



THE CAYMAN ISLANDS' ANNUAL ECONOMIC REPORT 2010

May 2011



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

CONTENTS

1.	Executive Summary	3
2.	Global and Regional Macroeconomic Environment.....	7
2.1	Economic Growth	7
2.2	Inflation	9
2.3	International Finance.....	10
2.4	Regional and International Tourism	11
3.	Macroeconomic Performance.....	13
3.1	Economic Growth	13
3.2	Inflation	16
3.3	Labour Force and Employment	19
3.4	External Sector	20
3.5	Money & Credit.....	23
4.	Key Sector Developments.....	29
4.1	Financial Services	29
4.2	Tourism	36
4.3	Construction	39
4.4	Real Estate	44
4.5	Utilities and Telecommunications.....	45
5.	Fiscal Operations of the Central Government	47
5.1	Overview	47
5.2	Revenue	48
5.3	Expenditure.....	51
5.4	Primary Balance	53
5.5	Net Financing and Debt Service Indicators.....	54
6.	Macroeconomic Outlook for 2011.....	56
6.1	Global Outlook.....	56
6.2	Domestic Growth.....	57
6.3	Domestic Inflation.....	58
7.	Acknowledgement.....	59
8.	Statistical Appendix.....	60

1. Executive Summary

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 \$42,442, 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.¹

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 These indicators pertain to Grand Cayman only.

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

Indicators	2008	2009	2010
Real GDP (\$million)	2,617.5	2,434.0	2,335.8*
GDP growth in real terms (percent)	(0.7)	(7.0)	(4.0)*
Real GDP per capita (in \$)	46,743	43,202	42,442*
Nominal GDP per capita (in \$)	47,634	45,111	44,185*
Nominal GDP (\$million)	2,667.4	2,541.6	2,431.7*
Population (year-end)	57,009	55,672	54,397
Of which Caymanians	31,858	31,165	n/a
Population (mid-year)	55,998	56,341	55,035
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

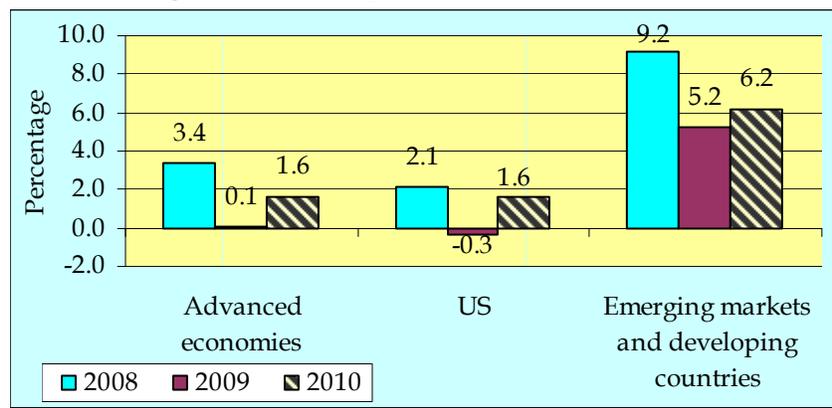
	2007	2008	2009	2010
	in Percent (%)			
Caribbean	5.8	2.9	0.4	3.4
Bahamas	0.7	-1.7	-4.3	0.5
Barbados	3.4	0.2	-4.7	-0.5
Trinidad & Tobago	4.6	2.3	-3.5	0.0
Jamaica	1.5	-0.9	-3.0	-1.1
OECS				
Antigua & Barbuda	6.5	1.8	-8.9	-4.1
Dominica	2.5	3.2	-0.3	1.0
Grenada	4.9	2.2	-7.6	-1.4
St. Kitts & Nevis	2.0	4.6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

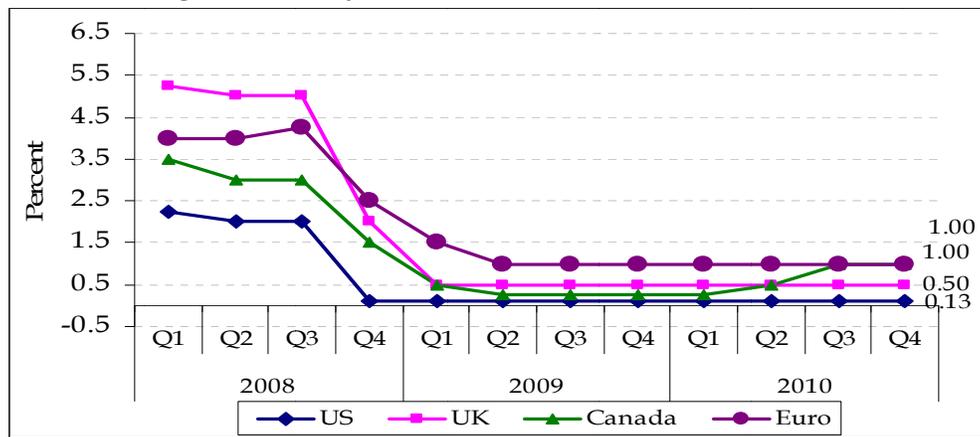
Source: International Monetary Fund (April 2011)

