

### Summary Economic Indicators: Semi-Annual 2010\*

- On average, the Consumer Price Index increased by 0.9%, mainly due to higher average prices of restaurants and hotels, transport, alcohol and tobacco, food and non-alcoholic beverages, and communication.
- Merchandise imports fell anew by 6.0% to register at \$340.6 million.
- Current work permits declined by 11.3%.
- Despite a reduction in non-resident deposits, the banking sector's net foreign assets grew by 10.0% while net domestic assets contracted by 3.2%.
- Broad liquidity (money supply) expanded by 7.2%, boosted by strong growth in foreign currency deposits.
- Bank credit contracted although the weighted average rate on outstanding loans fell from 6.8% to 6.6% while the prime lending rate remained flat at 3.3%.
- Air arrivals increased by 4.8% while cruise passengers expanded by 2.3%.
- Mutual funds fell by 339 or 3.5% as compared to a year ago, but recovered slightly compared to a quarter ago.
- Bank and trust company registrations and insurance licences fell by 1.5% and 3.2% respectively.
- Stock exchange listings expanded by 1.6% to settle at 1,351 while stock market capitalization for specialist debt and mutual funds rose.
- New companies registration surged by 18.4% to total 4,362.
- Total value of building permits decreased by 28.0% to settle at \$126.4 million.
- The number of property transfers decreased by 13.8% whilst the total value slumped by 15.0%.
- Electricity production and consumption rose by 4.6% and 4.5% respectively, while water production and consumption grew by 1.4% and 2.4% respectively.
- The central government's overall fiscal balance improved to a surplus of \$18.3 million from a deficit of \$80.8 million a year ago.
- Total outstanding debt of the central government increased to \$499.3 million from \$420.5 million a year ago.

Comparative data over the first half of 2009, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off

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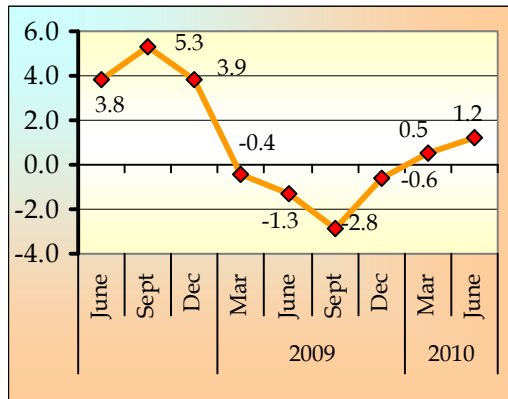
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## 1. Overview

As at the end of June 2010, key indicators suggest that the Cayman Islands' GDP contracted at an annualized rate of 4.1% in the first half of 2010 compared to a decline of 7.1% a year ago. This is traced mainly to continuing weaknesses in construction; financial services; real estate, renting and business services; and transport, storage and communication. In contrast, revivals were recorded for hotel, restaurants and bars and utilities. Overall growth projection for 2010 is estimated between -3.5% to -4.5% as lacklustre economic recovery persists in major source markets which continue to impact the domestic economy.

## 2. Inflation

Average inflation for the first half of 2010 was recorded at 0.9% as the inflation rates inched up from 0.5% in the first quarter to 1.2% in the second quarter (see Figure 1). This resulted mainly from increases in restaurants and hotels (6.6%), transport (7.3%), alcohol and tobacco (13.8%), food and non-alcoholic beverages (2.0%), and communication (2.7%). Countering these increases were price declines in housing and utilities (2.1%), and clothing and footwear (1.5%).

**Figure 1: Quarterly Inflation Rates (in %)**


Source: Economics and Statistics Office

For the quarter ended June 2010, the Consumer Price Index (CPI) stood at 99.9, up by 1.2% from a year ago. This movement was mainly from increasing price indices for food and non-alcoholic beverages, alcohol and tobacco, transport, and restaurants and hotels (see Table 1).

**Table 1: Inflation by Category**

CPI Major Categories	June Inflation (%)	
	2009	2010
Food & Non-alcoholic Beverages	7.0	3.1
Alcohol & Tobacco	4.6	17.8
Housing & Utilities	-5.6	-1.4
Clothing & Footwear	2.4	-0.3
Household Equipment	1.6	1.3
Health	-2.9	0.6
Transport	-9.1	7.2
Communication	1.7	1.0
Recreation & Culture	-1.5	0.3
Education	2.0	2.4
Restaurants & Hotels	7.1	6.1
Miscellaneous Goods & Services	5.4	1.4
All items	-1.3	1.2

Source: Economics and Statistics Office

The price index for food and non-alcoholic beverages, and alcohol and tobacco rose by 3.1% and 17.8% respectively from June 2009.

The transport index increased by 7.2% as the average price of household vehicles and operations of personal transport equipment rose.

The restaurants and hotels index stood at 113.6 (which represent an increase of 6.1%) resulting from an increase in the average price of catering and accommodation services.

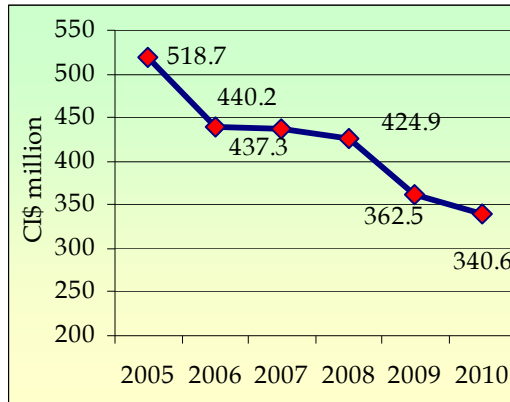
Mitigating the abovementioned increases was the decline in housing and utilities index by 1.4% due to lower average rental rates which outweighed the increase in the average cost of utilities.

