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# THE CAYMAN ISLANDS' FIRST QUARTER ECONOMIC REPORT 2012

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July 2012



The Economics and Statistics Office

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## Overview

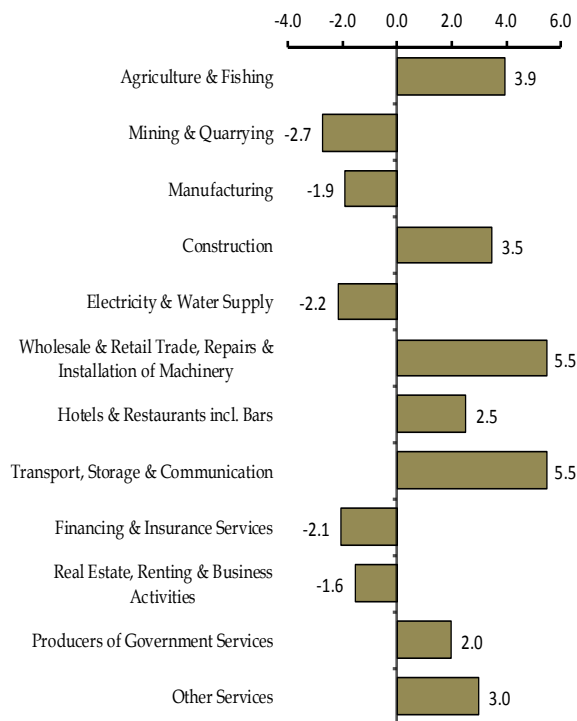
- Gross domestic product was estimated to have expanded at an annualised rate of 0.8% in the first quarter of 2012.
- The Consumer Price Index remained almost stable, marginally up by 0.1%, mainly due to lower price indices for housing which offset the increases for transport and other consumption divisions.
- Total merchandise imports rose by 8.4% to register at \$184.6 million as non-fuel imports expanded by 5.5% while fuel imports rose by 20.2%.
- Current work permits declined by 1.6%.
- Broad liquidity or money supply contracted by 7.0% due to reductions in foreign currency deposits held by residents amidst an expansion in CI dollar-denominated money.
- The weighted average lending rate fell to 7.22% from 7.38%, while the prime lending rate remained stable at 3.25%.
- Domestic credit expanded anew by 5.6% as credit to the public sector increased by 20.4% and to the private sector by 3.8%.
- Air arrivals grew by 2.5% while cruise passengers increased by 8.4%.
- Mutual funds grew by 729 or 7.9% primarily due to the inclusion of master funds.
- Bank and trust company registrations moved downward by 5.3% while insurance license grew marginally by 0.8%.
- Stock exchange listings grew anew by 3.3% to settle at 1,173 while stock market capitalization for mutual funds declined.
- New company registrations declined by 1.0% to total 2,374.
- Building permits grew by 6.1% to settle at 190, while the value fell by 36.5% to \$38.8 million.
- The value of property transfers reverted to a lower level of \$116.6 million following a spike of \$253.9 million a year ago.
- Electricity consumption rose by 0.9% while water consumption fell by 7.4%.
- The central government's overall fiscal deficit widened to \$13.7 million from \$3.7 million a year ago.
- The total outstanding debt of the central government increased to \$609.1 million from \$561.0 million a year ago.

\*Comparative data over the first quarter of 2011, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off

## 1. GDP Growth

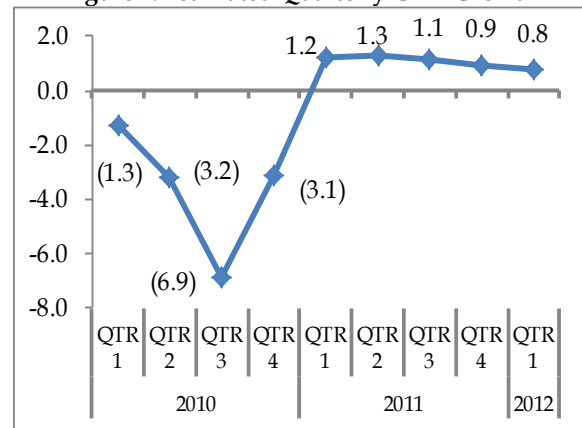
Based on first quarter indicators, the Cayman Islands' real GDP grew by an estimated annualised rate of 0.8% in the first quarter of 2012 compared to a year ago, when the estimated increase was 1.2%. Upbeat growth rates were estimated for wholesale and retail (5.5%), transport, storage and communication (5.5%), hotels and restaurant (2.5%), construction (3.5%) and producers of government services (2.0%). The contracting sectors were financing and insurances services, real estate, renting and business services, and utilities (see Figure 1).

Figure 1: Estimated First Quarter 2012 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, the 2012 first quarter marks the fifth quarter of sustained GDP growth. With this economic performance, the macroeconomic outlook for the calendar year 2012 is as shown in Table 1.

Table 1: Macroeconomic Outlook as at March 2012

	2010	2011	Forecast 2012
	Percent (%)		
Real GDP*	(3.4)	1.1	1.8
CPI Inflation	0.3	1.3	2.1
Unemployment Rate	6.2	6.3	6.1

\* 2011 is Estimated

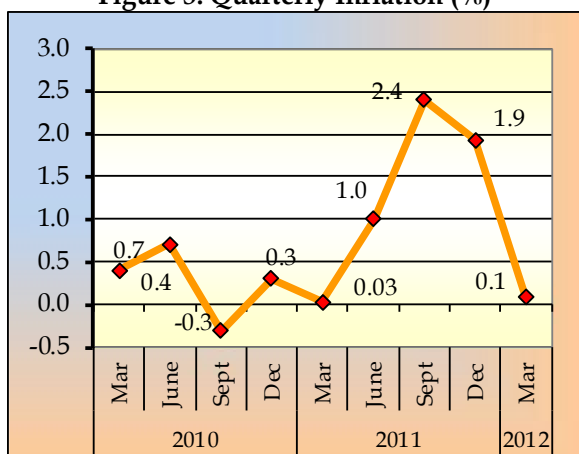
Source: Economics and Statistics Office

## 2. Inflation

The Consumer Price Index (CPI) stood at 99.3 in the first quarter, marginally higher by 0.1% compared to March 2011. This resulted mainly from rising price indices for transport (6.4%), food

and non-alcoholic beverage (5.3%), clothing and footwear (3.6%), health (2.7%), communication (2.2%), and restaurants and hotels (1.0%). However, these increases were offset by declines in housing and utilities (-3.9%) and recreation and culture (-1.4%).