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 borrowing² 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 rate³ at 0.5 percent. Likewise, in an effort to lift the Euro zone economy, the European Central Bank retained the key interest rate⁴ at 1.0 percent since May 2009. However, Bank of Canada increased its key interest rates⁵ 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

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

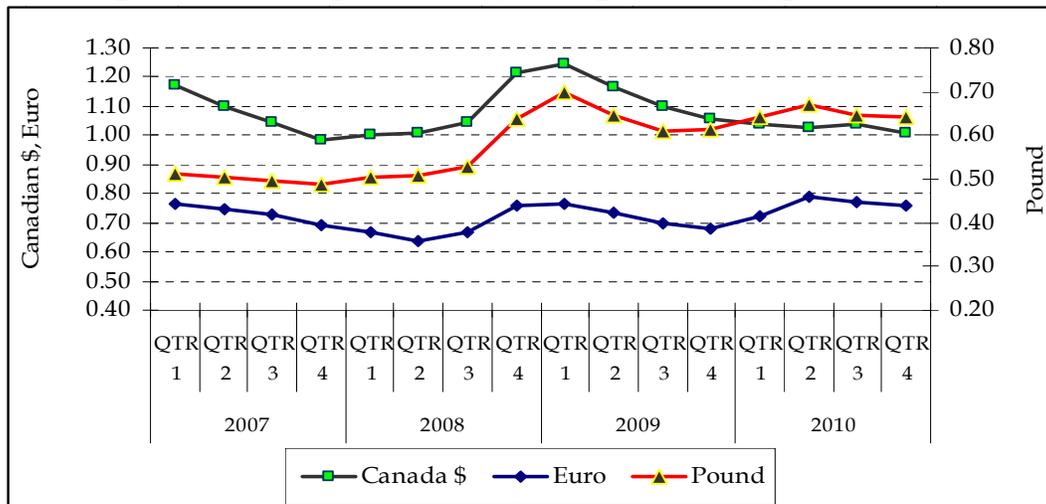
³ The Bank of England’s key interest rate is also called **current official bank rate**.

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

⁵ 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 Tourism⁶

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).

⁶ 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 \$42,442 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 ^E
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\$) ¹	48,745	46,743	43,202	42,442
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)

¹ Using mid- year population figures.

^E 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)

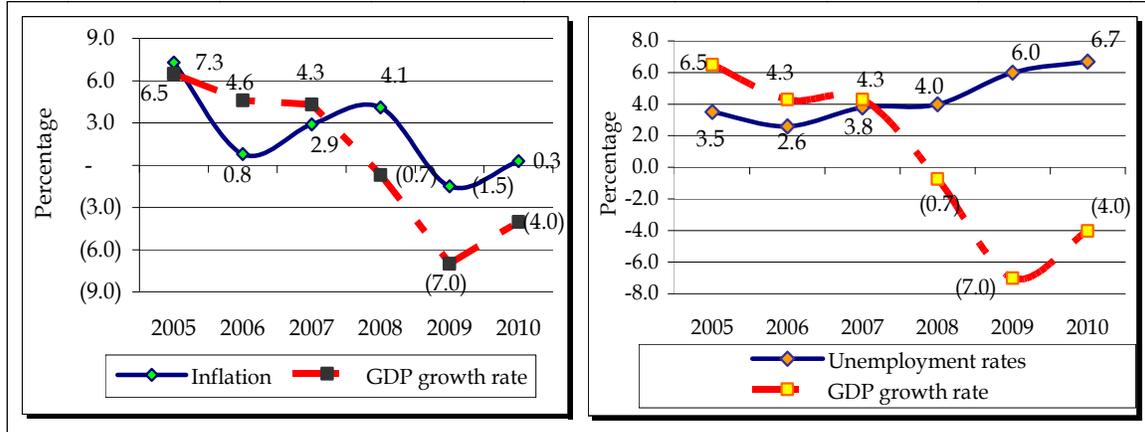
	2007	2008	2009	2010 ^E	% Change
	Millions of Cayman Islands Dollars				
Primary Sector	37.2	28.8	28.4	27.5	-3.0
Agriculture & Fishing	7.6	8.1	8.9	9.1	2.1
Mining & Quarrying	29.6	20.8	19.5	18.5	-5.3
Secondary Sector	163.5	167.8	124.3	99.8	-19.7
Manufacturing	23.7	25.5	23.7	23.3	-1.5
Construction	139.8	142.4	100.6	76.5	-24.0
Services Sector	2,436.3	2,420.9	2,281.3	2,208.6	-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
GDP constant at basic prices	2,637.1	2,617.5	2,434.0	2,335.8	
Growth (%)	4.3	-0.7	-7.0	-4.0	

E 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 services⁷.