### 3. Trade

Preliminary data for the first half of 2010 indicates that merchandise imports declined by 6.0% to \$340.6 million from the comparative period in 2009 (see Figure 2).

Merchandise imports fell by \$21.9 million in absolute terms, partly due to declines in food and live animals, beverages and tobacco, manufactured goods classified chiefly by materials, machinery and transport equipment, and miscellaneous manufactured articles.

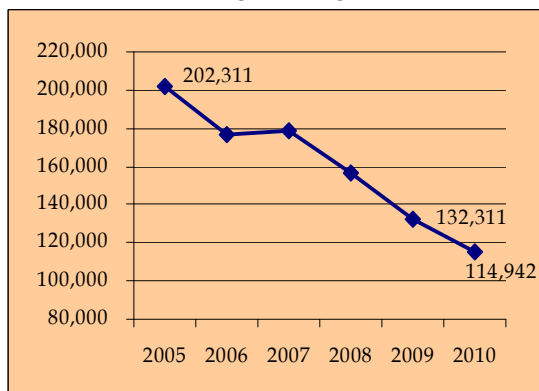
**Figure 2: Semi-Annual Merchandise Imports (CI\$ Millions)**



Source: Customs Department and ESO

The volume of imported cargo declined consistently since 2005. As at June 2009, the tonnage of cargo imports declined by 13.1% compared to the similar period of 2009 (see Figure 3).

**Figure 3: Semi-Annual Total Tonnage of Cargo**



Source: Cayman Island Port Authority

As exhibited in Table 2, the quantity of imported fuel fell by 6.8% compared to a year ago. Diesel imports which account for 75.3% of total fuel, fell by 0.3%, while gas and aviation fuel also declined by 9.2%

and 63.8% respectively. Finally, propane gas imports increased by 24.7% during the period. Although the total quantity of fuel fell, the value increased due to higher prices of the international market.

**Table 2: Quantity of Fuel Imports**

	Jun-08	Jun-09	Jun-10	Change %
	Millions of imperial gallons			
Total Fuel	19.91	21.67	20.19	-6.8
Diesel	13.89	15.25	15.20	-0.3
Gas	3.94	4.37	3.97	-9.2
Aviation Fuel	1.48	1.72	0.62	-63.8
Propane	0.60	0.32	0.40	24.7

Source: Cayman Island Port Authority

#### 4. Work Permits

Although the pace of economic contraction continues to ease, employers continued to reduce foreign labour demand in the first six months of the year.

At the close of June 2010, there were 21,529 works permits, a decrease of 11.3% compared to a year ago. It also marked the fifth consecutive quarterly decline.

This can be attributed to the sharp slowdown in construction, the largest employer of foreign labour.

The government also significantly reduced its complement of foreign workers. During the review period, the number of non-Caymanian civil



servants decreased by 35.4% to total 911.

**Table 3: Work Permits**

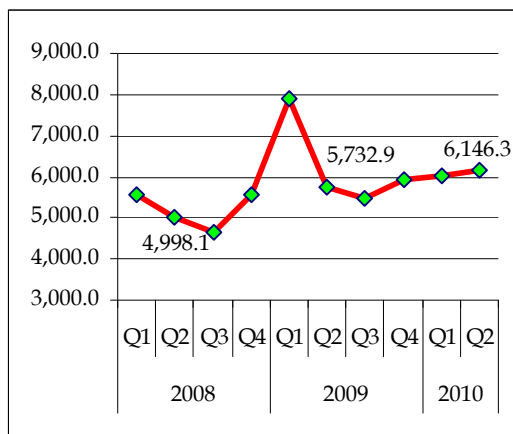
	Jun-08	Jun-09	Jun-10	% Change
<b>Total</b>	26,260	24,270	21,529	(11.3)
<i>of which</i>				
CI Gov't Contracts	1,462	1,411	911	(35.4)

Source: Immigration Department, Economics & Statistics Office

## 5. Money & Banking

Broad liquidity (M2) comprising of CI dollar-denominated money and foreign exchange deposits expanded to total \$6,146.3 million as at end June 2010. This represents an increase of 7.2% from the preceding year.

**Figure 4: Broad Liquidity (M2)  
(in \$ millions)**



Source: Cayman Islands Monetary Authority and ESO

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

Table 4). The asset side shows an increase of 10.0% in net foreign assets while net domestic assets contracted by 3.2%.

**Table 4: Monetary and Banking Summary  
Indicators (\$ millions)**

	Jun-09	Jun-10	% Change
<b>Total Assets</b>	5,732.9	6,146.3	7.2
<b>Net Foreign Assets</b>	3,592.1	3,950.5	10.0
Monetary Authority	96.5	82.8	(14.2)
Commercial Banks	3,495.6	3,867.7	10.6
<b>Net Domestic Assets</b>	3,002.9	2,905.8	(3.2)
Domestic credit	3,002.9	2,905.8	(3.2)
Claims on central government	341.6	187.9	(45.0)
Claims on other public sector	64.6	64.6	(0.1)
Claims on private sector	2,596.6	2,653.3	2.2
Other items net (assets +)	(862.1)	(710.0)	(17.6)
<b>Broad Liquidity</b>	5,732.9	6,146.3	7.2
Broad money (KYD) M2	1,013.8	987.2	(2.6)
Currency in circulation	83.5	78.0	(6.6)
KYD Deposits	930.3	909.2	(2.3)
Demand deposits	289.1	285.4	(1.3)
Time and savings deposits	641.1	623.8	(2.7)
FOREX deposits	4,719.0	5,159.1	9.3
<i>of which: US dollars</i>	4,431.0	4,547.3	2.6
<i>US Contribution (%)</i>	93.9	88.1	