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



Source: Economics and Statistics Office

During the period, the price index for housing and utilities declined by 3.9%, mainly on account of decreases in actual and imputed rent by 1.6% and 9.6%, respectively. Cost of utilities increased due to water supply and miscellaneous services (10%), and electricity, gas and other fuels (4.2%). These were caused largely by the price surges of international oil and oil-related products, which increased the production cost of electricity and the cost of pumping water. Additionally, cost of maintenance and repairs of dwelling increased by 5.1% as compared to a year ago.

Similarly, the transport index increase by 6.4% on account of higher oil prices.

The index for food and non-alcoholic beverage increased by 5.3%, due to higher prices for imported food and food products.

The price index for clothing and footwear moved up by 3.6% as a result of higher average cost of clothing and footwear.

### 3. Trade

Preliminary data for the first quarter of 2012 indicates that merchandise imports rose by 8.4% to \$184.6 million from the comparative period in 2011 (see Figure 4). Both fuel and non-fuel imports rose. Fuel and lubricants which accounted for 22.7% of total imports, was up by 20.2%. Meanwhile, non-oil imports grew by 5.5% during the period.

The total value of oil and all petroleum-related products increased by 19.8% to \$42.3 million from \$35.3 million a year ago. Other increases were recorded in the value of food and live animals (11.8%), beverages and tobacco (0.5%), inedible crude materials excluding fuels (2.6%), food and live animals (11.8%), manufactured goods classified chiefly by material (36.7%), machinery and transport equipment (5.0%), and miscellaneous manufactured articles (13.7%). On the downtrend compared to the first quarter of 2012 were chemical and related-products (-8.2%), and commodities and transactions not classified elsewhere (-51.0%).

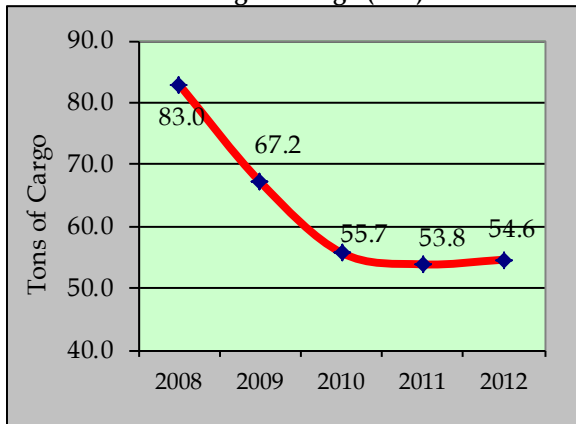
**Figure 4: First Quarter Merchandise Imports (CI\$ Millions)**



Source: Customs Department and ESO

The increase in value of import can be dissected into volume of oil and non-oil imports and changes in the prices of oil and non-oil imports. The volume of non-oil imports increased by 1.5% while that of oil imports increased by 5.4%.

**Figure 5: First Quarter Total Tonnage of Cargo ('000)**



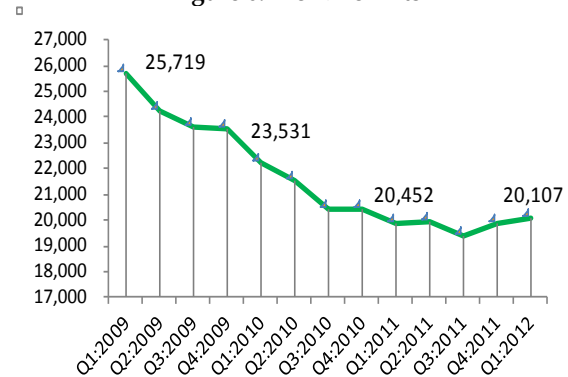
Source: Cayman Islands Port Authority

#### 4. Work Permits

Work permits decreased by 1.6% to 20,107 in the first quarter of this year as compared to a year ago. However, relative to the last quarter, work permits

marked a slight upturn, reflecting the strengthening of the economy as businesses respond to improving market demand.

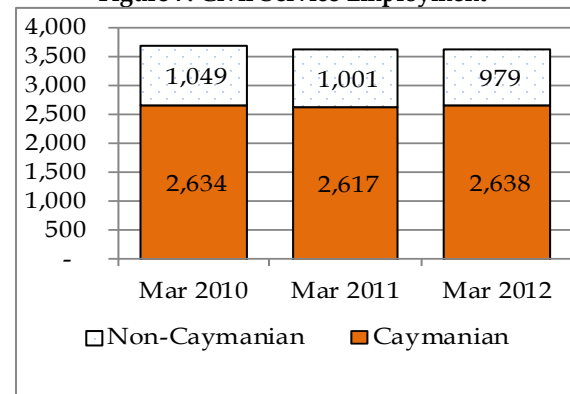
**Figure 6: Work Permits**



Sources: Immigration Department, Economics & Statistics Office

As depicted in Figure 7, civil service employment fell by 1 to total 3,617. Foreign workers decreased by 2.2% (or 22 persons) while Caymanians increased by 0.8% (or 21 persons).

