

Summary Economic Indicators: First Nine Months of 2006*

- The CPI inflation averaged 0.1% as the housing price index continued to moderate.
- Unemployment rate was estimated at 2.6%.**
- Work permits increased by 33.1%.
- The value of building permits spiked by 40.7%, while the value of project approvals remained virtually flat.
- Merchandise imports fell by 10.7%.
- Total visitor arrivals by air increased by 69% while cruise arrivals rose by 5.5%.
- Mutual funds registration increased by 17.4%.
- Banks and trusts registration fell by 4.8% while insurance increased by 2.3%.
- Stock exchange listings increased by 18% while stock market capitalization rose by US\$28 billion (39.7%).

*Comparative data over the first nine months of 2005.

**Based on Spring 2006 Labour Force Survey.

1. Overview

Real GDP growth is projected to reach 4.6% based on the strong performance of the economy in the first three quarters of 2006.

Upside performance

Inflation for the three quarters of 2006 averaged at 0.1% as rental cost of housing steadily declined in the aftermath of the post-Ivan housing reconstruction.

Construction continued its upward trajectory with the value of building permits reaching \$359.7 million or an increase of 40.7% as of September compared to the same period in 2005. Similarly, building intentions totalled 963 or 8.4% higher than a year ago; however, the total value of such projects remained almost flat at \$441.1 million.

During the period, the tourism sector has undergone significant recovery which is bolstering economic growth for the first three quarters of 2006.

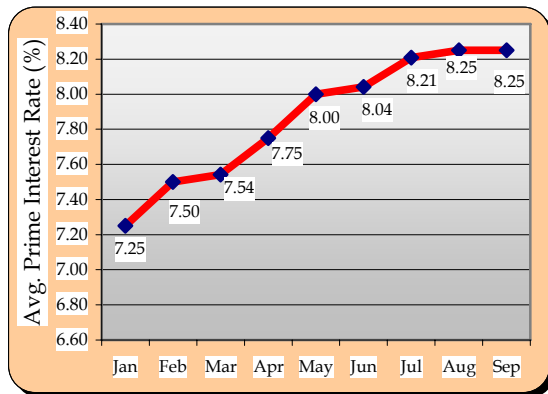
Total visitor arrivals grew by 10.7% during the period mainly due to a 69.0% increase in stay-over visitors. Cruise visitor arrivals also grew by 5.5%.

Financial services sector continued to strengthen during this review period. In particular, mutual fund registration grew 17.4%, while new companies registration rose by 20.2%. Total insurance licences increased modestly by 2.3%.

Downside risk

Average prime interest rates remained stable during the third quarter at 8.25%. However, this represents an increase by 100 basis points from 7.25% in January to 8.25% in September of 2006.¹

Figure 1.1: Avg. Prime Lending Rate, 2006



Source: Monetary Authority & ESO

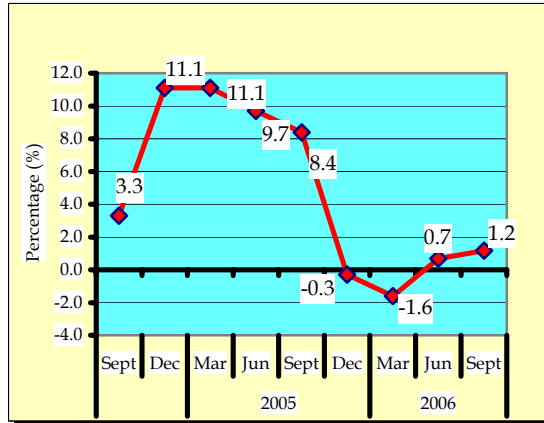
¹ The average prime lending rate is the monthly average of the six commercial banks namely, FirstCaribbean, Fidelity, Butterfield, Cayman National Bank, Bank of Novia Scotia and Royal Bank of Canada.

Global prices of petroleum and oil products have been softening in the middle of 2006. In the beginning of 2006, prices hovered around US\$66.00 per barrel, and increased further to \$76.00 at mid-year. However, it trended downwards to just under US\$65.00 in September 2006.

Total imports for the first three quarters of 2006 amounted to CI\$664.3 million, down by 10.7% from the same period a year ago. This is an evidence of the stabilization of domestic demand after the upsurge in imports immediately following hurricane Ivan.

