

### Summary Economic Indicators as at September 2010\*

- On average, the Consumer Price Index increased by 0.5%, mainly due to higher average prices of hotels and restaurants, transport, alcohol and tobacco, food and non-alcoholic beverages, and communication amidst continuing declines in housing rentals.
- Merchandise imports fell by 7.4% to register at \$496.9 million.
- Current work permits fell by 13.5%.
- The banking sector's total assets contracted by 3.5% as both net domestic assets and net foreign assets declined.
- Money supply contracted by 3.5%, due to contractions in foreign currency deposits, CI-dollars savings deposits and currency in circulation.
- Bank credit contracted by 3.1% (or \$94.5 million) even as the weighted average rate on outstanding loans fell to 7.01% from 7.43% while the prime lending rate was stable at 3.25%.
- Mutual funds registration fell by 244 or 2.4% as compared to a year ago but improved over the second quarter activity.
- Bank and trust company registrations fell by 3.0% while insurance licenses fell by 6.0%.
- Stock exchange listings contracted by 15.2% to settle at 1,116.
- New company registrations recovered as these increased by 6.0% to total 6,192.
- Air arrivals rose by 5.4% while cruise passengers increased by 3.3%.
- Total value of building permits decreased by 43.7% to settle at \$168.9 million.
- The number of property transfers fell by 14.5% whilst the total value slumped by 20.2%.
- Electricity production and consumption rose by 3.7% and 3.5% respectively.
- Water production and consumption declined by 0.9% and 1.0% respectively.
- The central government's fiscal deficit narrowed to \$21.6 million compared to \$125.0 million for the same period in 2009.
- Total outstanding debt of the central government increased to \$496.9 million from \$421.7 million a year ago.

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

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### 1. Overview

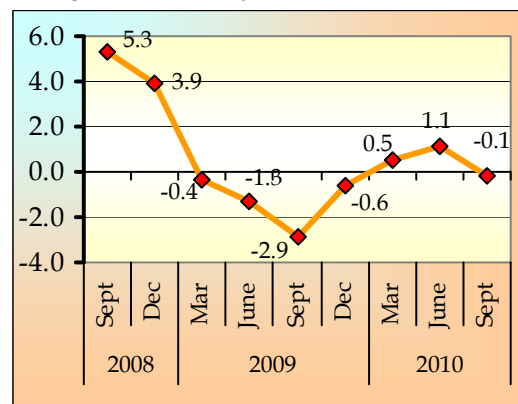
As at the end of September 2010, key indicators suggest that the Cayman Islands' GDP contracted at an annualized rate of 5.8% in the first

three quarters of 2010 compared to the same period of 2009. This decline is traced mainly to continuing weaknesses in construction; financial services; real estate, renting and business services; and transport, storage and communication. In contrast, moderate recovery was recorded for hotel, restaurants and bars and utilities. Overall growth projection for 2010 is estimated between -3.5% to -4.5%.

### 2. Inflation

Average inflation for the first three quarters of 2010 was recorded at 0.5%, as the inflation rate inched up by 0.5% in the first quarter, further by 1.1% in the second quarter and declined to 0.1% in the third quarter (see Figure 1).

Figure 1: Quarterly Inflation Rates (in %)



Source: Economics and Statistics Office

For the quarter ended September 2010, the Consumer Price Index (CPI)

stood at 98.7, down by 0.1% from a year ago. This movement was mainly from lower price indices for housing and education, while all other categories recorded increases (see Table 1). Housing and utilities continued to sway the overall CPI inflation due to its significant weight in household expenditures.

**Table 1: Inflation by Category**

CPI Major Categories	September Inflation (%)	
	2009	2010
Food & Non-alcoholic Beverage	1.3	2.9
Alcohol & Tobacco	0.4	11.1
Housing & Utilities	-6.4	-6.2
Clothing & Footwear	-1.1	0.5
Household Equipment	0.5	0.9
Health	-6.2	0.1
Transport	-8.8	7.4
Communication	-1.9	2.9
Recreation & Culture	4.3	1.4
Education	2.5	-0.5
Restaurants & Hotels	4.1	3.5
Miscellaneous Goods & Services	1.8	5.3
All items	-2.9	-0.1

Source: Economics and Statistics Office

The decline in housing and utilities index by 6.2% is accounted for mainly by the decline in the average cost of rent which outweighed the increase in the average cost of utilities. The latter was comprised of higher electricity (29.6%) and water (7.4%) prices.

The price index for food and non-alcoholic beverages, and alcohol and tobacco rose by 2.9% and 11.1% respectively from September 2009.

The transport index increased by 7.4% as the increase in fuel prices (24.1%) pushed the average price of transport services and operations of personal transport equipment rose.

The restaurants and hotels index stood at 113.4 (which represent an increase of 3.5%) resulting from an increase in the average price of catering and accommodation services.

