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# THE CAYMAN ISLANDS' THIRD QUARTER ECONOMIC REPORT 2011

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January 2012



The Economics and Statistics Office

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## Overview\*

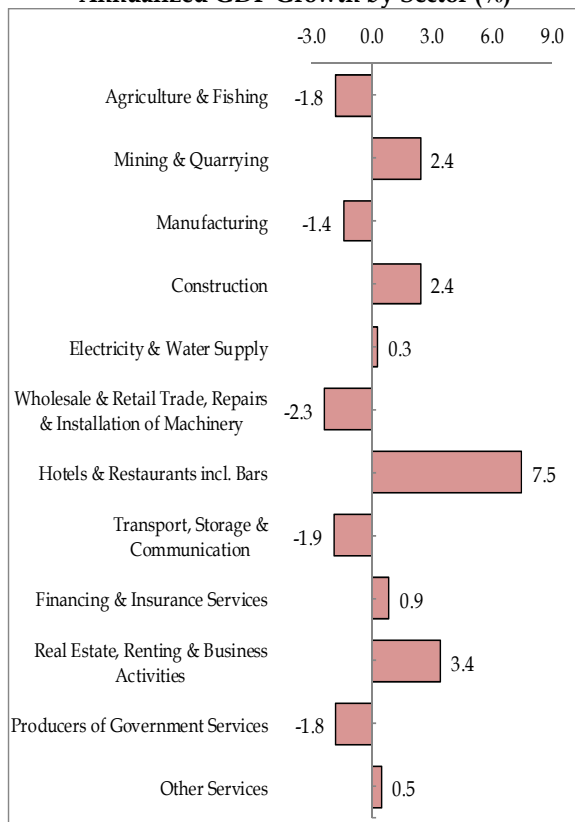
- Gross domestic product was estimated to have expanded at an annualised rate of 1.2% in the first nine months of 2011.
- The average Consumer Price Index increased by 1.2%, led by higher price indices for transport associated with higher fuel prices.
- Merchandise imports rose by 6.1% to register at \$543.3 million in contrast to a decline of 4.6% in the same period last year.
- Current work permits continued to fall but at a lower rate (5.2%) compared to a year ago.
- Broad liquidity or money supply contracted by 2.0% due to reductions in foreign currency deposits held by residents.
- The weighted average lending rate fell by 39 basis points to 6.62% while prime lending rate remained stable at 3.25%.
- Domestic credit expanded by 3.8% as credit to the public sector increased by 58.6% while credit to the private sector fell by 1.2%.
- Bank and trust company licenses slid by 4.6% while insurance licenses were stable.
- Mutual funds registration fell as compared to the previous year by 163 or 1.7%.
- Stock exchange listings expanded by 1.5% to settle at 1,133 amidst an increase in market capitalization.
- New company registrations recorded strong growth of 14.1% to total 7,063.
- Air arrivals grew by 7.5% while cruise passengers declined by 10.1%.
- Building permits fell by 24.0% to settle at 575, valued at \$142.3 million.
- The number of property transfers rose by 1.0% to 1,448 while the total value spiked by 123.9% to \$555.6 million.
- Electricity consumption fell by 1.1%. In contrast, water production and consumption grew by 2.6% and 1.2% respectively.
- Demand for telecommunication services showed declines across major types of indicators, including total minutes for domestic calls (-14.1%).
- The central government's overall fiscal deficit narrowed to \$17.0 million from \$61.3 million a year ago.
- The total outstanding debt of the central government increased to \$622.3 million from \$495.2 million a year ago.

\*Comparative data over the first nine months of 2010, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off

## 1. GDP Growth

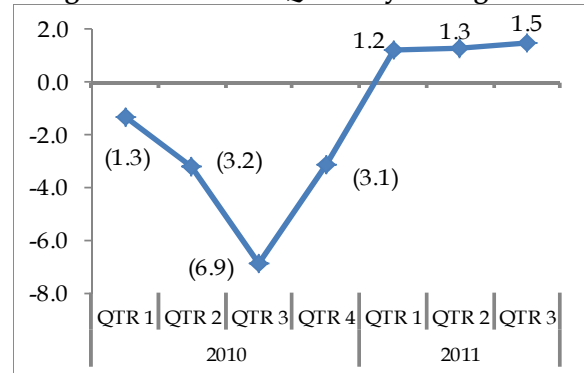
Key Indicators for the first nine months of 2011 suggest that real GDP grew at an estimated annualised rate of 1.2% compared to a year ago when the economy was estimated to have contracted by 5.8%. During this period, upbeat growth rates were indicated for hotels and restaurants (7.5%), real estate, renting and business services (3.4%) and construction (2.4%). The major contracting sectors were; wholesale and retail trade, government services, and transport storage and communications (see Figure 1).

**Figure 1: Estimated First Three Quarters of 2011 Annualized GDP Growth by Sector (%)**



Source: Economics and Statistics office

**Figure 2: Estimated Quarterly GDP growth**



Source: Economics and Statistics Office

As depicted in Figure 2, for the first three quarters of 2011, quarterly GDP growth was estimated at 1.2%, 1.3% and 1.5%, respectively. This can be compared to declines of 1.3%, 3.2% and 6.9%, respectively in 2010. As a result of this improved economic performance, the macroeconomic outlook improved for the calendar year 2011 as shown in Table 1. The annual GDP forecast was upgraded to 1.2% from 0.9% based on the performance during the first three quarters of 2011.

Meanwhile, the CPI inflation forecast for 2011 was revised upwards to 1.4%. This was based on the increased average CPI for first three quarters mainly due to upside pressures from higher international food and oil prices.

**Table 1: Macroeconomic Outlook  
Based on First Three Quarters Data**

	2009	2010	Forecast 2011
	Per cent (%)		
Real GDP	(6.9)	(3.4)	1.2
CPI Inflation	(1.5)	0.3	1.4
Unemployment Rate	6.0	6.2	6.1
BOP Current A/C (% of GDP)*	(16.7)	(16.9)	(15.2)

\* Balance of Payments Current Account  
Source: Economics and Statistics Office

## 2. Inflation

Average inflation for the first nine months of 2011 was recorded at 1.2% (see Table 2). This resulted mainly from rising price indices for transport (11.2%) followed by food and non-alcoholic beverages (2.8%), health (3.4%), restaurants and hotels (1.5%), miscellaneous goods and services (1.5%) as housing and utilities declined (1.8%).

