



THE CAYMAN ISLANDS' ANNUAL ECONOMIC REPORT 2012

May 2013



The Economics and Statistics Office

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1. Executive Summary

1.1 In 2012, the local economy posted its strongest growth since 2007. Gross domestic product (GDP) rose at an estimated rate of 1.6 percent from a year ago as the services sector continue to lead the expansion.

1.2 The estimated mid-year population which was 1.5 percent higher than a year ago reached 56,125. Given this population level, real per capita income amounted to \$43,717.

1.3 Economic activity in 2012 was stimulated by external demand for stay-over tourism services, and financial and insurance services. Domestic demand for construction services, transport, storage and communication services was also robust.

1.4 The average inflation rate in 2012 was 1.2 percent, lower than the 1.3 percent a year ago due mainly to strong growth in the cost of clothing and footwear, food and non-alcoholic beverages and alcohol and tobacco.

1.5 In 2012, total employment was estimated at 36,401 which is 3.2 percent higher than a year ago. The unemployment rate fell slightly to 6.2 percent compared to 6.3 percent in 2011.

1.6 Merchandise imports fell by 0.1 percent to \$758.5 million, reflecting the negative movement of fuel imports by 15.9 percent which offset a 4.8 percent increase in non-fuel imports.

1.7 In 2012, total money supply (M2) expanded by 10.4 percent to register at \$5.2 billion (US\$6.2 billion). This expansion emanated from an 8.4 percent increase in foreign currency deposits and an 18.6 percent increase in the local currency denominated broad money.

1.8 Domestic credit from commercial banks contracted by \$56.0 million (or 1.8%) to settle at \$3.1 billion. The public sector reduced its indebtedness to the local banking sector by 6.2 percent while that of the private sector contracted by 1.2 percent. The decline in private sector credit emanated from a 16.9 percent decline in credit to businesses while credit to households continued to expand, this time by 8.0 percent.

1.9 The net foreign asset position of local commercial banks amounted to \$2.7 billion, higher by 14.9 percent (or by \$350.6 million) from the previous year.

The increase resulted from higher foreign assets which outweighed higher foreign liabilities.

1.10 The financial services industry continued to exhibit a mixed performance. New partnership, insurance licences and stock exchange listing grew while downturns were recorded in new company registrations, mutual funds registration (excluding master funds which are not new registrations), and banks and trusts.

1.11 Air arrivals continued its recovery, growing in 2012 by 4.1 percent. Cruise visitors also rebounded with growth of 7.6 percent. This resulted in a 6.9 percent growth in total visitor arrivals to reach 1.83 million in 2012.

1.12 Construction value added increased in 2012, as supported by the value of certificates of occupancy and higher importation of building materials. However, the value of building permits fell to \$156.3 million (or 14.6%) in 2012. The value of planning approvals also fell by 32.1 percent to reach \$171.0 million.

1.13 Real estate activity abated as the number of transferred properties fell by 3.9 percent to 1,812, while the total value followed with a 34.6 percent decline to \$430.0 million.

1.14 In 2012, the central government's overall balance (total revenue minus total expenditure) recorded a smaller deficit of \$27.6 million (or 1.1% of GDP), compared to a deficit of \$56.8 million (or 2.3% of GDP) in 2011 due to the growth in revenue. The central government's total outstanding debt contracted by 4.4 percent to \$586.2 million (or 22.8% of GDP) as at December 2012.

1.15 GDP growth projection for 2013 is placed at 2.0 percent in view of expected growth in construction and stay-over tourism that will ease the pressure from a projected slower growth in financial services. Inflation rate in 2013 is expected to be higher at 2.1 percent arising from imported food price trends along with a revival of local demand for construction materials and services.

The Cayman Islands Economic Performance: Summary Indicators

Indicators	2010	2011	2012
Real GDP (\$million)*	2,393.1	2,415.3	2,453.6
GDP growth in real terms (%)*	(2.9)	0.9	1.6
Real GDP per capita (\$)*	43,103	43,695	43,717
Nominal GDP per capita (\$)*	44,274	45,281	45,847
Nominal GDP (\$million)*	2,458.1	2,503.0	2,573.2
Population (year-end)	55,036	55,517	56,732
<i>Of which</i> Caymanians	30,979	31,325	32,201
Population (mid-year)	55,521	55,277	56,125
Average inflation rate (%)	0.3	1.3	1.2
Employment	34,983	35,267	36,401
Unemployment rate (% of labour force)	6.2	6.3	6.2
Total imports (in \$million)	690.4	759.5	758.5
Total imports (% of GDP)	28.1	30.3	29.5
Total money supply (M2, in \$million)	5,307.4	4,752.9	5,248.6
Domestic credit (in \$million)	3,008.1	3,106.6	3,050.6
Mutual funds	9,438	9,258	10,841**
Insurance licenses	768	766	768
Banking and trust licenses	246	234	226
Trust companies	127	123	118
Stock exchange listings	1,113	1,156	1,157
New company registrations	8,157	9,064	8,971
Stay-over tourists (in thousands)	288.3	309.1	321.7
Cruise ship passengers (in thousands)	1,597.8	1,401.5	1,507.4
Grand Cayman building permits (\$million)	205.6	183.1	156.4
Cayman Islands planning approvals (\$million)	330.5	251.8	171.0
Cayman Islands property transfers (\$million)	316.4	657.9	430.0
Overall fiscal balance of the central government (\$million)	(55.8)	(56.8)	(27.6)
Overall fiscal balance of the central government (% of GDP)	(2.3)	(2.3)	(1.1)
Outstanding debt of the central government (\$million)	592.7	613.4	586.2
Outstanding debt of the central government (% of GDP)	24.1	24.5	22.8

*Estimated for 2012.

** Includes master funds in 2012 only

2. Global and Regional Macroeconomic Environment

The year in review marked an expansion of the global economy albeit lower than the previous year with varying degrees of growth across regions. This review is based on information culled from the International Monetary Fund and other international organizations.

2.1 Economic Growth

Global output in 2012 expanded by 3.2 percent, lower than the 4.0 percent recorded in the preceding year. Despite a pick-up in the second half of the year induced by strong policy action, economic conditions in the advanced economies resulted in a 1.2 percent growth for the year, weaker than the 1.6 percent growth recorded in 2011. Emerging and developing countries expanded strongest compared to most regions of the world in 2012, at a rate of 5.1 percent although this is also significantly lower than the 6.4 percent achieved in 2011 (see Table 2.1).

The United States (US) recovered from its faltering in 2011 with a 2.2 percent growth in 2012 on the back of a growing robustness in investment (gross domestic capital formation); however, it was a slowdown from two years ago due to the remaining effects of the financial crisis, fiscal consolidation, weak external markets on other components of aggregate demand.

The rest of the advanced economies generally posted weaker economic performance except for Japan. Canada decelerated for two consecutive years due to a softening of consumption and investment demand.

Table 2.1: Global Economic Growth

	2009	2010	2011	2012
	in Percent (%)			
World GDP	-0.6	5.2	4.0	3.2
Advanced economies	-3.5	3.0	1.6	1.2
US	-3.1	2.4	1.8	2.2
Euro area	-4.4	2.0	1.4	-0.6
Japan	-5.5	4.7	-0.6	2.0
UK	-4.0	1.8	0.9	0.2
Canada	-2.8	3.2	2.6	1.8
Emerging market and developing countries	2.7	7.6	6.4	5.1
China	9.2	10.4	9.3	7.8
India	5.0	11.2	7.7	4.0

Source: International Monetary Fund (WEO, April 2013)

Economic activity in the Euro area shrunk by 0.6 percent in 2012, mainly due the impact of a sovereign debt crisis in periphery countries. Germany and France weakened with growth of 0.9 percent while Italy, Spain, Netherlands, Belgium, Greece, Portugal, Finland, Cyprus and Slovenia declined. The United Kingdom (UK) also decelerated with growth of 0.2 percent in 2012.

Emerging and developing economies posted strong economic growth (5.1%) in 2012, albeit lower than a year ago, propelled by domestic demand. China, the largest Asian economy led with a 7.8 percent GDP growth.

The Caribbean region grew by 2.4 percent which is slightly lower than the previous year. Improved outcomes were seen in the Bahamas (2.5%), Dominican Republic (3.9%), Suriname (4.5%), Haiti (2.8%) and Guyana (3.3%). However, growth in some of the English-speaking Caribbean economies remained subdued as Grenada, St. Kitts and Nevis, and St. Lucia recorded economic contraction.

Table 2.2: Caribbean Region Economic Growth

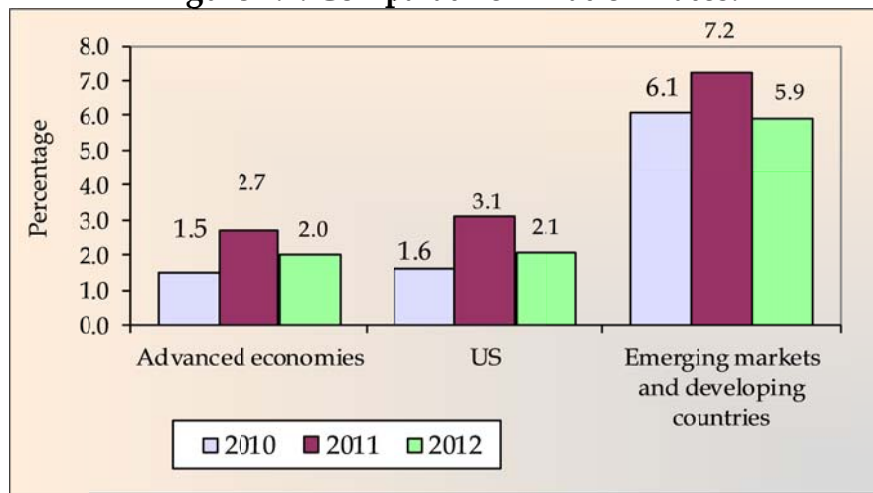
	2009	2010	2011	2012
	in Percent (%)			
Caribbean	0.4	3.4	2.8	2.4
Bahamas	-4.9	0.2	1.6	2.5
Barbados	-4.1	0.2	0.6	0.0
Trinidad & Tobago	-4.4	0.2	-2.6	0.4
Jamaica	-3.1	-1.4	1.5	0.1
OECS				
Antigua & Barbuda	-10.7	-8.5	-3.0	1.6
Dominica	-0.8	0.7	1.9	0.4
Grenada	-6.7	-0.4	1.0	-0.8
St. Kitts & Nevis	-4.2	0.0	-1.9	-0.9
St. Lucia	0.4	0.2	1.4	-0.4
St. Vincent & the Grenadines	-2.2	-2.3	0.4	0.5

Source: International Monetary Fund (WEO, April 2013)

2.2 Inflation

Moderate movements characterized the general price levels across major economic regions. Average inflation in advanced economies was 2.0 percent in 2012, led by the US with 2.1 percent. Commodity prices were significantly lower than the previous year while global oil prices was higher by 1 percent to reach US\$105 a barrel in 2012.

Figure 2.1: Comparative Inflation Rates:



Source: International Monetary Fund (WEO, April 2013)

Inflationary pressures in the Caribbean were fuelled mainly by higher food prices in most countries. However, the average inflation rate of 5.1 percent in 2012 fell below the 7.2 percent posted in the previous year.

Table 2.3: Inflation Rates: Caribbean Region

	2009	2010	2011	2012
	in Percent (%)			
Caribbean	3.6	7.1	7.2	5.1
<i>of which:</i>				
Bahamas	1.9	1.3	3.2	2.3
Barbados	3.7	5.8	9.4	4.6
Trinidad & Tobago	7.0	10.5	5.1	9.3
Jamaica	9.6	12.6	7.5	7.3

Source: International Monetary Fund (WEO, April 2013)

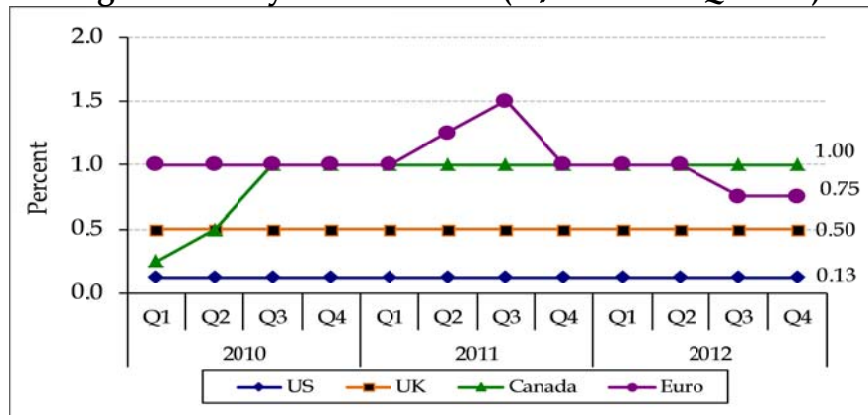
2.3 International Finance

The overall fiscal deficit among advanced economies continued to improve, as it narrowed from 9.0 percent in 2010 and to 7.7 percent in 2011 and now to 7.0 percent in 2012 due to fiscal tightening. The US general government’s fiscal

deficit or net borrowing¹ narrowed from 10.0 percent of GDP in 2011 to 8.5 percent of GDP in 2012. Similarly, the overall fiscal deficit of the Euro area improved slightly from 4.1 percent of GDP in 2011 to 3.6 percent of GDP in 2012; in contrast, the UK fiscal deficit deteriorated in 2012 moving up to 8.3 percent of GDP from 7.9 percent in 2011.

In 2012, interest rate policies across major markets were stable except for the Euro zone. The European Central Bank in an effort to encourage economic activity in the Euro zone economy lowered its key interest rate² from 1.0 percent to 0.75 percent during the second half of 2012. In the US, the Federal Reserve maintained its interest rate from December 2008 to a range of 0 to 0.25 percent; a year ago, it announced its intention to hold it stable until 2014. (See Figure 2.2).

