b>                           | <b>952.7</b>   | <b>971.3</b>   | <b>1,049.5</b> | 8.1         |
| <b>Production &amp; Manufacturing</b>                 | 118            | 149            | 292            | 95.3        |
| Agriculture, Fishing and Mining                       | 7.2            | 7.0            | 7.1            | 1.8         |
| Manufacturing   | 5.4            | 7.0            | 9.3            | 32.2        |
| Utilities   | 25.7           | 20.6           | 57.0           | 177.1       |
| Construction  | 79.9           | 114.9          | 218.5          | 90.2        |
| <b>Services</b>                                       | 186.9          | 260.1          | 210.8          | -18.9       |
| Accommodation, Food, Bar & Entertainment Services     | 78.7           | 130.5          | 113.4          | -13.1       |
| Transportation, Storage & Communications              | 41.8           | 27.7           | 5.0            | -81.9       |
| Education, Recreational & Other Professional Services | 66.5           | 101.9          | 92.4           | -9.3        |
| <b>Trade and Commerce</b>                             | 607.2          | 519.0          | 454.0          | -12.5       |
| Wholesale & Retail sales Trade                        | 167.7          | 79.8           | 67.3           | -15.7       |
| Real Estate Agents, Rental and Leasing Companies      | 430.3          | 425.9          | 364.1          | -14.5       |
| Other Business Activities (general business activity) | 9.2            | 13.4           | 22.6           | 68.8        |
| <b>Other Financial Corporations</b>                   | 40.4           | 42.6           | 92.9           | 117.7       |
| <b>Credit to Households</b>                           | <b>1,484.7</b> | <b>1,626.7</b> | <b>1,679.3</b> | 3.2         |
| Domestic Property                                     | 1,295.8        | 1,375.6        | 1,458.5        | 6.0         |
| Motor Vehicles  | 44.0           | 70.2           | 49.8           | -29.1       |
| Education and Technology                              | 1.7            | 3.2            | 4.7            | 47.3        |
| Miscellaneous*  | 143.3          | 177.7          | 166.3          | -6.4        |
| <b>NonProfit Organizations</b>                        | <b>0.0</b>     | <b>0.2</b>     | <b>0.4</b>     | 107.9       |

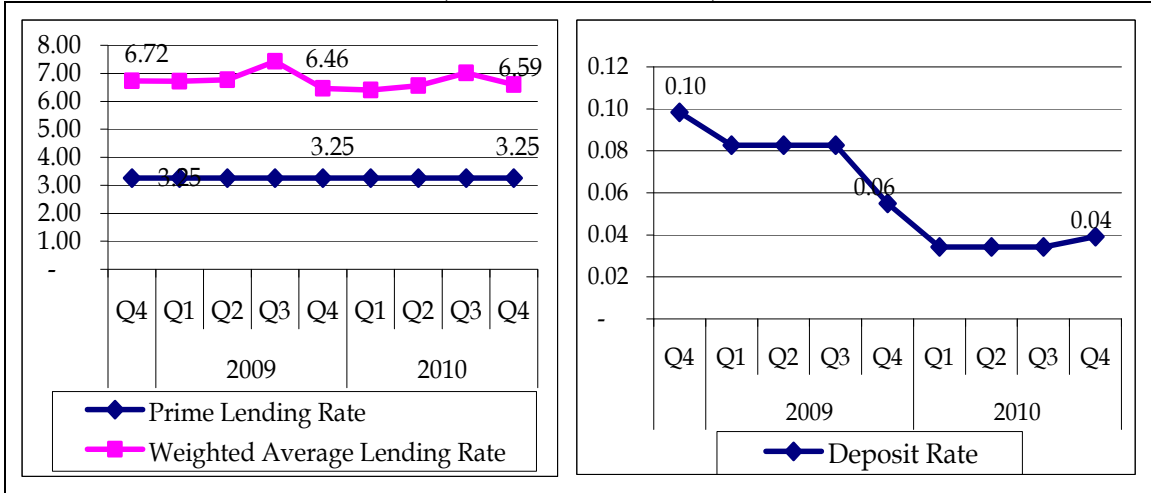
\*Miscellaneous include consolidated debt, insurance, medical & travel

Source: Cayman Islands Monetary Authority & ESO

**Interest Rates.** As depicted in Figure 3.6, the weighted average lending rate inched upward during the year, albeit at a sluggish pace. The weighted average rate on outstanding loans moved upwards by 13 basis points from 6.46 percent in 2009 to 6.59 while prime lending rate remained constant over the review period. The weighted average loan interest rate spread over Cayman prime averaged 3.4 percentage points, marginally down from 3.6 percentage points a year ago. Similarly, the weighted average loan interest rate spread over the KYD savings rate was 6.6 percentage points, down from 6.8 percentage points a year ago.

The average savings deposit rate on local currency also contracted from 0.06 percent to 0.04 percent at the end of 2010 (see Figure 3.6).

**Figure 3.6: Cayman Islands' Interest Rates**  
(%, End of Quarter)



Source: Cayman Islands Monetary Authority & ESO

#### 4. Key Sector Developments

*Cayman's financial services industry declined while tourism rebounded in 2010 in the wake of more sustained economic activity in major source markets. The construction industry and real estate sector continued to suffer from receding domestic demand. The economic decline also impacted the utilities sector as both electricity and water consumption dropped.*

##### 4.1 Financial Services

Cayman's financial sector remained subdued in 2010 amidst the onset of recovery in global economic conditions. With the exception of partnerships registration, all industry categories posted mixed performances. Licences for new companies were unaffected by fewer resident and foreign company registrations as it widened overall.

**Banks & trusts.** The trend in recent years of mergers and acquisitions in search of cost efficiencies and improvement in operational risk management and governance continued as bank & trust licences went further into declension (by 7.9 %) to reach 245 by end of 2010. Meanwhile, pure trust companies decreased by 6.6 percent to total 127 compared to 136 a year ago.

**Table 4.1: Bank & Trust Companies, 2008-2010**

|                                   | 2008                | 2009       | 2010       | %<br>Change |
|-----------------------------------|---------------------|------------|------------|-------------|
| <b>Banks and Trust Licences</b>   | <b>278</b>          | <b>266</b> | <b>245</b> | <b>-7.9</b> |
| <i>Of which:</i> Class 'A'        | 18                  | 17         | 17         | 0.0         |
| Class 'B'                         | 258                 | 248        | 227        | -8.5        |
| Class 'B' Restricted              | 2                   | 1          | 1          | 0.0         |
| <b>Trust companies</b>            | <b>141</b>          | <b>136</b> | <b>127</b> | <b>-6.6</b> |
| Trust Companies (unrestricted)    | 54                  | 53         | 51         | -3.8        |
| Trust companies (Restricted)      | 87                  | 83         | 76         | -8.4        |
| <b>External Position of Banks</b> | <b>US\$ Billion</b> |            |            |             |
| Assets                            | 1,826               | 1,734      | 1,728      | -0.3        |
| Liabilities                       | 1,823               | 1,762      | 1,798      | 2.0         |

Source: Cayman Islands Monetary Authority

The Cayman Islands continue to be recognised as one of the top ten international financial centres in the world with over forty of the top fifty banks holding licences locally representing some forty-five countries. The value of international assets fell by 0.3 percent to US\$1.7 trillion while liabilities grew by 2.0 percent to settle at US\$1.8 trillion during the period (see Table 4.1). Thus the locally-licensed banks remained strong with a ranking of sixth in international assets and fifth in international liabilities as at June 2010. The origin of banks remained relatively stable over time as those from Europe and the United States comprised majority of the licenses (see Table 4.2).

**Table 4.2: Number of Banks by Region**

|                             | 2007            | 2008       | 2009       | 2010       |
|-----------------------------|-----------------|------------|------------|------------|
|                             | Number of Banks |            |            |            |
| Europe                      | 82              | 81         | 78         | 72         |
| USA                         | 75              | 76         | 74         | 67         |
| Caribbean & Central America | 23              | 22         | 21         | 19         |
| Asia & Australia            | 29              | 28         | 27         | 25         |
| Canada & Mexico             | 14              | 14         | 14         | 14         |
| South America               | 46              | 47         | 42         | 40         |
| Middle East & Africa        | 12              | 10         | 10         | 8          |
|                             | <b>281</b>      | <b>278</b> | <b>266</b> | <b>245</b> |
|                             | Percentage (%)  |            |            |            |
| Europe                      | 29.2            | 29.1       | 29.3       | 29.4       |
| USA                         | 26.7            | 27.3       | 27.8       | 27.3       |
| Caribbean & Central America | 8.2             | 7.9        | 7.9        | 7.8        |
| Asia & Australia            | 10.3            | 10.1       | 10.2       | 10.2       |
| Canada & Mexico             | 5.0             | 5.0        | 5.3        | 5.7        |
| South America               | 16.4            | 16.9       | 15.8       | 16.3       |
| Middle East & Africa        | 4.3             | 3.6        | 3.8        | 3.3        |
|                             | 100.0           | 100.0      | 100.0      | 100.0      |

Source: Cayman Islands Monetary Authority

**Insurance.** When compared to year-end 2009, activity within the insurance sector moderated with the total number of insurance licence registrations narrowing by 40 to settle at 768 in 2010 (see Table 4.3). This decline is dominated by class 'B' captive insurance companies as class 'A' insurance companies slightly went up. The former can be further subdivided into pure captives and segregated portfolio company (SPC)<sup>9</sup>, which declined by 31 and 11, respectively. The decline can be

<sup>9</sup> Segregated portfolio company (SPC) is a type of captive which segregates the assets and liabilities of different classes of shares from each other and from the general assets of the SPC. Only the assets of each segregated portfolio are available to meet liabilities to creditors in respect

attributed to the net effect of a cancellation of 67 and a simultaneous addition of 25 new captive licences. Of the cancellations, 60 percent were special purpose vehicle (SPVs) with expired life span of between 1 and 2 years while the remainder was comprised of companies that surrendered their licences in the past for which the cancellation documentation was still outstanding.

**Table 4.3: Captive Insurance Companies, 2008-2010**

|                                       | 2009-2010            |            |            |             |
|---------------------------------------|----------------------|------------|------------|-------------|
|                                       | 2008                 | 2009       | 2010       | % Change    |
| <b>Total Insurance Licences</b>       | <b>805</b>           | <b>808</b> | <b>768</b> | <b>-5.0</b> |
| Class 'A' Licences (Domestic)         | 28                   | 28         | 30         | 7.1         |
| Class 'B' Licences (Captives)         | 777                  | 780        | 738        | -5.4        |
| Unrestricted                          | 699                  | 697        | 680        | -2.4        |
| Restricted                            | 78                   | 83         | 58         | -30.1       |
| <b>Financial Position of Captives</b> | <b>US\$ Billions</b> |            |            |             |
| Premiums                              | 7.7                  | 7.5        | 8.7        | 16.3        |
| Net Income*                           | 1.9                  | 0.9        | 1.3        | 37.0        |
| Net Worth                             | 9.9                  | 9.2        | 13.4       | 45.9        |
| Total Assets                          | 36.9                 | 44.7       | 58.0       | 29.7        |

\* Due to rounding off, these figures may not show explicit changes

Source: Cayman Islands Monetary Authority

Despite the soft market, the fundamentals that make the Cayman Islands a domicile of choice still remain strong as net premiums for captives grew by 16.3 percent to US\$8.7 billion in 2010. Assets under management have increased by 29.7 percent to US\$58.0 billion. On average, expense ratios have remained about 10 percent of total premiums while net income increased by 37.0 percent to tally at US\$1.3 billion in 2010.

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of that segregated portfolio. Where there are liabilities arising from a matter attributable to a particular segregated portfolio, the creditor may only have recourse to the assets attributable to that segregated portfolio. As at end 2010, there were 119 SPCs which contained 538 active cells.

**Table 4.4: Captive Insurance Licences by Class of Business and Risk Locations**

|   | 2007       | 2008       | 2009       | 2010       |
|---|------------|------------|------------|------------|
| Number of Companies   |            |            |            |            |
| Africa, Asia & Middle East                                  | 10         | 10         | 6          | 4          |
| Caribbean & Latin America                                   | 26         | 26         | 27         | 24         |
| Europe  | 9          | 10         | 13         | 13         |
| North America   | 688        | 696        | 700        | 668        |
| Pacific Rim   | 2          | 2          | 2          | 2          |
| Other   | 30         | 33         | 32         | 27         |
|   | <b>765</b> | <b>777</b> | <b>780</b> | <b>738</b> |
| <b>Total Captive Companies by Primary Class of Business</b> |            |            |            |            |
|   | 2007       | 2008       | 2009       | 2010       |
| Number of Companies   |            |            |            |            |
| Healthcare  | 277        | 279        | 269        | 263        |
| Workers' Compensation                                       | 162        | 163        | 162        | 160        |
| Property  | 84         | 88         | 115        | 88         |
| General Liability   | 71         | 74         | 73         | 72         |
| Professional Liability                                      | 63         | 65         | 65         | 64         |
| Other   | 108        | 108        | 96         | 91         |
|   | <b>765</b> | <b>777</b> | <b>780</b> | <b>738</b> |

Source: Cayman Islands Monetary Authority

The structure of the captive insurance industry remained as in previous years (see Table 4.4). North America continued to dominate the risk location for Cayman's captive market, comprising 90.5 percent of total companies registered with the rest originating from Caribbean and Latin America (3.3%); Africa, Asia and Middle East (0.01%); Europe (1.8%) and the rest of the world (3.7%).

Meanwhile, domestic insurance licences (class 'A') in 2010 grew by 2 (or 7.1%) to total 30 (see Table 4.3). The 2010 unaudited consolidated financial statement indicated that gross premium was 13.5 percent higher, settling at \$360.6 million.

Ceded premiums<sup>10</sup> amounted to \$148.1 million, an increase from 35.1 percent of gross premium a year ago to 41.1 percent. The largest share (81.6%) of ceded premiums was property which was higher than the 75.4 percent a year ago. Property insurance accounted for 42 percent of gross premiums, up from 33.8 percent a year ago while health insurance accounted for 31.7 percent and motor 6.7 percent.

<sup>10</sup> Ceded premiums are premiums paid or payable by the insurance company to another insurer for reinsurance protection.



Net claims of domestic insurance increased by 20 percent to \$128.4 million as compared to a year ago, which resulted predominantly from a 17.5 percent growth in health-related claims.

**Mutual funds.** A mutual fund is any company, trust or partnership either incorporated or established in the Cayman Islands, or if outside the Cayman Islands, managed from the Cayman Islands, which issues equity interest redeemable or repurchaseable at the option of the investor, the purpose of which is the pooling of investors' funds with the aim of spreading investment risk and enabling investors to receive profits or gains from investments. Funds commonly referred to as **hedge funds** fall within the definition of a mutual fund and are thus covered by the Mutual Funds Law<sup>11</sup>.

Mutual funds activity abated in 2010 by 0.9 percent to reach 9,438. New mutual funds totalling 1,033 were added, however, these were offset by 1,118 funds that were terminated in 2010.

The lack of profitable investments coupled with liquidity pressures impacted the performance of locally registered mutual funds as these were cited as the main reasons for 85 percent of all terminations.<sup>12</sup> Additionally, fraud and mismanagement accounted for 5 percent of terminations while redemptions in some funds causing reduction in the number of investors falling below the statutory requirement, contributed another 5 percent. The quantity of termination has trended downwards and is now comparable to the pre-financial crisis level.