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.

⁷ Accommodation services consist of:

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

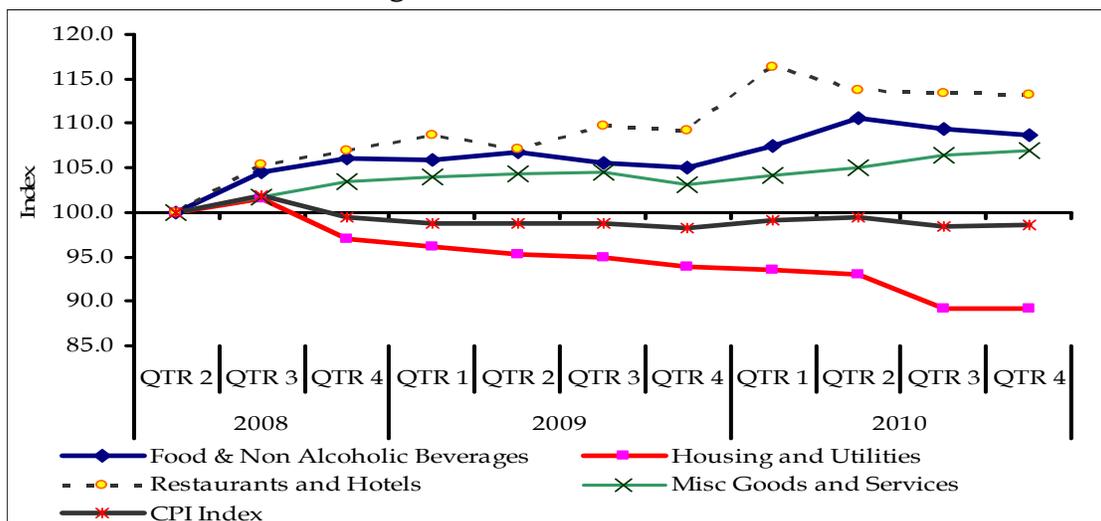
**Table 3.4: Selected Quarterly Inflation Rates
% Change Over the Same Quarter a Year Ago**

	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	-33.6
	QTR 4	-1.3	-1.3	-1.8	0.0	-3.3	9.5
2010	QTR 1	0.4	0.3	-0.5	2.3	-2.8	19.0
	QTR 2	0.7	0.5	-0.3	2.5	-2.2	28.4
	QTR 3	-0.3	-0.6	-1.7	3.3	-6.0	24.1
	QTR 4	0.3	0.0	-0.7	3.4	-4.9	13.8
Annual average 2010		0.3	0.0	-0.8	2.9	-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 2.3 percent from 55,672 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
Population Estimate	54,986	57,009	55,672 ^R	54,397
Labour Force	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
Labour Force Participation Rate (%)	83.0	84.1	81.8	81.8
Unemployment Rate (%)	3.8	4.0	6.0	6.7
^R 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



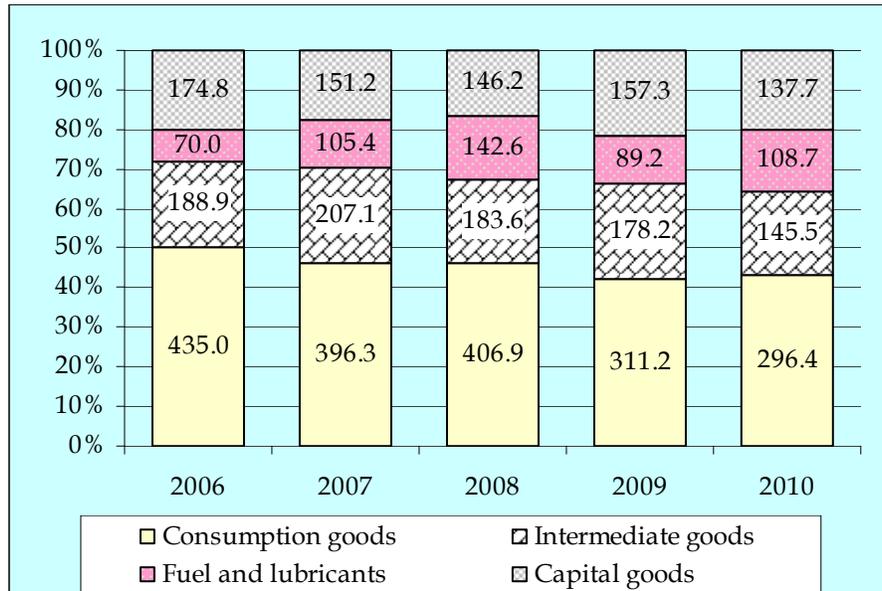
Source: Immigration Department

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 million⁸. 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.