Figure 2.2: Key Interest Rates (% , at End of Quarter)



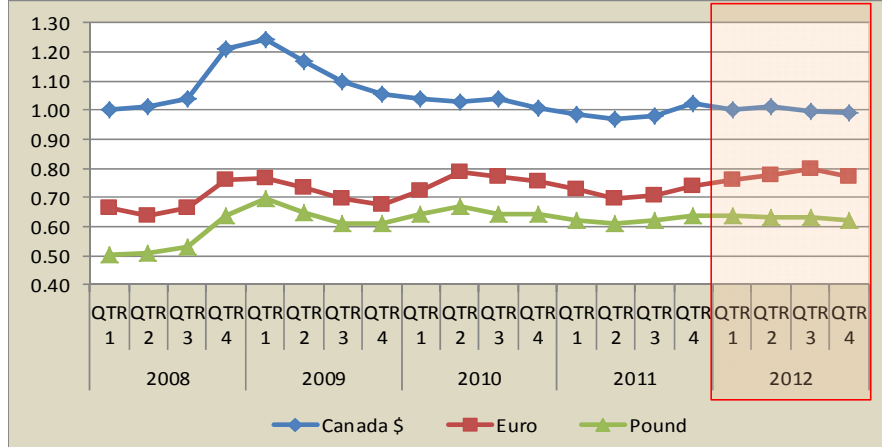
Source: Bank of England, Federal Reserve Bank, European Central Bank & Bank of Canada

The U.S dollar generally stayed constant against the Canadian dollar during the year. The Euro dollar depreciated against the U.S dollar in the first three quarters of 2012 but the UK pound appreciated during the entire year as exhibited in Figure 2.3. All currencies pegged to the U.S dollar (including the Cayman Islands dollar) would have followed the same path as the US dollar during the review period.

¹ Net lending/borrowing is equal to total revenue less total expenditure less net acquisition of nonfinancial assets and liabilities. It is viewed as an indicator of the financial impact of governments' activity on the rest of the economy.

² The ECB's key interest rate is for **main refinancing operations** which provide the bulk of liquidity to the banking system.

Figure 2.3: Average Quarterly Foreign Currency per U.S dollar



Source: United States Federal Reserve Bank

2.4 Regional and International Tourism³

As reported by the World Tourism Organization, international tourist arrivals expanded to 1.035 billion by year-end 2012, an increase of 4.0 percent, on the back of a fourth quarter performance. In contrast to a year ago, growth in emerging economies (4.1%) outpaced the record for advanced economies (3.6%).

Within the emerging economies, South-East Asia and North Africa were front-runners with 9 percent increase. It is noted that South-East Asia benefited from policy enhancements promoting intraregional cooperation and coordination in tourism. Meanwhile, arrivals growth in Central and Eastern Europe was also upbeat with 8 percent.

Tourism activity within the Caribbean also kept pace, as the region on the whole strengthened with 5.4 percent additional stay-over visitors over the previous year (or a total of 25 million)—the largest number in five years. Meanwhile, cruise tourism remained flat region-wide. This mixed result is associated with the remaining effects of the economic setbacks in traditional source markets such as the Americas and Europe.

Growth in the region was particularly strong for the US-Caribbean territories (6.8%), followed by the Spanish speaking Caribbean including Mexico (6.0%), the Dutch Caribbean (5.6%) and the Caribbean Community (CARICOM) region (1.9%). The latter was weighed down by a 0.4 percent decline in arrivals in the Organization of Eastern Caribbean States (OECS) sub-region.

³ Sources of basic information: World Tourism Organization website, Caribbean Tourism Organization website.

3. Macroeconomic Performance

Growth of the domestic economy strengthened in 2012. However, the unemployment rate remained high albeit lower compared to the previous year. The general price level increased modestly mainly due to higher international food prices.

3.1 Economic Growth

In 2012, economic output increased for the second consecutive year at a stronger rate (1.6%) compared to 2011 (0.9%) following three years of decline. Improved economic activity was exhibited in all major sectors with the exception of real estate, renting and business activities sector, and agriculture and fishing.

Real Gross Domestic Product (GDP) in 2012 was estimated to have expanded to \$2,453.6 million. This growth was driven by an estimated 1.4 percent increase in value added within the services sector which accounts for approximately 94.7 percent of GDP.

Table 3.1: Cayman Islands' Gross Domestic Product

	2008	2009	2010	2011	2012E
GDP at Current Prices (\$M)	2,657.9	2,528.9	2,458.1	2,503.0	2,573.2
<i>Current GDP growth (%)</i>	0.8	(4.9)	(2.8)	1.8	2.8
Per Capita GDP at constant 2007 prices (CI\$) ¹	46,975	43,619	43,103	43,695	43,717
GDP at constant 2007 prices (\$M)	2,630.5	2,464.8	2,393.1	2,415.3	2,453.6
<i>Real GDP growth (%)</i>	(0.2)	(6.3)	(2.9)	0.9	1.6

¹ Using mid- year population figures.

^E Preliminary estimates based on sector economic indicators

Source: Economics & Statistics Office

Per capita income at constant prices remained almost flat at \$43,717 as both GDP and the mid-year population expanded (see Table 3.1).

Expansion in economic activity was strongest in the following sectors: construction, wholesale and retail trade, hotels and restaurants, financing and insurance services, and transport, storage and communication.

Construction activity increased for the first time in four years by an estimated 6.7 percent. The growth estimate is supported by increases in imported building materials partly due to duty free concessions from a building incentive scheme.

As shown in Table 3.2, wholesale and retail trade activity increased by 3.5 percent as indicated by the growth in imports of consumer and intermediate goods adjusted for inflation.

Value added of the hotels and restaurants sector was estimated to have increased by 3.3 percent as a result of higher quantity of stay-over visitors by 4.1 percent (see also Section 4.2).

Transportation, storage and communication sectors rose by 2.8 percent bolstered by growth in stay-over tourism and cruise visitors coupled with higher volume of cargo transportation and marginal expansion in telecommunication activities.

Financing and insurance services sector which accounted for approximately 42.3 percent of GDP was estimated to have expanded by 2.0 percent compared to 0.1 percent a year ago (see also Section 4.1). Value added from insurance services rose by 5.6 percent as gross premiums increased while net claims declined. Financing services improved by 1.1 percent based on higher earned interest in the local banking sector.

Value added of government services grew 1.1 percent due to the combined effects of higher staff levels and a roll-back of the cost of living adjustment in 2012 (see also Section 5).

Real estate, renting and business activities was estimated to have declined by 0.7 percent, as both business services and real estate activities were affected by low registration of companies and property transfers.

Table 3.2: Real GDP at 2007 prices by Sector (\$ million)

	2009	2010	2011	2012E	% Change
Millions of Cayman Islands Dollars					
Primary Sectors	29.2	27.0	26.9	27.3	1.7
Agriculture & Fishing	8.9	8.8	9.0	9.0	(0.3)
Mining & Quarrying	20.3	18.3	17.8	18.3	2.6
Secondary Sectors	125.2	100.4	98.2	103.6	5.6
Manufacturing	24.6	21.9	21.6	21.9	1.6
Construction	100.7	78.5	76.6	81.7	6.7
Services Sectors	2,310.4	2,265.7	2,290.3	2,322.7	1.4
Electricity & Water Supply	96.1	94.3	93.6	94.0	0.5
Wholesale & Retail Trade, Repairs & Installation of Machinery	216.5	198.5	202.2	209.4	3.5
Hotels & Restaurants incl. Bars	120.9	128.8	136.4	140.8	3.3
Transport, Storage & Communication	214.9	208.5	208.8	214.8	2.8
Financing & Insurance Services	1,053.3	1,010.7	1,012.2	1,032.4	2.0
Real Estate, Renting & Business Activities	592.8	592.7	597.5	593.0	(0.7)
Producers of Government Services	329.3	322.0	321.8	325.5	1.1
Other Services	75.9	75.6	75.9	74.8	(1.4)
Financial Services Indirectly Measured (FISIM)*	389.2	365.3	358.1	362.0	1.1
GDP constant at basic prices	2,464.8	2,393.1	2,415.4	2,453.6	1.6
Growth (%)	(6.3)	(2.9)	0.9	1.6	

E Preliminary estimates based on sector economic indicators

*Financial Intermediation Services Indirectly Measured (FISIM) is the difference between the interest rates charged to borrowers and the interest rates paid to lenders. It is an implicit charge to customers for the service provided by financial intermediaries.

3.2 Inflation

In 2012, consumer prices rose on average by 1.2 percent, as compared to 1.3 percent in the preceding year. Inflation in 2012 can be traced mainly to higher prices of clothing and footwear, food and non-alcoholic prices and alcohol and tobacco.

Table 3.3: Average Inflation Rates

Categories	Annual Avg Inflation Rates (%)	
	2011	2012
Food & Non Alcoholic Beverages	3.5	4.2
Alcohol and Tobacco	0.3	3.8
Clothing and Footwear	0.1	6.6
Housing and Utilities	-1.0	0.2
Household Equipment	1.0	0.9
Health	1.0	2.5
Transport	10.6	2.9
Communication	1.3	-0.1
Recreation and Culture	0.5	-1.8
Education	0.9	0.5
Restaurants and Hotels	1.0	-2.4
Misc. Goods and Services	0.9	1.8
Overall CPI Inflation	1.3	1.2

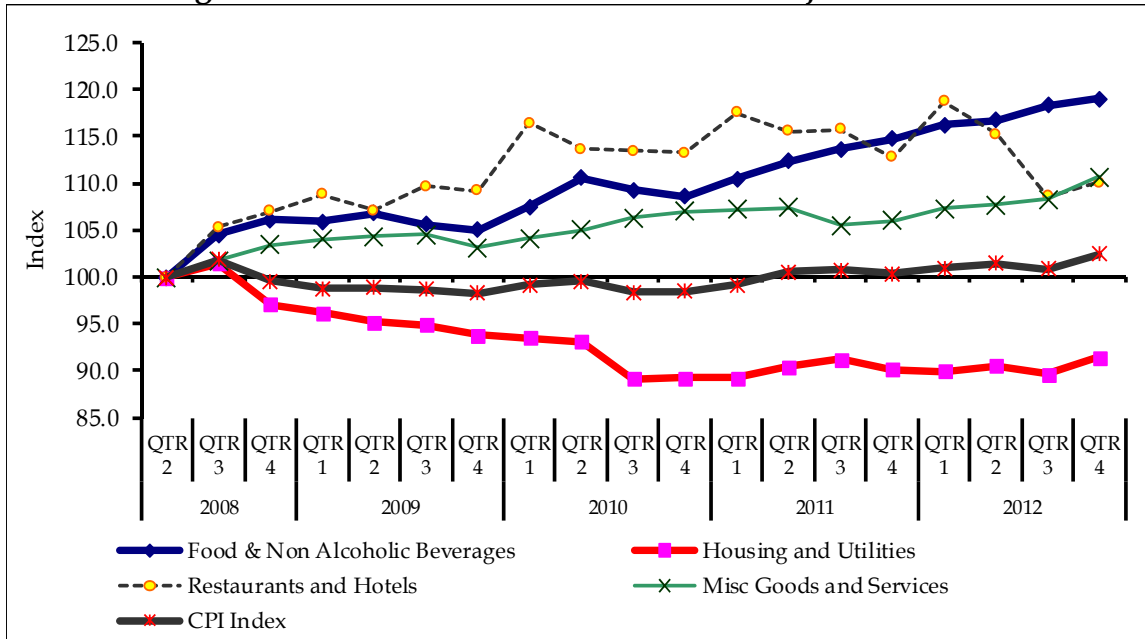
Source: Economics & Statistics Office

In 2012, all major categories in the CPI basket had higher inflation rates except communications, recreation and culture and restaurants and hotels (see Table 3.3). The alcohol and tobacco index increased by 3.8 percent due primarily to higher cost associated with higher import duties implemented during the period.

Table 3.4 shows the so-called “core inflation rate” or overall inflation rate without food and electricity. This is lower at 0.9 percent in 2012 compared to the overall rate. Electricity increased marginally by 1.3 percent in 2012 while food recorded a higher inflation rate of 4.2 percent.

Since the rebased CPI index was adopted in the second quarter of 2008 (see Figure 3.1), food along with non-alcoholic beverages index held a consistent upward trajectory. The food index averaged 119.0 in 2012, approximately 19.0 percent higher from the second quarter of 2008, or an average of 3.2 percent annually for the last four years. Food inflation in 2012 have been positive in all four quarters of 2012 and was steepest at 5.3 percent in the first quarter. The main reasons cited for the high food prices are international oil prices and adverse weather conditions in the major source markets.

Figure 3.1: Inflation Indices for Selected Major Divisions



Source: Economics & Statistics Office

Table 3.4: Selected Quarterly Inflation Rates

		CPI Inflation	Non Food Inflation	CPI: Excluding; Food & Electricity	CPI: Excluding; Housing & Utilities	Food Inflation	Housing & Utilities Inflation	Electricity Inflation
% Change over the same Quarter a Year Ago								
2011	QTR 1	0.0	-0.2	-1.0	2.8	2.7	-4.6	14.8
	QTR 2	1.0	0.9	-0.2	3.2	1.6	-2.9	23.8
	QTR 3	2.4	2.3	1.2	2.5	4.0	2.4	22.5
	QTR 4	1.9	1.5	0.7	2.3	5.6	1.0	15.7
Annual average 2011		1.3	1.1	0.2	2.7	3.5	-1.0	19.2
2012	QTR 1	1.8	1.5	1.3	2.3	5.3	0.9	4.2
	QTR 2	0.9	0.6	0.6	1.3	3.8	0.1	1.1
	QTR 3	0.1	-0.4	0.0	1.0	4.2	-1.7	-5.5
	QTR 4	2.1	1.9	1.7	2.4	3.7	1.5	5.5
Annual average 2012		1.2	0.9	0.9	1.8	4.2	0.2	1.3

Source: Economics & Statistics Office

3.3 Labour Force and Employment

With the modest GDP growth recorded in 2012, labour market indicators also improved in general. A higher participation rate and population size led to an increase in the labour force by 3.2 percent to reach 38,811. The expansion is due to both Caymanian and non-Caymanian groups.

Non-Caymanians continued to account for majority of the labour force; however their share declined for the past three years. In 2012, the Non-Caymanian labour force totalled 52.5 percent of the total or 20,393 persons, whereas the Caymanian share of the labour force increased to 47.5 percent or 18,418 persons.