In the quarter ended September 2011, the Consumer Price Index (CPI) stood at 101.0, higher by 2.6% compared to a year ago (see Figure 3)<sup>1</sup>. Rising price indices were recorded for transport (11.0%), health (8.4%), food and non-alcoholic beverages (4.0%), housing and utilities (2.4%), restaurants and hotels (2.0%), household equipment (1.6%) communication (1.1%). However, these increases were offset by declines in alcohol and tobacco (-0.1%), recreation

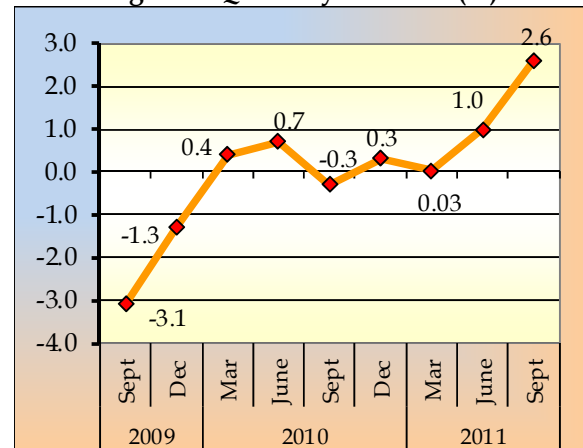
and culture (-0.9%), miscellaneous goods and services (-0.7%), and clothing and footwear (-0.1%).

**Table 2: Average Semi-Annual Inflation (%)**

Categories	As at September Avg Inflation Rates	
	2010	2011
Food & Non Alcoholic Beverages	2.8	2.8
Alcohol and Tobacco	10.3	0.2
Clothing and Footwear	-0.7	-0.3
Housing and Utilities	-3.7	-1.8
Household Equipment	0.4	0.8
Health	1.3	3.4
Transport	7.8	11.2
Communication	3.0	1.0
Recreation and Culture	0.5	0.8
Education	1.7	1.2
Restaurants and Hotels	5.5	1.5
Misc. Goods and Services	0.8	1.5
Overall CPI Inflation	0.3	1.2

Source: Economics and Statistics Office

**Figure 3: Quarterly Inflation (%)**



Source: Economics and Statistics Office

The price index for housing and utilities stood at 91.2 in the third quarter of 2011, an increase by 2.4%. This was mainly on account of increases in actual rental for housing by 3.3%, housing maintenance (2.9%) augmented by increases in the cost of utilities as water supply and miscellaneous services

<sup>1</sup> See also 'The Cayman Islands Consumer Price Report September 2011,' [www.eso.ky](http://www.eso.ky)

(13.8%) and electricity, gas and other fuels (23.8%) rose. The rising utility prices were caused largely by the price surge for international oil and oil-related products, which increased the production cost of electricity and the cost of pumping water.

Similarly, higher oil prices accounted for the increase in the transport index by 11.0% during the third quarter.

The index for food and non-alcoholic beverages increased by 4.0% on account of higher international food prices due mainly to adverse weather conditions in producing countries.

The health index rose by 8.4% during this period mainly on account of an 11.9% increase in the cost of outpatient services.

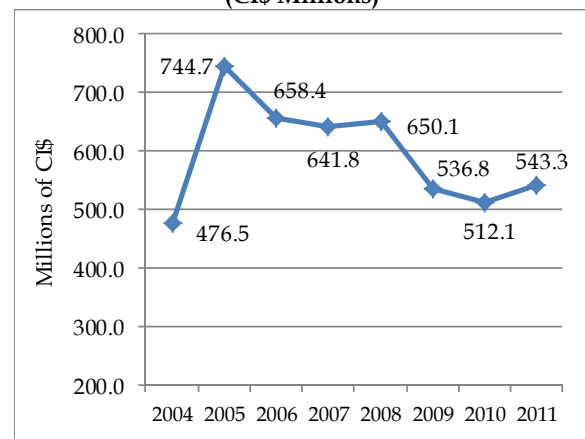
### 3. Trade

Preliminary trade data for the first three quarters of 2011 indicated higher imports compared to a year ago. This positive movement was due to increases in the second and third quarters of 16.8% and 8.8%, respectively, reversing the first quarter decline of 1.6%. These quarterly performance led merchandise imports to increase by 6.1% in the first nine months of 2011 settling at \$543.3 million from the \$512.1 million during the comparative period in 2010 (see Figure 4). The increase in imports resulted from higher value of oil and petroleum-related products which

increased by 48.0% while non-oil merchandise imports declined by 2.3%.

Other increases were recorded in the value of beverages and tobacco (22.3%), machinery and transport equipment (3.6%) food and live animals (1.4%). Some of the categories of imports which declined were manufactured goods classified chiefly by materials (-14.7%), chemicals and related-products (-7.3%), miscellaneous manufactured articles (-5.2%).

**Figure 4: As at September Merchandise Imports (CIS\$ Millions)**



Source: Customs Department and ESO

Despite an increase in the value of merchandise imports for the first three quarters of 2011, the volume of imported cargo almost levelled off which arrested the previous declining trend. The total tonnage of landed cargo declined slightly by 0.4% (see Figure 5), an amelioration compared to the 20.2% decline a year ago.

Figure 5: Total Tonnage of Cargo (Jan-Sept)



Source: Cayman Islands Port Authority

As exhibited in Table 3, the quantity of imported fuel rose by 4.5% during the first three quarters of 2011. All type of fuel except diesel registered increases.

Table 3: Quantity of Fuel Imports (Jan-Sept)

	Sep-09	Sep-10	Sep-11	% Change
	Millions of imperial gallons			
Total Fuel	39.2	35.9	37.5	4.5
Diesel	27.8	25.6	25.2	-1.6
Gas	7.9	7.1	8.1	14.1
Aviation Fuel	3.0	2.6	3.0	15.4
Propane	0.5	0.6	1.2	100.0

Source: Cayman Islands Port Authority

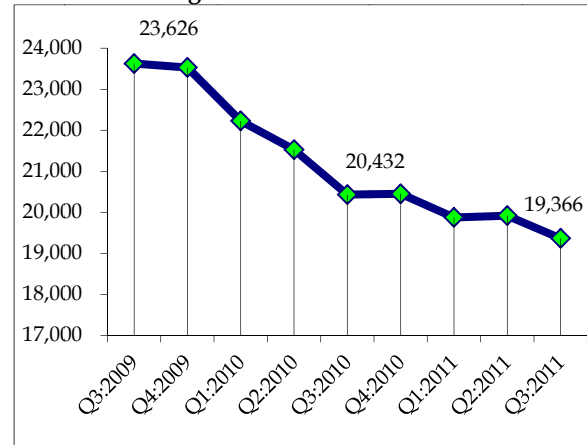
#### 4. Work Permits

As at September, work permits continued to dwindle, this time by 5.2% compared to a year ago. However, over the last five quarters the volume of work permits has fluctuated between 19,366 and 20,432. As at September, the number stood at 19,366 (see Figure 6A).