**Table 4.5: Mutual Funds, 2008-2010**

|                           | 2008         | 2009         | 2010         | 2009-2010<br>% Change |
|---------------------------|--------------|--------------|--------------|-----------------------|
| Registered Mutual Funds   | 9,231        | 8,944        | 8,870        | -0.8                  |
| Administered Mutual Funds | 510          | 448          | 435          | -2.9                  |
| Licensed Mutual Funds     | 129          | 131          | 133          | 1.5                   |
| <b>Total</b>              | <b>9,870</b> | <b>9,523</b> | <b>9,438</b> | <b>-0.9</b>           |

Source: Cayman Islands Monetary Authority

<sup>11</sup> Source: Cayman Islands Monetary Authority ([www.cimoney.com.ky](http://www.cimoney.com.ky))

<sup>12</sup> Source: Cayman Islands Monetary Authority

**Stock exchange.** As exhibited in Table 4.6, the Cayman Islands Stock Exchange (CSX) listings contracted to 1,113 as at December 2010. The decline was largely influenced by a significant fall of 224 mutual fund stock listings. This decline coincided with a fall-off in mutual fund market capitalization of US\$21.6 billion, increasing the average mutual fund capitalization by 1.4 percent to US\$99.7 million. These changes resulted predominantly from the delisting of Schroder International Selection Fund from the local stock exchange which comprised of approximately 170 sub-funds.

**Table 4.6: Stock Listings, 2008-2010**

| Instruments      | 2008         | 2009         | 2009-2010    |              |
|------------------|--------------|--------------|--------------|--------------|
|                  |              |              | 2010         | % Change     |
| Mutual Funds     | 793          | 546          | 322          | -41.0        |
| Specialist Debt  | 721          | 693          | 712          | 2.7          |
| Eurobond         | 60           | 68           | 74           | 8.8          |
| Secondary Equity | 3            | 2            | 2            | 0.0          |
| Domestic Equity  | 2            | 3            | 3            | 0.0          |
| <b>Total</b>     | <b>1,579</b> | <b>1,312</b> | <b>1,113</b> | <b>-15.2</b> |

Source: Cayman Islands Stock Exchange

**Table 4.7: Market Capitalization (US\$ billion), 2008-2010<sup>13</sup>**

| Instruments      | 2008  | 2009  | 2010  | 2009-2010 |
|------------------|-------|-------|-------|-----------|
|                  |       |       |       | % Change  |
| Mutual Funds     | 60.5  | 53.7  | 32.1  | -40.2     |
| Specialist Debt  | 80.6  | 79.4  | 81.3  | 2.5       |
| Eurobond         | 25.3  | 29.2  | 31.1  | 6.5       |
| Secondary Equity | 1.1   | 0.6   | 0.9   | 58.0      |
| Domestic Equity  | 0.159 | 0.208 | 0.246 | 18.3      |

Source: Cayman Islands Stock Exchange

**Companies registry.** The company registry which comprises exempt, non-resident, resident and foreign companies decreased from 92,867 in 2009 to 91,206 in 2010, a 1.8 percent contraction (see Table 4.8). This resulted from the addition of 8,157 new companies and the removal of 9,459 companies<sup>14</sup>. With regard to the latter, 65.0 percent were removed by the registrar while 29.6 percent were

<sup>13</sup> The figures for mutual funds and domestic equity refer to market capitalization. Figures for specialist debt, Eurobond and secondary equity is based on par values.

<sup>14</sup> In 2010, the number of companies removed from the Register comprises exempt (7882), foreign (292), nonresident (613) and resident (672).

voluntary dissolved and removed from companies register. The exempt category which fell by 1.3 percent remains the largest proportion of total companies accounting for 80.0 percent. Non-resident companies continued on its downward path by 5.4 percent in 2010 following an 8.2 percent reduction in 2009. Resident companies fell by 4.0 percent during the review period.

The reduction in companies could be linked to strained economic activities both locally and internationally. The number of foreign companies grew at a slower pace of 4.0 percent in 2010 as compared to 7.5 percent in the preceding year.

New company registrations increased by 3.7 percent to reach 8,157 as at December 2010. This increase is traced to the exempt and non-resident categories as resident and foreign companies fell by 11.3 percent and 0.3 percent, respectively.

**Table 4.8: Company Registrations, 2008-2010**

|                                    | 2008          | 2009          | 2010          | 2009-2010<br>% Change |
|------------------------------------|---------------|---------------|---------------|-----------------------|
| <b>Total Company Registrations</b> | <b>93,693</b> | <b>92,867</b> | <b>91,206</b> | <b>-1.8</b>           |
| Exempt                             | 74,107        | 73,967        | 72,994        | -1.3                  |
| Non-Resident                       | 11,115        | 10,202        | 9,651         | -5.4                  |
| Resident                           | 6,027         | 6,071         | 5,829         | -4.0                  |
| Foreign                            | 2,444         | 2,627         | 2,732         | 4.0                   |
| <b>New Company Registrations</b>   | <b>11,861</b> | <b>7,863</b>  | <b>8,157</b>  | <b>3.7</b>            |
| Exempt                             | 10,536        | 6,764         | 7,104         | 5.0                   |
| Non-Resident                       | 293           | 220           | 230           | 4.5                   |
| Resident                           | 510           | 487           | 432           | -11.3                 |
| Foreign                            | 522           | 392           | 391           | -0.3                  |

Source: Cayman Islands General Registry

**Partnership.** Domestic enterprises/inward investment interests—as indicated by the number of partnership companies registered—strengthened during the period. Within both sub-categories of registered active partnerships and new partnerships, exempt limited partnership rose by 824 and 255, respectively (see Table 4.9). Meanwhile, limited partnership increased by only one in both active and new partnerships (A limited partnership allows for business transactions to be conducted by two or more persons or entities whilst an exempt limited partnership is required when establishing limited partnerships for offshore investors to conduct business locally).

**Table 4.9: Partnership Registrations, 2008-2010**

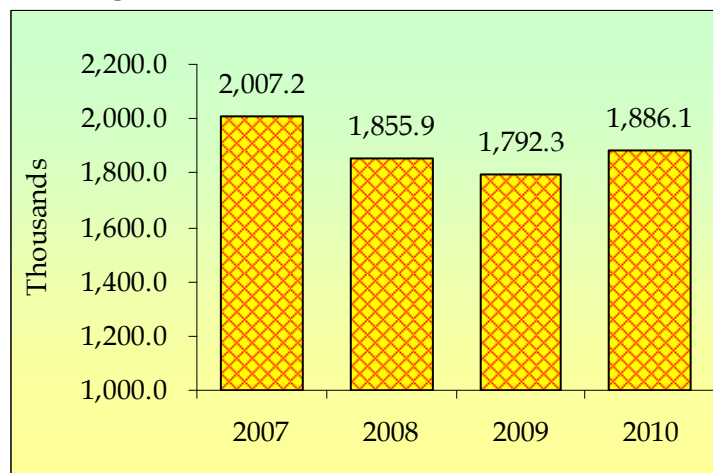
|   | 2008         | 2009         | 2010          | 2009-2010<br>% Change |
|---|--------------|--------------|---------------|-----------------------|
| <b>Active Partnership Registrations</b> | <b>8,605</b> | <b>9,397</b> | <b>10,222</b> | <b>8.8</b>            |
| Exempt Limited                          | 8,565        | 9,357        | 10,181        | 8.8                   |
| Limited                                 | 40           | 40           | 41            | 2.5                   |
| <b>New Partnership Registrations</b>    | <b>2,188</b> | <b>1,288</b> | <b>1,544</b>  | <b>19.9</b>           |
| Exempt Limited                          | 2,188        | 1,288        | 1,543         | 19.8                  |
| Limited                                 | -            | -            | 1             | -                     |

Source: Cayman Islands General Registry

#### 4.2 Tourism

Tourism activity within the Cayman Islands rebounded in 2010 as both air and cruise arrivals increased by 6.0 percent and 5.1 percent, respectively. Total visitor arrivals stood at 1,886,110 in 2010, a 5.2 percent increase compared to a year ago (see Figure 4.1). Of this total, air arrivals accounted for 288,272 visitors, while cruise arrivals reached 1,597,838 visitors.

**Figure 4.1: Tourist Arrivals in 2007-2010**



Source: Cayman Islands Department of Tourism

**Stay-over market.** Following the recovery in global tourism activity, air travel to the Cayman Islands also improved with a total of 288,272 visitors recorded at year-end (see Figure 4.2).<sup>15</sup> The stay-over market received an additional boost in November with the introduction of the new WestJet service between Grand Cayman and Toronto. With 25 percent of the visitors originating from Canada, this new three-year marketing strategy is aimed at expanding outreach in the Canadian market. In addition, the newly-formed Ministerial Council for Tourism announced plans to align Cayman Airways flights with Europe-originating services on Virgin Atlantic through Havana, Miami and Jamaica.

**Figure 4.2: Air Arrivals, 2007-2010**



Source: Cayman Islands Department of Tourism

Overall, arrivals from all regions within the USA except from the Southwest were upbeat. A stronger upturn was noted for the Canadian region with its share rising from 6.3 percent last year to 6.8 percent in 2010.

Further dissection shows that within the US market, the Northeast region remained the largest source of visitors with a share of 29.1 percent. This was followed by the Southeast (14.6%); Midwest (17.1%); Southwest (13.3%); and the West Coast (5.3%).

<sup>15</sup> Promotional campaigns such as the ‘staycations’ programme proved successful for several local businesses in stimulating the tourism sector during the summer period. As reported by participating establishments of the Cayman Islands Tourism Association (CITA), the scheme was widely undertaken by residents which provided deep discounts and special rates for hotel accommodations and other tourist attractions.

**Table 4.10: Stay-over Arrivals by Country of Origin, 2007-2010**

|                       | 2007         | 2008         | 2009         | 2010         | % Change |
|-----------------------|--------------|--------------|--------------|--------------|----------|
| <b>USA</b>            | <b>231.9</b> | <b>240.5</b> | <b>215.0</b> | <b>228.5</b> | 6.3      |
| Northeast             | 76.3         | 82.6         | 75.9         | 83.8         | 10.3     |
| Midwest               | 49.7         | 50.1         | 45.1         | 49.2         | 9.0      |
| Southeast             | 52.0         | 51.3         | 43.0         | 42.1         | (2.0)    |
| Southwest             | 35.4         | 37.9         | 36.0         | 38.3         | 6.3      |
| West Coast            | 18.4         | 18.6         | 15.0         | 15.1         | 0.7      |
| <b>Europe</b>         | <b>20.4</b>  | <b>21.3</b>  | <b>19.1</b>  | <b>19.9</b>  | 3.8      |
| <b>Canada</b>         | <b>17.4</b>  | <b>18.5</b>  | <b>17.3</b>  | <b>19.5</b>  | 13.0     |
| <b>Other</b>          | <b>21.9</b>  | <b>22.6</b>  | <b>20.6</b>  | <b>20.5</b>  | (0.4)    |
| <b>Total</b>          | <b>291.5</b> | <b>302.9</b> | <b>272.0</b> | <b>288.3</b> | 6.0      |
| <b>% Share of USA</b> | <b>79.5</b>  | <b>79.4</b>  | <b>79.1</b>  | <b>79.3</b>  |          |

Source: Cayman Islands Department of Tourism

At year-end, the local room inventory for visitors remained unchanged as the total number of bedrooms in operation, as reported by the Department of Tourism (DOT), stood at 4,564. In contrast, the total number of licensed tourist accommodation properties decreased from 300 to 274 this year.

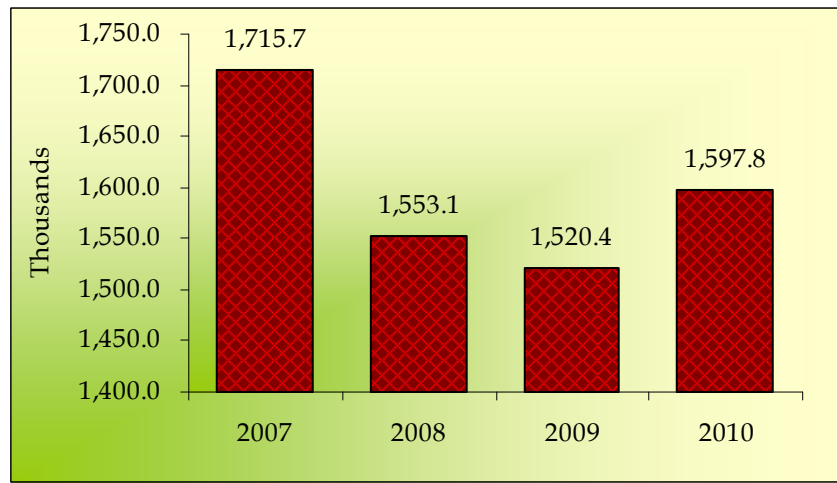
Higher air arrivals associated with enhanced airlift services to the Islands resulted in increased occupancy rates for the hotels from 59.0 to 68.2 percent in 2010. Similarly, the occupancy rate of apartments/condominiums improved from 43.9 percent in 2009 to 44.1 percent in 2010.

With respect to the average length of stay at local establishments, this remained constant for hotels at 4.4 days whilst for apartments/condos, this fell slightly from 6.9 days in 2009 to 6.8 days in 2010.

**Cruise Market.** The cruise ship sector remained the largest contributor of visitors to the Cayman Islands in 2010. Cruise ship visitors totalled 1,597,838 during the year, compared with 1,520,372 in 2009, an increase of 5.1 percent (see Figure 4.3).

A 4.2 percent increase in the number of cruise ship calls was also noted, which totalled 570 at year-end. This expansion is an exact turnaround of the decline of 4.2 percent recorded last year.

Figure 4.3: Cruise Arrivals, 2007-2010



Source: Cayman Islands Department of Tourism

Cruise passengers per day averaged 4,438 persons, which was 215 visitors more than the average a year ago.

The arrival of two new vessels during the latter-half of the year marked further efforts by the tourism sector to explore other source markets. On December 2, the Grandeur of the Seas (a 2,446-passenger Royal Caribbean cruiser) made its first call to Grand Cayman from Panama and is slated for 11 inbound bi-weekly calls during the high season through April 21, 2011. This debut followed the inaugural visit by Happy-Cruises’ 900-passenger M/V Gemini in November, which originated in home port Havana, Cuba.

### 4.3 Construction

**Building Permits.** Construction activity continued to contract as building permit indicators experienced three consecutive quarters of decline in 2010. After undergoing a 29.3 percent fall a year ago, the total value of building permits declined further by 42.1 percent to settle at \$205.6 million (See Table 4.11). Underpinning the industry’s poor performance was the strong fall-off in demand particularly from the residential sector, a traditional robust source. Following an

increase of 2.5 percent a year ago, residential building permits fell sharply by 40.0 percent to settle at \$142.5 million, as both houses and apartment/condominium categories slumped.

**Table 4.11: Grand Cayman Building Permits**

|                         | 2007         | 2008         | 2009         | 2010         | % Change     |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Millions of CI\$</b> |              |              |              |              |              |
| Houses                  | 100.7        | 116.6        | 146.4        | 93.1         | -36.5        |
| Apartments              | 116.4        | 116.6        | 92.7         | 49.4         | -46.7        |
| Commercial              | 183.2        | 162.8        | 49.5         | 45.3         | -8.4         |
| Industrial              | 4.3          | 29.6         | 2.6          | 3.2          | 27.3         |
| Hotel                   | 1.0          | 0.2          | 0.0          | -            | 0.0          |
| Government              | 6.1          | 62.7         | 28.8         | 2.0          | -93.1        |
| Other                   | 34.6         | 13.7         | 35.0         | 12.6         | -64.0        |
| <b>Total</b>            | <b>446.3</b> | <b>502.3</b> | <b>355.0</b> | <b>205.6</b> | <b>-42.1</b> |

Source: Cayman Islands Planning Department

The slowdown in house building activity, the first in four years, pushed down the value of building permits by 36.5 percent from the 2009 peak value of \$146.4 million. In the apartment/condominium category, the fall-off was more severe as the challenging economic conditions suppressed pre-sales and foreign investors' interest. For the second straight year, building permits contracted, this time by 46.7 percent, after an earlier 20.5 percent decrease, to settle at \$49.4 million.