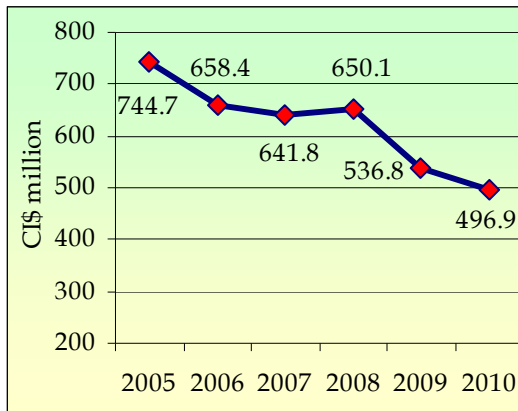
Miscellaneous goods and services increased by 5.3% as a result of strong increases in the average price of personal effects not elsewhere classified.

### 3. Trade

Preliminary data for the first three quarters of 2010 indicates that merchandise imports fell by 7.4% from the comparative period a year ago to \$496.9 million (see Figure 2).

Merchandise imports fell by \$39.9 million, mainly due to reductions in building materials, transport and transport-related items, tobacco and alcohol, and manufactured products.

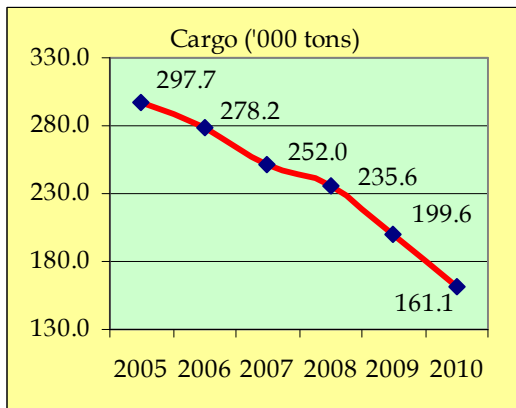
**Figure 2: Merchandise Imports (CI\$ Millions)  
Jan - Sept**



Source: Customs Department and ESO

Since September 2005, the volume of imported cargo declined consistently. As at September 2010, the tonnage of cargo imports declined by 19.3% compared to the similar period of 2009 (see Figure 3). It may be noted that the slowdown in the construction sector precipitated declines in imports of cement, aggregates and other building materials.

**Figure 3: Total Tonnage of Cargo  
(’000 tons), Jan - Sept**



Source: Cayman Islands Port Authority

## 4. Work Permits

Foreign employment in the first nine months of the year continued to plunge.

At the close of September 2010, work permits issued by the Immigration Department declined for the seventh consecutive quarter to total 20,432, a decrease of 13.5% compared to a year ago.

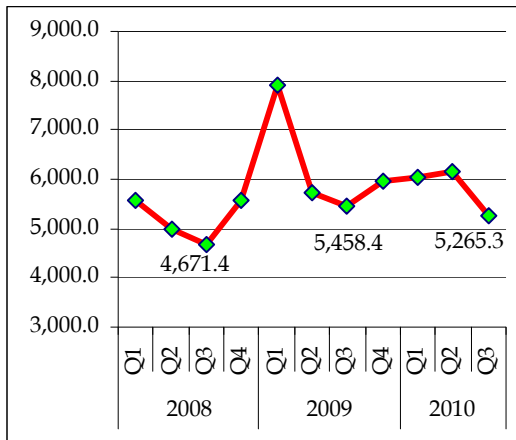
**Table 2: Work Permits**

	Sep-08	Sep-09	Sep-10	% Change
<b>Total</b>	26,114	23,626	20,432	(13.5)

Source: Immigration Department, ESO

## 5. Money & Banking

Broad liquidity (M2) comprising CI dollar-denominated money and foreign exchange deposits contracted by 3.5% to settle at \$5,265.3 million in the third quarter.

**Figure 4: Total Money Supply (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 3). The asset side shows a decline of 8.0% in net foreign assets and 3.1% in net domestic assets.

**Table 3: Monetary and Banking Aggregates  
(CI\$ Millions)**

	Sept-09	Sept-10	% Change
<b>Total Assets</b>	<b>5,458.4</b>	<b>5,265.3</b>	<b>(3.5)</b>
<b>Net Foreign Assets</b>	<b>3,304.1</b>	<b>3,040.9</b>	<b>(8.0)</b>
Monetary Authority	93.4	82.8	(11.3)
Commercial Banks	3,210.8	2,957.6	(7.9)
<b>Net Domestic Assets</b>	<b>3,027.2</b>	<b>2,932.7</b>	<b>(3.1)</b>
Domestic credit	3,027.2	2,932.7	(3.1)
Claims on central government	332.2	180.8	(45.6)
Claims on other public sector	70.1	63.9	(8.8)
Claims on private sector	2,624.9	2,687.9	2.4
Other items net (assets +)	(873.0)	(708.3)	(18.9)
<b>Broad Liquidity</b>	<b>5,458.4</b>	<b>5,265.3</b>	<b>(3.5)</b>
Broad money (KYD) M2	<b>1,014.5</b>	<b>936.4</b>	<b>(7.7)</b>
Currency in circulation	79.3	78.3	(1.3)
KYD Deposits	<b>935.1</b>	<b>858.1</b>	<b>(8.2)</b>
Demand deposits	285.3	259.2	(9.2)
Time and savings deposits	649.8	598.9	(7.8)
FOREX deposits	<b>4,443.9</b>	<b>4,328.9</b>	<b>(2.6)</b>
of which: US dollars	4,127.3	3,660.4	(11.3)

Source: Cayman Islands Monetary Authority and ESO

**5.1. Net Foreign Assets.** The combined net foreign assets of the Cayman Islands Monetary Authority and the domestic commercial banking sector contracted by 8.0% over the review period (see Table 4). This arose mainly from an increase in non-resident deposits which increased the overall foreign liabilities of commercial banks. This was also coupled with a sharp reduction in investments abroad.