Source: Cayman Islands Monetary Authority & Economics and Statistics office

**5.1. Net Foreign Assets.** The combined net foreign assets of the Cayman Islands Monetary Authority and the domestic commercial banking sector expanded by 10.0% over the review period (see Table 5). This increase resulted despite a 14.2% decline in net foreign assets of the Monetary Authority. Net foreign assets of commercial banks rose by 10.6% mainly from a reduction in foreign liabilities by 13.6% as both non-resident deposits and other liabilities fell by 10.9% and 64.4%

respectively. The fall in non-resident deposits may be a result of low interest rates coupled with the global economic downturn that impacted the wealth of investors and depositors.

**Table 5: Net Foreign Assets (\$ millions)**

	Jun-09	Jun-10	% Change
<b>Net Foreign Assets</b>	<b>3,592.1</b>	<b>3,950.5</b>	<b>10.0</b>
Monetary Authority	96.5	82.8	(14.2)
Commercial Banks	3,495.6	3,867.7	10.6
<b>Foreign Assets</b>	<b>6,521.5</b>	<b>6,482.8</b>	<b>(0.6)</b>
Bal. with Banks & Branches	3,712.2	4,272.3	15.1
Total Investment	1,266.2	724.4	(42.8)
Total Non-Resident Loans	1,543.1	1,486.1	(3.7)
<b>Foreign Liabilities</b>	<b>3,025.9</b>	<b>2,615.2</b>	<b>(13.6)</b>
Total Non-Resident Deposits	2,874.5	2,561.3	(10.9)
Other Liabilities	151.4	53.9	(64.4)

Source: Cayman Islands Monetary Authority & Economics and Statistics office

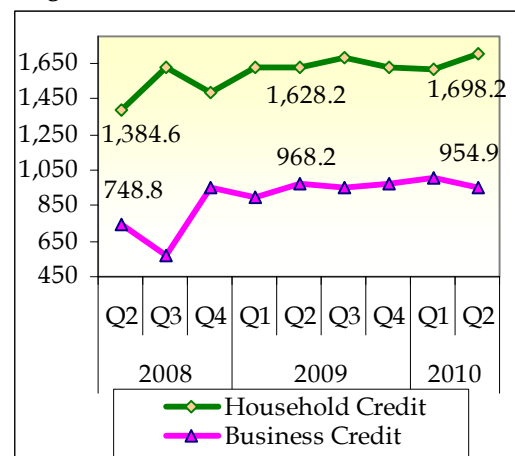
**5.2. Net Domestic Assets.** Total net domestic assets comprising total net domestic credit granted by the commercial banking sector fell by 3.2% to reach \$2,905.8 million in June 2010. Loans allocated to the public sector declined by 37.8% (\$153.8 million) as central government refinanced loans through an international bond issue. Commercial bank credit to the private sector increased by \$56.7 million or 2.2% which was led by increased lending to the construction industry, domestic property, and hotels restaurants and bars industry (see Table 6).

**Table 6: Net Domestic Assets (\$ millions)**

	Jun-09	Jun-10	% Change
<b>Domestic Assets</b>	<b>3,002.9</b>	<b>2,905.8</b>	<b>(3.2)</b>
Domestic Credit to Public Sector	406.3	252.5	(37.8)
Domestic Credit to Private Sector	2,596.6	2,653.3	2.2

Source: Cayman Islands Monetary Authority & Economics and Statistics office

Figure 5 plots the major components of private sector domestic credit: i.e. credit to businesses and credit to households.

**Figure 5: Credit to Business and Households**


Source: Cayman Islands Monetary Authority

The loans allocated to households – which accounted for 64.0% of total private sector credit – rose by 4.3% (or \$70.0 million) in June 2010 compared to June 2009 (see Table 7). Credit for domestic property continued to dominate in absolute terms.

Lending to the business sector – which comprised 36.0% of total private sector credit – fell by 1.4% over the review period (see Table 7).

The decline is mainly due to real estate and renting and others.

**Table 7: Net Credit to the Private Sector**  
(\$ millions)

	Jun-09	Jun-10	% Change
<b>Total</b>	<b>2,596.6</b>	<b>2,653.3</b>	<b>2.2</b>
<b>Credit to Businesses</b>	<b>968.2</b>	<b>954.9</b>	<b>(1.4)</b>
<i>of which</i>			
Construction	139.7	186.5	33.5
Hotels, Restaurants and Bars	114.1	130.0	14.0
Real Estate, Renting & Other	422.7	388.8	(8.0)
Utilities (Electricity, Gas & Water)	28.1	51.5	82.9
Trade & Commerce	84.2	89.4	6.1
Others	179.3	108.7	(39.4)
<b>Credit to Households</b>	<b>1,628.2</b>	<b>1,698.2</b>	<b>4.3</b>
Domestic Property	1,393.5	1,435.8	3.0
Motor Vehicles	61.7	59.4	(3.7)
Education & Technology	3.1	6.4	107.2
Miscellaneous	169.9	196.6	15.7
<b>Other Non-Profit Organisations</b>	<b>0.2</b>	<b>0.2</b>	<b>(13.8)</b>