**Figure 7: Civil Service Employment**



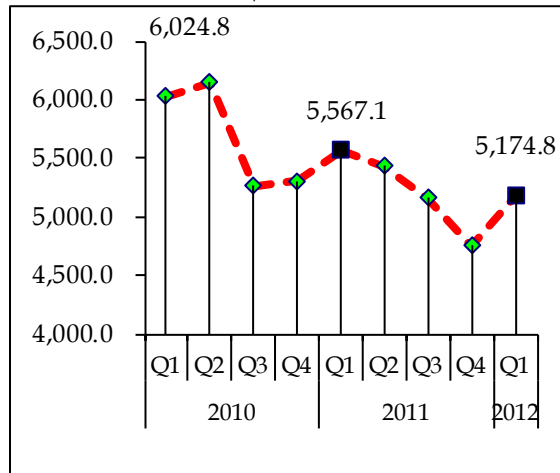
Source: Portfolio of the Civil Service

#### 5. Money & Banking

Broad liquidity (M2) comprising CI dollar-denominated money and foreign exchange deposits contracted by 7.0% to

settle at \$5,174.8 million in the first quarter of 2012. This resulted from a 9.8% contraction in foreign currency deposits, which offset a 5.1% increase in CI dollar-denominated money.

**Figure 8: Total Money Supply (M2)  
in \$ millions**



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

According to the balance sheet concept, M2 also represents the liabilities of the monetary and banking sector as shown in Table 2. The corresponding asset side recorded a double-digit decrease in net foreign assets while net domestic assets increased.

**Table 2: Monetary and Banking Summary Indicators  
(\$ millions)**

	Mar-11	Mar-12	% Change
<b>Total Assets</b>	<b>5,567.1</b>	<b>5,174.8</b>	(7.0)
<b>Net Foreign Assets</b>	<b>3,390.3</b>	<b>2,731.9</b>	(19.4)
Monetary Authority	89.8	90.3	0.6
Commercial Banks	3,300.5	2,641.6	(20.0)
<b>Net Domestic Assets</b>	<b>2,176.8</b>	<b>2,442.9</b>	12.2
Domestic credit	2,918.1	3,081.6	5.6
Claims on central government	236.8	288.1	21.7
Claims on other public sector	78.9	91.9	16.5
Claims on private sector	2,602.4	2,701.6	3.8
Other items net (assets +)	(741.3)	(638.7)	(13.8)
<b>Broad Liquidity</b>	<b>5,567.1</b>	<b>5,174.8</b>	(7.0)
Broad money (KYD) M2	1,020.4	1,072.5	5.1
Currency in circulation	85.6	85.4	(0.2)
KYD Deposits	934.8	987.1	5.6
Demand deposits	290.8	340.3	17.0
Time and savings deposits	644.0	646.8	0.4
FOREX deposits	4,546.7	4,102.3	(9.8)
of which: US dollars	3,939.6	3,494.4	(11.3)
<i>US\$ Contribution (%)</i>	<i>86.6</i>	<i>85.2</i>	

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

**5.1. Net Foreign Assets (NFA).** During the review period, net foreign assets of domestic commercial banks fell by 20.0% (see Table 3) which was mitigated with a marginal increase of 0.6% in Cayman Islands Monetary Authority's net foreign assets, resulting in a \$658.4 million (or 19.4%) fall-off in overall net foreign assets. The decline in commercial banks' NFA resulted from an increase in foreign liabilities (16.3%) as non-resident deposits increased coupled with a reduction in foreign assets (2.5%) as both balances with banks and branches, and non-resident loans declined.

**Table 3: Net Foreign Assets (\$ millions)**

	Mar-11	Mar-12	% Change
<b>Net Foreign Assets</b>	<b>3,390.3</b>	<b>2,731.9</b>	<b>(19.4)</b>
Monetary Authority	89.8	90.3	0.6
Commercial Banks	3,300.5	2,641.6	(20.0)
<b>Foreign Assets</b>	<b>6,379.9</b>	<b>6,223.4</b>	<b>(2.5)</b>
Bal. with Banks & Branches	3,720.1	3,670.7	(1.3)
Total Investment	1,018.2	1,041.3	2.3
Total Non-Resident Loans	1,641.6	1,511.4	(7.9)
<b>Foreign Liabilities</b>	<b>3,079.4</b>	<b>3,581.8</b>	<b>16.3</b>
Total Non-Resident Deposits	2,956.2	3,396.1	14.9
Other Liabilities	123.2	185.7	50.7

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

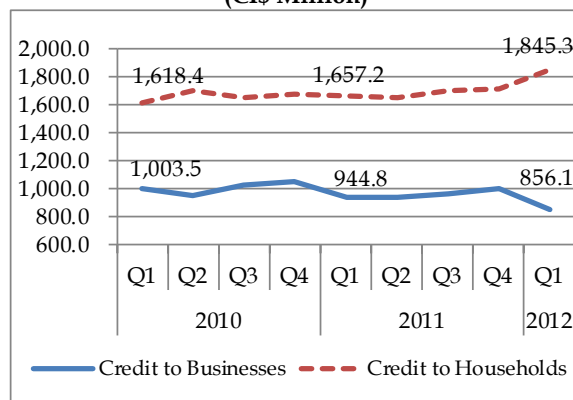
**5.2. Net Domestic Assets.** Expansion in net domestic assets was driven by a 20.4% growth in public sector indebtedness coupled with a 3.8% credit expansion to the private sector compared to a year ago.

**Table 4: Net Domestic Assets (\$ millions)**

	Mar-11	Mar-12	% Change
<b>Domestic Credit</b>	<b>2,918.1</b>	<b>3,081.6</b>	<b>5.6</b>
Domestic Credit to Public Sector	315.7	380.0	20.4
Domestic Credit to Private Sector	2,602.4	2,701.6	3.8

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

The higher level of domestic lending to the private sector is traced to household lending activity. As Figure 9 shows, loans to households increased, while business loans declined compared to the same period last year.