2. Inflation

The Consumer Price Index (CPI) stood at 144.2 in September 2006, 1.2% higher compared to the September 2005 index. The increase is caused by higher price indices for personal goods and services, clothing, transportation and communication and food. Nonetheless, average inflation during the first three quarters of 2006 reached 0.1% mainly because of the -1.6% recorded in the first quarter.

Figure 2.1: Year-on-Year Inflation Rates*


* % change of CPI over a year ago
 Source: Economics and Statistics Office

During the third quarter of 2006, cost of transport and communication increased by 6.4%, emanating mainly from a 6.2% and 8.9% increase in the average price of domestic travel-related expenses and household vehicles respectively.

The average price of clothing also increased in the third quarter by 4.1%. On average, food prices increased by 3.2% primarily due to a 19.1% average price hike for fruits and vegetables.

The average price index for housing fell by 3.3% due to declines in rental prices compared to the third quarter of 2005. This trend was expected in view of the increasing supply of housing accommodation in the post-Ivan recovery period.

3. Labour Market

Work permits increased by 33.1% from 16,682 as of the third quarter of 2005, to 22,206 of the same quarter in 2006.

Table 3.1: Work Permits

	Qtr 3 2005	Qtr 3 2006
Total	16,682	22,206
Trades/Technical/ Skilled	8,089	10,685
Unskilled	6,450	8,353
Professional	1,609	2,244
Administrative/ Managerial	534	924

Source: Immigration Department

Increases occurred in all four classes of work permits, with the 'Administrative/ Managerial' category experiencing the greatest increase of 73% to reach 924.

The largest class 'Trades/Technical/Skilled' increased by 32.1%, from 8,089 in September 2005, to 10,685 this period.

In the 'Unskilled' category, work permit numbers rose by 29.5% to 8,353 while permits for the 'Professional' category expanded by 39.5% to 2,244.

Work permits for all industries rose during the reporting period.

Overall work permits in the construction industry increased

marginally by 5.3%. However, there were significant increases for labourer (116.3%), mason (29.3%) and manual & unskilled workers (6.6%).

Work permits for financial services increased by 40.8% from 1,370 in September 2005 to 1,929 this period.

Work permits for restaurant and bars experienced a significant increase of 68.8% to reach 2,250.

Table 3.2: Work Permits for All Industries

	Sep-05	Sep-06
Construction	5,676	5,974
Financial Services	1,370	1,929
Restaurant & Bars	1,333	2,250
Business Services	2,138	2,738
Wholesale & Retail	1,788	2,479
Private Households w/ Employed People	2,614	3,924
Community, Social & Personal Services	866	1,286
All Other Industries	897	1,626
Total	16,682	22,206

Source: Immigration Department and ESO

In business services, work permits increased by 28.1%; wholesale & retail by 38.7%; private households with employed persons by 50.1%; and other community/ social & personal services by 48.5%.

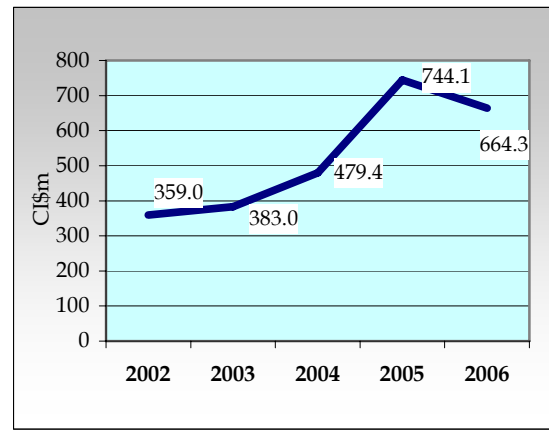
4. Trade

Preliminary data for the first nine months of 2006 show that total merchandise trade fell by 10.7

percent to settle at \$664.3 million as compared to the same period in 2005.

The decline was not unexpected considering the stabilization of demand for construction materials and vehicles relative to 2005. As well, total imports are still 38.6% above the imports of 2004 (pre-hurricane level).

Figure 4.1: Merchandise Imports, Jan - Sept



Source: Customs Department and ESO

5. Financial Services

With the exception of bank & trust licences, the financial services industry continued to grow throughout 2006. Increases were seen in insurance company licences, mutual funds registration, stock exchange listings and capitalisation, and company registrations.