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

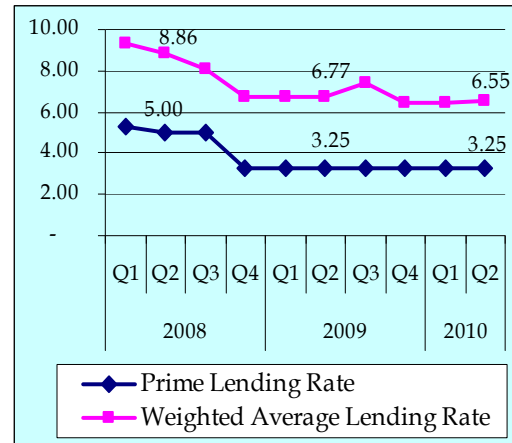
Source: Cayman Islands Monetary Authority & Economics and Statistics office

**5.3. Money Supply.** Broad liquidity (M2) reached \$6,146.3 million in the first half of 2010 due mainly to an expansion of forex (foreign currency) deposits (see Table 4).

Foreign currency deposits recorded an increase of 9.3%, dominated by US dollar deposits. Reductions in time and savings deposits and demand deposits pushed down local currency deposits by 2.3% to total \$909.2 million. Additionally, currency in circulation declined by 6.6% compared to the preceding year.

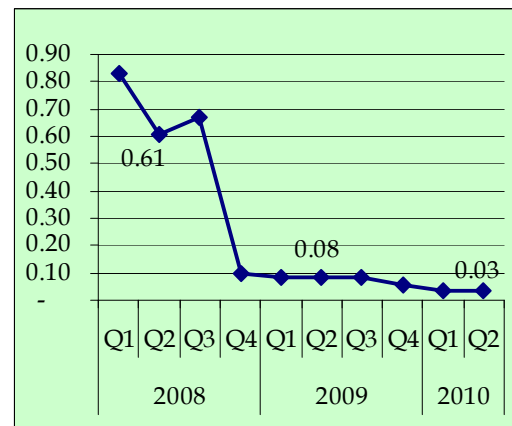
**5.4. Interest Rates.** Since the fourth quarter of 2008, cost of borrowing indicators remain at their lowest. The Cayman Islands' prime lending rate was stable at 3.25% in June 2010. Similarly, average savings deposit rate continue to decline while weighted average rate on outstanding loans fell by 22 basis points compared to the same period last year (see Figure 6 and 7).

**Figure 6: CI\$ Lending Rates (%)**  
(End of period)



Source: Cayman Islands Monetary Authority

**Figure 7: CI\$ Savings Deposit Rates (%)**  
(End of period)



Source: Cayman Islands Monetary Authority

## 6. Financial Services

During the first half of 2010, growth was recorded in stock exchange listing, specialist debt and mutual funds capitalization and new companies registration. Meanwhile, declines were seen anew in mutual funds registrations, insurance licences and bank and trust licences.

### 6.1 Banks & Trust

The total number of bank and trust companies licensed dipped to 265 as at June 2010, a 1.5% reduction from the June 2009 figure. Similarly, licences to trust companies fell by 7.2% to reach 128.

**Table 8: Bank & Trust Companies**

	Jun 2009	Jun 2010	% Change
<b>Bank and Trust</b>	<b>269</b>	<b>265</b>	<b>-1.5</b>
Class "A"	18	18	0.0
Class "B"	249	247	-0.8
Class "B" restricted	2	2	0.0
<b>Trust Companies</b>	<b>138</b>	<b>128</b>	<b>-7.2</b>
Restricted	85	78	-8.2
Unrestricted	53	50	-5.7

Source: Cayman Islands Monetary Authority

Class 'A' bank & trust licences remained constant at 18, while Class 'B' licences declined by 2, to settle at 247, since June 2009.

Europe and USA are the main origins of banks in the Cayman Islands banking industry accounting for 29.1% and 27.9% respectively of the banking licensees. The rest come

from South America (15.5%), Asia and Australia (10.2%), Caribbean and Central America (8.7%), Canada and Mexico (5.3%) and Middle East and Africa (3.4%).

### 6.2 Insurance

The Cayman Islands insurance company business weakened as the total number of insurance licences fell by 26 (or 3.2%) – from 815 in June 2009, to 789 as at June 2010.

Class 'A' insurance licences improved marginally to 29, while Class 'B' (captive) licences lessened by 26 to reach 789 over the review period.

**Table 9: Insurance Companies**

	Jun 2009	Jun 2010	% Change
Class 'A'	28	29	3.6
Class 'B'	787	760	-3.4
<b>Total</b>	<b>815</b>	<b>789</b>	<b>-3.2</b>

Source: Cayman Islands Monetary Authority

The composition of captive insurance licences was relatively constant during the period. Healthcare abounded as the primary class of business in the captive insurance sector constituting 35.0% followed by the workers' compensation coverage (20.8%). Other significant classes of business include: property (14.6%), general liability (9.1%) and professional liability (8.4%).