**Figure 9: Credit to Business and Households (CI\$ Million)**


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Loans to households expanded by 11.4% (or \$188.1 million) as of end March 2012 compared to the same period a year ago. This increase resulted from higher lending for domestic property, education and technology and miscellaneous credit to households (see Table 5). During the last three months alone, new credit for households amounted to \$129.1 million.

Business sector loans contracted by 9.4%, as lending to both production and manufacturing, and services recorded double digit declines. Production and manufacturing borrowings fell by 19.1% as utilities and construction loans declined. The services sectors' credit also dipped by 42.2%, as loan supply for all major categories shrunk. In contrast, credit to the trade and commerce sector was boosted, particularly for general business activity which expanded by more than 600%.



**Table 5: Net Credit to the Private Sector  
(\$ millions)**

	Mar-11	Mar-12	% Change
<b>Total</b>	2,602.4	2,701.6	3.8
<b>Credit to Businesses</b>	944.8	856.1	(9.4)
<b>Production &amp; Manufacturing</b>	428.8	346.9	(19.1)
Agriculture, Fishing and	7.7	15.3	98.7
Manufacturing	29.6	31.9	7.8
Utilities	53.6	11.1	(79.3)
Construction	337.9	288.6	(14.6)
<b>Services</b>	217.8	125.8	(42.2)
& Entertainment Services	107.7	93.3	(13.4)
Communications	39.0	19.7	(49.5)
Other Professional Services	71.1	12.8	(82.0)
<b>Trade and Commerce</b>	282.2	321.9	14.1
Trade	57.8	61.3	6.1
Real Estate Agents, Rental	205.9	118.9	(42.3)
Other Business Activities (General Business Activity)	18.5	141.7	665.9
<b>Other Financial Corporations</b>	16.0	61.5	284.4
<b>Credit to Households</b>	1,657.2	1,845.3	11.4
Domestic Property	1,460.0	1,548.0	6.0
Motor Vehicles	39.7	34.0	(14.4)
Education and Technology	3.8	4.2	10.5
Miscellaneous*	153.7	259.1	68.6
<b>NonProfit Organizations</b>	0.4	0.2	(50.0)

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

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

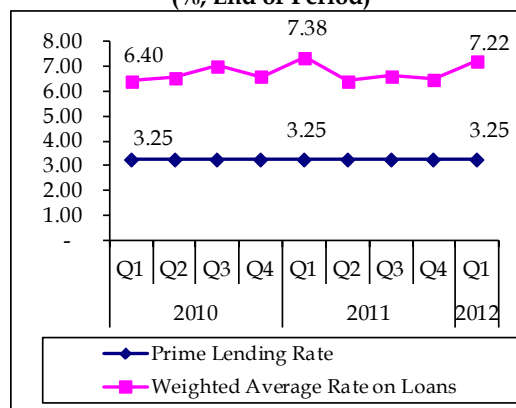
**5.3. Broad Liquidity.** As referenced in Table 2, broad liquidity (M2) in the Cayman Islands reached \$5,174.8 million in March 2012, compared to \$5,567.1 million for the same period last year. This 7.0% decline directly follows from a decrease in foreign currency deposits which outweighed an increase in local currency money supply.

Foreign currency deposits recorded a decline of 9.8%, due to a fall-off in the holdings of US dollar-denominated deposits by 11.3%. Local currency deposits increased by 5.6% while

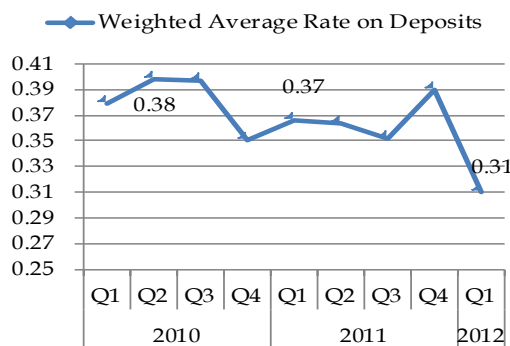
currency in circulation was slightly lower by 0.2% compared to a year ago.

**5.4. Interest Rates.** The Cayman Islands prime lending rate remained at 3.25%. Nonetheless, as depicted in Figure 10, the weighted average lending rate on KYD fell by 16 basis points from 7.38% in the first quarter of 2011 to 7.22% in the same period of 2012.

During the same period, the weighted average KYD deposit savings rate also decreased as depicted in Figure 11.

**Figure 10: CI\$ Lending Rates  
(%, End of Period)**


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

**Figure 11: CI Dollar Deposit Rates  
(%, End of Period)**


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

## 6. Financial Services

After staging a modest recovery in its overall performance in 2011, activity within the financial services sector in the first quarter of 2012 was mixed. While mutual funds, insurance services and stock exchange listings marked improvements, there were fewer listings in other segments of the industry. This performance occurred amidst renewed global financial distress arising from the European debt crisis.

### 6.1 Banks & Trust

As at March 2012, the total number of registered bank and trust companies stood at 233, 5.3% lower than the previous year. Similarly, trust company licences fell by one to 124.

Table 6: Bank & Trust Companies

	Mar 2011	Mar 2012	% Change
<b>Bank and Trust</b>	<b>246</b>	<b>233</b>	<b>-5.3</b>
Class 'A'	16	15	-6.3
Class 'B'	230	218	-5.2
<i>Of which:</i>			
Class "B" restricted	1		
<b>Trust Companies</b>	<b>125</b>	<b>124</b>	<b>-0.8</b>
Restricted	72	71	-1.4
Unrestricted	53	53	0.0

Source: Cayman Islands Monetary Authority

Most of the decline in banks and trust was registered in Class 'B' licences.