As compared to a year ago (see Figure 6B), civil service employment decreased

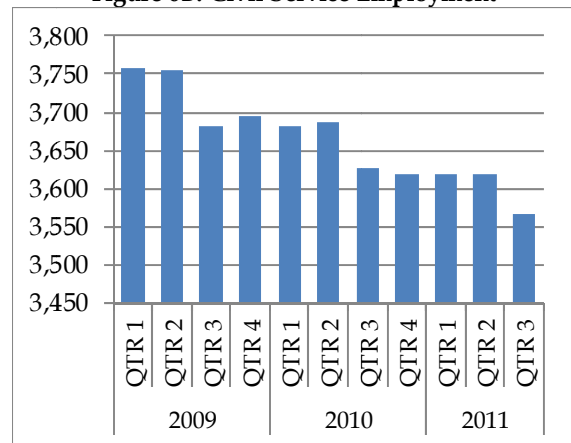
by 1.7% (or 61 persons) to total 3,565 as the policy to reduce the size of the civil service continues.

Figure 6A: Work Permits



Sources: Immigration Department, Economics & Statistics Office

Figure 6B: Civil Service Employment



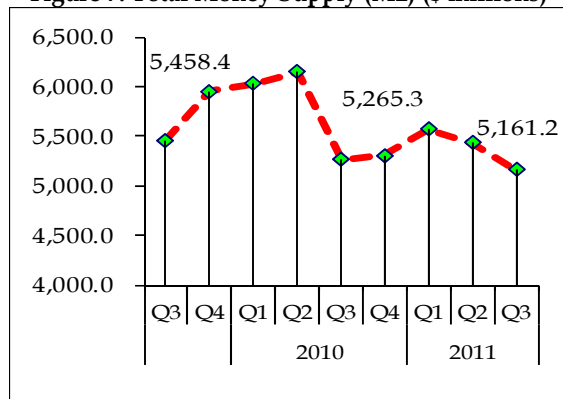
Sources: Portfolio of the Civil Service

#### 5. Money & Banking

Broad liquidity (M2) which comprises CI dollar-denominated money and foreign exchange deposits contracted by 2.0% to settle at \$5,161.2 million in the first nine months of 2011. This contraction arose despite growth in CI dollar-denominated deposits and

money in circulation. The decline emanated from reduction in foreign currency deposits by 3.6% as this has a significant share (80.9%) in total money supply (see Figure 7 and Table 4).

Figure 7: Total Money Supply (M2) (\$ millions)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

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

	Sep-10	Sep-11	% Change
<b>Total Assets</b>	<b>5,265.3</b>	<b>5,161.2</b>	(2.0)
<b>Net Foreign Assets</b>	<b>3,041.0</b>	<b>2,917.4</b>	(4.1)
Monetary Authority	83.3	86.8	4.2
Commercial Banks	2,957.7	2,830.6	(4.3)
<b>Net Domestic Assets</b>	<b>2,224.3</b>	<b>2,243.8</b>	0.9
Domestic credit	2,932.6	3,043.3	3.8
Claims on central government	180.9	301.3	66.6
Claims on other public sector	63.9	86.9	36.0
Claims on private sector	2,687.8	2,655.1	(1.2)
Other items net (assets +)	(708.3)	(799.5)	12.9
<b>Broad Liquidity</b>	<b>5,265.3</b>	<b>5,161.2</b>	<b>(2.0)</b>
Broad money (KYD) M2	936.4	986.3	5.3
Currency in circulation	78.3	82.1	4.9
KYD Deposits	858.1	904.2	5.4
Demand deposits	259.2	287.2	10.8
Time and savings deposits	598.9	617.0	3.0
FOREX deposits	4,328.9	4,174.9	(3.6)
of which: US dollars	3,660.4	3,606.4	(1.5)
US\$ Contribution (%)	84.6	86.4	

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

**5.1. Net Foreign Assets (NFA).** During the review period, NFA of domestic commercial banks fell by 4.3% (see Table 5), while that of the Cayman Islands Monetary Authority increased by 4.2%, resulting in an overall contraction of \$123.6 million (or 4.1%). The decline in commercial banks' NFA resulted from an increase in foreign liabilities (3.9%) as non-resident deposits and other liabilities increased augmented with a reduction in foreign assets (0.1%) as balances with banks and branches abroad declined.

Table 5: Net Foreign Assets (\$ millions)

	Sep-10	Sep-11	% Change
<b>Net Foreign Assets</b>	<b>3,041.0</b>	<b>2,917.4</b>	<b>(4.1)</b>
Monetary Authority	83.3	86.8	4.2
Commercial Banks	2,957.7	2,830.6	(4.3)
<b>Foreign Assets</b>	<b>6,013.2</b>	<b>6,004.9</b>	<b>(0.1)</b>
Bal. with Banks & Branches	3,791.7	3,428.7	(9.6)
Total Investment	706.0	908.0	28.6
Total Non-Resident Loans	1,515.5	1,668.2	10.1
<b>Foreign Liabilities</b>	<b>3,055.5</b>	<b>3,174.2</b>	<b>3.9</b>
Total Non-Resident Deposits	3,020.5	3,070.3	1.6
Other Liabilities	35.0	103.9	196.9

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

**5.2. Domestic Credit.** During the review period, a 3.8% expansion in domestic credit was driven by a 58.6% growth in public sector indebtedness coupled with a reduction in credit to the private sector of 1.2% compared to a year ago (see Table 6).

The increase in public sector indebtedness by \$143.4 million is traced mainly to the central government (\$120.4 million). Other public sector entities also had a net increase in



borrowings of \$23.0 million (see Table 4).