⁸ 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 ^E
Current Account Balances:				
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)
Overall Current Account Balance	(434.8)	(431.3)	(422.0)	(369.0)
<i>Percent of GDP (%)</i>	<i>(16.5)</i>	<i>(16.2)</i>	<i>(16.6)</i>	<i>(15.2)</i>
Financial and Capital Account, net**	442.2	426.8	421.0	359.6
Change in reserves***	(7.4)	4.5	1.0	9.4

^E 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

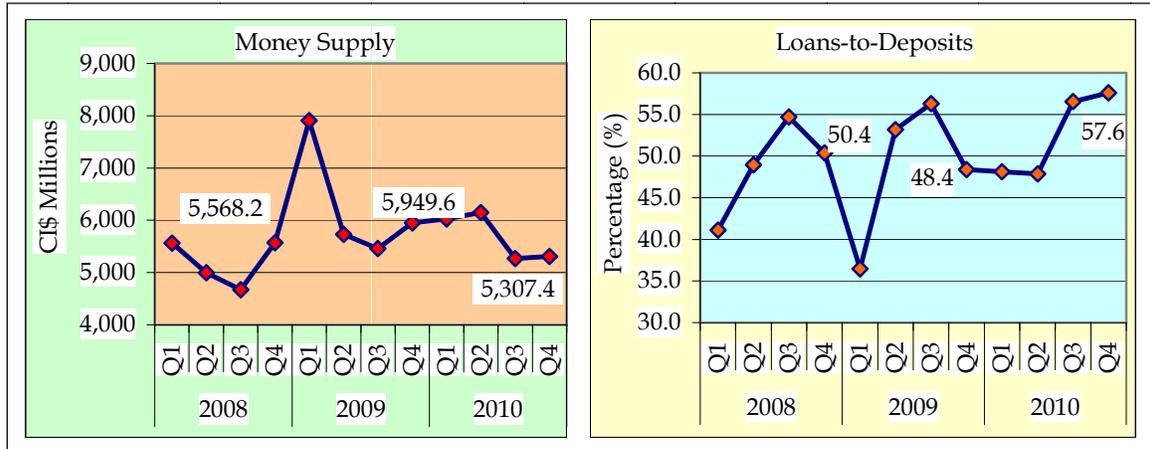
Broad Liquidity. Broad liquidity (M2) comprising CI dollar-denominated money and foreign exchange deposits contracted by 10.8 percent to settle at \$5,307.4 million in 2010 (see Figure 3.5 and Table 3.8). The contraction emanated from a 13.3 percent slump in foreign currency deposits which overshadowed 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	% Change
Total Assets	5,568.2	5,949.6	5,307.4	(10.8)
Net Foreign Assets	3,579.1	3,981.1	3,056.5	(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)
Net Domestic Assets	1,989.1	1,968.5	2,250.9	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)
Broad Liquidity	5,568.2	5,949.6	5,307.4	(10.8)
Broad money (KYD) M2	1,017.7	962.2	981.1	2.0
Currency in circulation	83.6	87.5	85.2	(2.7)
KYD Deposits	934.1	874.6	895.9	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	4,550.5	4,987.5	4,326.2	(13.3)
<i>of which: US dollars</i>	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	% Change
Net Foreign Assets	3,579.1	3,981.1	3,056.5	(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)
Foreign Assets	7,430.7	6,630.9	6,140.1	(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)
Foreign Liabilities	3,953.2	2,750.2	3,173.0	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	% Change
Domestic Assets	2,763.1	2,836.8	3,008.1	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	% Change
Total	2,437.5	2,598.1	2,729.3	5.0
Credit to Businesses	952.7	971.3	1,049.5	8.1
Production & Manufacturing	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
Services	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
Trade and Commerce	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
Other Financial Corporations	40.4	42.6	92.9	117.7
Credit to Households	1,484.7	1,626.7	1,679.3	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
NonProfit Organizations	0.0	0.2	0.4	107.9

*Miscellaneous include consolidated debt, insurance, medical & travel

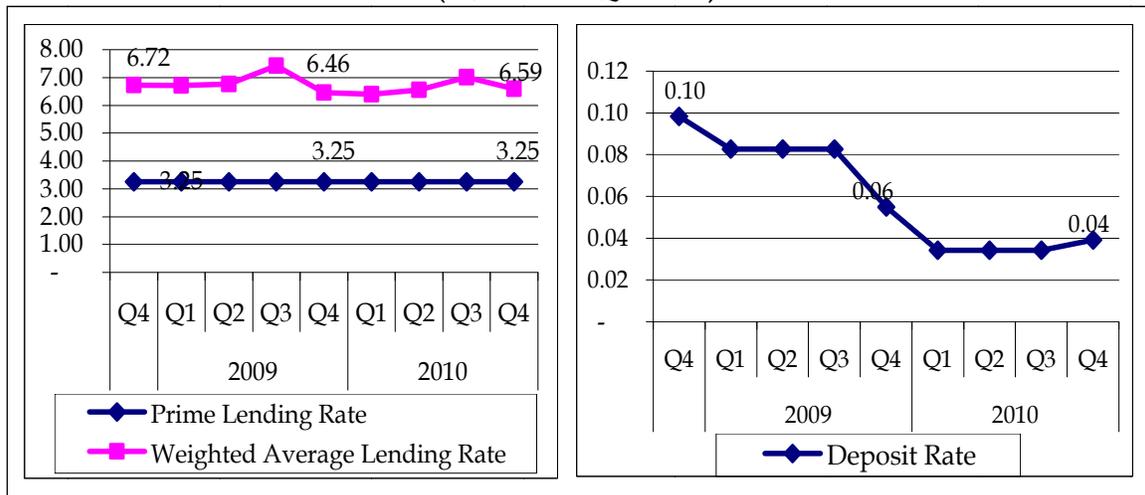
Source: Cayman Islands Monetary Authority & ESO