**Table 10: Captive Insurance Licences by Primary Class of Business, June 2010**

	licences	%
Healthcare	266	35.0
Workers' Compensation	158	20.8
Property	111	14.6
General Liability	69	9.1
Professional Liability	64	8.4
Other	92	12.1
<b>Total</b>	<b>760</b>	<b>100.0</b>

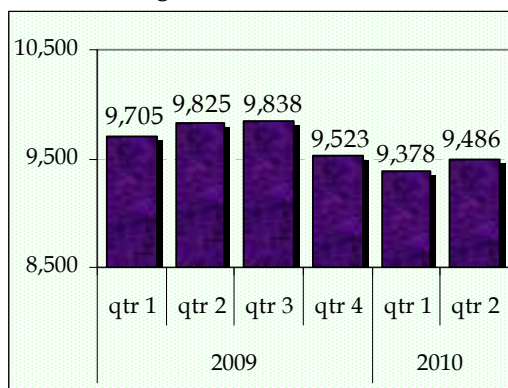
Source: Cayman Islands Monetary Authority

The prime geographical source for captive insurance companies is North America comprising 89.9% of all licences.

Premiums for captive insurance reached US\$7.50 billion at the end of June 2010, a decrease of about US\$490 million from June 2009.

### 6.3 Mutual Funds

Total mutual funds contracted by 3.5% or 339 since June 2009, to total 9,486 by the end of June 2010.

**Figure 8: Mutual Funds**


Source: Cayman Islands Monetary Authority

### 6.4 Stock Exchange

The Cayman Islands Stock Exchange total stock listings rose from 1,330 in June 2009 to 1,351 in June 2010, a 1.6% increase (see Table 11). In contrast to the previous year, mutual funds listings registered a milder decline of 14 (or 2.5%). Additionally, its market capitalization grew slightly by 1.9% (see Table 12).

Both Specialist Debt and Eurobond instruments continued their upward trajectory. A total of 29 listings were added to Specialist Debt amounting to an increase of 1.6% or US\$1.3 billion in its nominal value. Meanwhile, the Eurobond rose by 9.2% or 6 additional stock listings; its total nominal value, however, fell by US\$2.6 billion.

**Table 11: Number of Stock Listings by Instruments as of June**

Instruments	2008	2009	2010
Mutual Funds	819	571	557
Specialist Debt	715	689	718
Eurobond	46	65	71
International Equity	4	3	2
Domestic Equity	2	2	3
<b>Total</b>	<b>1,586</b>	<b>1,330</b>	<b>1,351</b>

Source: Cayman Islands Stock Exchange

**Table 12: Market Capitalization by Instruments**  
(US\$ billions)<sup>1</sup>

Instruments	2008	2009	2010
Mutual Funds	90.4	48.4	49.3
Specialist Debt	82.2	80.3	81.6
Eurobond	22.6	31.9	29.3
International Equity	1.9	0.9	0.6
Domestic Equity	0.17	0.12	0.20

Source: Cayman Islands Stock Exchange

### 6.5 New Company Registration

During the first half of 2010, total new company registrations reached 4,362, an 18.4% increase compared to a year ago. This rebound is traced to all types of registration, led by exempt companies at 19.2%.

**Table 13: New Companies Registration**

	2008	2009	2010
<b>Total</b>	<b>6,844</b>	<b>3,683</b>	<b>4,362</b>
Exempt	6,102	3,159	3,766
Non-Resident	152	93	128
Resident	306	238	252
Foreign	284	193	216
Percentage change (%)			
<b>Total</b>	<b>-3.2</b>	<b>-46.2</b>	<b>18.4</b>
Exempt	-3.4	-48.2	19.2
Non-Resident	-46.3	-38.8	37.6
Resident	10.9	-22.2	5.9
Foreign	45.6	-32.0	11.9

Source: Registrar of Companies

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

## 7. Tourism

When compared to 2009, total visitor arrivals to the Cayman Islands as at end of June 2010 stood higher by 2.7% derived from both air and cruise ship passengers.

### 7.1 Air Arrivals

Air arrivals increased by 4.8% between January and June from 154,640 in 2009 to 162,070 this year.

**Table 14: Semi-Annual Air Arrivals by Origin**

	2008	2009	2010	% Change
In Thousands				
<b>USA</b>	145.0	125.0	130.9	4.7
Northeast	51.4	44.8	48.9	9.1
Midwest	33.2	29.0	31.4	8.4
Southeast	28.6	23.8	22.5	-5.3
Southwest	21.1	19.1	20.1	5.1
West Coast	10.7	8.4	8.0	-4.0
<b>Europe</b>	11.8	10.5	10.7	1.2
<b>Canada</b>	11.9	10.7	11.4	6.6
<b>Others</b>	9.6	8.4	9.1	9.1
<b>Total</b>	<b>178.3</b>	<b>154.6</b>	<b>162.1</b>	<b>4.8</b>
<i>of Which: USA (%)</i>	81.3	80.9	80.8	

Source: Department of Tourism

Furthering the trend of recent years, US visitor arrivals averaged 80.8% in 2010 (slightly lower than the 80.9% recorded a year ago). The share of US visitor arrivals has abated over the past five years, reversing a brief 82.9% recovery noted in 2006. Meanwhile, the Canadian and 'Other' visitor markets improved to 7.0% and 5.6%, respectively. The

share arrivals from Europe were lower as it stood at 6.6%.

#### Accommodation

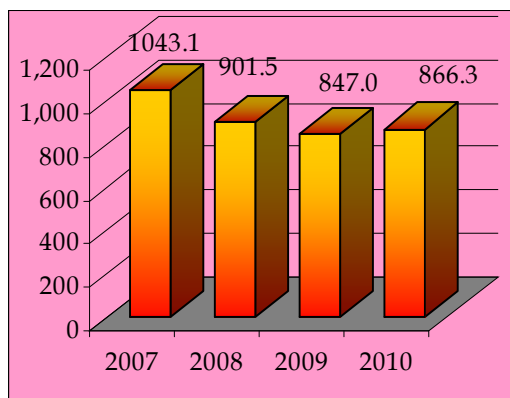
Occupancy levels for hotels improved slightly from 66.4% in 2009 to 71.0% in 2010. In contrast, occupancy levels at apartments fell from 49.3% to 45.7%, respectively.