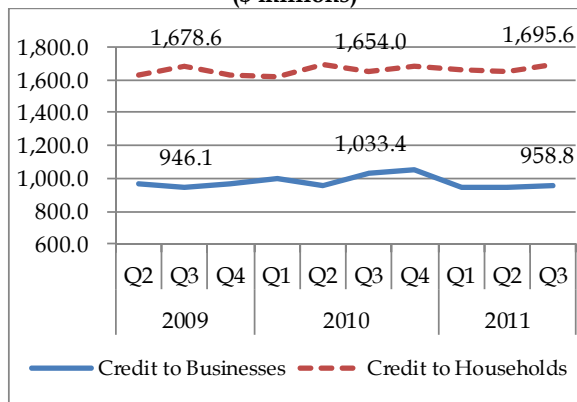
**Table 6: Domestic Credit (\$ millions)**

	Sep-10	Sep-11	% Change
Domestic Credit	2,932.6	3,043.3	3.8
Domestic Credit to Public Sector	244.8	388.2	58.6
Domestic Credit to Private Sector	2,687.8	2,655.1	(1.2)

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Lending to the domestic private sector (businesses and households) declined by 1.2% as at September 2011. As Figure 8 shows, loans to households increased while loans to businesses declined compared to the same period last year.

**Figure 8: Credit to Business and Households (\$ millions)**



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Loans to households increased by 2.5% (or \$41.6 million) as at September 2011 compared to the preceding year. This was dominated by a 1.9% increase in lending for domestic property. Other increases were for education and

technology, and miscellaneous<sup>2</sup> (see Table 7) while motor vehicles loans declined.

Credit to businesses contracted during the review period as lending to both the sectors of trade and commerce, and services declined.

Lending to the production and manufacturing sectors increased by 32.9%, due predominantly to an increase of \$125.6 million to the construction business.

During the review period, loans to the services sector contracted by 11.3% as a total of \$22.6 million in loans were amortised across different services.

Lending to trade and commerce declined by \$100.1 million (or 21.9%) dominated by reduced indebtedness among companies plying business in the real estate, rentals and leasing sector. However, during the last three months, lending to the services sector increased by \$35.2 million.

Credit to other financial corporations declined by 51.4% to \$43.9 million.

<sup>2</sup> Miscellaneous is consolidated debt, insurance, medical and travel

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

	Sept-10	Sept-11	% Change
<b>Total</b>	2,687.8	2,655.2	(1.2)
<b>Credit to Businesses</b>	1,033.3	958.9	(7.2)
<b>Production &amp; Manufacturing</b>	287.6	382.1	32.9
Agriculture, Fishing and Mining	7.1	6.8	(4.2)
Manufacturing	8.4	12.5	48.8
Utilities	58.2	23.3	(60.0)
Construction	213.9	339.5	58.7
<b>Services</b>	199.3	176.8	(11.3)
Accommodation, Food, Bar & Entertainment Services	115.1	98.0	(14.9)
Transportation, Storage & Communications	4.3	43.2	904.7
Education, Recreational & Other Professional Services	79.9	35.6	(55.4)
<b>Trade and Commerce</b>	456.0	356.1	(21.9)
Wholesale & Retail Sales Trade	71.9	69.1	(3.9)
Real Estate Agents, Rental and Leasing Companies	369.9	255.2	(31.0)
Other Business Activities (General Business Activity)	14.2	31.8	123.9
<b>Other Financial Corporations</b>	90.4	43.9	(51.4)
<b>Credit to Households</b>	1,654.0	1,695.6	2.5
Domestic Property	1,451.2	1,479.0	1.9
Motor Vehicles	48.2	40.2	(16.6)
Education and Technology	5.2	6.3	21.2
Miscellaneous*	149.4	170.1	13.9
<b>NonProfit Organizations</b>	0.5	0.7	40.0

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

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

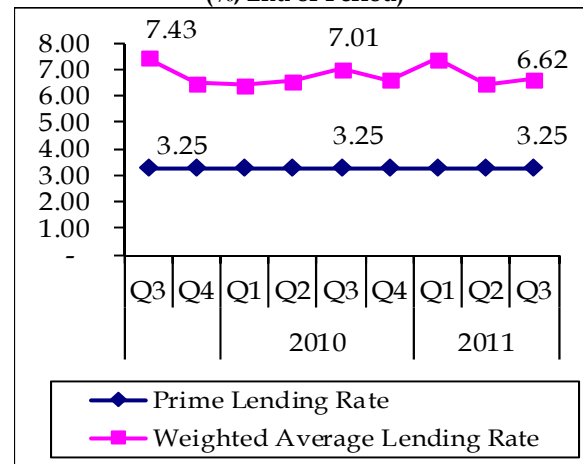
**5.3. Broad Liquidity.** As referenced in Table 4, broad liquidity (M2) in the Cayman Islands reached \$5,161.2 million in September 2011, compared to \$5,265.3 million for the same period last year. This represents a 2.0% decline which resulted from a decrease in foreign currency deposits even as local currency money grew.

Foreign currency deposits recorded a decline of 3.6% or \$154 million. This

reduction comprised \$54 million US dollar denominated deposits and \$100 million of other currencies denominated deposits dominated by Euro area currencies (pound and Euro).

Total CI dollar deposits rose by 5.4% while currency in circulation grew by 4.9% compared to a year ago. The increase in currency in circulation is an indication of possible higher level of economic transactions.

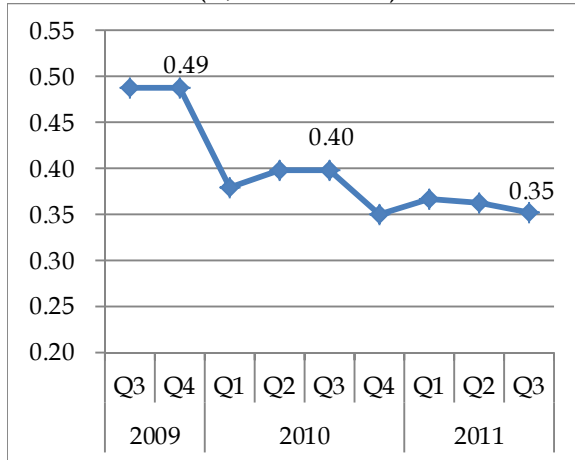
**5.4. Interest Rates.** As depicted in Figure 9, the weighted average lending rate fell by 39 basis points from 7.01% in September 2010 to 6.62% in the same period of 2011. The Cayman Islands prime lending rate remained constant at 3.25%.

**Figure 9: KYD Lending Rates  
(%, End of Period)**


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

As depicted in Figure 10, the weighted average savings rate declined by 5 basis points from a year ago to 0.35%.