Table 3.5: Summary of Labour Force Indicators

Labour Force Indicators:	2010	2011	2012
Population	55,036	55,517	56,732
Working Age Population	45,068	45,450	46,375
Labour Force	37,313	37,620	38,811
Total Employed	34,983	35,267	36,401
Total Unemployed	2,330	2,353	2,410
Unemployment Rate (%)	6.2	6.3	6.2
Caymanian Population	30,979	31,325	32,201
Working Age Population	23,309	23,569	24,547
Labour Force	17,506	17,701	18,418
Employed	15,794	15,969	16,493
Unemployed	1,712	1,732	1,925
Unemployment Rate (%)	9.8	9.8	10.5
Non- Caymanian Population	24,057	24,192	24,531
Working Age Population	21,759	21,881	21,828
Labour Force	19,807	19,919	20,393
Employed	19,189	19,298	19,908
Unemployed	618	621	485
Unemployment Rate (%)	3.1	3.1	2.4

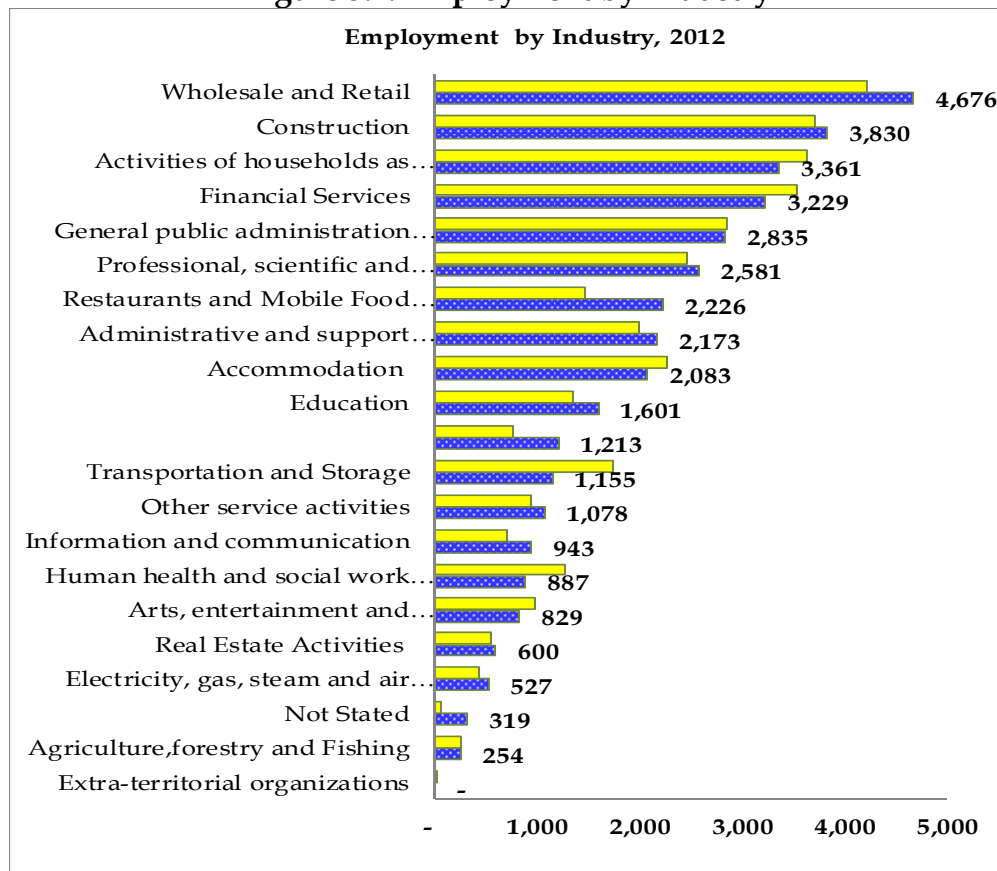
Source: Economics & Statistics Office

Overall, employment growth accelerated to 3.2 percent with 36,401 persons employed. Both Caymanians and Non-Caymanian groups recorded higher employment by almost the same growth rate. The latter is consistent with the work permits issued by the Immigration Department which grew 4.7 percent from 19,852 in 2011 to 20,789.

As depicted in Figure 3.2, the top five industries that recorded robust job creation in 2012 were restaurants and mobile food services (52.6%), manufacturing, mining and quarrying (59.0%), electricity, gas & water supply (20.2%), and information and communication (33.4%). More moderate expansion was recorded in wholesale and retail (10.6%), education (17.8%), real estate (9.2%) and construction (3.3%). The latter represented a reversal of last year’s 6.3 percent decline.

In contrast, employment in financial services suffered another year of decline in 2012 which at 8.7 percent was steeper compared to 2.8 percent in 2011. Declining employment was also experienced in industries primarily servicing households: arts, entertainment and recreation (-15.4%), human health and social services (-29.9%), and activities of households as employers (-7.6%).

Figure 3.2: Employment by Industry



Source: Economics & Statistics Office

The overall unemployment rate slid down slightly by 0.1 percentage point to 6.2 percent with a total of 2,410 persons unemployed (see Table 3.5). The Caymanian unemployment rate rose 0.7 percentage points to 10.5 percent with 1,925 unemployed persons. As expected, the unemployment rate for Non-Caymanians was comparatively lower at 2.4 percent owing to the country’s immigration system.

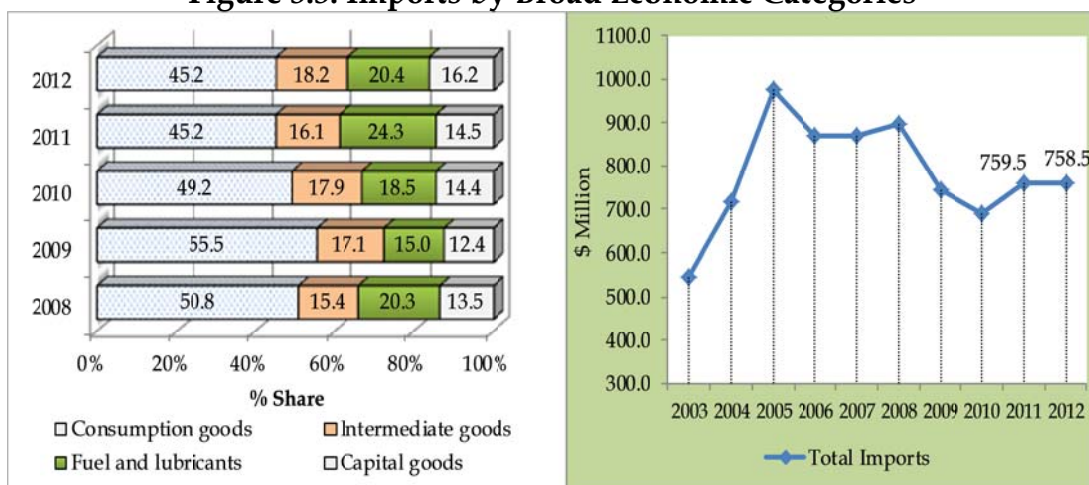
3.4 External Sector

Imports. In 2012, total merchandise imports declined by 0.1 percent following the rebound in 2011 (8.2%). The value of goods imported was \$758.5 million⁴. The drop in 2012 was due to oil and petroleum products which declined by 15.9 percent. Both volume and average price of fuel imports declined in 2012.

In contrast, non-oil related imports expanded by 4.8 percent to total \$606.6 million. In particular, importation of food and live animals rose by 7.0 percent, supported by growth in stay-over tourism. Imports of machinery and transport equipment also grew by 7.2 percent.

Analysing imports by broad economic categories (BEC) reveals that the value of imported consumption goods declined slightly by 0.7 percent. Capital goods and intermediate goods increased by 11.4 percent and 13.1 percent respectively; increases in these categories of “productive capacity” are usually an indication of heightened economic activity.

Figure 3.3: Imports by Broad Economic Categories

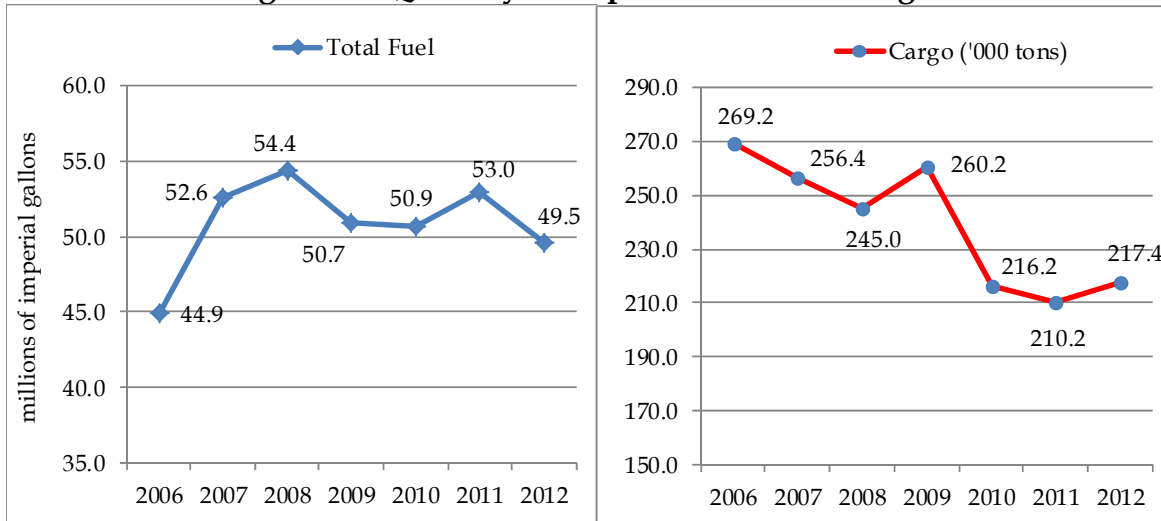


Source: Economics and Statistics Office

⁴ Value of imports and export includes cost of insurance and freight.

In 2012, the overall volume of imported cargo grew by 3.4 percent to 217.4 thousand tons. Imported aggregates which is used in the construction sector increased by 10.1 percent to 143.5 thousand tons in 2012.

Figure 3.4: Quantity of Imported Fuel and Cargo



Source: Customs Department and Port Authority of the Cayman Islands

Exports. Total merchandise exports in 2012 reached \$16.4 million, a 9.5 percent decrease compared to the previous year. Exports consisted mainly of re-export of goods.

Current Account. The country's current account deficit was estimated to have narrowed by 2.5 percent to \$467.0 million, or 18.1 percent of GDP in 2012 (see Table 3.6) due mainly to an increase in inflow of funds arising from higher visitor expenditure.

Estimated inflows from tourism visitor expenditure dominated the inflow of funds. This was estimated at \$419.5 million, up by 5.4 percent due to strong growth in air arrivals and a rebound in cruise arrivals. Meanwhile, receipts from financial services were estimated at \$350.0 million, down 1.8 percent as new company registrations declined. Workers remittances were marginally higher as foreign employment increased.

Table 3.6: Balance of Payments (in CI\$ million)*

	2009	2010	2011	2012E
Current Account Balances				
Trade balance	(619.7)	(587.5)	(603.4)	(638.5)
Exports, f.o.b.	38.7	32.9	84.6	42.3
Imports, f.o.b.	(658.4)	(620.4)	(688.0)	(680.8)
Services, net	464.6	496.4	438.1	470.8
Receipts	1,141.3	1,203.2	1,191.7	1,200.2
o/w tourism visitor expenditure	378.4	392.4	398.0	419.5
o/w financial services	379.0	410.9	356.5	350.0
Payments	(676.7)	(706.8)	(753.6)	(729.4)
Net income	(87.2)	(185.6)	(151.3)	(157.8)
Transfers, net	(177.8)	(143.9)	(138.9)	(141.4)
Current Account Balance	(420.1)	(420.6)	(455.5)	(467.0)
<i>Percent of GDP (%)</i>	(16.6)	(17.1)	(18.2)	(18.1)
Financial and Capital Account, net*	419.1	411.2	460.8	471.4
Balance of Payments	(1.0)	(9.4)	5.3	4.5
Change in Reserves**	1.0	9.4	(5.3)	(4.5)

^E Estimated based on selected economic indicators

f.o.b - Free on board (excludes insurance and freight)

* Trade balance include goods only; exports include "goods under merchanting" which are shipment of Cayman-registered companies that did not enter the country.

Financial and capital account includes overall errors and omissions

** Changes in foreign currency reserves of the Cayman Islands Monetary Authority's Currency Board

Source: Economics and Statistics Office

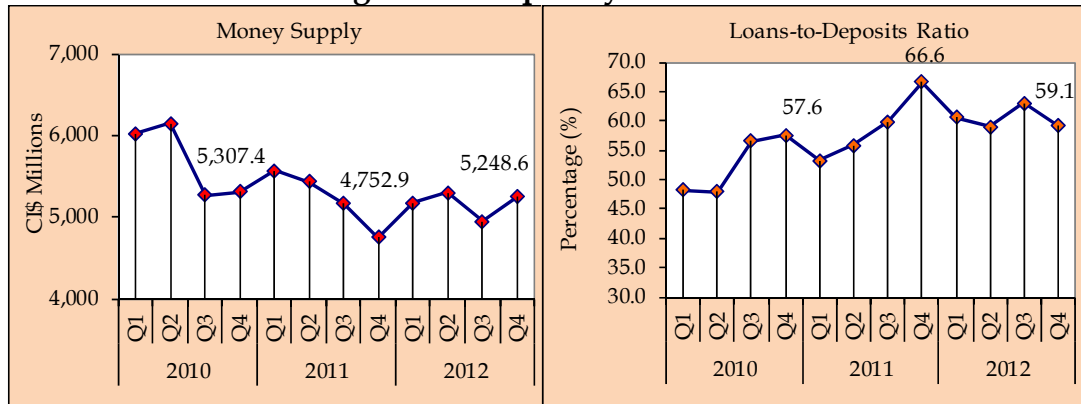
3.5 Money & Credit

Broad Liquidity. Broad liquidity (M2) comprising CI dollar-denominated money and foreign exchange deposits rebounded after contracting in the previous two years. After falling by 10.8 percent in 2010 and 10.4 percent in 2011, broad liquidity expanded by 10.4 percent to settle at \$5,248.6 million in 2012 (see Figure 3.5 and Table 3.7). The expansion resulted from an 8.4 percent increase in foreign currency deposits which comprise 78.8 percent of broad liquidity; of these, US dollar-denominated deposits increased by 8.2 percent.

In addition, broad money comprising local currency (KYD) deposits and currency in circulation expanded by 18.6 percent to \$1,110.3 million. This is traced to an increase in KYD deposits by 21.0 percent while currency in circulation contracted by 3.1 percent.

The overall loan-to-deposit ratio of commercial banks fell due to higher deposits and a lower loan balance. In 2012, this ratio averaged 59.1 percent as compared to 66.6 percent the previous year.