The average length of stay for hotels remained constant at 4.4 days, while the average length of stay at apartments decreased from 7.4 days to 6.6 days.

### 7.2 Cruise Arrivals

Cruise arrivals improved during the first half of the year. Whereas, 846,952 cruise passengers visited in 2009, a total of 866,340 visitors were noted this year.

Figure 9: Semi-Annual Cruise Arrivals (in thousands)



Source: Department of Tourism

As at June, the number of cruise ship calls moderated by 0.3% to 312 calls. Despite a brief upturn in 2006, this

contraction has remained since 2004. Meanwhile, cruise passengers per day averaged 4,813 persons, an increase of 108 visitors compared to the first half of 2009.

## 8. Construction

### 8.1 Building Permits

Consistent with slower growth and weakened demand for new projects, indicators of construction activity fell in the first six months of the year.

Total building permits reached \$126.4 million, a 28.0% drop from the comparable period in 2009 and the third consecutive mid-year decline.

Table 15: Building Permits (Jan-June)

	2008	2009	2010	% Change
	Millions CI\$			
Houses	69.5	80.4	51.2	(36.3)
Apartments	40.5	64.4	33.1	(48.6)
Commercial	34.0	8.0	35.5	346.4
Government	62.2	0.2	-	(100.0)
Industrial	1.7	-	1.3	-
Other	3.6	22.6	5.3	(76.6)
<b>Total</b>	<b>211.5</b>	<b>175.6</b>	<b>126.4</b>	<b>(28.0)</b>

Source: Planning Department

Sharp falls in residential construction, the sector which drove building activity last year, offset an improvement in non-residential building.

Building permits for houses fell to \$51.2 million - well below the recent peak of \$80.4 million in June 2009.

This decline is traced to the absence of large multi-million dollar homes.

Similarly, contraction was recorded in the apartment/condominium sector with building permits nearly halving (-48.6%) compared to a year ago to \$33.1 million.

Non-residential building activity showed a sharp upturn owing to a recovery in the commercial and industrial sectors. Building permits for these combined categories reached \$36.8 million in the first half of 2010 after dipping to \$8.0 million a year ago.

In the government sector, continuance of public austerity measures kept building activity flat.

Overall, the number of building permits increased by 4.0% to 549, in contrast to the 11.9% decline in 2009. Increases were however limited to the 'commercial' and 'other' categories.

**Table 16: Number of Building Permits (Jan-June)**

	2008	2009	2010	% Change
Houses	259	234	221	(5.6)
Apartments	104	89	68	(23.6)
Hotels	0	0	0	
Commercial	57	48	78	62.5
Government	34	4	2	(50.0)
Industrial	5	0	3	
Other	140	153	177	15.7
<b>Total</b>	<b>599</b>	<b>528</b>	<b>549</b>	<b>4.0</b>

Source: Planning Department

## 8.2 Project Approvals

Muted domestic demand continues to dampen project approvals, a measure of future construction intentions.

**Table 17: Project Approvals (Jan- June)**

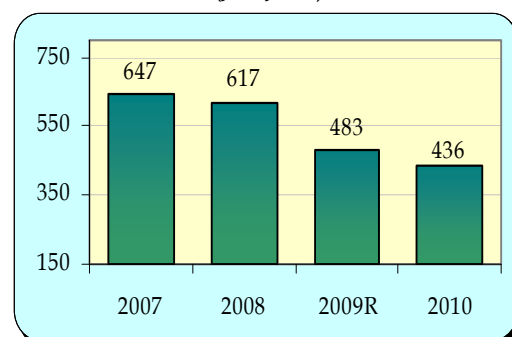
	2008	2009	2010	% Change
Millions CI\$				
Houses	60.2	72.7	46.8	(35.6)
Apartments	67.4	100.2	23.4	(76.7)
Commercial	33.1	15.0	71.9	377.6
Government	18.2	0.1	0.0	(100.0)
Industrial	4.2	1.1	0.6	(51.4)
Other	31.0	71.9	30.5	(57.5)
<b>Total</b>	<b>214.1</b>	<b>261.0</b>	<b>173.2</b>	<b>(33.7)</b>

Source: Planning Department

Total project approvals precipitously fell by 33.7% to \$173.2 million, following growth of 21.9% in the corresponding 2009 period.

Strong slippage in intentions was seen across all sectors as the total number of project approvals went downwards by 9.7% to 436.

**Figure 10: Number of Project Approvals (Jan-June)**



Source: Planning Department

Intentions for residential construction softened with approvals

for houses declining by 35.6% to \$46.8 million. Significant downturn was also recorded in the apartment/condominium with planning approvals plunging to its lowest on record, \$23.4 million, a 76.7% decrease compared to a year ago.

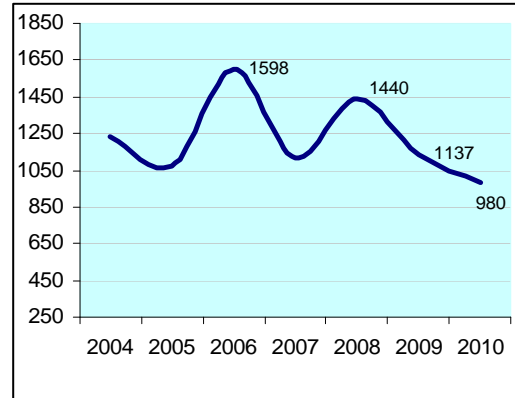
In the commercial category, intentions rebounded from \$15.0 million a year ago to \$79.1 million. Large projects including the on-going expansion of the Camana Bay development, a national art gallery and a new commercial development accounted for \$54.8 million or 76.3% of the total approvals for this category.