5.1 Banks & Trust

Between September 2005 and September 2006, the total number of bank & trust licences dropped by 15 (or 4.8%) to 295. Trust companies increased modestly by 4.8 percent.

Table 5.1: Bank & Trust Companies

	Sept 05	Sept 06	% Change
Bank & Trust	310	295	-4.8
Class "A"	21	19	-9.5
Class "B"	286	272	-4.9
Class "B" Restricted	3	4	33.3
Trust Companies	126	132	4.8
Restricted	77	81	5.2
Unrestricted	49	51	4.1

Source: Cayman Islands Monetary Authority

Class 'A' bank & trust licences fell by 2 to 19, while Class 'B' licences declined by 13, to 276, since September 2005.

5.2 Insurance

The total number of insurance licences increased by 17 (or 2.3%) - from 742 in September 2005, to 759 as at the end of September 2006.

Class 'A' insurance licences decreased by 1 for a final tally of 27, while Class 'B' (captive) licences increased by 18 to register at 732 over the review period.

Captive insurance licences continued to be dominated by the following primary classes of business: healthcare (38.4%), workers' compensation (21%), property

(9.6%), general liability (8.9%), and professional liability (8.1%). North America continues to maintain its rank as the largest risk location of total captive companies, comprising 89 percent of total companies.

Table 5.2: Captive Insurance Licences by Primary Class of Business, September 2006

	Licences	%
Healthcare	281	38.4
Workers' Compensation	154	21.0
Property	70	9.6
General Liability	65	8.9
Professional Liability	59	8.1
Other	103	14.1
Total	732	100.0

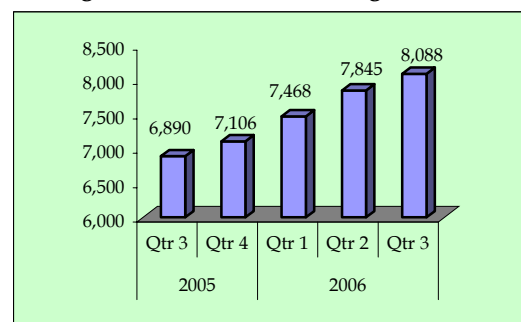
Source: Cayman Islands Monetary Authority

Captive insurance premiums increased by US\$0.8 billion, to register at US\$7.3 billion, as at the end of September 2006.

5.3 Mutual Funds

Mutual fund registration recorded a 17.4 percent increase since September 2005, to tally at 8,088 as at the end of September 2006.

Figure 5.1: Mutual Funds Registration



Source: Cayman Islands Monetary Authority

5.4 Stock Exchange

During the review period, stock listings at the Cayman Islands Stock Exchange (CSX) increased by 174 (or 18%) to register at 1,130 by the end of September 2006. Stock market capitalisation totalled US\$98.6 billion, an increase of US\$28 billion, since September 2005.

5.5 New Company Registration

At the end of September 2006, registrations of new companies totalled 9,281, a 20.2 percent increase over the comparative period in 2005. Exempt companies recorded a 23.6 percent increase to total 8,096 from 6,551 in September 2005, while foreign companies increased by 48 percent to 284 companies. However, registration of both resident and non-resident companies fell by 9.8 and 6.1 percent respectively.

6. Tourism

Total visitor arrivals in the first nine months of 2006 recorded an increase of 10.7 percent over the comparative period of 2005. While air arrivals rebounded significantly by 69.0 percent, an average increase of 5.5 percent was noted for cruise arrivals.

6.1 Air Arrivals

In contrast to the 120,126 stayover visitors registered as of September 2005, air arrivals totalled 202,961 as of September 2006. Despite this improvement, however, this figure remains lower than the 242,545 visitors in 2004.

The USA continued to be the major source of air arrivals to the Cayman Islands, contributing 82.6 percent of total arrivals in the first three quarters of 2006. Other contributions emanated from Europe (6.0%), Canada (5.3%) and other countries (6.1%).