**Table 4: Net Foreign Assets (\$ Millions)**

	Sept-09	Sept-10	% Change
<b>Net Foreign Assets</b>	<b>3,304.1</b>	<b>3,040.9</b>	<b>(8.0)</b>
Monetary Authority	93.4	83.3	(10.7)
Commercial Banks	3,210.8	2,957.6	(7.9)
<b>Foreign Assets</b>	<b>6,054.5</b>	<b>6,013.2</b>	<b>(0.7)</b>
Bal. with Banks & Branches	3,268.2	3,791.7	16.0
Total Investment	1,250.6	706.0	(43.5)
Total Non-Resident Loans	1,535.7	1,515.5	(1.3)
<b>Foreign Liabilities</b>	<b>2,843.7</b>	<b>3,055.6</b>	<b>7.4</b>
Total Non-Resident Deposits	2,741.5	3,020.5	10.2
Other Liabilities	102.2	35.0	(65.7)

Source: Cayman Islands Monetary Authority and ESO

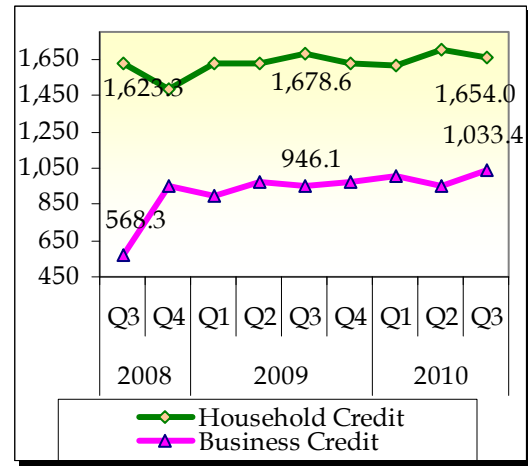
**5.2. Net Domestic Assets.** Total net domestic assets or net domestic credit granted by the commercial banking sector contracted by 3.1% to reach \$2,932.7 million as at September 2010. Domestic credit to the private sector increased by 2.4% (\$63.0 million) while public sector credit decreased by 39.2% (\$157.5 million) as the central government refinanced its loans through an international bond issue.

**Table 5: Net Domestic Assets (\$ Millions)**

	Sept-09	Sept-10	% Change
<b>Domestic Assets</b>	<b>3,027.2</b>	<b>2,932.7</b>	<b>(3.1)</b>
Domestic Credit to Public Sector	402.3	244.8	(39.2)
Domestic Credit to Private Sector	2,624.9	2,687.9	2.4

Source: Cayman Islands Monetary Authority and ESO

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 and ESO

Loans allocated to household — which accounted for 61.5% of total private sector credit — fell by 1.5% (or \$24.6 million) as at September 2010 compared to a year ago (see Table 7). Credit for domestic property accounted for majority of household lending; however, loan declines were dominated by motor vehicles and miscellaneous debts.

Lending to the business sector — which accounted for 38.5% of total private sector credit — grew by 9.2% over the review period (see Table 7). Expansions were recorded for construction and utilities.

**Table 6: Net Credit to the Private Sector (\$ Millions)**

	Sept-09	Sept-10	% Change
<b>Total</b>	<b>2,624.9</b>	<b>2,687.9</b>	<b>2.4</b>
<b>Credit to Businesses</b>	<b>946.1</b>	<b>1,033.4</b>	<b>9.2</b>
<i>of which</i>			
Construction	123.2	213.9	73.6
Hotels, Restaurants and Bars	127.7	115.1	(9.9)
Real Estate, Renting & Other	381.6	369.9	(3.1)
Water)	28.2	58.2	106.7
Trade & Commerce	88.1	71.9	(18.4)
Others	197.3	204.3	3.6
<b>Credit to Households</b>	<b>1,678.6</b>	<b>1,654.0</b>	<b>(1.5)</b>
Domestic Property	1,386.2	1,451.2	4.7
Motor Vehicles	70.1	48.2	(31.2)
Education & Technology	3.3	5.2	54.6
Miscellaneous	218.9	149.4	(31.7)
<b>Other Non-Profit Organisations</b>	<b>0.2</b>	<b>0.5</b>	<b>103.6</b>

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

Source: Cayman Islands Monetary Authority and ESO

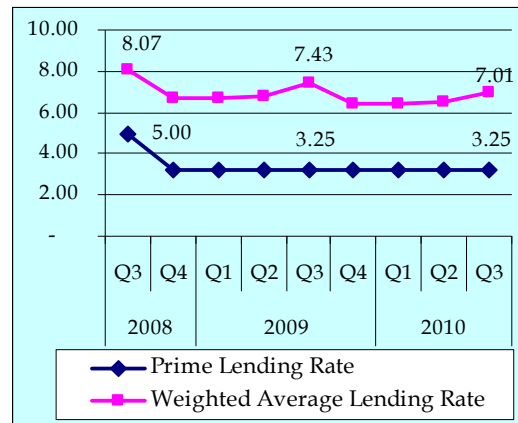
**5.3. Money Supply.** Broad liquidity (M2) dropped to \$5,265.3 million in the first nine months of 2010 due mainly to a contraction of forex (foreign currency) deposits, local currency money supply, and currency in circulation (see Table 4).