No significant changes were posted with regard to the countries of origin of the banking licensees. Europe and the U.S. remain the dominant sources at 28.3% and 23.2% respectively. The other

sources were South America (18.5%), Asia and Australia (10.3%), Caribbean and Central America (8.2%), Canada and Mexico (7.7)% and Middle East and Africa (3.9)%.

### 6.2 Insurance

Captives (Class B licenses) pulled up the overall performance of the insurance sector in the first quarter of 2012. Premiums for captives increased by about US\$3.1 billion to record US\$11.8 billion as at the end of March 2012.

Table 7: Insurance Companies

	Mar 2011	Mar 2012	% Change
Class 'A'	29	27	-6.9
Class 'B'	720	728	1.1
<b>Total</b>	<b>749</b>	<b>755</b>	<b>0.8</b>

Source: Cayman Islands Monetary Authority

Class B comprises mainly of captive insurance in healthcare (35.0%), workers' compensation (21.8%), property (11.0%), general liability (9.8%) and professional liability (9.3%). North America remained the risk location of a significant portion (90.7%) of the captive insurance business in the country.

Table 8: Captive Insurance Licences by Primary Class of Business, March 2012

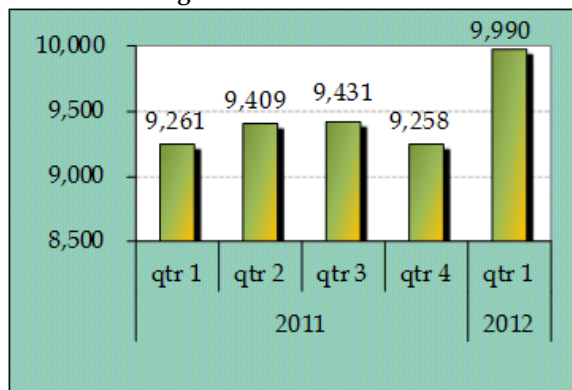
	Licences	%
Healthcare	255	35.0
Workers' Compensation	159	21.8
Property	80	11.0
General Liability	71	9.8
Professional Liability	68	9.3
Other	95	13.0
<b>Total</b>	<b>728</b>	<b>100.0</b>

Source: Cayman Islands Monetary Authority

### 6.3 Mutual Funds

Mutual funds in the first quarter of 2012 grew to its highest level since the third quarter of 2008. Compared to a year ago, total mutual funds grew by 7.9% to tally at 9,990. The increase is traced to the inclusion of master funds in accordance with Mutual Funds (Amendment) Law (2011) which was enacted in December 2011.

Figure 12: Mutual Funds



Source: Cayman Islands Monetary Authority

Master funds numbered 837 or 8.4% of total mutual funds. Registered, administered and licensed mutual funds have a combined total of 9,153 which is 1.2% lower than the comparable period a year ago.

### 6.4 Stock Exchange

Total Stock Exchange (CSX) listings in the Cayman Islands recovered by 3.3% to register 1,173 by the end of March 2012. The improvement is largely traced to Eurobond listings.

Table 9: Number of Stock Listings by Instrument as at March

Instruments	2010	2011	2012
Mutual Funds	500	333	337
Specialist Debt	698	723	626
Eurobond	68	75	111
International Equity	2	2	2
Domestic Equity	3	3	3
Insurance Linked Security Equity		82	88
<b>Total</b>	<b>1,271</b>	<b>1,136</b>	<b>1,173</b>

Source: Cayman Islands stock Exchange

Meanwhile, market capitalization for mutual funds listings contracted by US\$13.8 billion to level at US\$18.8 billion. Similarly, international equity narrowed by US\$0.2 billion. In contrast, market capitalization for specialist debt and Eurobond were on the uptrend.

### 6.5 New Company Registration

After staging a sustained recovery in the previous two years, total new company registrations declined marginally by 1.0% to 2,374 in March 2012.

Table 10: New Company Registrations: Jan-Mar

	2010	2011	2012
<b>Total</b>	<b>2,142</b>	<b>2,397</b>	<b>2,374</b>
Exempt	1,855	2,091	2,082
Non-Resident	53	53	23
Resident	131	139	148
Foreign	103	114	121
Percentage change (%)			
<b>Total</b>	<b>13.7</b>	<b>11.9</b>	<b>-1.0</b>
Exempt	14.2	12.7	-0.4
Non-Resident	17.8	0.0	-56.6
Resident	7.4	6.1	6.5
Foreign	10.8	10.7	6.1

Source: Cayman Islands General Registry

Fewer registrations were recorded for exempt and non-resident companies, offsetting the improvement for resident and foreign companies.

## 7. Tourism

Total visitor arrivals for the first quarter of 2012 recorded an increase of 7.5% over the comparative period of 2011, owing to higher arrivals of both air and cruise visitors.

### 7.1 Air Arrivals

Air arrivals totalled 96,185 visitors, which was 2.5% above arrival figures noted in the same quarter of 2011.

Arrivals from Europe posted the largest increase of 8.9 percent, followed by arrivals from the Midwest USA and the Southeast USA. Arrivals from Canada went in the opposite direction during the review period, falling by 2.1%.