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 & ESQ

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	% Change
Banks and Trust Licences	278	266	245	-7.9
<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
Trust companies	141	136	127	-6.6
Trust Companies (unrestricted)	54	53	51	-3.8
Trust companies (Restricted)	87	83	76	-8.4
External Position of Banks	US\$ Billion			
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
	281	278	266	245
	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)⁹, which declined by 31 and 11, respectively. The decline can be

⁹ 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 of that segregated portfolio. Where there are liabilities arising from a matter attributable to a

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
Total Insurance Licences	805	808	768	-5.0
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
Financial Position of Captives	US\$ Billions			
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.

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
	765	777	780	738
Total Captive Companies by Primary Class of Business				
	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
	765	777	780	738

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 premiums¹⁰ 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.

¹⁰ 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 Law¹¹.

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.¹² 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 % 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
Total	9,870	9,523	9,438	-0.9

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

¹¹ Source: Cayman Islands Monetary Authority (www.cimoney.com.ky)

¹² Source: Cayman Islands Monetary Authority

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
Total	1,579	1,312	1,113	-15.2

Source: Cayman Islands Stock Exchange

Table 4.7: Market Capitalization (US\$ billion), 2008-2010¹³

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 companies¹⁴. With regard to the latter, 65.0 percent were removed by the registrar while 29.6 percent were voluntary dissolved and removed from companies register. The exempt category which fell by 1.3 percent remains the largest proportion of total

¹³ 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.

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

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
				% Change
Total Company Registrations	93,693	92,867	91,206	-1.8
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
New Company Registrations	11,861	7,863	8,157	3.7
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

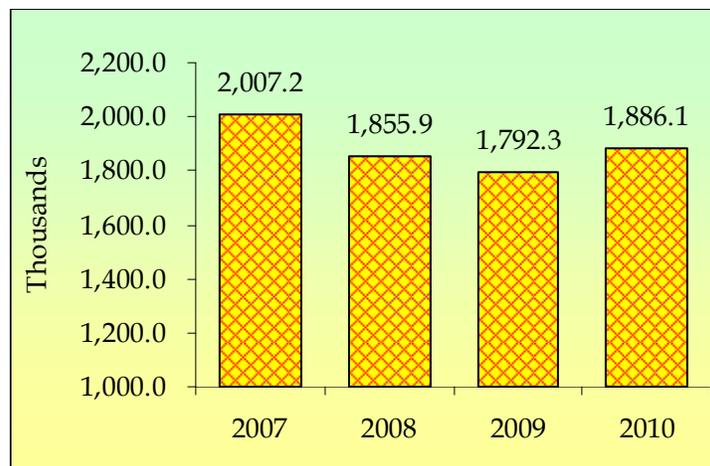
	2008	2009	2010	2009-2010 % Change
Active Partnership Registrations	8,605	9,397	10,222	8.8
Exempt Limited	8,565	9,357	10,181	8.8
Limited	40	40	41	2.5
New Partnership Registrations	2,188	1,288	1,544	19.9
Exempt Limited	2,188	1,288	1,543	19.8
Limited	-	-	1	-

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).¹⁵ 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%).

¹⁵ 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
USA	231.9	240.5	215.0	228.5	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
Europe	20.4	21.3	19.1	19.9	3.8
Canada	17.4	18.5	17.3	19.5	13.0
Other	21.9	22.6	20.6	20.5	(0.4)
Total	291.5	302.9	272.0	288.3	6.0
% Share of USA	79.5	79.4	79.1	79.3	

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.