Foreign currency deposits fell by 2.6%, as US dollar deposits fell by 11.3%. Reductions were also recorded in both KYD deposits and currency in circulation by 8.2% and 1.3% respectively.

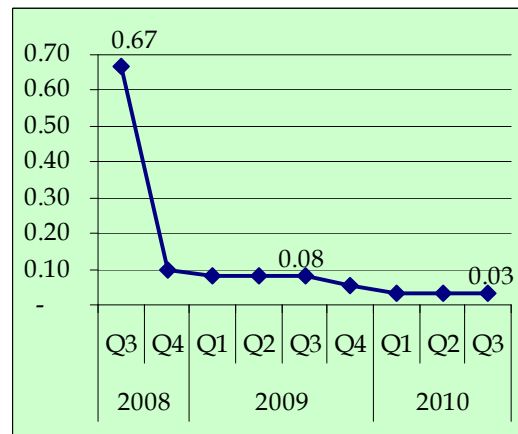
**5.4. Interest Rates.** Cost of borrowing indicators remained relatively low following stable U.S. Federal Reserve policy rates. The Cayman Islands' prime lending rate stayed at 3.25% in September 2010.

Average savings deposit rate and the weighted average rate on outstanding loans remained almost constant since the fourth quarter of 2009; however, the weighted average lending rate increased from the previous three quarters to 7.01% in September - the highest for the year to date (see Figure 6 and 7).

**Figure 6: Interest Rates (%) (End of period)**



**Figure 7: Average Savings Deposit Interest Rates (%) (End of period)**



Source: Cayman Islands Monetary Authority and ESO

## 6. Financial Services

Fewer registrations were recorded for mutual funds, insurance licences, trust companies, bank and trust licences while there was an improvement in new companies registration.

### 6.1. Banks & Trust

The total number of licensed bank and trust companies contracted to 262 as at September 2010, a 3.0% decline as mergers and consolidations continues in the industry. Similarly, licences to trust companies decreased by 6.5% to reach 129.

Table 7: Bank & Trust Companies

	Sep 2009	Sep 2010	% Change
<b>Bank and Trust</b>	270	262	-3.0
Class "A"	18	17	-5.6
Class "B"	252	245	-2.8
<b>Trust Companies</b>	138	129	-6.5
Restricted	85	78	-8.2
Unrestricted	53	51	-3.8

Source: Cayman Islands Monetary Authority

Class 'A' bank & trust licences declined by 1 to 17, while Class 'B' licences declined by 7, to settle at 245.

Applicants from Europe and USA led Cayman's banking licensees comprising 29.3% and 27.8%, respectively. The rest of the banking licenses originated from South America (16.3%), Asia and Australia (10.0%), Caribbean and Central

America (7.8%), Canada and Mexico (5.2%) and Middle East and Africa (3.7%).

### 6.2. Insurance

The Cayman Islands insurance business decelerated as the total number of insurance licences decreased by 48 (or 6.0%) – from 806 in September 2009, to 758 as at September 2010.

Class 'A' insurance licences grew to 29, while Class 'B' (captive) licences fell by 50 to reach 729 over the review period. Nonetheless, total premium of captives improved by US\$238 million to register at US\$7.5 billion at the end of September 2010.

Table 8: Insurance Companies

	Sep 2009	Sep 2010	% Change
Class 'A'	27	29	7.4
Class 'B'	779	729	-6.4
<b>Total</b>	<b>806</b>	<b>758</b>	<b>-6.0</b>

Source: Cayman Islands Monetary Authority

As in the previous reporting periods, the captive licensees' primary class of business comprised of healthcare (36.1%), workers' compensation coverage (21.9%), property (11.5%), general liability (9.5%), and professional liability (8.8%).



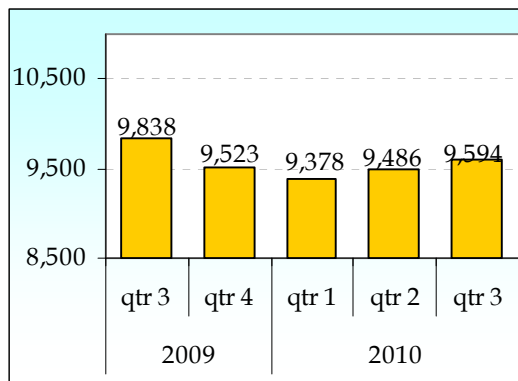
**Table 9: Captive Insurance Licences by Primary Class of Business, September 2010**

	Licences	% share
Healthcare	263	36.1
Workers' Compensation	160	21.9
Property	84	11.5
General Liability	69	9.5
Professional Liability	64	8.8
Other	89	12.2
<b>Total</b>	<b>729</b>	<b>100.0</b>

Source: Cayman Islands Monetary Authority

### 6.3. Mutual Funds

Activity within the mutual funds industry weakened during the review period as total mutual funds dropped to 9,594 as at September 2010, a 2.4% (or 244) adjustment since September 2009. Nonetheless, the third quarter figure represents an improvement over the second quarter of 2010.