**Figure 10: KYD Weighted Average Savings Rates  
(%, End of Period)**



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

## 6. Financial Services

The financial services industry posted mixed results between January and September 2011. With the exception of insurance companies, stock exchange listings and new company registrations, fewer registrations were recorded for all other sub-sector indicators.

### 6.1. Banks & Trust

The Cayman Islands banking sector maintained its course of streamlining amid the prevailing challenging market environment. As of September 2011, the total number of licenced bank and trust companies stood at 250—down by 4.6% from 262 a year ago. Similarly, licences to trust companies decreased by 4.7% to reach 123.

**Table 8: Bank & Trust Companies**

	Sept 2009	Sept 2010	Sept 2011	% Change
<b>Bank and Trust</b>	<b>270</b>	<b>262</b>	<b>250</b>	<b>-4.6</b>
Class "A"	18	17	16	-5.9
Class "B"	252	245	234	-4.5
<b>Trust Companies</b>	<b>138</b>	<b>129</b>	<b>123</b>	<b>-4.7</b>
Restricted	85	78	71	-9.0
Unrestricted	53	51	52	2.0

Source: Cayman Islands Monetary Authority

Class 'A' bank & trust licences declined by 1 to 16, while Class 'B' licences declined by 11, to settle at 234.

Applicants from Europe and USA led Cayman's banking licencees comprising 29.2% and 26.4%, respectively. The distribution of other banking license sources was as follows: South America 17.2%, Asia and Australia 10.0%, Caribbean and Central America 8.4%, Canada and Mexico 5.2% and Middle East and Africa 3.6%.

### 6.2. Insurance

Similar to last year's tally, activity within the insurance industry remained unchanged as the total number of insurance licences stood at 758.

Whereas Class 'A' insurance licences fell to 28, Class 'B' (captive) licences rebounded by 1 to reach 730 over the review period. Meanwhile, total premium of captives improved by US\$2,070 million.

Table 9: Insurance Companies

	Sep 2009	Sep 2010	Sep 2011	% Change
Class 'A'	27	29	28	-3.4
Class 'B'	779	729	730	0.1
<b>Total</b>	<b>806</b>	<b>758</b>	<b>758</b>	<b>-</b>

Source: Cayman Islands Monetary Authority

The captive licencees' primary class of business comprised of healthcare (35.1%), workers' compensation coverage (21.5%), property (12.2%), general liability (9.6%) and professional liability (9.3%).

Table 10: Captive Insurance Licences by Primary Class of Business, September 2011

	Licences	% share
Healthcare	256	35.1
Workers' Compensation	157	21.5
Property	89	12.2
General Liability	70	9.6
Professional Liability	68	9.3
Other	90	12.3
<b>Total</b>	<b>730</b>	<b>100.0</b>

Source: Cayman Islands Monetary Authority

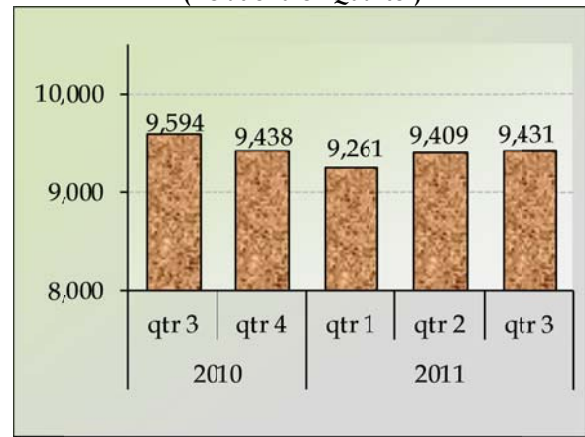
The most popular geographic source of captive insurance companies remain to be North America (90.4%) while the share of total captive insurance licences for the Caribbean and Latin America region (3.2%) was third after the 'Worldwide' category (3.7%).

Premiums for captives increased by US\$2,070 million (27.5%) to register at US\$9.6 billion at the end of September 2011.

### 6.3. Mutual Funds

When compared to the third quarter of 2010, the number of mutual funds licences narrowed by 163 (or by -1.7%) to 9,431. Nonetheless, this marked a steady improvement since the start of the year.

Figure 11: Mutual Funds (As at end of Quarter)



Source: Cayman Islands Monetary Authority

### 6.4. Stock Exchange

The total Cayman Islands Stock Exchange listings increased by 1.5% from 1,116 in September 2010 to 1,133 in September 2011. Whereas mutual funds remained on a downtrend, international equity was unchanged with a total of 2 listings recorded. Nonetheless, increases were noted for other categories of instruments including specialist debt, eurobond, and domestic equity.

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

Instruments	2009	2010	2011
<b>Total</b>	<b>1,316</b>	<b>1,116</b>	<b>1,133</b>
Mutual Funds	548	331	322
Specialist Debt	698	708	712
Eurobond	64	72	93
International Equity	3	2	2
Domestic Equity	3	3	4

Source: Cayman Islands Stock Exchange

The contraction in mutual fund listings is also mirrored in the fall of its market capitalization of US\$3.3 billion (or 10.2%) to reach US\$29.2 billion in September 2011. Table 12 shows improved market capitalization for all other types of instrument except mutual funds. Domestic equity increased significantly as a result of two additional funds, one of which had preferred shares in excess of US\$2.6 billion.

**Table 12: Market Capitalization by Instruments (US\$ Billions)**

Instruments	2009	2010	2011
<b>Total</b>	<b>161.7</b>	<b>143.7</b>	<b>149.1</b>
Mutual Funds	50.3	32.5	29.2
Specialist Debt	80.9	81.1	81.9
Eurobond	29.6	29.2	34.3
International Equity	0.8	0.7	0.9
Domestic Equity	0.1	0.2	2.8

Source: Cayman Islands Stock Exchange

## 6.5. New Company Registration

During the period January to September 2011, total new company registrations reached 7,063 as compared to 6,192 over the same period of 2010, representing a 14.1% increase. Upturns across all categories with the exception of non-

resident companies were recorded. Exempt companies registered the highest growth during the review period as it rebounded by 16.4%.