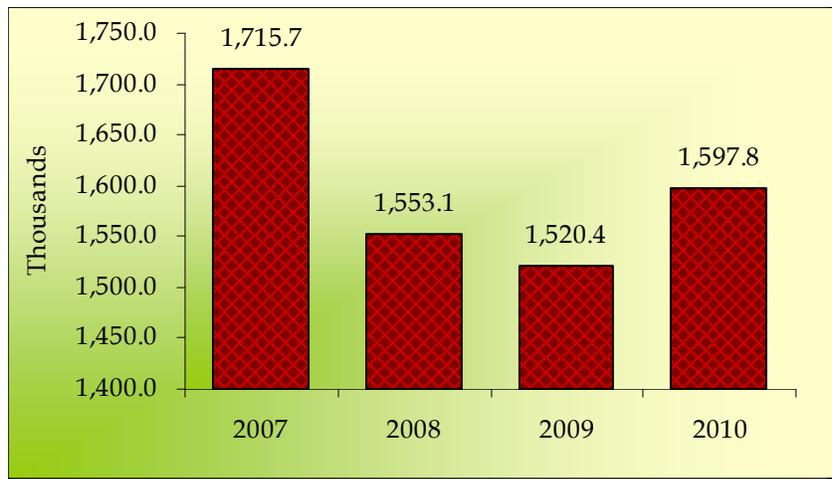
Higher air arrivals associated with enhanced airlift services to the Islands resulted in increased occupancy rates for the hotels from 59.0 to 68.2 percent in 2010. Similarly, the occupancy rate of apartments/condominiums improved from 43.9 percent in 2009 to 44.1 percent in 2010.

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
Millions of CI\$					
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
Total	446.3	502.3	355.0	205.6	-42.1

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
Total	1,090	1,081	1,145	990	-13.5

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
Millions of CI\$					
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
Total	505.2	508.8	434.2	330.5	-23.9

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
Total	1,227	1,277	1,225	1,076	-12.2

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
Total	494	534	540	613	13.5

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
Total	176.7	222.6	279.6	145.4	-48.0

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
Freehold					
number	2,180	2,289	2,045	1,619	-20.8
value (CIS\$M)	545.5	558.1	397.0	307.2	-22.6
Leasehold					
number	360	323	242	168	-30.6
value (CIS\$M)	23.3	76.2	19.5	9.2	-52.8
Total					
number	2,540	2,612	2,287	1,787	-21.9
value (CIS\$M)	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 % Change
Fixed and mobile lines in service as of year-end	134,079	144,850	137,242	(5.3)
Total lines-to-household ratio ¹	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

¹Using end of year number of households

Source: Information Communication and Technology Authority (ICTA)

5. Fiscal Operations of the Central Government

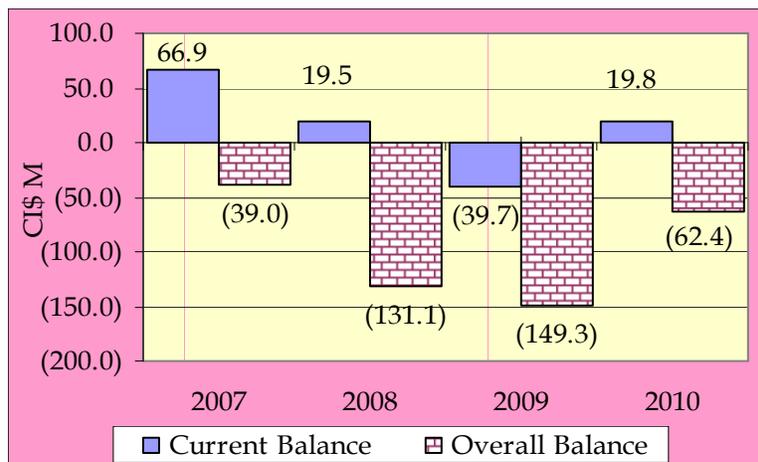
The central government's overall fiscal position ameliorated in 2010 as revenue collection increased while expenditure declined, but its debt ratio remained on the uptrend.

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 surplus¹⁶ 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

¹⁶ 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 2009/10
	Millions of Cayman Islands Dollars				
Total Revenue	513.0	522.2	470.6	515.8	9.6
Total Expenditure	552.0	653.3	620.0	578.2	(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)
Financing	39.0	131.1	149.3	62.4	(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 2009/10
Millions of Cayman Islands Dollars					
Total Revenue	513.0	522.2	470.6	515.8	9.6
Coercive Revenue	448.0	457.9	416.2	458.7	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	
Non-coercive Revenue	65.0	64.3	54.4	57.1	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 Change	% Change 2009/10
Millions of Cayman Islands Dollars						
Import Duties	163.3	162.9	141.9	143.9	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
Taxes on International Trade	178.6	176.9	155.3	158.5	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.¹⁷

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.