In the non-residential sector, the aggressive decline recorded a year ago of 68.3 percent moderated to 37.5 percent. The total value was also at its lowest level of \$50.5 million. Only the industrial category recorded positive growth of 27.3 percent to reach \$3.2 million. Fiscal austerity measures kept government capital spending for buildings to a mere \$2.0 million. The commercial segment suffered from anaemic demand as building permit declined by 8.4 percent despite an initial upturn at the start of the year.

The above trends in the value of building permits were mirrored in building permit numbers (See Table 4.12).



**Table 4.12: Grand Cayman Building Permits**

|              | 2007         | 2008         | 2009         | 2010       | % Change     |
|--------------|--------------|--------------|--------------|------------|--------------|
| Houses       | 496          | 503          | 532          | 390        | -26.7        |
| Apartments   | 219          | 182          | 171          | 114        | -33.3        |
| Commercial   | 186          | 176          | 116          | 120        | 3.4          |
| Industrial   | 10           | 14           | 7            | 7          | 0.0          |
| Hotel        | 4            | 1            | 0            | 0          | 0.0          |
| Government   | 16           | 36           | 16           | 12         | -25.0        |
| Other        | 159          | 169          | 303          | 347        | 14.5         |
| <b>Total</b> | <b>1,090</b> | <b>1,081</b> | <b>1,145</b> | <b>990</b> | <b>-13.5</b> |

Source: Cayman Islands Planning Department

In addition, the average value of building permits depreciated further in 2010 to \$207,677 from \$310,043 in 2009. This could imply greater preference for lower cost structures in view of an almost stable trend in construction prices.

**Project Approvals.** Construction intentions, as measured by number of project approvals, fell by 12.2 percent in 2010 to 1,076 and in value, by 23.9 percent to \$330.5 million (see Tables 4.13 and 4.14). These retractions were the result of severe curtailment of residential intentions, with its total value plummeting by 54.4 percent to \$136.2 million.

**Table 4.13: Cayman Islands Planning Approvals, 2007-2010**

|                         | 2007         | 2008         | 2009         | 2010         | % Change     |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Millions of CI\$</b> |              |              |              |              |              |
| Houses                  | 137.7        | 118.1        | 127.7        | 99.9         | -21.8        |
| Apartments              | 112.8        | 149.7        | 170.9        | 36.3         | -78.8        |
| Hotels                  | 55.0         | 6.9          | -            | -            | 0.0          |
| Commercial              | 72.1         | 126.4        | 30.1         | 93.7         | 211.2        |
| Government              | 56.6         | 18.6         | 2.1          | 12.7         | 501.3        |
| Industrial              | 8.4          | 11.2         | 2.6          | 1.3          | -48.4        |
| Other                   | 62.6         | 77.9         | 100.8        | 86.5         | -14.1        |
| <b>Total</b>            | <b>505.2</b> | <b>508.8</b> | <b>434.2</b> | <b>330.5</b> | <b>-23.9</b> |

Source: Cayman Islands Planning Department

In a reversal of the growth recorded a year ago, project approvals in the houses and apartment condominium categories declined at double digit rates.

In contrast, non-residential project approvals, after bottoming to \$34.8 million a year ago rebounded with the recovery in the commercial and government categories. The resurgence in commercial projects is traced to four large projects with a combined value of \$64.8 million. Notable projects include the National Gallery and the phased expansion of the Camana Bay which sees the erection of 196,361 sq. ft mixed used building.

In the government category, projects rose to \$12.7 million from the \$2.1 million recorded a year ago. These upcoming projects represent the expansion of the government's primary school infrastructure.

The Other category, a mixture of residential and non-residential projects, recorded a 14.1 percent decrease from \$100.8 million.

Weakening residential intentions were shown for houses which fell by 23.0 percent, and for apartments and condominiums which contracted by 32.4 percent. All other categories, with the exception of government, recorded decreases.

**Table 4.14: Cayman Islands Planning Approvals, 2007-2010**

|              | 2007         | 2008         | 2009         | 2010         | % Change     |
|--------------|--------------|--------------|--------------|--------------|--------------|
| Houses       | 472          | 464          | 460          | 354          | -23.0        |
| Apartments   | 118          | 108          | 111          | 75           | -32.4        |
| Hotels       | 1            | 2            | 0            | 0            | 0.0          |
| Commercial   | 61           | 48           | 48           | 48           | 0.0          |
| Government   | 19           | 10           | 6            | 17           | 183.3        |
| Industrial   | 14           | 12           | 12           | 6            | -50.0        |
| Other        | 542          | 633          | 588          | 576          | -2.0         |
| <b>Total</b> | <b>1,227</b> | <b>1,277</b> | <b>1,225</b> | <b>1,076</b> | <b>-12.2</b> |

Source: Cayman Islands Planning Department

**Certificates of Occupancy.** During the review period, the change in the building stock as measured by the seal of occupancy certificates rose by 13.5 percent as compared to 2009 with an increase in the 'other' category. The latter offset the slowdown in the residential and non-residential segments (see Table 4.15).

The residential (houses, apartments and condominiums) category continued to reflect easing demand with the number of certificates dipping by 0.8 percent to 400. In contrast to a year earlier, both the house and apartment/condominium demonstrated declines of 1.0 percent and 6.1 percent respectively.

In the non-residential category, the overall number of certificates issued declined as the commercial segment, which accounts for the majority of certificates, decreased by 7.0 percent to 93 as well as that of the industrial, 40.0 percent. Only the government category demonstrated increase rising to 10, owing to the completion of projects undertaken sometime ago.

The monetary value of properties granted with completion approval decreased to \$145.8 million in 2010, from the \$279.6 million recorded a year ago.

**Table 4.15: Certificates of Occupancy, Grand Cayman, 2007-2010**

| Sectors      | 2007       | 2008       | 2009       | 2010       | % Change    |
|--------------|------------|------------|------------|------------|-------------|
| Houses       | 240        | 283        | 305        | 308        | 1.0         |
| Apartments   | 144        | 120        | 98         | 92         | -6.1        |
| Hotel        | 1          | 0          | 1          | 0          | 0           |
| Government   | 1          | 3          | 2          | 10         | -33.3       |
| Commercial   | 78         | 108        | 100        | 93         | -7.0        |
| Industrial   | 23         | 4          | 5          | 3          | -40.0       |
| Other        | 7          | 16         | 29         | 107        | 269.0       |
| <b>Total</b> | <b>494</b> | <b>534</b> | <b>540</b> | <b>613</b> | <b>13.5</b> |

Source: Cayman Islands Planning Department

**Table 4.16: Certificates of Occupancy, Grand Cayman, 2007-2010**

| Sectors          | 2007         | 2008         | 2009         | 2010         | % Change     |
|------------------|--------------|--------------|--------------|--------------|--------------|
| Millions of CI\$ |              |              |              |              |              |
| Houses           | 55.5         | 63.1         | 77.8         | 67.0         | -13.9        |
| Apartments       | 60.9         | 87.0         | 100.4        | 43.4         | -56.8        |
| Hotel            | -            | -            | -            | 0.0          | 0.0          |
| Government       | -            | 1.0          | -            | 1.6          | 0.0          |
| Commercial       | 32.5         | 60.2         | 73.5         | 26.7         | -63.6        |
| Industrial       | 6.8          | 2.9          | 3.6          | 1.6          | -55.0        |
| Other            | 21.0         | 8.4          | 24.3         | 5.1          | -79.0        |
| <b>Total</b>     | <b>176.7</b> | <b>222.6</b> | <b>279.6</b> | <b>145.4</b> | <b>-48.0</b> |

Source: Cayman Islands Planning Department

#### 4.4 Real Estate

Real estate performance, reflecting a strong fall-off in demand, worsened in 2010 with the industry recording one of its slowest periods ever. The volume of traded real estate, after falling in the previous year by 12.1 percent, declined by a further 21.9 percent to bottom at 1,787 (see Table 4.19).

Freehold property volumes - the main type of traded property - declined by 20.8 percent following a 10.6 percent decline a year earlier to total 1,619. The number of traded leasehold properties also reflected similar decline by 30.6 percent falling to 168 compared to a year ago.

**Table 4.17: Freehold Property Transfers, 2007-2010**

|                  | 2007  | 2008  | 2009  | 2010  | % Change |
|------------------|-------|-------|-------|-------|----------|
| <b>Freehold</b>  |       |       |       |       |          |
| number           | 2,180 | 2,289 | 2,045 | 1,619 | -20.8    |
| value (CtM)      | 545.5 | 558.1 | 397.0 | 307.2 | -22.6    |
| <b>Leasehold</b> |       |       |       |       |          |
| number           | 360   | 323   | 242   | 168   | -30.6    |
| value (CtM)      | 23.3  | 76.2  | 19.5  | 9.2   | -52.8    |
| <b>Total</b>     |       |       |       |       |          |
| number           | 2,540 | 2,612 | 2,287 | 1,787 | -21.9    |
| value (CtM)      | 568.8 | 634.3 | 416.5 | 316.4 | -24.0    |

Source: Lands and Survey Department

As a consequence of lower volume, the total value of traded property fell by 24.0 percent from \$416.5 million to \$316.4 million. Freehold properties suffered a contraction of 22.6 percent, extending the 28.9 percent fall in 2009. The total value of freehold property totalling \$307.2 million remains well below the level in the past five years.

The total value of leasehold property transfers was halved during the period falling from \$19.2 million in 2009 to \$9.2 million. The decline may be directly correlated with the decline of the population to which property owners responded by deflating leasehold values.

#### 4.5 Utilities and Telecommunications

**Utilities.** Local electricity production fell by 0.6 percent to 605.1 megawatt hours (mWh) as at year-end 2010 (see Table 4.18). This was in response to a 1.3 percent decline in demand to 552.6 mWh as at December 2010. All categories of electricity consumption declined: commercial (2.0%), residential (0.2%) and public lighting (13.3%). This reduction coincided with a decline in the resident population by 1.5 percent coupled with higher average electricity inflation of 21.3 percent during the year.

During the period, water production increased marginally by 0.6 percent as consumption slowed by 2.1 percent in 2010. Similar to electricity, water consumption varies directly with the changes in population. According to the recent Census preliminary count, more than 4,700 household dwellings were vacant on Census Day 2010.

**Table 4.18: Utilities Production/Consumption, 2007-2010**

|                         | 2007    | 2008    | 2009    | 2010    | % Change |
|-------------------------|---------|---------|---------|---------|----------|
| Millions of US Gallons  |         |         |         |         |          |
| Water Production        | 1,720.8 | 1,730.3 | 1,959.1 | 1,970.9 | 0.6      |
| Water Consumption       | 1,657.7 | 1,646.1 | 1,741.8 | 1,704.5 | -2.1     |
| '000 of megawatt hrs    |         |         |         |         |          |
| Electricity Production  | 584.4   | 596.8   | 608.8   | 605.1   | -0.6     |
| Electricity Consumption | 534.2   | 547.7   | 559.8   | 552.6   | -1.3     |
| Residential             | 249.4   | 251.7   | 263.1   | 262.5   | -0.2     |
| Commercial              | 279.4   | 290.3   | 290.7   | 284.9   | -2.0     |
| Public                  | 5.4     | 5.7     | 6.0     | 5.2     | -13.3    |

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

**Telecommunications.** In 2010, the total number of paid telecommunication minutes increased by 7.5 percent to 468,049. However, the number of telephone lines (fixed lines and mobile) fell by 5.3% during the same period (see Table 4.19), a direct consequence of the lower population level. Nonetheless, there were more lines per household in 2010 (6.1) compared to 2009 (5.2). In supporting higher demand, upgrades to local telecommunications technology were undertaken by both providers (LIME and Digicel) during the year. LIME sought to improve broadband speeds (8Mb or more) by providing direct connectivity through its new (undersea) Jamaica east-west cable system for high speed

internet bandwidth. Meanwhile, Digicel invested heavily in improving services to wireless and residential landlines, data protection services, connectivity, bandwidths and clarity.

**Table 4.19: Telecommunication Sector Indicators, 2008-2010**

| Indicators   | 2008    | 2009    | 2010    | 2009-10<br>% Change |
|--|---------|---------|---------|---------------------|
| Fixed and mobile lines in service as of year-end                           | 134,079 | 144,850 | 137,242 | (5.3)               |
| Total lines-to-household ratio <sup>1</sup>                                | 4.9     | 5.2     | 6.1     |                     |
| Total domestic and international minutes for fixed and mobile lines ('000) | 349,376 | 435,362 | 468,049 | 7.5                 |

<sup>1</sup>Using end of year number of households

Source: Information Communication and Technology Authority (ICTA)

## 5. Fiscal Operations of the Central Government

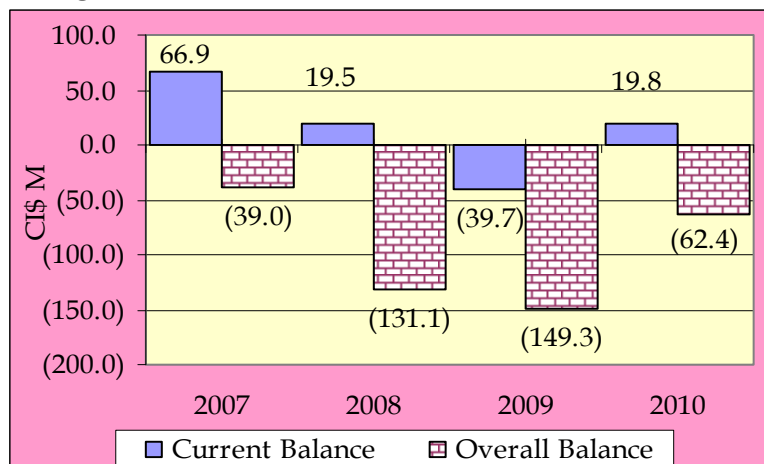
*The central government's overall fiscal position ameliorated in 2010 as revenue collection increased while expenditure declined, but its debt ratio remained on the uptrend.*

### 5.1 Overview

The central government's overall deficit narrowed as its revenue ameliorated while total expenditure declined below the level of the last two years. The deficit settled at \$62.4 million in 2010 as compared to \$149.3 million in 2009 (see Figure 5.1).

Total revenue rose by 9.6 percent to \$515.8 million, whereas, total expenditure declined by 6.7 percent to reach \$578.2 million (see Table 5.1). The improvement in recurrent revenue combined with a reduction in recurrent expenditure yielded a current surplus<sup>16</sup> of \$19.8 million as compared to a current deficit of \$39.7 million a year ago.

**Figure 5.1: Central Government's Fiscal Balance**



Source: Cayman Islands Treasury Department and ESO

<sup>16</sup> Current surplus (deficit) is total current revenue (coercive revenue plus non-coercive revenue) less current expenditure. In some years, there were other expenses (extraordinary expenses and other executive expenses) which were also added to current expenditure.

Revenue increases in 2010 emanated from taxes on international trade and transactions and domestic taxes on goods and services which were bolstered by revenue-enhancing measures comprised mainly of fee increases.