**Table 13: New Company Registrations**

	2009	2010	2011
<b>Total</b>	<b>5,842</b>	<b>6,192</b>	<b>7,063</b>
Exempt	5,033	5,334	6,210
Non-Resident	144	186	125
Resident	388	360	397
Foreign	277	312	331
<b>Percentage change (%)</b>			
<b>Total</b>	<b>-39.1</b>	<b>6.0</b>	<b>14.1</b>
Exempt	-41.1	6.0	16.4
Non-Resident	-37.4	29.2	-32.8
Resident	-9.1	-7.2	10.3
Foreign	-30.8	12.6	6.1

Source: Registrar of Companies

## 7. Tourism

Despite strong growth in air arrivals, total visitor arrivals fell by 7.4% to 1,299,001 as of the end of September 2011 compared to a year ago. This downturn was due to weaker cruise arrival numbers which outpaced the increase in air arrivals.

### 7.1. Air Arrivals

In contrast to the 219,934 stay-over visitors registered in the first nine months of 2010, air arrivals for the first three quarters of 2011 rose by 7.5% to total 236,448.

While arrivals from all visitor markets performed favourably, the Canadian

region continued to demonstrate solid growth with its contribution to overall arrivals rising from 6.0% last year to 7.6% this year. Enhanced Cayman/Canada air services especially benefited visitor numbers from this region.

As shown in Table 14, visitor arrivals from all regions of the US improved when compared to the previous year.

**Table 14: Air arrivals by US regions**

	2009	2010	2011	% Change
<b>USA</b>	167.3	177.3	188.9	6.5
Northeast	59.1	65.3	67.4	3.2
Midwest	34.2	38.0	40.7	7.1
Southeast	33.7	32.3	35.1	8.7
Southwest	28.8	30.4	33.4	9.9
West Coast	11.5	11.3	12.3	8.8
<b>Europe</b>	14.2	14.5	15.4	6.2
<b>Canada</b>	12.5	13.2	17.9	35.6
<b>Others</b>	14.7	14.9	14.2	-4.7
<b>Total</b>	208.8	219.9	236.4	7.5
of Which: USA (%)	80.1	80.6	79.9	

Source: Department of Tourism

### Accommodation

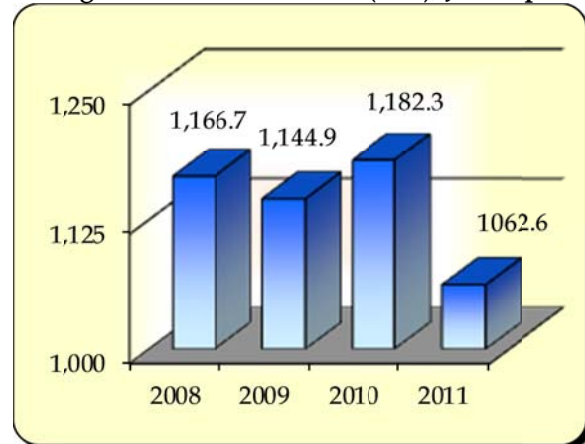
Hotel occupancy rates fell from 68.2% in 2010 to 62.6% in 2011, while occupancy levels for apartments strengthened slightly from 44.1% to 44.9%.

The average length of stay for hotels rose marginally from 4.4 days to 4.7 days. Similarly, the average length of stay at apartments extended from 6.8 days to 7.2 days.

## 7.2. Cruise Arrivals

During the first three quarters of 2011, cruise arrivals totalled 1,062,553 visitors, a decline of 10.1% over the comparative period for 2010.

**Figure 12: Cruise arrivals ('000), Jan-Sept**



Source: Department of Tourism

Between January and September 2011, the number of cruise ship calls to George Town port decreased by 2.9% to 398. This performance translates to an average of 3,935 cruise passengers per day—or 444 fewer visitors per day when compared to the first three quarters of 2010.

## 8. Construction

Construction indicators continued to contract in the first nine months of the year, although the pace of decline moderated from the severe downturn recorded in 2010.

### 8.1. Building Permits

Building permits values fell anew by 15.7% to settle at \$142.3 million, an

improvement over the 43.8% decline recorded a year earlier.

Indicative of the persistent weakness of private domestic demand, all but the government category declined.

**Table 15: Building Permits (Jan-Sep)**

	2009	2010	2011	% Change
<b>Millions CI\$</b>				
Houses	120.1	74.6	64.0	(14.2)
Apartments	80.0	42.5	34.0	(20.0)
Commercial	41.3	40.9	31.5	(23.0)
Government	28.8	-	6.5	
Industrial	2.3	2.3	0.5	(78.3)
Other	27.8	8.5	5.8	(31.8)
<b>Total</b>	<b>300.1</b>	<b>168.8</b>	<b>142.3</b>	<b>(15.7)</b>

Source: Cayman Islands Government, Planning Department

Building activity in the residential sector contracted from a \$117.1 million a year ago to \$98.0 million.

Values for apartments and condominiums were worse affected, contracting by 20.0% to \$34.0 million, in contrast to the 14.2% fall in house values.

Non-residential building values fell by 10.9% to \$38.5 million, mainly due to decline in commercial construction by 23.0%.

In the government category, primary school infrastructure upgrade valued at \$6.5 million was issued in the second quarter.

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

	2009	2010	2011	% Change
Houses	438	305	246	(19.3)
Apartments	136	92	54	(41.3)
Commercial	88	102	77	(24.5)
Government	11	3	8	166.7
Industrial	5	6	1	(83.3)
Other	213	249	189	(24.1)
<b>Total</b>	<b>891</b>	<b>757</b>	<b>575</b>	<b>(24.0)</b>

Source: Cayman Islands Government, Planning Department

The number of building permits also fell, declining by 24.0% to 575 with only the government category increasing in the period.

## 8.2. Project Approvals

Project approval values compared to a year ago contracted anew by 14.7% to \$179.5 million.

**Table 17: Projects Approval (\$ Millions) Jan -Sep**

	2009	2010	2011	Change
<b>Millions CI\$</b>				
Houses	104.8	63.4	86.5	36.4
Apartments	131.0	30.0	12.1	(59.7)
Commercial	27.2	78.1	20.1	(74.3)
Government	0.1	0.9	14.1	1,466.7
Industrial	2.5	0.9	15.1	1,577.8
Other	82.9	37.1	31.6	(14.8)
<b>Total</b>	<b>348.5</b>	<b>210.4</b>	<b>179.5</b>	<b>(14.7)</b>

Source: Cayman Islands Government, Planning Department

A sharp fall in commercial approvals overshadowed the increases in government and industrial categories by \$13.2 million and \$14.2 million respectively.

In the residential sector, project approvals rose for a second consecutive quarter, as strengthening house approvals (36.4%) outweighed a declining apartment/condominium category (59.7%).