¹⁷ 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 2009/10
Millions of Cayman Islands Dollars					
Domestic Taxes					
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
Domestic Taxes on Good & Services	223.2	238.0	235.9	277.2	17.5

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 2009/10
	Millions of Cayman Islands Dollars				
Current Expenditure	446.1	502.7	510.4	495.9	(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 2009/10
Millions of Cayman Islands Dollars					
Capital Expenditure and Net Lending	105.9	150.6	109.6	82.2	-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

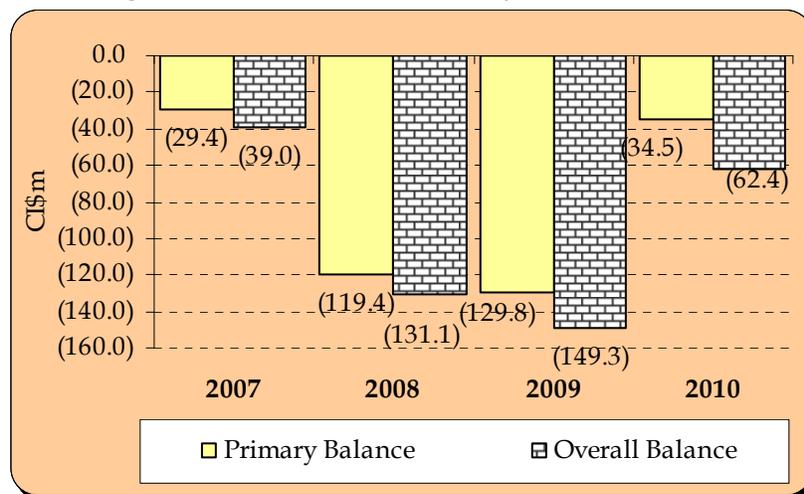
Source: Cayman Islands Treasury Department

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.

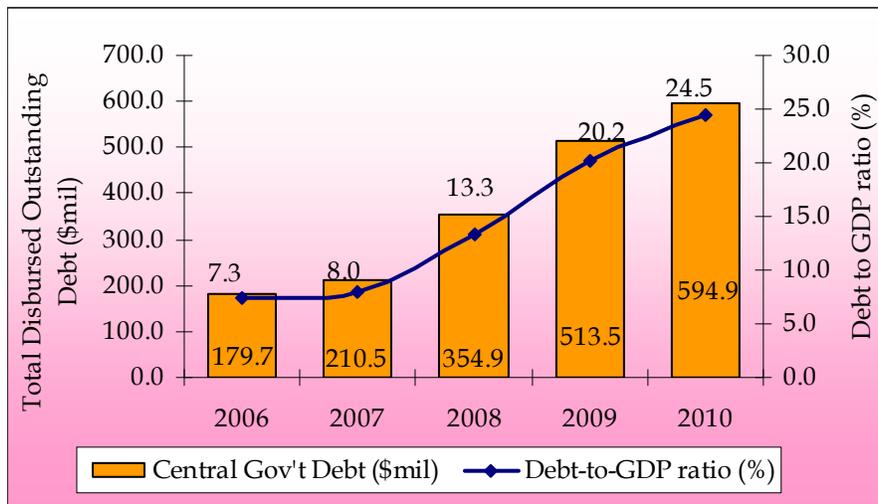
Table 5.7: Financing of Central Government

	2007	2008	2009	2010	% Change 2009/10
Millions of Cayman Islands Dollars					
Financing	39.0	131.1	149.3	62.4	(58.2)
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 2009.¹⁸ 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

¹⁸ 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

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 Outlook¹⁹

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 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.

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

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
Real GDP growth (%)						
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
Consumer Prices Inflation (CPI) (%)						
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
Unemployment Rate (%)						
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

The Economics and Statistics Office gratefully acknowledges the assistance of the following local companies and agencies in generating the data sets used in this edition of the Annual Economic Report:

Caribbean Utilities Company
Cayman Islands Customs Department
Cayman Islands Department of Tourism
Cayman Islands General Registry
Cayman Islands Land and Surveys Department
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

8. Statistical Appendix

Table A1: Gross Domestic Product.....	61
Table A2: Consumer Price Index & Inflation.....	62
Table A3: Labour Force and Employment	63
Table A4: Composition of the Employed Labour Force.....	64
Table A5: Composition of the Unemployed Labour Force.....	65
Table A6: The Employed by Industry	66
Table A7: Work Permits Issued by Occupational Class	67
Table A8: Merchandise Trade, CI\$ Millions	68
Table A9: Imports by Standard International Trade Classification (CI\$ Millions)	69
Table A10: Domestic Credit from Retail Banks, CI\$ Millions	70
Table A11: Financial Services Indicators	71
Table A12: Banks & Trust Licences	71
Table A13: Insurance Licences	72
Table A14: Mutual Funds Domiciled in the Cayman Islands	72
Table A15: New Companies Registered in the Cayman Islands.....	73
Table A16: Money and Banking Survey: Monetary Assets (CI\$ Millions)	74
Table A17: Visitor Arrivals ('000) and Cruise Ship Calls	75
Table A18: Occupancy Rates and Length of Stay.....	75
Table A19: Total Stay-Over Arrivals by Country of Origin ('000).....	76
Table A20: Property Transfers: Number and Value (in CI\$ Millions)	77
Table A21: Number of Project Approvals in Grand Cayman	78
Table A22: Value of Project Approvals in Grand Cayman (CI\$ Million)	78
Table A23: Number of Project Approvals in the Sister Islands.....	79
Table A24: Value of Project Approvals in the Sister Islands (CI\$ Millions).....	79
Table A25: Building Permits in Grand Cayman.....	80
Table A26: Water Production and Consumption, Millions of US Gallons	81
Table A27: Electricity ('000 megawatt hours)	82
Table A28: Summary of Central Government Operations (CI\$ Millions).....	83
Table A29: Central Government Debt and Self- Financing Debt, (CI\$M)	84
Table A30: Fiscal Operations (CI\$ Millions)	85