Table 6.1:
Air Arrivals by Country of Origin, Jan-Sept

	2004	2005	2006
Total	242,545	120,127	202,961
USA	193,862	83,766	167,585
Europe	13,747	8,643	12,143
Canada	10,818	6,689	10,758
Other	24,125	21,028	12,475

Source: Department of Tourism

Between 2001 and 2004, US visitors to the Cayman Islands thru September averaged 81.0 percent of total air arrivals, which fell sharply to 69.7 percent in 2005 and rebounded to 82.6 percent in 2006. Dissecting US visitors by origin within the US revealed that arrivals from all regions in 2006 improved over 2005. With the exception of the Southeast region, these figures still remain below the levels of the first three quarters of 2004, as depicted in Table 3.

Table 6.2: Air arrivals by US regions

	2004	2005	2006
USA	193,862	83,766	167,585
Northwest	61,817	24,666	53,374
Midwest	49,585	18,144	36,847
Southeast	37,433	21,334	39,108
Southwest	31,220	13,479	26,423
West Coast	13,807	6,143	11,832

Source: Department of Tourism

Accommodation

Occupancy levels at local hotels and apartments improved during the period in review. Between January and September, hotel occupancy rates rose slightly from 59.0 percent in 2005 to 69.5 percent in 2006, while occupancy levels for apartments strengthened from 43.2 to 51.6 percent.

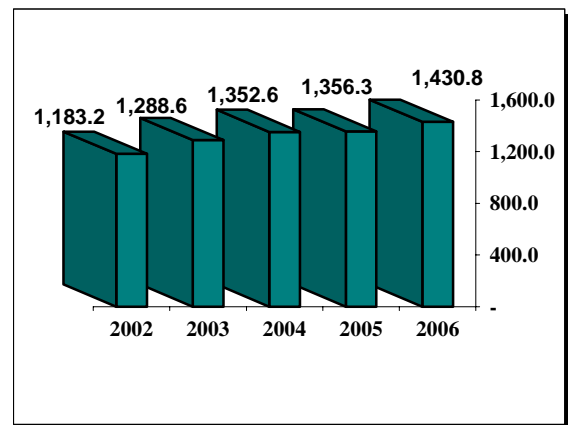
In contrast, the *average length of stay* for hotels showed a decrease from 4.8 days to 4.5 days; similarly the average length of stay at apartments declined slightly from 6.9 days to 6.6 days.

6.2 Cruise Arrivals

During the first three quarters of 2006, cruise arrivals totalled 1,430,762 visitors, which is an increase of 5.5 percent over the comparative period for 2005. This growth, albeit marginal, is a significant improvement over last year's recorded growth of 0.3 percent. Overall, cruise arrivals to the Cayman Islands remain resilient.

The number of cruise ships calls to George Town port increased by 1.4 percent to 591 in the first nine months of 2006; a similar trend was noted when compared to calls in 2004 (with a rise 1.7 percent). Accordingly, cruise passengers per day averaged 5,299 persons, an increase of 276 visitors compared to the first three quarters of 2005.

Figure 6.1: Cruise Arrivals, Jan-Sept ('000)



Source: Department of Tourism & ESO

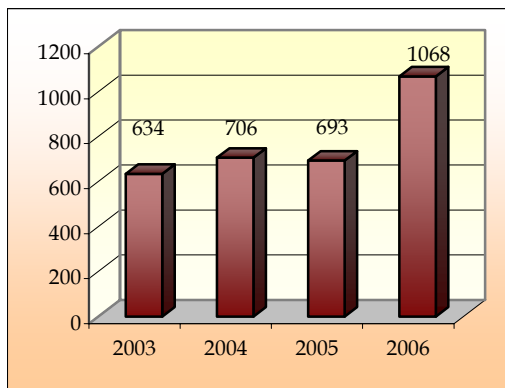
On September 22, the new cruise ship terminal, Royal Watler, was officially opened. This new structure will serve to support larger vessels and supplement the smaller centrally located cruise facility in George Town. Additional facilities now available at this new site include a 200-foot pier and a terminal with retail stores, kiosks and Customs and Immigration offices.

7. Construction

7.1 Building Permits

For the first three quarters of 2006, building permits totalled 1,068 or 54.1% above the same period in 2005.

Figure 7.1: Building Permits, 2003- 2006



Source: Planning Department

Meanwhile, the total value of building permits rose by 40.7% to reach \$359.7 million in the first nine months of 2006.