Overall, project approval numbers totalled 644, a 0.8% increase over the same period a year ago (see Table 18).

Only the apartment/condominium and commercial categories decreased by 44.0% and 25.0% respectively, while all other categories improved.

**Table 18: Number of Project Approvals (Jan-Sep)**

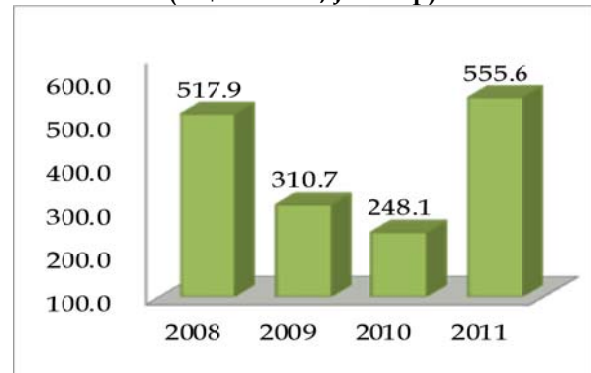
	2009	2010	2011	Change
Houses	344	203	225	10.8
Apartments	85	50	28	(44.0)
Hotels	0	0	0	-
Commercial	39	28	21	(25.0)
Government	3	5	12	140.0
Industrial	11	3	7	133.3
Other	377	350	351	0.3
<b>Total</b>	<b>859</b>	<b>639</b>	<b>644</b>	<b>0.8</b>

Source: Cayman Islands Government, Planning Department

## 9. Real Estate

The value of traded properties rose to \$555.6 million in the first nine months of the year, an increase of 123.9% compared to the same period a year ago.

**Figure 13: Value Property Transfers: (CIS\$ Million, Jan-Sep)**



Source: Lands & Survey Department

This rebound in real estate performance, which follows two consecutive years of decline (40.0% in 2009 and 20.1% in 2010), was mainly the result of the extraordinary sale of Seven Mile Beach properties in the first half of the year coupled with a few large transactions in the third quarter.

Accordingly, traded freehold properties, which represent the majority of all property transactions, values soared by \$300.0 million to \$539.2 million with traded leasehold also rising by \$7.6 million to \$16.4 million.

The volume of traded properties also for the first time this year also edged upwards, by 1.0% to 1,448. Traded freehold properties rose by 2.6% to 1,330 while traded leasehold properties fell by 13.9% to 118.

## 10. Utilities

Water consumption expanded while electricity consumption declined during



the first three quarters of the year in the midst of rising utility prices.

### 10.1. Electricity

Local electricity consumption fell by 1.1% to 421.4 kWh as at September 2011 mainly due to reductions in residential and public consumption whilst commercial consumption expanded (see Table 19).

Residential consumption fell by 2.7% despite an increase in the number of customers by 2.0% to 22,624. This is plausibly due to a general reduction in electricity demand in response to a spate of increases in electricity prices.

Commercial consumption expanded by 0.5% while the number of commercial customers increased by 1.0% to total 3,832. Public lighting consumption declined by 1.6% during the period.

### 10.2. Water

Higher demand associated with increased stay-over arrivals resulted in higher water consumption which led to increased water production to satisfy demand. Water production grew by 2.6% while consumption rose by 1.2% to remain at 1,369.7 million US gallons as of September 2011.

**Table 19: Utilities Production and Consumption**

	Sep-09	Sep-10	Sep-11	% Change
Millions of US Gallons				
Water Production	1,530.9	1,516.4	1,556.3	2.6
Water Consumption	1,367.1	1,353.9	1,369.7	1.2
'000 of megawatt hrs				
Electricity Consumption	415.6	425.9	421.4	-1.1
Residential	196.6	202.6	197.1	-2.7
Commercial	214.6	218.7	219.7	0.5
Public	4.4	4.7	4.6	-1.6
Total Customers				
Residential	21,482	22,175	22,624	2.0
Commercial	3,744	3,793	3,832	1.0

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

### 10.3. Telecommunications

This sector showed signs of weakening in the first nine months of 2011.

The total number of paid domestic and international communication minutes decreased by 14.1% and 10.4%, respectively, for the first nine months of 2011. This coincided with a 0.5% reduction in the total number of telephones in service as at end of September 2011.

**Table 20: Telecommunication Sector Indicators**

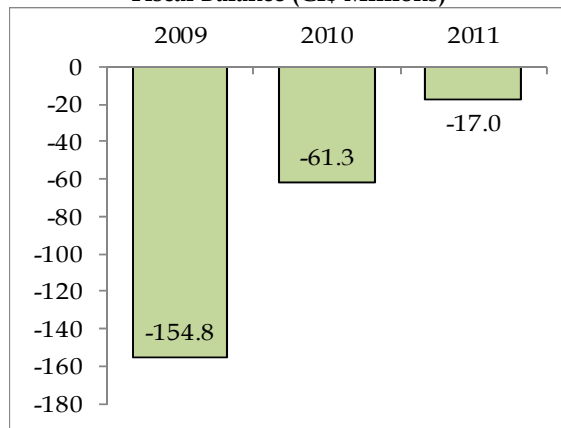
	Sep-10	Sep-11	% Change
Fixed and Mobile handsets in operation	132,469	131,871	(0.5)
Fixed and mobile domestic minutes	64,404	55,318	(14.1)
Fixed and mobile int'l retail minutes	49,454	44,331	(10.4)
Broadband connections	18,624	18,612	(0.1)

Source: Information Communication and technology Authority (ICTA)

## 11. Fiscal Operations of Central Government

For the first nine months of 2011, the overall fiscal deficit narrowed to \$17.0 million as compared to a deficit of \$61.3 million a year ago (see Table 21).

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



Source: Cayman Islands Treasury Department

The improvement was due to an enhanced current surplus and a simultaneous reduction in capital expenditure. The current surplus resulted from a 6.5% increase in current revenue which outweighed an increase in recurrent expenditure (3.6%). Meanwhile, capital expenditure declined by 49.0%.