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	1,534.7	2,065.0	38.1	54,199.5	5.8
1999	1,663.9	2,134.9	39.0	54,739.8	3.4
2000	1,739.0	2,155.8	40.2	53,627.8	1.0
2001	1,784.0	2,167.8	41.4	52,362.0	0.6
2002	1,860.6	2,205.2	42.5	51,887.9	1.7
2003	1,929.5	2,249.3	43.6	51,590.0	2.0
2004	2,032.5	2,269.5	44.2	51,300.0	0.9
2005	2,322.7	2,416.9	48.4	49,985.8	6.5
2006	2,448.9	2,528.1	52.0	48,626.7	4.6
2007	2,637.1	2,637.1	54.1	48,744.9	4.3
2008	2,667.4	2,617.5	56.0	46,743.2	(0.7)
2009	2,541.6	2,434.0	56.3	43,201.6	(7.0)
2010	2,431.7	2,335.8	55.0	42,442.1	(4.0)

Source: Cayman Islands Government, Economics & Statistics Office

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

Year	Index Year-end	Index Average	Inflation Rate (%)
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

Year	Total	Caymanians	Non-Caymanians
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/ Managerial	Professional	Trades/ Technical/ Skilled	Un- 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	688.3	11.0	(677.3)

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
Total Imports	868.7	860.0	879.4	735.9	688.3
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 & Statistics Office

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

	Dec-07	Dec-08	Dec-09	Dec-10	% Change
Total	1,896.9	2,437.5	2,598.1	2,729.3	5.0
Credit to Businesses	618.8	952.7	971.3	1,049.5	8.1
Production & Manufacturing	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
Services	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
Trade and Commerce	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
Other Financial Corporations	39.9	40.4	42.6	92.9	117.7
Credit to Households	1,240.6	1,484.7	1,626.7	1,679.3	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
NonProfit Organizations	37.5	0.0	0.2	0.4	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 & Trust Licences

Year	Bank & Trust Licences			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

Year	Exempt	Non-Resident	Resident	Foreign	Total
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 ¹	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

¹ 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/ 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/ 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/ 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
Total	1,290	1,090	1,081	1,145	990	445.8	446.3	502.3	355.0	205.6

Source: Cayman Islands Planning Department

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

Year	Production¹	Consumption
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

¹ Excludes Non-Potable Water

Table A27: Electricity ('000 megawatt hours)

Year	Production	Consumption			
		Domestic	Industrial/ Commercial	Public 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)

Year	Total Revenue	Current Expenditure	Capital Expenditure and Net Lending	Total Expenditure	Current Balance	Overall Balance
1995	163.5	143.7	23.7	166.1	19.7	(2.6)
1996	190.7	161.8	34.1	195.5	27.8	(4.7)
1997	214.4	187.2	46.5	233.5	26.6	(19.1)
1998	248.6	214.7	31.3	244.8	33.9	3.8
1999	275.7	245.2	37.6	280.9	30.5	(5.3)
2000	278.2	268.4	43.2	311.2	9.3	(33.0)
2001	285.4	290.6	26.1	316.6	(6.2)	(31.2)
2002	314.1	278	17.6	295.7	36.1	18.4
2003	326.2	283.7	21.2	305.2	42.5	21.0
2004	336.4	349.2	29.2	378.1	(13.2)	(41.7)
2005	428.6	381.8	47.5	430.3	87.5	(1.7)
2006	500.4	393.5	39.6	433.1	106.9	67.3
2007	513.0	446.1	105.9	552.0	66.9	(39.0)
2008	522.2	502.7	150.6	653.3	19.5	(131.1)
2009	470.6	510.4	109.6	620.0	(129.8)	(149.3)
2010	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 Outstanding Debt	Drawings	Exchange Gain/ (Loss)	Amortisation	Interest 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\$
Total Revenue	500.4	513.0	522.2	470.6	515.8
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
Total Expenditure	433.1	552.0	653.3	620.0	578.2
Current Expenditure	393.5	446.1	502.7	510.4	495.9
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
Capital Expenditure & Net Lending	39.6	105.9	150.6	109.6	82.2
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
Primary Balance	76.2	(29.4)	(119.4)	(129.8)	(34.5)
Current Balance	106.9	66.9	19.5	(39.7)	19.8
Overall Balance	67.3	(39.0)	(131.1)	(149.3)	(62.4)
Financing	(67.3)	39.0	131.1	149.3	62.4
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