Figure 3.5: Liquidity Indicators



Source: Cayman Islands Monetary Authority & ESO

Table 3.7: Monetary and Banking Summary, in CI\$ million

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Change %
Total Assets	5,568.2	5,949.6	5,307.4	4,752.9	5,248.6	10.4
Net Foreign Assets	3,579.1	3,981.1	3,056.5	2,446.7	2,801.8	14.5
Monetary Authority	101.6	100.4	89.4	94.6	99.1	4.8
Commercial Banks	3,477.5	3,880.7	2,967.1	2,352.1	2,702.7	14.9
Net Domestic Assets	1,989.1	1,968.5	2,250.9	2,306.2	2,446.8	6.1
Domestic credit	2,763.1	2,836.8	3,008.1	3,106.6	3,050.6	(1.8)
Claims on central government	271.7	172.1	219.0	293.7	278.3	(5.2)
Claims on other public sector	54.0	66.5	59.8	88.6	80.4	(9.3)
Claims on private sector	2,437.5	2,598.1	2,729.3	2,724.3	2,691.9	(1.2)
Other items net	(774.0)	(868.3)	(757.2)	(800.4)	(603.8)	(24.6)
Broad Liquidity	5,568.2	5,949.6	5,307.4	4,752.9	5,248.6	10.4
Broad money (KYD) M2	1,017.7	962.2	981.1	935.9	1,110.3	18.6
Currency in circulation	83.6	87.5	85.2	89.7	86.9	(3.1)
KYD Deposits	934.1	874.6	895.9	846.1	1,023.4	21.0
Demand deposits	250.7	254.5	298.9	237.7	337.0	41.8
Time and savings deposits	683.3	620.1	597.0	608.4	686.4	12.8
FOREX deposits	4,550.5	4,987.5	4,326.2	3,817.0	4,138.3	8.4
of which: US dollars	4,218.7	4,316.0	3,632.8	3,251.6	3,517.9	8.2
US dollars share (%)	92.7	86.5	84.0	85.2	85.2	

Source: Cayman Islands Monetary Authority & ESO

On the assets side, the expansion of broad liquidity was associated with a 14.9 percent increase in net foreign assets of local commercial banks. Net domestic assets rose by 6.1 percent (or \$140.6 million) notwithstanding a contraction in domestic credit by 1.8 percent.

Net foreign assets. Net foreign assets (NFA) of the Cayman Islands Monetary Authority's (CIMA) expanded by 4.8 percent while that of commercial banks' rose by 14.9 percent during the period (see Table 3.8). CIMA's NFA rose by \$4.5 million during the period following a sharp decline in 2010 and a recovery in 2011. The increase in commercial banks' NFA stemmed from an increase in foreign assets by 6.5 percent as balances in banks and branches, and investments increased by 13.7 percent and 15.4 percent respectively. The increase in foreign assets outweighed an increase in foreign liabilities which expanded by 1.2 percent due mainly to other liabilities.

The ratio of foreign currency-denominated liabilities to total liabilities (a financial soundness indicator which measures the relative importance of foreign currency funding within total liabilities) stood at 80.2 percent in 2012 which is slightly lower than the 80.3 percent in 2011 and the 81.5 percent in 2010. This is an indication that foreign currency continued to be an important source of funding in the Cayman Islands' "pseudo dollarized economy," supporting the fixed exchange rate under the currency board system.

Table 3.8: Net Foreign Assets, CI\$ million

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	% Change
Net Foreign Assets	3,579.1	3,981.1	3,056.5	2,446.7	2,801.8	14.5
Monetary Authority	101.6	100.4	89.4	94.6	99.1	4.8
Commercial Banks	3,477.5	3,880.7	2,967.1	2,352.1	2,702.7	14.9
Foreign Assets	7,430.7	6,630.9	6,140.1	6,049.7	6,444.8	6.5
Bal. with Banks & Branches	4,450.8	3,923.2	3,785.8	3,569.2	4,059.4	13.7
Total Investment	1,427.8	1,170.9	906.7	963.3	1,111.5	15.4
Total Non-Resident Loans	1,552.1	1,536.8	1,447.6	1,517.2	1,273.9	(16.0)
Foreign Liabilities	3,953.2	2,750.2	3,173.0	3,697.6	3,742.0	1.2
Total Non-Resident Deposits	3,732.7	2,677.9	3,076.2	3,580.2	3,584.8	0.1
Other Liabilities	220.5	72.3	96.8	117.4	157.2	33.9

Source: Cayman Islands Monetary Authority & ESQ

Net domestic assets. During the period, net domestic assets declined by 1.8 percent to \$3,050.6 million as commercial banks' credit to both the public and private sectors declined. Credit to the public sector was reduced by 6.2 percent

to \$358.7 million as central government embarked on a program of reducing its total outstanding debt (see Tables 3.7 and 3.9). Credit allocated to the private sector fell by 1.2 percent as credit to businesses contracted while household credit expanded.

Table 3.9: Net Domestic Assets, CI\$ million

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	% Change
Domestic Assets	2,763.1	2,836.8	3,008.1	3,106.6	3,050.6	(1.8)
Domestic Credit to Public Sector	325.6	238.7	278.8	382.3	358.7	(6.2)
Domestic Credit to Private Sector	2,437.5	2,598.1	2,729.3	2,724.3	2,691.9	(1.2)

Source: Cayman Islands Monetary Authority & ESO

The proportion of credit to households to total private sector credit increased from 63.0 percent a year ago to 68.9 percent in 2012. This is associated with higher lending for domestic property and miscellaneous purposes (see Table 3.10). Miscellaneous purposes include consolidated debt, insurance, medical and travel. New credit for domestic property rose by \$53.8 million in 2012 or 3.6 percent, which is consistent with the rise in value of building permits for houses by 17.2 percent. Virtually all this new lending was in the first quarter of 2012; the other three quarters combined had an aggregate net amortization of approximately \$7.1 million.

Credit to the business sector accounted for 31.1 percent of total credit to the private sector, a decline from the 37.0 percent in 2011, as overall credit to the business sector declined by 16.9 percent or \$169.9 million. All major sectors recorded declines in borrowings, with the sharpest drops recorded for production and manufacturing, trade and commerce, and other financial corporations. Despite an overall decline for all sectors for the year, quarterly data showed increased borrowing in the service sectors for the last quarter of 2012 and for trade and commerce during the second half of 2012.

During the review period, foreign currency-denominated loans comprised 63.4 percent of total loans, slightly down from 66.5 percent in 2011.

The household debt-to-GDP ratio which measures the overall level of household indebtedness as a share of GDP stood at 71.6 percent as compared to 68.6 percent in 2011. Further, on average each household⁵ in the Cayman Islands is indebted at approximately \$77,500 in 2011 which decreased slightly to \$76,700 in 2012.

⁵ The total number of households in the Cayman Islands was 24,165 in 2012.

Table 3.10: Net Credit to the Private Sector, CI\$ million

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	% Change
Total	2,329.2	2,468.5	2,729.3	2,724.4	2,691.9	(1.2)
Credit to Businesses	844.5	841.7	1,049.6	1,008.0	838.1	(16.9)
Production & Manufacturing	118.2	149.4	291.9	410.5	324.1	(21.0)
<i>of which; Construction</i>	79.9	114.9	218.5	351.9	282.4	(19.7)
Services	78.7	130.5	210.8	167.1	129.4	(22.6)
<i>of which;</i>						
Accommodation, Food, Bar & Entertainment Services	78.7	130.5	113.4	116.3	92.6	(20.4)
Trade and Commerce	607.2	519.0	454.0	383.6	343.5	(10.5)
Wholesale & Retail Sales Trade	167.7	79.8	67.3	78.1	58.0	(25.7)
Real Estate Agents, Rental and Leasing Companies	430.3	425.9	364.1	136.5	128.6	(5.8)
Other Business Activities (General Business Activity)	9.2	13.4	22.6	169.0	156.9	(7.2)
Other Financial Corporations	40.4	42.6	92.9	46.8	41.1	(12.2)
Credit to Households	1,484.7	1,626.7	1,679.3	1,716.2	1,853.7	8.0
Domestic Property	1,295.8	1,375.6	1,458.5	1,487.1	1,540.9	3.6
Motor Vehicles	44.0	70.2	49.8	36.8	33.0	(10.3)
Education and Technology	1.7	3.2	4.7	4.5	4.3	(4.4)
Miscellaneous*	143.3	177.7	166.3	187.8	275.5	46.7
NonProfit Organizations	0.0	0.2	0.4	0.2	0.1	(50.0)

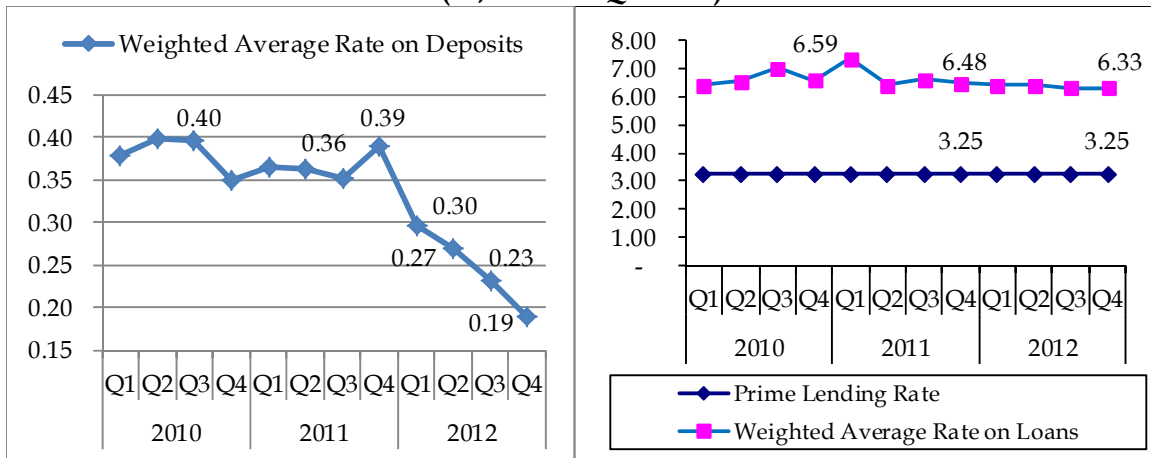
*Miscellaneous include consolidated debt, insurance, medical & travel

Source: Cayman Islands Monetary Authority & ESO

Interest Rates. As depicted in Figure 3.6, the weighted average lending rate declined marginally during the year. The weighted average KYD rate on outstanding loans moved down 15 basis points from 6.48 percent in 2011 to 6.33 percent in 2012 while the prime lending rate remained constant over the review period. The weighted average loan interest rate spread over Cayman prime averaged 3.1 percentage points, marginally down from 3.5 percentage points a year ago. Similarly, the weighted average loan interest rate spread over the weighted average savings rate fell to 6.1 percentage points from 6.4 percentage points a year ago.

The weighted average KYD rate on deposits decreased to 0.19 percent at the end of 2012 from 0.39 percent the previous year (see Figure 3.6).

Figure 3.6: Cayman Islands' Interest Rates
(%, End of Quarter)



Source: Cayman Islands Monetary Authority & ESO

4. Key Sector Developments

Cayman's financial services industry posted mixed performance while stay-over tourism sustained its recovery. Key construction industry leading indicators trended downwards while real estate receded anew. The utilities sector comprising electricity and water had mixed growth.

4.1 Financial Services

The Cayman Islands financial services sector withstood new episodes of global economic challenges throughout the year. Overall, mixed results were noted with insurance and company licences being the only sub-sectors that showed improvement in their business volume indicators.

Banks & trusts. The Cayman Islands continue to be recognised as one of the top ten international financial centres in the world with over forty of the top fifty banks holding licences locally representing some forty-five countries.

There were fewer registrations recorded for banks and trust licences at year-end 2012. When matched with the previous year, Class A licences remained constant at 15 while Class B licences were reduced by 8 to total 211. This resulted as banks continued their cost-saving and consolidation measures.

Table 4.1: Bank & Trust Companies, 2009-2012

	2010	2011	2012	2011-2012 % Change
Banks and Trust Licences	246	234	226	-3.4
<i>Of which:</i> Class 'A'	17	15	15	0.0
Class 'B'	228	219	211	-3.7
Class 'B' Restricted	1			
Trust companies	127	123	118	-4.1
Trust Companies (unrestricted)	51	54	52	-3.7
Trust companies (Restricted)	76	69	66	-4.3
External Position of Banks^a	US\$ Billions			
Assets	1,782.8	1,570.4	1,433.3	
Liabilities	1,853.4	1,642.7	1,501.1	

^aData available as at September in 2012

Source: Cayman Islands Monetary Authority

As shown in Table 4.2, most of the reduction in bank listings in 2012 is traced to US and European banks.

Table 4.2: Number of Banks by Region, 2009- 2012

	2009	2010	2011	2012
Number of Banks				
Europe	78	72	66	64
USA	74	67	56	50
Caribbean & Central America	21	19	19	19
Asia & Australia	27	25	23	24
Canada & Mexico	14	14	18	19
South America	42	41	43	41
Middle East & Africa	10	8	9	9
	266	246	234	226
Percentage (%)				
Europe	29.3	29.3	28.2	28.3
USA	27.8	27.2	23.9	22.1
Caribbean & Central America	7.9	7.7	8.1	8.4
Asia & Australia	10.2	10.2	9.8	10.6
Canada & Mexico	5.3	5.7	7.7	8.4
South America	15.8	16.7	18.4	18.1
Middle East & Africa	3.8	3.3	3.8	4.0
	100.0	100.0	100.0	100.0

Source: Cayman Islands Monetary Authority

Insurance. The insurance industry has been relatively resilient in a very challenging market environment. A total of 67 captive applications were received in 2012—the highest number since the hard market of 2004. Total licenses recovered to 768 as Class ‘B’ licences increased while Class ‘A’ licences remained constant at 27 (see Table 4.3).

Based on unaudited consolidated financial statements, gross premium of domestic insurance licences in 2012 was 1.1 percent higher from a year ago, settling at \$383.7 million. Net income in the industry was \$116.6 million, 5.6 percent higher than a year ago.

Ceded premiums⁶ amounted to \$124.0 million and as a share of gross premium, decreased slightly from 32.8 percent a year ago to 32.3 percent. The largest share (69.2%) of ceded premiums was property insurance which was lower than the 70.7 percent obtained a year ago. Property insurance accounted for 29.6 percent

⁶ Ceded premiums are premiums paid or payable by the insurance company to another insurer for reinsurance protection.

of gross premiums, down from 30.2 percent a year ago while health and motor insurance accounted for 44.8 percent and 6.2 percent respectively.