## 9. Real Estate

Real estate activity continued to contract in the first half of the year with the number of traded properties sliding by 13.8% from 1,137 in 2009 to 980.

Among traded properties, declines occurred in both freehold (11.5%) and leasehold properties (31.1%). In the review period, traded freehold property totalled 887 and leasehold 93.

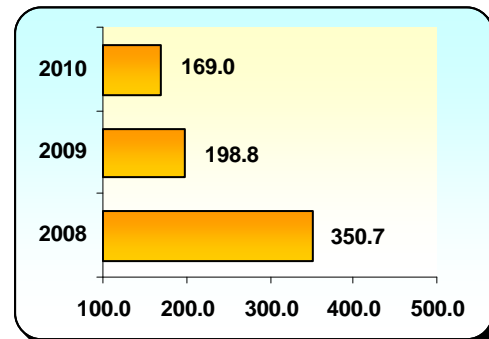
Figure 11: Number of Property Transfers (Jan-June)



Source: Lands & Survey Department

The value of properties traded totalled \$169.0 million, a 15.0% decrease over the same period a year ago, and the lowest in over five years. This decrease is attributable to the slowdown in sale transactions with the Estates and Valuation Office recording widespread decline across all types of traded properties except in the industrial.

Figure 12: Value of Property Transfers in \$ millions (Jan-June)



Source: Lands & Survey Department



## 10. Utilities

Electricity production expanded by 4.6% to 299.3 megawatt hours (mWh) as at June 2010 (see Table 17). This was in response to a higher electricity demand (4.5%) traced to both residential and commercial consumers. The increase in demand can be associated with the impact of adverse weather conditions (hot summer months).

**Table 17: Utilities Production/Consumption**

	Jun-09	Jun-10	% Change
Millions of US Gallons			
Water Production	1,064.6	1,080.0	1.4
Water Consumption	947.8	970.4	2.4
'000 of megawatt hrs			
Electricity Production	286.1	299.3	4.6
Electricity Consumption	264.0	275.8	4.5
Residential	118.6	126.7	6.9
Commercial	142.5	143.3	0.5
Public	2.9	5.9	99.6

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

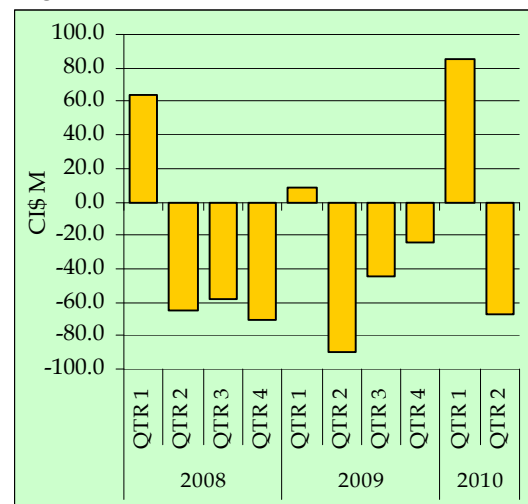
Water production increased marginally by 1.4% for the first half of 2010 compared to a year ago. Consumption followed with a 2.4% increase to settle at 970.4 million US gallons.

## 11. Fiscal Operations of Central Government

The overall fiscal balance improved to a surplus of \$18.3 million in the first half of 2010 as compared to a

deficit of \$80.8 million for the same period a year ago (see Table 18). This came about as total revenue grew by 13.7% while total expenditure contracted by 16.5%. Growth in total revenue resulted from recent revenue-enhancing measures while expenditure resulted from a significant reduction in capital expenditure. Quarterly analysis shows a surplus in the first quarter traced to the annual fees from the financial services industry.

**Figure 13: Central Government Fiscal Balance**



Source: Cayman Islands Treasury Department

**Table 18: Summary of Fiscal Operations  
(January-June)**

	Jun-09	Jun-10	% Change
	CI\$ Millions		
<b>Total Revenue</b>	283.8	322.6	13.7
<b>Total Expenditure</b>	364.6	304.3	(16.5)
Current Expenditure	268.0	257.6	(3.9)
Capital Expenditure & Net Lending	96.5	46.7	(51.6)
Current Balance	15.8	65.0	312.0
Overall Balance	(80.8)	18.3	(122.7)
<b>Financing</b>	80.8	(18.3)	(122.7)
Net Borrowing	66.6	(13.0)	(119.5)
Change in Cash (minus=increase)	14.2	(5.3)	(137.7)

Source: Cayman Islands Treasury Department

### 11.1 Revenue

Total revenue grew by 13.7% to total \$322.6 million (see Table 19). Total revenue comprises both coercive (90.0%) and non-coercive revenue (10.0%). Coercive revenue which totalled \$290.2 million rose by 11.2% above the receipts in the preceding year (see Table 19). Similarly, non-coercive revenue amounted to \$32.4 million, 41.5% higher than receipts of the comparative period a year ago.