**Figure 8: Mutual Funds (As at end of Quarter)**


Source: Cayman Islands Monetary Authority

### 6.4. Stock Exchange

The total Cayman Islands Stock Exchange listings decreased by 15.2% from 1,316 in September 2009 to 1,116

in September 2010. Mutual funds remained on a downtrend while Eurobond, for the first time since 2008, narrowed marginally (by 8). Conversely, Specialist Debt recovered to reach 708 by end-of-quarter.

**Table 10: Number of Stock Listings by Instruments as of September**

Instruments	2008	2009	2010
Mutual Funds	856	548	331
Specialist Debt	743	698	708
Eurobond	53	64	72
International Equity	3	3	2
Domestic Equity	2	3	3

Source: Cayman Islands Stock Exchange

The contraction in mutual fund listings is also mirrored in the fall of its market capitalization by US\$0.6 billion (or 1.8%) to reach US\$32.5 billion in September 2010.

Table 11 shows falling trend of market capitalization for all types of instrument except for specialist debt and domestic equity.

**Table 11: Market Capitalization by Instruments (US\$ Billions)**

Instruments	2008	2009	2010
Mutual Funds	83.4	50.3	32.5
Specialist Debt	82.4	80.9	81.1
Eurobond	23.8	29.6	29.2
International Equity	1.6	0.8	0.7
Domestic Equity	0.170	0.124	0.229

Source: Cayman Islands Stock Exchange

## 6.5. New Company Registration

During the period January to September 2010, total new company registrations reached 6,192 as compared to 5,842 over the same period of 2009, representing a 6.0% increase. This rise was on account of upturns across all categories with the exception of resident companies. Non-resident companies registered the highest growth during the review period as it rebounded by 29.2% following consecutive double-digit declines in the previous two years.

Table 12: New Company Registrations

	2008	2009	2010
<b>Total</b>	<b>9,600</b>	<b>5,842</b>	<b>6,192</b>
Exempt	8,543	5,033	5,334
Non-Resident	230	144	186
Resident	427	388	360
Foreign	400	277	312
<b>Percentage change (%)</b>			
<b>Total</b>	<b>-10.7</b>	<b>-39.1</b>	<b>6.0</b>
Exempt	-10.9	-41.1	6.0
Non-Resident	-45.0	-37.4	29.2
Resident	3.6	-9.1	-7.2
Foreign	18.3	-30.8	12.6

Source: Registrar of Companies

## 7. Tourism

Total visitor arrivals as of the end of September 2010 recorded an increase of 3.6% over the comparative period of 2009. This expansion was associated with increases in both air

arrivals (5.4%) and cruise arrivals (3.3%).

### 7.1. Air Arrivals

Compared to the 208,761 stay-over visitors registered in 2009, air arrivals for the first three quarters of 2010 increased by 5.4% to total 219,934.

As shown in Table 13, when dissecting US visitors by origin within the US, with the exception of the Southeast and West Coast, visitor arrivals improved for all regions when compared to the previous year.

Table 13: Air arrivals by US regions (in '000)

	2008	2009	2010	% Change
<b>USA</b>	193.6	167.3	177.4	6.0
Northeast	66.6	59.1	65.3	10.4
Midwest	39.9	34.2	38.0	11.1
Southeast	40.9	33.7	32.3	-4.0
Southwest	31.3	28.8	30.4	5.6
West Coast	15.0	11.5	11.3	-1.2
<b>Europe</b>	15.9	14.2	14.5	2.3
<b>Canada</b>	13.9	12.5	13.2	5.2
<b>Others</b>	16.9	14.7	14.9	0.9
<b>Total</b>	<b>240.3</b>	<b>208.8</b>	<b>219.9</b>	<b>5.4</b>
<i>of Which: USA (%)</i>	80.6	80.1	80.6	

Source: Department of Tourism

### Accommodation

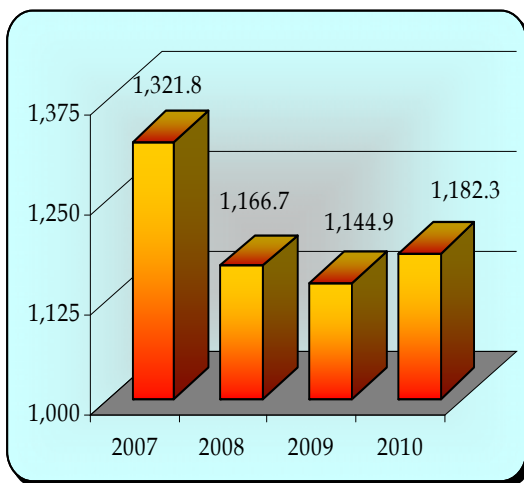
For the period January – September, hotel occupancy rates improved from 59.9% in 2009 to 70.7% in 2010, while occupancy levels for apartments weakened slightly from 45.8% to 44.7%.

The *average length of stay* for hotels contracted marginally from 4.5 days to 4.4 days. Similarly, the average length of stay at apartments fell from 6.9 days to 6.8 days.

## 7.2. Cruise Arrivals

During the first three quarters of 2010, cruise arrivals totalled 1,182,308 visitors, an increase of 3.3% over the comparative period for 2009.