Table 11: First Quarter Air Arrivals by Country of Origin, 2010-2012

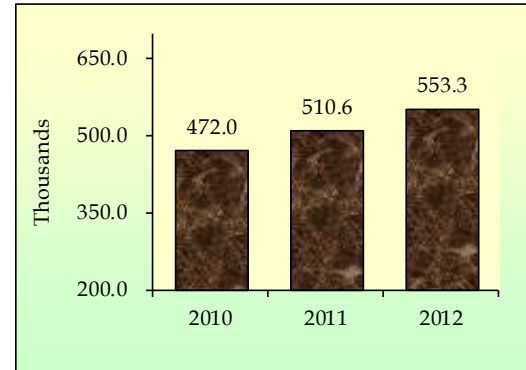
	2010	2011	2012	% Change 2012/2011
in thousands				
<b>USA</b>	70.5	73.4	75.4	2.8
Northeast	28.3	28.1	27.6	(1.8)
Midwest	20.5	21.9	23.5	7.4
Southeast	9.9	10.3	11.0	7.2
Southwest	8.3	9.6	9.7	0.6
West Coast	3.4	3.5	3.6	3.8
<b>Europe</b>	5.7	6.1	6.6	8.9
<b>Canada</b>	7.7	10.4	10.2	(2.1)
<b>Other</b>	4.0	3.9	4.0	0.1
<b>Total</b>	87.8	93.8	96.2	2.5
<i>of which: USA (%)</i>	80.3	78.2	78.4	

Source: Cayman Islands Department of Tourism

### 7.2 Cruise Arrivals

The first three months of 2012 saw cruise arrivals growing by 8.4% over the first quarter of 2011 to total 553,347.

Figure 13: First Quarter Cruise Ship Arrivals, 2010-2012



Source: Department of Tourism

The increase in cruise arrivals was recorded notwithstanding a drop in ship calls to the George Town port (by 1) to 204. Cruise passengers per day averaged 6,148 persons, an increase of 474 visitors compared to the first quarter of 2011.

## 8. Construction

### 8.1 Building Permits

Building permit values declined for the fourth consecutive year, this time by 36.5% to \$38.8 million as compared to the previous year.

The contraction is traced to all types of buildings, mainly the residential segment and apartments in particular. Permits for apartments were reduced by 32.3% to total \$32.0 million. The

declined may be associated with the over-supply of rental units brought about by the decline in expatriate population in recent years.

**Table 12: Building Permits (Jan-Mar)**

	2009	2010	2011	2012	% Change
Millions of CI\$					
Houses	53.3	27.7	23.0	24.8	7.6
Apartments	33.2	18.7	24.3	7.2	(70.4)
Commercial	2.4	27.6	11.9	2.0	(83.2)
Government	0.1	-	-	1.6	
Industrial	-	0.6	0.5	-	(100.0)
Other	16.4	2.6	1.3	3.2	141.0
<b>Total</b>	<b>105.4</b>	<b>77.2</b>	<b>61.1</b>	<b>38.8</b>	<b>(36.5)</b>

Source: Planning Department

Nonetheless, the number of structures granted with building permits rose slightly by 6.1%. This suggests that the average building value fell during the period in review. In the apartment category, the average value fell from \$1.27 million in the first quarter of 2011 to \$0.45 million in the same period this year. Overall, the average value fell from \$0.34 million a year ago to \$0.20 million.

**Table 13: Number of Building Permits (Jan-Mar)**

	2009	2010	2011	2012	% Change
Houses	125	113	89	91	2.2
Apartments	47	36	19	16	(15.8)
Hotels	0	0	0	0	
Commercial	6	37	23	14	(39.1)
Government	2	1	1	2	100.0
Industrial	0	3	1	0	(100.0)
Other	89	97	46	67	45.7
<b>Total</b>	<b>269</b>	<b>287</b>	<b>179</b>	<b>190</b>	<b>6.1</b>

Source: Planning Department

## 8.2 Project Approvals

Notwithstanding the decline in building permits, the first three months of 2012 saw anew an increase in development intentions.

The value of project approvals increased during the review period by 47.9% to settle at \$46.7 million. The growth is traced to higher development intentions for apartments, government and industrial projects.

**Table 14: Project Approvals (Jan-Mar)**

	2009	2010	2011	2012	% Change
Millions CI\$					
Houses	18.9	24.5	22.7	18.5	(18.6)
Apartments	65.0	16.5	1.1	12.4	988.8
Commercial	6.9	33.5	3.4	2.3	(31.4)
Government	0.1	0.1	1.9	4.7	152.7
Industrial	0.4	0.5	0.0	2.8	55,900.0
Other	16.1	17.8	2.5	6.0	140.7
<b>Total</b>	<b>107.5</b>	<b>92.9</b>	<b>31.6</b>	<b>46.7</b>	<b>47.9</b>

Source: Planning Department

The higher value correlates directly with the increase in number of project approvals, with the total increasing by 32.4% to 237 (see Table 15).

**Table 15: Number of Project Approvals (Jan-Mar)**

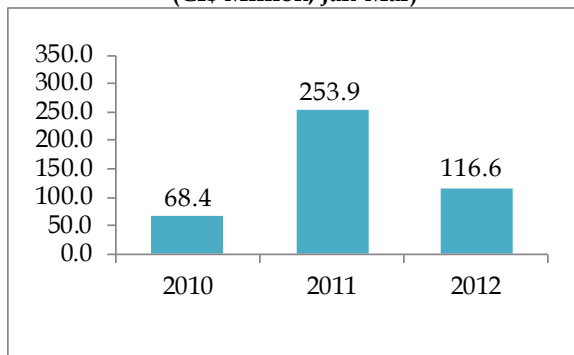
	2009	2010	2011	2012	% Change
Houses	81	64	63	60	(4.8)
Apartments	18	17	8	10	25.0
Hotels	0	0	0	0	-
Commercial	8	12	6	11	83.3
Government	2	2	4	2	(50.0)
Industrial	4	1	1	5	400.0
Other	102	126	97	149	53.6
<b>Total</b>	<b>215</b>	<b>222</b>	<b>179</b>	<b>237</b>	<b>32.4</b>

Source: Planning Department

## 9. Real Estate

Following last year's peak record, traded property values fell from \$253.9 million to \$116.6 million (or 54.1%) in the first quarter of 2012. Nonetheless, this is a significant improvement over the performance in the same period of 2009 and 2010.