**Table 5.1: Summary of Fiscal Operations, 2007-2010**

|                                   | 2007                               | 2008         | 2009         | 2010         | % Change<br>2009/10 |
|-----------------------------------|------------------------------------|--------------|--------------|--------------|---------------------|
|                                   | Millions of Cayman Islands Dollars |              |              |              |                     |
| <b>Total Revenue</b>              | <b>513.0</b>                       | <b>522.2</b> | <b>470.6</b> | <b>515.8</b> | 9.6                 |
| <b>Total Expenditure</b>          | <b>552.0</b>                       | <b>653.3</b> | <b>620.0</b> | <b>578.2</b> | (6.7)               |
| Current Expenditure               | 446.1                              | 502.7        | 510.4        | 495.9        | (2.8)               |
| <i>of which :</i>                 |                                    |              |              |              |                     |
| Extraordinary Expenses            | 3.2                                | 1.7          | 17.5         | 1.4          | (92.2)              |
| Other Executive Expenses          | 7.4                                | 12.3         | 14.7         | 3.2          | (78.1)              |
| Capital Expenditure & Net Lending | 105.9                              | 150.6        | 109.6        | 82.2         | (25.0)              |
| Current Balance                   | 66.9                               | 19.5         | (39.7)       | 19.8         | (149.9)             |
| Overall Balance                   | (39.0)                             | (131.1)      | (149.3)      | (62.4)       | (58.2)              |
| <b>Financing</b>                  | <b>39.0</b>                        | <b>131.1</b> | <b>149.3</b> | <b>62.4</b>  | (58.2)              |
| Net Borrowing                     | 35.9                               | 145.4        | 158.4        | 80.7         | (49.0)              |
| Change in Cash (minus=increase)   | 3.1                                | (14.3)       | (9.0)        | (18.3)       | 102.8               |

Source: Cayman Islands Treasury Department

On the expenditure side, capital expenditure and net lending declined by 25 percent in 2010, while current expenditure fell by 2.8 percent. The latter was precipitated by strong declines in both extraordinary and other executive expenses while the former resulted mainly from expenditure curtailment on schools project.

## 5.2 Revenue

In 2010, revenue grew by 9.6 percent to reach \$515.8 million on account of new revenue measures. The revenue-to-GDP stood at 21.3 percent compared to 18.5 percent a year ago.

Total revenue comprises both coercive (88.9%) and non-coercive revenue (11.1%). Coercive revenue which totalled \$458.7 million rose by \$42.5 million, or 10.2 percent compared to the preceding year (see Table 5.2). On the other hand, non-coercive revenue amounted to \$57.1 million, 4.8 percent above the previous year.



**Table 5.2: Revenue Collection of Central Government**

| Revenue Sources                     | 2007         | 2008         | 2009         | 2010         | % Change<br>2009/10 |
|-------------------------------------|--------------|--------------|--------------|--------------|---------------------|
| Millions of Cayman Islands Dollars  |              |              |              |              |                     |
| <b>Total Revenue</b>                | <b>513.0</b> | <b>522.2</b> | <b>470.6</b> | <b>515.8</b> | 9.6                 |
| <b>Coercive Revenue</b>             | <b>448.0</b> | <b>457.9</b> | <b>416.2</b> | <b>458.7</b> | 10.2                |
| Taxes on Int'l Trade & Transactions | 178.6        | 176.9        | 155.3        | 158.5        | 2.0                 |
| Domestic Taxes on Goods & Services  | 223.2        | 238.0        | 235.9        | 277.2        | 17.5                |
| Taxes on Property                   | 37.2         | 41.1         | 22.6         | 21.3         | (5.9)               |
| Fines                               | 1.7          | 1.9          | 2.4          | 1.6          | (31.6)              |
| Other Taxes                         | 7.3          | -            | -            | 0.0          |                     |
| <b>Non-coercive Revenue</b>         | <b>65.0</b>  | <b>64.3</b>  | <b>54.4</b>  | <b>57.1</b>  | 4.8                 |
| Sale of Goods & Services            | 58.4         | 59.7         | 47.9         | 56.2         | 17.3                |
| Investment Revenue                  | 6.2          | 4.2          | 1.0          | 0.3          | (71.2)              |
| Other Operating Revenue             | 0.4          | 0.4          | 0.2          | -            | (100.0)             |
| Other Executive Revenue             |              |              | 4.5          | -            | (100.0)             |
| Extraordinary items                 | -            | -            | 0.8          | -            | (100.0)             |

Source: Cayman Islands Treasury Department

**Coercive revenue from international trade and transactions.** During the period, receipts from international trade and transactions which comprised 34.6 percent of coercive revenue, rose by 2.0 percent to reach \$158.5 million (see Table 5.2).

**Table 5.3: Revenue from Import Duties**

|                                     | 2007         | 2008         | 2009         | 2010         | Absolute<br>Change | % Change<br>2009/10 |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------------|---------------------|
| Millions of Cayman Islands Dollars  |              |              |              |              |                    |                     |
| <b>Import Duties</b>                | <b>163.3</b> | <b>162.9</b> | <b>141.9</b> | <b>143.9</b> | 2.0                | 1.4                 |
| Gasoline/Diesel                     | 24.0         | 22.4         | 26.5         | 29.0         | 2.6                | 9.7                 |
| Alcoholic Beverages                 | 14.1         | 15.8         | 14.9         | 16.8         | 1.9                | 12.7                |
| Motor Vehicles                      | 12.7         | 13.6         | 8.2          | 8.3          | 0.1                | 0.6                 |
| Tobacco Products                    | 2.9          | 3.2          | 3.1          | 4.7          | 1.6                | 51.9                |
| Other Import Duties                 | 109.7        | 107.8        | 89.2         | 85.1         | (4.1)              | (4.6)               |
| Cruise Ship Departure Charges       | 10.3         | 9.3          | 9.0          | 9.6          | 0.6                | 6.9                 |
| Environmental Protection Fund Fees  | 4.9          | 4.7          | 4.5          | 5.0          | 0.5                | 12.0                |
| <b>Taxes on International Trade</b> | <b>178.6</b> | <b>176.9</b> | <b>155.3</b> | <b>158.5</b> | 3.2                | 2.0                 |
| Import Duties (%)                   | 91.4         | 92.1         | 91.3         | 90.8         |                    |                     |

Source: Cayman Islands Treasury Department

The increase in revenue from international trade and transactions is traced to all of the three major sources: import duties (up by 1.4%), cruise ship departure charges (up by 6.9%) and environmental protection fund fees (up by 12.0%).

Import duties increases were due to new revenue measures as the level of dutiable imports declined (see Section 3.4). The increase in import duties are traced to the growth in the following revenue sources: alcohol beverages (12.7%), motor vehicles (0.6%), gasoline and diesel (9.7%), and tobacco products (51.9%).

Revenue collected from cruise ship departure charges rose by 6.9 percent, on account of a 5.1 percent increase in cruise ship visitors during the year.

Other import duties declined by 4.6 percent as the volume of imported goods declined, influenced by reduction in local demand.

**Coercive revenue from domestic taxes on goods and services.** Revenue from domestic taxes yielded \$277.2 million in 2010, which was \$41.3 million higher than the collection of a year ago (see Table 5.2). The increase was mainly from financial services fees/licences and, work permits and residency related fees, as new revenue measures from over a year ago took effect, coupled with improved administration.

Fees from financial services rose from increases in collection of company fees, insurance licences, mutual funds administration, partnership fees, money services licences and security investment business licences. Company fees increased by 4.6 percent, aided by the recovery of new company registrations and new partnership registrations while mutual funds registration declined (see Section 4.1).

Work permits fees and related residency fees increased by 31.7 percent to total \$56.7 million despite a 13.1 percent reduction in work permits. The increase in revenue yield was due to a 50 percent average increase in work permit fees a year ago.<sup>17</sup>

Other domestic taxes from a host of low yielding fees increased by 36.8 percent to total \$55.7 million. This category was led by tax and trust undertakings with total fees increasing by 78.1 percent.

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<sup>17</sup> Yields from work permit due to new revenue measures are likely to have a lag based on permits renewals or new issued work permits.

Collections from other stamp duties dropped by \$1.6 million, as fewer properties traded hands during the period. Additionally, revenue from traders' licenses recorded a significant decline by \$2.9 million amidst the decline in domestic trade.

**Table 5.4: Domestic Taxes on Goods and Services**

|  | 2007         | 2008         | 2009         | 2010         | % Change<br>2009/10 |
|--|--------------|--------------|--------------|--------------|---------------------|
| Millions of Cayman Islands Dollars           |              |              |              |              |                     |
| <b>Domestic Taxes</b>                        |              |              |              |              |                     |
| Various financial service licenses           | 107.4        | 122.4        | 127.6        | 145.3        | 13.9                |
| ICTA licences & royalties                    | 8.6          | 8.7          | 8.4          | 7.9          | (5.5)               |
| Work permit fees and residency fees          | 53.0         | 48.0         | 43.1         | 56.7         | 31.7                |
| Other stamp duties                           | 12.7         | 12.6         | 9.7          | 8.1          | (16.6)              |
| Traders' licenses                            | 5.9          | 6.2          | 6.5          | 3.6          | (44.5)              |
| Other domestic taxes                         | 35.6         | 40.1         | 40.7         | 55.7         | 36.8                |
| <b>Domestic Taxes on Good &amp; Services</b> | <b>223.2</b> | <b>238.0</b> | <b>235.9</b> | <b>277.2</b> | <b>17.5</b>         |

Source: Cayman Islands Treasury Department

**Other coercive revenue.** In 2010, revenue from taxes on property fell by 5.9 percent to settle at \$21.3 million and revenue from fines declined by 31.6 percent to \$1.6 million (see Table 5.2).

**Non-coercive revenue.** This source turned in a total of \$57.1 million or 4.8 percent lower than the collections a year ago (see Table 5.2). Sales of goods and services generated \$56.2 million during the year, an increase of 17.3 percent. Additionally, investment income, other executive revenue and extraordinary items plummeted.

### 5.3 Expenditure

In 2010, total expenditure declined to \$578.2 million, 6.7 percent below the previous year's level (see Table 5.1). As a proportion to GDP, total expenditure declined marginally from 24.4 percent in 2009 to 24.2 percent in 2010. The fall in expenditure was led by a 25.0 percent decline in capital expenditure and net lending, coupled with a 2.8 percent decline in recurrent expenditure.

**Current expenditure.** Total current expenditure declined in 2009 as extraordinary expenditure and other executive expenditure were sharply slashed. Personnel costs increased marginally by 1.0 percent to \$224.8 million

(see Table 5.5) although the civil servants salaries was cut by 3.2 percent for half year coupled with a reduction in the number of civil servants by 76 persons (or 2.1%) to total 3,618 in 2010. Expenditure on supplies and consumables fell by 1.3 percent to total \$85.3 million as tighter expenditure controls were implemented. However, subsidies increased by 4.0 percent to \$124.2 million while transfer payments fell by 3.5 percent to settle at \$29.2 million. Interest payments jumped by 42.6 percent to \$27.9 million in the wake of additional interest payments for servicing an additional debt of \$79.2 million during the year (see Table 5.7).

**Table 5.5: Current Expenditure of the Central Government**

|                            | 2007                               | 2008         | 2009         | 2010         | % Change<br>2009/10 |
|----------------------------|------------------------------------|--------------|--------------|--------------|---------------------|
|                            | Millions of Cayman Islands Dollars |              |              |              |                     |
| <b>Current Expenditure</b> | <b>446.1</b>                       | <b>502.7</b> | <b>510.4</b> | <b>495.9</b> | (2.8)               |
| Personnel Costs            | 213.5                              | 245.2        | 222.6        | 224.8        | 1.0                 |
| Supplies & Consumables     | 101.0                              | 97.8         | 86.4         | 85.3         | (1.3)               |
| Subsidies                  | 88.1                               | 105.5        | 119.3        | 124.2        | 4.0                 |
| Transfer Payments          | 23.2                               | 28.4         | 30.3         | 29.2         | (3.5)               |
| Interest Payments          | 9.6                                | 11.7         | 19.5         | 27.9         | 42.6                |
| Extraordinary Expenses     | 3.2                                | 1.7          | 17.5         | 1.4          | (92.2)              |
| Other Executive Expenses   | 7.4                                | 12.3         | 14.7         | 3.2          | (78.1)              |

Source: Cayman Islands Treasury Department

**Extraordinary items and other executive expenses.** The former captures expenditure that is of a temporary nature which was unbudgeted for the year. Outlays for those items plummeted by \$16.1 million to only \$1.4 million in 2010, as little or no unplanned events (such as natural disasters) occurred.

Other executive expenses comprise expenditure mainly for social intervention projects and other government measures which are not categorised as transfer payments or subsidies to public authorities. In 2010, this was slashed by \$11.5 million to total \$3.2 million in 2010 (see Table 5.5).

**Capital expenditure and net lending.** Total spending on capital expenditure and net lending reached \$82.2 million (or 3.4% of GDP) during the period (see Table 5.6) which was 25.0 percent lower than the preceding year. This included an increase in equity investment of 39.8 percent to reach \$42.9 million of which \$17.5 million was spent by the Ministry of Education, Training and Employment (schools project), and \$9.2 million was for the Cayman Turtle Farm. Expenditure on executive assets was slashed to minimize additions to the public debt while adhering to the fiscal prudential limits set out in the Public

Management and Finance Law (PMFL). Executive assets declined by 52.0 percent to \$37.7 million with the vast majority spent on the government accommodation building (\$30.4 million) and the rest on roads construction in the Sister Islands (\$2.8 million).

**Table 5.6: Capital Expenditure and Net Lending of Central Government**

|  | 2007         | 2008         | 2009         | 2010        | % Change<br>2009/10 |
|--|--------------|--------------|--------------|-------------|---------------------|
| Millions of Cayman Islands Dollars           |              |              |              |             |                     |
| <b>Capital Expenditure and Net Lending</b>   | <b>105.9</b> | <b>150.6</b> | <b>109.6</b> | <b>82.2</b> | -25.0               |
| Capital Acquisition (now Equity Investments) | 60.4         | 40.7         | 30.7         | 42.9        | 39.8                |
| Capital Development (now Executive Assets)   | 45.5         | 109.9        | 78.6         | 37.7        | -52.0               |
| Net Lending                                  | 0.0          | 0.0          | 0.3          | 1.6         | 419.0               |

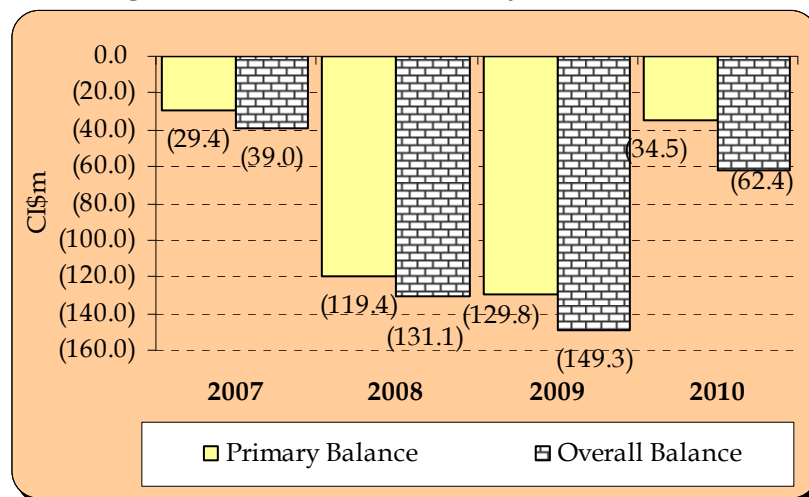
Source: Cayman Islands Treasury Department

#### 5.4 Primary Balance

The primary balance is the overall fiscal balance excluding interest payments and is a standard indicator of the central government’s capacity to service debt obligations. During the period, the overall deficit narrowed to \$62.4 million (2.6% of GDP) compared to \$149.3 million (6.1% of GDP) in 2009 (see Figure 5.4).