Figure 9: Cruise arrivals ('000), Jan-Sept



Source: Department of Tourism & ESO

Between January and September 2010, the number of cruise ship calls to George Town port decreased by 0.2% to 410. Nonetheless, cruise passengers per day averaged 4,379 persons, an increase of 138 visitors per day from the average in the first three quarters of 2009.

## 8. Construction

### 8.1. Building Permits

Due to weak demand, construction continued to deteriorate in the first nine months of the year as indicated by building permits.

Building permits as at September 2010 amounted to \$168.9 million, a 43.7% decline compared to a year ago. This slide continues the downward trend in construction activity evident since the start of 2009.

Table 14: Building Permits (\$ Millions)  
Jan-Sep

	2008	2009	2010	% Change
Houses	91.9	120.1	74.6	(37.9)
Apartments	99.4	80.0	42.5	(46.8)
Commercial	57.5	41.3	40.9	(0.9)
Government	137.5	28.8	-	(100.0)
Industrial	2.6	2.3	2.3	1.3
Other	31.1	27.8	8.5	(69.3)
<b>Total</b>	<b>419.9</b>	<b>300.1</b>	<b>168.9</b>	<b>(43.7)</b>

Source: Cayman Islands Government, Planning Department

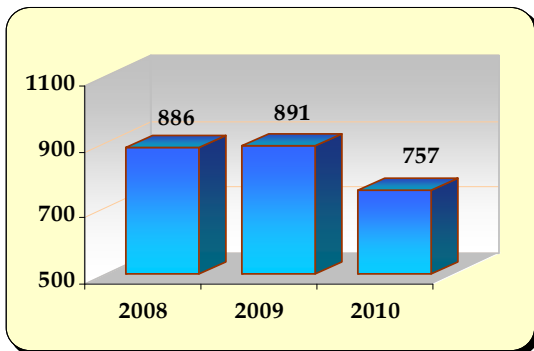
Pronounced slowdown in residential construction, a source of strength in the past year, drove the decline with the sector's building permits retreating by 41.5% from \$200.1 million in 2009 to \$117.1 million.

In the apartment and condominium category, the contraction was particularly severe as building

permits nearly halved from \$80.0 million a year ago to \$42.5 million.

In the houses segment, building permits shrank by 37.9% to \$74.6 million.

**Figure 10: Number of Building Permits, Jan-Sep**



Source: Cayman Islands Government, Planning Department

Activity levels within the industry also mirrored similar declines as the number of building permits decreased by 15.0% to 791 compared to a year ago.

Only the commercial and other category recorded positive increases at 15.9% and 18.1% respectively.

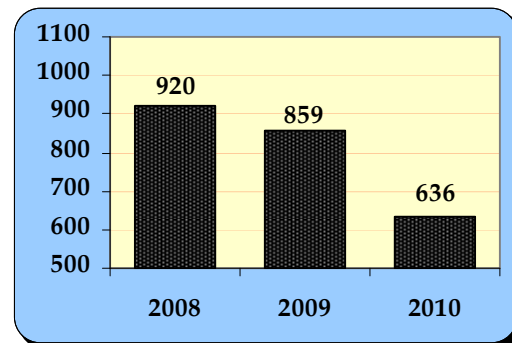
## 8.2. Project Approvals

Construction intentions waned as the number of project approvals totalled 636, a 26.0% decrease compared to a year ago, the largest-ever recorded decline.

Weakening intentions were evident across all sectors; with residential

approvals registering the sharpest decline (41.1%) compared to a year earlier.

**Figure 11: Number of Project Approvals Jan-Sep**



Source: Cayman Islands Government, Planning Department

The value of project approvals also shifted downwards, falling from \$348.5 million in 2009 to \$210.4 million. This 39.6% decrease in the first nine months of the year follows an earlier dip of 13.6% in the corresponding period in 2009.

In the residential sector, project approvals slid by 60.4% from \$235.8 million in 2009 to \$93.4 million.

**Table 15: Project Approval (\$ Millions) Jan -Sep**

	2008	2009	2010	% Change
Houses	83.3	104.8	63.4	(39.5)
Apartments	111.9	131.0	30.0	(77.1)
Commercial	114.9	27.2	78.1	187.0
Government	18.2	0.1	0.9	813.2
Industrial	7.1	2.5	0.9	(63.3)
Other	68.0	82.9	37.1	(55.2)
<b>Total</b>	<b>403.2</b>	<b>348.5</b>	<b>210.4</b>	<b>(39.6)</b>

Source: Cayman Islands Government, Planning Department

However, non-residential projects in the industrial and other categories dropped sharply by 63.3% and 55.2% respectively.

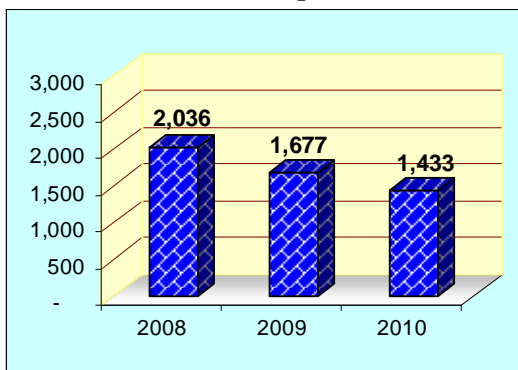
In the commercial category, project approvals rose to \$78.1 million compared to \$27.2 million a year ago.