The phase of residential reconstruction is still on-going and continues to fuel the construction industry. The value of residential permits rose by 30.1% during the period under review, settling at \$228.5 million. The value of permits for multiple apartments grew by 11.9% to settle at \$130.3 million. Building permits for houses also rose by 65.9% to total \$98.4 million, as seen in Table 7.1.

Similarly, the non-residential category improved during the period. This category amassed a value of \$110.1 million, up 38%, as a result of commercial permits jumping by 26.3% to \$91.7 million and industrial permits rocketing to \$17.6 million from \$2.3 million the previous year.

Meanwhile, other permits rose by 324.5%, from \$4.9 million to \$20.8 million.

Table 7.1: Value of Building Permits (\$M), Jan-Sept 2003- 2006

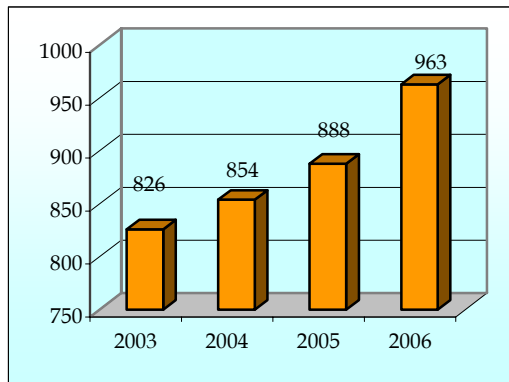
	2003	2004	2005	2006
Houses	47.8	65.0	59.3	98.4
Apartments	46.3	45.1	116.4	130.3
Commercial	10.5	7.5	72.6	91.7
Government	2.6	1.2	0.0	0.8
Industrial	19.8	6.2	2.3	17.6
Other	12.9	12.4	4.9	20.8
Total	139.9	137.3	255.5	359.7

Source: Immigration Dept and ESO

7.2 Project Approvals

Construction intentions remained upbeat in the first nine months of 2006 as the number of project approvals reached 963, up 8.4% compared to the similar period of 2005. However, total value of approvals remained virtually flat at \$441.1 million.

Figure 7.2: Number of Project Approvals, 2003- 2006



Source: Planning Department

Apartments/condominiums/hotels comprised 19.4% of all approved projects and had a total value of \$209.1 million. The latter represented a decline of 13.3% compared to a year ago. New projects include a 74-unit condominium complex in the South Sound area and a 24-apartment complex off the West Bay Road.

Table 7.2: Jan-Sept Project Approvals 2004-2006 (\$M)

	2004	2005	2006
Houses	63.9	66.6	68.9
Apartments	194.2	241.2	209.1
Commercial	80.7	69.1	77.2
Government	3.9	1.9	0.68
Industrial	6.2	16.5	31.6
Other	57.2	45.1	53.6
Total	406.1	440.4	441.1

Source: Planning Department

The value of project approvals for single-family dwellings increased to

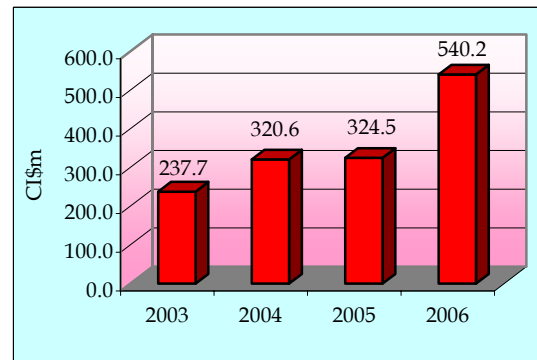
\$68.9 million (or 3.5%). However, the number of houses approved was 305 or 32.6% of all approved projects. This indicates that the average cost of approved houses was approximately \$225,900 during the first nine months of 2006, as compared to \$190,280 in 2005.

Total value of project approvals in the commercial category rose to \$77.2 million from \$69.1 million in 2005, although the number fell from 59 to 49 during the period.

8. Real Estate

The total value of transferred properties rose by 66.4% from \$324.5 million in the first three quarters of 2005 to \$540.2 in the same period of 2006.

Figure 8.1: Value of Property Transfers



Source: Lands and Survey Department & ESO

ACKNOWLEDGMENT

The Economics and Statistics Office gratefully acknowledges the assistance of the following local companies, government offices and statutory authorities in generating the data sets used in this edition of the quarterly report:

Cayman Islands Customs Department
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Immigration Department
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Lands and Survey Department