Similarly, the primary balance improved from a deficit of \$129.8 million or 5.3 percent of GDP in 2009 to a deficit of \$34.5 million or 1.4 percent of GDP in 2010.

**Figure 5.2: Overall & Primary Fiscal Balance**



Source: Cayman Islands Treasury Department and ESO

**5.5 Net Financing and Debt Service Indicators**

The overall deficit was financed by a disbursement of loan funds which totalled \$106.7 million during the year (see Table 5.7). Net borrowing totalled \$80.7 million after accounting for the loan repayment of \$25.9 million. The increase in net borrowing was also used to increase the amount of cash reserves by \$18.3 million.

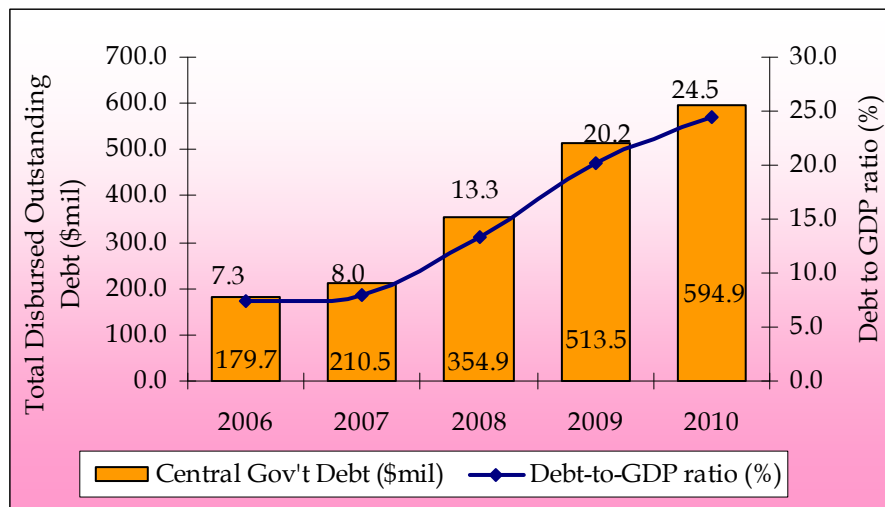
**Table 5.7: Financing of Central Government**

|                                    | 2007        | 2008         | 2009         | 2010        | % Change<br>2009/10 |
|------------------------------------|-------------|--------------|--------------|-------------|---------------------|
| Millions of Cayman Islands Dollars |             |              |              |             |                     |
| <b>Financing</b>                   | <b>39.0</b> | <b>131.1</b> | <b>149.3</b> | <b>62.4</b> | <b>(58.2)</b>       |
| Net Borrowing                      | 35.9        | 145.4        | 158.4        | 80.7        | (49.0)              |
| Disbursements                      | 52.3        | 166.2        | 184.3        | 106.7       | (42.1)              |
| Loan Repayment                     | (16.4)      | (20.7)       | (25.9)       | (25.9)      | 0.0                 |
| Change in Cash (minus = increase)  | 3.1         | (14.3)       | (9.0)        | (18.3)      | 102.8               |

Source: Cayman Islands Treasury Department

The expansion in net borrowings during the year resulted in an increase in the central government’s outstanding debt to total \$594.9 million as at end December 2010 (see Figure 5.3) from \$513.5 million as at end 2009.<sup>18</sup> This placed the debt-to-GDP ratio at 24.5 percent, higher than the 20.2 percent as at December 2009.

**Figure 5.3: Central Government’s Outstanding Debt & Debt-to- GDP Ratios**



Source: Cayman Islands Treasury Department, ESO

<sup>18</sup> Central government’s outstanding debt comprises debt managed directly by the Treasury Department and excludes government-guaranteed debt and other contingent liabilities.

The expansion in central government's outstanding debt by 15.9 percent in 2010 has worsened the central government's debt service-to-current revenue ratio to 10.4 percent, from 9.7 percent a year ago (see Table 5.8). Similarly, interest payments-to-current revenue ratio stood at 5.4 percent compared to 4.2 percent a year ago. Additionally, the debt service to GDP ratio worsened to 2.2 percent.

**Table 5.8: Central Government Debt Service Indicators**

| Debt Service Indicators                        | 2007           | 2008 | 2009 | 2010 |
|--|----------------|------|------|------|
|  | Percentage (%) |      |      |      |
| Interest Payments - to - Current Revenue Ratio | 1.9            | 2.2  | 4.2  | 5.4  |
| Debt Service - to - GDP Ratio                  | 1.0            | 1.2  | 1.8  | 2.2  |
| Debt Service - to - Current Revenue Ratio      | 5.1            | 6.2  | 9.7  | 10.4 |

Source: Cayman Islands Treasury Department, Economics and Statistics Office

## 6. Macroeconomic Outlook for 2011

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*The Cayman Islands' economy is projected to emerge from three years of contraction in 2011, as a result of the more sustained recovery of the source markets for tourism and financial services. Domestic inflation is projected to be higher despite depressed domestic housing prices due to higher global prices for food and oil.*

### 6.1 Global Outlook<sup>19</sup>

Overall, the outlook for global output is a sustained recovery as this is projected to grow further at 4.4 percent in 2011. This is hinged on the sustained recovery of private demand among advanced economies and balanced growth without overheating among emerging and developing economies.

The rebound in global production is expected to benefit from low interest rates, easing financing conditions and generally healthier corporate balance sheets. However, the key downside risk arises from commodity prices which have recently picked up, including oil prices which have been pushed by geopolitical tensions causing supply disruptions. Additionally, the housing market remains depressed in a number of advanced economies, while the possibility of overheating in emerging market economies is also a key concern.

Average GDP growth among the advanced economies is expected at 2.4 percent, with the U.S. and Canada forecasted to grow at 2.8 percent. Similarly, the UK and Germany are foreseen to improve by 1.7 percent and 2.5 percent, respectively. Overall, the Euro area is expected to expand by 1.6 percent, slightly slower than in 2009 (1.7%).

In 2011, inflation among advanced economies is projected to increase as oil and non-fuel commodity prices accelerate. The inflation rates for both the US and the advanced economies are forecasted at 1.6 percent. Similarly, inflation in emerging and developing economies was projected at 6.2 percent as food and energy prices have a higher weight on the consumer price index (CPI) of lower-income countries. World prices of manufactured goods are expected to increase on average by 5.5 percent. Oil prices in the global market are projected to grow

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<sup>19</sup> This global outlook is based on information culled from the International Monetary Fund (April 2011) and other international organizations.



by 35.6 percent in 2011 from 27.9 percent in 2010. Meanwhile, non-fuel primary commodities are foreseen to increase by 25.1 percent in 2011.

## 6.2 Domestic Growth

**Economic activity in the Cayman Islands is expected to turn around in 2011.** GDP is projected to expand by 0.9 percent, as financial services is seen to bottom-out coupled with a another year of growth in the tourism sector. Domestic demand is also expected to pick-up in the construction sector and support services with a series of projects projected to begin implementation in 2011.

**Table 6.2: Macroeconomic Indicators 2007-2012**

|  | 2007 | 2008  | 2009  | 2010  | Projected |      |
|--|------|-------|-------|-------|-----------|------|
|  |      |       |       |       | 2011      | 2012 |
| <b>Real GDP growth (%)</b>                 |      |       |       |       |           |      |
| Cayman Islands                             | 4.3  | (0.7) | (7.0) | (4.0) | 0.9       | 2.1  |
| United States                              | 2.0  | 0.4   | (2.4) | 2.8   | 2.8       | 2.9  |
| World                                      | 4.9  | 3.0   | (0.6) | 5.0   | 4.4       | 4.5  |
| <b>Consumer Prices Inflation (CPI) (%)</b> |      |       |       |       |           |      |
| Cayman Islands                             | 2.9  | 4.1   | (1.5) | 0.3   | 1.9       | 2.0  |
| United States                              | 2.9  | 3.8   | (0.3) | 1.6   | 2.2       | 1.6  |
| Advanced economies                         | 2.2  | 3.4   | 0.1   | 1.6   | 2.2       | 1.7  |
| <b>Unemployment Rate (%)</b>               |      |       |       |       |           |      |
| Cayman Islands                             | 3.8  | 4.0   | 6.0   | 6.7   | 6.5       | 5.8  |
| United States                              | 4.6  | 5.8   | 9.3   | 9.6   | 8.5       | 7.8  |
| Advanced economies                         | 5.4  | 5.8   | 8.0   | 8.3   | 7.8       | 7.4  |

Sources: International Monetary Fund (April 2011) for data on the US, World and Advanced Economies, and Economics and Statistics Office for Cayman data.

**Financial service sectors are expected to improve with firmer recovery in some sectors while others are likely to stage soft upturns.** Financial services indicators for the first quarter of 2011 showed new companies rebounding by 11.9 percent while mutual funds declined by 1.3 percent. The key sources of uncertainty in the sector are the expected changes in the regulatory regimes of source markets, and how these will impact the local market.

**Stay-over tourism is expected to rebound in line with the World Tourism Organisation (WTO) projections.** The recovery in major source markets is

expected to continue in positively impacting the local tourism industry. This outlook is supported by an increase of 8.0 percent in total tourist arrivals for the first quarter of 2011. Stay-over arrivals increased by 6.8 percent while cruise passengers rose by 8.2 percent during the period compared to a year ago. Stay-over arrivals is largely influenced by prevailing economic conditions in North America which continues to provide approximately 80 percent of total air arrivals.

### 6.3 Domestic Inflation

**The consumer price index (CPI) is forecasted at 1.9 percent in 2011.** This is due to higher imported inflation, as food and energy prices are expected to outweigh the lack of a movement in housing prices. The latter are expected to remain depressed by the decline in local population associated with the weak labour market for expatriates.

## 7. Acknowledgement

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Cayman Islands Monetary Authority  
Cayman Islands Planning Department  
Cayman Islands Stock Exchange  
Cayman Islands Treasury Department  
Cayman Islands Water Authority  
Cayman Water Company  
Department of Immigration  
Information & Communication Technology Authority  
Maritime Authority of Cayman Islands  
Port Authority of the Cayman Islands**

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## 8. Statistical Appendix

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Table A1: Gross Domestic Product

| Year | Nominal GDP (CI\$M) | Real GDP 2007 Prices (CI\$M) | Mid-Year Population (000s) | Real GDP Per Capita (\$) | Real GDP Growth (%) |
|------|---------------------|------------------------------|----------------------------|--------------------------|---------------------|
| 1998 | 1,497.4             | 2,010.4                      | 38.1                       | 52,767                   | 5.8                 |
| 1999 | 1,623.4             | 2,078.4                      | 39.0                       | 53,293                   | 3.4                 |
| 2000 | 1,696.7             | 2,098.8                      | 40.2                       | 52,210                   | 1.0                 |
| 2001 | 1,740.6             | 2,110.5                      | 41.4                       | 51,039                   | 0.6                 |
| 2002 | 1,815.4             | 2,146.9                      | 42.5                       | 50,573                   | 1.7                 |
| 2003 | 1,882.6             | 2,189.9                      | 43.6                       | 50,256                   | 2.0                 |
| 2004 | 1,983.1             | 2,209.5                      | 44.2                       | 49,944                   | 0.9                 |
| 2005 | 2,266.2             | 2,353.0                      | 48.4                       | 48,664                   | 6.5                 |
| 2006 | 2,389.4             | 2,461.4                      | 51.9                       | 47,342                   | 4.6                 |
| 2007 | 2,637.1             | 2,637.1                      | 54.0                       | 48,763                   | 4.3                 |
| 2008 | 2,667.4             | 2,617.5                      | 56.0                       | 46,743                   | (0.7)               |
| 2009 | 2,541.6             | 2,433.9                      | 56.1                       | 43,363                   | (7.0)               |
| 2010 | 2,431.7             | 2,335.8                      | 54.8                       | 42,605                   | (4.0)               |

Source: Cayman Islands Government, Economics &amp; Statistics Office

Table A2: Consumer Price Index & Inflation  
(June 2008=100)

| <b>Year</b> | <b>Index Year-end</b> | <b>Index Average</b> | <b>Inflation Rate (%)</b> |
|-------------|-----------------------|----------------------|---------------------------|
| 1995        | 67.2                  | 66.7                 | 2.5                       |
| 1996        | 69.3                  | 68.4                 | 2.6                       |
| 1997        | 71.3                  | 70.3                 | 2.7                       |
| 1998        | 73.0                  | 72.4                 | 3.0                       |
| 1999        | 78.7                  | 77.3                 | 6.8                       |
| 2000        | 79.9                  | 79.4                 | 2.7                       |
| 2001        | 80.5                  | 80.3                 | 1.1                       |
| 2002        | 82.9                  | 82.3                 | 2.4                       |
| 2003        | 83.4                  | 82.8                 | 0.6                       |
| 2004        | 92.7                  | 86.5                 | 4.4                       |
| 2005        | 92.7                  | 92.8                 | 7.3                       |
| 2006        | 94.2                  | 93.5                 | 0.8                       |
| 2007        | 95.8                  | 96.2                 | 2.9                       |
| 2008        | 99.5                  | 100.1                | 4.1                       |
| 2009        | 98.2                  | 98.6                 | (1.5)                     |
| 2010        | 98.5                  | 98.9                 | 0.3                       |

Source: Cayman Islands Government, Economics & Statistics Office

Table A3: Labour Force and Employment

| Year | Labour Force | Total Employed | Total Unemployed | Unemployment Rate |
|------|--------------|----------------|------------------|-------------------|
| 1995 | 19,820       | 18,845         | 980              | 4.9               |
| 1996 | 20,410       | 19,370         | 1,040            | 5.1               |
| 1997 | 21,620       | 20,725         | 895              | 4.1               |
| 1998 | 22,725       | 21,820         | 905              | 4.0               |
| 2001 | 27,971       | 25,862         | 2,109            | 7.5               |
| 2002 | 28,905       | 27,355         | 1,550            | 5.4               |
| 2003 | 29,905       | 28,827         | 1,079            | 3.6               |
| 2004 | 30,257       | 28,946         | 1,311            | 4.3               |
| 2005 | 36,767       | 35,464         | 1,303            | 3.5               |
| 2006 | 35,959       | 35,016         | 943              | 2.6               |
| 2007 | 37,431       | 36,026         | 1,405            | 3.8               |
| 2008 | 38,998       | 37,449         | 1,549            | 4.0               |
| 2009 | 36,100       | 33,920         | 2,180            | 6.0               |
| 2010 | 35,859       | 33,463         | 2,396            | 6.7               |

Source: Cayman Islands Government, Economics & Statistics Office

Note:

No Labour Force Surveys were conducted in 1999 and 2000

\*2004 results are derived from Spring LFS and not Fall 2004 LFS on account of hurricane Ivan in September 2004.

**Table A4: Composition of the Employed Labour Force**

| <b>Year</b> | <b>Total</b> | <b>Caymanians</b> | <b>Non-Caymanians</b> |
|-------------|--------------|-------------------|-----------------------|
| 1995        | 18,845       | 10,490            | 8,355                 |
| 1996        | 19,370       | 10,705            | 8,665                 |
| 1997        | 20,725       | 10,390            | 10,335                |
| 1998        | 21,820       | 11,525            | 10,295                |
| 2001        | 25,862       | 12,479            | 13,383                |
| 2002        | 27,355       | 12,993            | 14,362                |
| 2003        | 28,827       | 13,973            | 14,854                |
| 2004        | 28,946       | 14,775            | 14,171                |
| 2005        | 35,464       | 18,025            | 17,439                |
| 2006        | 35,016       | 17,621            | 17,395                |
| 2007        | 36,026       | 16,520            | 19,506                |
| 2008        | 37,449       | 16,517            | 20,932                |
| 2009        | 33,920       | 16,375            | 17,545                |
| 2010        | 33,463       | n/a               | n/a                   |

Source: Cayman Islands Government, Economics & Statistics Office

Note:

No Labour Force Surveys were conducted in 1999 and 2000

\*2004 results are derived from Spring LFS and not Fall 2004 LFS on account of hurricane Ivan in September 2004.