### 9. Real Estate

Real estate activity remained on the downtrend during the period in review.

Trading was limited to 1,433 properties, 14.5% less than the 1,677 properties traded a year ago.

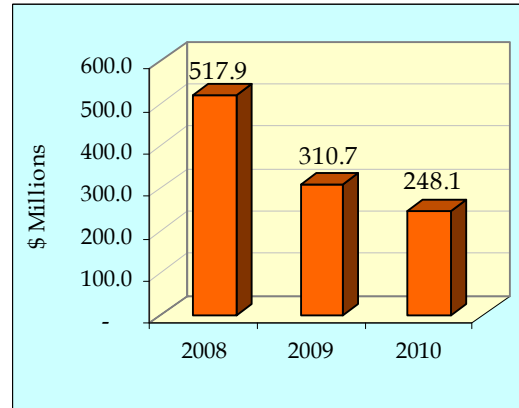
**Figure 12: Numbers of Traded Property, Jan-Sep**



Source: Lands & Survey Department

The total value of properties traded fell for the second consecutive year to settle at \$248.1 million. This 20.2% reduction follows a 41.7% decrease in the preceding year.

**Figure 13: Value of Property Transfers, Jan-Sep**



Source: Lands & Survey Department

### 10. Utilities

Electricity production increased by 3.7% to 466.0 megawatt hours (mWh) during the first nine months of 2010 (see Table 16). This can be traced to higher consumption, specifically by residential consumers.

**Table 16: Utilities Production/Consumption**

	Sep-09	Sep-10	Change %
Millions of US Gallons			
Water Production	1,530.9	1,516.4	-0.9
Water Consumption	1,367.1	1,353.9	-1.0
'000 of megawatt hrs			
Electricity Production	449.6	466.0	3.7
Electricity Consumption	413.8	428.3	3.5
Residential	191.0	202.6	6.1
Commercial	218.7	218.6	-0.1
Public	4.1	7.2	74.2

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

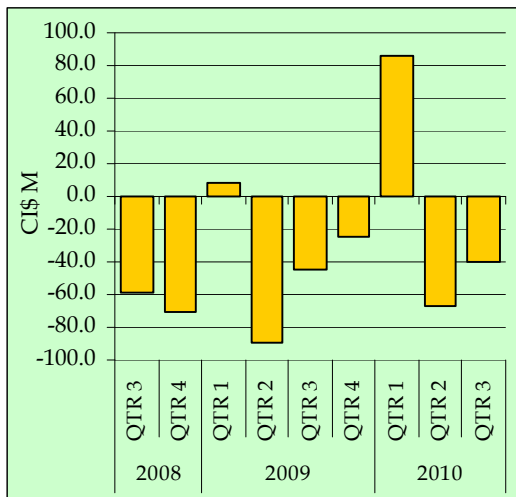
Meanwhile, water production fell marginally by 0.9% as at September

2010 compared to a year ago as water consumption declined by 1.0% to settle at 1,353.9.1 million US gallons.

## 11. Fiscal Operations of Central Government

The overall fiscal balance was in deficit as at September 2010, albeit a significant improvement compared to the previous year. The overall deficit stood at \$21.6 million as compared to \$125.0 million a year ago (see Table 17).

Figure 14: Quarterly Central Government Overall Fiscal Balance (CI\$ Millions)



Source: Cayman Islands Treasury Department

The overall balance improved, due to a current surplus and a simultaneous reduction in capital expenditure. The current surplus was aided by a 12.2% increase in current revenue coupled with a reduction in recurrent expenditure of 2.8%, while capital expenditure was slashed by 40.3%.

Table 17: Summary of Fiscal Operations Jan-Sept

	Sep-09	Sep-10	% Change
CI\$ Millions			
<b>Total Revenue</b>	371.0	416.2	12.2
<b>Total Expenditure</b>	496.0	437.8	(11.7)
Current Expenditure	378.4	367.7	(2.8)
Capital Expenditure & Net Lending	117.6	70.1	(40.3)
Current Balance	(7.4)	48.5	(754.9)
Overall Balance	(125.0)	(21.6)	(82.7)
<b>Financing</b>	125.0	21.6	(82.7)
Net Borrowing	64.0	(16.6)	(125.9)
Change in Cash (minus=increase)	60.9	38.2	(37.3)

Source: Cayman Islands Treasury Department

### 11.1. Revenue

Total revenue rose by 12.2% to reach \$416.2 million (see Table 18). Total revenue comprises both coercive (89.4%) and non-coercive revenue (10.6%). Coercive revenue which totalled \$372.0 million rose by \$34.1 million or 10.1% above the receipts in the preceding year. Coercive revenue benefited from revenue-enhancing measures which increased the yield on both taxes and domestic transactions and taxes on international trade and transactions by 18.2% and 2.8%, respectively. All other coercive revenue sources declined.

On the other hand, non-coercive revenue amounted to \$44.1 million, 33.5% higher than the comparative period a year ago. This improvement emanated from an increase in the

sales of goods and services while all other sources recorded declines.