Table 4.3: Insurance Companies, 2009-2012

	2009	2010	2011	2012	% Change
Total Insurance Licences	808	768	766	768	0.3
Class 'A' Licences (Domestic)	28	30	27	27	0.0
Class 'B' Licences (Captives)	780	738	739	741	0.3
Unrestricted	697	680			
Restricted	83	58			
Financial Position of Captives	US\$ Billions				
Premiums	7.5	8.7	11.8	11.8	0.4
Net Income*	0.9	1.3	1.0	2.1	110.0
Net Worth	9.2	13.4	14.2	15.1	6.3
Total Assets	44.7	58.0	68.5	88.1	28.6

* Due to rounding off, these figures may not show explicit changes

Source: Cayman Islands Monetary Authority

As compared to a year ago net claims of domestic insurance decreased by 12.6 percent to \$123.6 million as health related claims which accounted for 88.0 percent of total claims amounted to \$108.8 million.

The captive market kept pace as the fundamentals that make the Cayman Islands a foremost jurisdiction remained strong.

Net premiums for captives held steady at US\$11.8 billion in 2012 (or a slight growth of 0.4 percent). Assets under management improved by 28.6 percent to US\$88.1 billion. Net income rose by 110.0 percent to total US\$2.1 billion in 2012.

The composition of the captive insurance industry remained as in previous years (see Table 4.4). North America continues to dominate the risk location for Cayman's captive market, comprising 90.5 percent of total companies registered with the rest originating from Caribbean and Latin America (3.1%); Europe (2.0%), Africa, Asia and Middle East (0.5%); Pacific Rim (0.3%), and the rest of the world (3.5%).

Healthcare⁷ followed by workers' compensation⁸ continue to dominate the captive's class of business which combined accounts for approximately 55.2 percent of total captives.

Table 4.4: Captive Insurance Licences by Risk Location, 2009-2012

	2009	2010	2011	2012
Number of Companies				
Africa, Asia & Middle East	6	4	4	4
Caribbean & Latin America	27	24	23	23
Europe	13	13	14	15
North America	700	668	669	671
Pacific Rim	2	2	2	2
Other	32	27	27	26
	780	738	739	741

Total Captive Companies by Primary Class of Business

	2009	2010	2011	2012
Number of Companies				
Healthcare	269	263	265	253
Workers' Compensation	162	160	161	156
Property	115	88	91	91
General Liability	73	72	71	72
Professional Liability	65	64	68	68
Other	96	91	83	101
	780	738	739	741

Source: Cayman Islands Monetary Authority

⁷ Cayman became the most common jurisdiction for healthcare providers early on following the acceptance of the Harvard captive for medical malpractice in the mid-1970s. Although Bermuda was the more established domicile, Cayman offered some advantages, including:

- A willingness to allow hospital sponsored physician programs; and
- A more favorable reimbursement impact due to flexible capital requirements

Several of the newer onshore domiciles have picked up healthcare captives, particularly risk retention groups and physician groups. However, Cayman remains the domicile of choice for both for-profit and tax-exempt captive owners due to the experience of the professionals involved.

⁸ **Workers' compensation** is a form of insurance providing wage replacement and medical benefits to employees injured in the course of employment in exchange for mandatory relinquishment of the employee's right to sue his or her employer for the tort of negligence.

Mutual funds. In 2012, registered mutual funds totalled 10,841, higher by 17.1 percent from a year ago. The increase is due to the new category “master fund” by virtue of the Mutual Funds (Amendment) Law (2011) enacted in December 2011. Total registration excluding the master funds fell by 3.3 percent to 8,950.

Figure 4.1: Mutual Funds, 2011-2012



Source: Cayman Islands Monetary Authority

During the period, new registrations totalled 2,683 while 1,278 were terminated. Of the new registrations, 67 percent was accounted for by master funds. Without the latter, the number of new funds was 885 which is lower than the number of terminations. Among the key reasons for termination were liquidation; exemption under the Mutual Funds Law; technical non-compliance with the definition of a mutual fund (e.g. closed ended fund); and the fact that the fund may never have carried out business.

Stock exchange. Growth performance of the Cayman Islands Stock Exchange (CSX) listings was almost flat in 2012, with just one (1) listing added to the previous year’s.

Table 4.5: Stock Listings, 2011-2012.

Instruments	2011	2012
Total	1,156	1,157
Mutual Funds	347	343
Specialist Debt	702	691
<i>of which</i> Insurance Linked Security		91
Eurobond	101	117
Primary Equity	4	4
Secondary Equity	2	2

Source: Cayman Islands Stock Exchange

Nevertheless, strong growth (i.e. 15.8%) was noted for Eurobonds which coincided with a 75.3% increase in Eurobond market capitalization to reach US\$64.7 billion (see Table 4.6).

Table 4.6: Market Capitalization (US\$ billions), 2011-2012⁹

Instruments	2011	2012
Total	143.8	166.5
Mutual Funds	23.0	14.5
Specialist Debt	80.4	83.8
<i>of which</i> Insurance Linked Security		9.8
Eurobond	36.9	64.7
Primary Equity	2.8	2.7
Secondary Equity	0.7	0.8

Source: Cayman Islands Stock Exchange

Companies registry. The registry increased by 0.7 percent to 93,612 in 2012. This performance resulted amidst fewer new company registrations and the removal of 8,449 companies. Of the latter, 68.2 percent were removed by the registrar while the rest were voluntarily dissolved (27.1%) or liquidated (0.1%). Only 0.9 percent or 73 companies de-registered and moved to other jurisdictions.

Exempt companies grew by 1.3 percent and remains the largest proportion of total companies. Foreign and resident companies increased by 8.4 percent and 4.6 percent, respectively, while non-resident companies continued on the downtrend, falling by 9.4 percent.

Table 4.7: Company Registrations, 2009-2012

	2009	2010	2011	2012	2011-2012
					% Change
Total Company Registrations	92,867	91,206	92,964	93,612	0.7
Exempt	73,967	72,994	74,782	75,754	1.3
Non-Resident	10,202	9,651	9,060	8,206	(9.4)
Resident	6,071	5,829	6,193	6,476	4.6
Foreign	2,627	2,732	2,929	3,176	8.4
New Company Registrations	7,863	8,157	9,064	8,971	(1.0)
Exempt	6,764	7,104	7,980	7,940	(0.5)
Non-Resident	220	230	156	69	(55.8)
Resident	487	432	485	506	4.3
Foreign	392	391	443	456	2.9

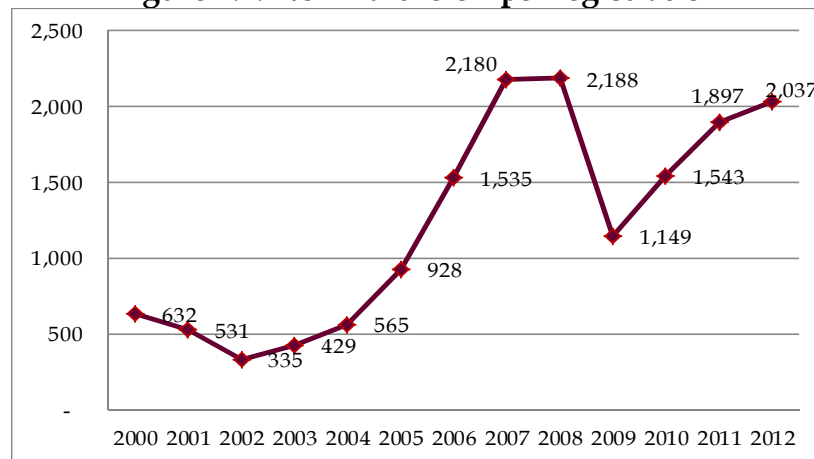
Source: Cayman Islands General Registry

⁹ The figures for mutual funds and domestic equity refer to market capitalization. Figures for specialist debt, Eurobond and secondary equity is based on par values.

New company registrations declined by 1.0 percent to reach 8,971 as non-resident and exempt registrations retreated (see Table 4.7).

Partnerships registry. Since 2010, registration of new partnerships has trended upwards towards its pre-crisis level. In 2012, it rose further by 140 (or 7.4 percent) to total 2,037; these were all exempt partnerships while no new limited partnership was registered. A limited partnership allows for business transactions to be conducted by two or more persons or entities whilst an exempt partnership is required when establishing limited partnerships for offshore investors to conduct business locally (as is solely necessary for offshore business operations).

Figure 4.2: New Partnerships Registration



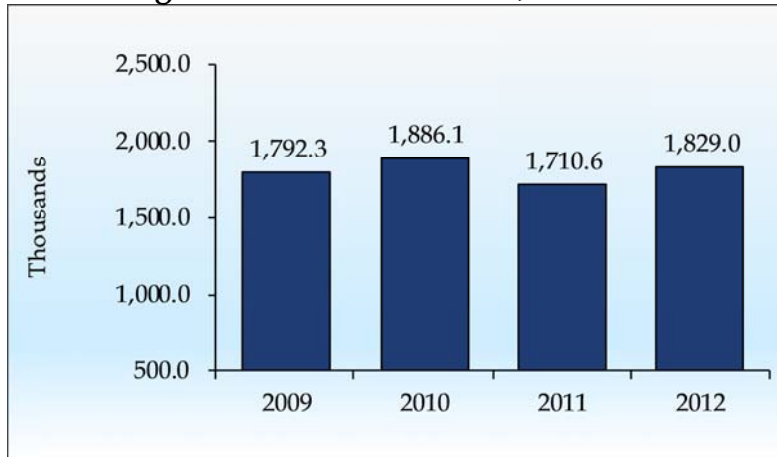
Source: Cayman Islands General Registry

4.2 Tourism

Total visitor arrivals to the Cayman Islands grew by 6.9 percent in 2012 to reach 1,829.0 thousand at year-end. This overall figure represents an increase in both cruise arrivals and stay-over arrivals of 7.6 percent and 4.1 percent, respectively.

The growth in tourist arrivals to the Cayman Islands is consistent with global and regional trends as reported respectively by the World Tourism Organization and the Caribbean Tourism Organization. The latter was prompted largely by improvements in the United States and Canadian markets. Countries dependent heavily on the British market were slower to recover owing to continued economic difficulties within the UK and increased airline-related costs which have more than doubled since 2009 due to air passenger duties with further increases scheduled for 2013.

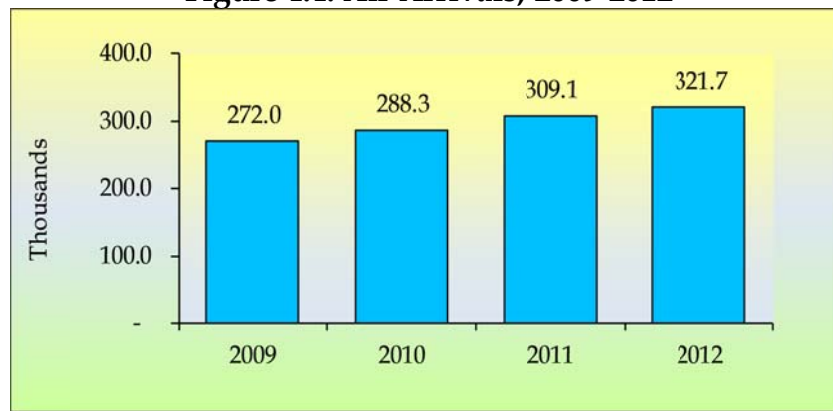
Figure 4.3: Tourist Arrivals, 2009-2012



Source: Department of Tourism

Stay-over market. Stay-over arrivals in the Cayman Islands grew for the third year since 2009. At year-end 2012, a total of 321,650 persons visited the country, 4.1 percent higher than in 2011.

Figure 4.4: Air Arrivals, 2009-2012



Source: Department of Tourism

With the exception of the northeast region, arrivals from all regions within the USA (the largest market for stay-over arrivals in the Cayman Islands) improved when compared to 2011. The Southwest led this performance with a growth of 11.5 percent; the Midwest, West Coast and Southeast markets followed with 8.8 percent, 5.6 percent and 0.5 percent, respectively.

Table 4.8: Stay-over Arrivals by Country of Origin, 2009-2012

	2009	2010	2011	2012	Absolute Change	% Change
USA	215.0	228.5	242.9	253.2	10.3	4.2
Northeast	75.9	83.8	85.7	85.4	(0.3)	(0.4)
Midwest	45.1	49.2	52.6	57.2	4.6	8.7
Southeast	43.0	42.1	45.7	45.9	0.2	0.4
Southwest	36.0	38.3	42.1	46.9	4.8	11.4
West Coast	15.0	15.1	16.8	17.8	1.0	6.0
Europe	19.1	19.9	21.1	21.4	0.3	1.4
Canada	17.3	19.5	24.6	24.1	(0.5)	(2.0)
Other	20.6	20.5	20.4	23.0	2.6	12.7
Total	272.0	288.4	309.1	321.7	12.6	4.1
% Share of USA	79.1	79.2	78.6	78.7		

Source: Cayman Islands Department of Tourism

Despite the general economic slow-down in the Euro area, arrivals from Europe managed to show improvement by 1.4 percent. The Canadian arrivals softened by 2.0 percent (see Table 4.8).

Throughout the period, measures to improve accommodation availability for inbound-visitors were undertaken. During the latter part of the year, demolition activity started on the former vacant properties of the Hyatt, and the Courtyard by Marriott while Comfort Suites and Westin Grand Cayman have undergone major renovations as well. Similarly, the Grand Cayman Marriott Beach Resort, which was previously at risk of closing, was significantly upgraded while the 117-room Grand Caymanian Resort announced its plans to re-brand as Holiday Inn. Further east, the first phase of the \$58 million Morritt's Properties East End development—a five-storey 35-unit apartment building (“The Londoner”)—was launched in April with seven more buildings and the redevelopment of the main reception area scheduled over the next five to ten years.

Other efforts aimed at improving Cayman's tourism product and visitor experience include on-going enhancements to the Owen Roberts International Airport. Thus far, the introduction of upgraded equipment has resulted in the modernized processing of passengers that complies with new aviation regulations, which will come into effect in 2013.

To further boost demand, a new direct Cayman/New York and Boston service route was started in November following an agreement with JetBlue Airways. It is estimated that this new gateway will support the stay-over market's high season by offering competitive rates.