Table A5: Composition of the Unemployed Labour Force

| Year | Total Unemployed | Caymanian | Non-Caymanian |
|------|------------------|-----------|---------------|
| 1995 | 978              | 703       | 275           |
| 1996 | 1,049            | 692       | 357           |
| 1997 | 895              | 579       | 316           |
| 1998 | 907              | 609       | 298           |
| 2001 | 2,109            | 1,311     | 798           |
| 2002 | 1,550            | 1,058     | 492           |
| 2003 | 1,079            | 857       | 222           |
| 2004 | 1,311            | 887       | 424           |
| 2005 | 1,303            | 1,039     | 264           |
| 2006 | 943              | 682       | 261           |
| 2007 | 1,405            | 1,029     | 376           |
| 2008 | 1,549            | 1,169     | 380           |
| 2009 | 2,180            | 1,790     | 390           |
| 2010 | 2,396            | n/a       | n/a           |

Source: Cayman Islands Government, Economics & Statistics Office

Note:

No Labour Force surveys were conducted by the Statistics Office in 1999 or 2000

Table A6: The Employed by Industry

| Year | Agric., Fish, Manufacturing, Construction, Utilities | Wholesale, Retail, Hotel & Restaurant | Transport, Postal & Communications | Insurance, Financial & Business | Public Administration Education, Health & Social Services | Recreation, Community & Personal | Others | Total  |
|------|--|---------------------------------------|------------------------------------|---------------------------------|---|----------------------------------|--------|--------|
| 1992 | 2,895  | 4,160                                 | 1,385                              | 2,375                           | 2,105   | 2,300                            | -      | 15,220 |
| 1993 | 2,790  | 4,310                                 | 1,345                              | 3,610                           | 1,980   | 1,960                            | -      | 15,995 |
| 1994 | 2,995  | 4,715                                 | 1,205                              | 2,920                           | 2,425   | 2,570                            | -      | 16,830 |
| 1995 | 2,640  | 5,555                                 | 1,785                              | 3,570                           | 2,270   | 3,025                            | -      | 18,845 |
| 1996 | 3,545  | 5,375                                 | 1,125                              | 3,840                           | 2,220   | 3,265                            | -      | 19,370 |
| 1997 | 3,505  | 5,580                                 | 1,475                              | 4,025                           | 2,660   | 3,480                            | -      | 20,725 |
| 1998 | 3,660  | 6,175                                 | 1,450                              | 4,230                           | 2,475   | 3,830                            | -      | 21,820 |
| 2001 | 4,608  | 6,644                                 | 1,347                              | 5,373                           | 3,908   | 3,982                            | -      | 25,862 |
| 2002 | 4,923  | 6,932                                 | 1,640                              | 5,399                           | 4,364   | 4,087                            | 10     | 27,355 |
| 2004 | 5,456  | 7,286                                 | 1,446                              | 6,099                           | 4,188   | 4,427                            | -      | 28,946 |
| 2006 | 8,258  | 8,011                                 | 1,477                              | 7,648                           | 4,801   | 4,821                            | -      | 35,016 |
| 2007 | 7,695  | 7,310                                 | 2,058                              | 7,734                           | 5,487   | 4,923                            | 819    | 36,026 |
| 2008 | 7,836  | 9,032                                 | 1,687                              | 8,793                           | 5,066   | 4,664                            | 370    | 37,499 |
| 2009 | 6,892  | 7,870                                 | 1,710                              | 7,493                           | 5,050   | 4,869                            | 33     | 33,920 |
| 2010 | n/a  | n/a                                   | n/a                                | n/a                             | n/a   | n/a                              | n/a    | 33,463 |

Source: October Labour Force Surveys, Cayman Islands Government, Economics & Statistics Office

**Note:**

No Labour Force surveys were conducted by the Statistics Office in 1999, 2000 and 2005  
 2004 and 2006 Labour Force Surveys refer to the Spring Labour Force

Table A7: Work Permits Issued by Occupational Class

| Year | Administrative/<br>Managerial | Professional | Trades/<br>Technical/<br>Skilled | Un-<br>Skilled | Others | Total  |
|------|-------------------------------|--------------|----------------------------------|----------------|--------|--------|
| 1995 | 786                           | 668          | 4,606                            | 4,138          | -      | 10,198 |
| 1996 | 676                           | 554          | 4,741                            | 3,980          | -      | 9,951  |
| 1997 | 755                           | 788          | 5,455                            | 4,316          | -      | 11,314 |
| 1998 | 698                           | 968          | 6,331                            | 4,888          | -      | 12,885 |
| 1999 | ...                           | ...          | ...                              | ...            | ...    | ...    |
| 2000 | 752                           | 1,039        | 7,633                            | 4,837          | 23     | 14,284 |
| 2001 | 664                           | 1,077        | 7,285                            | 4,852          | 5      | 13,883 |
| 2002 | 699                           | 1,530        | 7,167                            | 6,383          | 1      | 15,779 |
| 2003 | 682                           | 1,748        | 7,383                            | 7,310          | -      | 17,123 |
| 2004 | 671                           | 1,834        | 9,385                            | 8,618          | -      | 20,508 |
| 2005 | 819                           | 1,957        | 10,576                           | 8,411          | -      | 21,763 |
| 2006 | 838                           | 2,396        | 11,143                           | 8,016          | -      | 22,393 |
| 2007 | 823                           | 4,163        | 11,637                           | 9,727          | -      | 26,350 |
| 2008 | 757                           | 4,355        | 11,455                           | 9,949          | -      | 26,516 |
| 2009 | 655                           | 3,953        | 9,979                            | 8,944          | -      | 23,531 |
| 2010 | n/a                           | n/a          | n/a                              | n/a            | n/a    | 20,452 |

Source: 1995-1999 data from Economics and Statistics Office; 2000-2009 data from Immigration Department.

Table A8: Merchandise Trade, CI\$ Millions

| Year | Imports | Exports | Trade Balance |
|------|---------|---------|---------------|
| 1995 | 331.6   | 3.4     | (328.2)       |
| 1996 | 314.9   | 2.2     | (312.7)       |
| 1997 | 423.7   | 1.8     | (421.9)       |
| 1998 | 447.8   | 1.0     | (446.8)       |
| 1999 | 452.2   | 1.2     | (451.0)       |
| 2000 | 575.7   | 2.0     | (573.7)       |
| 2001 | 514.5   | 2.4     | (512.1)       |
| 2002 | 496.1   | 3.0     | (493.1)       |
| 2003 | 546.2   | 19.5    | (526.7)       |
| 2004 | 718.9   | 11.9    | (707.0)       |
| 2005 | 976.3   | 42.8    | (933.5)       |
| 2006 | 868.7   | 13.9    | (854.8)       |
| 2007 | 860.0   | 17.9    | (842.1)       |
| 2008 | 879.4   | 12.4    | (867.0)       |
| 2009 | 735.9   | 16.0    | (719.9)       |
| 2010 | 688.4   | 16.4    | (672.0)       |

Source of basic data: Cayman Islands Customs Department and Economics & Statistics Office

Table A9: Imports by Standard International Trade Classification (CI\$ Millions)

|   | 2006         | 2007         | 2008         | 2009         | 2010         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Total Imports</b>                                  | <b>868.7</b> | <b>860.0</b> | <b>879.4</b> | <b>735.9</b> | <b>688.3</b> |
| Food and Live Animals                                 | 81.7         | 94.0         | 97.6         | 92.9         | 117.9        |
| Beverages and Tobacco                                 | 24.8         | 25.3         | 29.0         | 29.6         | 28.9         |
| Inedible Crude Materials                              | 12.0         | 9.6          | 12.5         | 9.2          | 9.5          |
| Mineral Fuels, Lubricants and Related Materials       | 71.6         | 107.4        | 145.3        | 90.3         | 110.8        |
| Animal and Vegetable Oils, Fats and Waxes             | 0            | 0            | 0.1          | 0.1          | 0.3          |
| All Chemical & Rel. Prods N.E.C.                      | 32.8         | 28.6         | 31.5         | 26.9         | 32.1         |
| Manufactured Goods (classified chiefly by material)   | 129.3        | 120.8        | 98.8         | 90.7         | 83.8         |
| Machinery & Transport Equipment                       | 155.9        | 139.9        | 121.3        | 95.1         | 102.0        |
| Misc. Manufactured Articles                           | 274.6        | 277.2        | 282.4        | 230.3        | 134.2        |
| Commodities and Transactions Not Classified Elsewhere | 86.0         | 57.0         | 60.9         | 70.9         | 68.8         |

Source of basic data: Cayman Islands Customs Department and Economics &amp; Statistics Office

**Table A10: Domestic Credit from Retail Banks, CI\$ Millions**

|   | Dec-07         | Dec-08         | Dec-09         | Dec-10         | %<br>Change |
|---|----------------|----------------|----------------|----------------|-------------|
| <b>Total</b>  | <b>1,896.9</b> | <b>2,437.5</b> | <b>2,598.1</b> | <b>2,729.3</b> | 5.0         |
| <b>Credit to Businesses</b>                           | <b>618.8</b>   | <b>952.7</b>   | <b>971.3</b>   | <b>1,049.5</b> | 8.1         |
| <b>Production &amp; Manufacturing</b>                 | 179.3          | 118            | 149            | 292            | 95.3        |
| Agriculture, Fishing and Mining                       | 5.8            | 7.2            | 7.0            | 7.1            | 1.8         |
| Manufacturing   | 6.6            | 5.4            | 7.0            | 9.3            | 32.2        |
| Utilities   | 11.8           | 25.7           | 20.6           | 57.0           | 177.1       |
| Construction  | 155.1          | 79.9           | 114.9          | 218.5          | 90.2        |
| <b>Services</b>                                       | 184.8          | 186.9          | 260.1          | 210.8          | -18.9       |
| Accommodation, Food, Bar & Entertainment Services     | 60.0           | 78.7           | 130.5          | 113.4          | -13.1       |
| Transportation, Storage & Communications              | 15.0           | 41.8           | 27.7           | 5.0            | -81.9       |
| Education, Recreational & Other Professional Services | 109.8          | 66.5           | 101.9          | 92.4           | -9.3        |
| <b>Trade and Commerce</b>                             | 387.3          | 607.2          | 519.0          | 454.0          | -12.5       |
| Wholesale & Retail sales Trade                        | 73.0           | 167.7          | 79.8           | 67.3           | -15.7       |
| Real Estate Agents, Rental and Leasing Companies      | 298.8          | 430.3          | 425.9          | 364.1          | -14.5       |
| Other Business Activities (general business activity) | 15.5           | 9.2            | 13.4           | 22.6           | 68.8        |
| <b>Other Financial Corporations</b>                   | 39.9           | 40.4           | 42.6           | 92.9           | 117.7       |
| <b>Credit to Households</b>                           | <b>1,240.6</b> | <b>1,484.7</b> | <b>1,626.7</b> | <b>1,679.3</b> | 3.2         |
| Domestic Property                                     | 1,090.1        | 1,295.8        | 1,375.6        | 1,458.5        | 6.0         |
| Motor Vehicles  | 47.0           | 44.0           | 70.2           | 49.8           | -29.1       |
| Education and Technology                              | 4.8            | 1.7            | 3.2            | 4.7            | 47.3        |
| Miscellaneous*  | 98.7           | 143.3          | 177.7          | 166.3          | -6.4        |
| <b>NonProfit Organizations</b>                        | <b>37.5</b>    | <b>0.0</b>     | <b>0.2</b>     | <b>0.4</b>     | 107.9       |

\*Miscellaneous include consolidated debt, insurance, medical & travel

Source: Cayman Islands Monetary Authority

Table A11: Financial Services Indicators

| Year | Bank & Trust Licences | Insurance Licences | Captive Insurance Premiums (US\$B) | Mutual Funds | New Companies Registered | Stock Market Cap*. (US\$B) | Stock Listings |
|------|-----------------------|--------------------|------------------------------------|--------------|--------------------------|----------------------------|----------------|
| 2002 | 383                   | 629                | 4.2                                | 4,285        | 7,016                    | 36.30                      | 710            |
| 2003 | 349                   | 672                | 4.9                                | 4,808        | 7,254                    | 43.94                      | 735            |
| 2004 | 322                   | 722                | 5.6                                | 5,932        | 8,892                    | 53.57                      | 857            |
| 2005 | 305                   | 759                | 6.7                                | 7,106        | 10,210                   | 75.56                      | 1,015          |
| 2006 | 291                   | 767                | 7.1                                | 8,134        | 12,277                   | 111.52                     | 1,225          |
| 2007 | 281                   | 793                | 7.5                                | 9,413        | 14,232                   | 168.33                     | 1,748          |
| 2008 | 278                   | 805                | 7.7                                | 9,870        | 11,861                   | 167.70                     | 1,579          |
| 2009 | 266                   | 808                | 7.5                                | 9,523        | 7,863                    | 162.92                     | 1,312          |
| 2010 | 245                   | 768                | 8.7                                | 9,438        | 8,157                    | 145.65                     | 1,113          |

Source: Cayman Islands Monetary Authority, Cayman Islands Stock Exchange, Cayman Islands General Registry

\* Cap = Capitalization

Table A12: Banks &amp; Trust Licences

| Year | Bank & Trust Licenses |           |                      | Trust Only   |            | Total |
|------|-----------------------|-----------|----------------------|--------------|------------|-------|
|      | Class 'A'             | Class 'B' | Class "B" Restricted | Unrestricted | Restricted |       |
| 2002 | 30                    | 348       | 5                    | 58           | 67         | 508   |
| 2003 | 27                    | 316       | 6                    | 49           | 73         | 471   |
| 2004 | 23                    | 295       | 4                    | 49           | 75         | 446   |
| 2005 | 21                    | 281       | 3                    | 50           | 77         | 432   |
| 2006 | 19                    | 269       | 3                    | 51           | 83         | 425   |
| 2007 | 19                    | 261       | 2                    | 51           | 87         | 419   |
| 2008 | 18                    | 258       | 2                    | 54           | 87         | 419   |
| 2009 | 17                    | 248       | 1                    | 53           | 83         | 402   |
| 2010 | 17                    | 228       | 1                    | 51           | 76         | 373   |

Source: Cayman Islands Monetary Authority

Table A13: Insurance Licences

| Year | Class 'A' Insurance | Class "B" Insurance |            | Total |
|------|---------------------|---------------------|------------|-------|
|      |                     | Unrestricted        | Restricted |       |
| 2002 | 29                  | 532                 | 68         | 629   |
| 2003 | 28                  | 581                 | 63         | 672   |
| 2004 | 29                  | 634                 | 59         | 722   |
| 2005 | 26                  | 670                 | 63         | 759   |
| 2006 | 27                  | 674                 | 66         | 767   |
| 2007 | 28                  | 692                 | 73         | 793   |
| 2008 | 28                  | 699                 | 78         | 805   |
| 2009 | 28                  | 697                 | 83         | 808   |
| 2010 | 30                  | 680                 | 58         | 768   |