**Table 18: Revenue Collection of the Central Government (Jan - Sept)**

Revenue Sources	Sep-09	Sep-10	%
	CI\$ Millions		Change
<b>Total Revenue</b>	<b>371.0</b>	<b>416.2</b>	12.2
<b>Coercive Revenue</b>	<b>337.9</b>	<b>372.0</b>	10.1
Taxes on Int'l Trade & Transactions	112.7	115.8	2.8
Domestic Taxes on Goods & Services	201.6	238.3	18.2
Taxes on Property	17.3	16.6	(3.8)
Fines	1.9	1.3	(31.7)
Other Taxes	4.5	0.0	(99.8)
<b>Non-coercive Revenue</b>	<b>33.1</b>	<b>44.1</b>	33.5
Sale of Goods & Services	31.6	43.8	38.5
Investment Revenue	0.6	0.3	(52.6)
Operating and Other Revenue	0.9	0.1	(90.7)
Extraordinary items	0.0	0.0	

Source: Cayman Islands Treasury Department

## 11.2. Expenditure

Total expenditure for the first three quarters of 2010 declined, stemming from both recurrent and capital expenditures. Capital expenditure and net lending was slashed by 40.3% during the period, while recurrent expenditure declined by 2.8%. The latter was precipitated by declines in personnel cost, extraordinary expenses and other executive expenses (see Tables 17 and 19).

**Table 19: Current Expenditure of the Central Government (Jan - Sept)**

	Sep-09	Sep-10	%
	CI\$ Millions		Change
<b>Current Expenditure</b>	<b>378.4</b>	<b>367.7</b>	(2.8)
Personnel Costs	179.7	170.8	(4.9)
Supplies & Consumables	60.3	63.4	5.2
Subsidies	83.0	88.5	6.6
Transfer Payments	19.0	20.0	5.5
Interest Payments	11.4	20.5	79.0
Extraordinary Expenses	17.8	2.1	(88.4)
Other Executive Expenses	7.2	2.4	(67.3)
	<b>Sep-09</b>	<b>Sep-10</b>	
	Share of expenditure (%)		
<b>Current Expenditure</b>	<b>100.0</b>	<b>100.0</b>	
Personnel Costs	47.5	46.5	
Supplies & Consumables	15.9	17.2	
Subsidies	21.9	24.1	
Transfer Payments	5.0	5.5	
Interest Payments	3.0	5.6	
Extraordinary Expenses	4.7	0.6	
Other Executive Expenses	1.9	0.6	

Source: Cayman Islands Treasury Department

During the period, personnel costs were restricted to \$170.8 million, lower by 4.9% compared to a year ago. This resulted from a temporary reduction in civil service salaries starting July 2010 by 3.2% coupled with a reduction in the number of personnel in the civil service by 1.5% to 3,626 as at end of September 2010.

Reductions were also recorded in both extraordinary expenses and other executive expenses as expenditure on disaster relief and special investigations projects subsided.

Despite the reduction in some of the recurrent expenditure, increases were recorded in supplies and consumables, subsidies, transfer payments and interest payments (see Table 19). Interest payments for servicing the disbursed outstanding debt was increased by 79.0% to \$20.5 million as the stock of debt expanded by 17.8% as at September 2010.

### 11.3. Net Financing

The overall deficit was financed from a decrease in cash reserves by \$38.2 million.

Table 20: Overall & Primary Fiscal Balance  
(Jan-Sept)

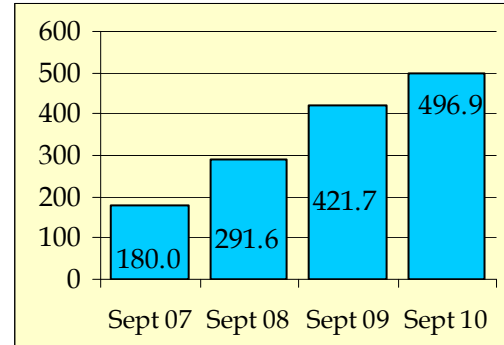
	Sep-09	Sep-10	%
	CI\$ Millions		Change
<b>Financing</b>	125.0	21.6	(82.7)
Net Borrowing	64.0	(16.6)	(125.9)
Disbursements	79.6	0.0	
Loan Repayment	15.5	16.6	6.8
Change in Cash (minus = increase)	60.9	38.2	(37.3)

Source: Cayman Islands Treasury Department

### 11.4. Debt and Debt Service

The expansion in borrowings between September 2009 and September 2010 resulted in an increase in the central government's outstanding debt to total \$496.9 million (see Figure 15) from \$421.7 million as at end September 2009.

Figure 15: Central Government Outstanding Debt (CI\$ Millions)



Source: Cayman Islands Treasury Department

The central government's outstanding debt grew by 17.8% or \$75.2 million compared to a year ago. This movement increased the central government's debt service-to-current revenue ratio to 8.9%, from 7.3% a year ago. Similarly, interest payments-to-current revenue ratio stood at 4.9% compared to 3.1% as at September 2009.



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Cayman Islands Planning Department  
Cayman Islands Stock Exchange  
Cayman Islands Water Company  
Department of Immigration  
Immigration Department  
Lands and Survey Department  
Port Authority of the Cayman Islands**