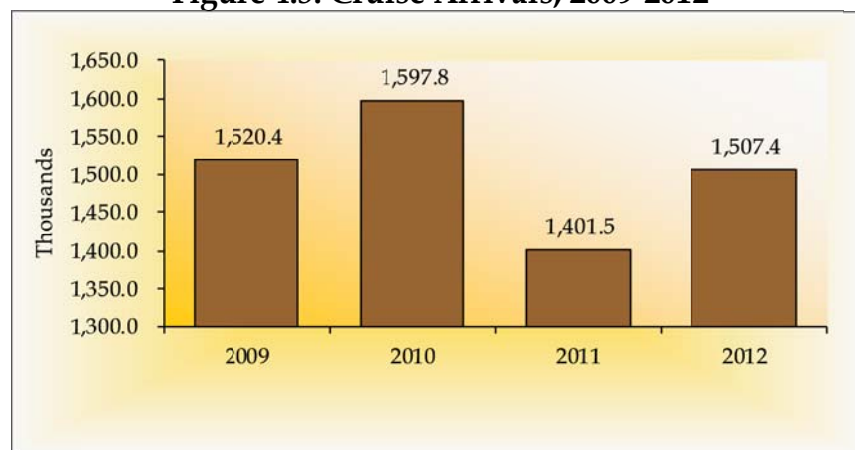
Statistics on occupancy and accommodation levels were unavailable at the time of the publication of this report.

Cruise Market. Cruise arrivals increased by 7.6 percent to 1,507,370 (see Figure 4.5) amidst a flat performance regionally for the past three years. Overall, cruise arrivals have been impacted by the global scenario resulting in lower personal discretionary income and lower aggregate visitor spending.

Meanwhile, the number of local cruise ship calls improved slightly by 0.4 percent to 525 at year-end. This expansion reversed the 8.2 percent reduction recorded for 2011.

Cruise passengers per day averaged 3,893 persons which was 545 visitors less than the average a year ago.

Figure 4.5: Cruise Arrivals, 2009-2012



Source: Department of Tourism

4.3 Construction

Construction intention as measured by building permits softened anew in 2012, recording its fourth successive year of contraction. This renewed weakening saw building permits and project approval retreating to \$156.4 million and \$171.0 million respectively. Coinciding with the slowdown, certificates of occupancy declined by 16.8 percent to \$125.3 million although the number recorded a slight growth.

Building Permits. This leading indicator further contracted in 2012 by 14.6 percent to settle at \$156.4 million (see Tables 4.10). The pull-back in building activity is traced to weakening private investment particularly in the apartment

and commercial segments along with the depressed levels of government expenditure associated with on-going fiscal austerity.

Table 4.9: Grand Cayman Building Permits, 2009-2012

	2009	2010	2011	2012	% Change
Millions of CI\$					
Houses	146.4	93.1	87.9	103.0	17.2
Apartments	92.7	49.4	37.4	15.4	(58.8)
Commercial	49.5	45.3	39.5	15.1	(61.8)
Industrial	2.6	3.2	0.5	1.2	140.0
Hotel	-	-	-	10.0	-
Government	28.8	2.0	6.9	3.0	(56.5)
Other	35.0	12.6	10.9	8.7	(20.2)
Total	355.0	205.6	183.1	156.4	(14.6)

Source: Cayman Islands Planning Department

In the residential sector (houses and apartments), permits moderated 5.4 percent to \$118.4 million, comparing favourably to the 12.1 and 40.4 percent decline respectively recorded in 2011 and 2010. This outturn is attributed to slowing demand for apartment buildings as activity for houses rebounded strongly.

The value of building permits for the non-residential sector lost further momentum in 2012, declining by 37.5 percent to its lowest value of \$29.3 million. Plummeting activity in the commercial and government sectors dragged the positive performance of the hotels and industrial categories. The hotels category was made up solely of the \$10-million expansion of the Morritts Hotel in East End, the first hotel project since 2008.

Table 4.10: Grand Cayman Building Permits, 2009-2012

	2009	2010	2011	2012	% Change
Houses	532	390	348	347	(0.3)
Apartments	171	114	77	54	(29.9)
Commercial	116	120	112	100	(10.7)
Industrial	7	7	1	4	300.0
Hotel	-	-	-	1	-
Government	16	12	15	17	13.3
Other	303	347	270	214	(20.7)
Total	1,145	990	823	737	(10.4)

Source: Cayman Islands Planning Department

Underlying the drop in the total value of building permits is a fall in both the volume and average value of permits. Overall, permit numbers fell 10.4 percent to 737 with only two categories, industrial and government, recording increases. The overall average value fell from \$222,478 in 2011 to \$212,211.

Project Approvals. Project approvals, an indicator of future construction intention, declined further by 32.1 percent to \$171.0 million in 2012. This decline is traced to slackening residential intentions compounded by prolonged downturn in the non-residential sector.

In the residential sector, approval values fell 31.7 percent to \$103.4 million - a reversal of the 11.2 percent growth recorded a year ago. Values of the two residential categories recorded similar declines.

Meanwhile, recovery in the non-residential sector remains challenged by weak demand that impacted all segments: commercial (-51.0%), industrial (-47.3%) and government (-19.1%).

Table 4.11: Cayman Islands Planning Approvals, 2009-2012

	2009	2010	2011	2012	% Change
Millions of CI\$					
Houses	127.7	99.9	123.9	86.1	(30.5)
Apartments	170.9	36.3	27.5	17.3	(37.1)
Hotels	-	-	-	-	0.0
Commercial	30.1	93.7	25.9	12.7	(51.0)
Government	2.1	12.7	15.2	12.3	(19.1)
Industrial	2.6	1.3	18.2	9.6	(47.3)
Other	100.8	86.5	41.1	33.0	(19.7)
Total	434.2	330.5	251.8	171.0	(32.1)

Source: Cayman Islands Planning Department

The decline in total value of approvals coincided with an overall increase in the total number of approvals, indicating a drop in the average value of projects. The total number rose 3.7 percent to 1,080 with positive growth in commercial, industrial and other categories offsetting reductions in the residential and government categories.

Table 4.12: Cayman Islands Planning Approvals, 2009-2012

	2009	2010	2011	2012	% Change
Houses	460	354	367	334	(9.0)
Apartments	111	75	52	38	(26.9)
Hotels	0	0	0	0	0.0
Commercial	48	48	38	51	34.2
Government	6	17	16	14	(12.5)
Industrial	12	6	10	17	70.0
Other	588	576	558	626	12.2
Total	1,225	1,076	1,041	1,080	3.7

Source: Cayman Islands Planning Department

Certificates of Occupancy. The number of certificates of occupancy was almost flat, increasing by only 2 units to 393. However, this represents an improvement compared to the 36.2 percent drop in 2011.

In the residential segment, certificates issued rose 13.3 percent from 256 to 290 mainly on account of the 15.6 percent increase in house certificates.

In contrast, the overall number of certificates for non-residential buildings declined for the fourth successive year. This may be associated with the downtrend in commercial building permits in prior years.

The value of properties granted completion approval decreased to \$125.3 million in 2012 from \$150.5 million a year earlier.

Table 4.13: Certificates of Occupancy Grand Cayman, 2009-2012

Sectors	2009	2010	2011	2012	% Change
Houses	305	308	212	245	15.6
Apartments	98	92	44	45	2.3
Hotel	1	0	0	0	0.0
Government	2	10	5	7	40.0
Commercial	100	93	78	70	(10.3)
Industrial	5	3	5	2	(60.0)
Other	29	107	47	24	(48.9)
Total	540	613	391	393	0.5

Source: Cayman Islands Planning Department

Table 4.14: Certificates of Occupancy Grand Cayman, 2009-2012

Sectors	2009	2010	2011	2012	% Change
Millions of CI\$					
Houses	77.8	67.0	57.1	53.0	(7.1)
Apartments	100.4	43.4	19.2	16.4	(14.2)
Hotel	-	0.0	0.0	0.0	0.0
Government	-	1.6	50.6	0.4	(99.2)
Commercial	73.5	26.7	20.0	52.8	163.8
Industrial	3.6	1.6	0.2	1.0	405.8
Other	24.3	5.1	3.4	1.6	(54.4)
Total	279.6	145.4	150.5	125.3	(16.8)

Source: Cayman Islands Planning Department

4.4 Real Estate

Real estate performance, following last year's one-off surge in activity, moderated in 2012 with the volume of transactions subsiding by 3.9 percent to 1,812 while total value contracted by 34.6 percent to \$430.0 million (see Table 4.15). However, despite this decline compared to 2011, real estate activity in 2012 was higher by 3.2 percent and 35.9 percent than in 2009 and 2010.

Table 4.15: Property Transfers, 2008-2012

	2009	2010	2011	2012	% Change
Freehold					
number	2,045	1,619	1,708	1,696	(0.7)
value (CI\$M)	397.0	307.2	632.1	418.1	(33.9)
Leasehold					
number	242	168	178	116	(34.8)
value (CI\$M)	19.5	9.2	25.8	11.9	(54.0)
Total					
number	2,287	1,787	1,886	1,812	(3.9)
value (CI\$M)	416.5	316.4	657.9	430.0	(34.6)

Source: Lands and Survey Department

Transfers of freehold property, the main type of traded property, receded to \$418.0 million from the \$632.1-million peak record a year earlier. The volume of freehold transfers slid down by 0.7 percent to 1,696 in 2012.

Amongst the different types of traded freehold property, the Lands & Survey Department recorded average sale prices declining for land and commercial properties whilst the reverse trend was indicated for industrial, condominium and residential properties. Notable transactions during the review period include the \$13.0-million 'Impulse Bay' development site, a \$12.9-million Seven Mile Beach condominium and a \$10.6-million East End condominium.

The total value of traded leasehold properties declined by 54.0 percent to \$11.9 million as the volume of transactions weakened by 34.8 percent to 116.

4.5 Utilities and Telecommunications

Utilities. Following a drop in local demand, local electricity production decreased by 1.2 percent to total 587.1 megawatt hours (mWh) as at year-end 2012 (see Table 4.16).

Overall demand for electricity went down by 1.1 percent to register at 547.8 mWh as both residential and commercial consumption fell. These occurred despite an increase in the number of residential and commercial customers. In contrast, public usage grew by 2.6 percent to reach 6.3 mWh at year-end. As reported by the Caribbean Utilities Company (CUC), "electricity sales revenue for the year ended December 31, 2013 were primarily lower as a result of cooler, wetter weather conditions and continued weak economic conditions."

Table 4.16: Utilities Production/Consumption, 2010-2012

	2010	2011	2012	% Change
Millions of US Gallons				
Water Production	1,970.9	1,977.6	2,012.5	1.8
Water Consumption	1,704.5	1,697.8	1,752.6	3.2
'000 of megawatt hrs				
Electricity Production (Net)	593.5	594.0	587.1	(1.2)
Electricity Consumption	553.8	554.0	547.8	(1.1)
Residential	262.5	258.8	254.4	(1.7)
Commercial	285.0	289.0	287.1	(0.7)
Public	6.2	6.2	6.3	2.6
Total Customers	26,151	26,636	27,035	1.5
Residential	22,311	22,731	23,075	1.5
Commercial	3,840	3,905	3,960	1.4

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

Local water production increased by 1.8 percent between 2011 and 2012 while demand usage expanded at a higher rate of 3.2 percent during the period.

Telecommunications. During the year, despite an increase in telephone lines by 1.0 percent, paid telecommunication minutes declined, particularly for international calls. Possible reasons include the slowdown in some financial service activities as well the rise of internet-based and wireless substitutes.

Table 4.17: Telecommunication Sector Indicators, 2011-2012

	2011	2012	% Change
Fixed and mobile handsets in operation	132,349	133,684	1.0
Total fixed & mobile domestic & int'l minutes ('000)	411,001	316,468	(23.0)
Fixed and mobile domestic minutes ('000)	231,692	208,642	(9.9)
Fixed and mobile int'l retail minutes ('000)	179,309	107,826	(39.9)
Broadband connections	18,816	19,325	2.7

Source: Information Communication and Technology Authority (ICTA)

Amidst the slowdown in the volume of calls, service delivery was enhanced in 2012 through the launching of the local number portability (LNP). This followed the finalization of negotiations and systems testing by local telecommunications operators – Digicel and LIME. This feature which was earlier mandated by the Information Technology and Communications Authority (ICTA) in 2008 allows greater autonomy for customers in keeping their existing telephone number when transferring to another provider and is available only when switching from mobile to mobile number or from a fixed line to a fixed line number.

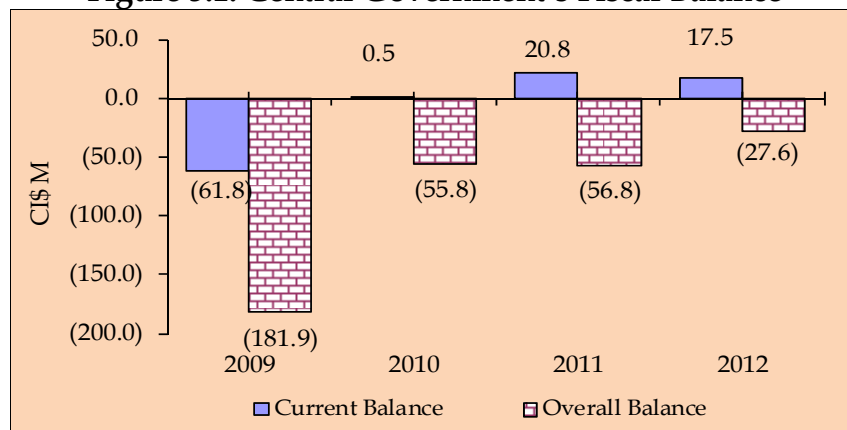
5. Fiscal Operations of the Central Government

The central government's overall fiscal deficit in 2012 was the lowest in six years as revenue collection improved while overall expenditure declined. The improvement in fiscal position led to a decline in the central government's outstanding debt.

5.1 Overview

In 2012, the central government's overall deficit narrowed resulting from growth in total revenue and a reduction in total expenditure. The overall deficit settled at \$27.6 million in 2012 as compared to \$56.8 million in 2011 (see Figure 5.1). Total revenue rose by 3.4 percent to \$564.6 million, while total expenditure declined by 3.7 percent to settle at \$592.2 million (see Table 5.1).

Figure 5.1: Central Government's Fiscal Balance



Source: Cayman Islands Treasury Department and ESO

The improvement in recurrent revenue which outweighed an increase in recurrent expenditure yielded a current surplus¹⁰ of \$17.5 million which is slightly below the \$20.8 million achieved a year ago.