Source: Cayman Islands Monetary Authority

Table A14: Mutual Funds Domiciled in the Cayman Islands

| Year | Administered Funds | Licensed Funds | Registered Funds | Total |
|------|--------------------|----------------|------------------|-------|
| 2002 | 641                | 51             | 3,593            | 4,285 |
| 2003 | 592                | 48             | 4,168            | 4,808 |
| 2004 | 616                | 67             | 5,249            | 5,932 |
| 2005 | 598                | 79             | 6,429            | 7,106 |
| 2006 | 548                | 105            | 7,481            | 8,134 |
| 2007 | 543                | 119            | 8,751            | 9,413 |
| 2008 | 510                | 129            | 9,231            | 9,870 |
| 2009 | 448                | 131            | 8,944            | 9,523 |
| 2010 | 435                | 133            | 8,870            | 9,438 |

Source: Cayman Islands Monetary Authority



Table A15: New Companies Registered in the Cayman Islands

| <b>Year</b> | <b>Exempt</b> | <b>Non-Resident</b> | <b>Resident</b> | <b>Foreign</b> | <b>Total</b> |
|-------------|---------------|---------------------|-----------------|----------------|--------------|
| 2002        | 5,795         | 768                 | 310             | 143            | 7,016        |
| 2003        | 5,941         | 692                 | 439             | 182            | 7,254        |
| 2004        | 7,480         | 674                 | 530             | 208            | 8,892        |
| 2005        | 8,694         | 595                 | 650             | 271            | 10,210       |
| 2006        | 10,735        | 569                 | 588             | 385            | 12,277       |
| 2007        | 12,691        | 533                 | 531             | 477            | 14,232       |
| 2008        | 10,536        | 293                 | 510             | 522            | 11,861       |
| 2009        | 6,764         | 220                 | 487             | 392            | 7,863        |
| 2010        | 7,104         | 230                 | 432             | 391            | 8,157        |

Source: Companies Registrar

Table A16: Money and Banking Survey: Monetary Assets (CI\$ Millions)

|                                   | Dec-06  | Dec-07  | Dec-08  | Dec-09  | Dec-10  |
|-----------------------------------|---------|---------|---------|---------|---------|
| Total assets                      | 6,317.5 | 5,414.7 | 5,568.2 | 5,949.6 | 5,307.4 |
| Net foreign assets                | 4,791.0 | 3,836.3 | 3,579.1 | 3,981.1 | 3,056.5 |
| Monetary Authority                | 99.2    | 106.6   | 101.6   | 100.4   | 89.4    |
| Commercial Banks                  | 4,691.7 | 3,729.7 | 3,477.5 | 3,880.7 | 2,967.1 |
| Net domestic assets               | 1,526.5 | 1,578.4 | 1,989.1 | 1,968.5 | 2,250.9 |
| Domestic credit                   | 2,127.3 | 2,257.0 | 2,763.1 | 2,836.8 | 3,008.1 |
| Claims on central government      | 63.5    | 118.2   | 271.7   | 172.1   | 219.0   |
| Claims on other public sector     | 67.3    | 71.9    | 54.0    | 66.5    | 59.8    |
| Claims on private sector          | 1,996.5 | 2,066.9 | 2,437.5 | 2,598.1 | 2,729.3 |
| Other items net                   | (600.8) | (678.6) | (774.0) | (868.3) | (757.2) |
| Broad liquidity                   | 6,317.5 | 5,414.7 | 5,568.2 | 5,949.6 | 5,307.4 |
| Broad money (M2 + FOREX deposits) | 6,317.5 | 5,414.7 | 5,568.2 | 5,949.6 | 5,307.4 |
| Broad money (KYD M2)              | 939.2   | 914.1   | 1,017.7 | 962.2   | 981.1   |
| Currency in circulation           | 78.2    | 81.8    | 83.6    | 87.5    | 85.2    |
| KYD Deposits                      | 861.0   | 832.2   | 934.1   | 874.6   | 895.9   |
| Demand deposits                   | 257.5   | 239.9   | 250.7   | 254.5   | 298.9   |
| Time and savings deposits         | 603.5   | 592.3   | 683.3   | 620.1   | 597.0   |
| FOREX deposits                    | 5,378.3 | 4,500.6 | 4,550.5 | 4,987.5 | 4,326.2 |
| <i>of which:</i> US dollars       | 5,071.7 | 3,982.6 | 4,218.7 | 4,316.0 | 3,632.8 |
| US dollars share (%)              | 94.3    | 88.5    | 92.7    | 86.5    | 84.0    |

Source: Cayman Islands Monetary Authority and Economics and Statistics Office

Table A17: Visitor Arrivals ('000) and Cruise Ship Calls

| Year | Stay-Over | Cruise  | Total Arrivals | Cruise Ship Calls |
|------|-----------|---------|----------------|-------------------|
| 1995 | 361.4     | 682.8   | 1,044.2        | 504               |
| 1996 | 373.2     | 800.3   | 1,173.5        | 525               |
| 1997 | 381.2     | 866.6   | 1,247.8        | 572               |
| 1998 | 404.2     | 871.4   | 1,275.6        | 518               |
| 1999 | 394.7     | 1,035.5 | 1,430.2        | 638               |
| 2000 | 354.1     | 1,030.9 | 1,385.0        | 612               |
| 2001 | 334.1     | 1,214.8 | 1,548.9        | 711               |
| 2002 | 302.8     | 1,574.8 | 1,877.6        | 732               |
| 2003 | 293.5     | 1,819.0 | 2,112.5        | 825               |
| 2004 | 259.9     | 1,693.3 | 1,953.2        | 732               |
| 2005 | 167.8     | 1,799.0 | 1,966.8        | 784               |
| 2006 | 267.3     | 1,930.1 | 2,197.4        | 802               |
| 2007 | 291.5     | 1,715.7 | 2,007.2        | 657               |
| 2008 | 302.9     | 1,553.1 | 1,855.9        | 570               |
| 2009 | 272.0     | 1,520.4 | 1,792.3        | 547               |
| 2010 | 288.3     | 1,597.8 | 1,886.1        | 570               |

Source: Cayman Islands Department of Tourism

Table A18: Occupancy Rates and Length of Stay

| Year | Hotel Occupancy Rates (%) | Apt/Condo Occupancy Rates (%) | Hotel Length of Stay (Days) | Apt/Condo Length of Stay (Days) |
|------|---------------------------|-------------------------------|-----------------------------|---------------------------------|
| 1995 | 75.3                      | 53.9                          | 4.7                         | 6.8                             |
| 1996 | 66.1                      | 51.0                          | 4.6                         | 7.3                             |
| 1997 | 66.9                      | 48.2                          | 4.8                         | 7.0                             |
| 1998 | 73.1                      | 52.3                          | 5.0                         | 7.0                             |
| 1999 | 71.8                      | 46.9                          | 4.7                         | 5.8                             |
| 2000 | 62.4                      | 46.8                          | 4.6                         | 7.0                             |
| 2001 | 55.3                      | 43.1                          | 4.5                         | 7.3                             |
| 2002 | 50.6                      | 40.2                          | 4.8                         | 7.3                             |
| 2003 | 51.2                      | 37.7                          | 4.7                         | 7.4                             |
| 2004 | 61.7                      | 43.1                          | 4.9                         | 6.8                             |
| 2005 | 55.8                      | 46.0                          | 4.9                         | 6.7                             |
| 2006 | 59.4                      | 40.7                          | 4.5                         | 6.6                             |
| 2007 | 61.7                      | 42.5                          | 4.7                         | 6.7                             |
| 2008 | 62.2                      | 44.0                          | 4.5                         | 6.4                             |
| 2009 | 59.0                      | 43.9                          | 4.4                         | 6.9                             |
| 2010 | 68.2                      | 44.1                          | 4.4                         | 6.8                             |

Source: Cayman Islands Department of Tourism

Table A19: Total Stay-Over Arrivals by Country of Origin ('000)

| Year | USA   | Europe | Canada | Others | Total Arrivals |
|------|-------|--------|--------|--------|----------------|
| 1995 | 266.2 | 37.3   | 14.1   | 43.8   | 361.4          |
| 1996 | 274.7 | 33.5   | 16.2   | 48.8   | 373.2          |
| 1997 | 278.7 | 32.7   | 18.2   | 51.6   | 381.2          |
| 1998 | 295.2 | 34.7   | 18.4   | 55.9   | 404.2          |
| 1999 | 280.3 | 34.5   | 18.9   | 61.0   | 394.7          |
| 2000 | 281.6 | 22.6   | 15.0   | 34.3   | 354.1          |
| 2001 | 270.1 | 20.4   | 13.6   | 34.9   | 334.1          |
| 2002 | 244.9 | 17.9   | 13.6   | 26.2   | 302.8          |
| 2003 | 232.4 | 18.2   | 14.1   | 28.8   | 293.5          |
| 2004 | 205.2 | 15.3   | 12.1   | 27.3   | 259.9          |
| 2005 | 118.8 | 12.7   | 10.5   | 25.8   | 167.8          |
| 2006 | 217.4 | 16.7   | 14.9   | 18.3   | 267.3          |
| 2007 | 231.9 | 20.4   | 17.4   | 21.9   | 291.5          |
| 2008 | 240.5 | 21.3   | 18.5   | 22.6   | 302.9          |
| 2009 | 215.0 | 19.1   | 17.3   | 20.6   | 272.0          |
| 2010 | 228.5 | 19.9   | 19.5   | 20.5   | 288.3          |

Source: Cayman Islands Department of Tourism

Table A20: Property Transfers: Number and Value (in CI\$ Millions)

| Year              | Freehold |       | Leasehold |       | Total Transfers |       |
|-------------------|----------|-------|-----------|-------|-----------------|-------|
|                   | Number   | Value | Number    | Value | Number          | Value |
| 1995              | 1,729    | 191.2 | 127       | 3.6   | 1,856           | 194.8 |
| 1996              | 2,055    | 267.2 | 153       | 3.3   | 2,208           | 270.5 |
| 1997              | 2,151    | 281.8 | 125       | 6.1   | 2,279           | 287.9 |
| 1998              | 2,344    | 317.2 | 128       | 2.3   | 2,472           | 319.5 |
| 1999              | 2,293    | 222.5 | 201       | 7.4   | 2,494           | 229.9 |
| 2000              | 1,868    | 257.3 | 143       | 2.3   | 2,011           | 259.6 |
| 2001              | 1,846    | 172.8 | 181       | 0.8   | 2,027           | 173.6 |
| 2002              | 1,842    | 269.9 | 147       | 4.1   | 1,989           | 274.0 |
| 2003              | 2,357    | 324.3 | 205       | 1.7   | 2,562           | 326.0 |
| 2004              | 2,335    | 339.2 | 127       | 1.9   | 2,462           | 341.1 |
| 2005              | 2,640    | 450.8 | 245       | 1.4   | 2,885           | 452.2 |
| 2006 <sup>1</sup> | 2,777    | 691.1 | 179       | 4.1   | 2,956           | 695.2 |
| 2007              | 2,190    | 544.7 | 360       | 23.3  | 2,512           | 551.0 |
| 2008              | 2,289    | 558.1 | 323       | 76.2  | 2,612           | 634.3 |
| 2009              | 2,045    | 397.0 | 242       | 19.5  | 2,287           | 416.5 |
| 2010              | 1,619    | 307.2 | 168       | 9.2   | 1,787           | 316.4 |

Source: Cayman Islands Lands & Survey Department

<sup>1</sup> Property transfers numbers and values were revised as at 2006.

Leasehold transfers include lease transfers and subleases.

Table A21: Number of Project Approvals in Grand Cayman

| Year | Apts/<br>Condos | Houses | Commercial | Government | Hotel | Industrial | Other | Total |
|------|-----------------|--------|------------|------------|-------|------------|-------|-------|
| 2000 | 96              | 369    | 34         | 21         | 1     | 16         | 511   | 1,048 |
| 2001 | 79              | 309    | 45         | 7          | 3     | 11         | 442   | 896   |
| 2002 | 88              | 327    | 83         | 4          | 5     | 17         | 424   | 948   |
| 2003 | 129             | 385    | 67         | 12         | -     | 34         | 504   | 1,131 |
| 2004 | 111             | 359    | 52         | 6          | 1     | 17         | 427   | 973   |
| 2005 | 132             | 532    | 95         | 15         | 4     | 26         | 394   | 1,198 |
| 2006 | 222             | 336    | 70         | 15         | 1     | 30         | 574   | 1,248 |
| 2007 | 112             | 437    | 56         | 10         | 1     | 14         | 493   | 1,123 |
| 2008 | 103             | 424    | 43         | 7          | -     | 11         | 580   | 1,168 |
| 2009 | 109             | 426    | 46         | 3          | -     | 12         | 526   | 1,122 |
| 2010 | 73              | 327    | 43         | 9          | -     | 5          | 505   | 962   |

Source: Cayman Islands Planning Department

Table A22: Value of Project Approvals in Grand Cayman (CI\$ Million)

| Year | Apt/<br>Condos | Houses | Commercial | Government | Hotel | Industrial | Other | Total |
|------|----------------|--------|------------|------------|-------|------------|-------|-------|
| 2000 | 90.6           | 63.3   | 21.2       | 21.0       | 75.0  | 14.4       | 24.7  | 310.1 |
| 2001 | 44.5           | 54.2   | 18.0       | 0.8        | 1.7   | 5.5        | 24.4  | 149.1 |
| 2002 | 82.0           | 60.6   | 48.9       | 0.8        | 9.7   | 9.9        | 24.4  | 236.3 |
| 2003 | 65.9           | 80.0   | 29.0       | 55.1       | -     | 7.1        | 29.4  | 266.5 |
| 2004 | 153.7          | 67.5   | 133.2      | 3.9        | 45.0  | 7.3        | 45.7  | 456.3 |
| 2005 | 194.9          | 105.8  | 103.9      | 3.7        | 16.2  | 20.5       | 66.1  | 511.2 |
| 2006 | 294.3          | 74.8   | 119.8      | 7.5        | 6.0   | 44.4       | 74.2  | 620.9 |
| 2007 | 88.9           | 131.3  | 71.7       | 54.5       | 55.0  | 8.4        | 59.1  | 468.9 |
| 2008 | 141.5          | 110.3  | 125.4      | 18.5       | -     | 11.1       | 74.0  | 480.9 |
| 2009 | 170.0          | 122.0  | 29.0       | 0.1        | -     | 2.6        | 97.5  | 421.2 |
| 2010 | 35.9           | 93.9   | 92.5       | 3.6        | -     | 1.0        | 84.8  | 311.7 |

Source: Cayman Islands Planning Department

Table A23: Number of Project Approvals in the Sister Islands

| Year | Houses | Apt/Condo | Hotel | Government | Commercial | Industrial | Other | Total |
|------|--------|-----------|-------|------------|------------|------------|-------|-------|
| 2000 | 49     | 3         | -     | 7          | 6          | 7          | 53    | 125   |
| 2001 | 41     | 7         | -     | 5          | 9          | 3          | 46    | 111   |
| 2002 | 21     | 2         | -     | 5          | 2          | 9          | 74    | 113   |
| 2003 | 29     | 3         | -     | 4          | 14         | 2          | 60    | 112   |
| 2004 | 36     | 1         | -     | 11         | 13         | 4          | 75    | 140   |
| 2005 | 43     | 4         | -     | 5          | 9          | 1          | 73    | 135   |
| 2006 | 39     | -         | 1     | 10         | 5          | 10         | 67    | 132   |
| 2007 | 35     | 6         | -     | 9          | 5          | -          | 49    | 104   |
| 2008 | 40     | 5         | 2     | 3          | 5          | 1          | 53    | 109   |
| 2009 | 34     | 2         | -     | 3          | 2          | -          | 62    | 103   |
| 2010 | 27     | 2         | 0     | 8          | 5          | 1          | 71    | 114   |