Figure 14: Value Property Transfers: (CI\$ Million, Jan-Mar)

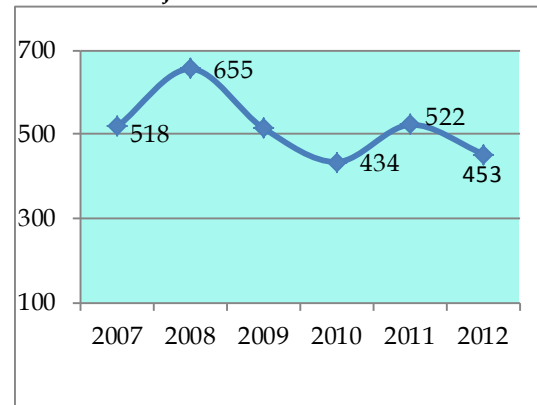


Source: Lands & Survey Department

The leasehold market was practically inactive, with trade amounting to \$0.01 million. Activity in the freehold market fell to \$116.6 million.

The volume of traded property similarly fell by 7.9% from 522 to 453, with the freehold market accounting for 94.2% of all traded properties.

Figure 15: Number of Property Transfers: Jan- March 2007-2012



Source: Lands & Survey Department

## 10. Utilities

**10.1 Electricity and water.** Local electricity production went down slightly by 0.8% as at March 2012 compared to a year ago (see Table 16). Nonetheless, demand was higher by 0.9%, with residential consumption expanding by 1.6%. Commercial consumption also rose, plausibly from improved economic activity in key sectors such as hotels and restaurants.

Table 16: Utilities, 2011-2012

	Mar-11	Mar-12	% Change
Millions of US Gallons			
Water Production	537.3	531.2	-1.1
Water Consumption	484.2	448.1	-7.4
000 of Megawatt Hrs			
Electricity Production	135.4	134.3	-0.8
Electricity Consumption	125.2	126.4	0.9
Residential	55.0	55.9	1.6
Commercial	68.7	68.9	0.3
Public	1.5	1.6	1.9

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



When compared to the first quarter of 2011, water consumption fell by 7.4% to 448.1 million US gallons. Water production was also down by 1.1% reduction.

**10.2 Telecommunications.** All demand indicators moved downward in the first quarter of 2012, plausibly due to the slowdown in some sectors such as financial services which are extensive users of telecommunication services. Total paid telecommunication minutes decreased by 11.5%, which can be traced to reductions in both domestic and local usage. Similarly, the number of telephone lines (fixed lines and mobile) also decreased (by 3.2%) during the review period.

**Table 17: Telecommunication Sector Indicators**

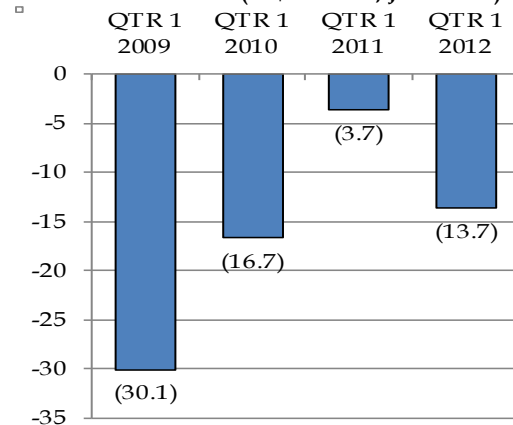
	Mar-11	Mar-12	% Change
Fixed and mobile handsets in operation	134,743	130,446	-3.2
Total fixed & mobile domestic & int'l minutes ('000)	108,624	96,089	-11.5
Fixed and mobile domestic minutes ('000)	62,014	56,277	-9.3
Fixed and mobile int'l retail minutes ('000)	46,610	39,812	-14.6

Source: Information Communication and Technology Authority (ICTA)

## 11. Fiscal Operations of Central Government

The overall fiscal deficit deteriorated to \$13.7 million in the first quarter of 2012 as compared to \$3.7 million a year ago (see Figure 16). This came about as total revenue declined by 7.7% although total expenditure was lower by 0.4%.

**Figure 16: Central Government Fiscal Overall Balance (CI\$ Million, Jan - Mar)**



Source: Cayman Islands Treasury Department

**Table 18: Summary of Fiscal Operations (Jan-Mar)**

	Mar-11	Mar-12	% Change
	CI\$ Millions		
<b>Total Revenue</b>	<b>137.2</b>	<b>126.6</b>	(7.7)
<b>Total Expenditure</b>	<b>140.9</b>	<b>140.3</b>	(0.4)
Current Expenditure	132.2	130.6	(1.2)
Net Capital Expenditure & Net Lending <sup>1</sup>	8.7	9.7	11.5
Current Balance	5.0	(4.0)	(179.1)
Overall Balance	(3.7)	(13.7)	(274.8)
<b>Financing</b>	<b>3.7</b>	<b>13.7</b>	274.8
Net Borrowing	(33.5)	(3.6)	(89.3)
Change in Cash	(37.2)	(17.3)	53.5

<sup>1</sup> Net Capital Expenditure and Net Lending is equal to Gross Capital Expenditure and Net Lending less Depreciation

Source: Cayman Islands Treasury Department

## 11.1 Revenue

During the first quarter, total revenue declined by 7.7% from the same period in 2011 to settle at \$126.6 million (see Table 19).

Total revenue comprises both coercive (88.9%) and non-coercive revenue (11.1%). Coercive revenue which totalled \$112.6 million decreased by 8.9% below the receipts in the preceding year. On the other hand, non-coercive revenue amounted to \$14.0 million, 2.9% above the comparative period a year ago.