The increase in revenue in 2012 emanated from improvement in both coercive and non-coercive sources which remain dominated by domestic taxes on goods and services. Total expenditure decreased due to depressed capital spending while recurrent expenditure rose.

¹⁰ Current surplus (deficit) is total current revenue (coercive revenue plus non-coercive revenue) less current expenditure. In some years, there were other expenses (extraordinary expenses and other executive expenses) which were also added to current expenditure.

Table 5.1: Summary of Fiscal Operations, 2009-2012

	2009	2010	2011	2012	% Change 2011/12
Millions of Cayman Islands Dollars					
Total Revenue	473.8	517.7	545.9	564.6	3.4
Total Expenditure	655.7	573.5	602.7	592.2	(1.7)
Current Expenditure	535.6	517.2	525.1	547.1	4.2
<i>of which :</i>					
Extraordinary Expenses	20.1	0.0	0.0	0.0	
Other Executive Expenses	3.7	3.2	3.3	7.1	115.2
Net Capital Expenditure & Net Lending	120.1	56.3	77.6	45.1	(41.9)
Current Balance	(61.8)	0.5	20.8	17.5	(15.9)
Overall Balance	(181.9)	(55.8)	(56.8)	(27.6)	(51.4)
Financing	181.9	55.8	56.8	27.6	(51.4)
Net Borrowing	158.4	80.7	20.3	(25.9)	(227.7)
Change in Cash (minus=increase)	23.5	(24.9)	36.5	53.5	46.6

Source: Cayman Islands Treasury Department

5.2 Revenue

In 2012, central government revenue grew by 3.4 percent to reach \$564.6 million, as the revenue-to-GDP ratio remained constant at 21.8 percent compared to a year ago.

Total revenue comprises both coercive (89.4%) and non-coercive revenue (10.6%). As displayed in Table 5.2, coercive revenue which totalled \$504.9 million rose by \$15.6 million, or 3.2 percent compared to the preceding year (see Table 5.2). Similarly, non-coercive revenue rose by 5.5 percent to total \$59.7 million, compared to the previous year.

Table 5.2: Revenue Collection of Central Government

Revenue Sources	2009	2010	2011	2012	% Change 2011/12
Millions of Cayman Islands Dollars					
Total Revenue	473.8	517.7	545.9	564.6	3.4
Coercive Revenue	431.0	460.8	489.3	504.9	3.2
Taxes on Int'l Trade & Transactions	152.0	158.5	162.2	167.2	3.1
Domestic Taxes on Goods & Services	248.2	279.4	289.5	296.6	2.5
Taxes on Property	23.9	21.3	36.4	36.7	0.8
Fines	2.4	1.6	1.2	1.3	8.3
Other Taxes	4.5	0.0	0.0	3.1	
Non-coercive Revenue	42.8	56.9	56.6	59.7	5.5
Sale of Goods & Services	41.8	56.2	55.8	55.0	(1.4)
Investment Revenue	0.3	0.1	0.6	0.3	(50.0)
Other Operating Revenue	0.7	0.6	0.2	4.4	2,100.0

Source: Cayman Islands Treasury Department

Coercive revenue from international trade and transactions. Receipts from international trade and transactions as a share of coercive revenue remained stable. This ratio stood at 33.1 percent for the last two years but declined against previous years when this source provided the majority share of revenue. In recent years, a higher reliance is being placed on revenue generated from domestic transactions with rate hikes over the last few years. In 2012, taxes on international trade and transactions rose by 3.1 percent to reach \$167.2 million.

Table 5.3: Revenue from Import Duties

	2009	2010	2011	2012	Absolute Change	% Change 2011/12
Millions of Cayman Islands Dollars						
Import Duties	138.6	143.9	149.1	153.0	3.9	2.6
Gasoline/Diesel	26.5	29.0	35.5	34.0	(1.5)	(4.2)
Alcoholic Beverages	14.9	16.8	16.6	16.6	-	0.0
Motor Vehicles	8.2	8.3	8.7	10.8	2.1	24.1
Tobacco Products	3.1	4.7	4.7	5.4	0.7	14.9
Other Import Duties	85.9	85.1	83.6	86.2	2.6	3.1
Cruise Ship Departure Charges	9.0	9.6	8.4	9.1	0.7	8.3
Environmental Protection Fund Fees	4.5	5.0	4.7	5.1	0.4	8.5
Taxes on International Trade	152.0	158.5	162.2	167.2	5.0	3.1

Source: Cayman Islands Treasury Department

The increased revenue from international trade and transactions is traced mainly to higher receipts from motor vehicles, tobacco products, cruise ship departure charges and environmental protection fund fees and other import duties. A decline in the volume of gasoline and diesel imports led to lower revenue from this source.

Import duties on motor vehicles increased by 24.1 percent as the total quantity of imported vehicles increased by 25.7 percent during the period. Tobacco revenue increased by 14.9 percent to \$5.4 million as the rate of duty increased effective September 2012.

Revenue yields from the cruise ship departure charges and environmental protection fund fees increased by 8.3 percent and 8.5 percent respectively, as cruise ships visitors increased by 7.6 percent during the period.

Other import duties increased by 3.1 percent on account of a higher value of non-oil imports by 7.0 percent compared to the preceding year.

Coercive revenue from domestic taxes on goods and services. Revenue from domestic taxes yielded \$296.6 million in 2012, which was \$7.1 million higher than the collection a year ago. Increases were recorded across the main categories of domestic taxes except “other domestic taxes.”

Table 5.4: Domestic Taxes on Goods and Services

	2009	2010	2011	2012	% Change 2011/12
Millions of Cayman Islands Dollars					
Domestic Taxes					
Various financial service licenses	127.6	143.0	149.5	152.3	1.9
ICTA licences & royalties	8.4	7.9	6.9	8.4	21.7
Work permit fees and residency fees	43.1	56.7	58.5	63.2	8.0
Other stamp duties	9.7	8.1	7.1	7.4	4.2
Traders' licenses	6.5	3.6	5.9	6.1	3.4
Other domestic taxes	53.0	57.8	61.6	59.2	(3.9)
Domestic Taxes on Good & Services	248.2	279.4	289.5	296.6	2.5

Source: Cayman Islands Treasury Department

Growth in fees from financial services arose mainly from mutual fund administration fees, partnership fees and money services licences. Collections from mutual fund administration went up by 8.9 percent to \$34.8 million, as a result of new fees implemented during the financial year. New partnership fees increased by 11.8 percent to total \$10.9 million on account of higher new partnership registrations (up by 7.4%). Higher revenue from money service licences by \$1.6 million was due to higher fee rates in 2012.

Work permits fees and related residency fees increased by 8.4 percent to total \$63.2 million, aided by higher work permit rates and a 4.7 percent increase in the volume of work permits. Revenue yields from traders’ licences increased by 3.4 percent to yield \$6.1 million during the period.

Collections from Information and Communication Technology Authority (ICTA) licence improved by 21.7 percent to reach \$8.4 million while other stamp duties also rose by 4.2 percent to \$7.4 million.

Other domestic taxes comprising of a host of different fees decreased by 3.9 percent (or \$2.4 million) to settle at \$59.2 million.

Other coercive revenue. In 2012, revenue from taxes on property increased marginally by 0.8 percent to \$36.7 million although the value of property fell

significantly when compared to 2011 but was higher than the recession years of 2010 and 2009. The high figures in 2011 and 2012 resulted from unusual sales of high valued properties along the Seven Mile road.

Non-coercive revenue. Revenue from this source turned in a total of \$59.7 million, 5.5 percent higher from a year ago. Sales of goods and services generated \$55.0 million, down \$0.8 million compared to 2011. Other operating revenue was mainly monies from the land-swap deal on the ForCayman Alliance public-private partnership.

5.3 Expenditure

Total expenditure amounted to \$592.2 million, 1.7 percent lower than the previous year's level (see Table 5.1). As a proportion of GDP, total expenditure also decreased from 24.1 percent in 2011 to 22.9 percent in 2012, supported by higher GDP. The decrease in expenditure was due to a 41.9 percent reduction in net capital expenditure and net lending, which outweighed a 4.2 percent increase in recurrent expenditure.

Current expenditure. In 2011, total current expenditure increased by 4.2 percent to \$547.1 million due to increases in all expense types except transfer payments which fell marginally by 1.6 percent.

Table 5.5: Current Expenditure of the Central Government

	2009	2010	2011	2012	% Change 2011/12
Millions of Cayman Islands Dollars					
Current Expenditure	535.6	517.2	525.1	547.1	4.2
Personnel Costs	236.6	224.8	216.4	226.5	4.7
Supplies & Consumables	84.5	86.4	89.2	94.1	5.5
Subsidies	122.5	125.2	131.6	131.7	0.1
Transfer Payments	27.2	29.7	31.0	30.5	(1.6)
Depreciation	21.6	20.0	20.7	23.4	13.0
Interest Payments	19.4	27.9	32.9	33.8	2.7
Extraordinary Expenses	20.1	0.0	0.0	0.0	
Other Executive Expenses	3.7	3.2	3.3	7.1	115.2

Source: Cayman Islands Treasury Department

Personnel costs rose by 4.7 percent to \$226.5 million (see Table 5.5) due to an expansion in the number of civil servants by 41 persons (or 1.1%) to total 3,634 and a reinstatement of Cost of Living Adjustment (COLA) during 2012. The increase in civil service was dominated by an increase in law enforcement officers. Additionally, COLA was reinstated for the first eight months of 2012 while annual health care premiums rose. (In 2011, there was a decline in

personnel cost due to the roll-back of the 3.2 percent COLA coupled with lower health care premiums).

Funds spent on supplies and consumables increased by 5.5 percent to total \$94.1 million during the period. Subsidies increased slightly to \$131.7 million, of which the vast majority are subventions to public entities. Transfer payments which are social benefits to protect a target segment of the population against certain social risk decreased by 1.6 percent to settle at \$30.5 million. Interest payments went up by 2.7 percent to \$33.8 million in the wake of additional interest payments for servicing the debt stock.

Extraordinary expenses and other executive expenses. The former captures expenditure that is of a temporary nature which was unbudgeted for the year. In 2012, there were no reported extraordinary expenses as no unplanned events (such as natural disasters) occurred.

Other executive expenses comprise expenditure mainly for social intervention projects and other government measures which are not categorised as transfer payments or subsidies to public authorities. In 2012, this more than doubled to total \$7.1 million, pushed up by compensation claims of \$2.1 million paid during the period (see Table 5.5).

Capital expenditure and net lending. Total spending on capital expenditure and net lending reached \$68.5 million (or 2.7% of GDP) during the period (see Table 5.6) which was 30.3 percent lower than the preceding year. After taking annual depreciation into consideration, net capital expenditure and net lending declined by 41.9 percent to \$45.1 million.

Table 5.6: Capital Expenditure and Net Lending of Central Government

	2009	2010	2011	2012	% Change 2011/12
	Millions of Cayman Islands Dollars				
Gross Capital Expenditure and Net Lending	141.7	76.3	98.3	68.5	(30.3)
Capital Acquisition (now Equity Investments)	105.4	28.1	62.2	37.6	(39.5)
Capital Development (now Executive Assets)	35.2	52.6	36.0	29.2	(18.9)
Net Lending	1.1	(4.4)	0.1	1.7	1,600.0
Net Capital Expenditure and Net Lending	120.1	56.3	77.6	45.1	(41.9)
Depreciation	21.6	20.0	20.7	23.4	13.0

Source: Cayman Islands Treasury Department

Equity investment was trimmed down by 39.5 percent to \$37.6 million of which the vast majority (87.2%) was spent on new school buildings. Expenditure on executive assets amounted to \$29.2 million, down by 18. percent compared to a

year ago. Executive asset spending included a \$20.8 million equity injection/working capital support for Cayman Airways, Turtle Farm, National Housing Development Trust and \$5.5 million for the Health Services Authority.

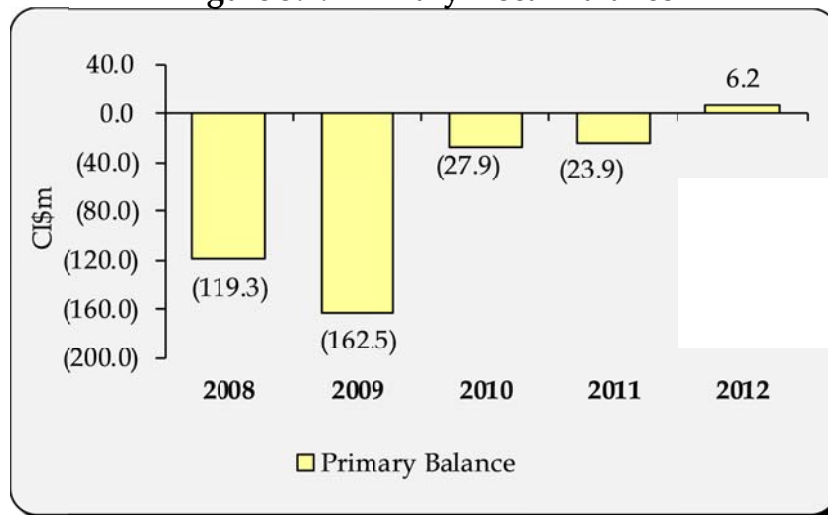
The reduction in capital expenditure was consistent with the fiscal policy stance set in the Framework of Fiscal Responsibility (FFR) and adherence to the fiscal prudential limits set out in the Public Management and Finance Law (PMFL).

5.4 Primary Balance

The primary balance is the overall fiscal balance excluding interest payments and is a standard indicator of the central government’s capacity to service debt obligations. During the period, the overall deficit narrowed to \$27.6 million (1.1% of GDP) compared to \$56.8 million (2.3% of GDP) in 2011 (see Figure 5.1).

Similarly, the primary balance improved from a deficit of \$23.9 million or 1.0 percent of GDP in 2011 to a surplus of \$6.2 million or 0.2 percent of GDP in 2012 which marks the first positive primary balance since 2006.

Figure 5.2: Primary Fiscal Balance



Source: Cayman Islands Treasury Department and ESO

5.5 Net Financing and Debt Service Indicators

The overall deficit of \$27.6 million was financed from a drawdown of \$53.5 million from cash reserves (see Table 5.7). There was no additional loan disbursement; instead the government paid out \$25.9 million for principal payment.