Source: Cayman Islands Planning Department

Table A24: Value of Project Approvals in the Sister Islands (CI\$ Millions)

| Year | Houses | Apt/Condo | Hotel | Government | Commercial | Industrial | Other | Total |
|------|--------|-----------|-------|------------|------------|------------|-------|-------|
| 2000 | 5.2    | 3.2       | -     | 1.0        | 0.5        | 1.6        | 1.0   | 12.4  |
| 2001 | -      | 2.8       | -     | 2.1        | 1.1        | 1.1        | 0.8   | 8.0   |
| 2002 | 3.2    | 0.2       | -     | 0.3        | 0.3        | 1.2        | 2.3   | 7.6   |
| 2003 | 4.1    | 0.8       | -     | 0.1        | 1.4        | 0.4        | 0.7   | 7.4   |
| 2004 | 6.6    | 0.1       | -     | 0.3        | 1.9        | 4.0        | 0.7   | 13.7  |
| 2005 | 5.9    | 1.3       | -     | 0.2        | 0.6        | 0.5        | 0.8   | 9.3   |
| 2006 | 6.7    | -         | 5.5   | 2.7        | 0.7        | 1.6        | 0.8   | 17.9  |
| 2007 | 6.5    | 23.9      | -     | 2.1        | 0.3        | -          | 3.5   | 36.2  |
| 2008 | 7.8    | 8.2       | 6.9   | 0.1        | 1.0        | -          | 3.9   | 27.9  |
| 2009 | 5.8    | 0.7       | -     | 2.0        | 1.1        | -          | 3.3   | 12.8  |
| 2010 | 6.0    | 0.4       | -     | 9.1        | 1.3        | 0.4        | 1.8   | 19.0  |

Source: Cayman Islands Planning Department

Table A25: Building Permits in Grand Cayman

| Category            | Number       |              |              |              |            | Value (CI\$M) |              |              |              |              |
|---------------------|--------------|--------------|--------------|--------------|------------|---------------|--------------|--------------|--------------|--------------|
|                     | 2006         | 2007         | 2008         | 2009         | 2010       | 2006          | 2007         | 2008         | 2009         | 2010         |
| Apartment/<br>Condo | 374          | 219          | 182          | 171          | 114        | 172.4         | 116.4        | 116.6        | 92.7         | 49.4         |
| Houses              | 517          | 496          | 503          | 532          | 390        | 119.6         | 100.7        | 116.6        | 146.4        | 93.1         |
| Commercial          | 197          | 186          | 176          | 116          | 120        | 118.5         | 183.2        | 162.8        | 49.5         | 45.3         |
| Government          | 8            | 16           | 36           | 16           | 12         | 0.9           | 6.1          | 62.7         | 28.8         | 2.0          |
| Hotel               | 2            | 4            | 1            | 0            | -          | 0.3           | 1.0          | 0.2          | 0.0          | -            |
| Industrial          | 35           | 10           | 14           | 7            | 7          | 12.1          | 4.3          | 29.6         | 2.6          | 3.2          |
| Other               | 157          | 159          | 169          | 303          | 347        | 22.1          | 34.6         | 13.7         | 35.0         | 12.6         |
| <b>Total</b>        | <b>1,290</b> | <b>1,090</b> | <b>1,081</b> | <b>1,145</b> | <b>990</b> | <b>445.8</b>  | <b>446.3</b> | <b>502.3</b> | <b>355.0</b> | <b>205.6</b> |

Source: Cayman Islands Planning Department



Table A26: Water Production and Consumption, Millions of US Gallons

| <b>Year</b> | <b>Production<sup>1</sup></b> | <b>Consumption</b> |
|-------------|-------------------------------|--------------------|
| 1995        | 592.9                         | 637.6              |
| 1996        | 631.0                         | 678.1              |
| 1997        | 730.7                         | 779.8              |
| 1998        | 808.9                         | 849.4              |
| 1999        | 874.3                         | 908.8              |
| 2000        | 986.5                         | 1,028.5            |
| 2001        | 1,097.4                       | 1,069.2            |
| 2002        | 1,147.9                       | 1,056.1            |
| 2003        | 1,197.9                       | 1,173.7            |
| 2004        | 1,291.3                       | 1,252.7            |
| 2005        | 1,371.6                       | 1,301.7            |
| 2006        | 1,639.6                       | 1,560.7            |
| 2007        | 1,720.8                       | 1,657.7            |
| 2008        | 1,730.3                       | 1,646.1            |
| 2009        | 1,959.1                       | 1,741.8            |
| 2010        | 1,970.9                       | 1,704.5            |

Source: Cayman Islands Water Authority, Cayman Water Company

<sup>1</sup> Excludes Non-Potable Water

Table A27: Electricity ('000 megawatt hours)

| Year | Production | Consumption |                           |                    |       |
|------|------------|-------------|---------------------------|--------------------|-------|
|      |            | Domestic    | Industrial/<br>Commercial | Public<br>Lighting | Total |
| 1995 | 297.4      | 118.1       | 147.5                     | 3.3                | 268.9 |
| 1996 | 309.7      | 124.6       | 153.8                     | 3.1                | 281.4 |
| 1997 | 347.8      | 140.3       | 168.7                     | 3.3                | 312.3 |
| 1998 | 381.1      | 158.9       | 181.3                     | 3.3                | 343.5 |
| 1999 | 390.4      | 168.2       | 191.5                     | 3.3                | 363.0 |
| 2000 | 426.5      | 179.5       | 203.1                     | 3.4                | 386.0 |
| 2001 | 449.3      | 189.7       | 213.9                     | 3.5                | 407.0 |
| 2002 | 466.1      | 200.4       | 221.0                     | 4.2                | 425.6 |
| 2003 | 489.7      | 211.2       | 228.5                     | 4.5                | 444.2 |
| 2004 | 433.4      | 183.1       | 191.5                     | 4.1                | 378.7 |
| 2005 | 463.2      | 200.3       | 222.4                     | 5.0                | 427.8 |
| 2006 | 535.7      | 228.2       | 258.0                     | 5.3                | 491.5 |
| 2007 | 584.4      | 249.4       | 279.4                     | 5.4                | 534.2 |
| 2008 | 596.8      | 251.7       | 290.3                     | 5.7                | 547.7 |
| 2009 | 608.8      | 263.1       | 290.7                     | 6.0                | 559.8 |
| 2010 | 605.1      | 262.5       | 284.9                     | 5.2                | 552.6 |

Source: Caribbean Utilities Company

**Table A28: Summary of Central Government Operations (CI\$ Millions)**

| <b>Year</b> | <b>Total Revenue</b> | <b>Current Expenditure</b> | <b>Capital Expenditure and Net Lending</b> | <b>Total Expenditure</b> | <b>Current Balance</b> | <b>Overall Balance</b> |
|-------------|----------------------|----------------------------|--|--------------------------|------------------------|------------------------|
| <b>1995</b> | 163.5                | 143.7                      | 23.7                                       | 166.1                    | 19.7                   | (2.6)                  |
| <b>1996</b> | 190.7                | 161.8                      | 34.1                                       | 195.5                    | 27.8                   | (4.7)                  |
| <b>1997</b> | 214.4                | 187.2                      | 46.5                                       | 233.5                    | 26.6                   | (19.1)                 |
| <b>1998</b> | 248.6                | 214.7                      | 31.3                                       | 244.8                    | 33.9                   | 3.8                    |
| <b>1999</b> | 275.7                | 245.2                      | 37.6                                       | 280.9                    | 30.5                   | (5.3)                  |
| <b>2000</b> | 278.2                | 268.4                      | 43.2                                       | 311.2                    | 9.3                    | (33.0)                 |
| <b>2001</b> | 285.4                | 290.6                      | 26.1                                       | 316.6                    | (6.2)                  | (31.2)                 |
| <b>2002</b> | 314.1                | 278                        | 17.6                                       | 295.7                    | 36.1                   | 18.4                   |
| <b>2003</b> | 326.2                | 283.7                      | 21.2                                       | 305.2                    | 42.5                   | 21.0                   |
| <b>2004</b> | 336.4                | 349.2                      | 29.2                                       | 378.1                    | (13.2)                 | (41.7)                 |
| <b>2005</b> | 428.6                | 381.8                      | 47.5                                       | 430.3                    | 87.5                   | (1.7)                  |
| <b>2006</b> | 500.4                | 393.5                      | 39.6                                       | 433.1                    | 106.9                  | 67.3                   |
| <b>2007</b> | 513.0                | 446.1                      | 105.9                                      | 552.0                    | 66.9                   | (39.0)                 |
| <b>2008</b> | 522.2                | 502.7                      | 150.6                                      | 653.3                    | 19.5                   | (131.1)                |
| <b>2009</b> | 470.6                | 510.4                      | 109.6                                      | 620.0                    | (129.8)                | (149.3)                |
| <b>2010</b> | 515.8                | 495.9                      | 82.2                                       | 578.2                    | 19.8                   | (62.4)                 |

Source: Cayman Islands Treasury Department

Note:

Interdepartmental purchases and services and vehicle and equipment maintenance fees were netted in current expenditure from 1992 to 1999.

Table A29: Central Government Debt and Self- Financing Debt, (CI\$M) a/

| Year | Disbursed<br>Outstanding Debt | Drawings | Exchange Gain/<br>(Loss) | Amortisation | Interest<br>Payments |
|------|-------------------------------|----------|--------------------------|--------------|----------------------|
| 1995 | 51.6                          | 1.8      |                          | 11.2         | 4.1                  |
| 1996 | 67.6                          | 22.4     |                          | 6.6          | 3.4                  |
| 1997 | 82.9                          | 25.5     |                          | 8.7          | 4.5                  |
| 1998 | 93.8                          | 21.5     |                          | 10.9         | 5.9                  |
| 1999 | 98.3                          | 18.2     |                          | 13.1         | 5.6                  |
| 2000 | 107.8                         | 23.8     |                          | 14.3         | 7.0                  |
| 2001 | 143.5                         | 49.7     |                          | 14.0         | 6.8                  |
| 2002 | 132.1                         | 10.9     | (0.3)                    | 21.3         | 3.8                  |
| 2003 | 143.9                         | 136.9    |                          | 124.5        | 5.1                  |
| 2004 | 157.6                         | 23.3     |                          | 9.5          | 7.3                  |
| 2005 | 180.9                         | 39.0     |                          | 11.4         | 9.5                  |
| 2006 | 179.7                         | 10.0     |                          | 14.5         | 8.9                  |
| 2007 | 210.5                         | 52.3     | (0.2)                    | 16.4         | 9.6                  |
| 2008 | 354.9                         | 166.2    | (0.5)                    | 20.7         | 11.7                 |
| 2009 | 513.5                         | 184.3    |                          | 25.9         | 19.5                 |
| 2010 | 594.9                         | 106.7    | (0.2)                    | 25.9         | 27.9                 |

Source: Cayman Islands Treasury Department

a/ Self-financing debt refers to the loans raised by the central government on behalf of agencies which are required to reimburse the servicing of these loans.

Table A30: Fiscal Operations (CI\$ Millions)

|  | 2006          | 2007          | 2008           | 2009           | 2010          |
|--|---------------|---------------|----------------|----------------|---------------|
|  | CI\$          | CI\$          | CI\$           | CI\$           | CI\$          |
| <b>Total Revenue</b>                         | <b>500.4</b>  | <b>513.0</b>  | <b>522.2</b>   | <b>470.6</b>   | <b>515.8</b>  |
| Coercive Revenue                             | 442.5         | 448.0         | 457.9          | 416.2          | 458.7         |
| Taxes on International Trade & Transactions  | 187.0         | 178.6         | 176.9          | 155.3          | 158.5         |
| Domestic Taxes on Goods & Services           | 193.7         | 223.2         | 238.0          | 235.9          | 277.2         |
| Taxes on Property                            | 47.2          | 37.2          | 41.1           | 22.6           | 21.3          |
| Fines  | 1.6           | 1.7           | 1.9            | 2.4            | 1.6           |
| Other Taxes                                  | 13.1          | 7.3           | 0.0            | 0.0            | 0.0           |
| Non-coercive Revenue                         | 57.9          | 65.0          | 64.3           | 54.4           | 57.1          |
| Sale of Goods & Services                     | 53.8          | 58.4          | 59.7           | 47.9           | 56.2          |
| Investment Revenue                           | 4.0           | 6.2           | 4.2            | 1.0            | 0.3           |
| Other Operating Revenue                      | 0.1           | 0.4           | 0.4            | 0.2            | 0.0           |
| Other Executive Revenue                      |               |               |                | 4.5            | 0.0           |
| Extraordinary Revenue                        | 0.0           | 0.0           | 0.0            | 0.8            | 0.0           |
| <b>Total Expenditure</b>                     | <b>433.1</b>  | <b>552.0</b>  | <b>653.3</b>   | <b>620.0</b>   | <b>578.2</b>  |
| <b>Current Expenditure</b>                   | <b>393.5</b>  | <b>446.1</b>  | <b>502.7</b>   | <b>510.4</b>   | <b>495.9</b>  |
| Personnel Costs                              | 182.6         | 213.5         | 245.2          | 222.6          | 224.8         |
| Supplies & Consumables                       | 109.0         | 101.0         | 97.8           | 86.4           | 85.3          |
| Subsidies                                    | 66.9          | 88.1          | 105.5          | 119.3          | 124.2         |
| Transfer Payments                            | 16.9          | 23.2          | 28.4           | 30.3           | 29.2          |
| Interest Payments                            | 8.9           | 9.6           | 11.7           | 19.5           | 27.9          |
| Extraordinary Expenses                       | 7.2           | 3.2           | 1.7            | 17.5           | 1.4           |
| Other Executive Expenses                     | 2.0           | 7.4           | 12.3           | 14.7           | 3.2           |
| <b>Capital Expenditure &amp; Net Lending</b> | <b>39.6</b>   | <b>105.9</b>  | <b>150.6</b>   | <b>109.6</b>   | <b>82.2</b>   |
| Capital Acquisition ( now Equity Injections) | 20.5          | 60.4          | 40.7           | 30.7           | 42.9          |
| Capital Development ( now Executive Assets)  | 19.1          | 45.5          | 109.9          | 78.6           | 37.7          |
| Net Lending                                  | 0.0           | 0.0           | 0.0            | 0.3            | 1.6           |
| <b>Primary Balance</b>                       | <b>76.2</b>   | <b>(29.4)</b> | <b>(119.4)</b> | <b>(129.8)</b> | <b>(34.5)</b> |
| <b>Current Balance</b>                       | <b>106.9</b>  | <b>66.9</b>   | <b>19.5</b>    | <b>(39.7)</b>  | <b>19.8</b>   |
| <b>Overall Balance</b>                       | <b>67.3</b>   | <b>(39.0)</b> | <b>(131.1)</b> | <b>(149.3)</b> | <b>(62.4)</b> |
| <b>Financing</b>                             | <b>(67.3)</b> | <b>39.0</b>   | <b>131.1</b>   | <b>149.3</b>   | <b>62.4</b>   |
| Net Borrowing                                | (4.5)         | 35.9          | 145.4          | 158.4          | 80.7          |
| Disbursements                                | 10.0          | 52.3          | 166.2          | 184.3          | 106.7         |
| Loan Repayment                               | (14.5)        | (16.4)        | (20.7)         | (25.9)         | (25.9)        |
| Change in Cash (minus = increase)            | (62.8)        | 3.1           | (14.3)         | (9.0)          | (18.3)        |

Source: ESO and Treasury Department