**Table 19: Revenue Collection of the Central Government (Jan-Mar)**

Revenue Sources	CI\$ Millions		% Change
	Mar-11	Mar-12	
<b>Total Revenue</b>	<b>137.2</b>	<b>126.6</b>	(7.7)
<b>Coercive Revenue</b>	<b>123.6</b>	<b>112.6</b>	(8.9)
Transactions	38.0	41.5	9.2
Goods & Services	69.0	64.3	(6.8)
Taxes on Property	16.2	6.5	(59.9)
Fines	0.4	0.3	(25.0)
Other Taxes	-	-	
<b>Non-coercive Revenue</b>	<b>13.6</b>	<b>14.0</b>	2.9
Sale of Goods & Services	13.5	13.9	3.0
Investment Revenue	0.1	0.1	0.0
Other Revenue	-	-	

Source: Cayman Islands Treasury Department

An increase in the volume of imported goods caused taxes on international trade and transactions to gain some traction and increase by 9.2%. In contrast, domestic taxes on goods and services decreased by 6.8% in the first quarter of 2012. Taxes on property which more than tripled in 2011 due to the sale of some properties along the

Seven Mile Road reverted to its normal level of \$6.5 million.

## 11.2 Expenditure

In the first quarter of 2012, current expenditure fell slightly by 1.2% while net capital expenditure and net lending increased by 11.5%. The former resulted from a reduction in subsidies and supplies and consumables (see Table 20).

**Table 20: Current Expenditure of the Central Government (Jan-Mar)**

	CI\$ Millions		% Change
	Mar-11	Mar-12	
<b>Current Expenditure</b>	<b>132.2</b>	<b>130.6</b>	(1.2)
Personnel Costs	52.4	54.6	4.2
Supplies & Consumables	21.9	21.5	(1.8)
Subsidies	37.6	30.5	(18.9)
Depreciation	6.3	6.5	3.2
Transfer Payments	5.6	6.3	12.5
Interest Payments	7.3	8.4	15.1
Extraordinary Expenses	0.0	0.0	
Other Executive Expenses	1.1	2.8	154.5

Source: Cayman Islands Treasury Department

During the period, personnel cost rose by 4.2% to \$54.6 million, mainly due to the reinstatement effective December 2011 of a previous 3.2% cut in salaries implemented from July 2010.

Supplies and consumables contracted by 1.8% to total \$21.5 million as austerity measures continued.

Transfer payments which are payments to social welfare programmes moved up by 12.5% to reach \$6.3 million, as financial assistance (or poor relief)



amounted to \$1.5 million while Seaman Ex-Gratia and scholarships and bursaries amounted to \$1.4 million each.

Interest payments increased by 15.1% to \$8.4 million on account of a larger stock of debt.

Subsidies which are essentially payments to statutory authorities and corporations were cut by 18.9% to \$30.5 million. The majority were allocated to the Cayman Islands Monetary Authority, Health Services Authority, Cayman Islands National Insurance Company and Cayman Airways.

Depreciation which measures the decline in the value of the fixed assets owned by central government grew by 3.2% to \$6.5 million.

### 11.3. Capital Expenditure and Net Lending

Gross capital expenditure and net lending increased during the period by 8.0% to \$16.2 million. This resulted as capital acquisition/equity injections almost doubled to reach \$11.0 million while capital development /executive assets fell by 75.5% (see Table 21).

**Table 21: Capital Expenditure and Net Lending (Jan-Mar)**

	Mar-11	Mar-12	% Change
<b>Gross Capital Expenditure and Net Lending</b>	<b>15.0</b>	<b>16.2</b>	<b>8.0</b>
Capital Acquisition/Equity Injections	5.9	11.0	86.4
Equity Injections and Working Capital support to Public Entities	3.7	3.5	(5.4)
Capital Development/Executive Assets	5.3	1.3	(75.5)
Net Lending	0.1	0.4	300.0
<b>Net Capital Expenditure and Net Lending<sup>1</sup></b>	<b>8.7</b>	<b>9.7</b>	<b>11.5</b>
Depreciation	6.3	6.5	3.2

<sup>1</sup> Net Capital Expenditure and Net Lending is equal to Gross Capital Expenditure and Net Lending less Depreciation

Source: Cayman Islands Treasury Department & ESO

### 11.4. Net Financing and Debt Service Indicators

The overall balance and debt amortization was financed by a reduction of cash balances amounting to \$17.3 million (see Table 22). Total loan repayment amounted to CI\$3.6 million while no loan disbursements were recorded during the review period.

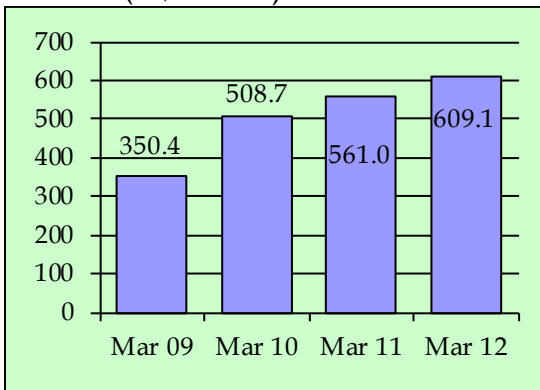
**Table 22: Net Financing (Jan-Mar)**

	Mar-11	Mar-12	% Change
	CI\$ Millions		
<b>Financing</b>	<b>3.7</b>	<b>13.7</b>	<b>271.0</b>
Net Borrowing	(33.5)	(3.6)	(89.3)
Disbursements	0.0	0.0	
Loan Repayment	(33.5)	(3.6)	(89.3)
Change in Cash Balance	(37.2)	(17.3)	53.5

Source: Cayman Islands Treasury Department

The central government's outstanding debt reached \$609.1 million as at March 2012 (see Figure 17).

Figure 17: Central Government Outstanding Debt (CI\$ Millions) as at March



Source: Cayman Islands Treasury Department

The central government's debt service-to-current revenue ratio stood at 9.2% as at March 2012. Interest payments for the quarter accounted for 6.4% of recurrent expenditure.

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**Cayman Islands Monetary Authority**  
**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**  
**Portfolio of the Civil Service**

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