**Table 19: Revenue Collection of the Central Government (January-June)**

Revenue Sources	Jun-09	Jun-10	% Change
	CI\$ Millions		
<b>Total Revenue</b>	283.8	322.6	13.7
<b>Coercive Revenue</b>	260.9	290.2	11.2
Taxes on Int'l Trade & Transactions	78.4	77.3	(1.4)
Domestic Taxes on Goods & Services	169.5	200.4	18.2
Taxes on Property	11.6	11.6	0.6
Fines	1.4	0.9	(36.0)
Other Taxes	0.0	0.0	(16.7)
<b>Non-coercive Revenue</b>	22.9	32.4	41.4
Sale of Goods & Services	21.6	32.1	48.4
Investment Revenue	0.5	0.2	(52.3)
Operating and Other Revenue	0.8	0.1	(92.1)
Extraordinary items	0.0	0.0	

Source: Cayman Islands Treasury Department

The most significant increase emanated from domestic taxes on goods and services of \$30.9 million (or 18.2%) due to an array of new revenue measures. These measures included work permits fees, import duties, financial services licences/fees and planning fees.

### 11.2 Expenditure

Total expenditure declined due to reductions in both capital expenditure and net lending and recurrent expenditure. Capital expenditure and net lending fell sharply by 51.6% during the period, coupled with a 3.9% increase in current expenditure. The latter was precipitated by reductions in personnel cost, subsidies and extraordinary expenses (see Table 20).

**Table 20: Current Expenditure of the Central Government (January-June)**

	Jun-09	Jun-10	% Change
CI\$ Millions			
<b>Current Expenditure</b>	<b>268.0</b>	<b>257.6</b>	<b>(3.9)</b>
Personnel Costs	123.4	116.4	(5.7)
Supplies & Consumables	43.8	47.8	9.1
Subsidies	66.3	64.7	(2.4)
Transfer Payments	11.0	11.2	1.2
Interest Payments	7.3	13.8	88.2
Extraordinary Expenses	14.9	2.1	(86.1)
Other Executive Expenses	1.3	1.8	37.2
Share of expenditure (%)			
<b>Current Expenditure</b>	<b>100.0</b>	<b>100.0</b>	
Personnel Costs	46.0	45.2	
Supplies & Consumables	16.3	18.5	
Subsidies	24.7	25.1	
Transfer Payments	4.1	4.3	
Interest Payments	2.7	5.3	
Extraordinary Expenses	5.6	0.8	
Other Executive Expenses	0.5	0.7	

Source: Cayman Islands Treasury Department

During the period, personnel costs contracted to \$116.4 million, lower by 5.7% compared to a year ago, due partially to a 1.8% reduction in the number of personnel in the civil service to 3,687 as at end of June 2010.

Subsidies fell by 2.4% to \$64.7 million as compared to the same period of the preceding year. This was due reductions in government support for statutory authorities and government companies.

Extraordinary expenses plummeted by 86.1% to \$2.1 million during the period as spending on special

services and hurricane Paloma subsided.

Interest payments for servicing central government's debt increased to \$13.8 million from \$7.3 million a year ago as the stock of debt expanded by 18.7% during the review period. Thus, the relative share of interest payments increased as a share of current expenditure.

### 11.3. Net Financing and Debt Service Indicators

The overall surplus resulted in an accumulation of cash after loan repayments of \$5.3 million as compared to cash drawdowns a year ago (see Table 21).

**Table 21: Financing of the Deficit (January-June)**

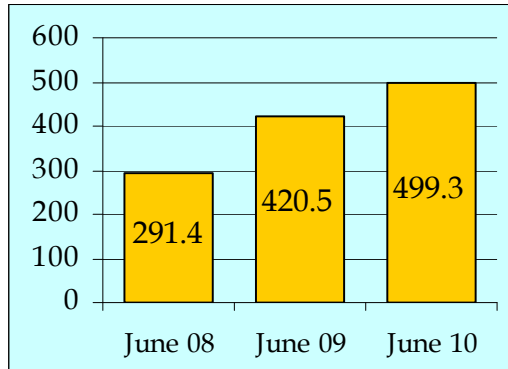
	Jun-09	Jun-10	% Change
CI\$ Millions			
<b>Financing</b>	<b>80.8</b>	<b>(18.3)</b>	<b>(122.7)</b>
Net Borrowing	66.6	(13.0)	(119.5)
Disbursements	79.6	0.0	
Loan Repayment	13.0	13.0	0.0
Change in Cash (minus = increase)	14.2	(5.3)	(137.7)

Source: Cayman Islands Treasury Department

Meanwhile, the central government's outstanding debt as at June 2010 reached a total of \$499.3 million (see Figure 14) from \$420.5 million as at end June 2009<sup>2</sup>.

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

**Figure 14: Central Government Outstanding Debt (CI\$ Millions)**



Source: Cayman Islands Treasury Department

The growth in the central government's outstanding debt by 18.7% has increased the central government's debt service-to-current revenue ratio to 8.3%, from 7.2% a year ago. Similarly, interest payments-to-current revenue ratio stood at 4.3% this period compared to 2.6% as at June 2009.

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government guaranteed debt and other contingent liabilities.

## **ACKNOWLEDGMENT**

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**Caribbean Utilities Company**  
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**Cayman Islands General registry**  
**Cayman Islands Monetary Authority**  
**Cayman Islands planning Department**  
**Cayman Islands Stock Exchange**  
**Customs Department**  
**Cayman Islands Water Company**  
**Department of Immigration**  
**Department of Tourism**  
**Immigration Department**  
**Lands and Survey Department**  
**Port Authority of the Cayman Islands**  
**Planning Department**