Table 21: Summary of Fiscal Operations  
Jan-Sept

	Sep-10	Sep-11	% Change
	CI\$ Millions		
<b>Total Revenue</b>	382.5	407.4	6.5
<b>Total Expenditure</b>	443.8	424.4	(4.4)
Current Expenditure	376.7	390.2	3.6
Capital Expenditure & Net Lending	67.1	34.2	(49.0)
Current Balance	5.8	17.2	196.6
Overall Balance	(61.3)	(17.0)	72.3
<b>Financing</b>	61.3	17.0	(72.3)
Net Borrowing	(16.6)	30.4	283.1
Change in Cash (minus=increase)	77.9	(13.4)	(117.2)

Source: Cayman Islands Treasury Department

### 11.1. Revenue

For the first nine months of 2011, total revenue rose by 6.5% to reach \$407.3 million (see Table 21). Total revenue comprises both coercive (89.5%) and non-coercive revenue (10.5%). Coercive revenue which totalled \$364.6 million rose by \$26.1 million or 7.7% above the receipts in the preceding year. Coercive revenue benefited from higher yield on domestic taxes on goods and services by 4.1%, taxes on international trade and transactions by 2.2% and taxes on property by 92.8%.

The increase in domestic taxes on goods and services emanated mainly from higher collections of permanent residence work permit fees, company fees, tourism accommodation charges and traders licences.

Higher aggregate yield of taxes on international trade and transactions was propelled by strong increases in revenue

collected from gas and diesel imports, despite declines in all other areas.

Taxes on property benefited from higher stamp duty collected on the sale of properties along the Seven Mile road.

On the other hand, non-coercive revenue amounted to \$42.7 million, 3.0% lower than the comparative period a year ago. This fall-off originated from a reduction in receipts from other company fees.

**Table 22: Revenue Collection of the Central Government (Jan - Sept)**

Revenue Sources	Sep-10	Sep-11	%
	CI\$ Millions		Change
<b>Total Revenue</b>	<b>382.5</b>	<b>407.3</b>	6.5
<b>Coercive Revenue</b>	<b>338.5</b>	<b>364.6</b>	7.7
Taxes on Int'l Trade & Transactions	115.8	118.4	2.2
Domestic Taxes on Goods & Services	204.8	213.2	4.1
Taxes on Property	16.6	32.0	92.8
Fines	1.3	1.0	(23.1)
Other Taxes	-	-	
<b>Non-coercive Revenue</b>	<b>44.0</b>	<b>42.7</b>	(3.0)
Sale of Goods & Services	43.8	42.2	(3.7)
Investment Revenue	0.1	0.5	400.0
Other Revenue	0.1	-	(100.0)

Source: Cayman Islands Treasury Department

## 11.2. Expenditure

Despite an increase in the recurrent expenditure, the total expenditure for the first three quarters of 2011 declined, due to a reduction in capital expenditure. Capital expenditure and net lending was cut by 49.0% during the period, while recurrent expenditure increased by 3.6%. The latter was precipitated by increases in supplies

and consumables, subsidies, transfer payments and interest payments while personnel cost and extraordinary expenses declined (see Tables 21 and 23).

**Table 23: Current Expenditure of the Central Government (Jan - Sept)**

	Sep-10	Sep-11	%
	CI\$ Millions		Change
<b>Current Expenditure</b>	<b>376.7</b>	<b>390.2</b>	3.6
Personnel Costs	170.8	161.2	(5.6)
Supplies & Consumables	56.2	70.5	25.4
Subsidies	89.5	97.1	8.5
Depreciation	14.7	13.3	(9.5)
Transfer Payments	20.5	21.2	3.4
Interest Payments	20.5	24.5	19.5
Extraordinary Expenses	2.1	0.0	(100.0)
Other Executive Expenses	2.4	2.4	0.0

Source: Cayman Islands Treasury Department

During the period, personnel costs were restricted to \$161.2 million, which was lower by 5.6% compared to a year ago. This resulted partly from a reduction in civil servants salaries for the first six months of this year as compared to the similar period of 2010 when salaries were higher. The reduction in salaries by 3.2% started in July 2010. Additionally, personnel costs fell due to a reduction in the number of employees in the civil service by 1.7% (or 61 persons) to 3,565 as at end of September 2011.

Reductions were also recorded in extraordinary expenses by \$2.1 million while other executive expenses remained fixed at \$2.4 million. The former are usually spending on expenditure on disaster relief and special investigations projects.

Despite the reduction in some of the recurrent expenditure, increases were recorded in supplies and consumables, subsidies, transfer payments and interest payments (see Table 23). The increase in consumables by \$14.3 million plausibly resulted from higher utility costs, and purchasing operational materials that could have been suppressed over the last year.

Subsidies and transfer payments increased by \$7.6 million and \$0.7 million, respectively.

Interest payments for servicing the disbursed outstanding debt was \$24.5 million, higher by 19.5% as the stock of debt expanded by \$29.6 million between January 2011 and September 2011. The stock of debt as at beginning of January 2011 was \$592.7 million.

### 11.3. Net Financing

The overall deficit was financed from new borrowing of \$47.0 million, which also resulted in a build-up in cash reserves by \$13.4 million.

**Table 24: Net Financing (Jan-Sept)**

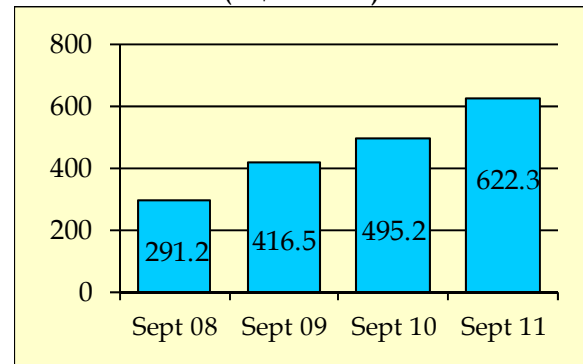
	Sep-10	Sep-11	% Change
	CI\$ Millions		
<b>Financing</b>	61.3	17.0	(72.3)
Net Borrowing	(16.6)	30.4	(283.1)
Disbursements	0.0	47.0	
Loan Repayment	(16.6)	(16.6)	0.0
Change in Cash (minus = increase)	77.9	(13.4)	(117.2)

Source: Cayman Islands Treasury Department

### 11.4. Debt and Debt Service

The expansion in borrowings between September 2010 and September 2011 resulted in an increase in the central government's outstanding debt to total \$622.3 million (see Figure 15) from \$495.2 million as at end September 2010.

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



Source: Cayman Islands Treasury Department

The central government's outstanding debt grew by 25.7% or \$127.1 million compared to a year ago. This movement increased the central government's debt service-to-current revenue ratio to 10.1%, from 9.7% a year ago. Similarly, interest payments-to-current revenue ratio stood at 6.0% compared to 5.4% as at September 2010.

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