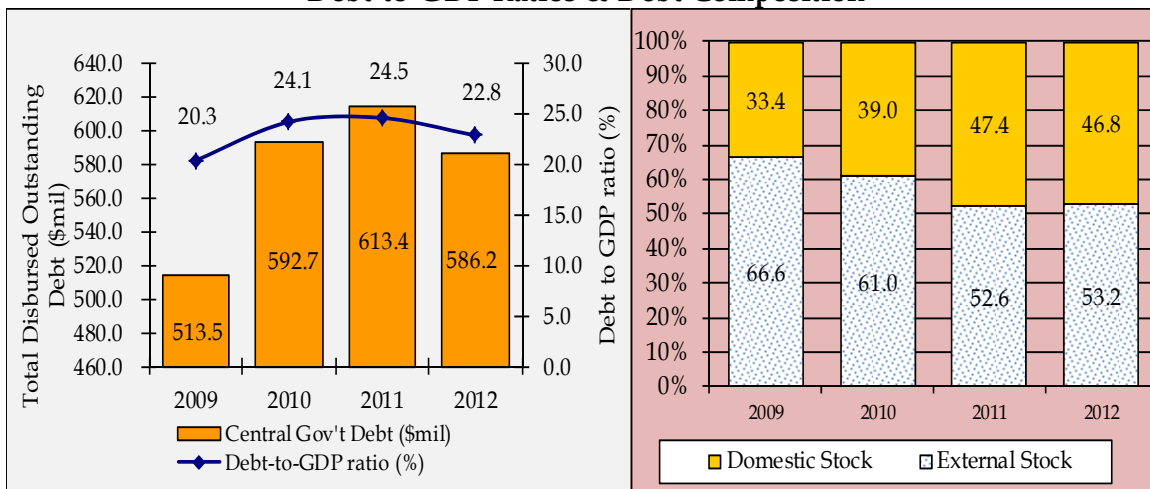
Table 5.7: Financing of Central Government

	2009	2010	2011	2012	% Change 2011/12
	Millions of Cayman Islands Dollars				
Financing	181.9	55.8	56.8	27.6	(51.4)
Net Borrowing	158.4	80.7	20.3	(25.9)	(227.7)
Disbursements	184.3	106.7	154.2	0.0	(100.0)
Loan Repayment	(25.9)	(25.9)	(133.9)	(25.9)	(80.6)
Change in Cash (minus = increase)	23.5	(25.0)	36.5	53.5	46.7

Source: Cayman Islands Treasury Department

The principal repayment in 2012 resulted in a reduction in the central government’s outstanding debt to \$586.2 million as at the end of December 2012 (see Figure 5.3) from \$613.4 million as at end 2011.¹¹ This placed the debt-to-GDP ratio at 22.8 percent, lower than the 24.5 percent as at December 2011. In 2012, the outstanding debt comprised 53.2 percent from external sources and 46.8 percent from domestic sources.

Figure 5.3: Central Government’s Outstanding Debt, Debt-to-GDP Ratios & Debt Composition



Source: Cayman Islands Treasury Department, ESO

The central government’s debt service-to-current revenue ratio reverted to 10.6 percent, just marginally higher above the ratio for 2010 and lower than 2011 (see Table 5.8). The 2011 high ratio was due to a bridge or short-term loan facility which was borrowed and repaid during the course of the year. Interest payments-to-current revenue ratio remained constant at 6.0 percent in 2012.

¹¹ Central government’s outstanding debt comprises debt managed directly by the Treasury Department and excludes government-guaranteed debt and other contingent liabilities.

Additionally, the debt service to GDP ratio reverted to 2.3 percent as amortisation returned to normal or pre-2011 levels.

Table 5.8: Central Government Debt Service Indicators

Debt Service Indicators	2009	2010	2011	2012
	Percentage (%)			
Interest Payments - to - Current Revenue Ratio	4.1	5.4	6.0	6.0
Debt Service - to - GDP Ratio	1.8	2.2	6.7	2.3
Debt Service - to - Current Revenue Ratio	9.6	10.4	30.6	10.6

Source: Cayman Islands Treasury Department, Economics and Statistics Office

6. Macroeconomic Outlook for 2013

The Cayman Islands' economy is projected to improve in 2013, conditional on continued growth in tourism and financial services and in local construction of public-private projects. Domestic inflation is projected to be slightly higher due to higher food prices.

6.1 Global Outlook¹²

Global economic output is forecast to grow at 3.3 percent in 2013 which is slightly better than the 3.2 percent recorded in 2012. However, the advanced economies which make up the main markets for the Cayman Islands' financial and tourism services are projected to turn in a flat economic performance, growing by the same rate as in 2012 at 1.2 percent. The sequestration of federal expenditures in the US is projected to slow its economic growth from 2.2 percent in 2012 to 1.9 percent in 2013. The Euro area, plagued with remaining vulnerabilities particularly in the peripheral countries, is projected to decline anew, this time by 0.3 percent. Canada's output is also expected to decelerate from 1.8 percent in 2012 to 1.5 percent in 2013. The UK, however, is expected to improve from a growth of 0.2 percent in 2012 to 0.7 percent in 2013.

The lingering weakness among advanced economies is projected to pull back oil prices and non-fuel commodity prices by 2.3 percent and 0.9 percent in 2013. Average inflation rates for the U.S. and the advanced economies are expected to be lower at 1.8 percent and 1.7 percent, respectively.

6.2 Domestic Growth

Local output is projected to expand by 2.0 percent in 2013 mainly on the back of private investment projects. The latter which includes a health tourism project is foreseen to push the growth of construction. Other sectors, with the exception of government services, are projected to benefit and show improvement in economic activity in 2013.

Enhancement of local offerings in tourism is projected to contribute to growth in stay-over arrivals. Negligible growth is expected from external demand for financial services; however, robust external demand is envisaged for insurance services.

¹² This global outlook is based on information culled from the International Monetary Fund (April 2013) and other international organizations.

**Table 6.1: Real GDP at 2007 prices by Sector
with Projections for 2013 (\$ million)**

	2010	2011	2012E	2013P	% Change
Millions of Cayman Islands Dollars					
Primary Sectors	27.0	26.9	27.3	28.3	3.8
Agriculture & Fishing	8.8	9.0	9.0	9.1	0.9
Mining & Quarrying	18.3	17.8	18.3	19.3	5.2
Secondary Sectors	100.4	98.2	103.6	114.5	10.5
Manufacturing	21.9	21.6	21.9	22.2	1.4
Construction	78.5	76.6	81.7	92.3	12.9
Services Sectors	2,265.7	2,290.3	2,322.7	2,360.0	1.6
Electricity & Water Supply	94.3	93.6	94.0	96.1	2.1
Wholesale & Retail Trade, Repairs & Installation of Machinery	198.5	202.2	209.4	213.8	2.1
Hotels & Restaurants incl. Bars	128.8	136.4	140.8	145.0	3.0
Transport, Storage & Communication	208.5	208.8	214.8	219.1	2.0
Financing & Insurance Services	1,010.7	1,012.2	1,032.4	1,057.1	2.4
Real Estate, Renting & Business Activities	592.7	597.5	593.0	602.9	1.7
Producers of Government Services	322.0	321.8	325.5	319.1	(2.0)
Other Services	75.6	75.9	74.8	75.3	0.7
Financial Services Indirectly Measured (FISIM)*	365.3	358.1	362.0	368.5	1.8
GDP constant at basic prices	2,393.1	2,415.4	2,453.6	2,502.8	2.0
Growth (%)	(2.9)	0.9	1.6	2.0	

E Preliminary estimates based on sector economic indicators and P for Projection

*Financial Intermediation Services Indirectly Measured (FISIM) is the difference between the interest rates charged to borrowers and the interest rates paid to lenders. It is an implicit charge to customers for the service provided by financial intermediaries.

Source: Economics & Statistics Office

Table 6.1: Macroeconomic Indicators 2009-2014

	2009	2010	2011	2012	Projected	
					2013	2014
Real GDP growth (%)						
Cayman Islands	(6.3)	(2.9)	0.9	1.6	2.0	2.6
United States	(3.1)	2.4	1.8	2.2	1.9	3.0
World	(0.6)	5.2	4.0	3.2	3.3	4.0
Consumer Prices Inflation (CPI) (%)						
Cayman Islands	(1.5)	0.3	1.3	1.2	2.1	2.2
United States	(0.3)	1.6	3.1	2.1	1.8	1.7
Advanced economies	0.1	1.5	2.7	2.0	1.7	2.0
Unemployment Rate (%)						
Cayman Islands	6.0	6.2	6.3	6.2	6.0	5.8
United States	9.3	9.6	9.0	8.1	7.7	7.5
Advanced economies	8.0	8.3	7.9	8.0	8.2	8.1

Sources: International Monetary Fund (April 2013) for data on the US, World and Advanced Economies, and Economics and Statistics Office for Cayman Islands data.

Financial service sectors are expected to contribute small but positive growth, generated mainly from expanding external demand for insurance services and local demand for financing.

The hedge fund industry in 2013 will face “some gains with more pain”, according to Deloitte Centre for Financial Services¹³.

...Large hedge funds are in some cases better positioned for growth in 2013 by being able to leverage broad-based competitive advantages across investments, distribution, and operations. However, in an industry where performance ultimately drives success, scalable smaller managers and niche hedge fund strategists should have plenty of opportunities in the year ahead. The hedge fund industry faces no shortage of challenges, but we see its current struggles as a form of resistance training. Hedge funds are being forced to invest in their infrastructure to shoulder the growing strain of regulatory and investor demands. When those demands lessen, hedge funds will emerge as stronger and more structurally capable of winning investors' confidence. In the meantime, the industry will have to do what it can to manage the added burden while delivering alpha. We see cause for optimism in this respect. Leading head funds are getting

¹³ Source: www.deloitte.com

ahead of regulatory uncertainty by fortifying their compliance policies, procedures, and personnel. Others are adjusting to downward pressure on revenue by instituting new fee structures and exploring new distribution channels. And many more are tapping process efficiencies and technology solutions to streamline their operations. We have every confidence that these changes – and more to come – will position the industry to effectively manage this increasingly dynamic and challenging environment in the year ahead.

Financial services indicators for the first three months of 2013 show that new partnership registrations and new company registrations are down by 6.6 percent and 5.3 percent respectively, while mutual funds excluding the master funds category for the first quarter of 2012 declined by 3.8 percent.

Stay-over tourism growth is expected to continue in line with the United Nations World Tourism Organisation (UNWTO) projections. UNWTO forecasts continued growth of between 3 and 4 percent in international tourism in 2013. This result coincides with stronger projections for Asia and the Pacific (5% to 6%), followed by Africa (4% to 6%), the Americas (3% to 4%), Europe (2% to 3%) and the Middle East (0% to 5%). In line with these projections, particularly for the Americas, stay-over tourism activity in the Cayman Islands is expected to be robust. This outlook is supported by an increase of 8.1 percent in stay-over arrivals for the first three months of 2013.

6.3 Domestic Inflation

The consumer price index (CPI) is forecasted at 2.1 percent in 2013. This is due to higher imported inflation, as higher international food prices are expected to dominate overall movement in prices locally. Upbeat demand for construction-related goods and services arising from local investment projects is expected to have moderate impact on overall inflation.

7. Acknowledgement

The Economics and Statistics Office gratefully acknowledges the assistance of the following local companies and agencies in generating the data sets used in this edition of the Annual Economic Report:

**Caribbean Utilities Company
Cayman Islands Customs Department
Cayman Islands Department of Tourism
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Cayman Islands Monetary Authority
Cayman Islands Planning Department
Cayman Islands Stock Exchange
Cayman Islands Treasury Department
Cayman Islands Water Authority
Cayman Water Company
Department of Immigration
Information & Communication Technology Authority
Maritime Authority of Cayman Islands
Port Authority of the Cayman Islands**

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Table A1: Gross Domestic Product

Year	Nominal GDP (CI\$M)	Real GDP 2007 Prices (CI\$M)	Mid-Year Population (000s)	Real GDP Per Capita (\$)	Real GDP Growth (%)
1998	1,534.7	2,065.0	38.1	54,200	5.8
1999	1,663.9	2,134.9	39.0	54,740	3.4
2000	1,739.0	2,155.8	40.2	53,628	1.0
2001	1,784.0	2,167.8	41.4	52,362	0.6
2002	1,860.6	2,205.2	42.5	51,888	1.7
2003	1,929.5	2,249.3	43.6	51,590	2.0
2004	2,032.5	2,269.5	44.2	51,300	0.9
2005	2,322.7	2,416.9	48.4	49,986	6.5
2006	2,448.9	2,528.1	52.0	48,627	4.6
2007	2,637.1	2,637.1	54.1	48,744	4.3
2008	2,657.9	2,630.5	56.0	46,975	(0.2)
2009	2,528.9	2,464.8	56.5	43,619	(6.3)
2010	2,458.1	2,393.1	55.5	43,103	(2.9)
2011	2,503.0	2,415.3	55.3	43,695	0.9
2012	2,573.2	2,453.6	56.1	43,717	1.6

Source: Cayman Islands Government, Economics & Statistics Office

Table A2: Consumer Price Index & Inflation

(June 2008=100)

Year	Index Year-end	Index Average	Inflation Rate (%)
1995	67.2	66.7	2.5
1996	69.3	68.4	2.6
1997	71.3	70.3	2.7
1998	73.0	72.4	3.0
1999	78.7	77.3	6.8
2000	79.9	79.4	2.7
2001	80.5	80.3	1.1
2002	82.9	82.3	2.4
2003	83.4	82.8	0.6
2004	92.7	86.5	4.4
2005	92.7	92.8	7.3
2006	94.2	93.5	0.8
2007	95.8	96.2	2.9
2008	99.5	100.1	4.1
2009	98.2	98.6	(1.5)
2010	98.5	98.9	0.3
2011	100.4	100.2	1.3
2012	102.5	101.4	1.2

Source: Cayman Islands Government, Economics & Statistics Office

Table A3: Labour Force and Employment

Year	Labour Force	Total Employed	Total Unemployed	Unemployment Rate (%)
1995	19,820	18,845	980	4.9
1996	20,410	19,370	1,040	5.1
1997	21,620	20,725	895	4.1
1998	22,725	21,820	905	4.0
2001	27,971	25,862	2,109	7.5
2002	28,905	27,355	1,550	5.4
2003	29,905	28,827	1,079	3.6
2004	30,257	28,946	1,311	4.3
2005	36,767	35,464	1,303	3.5
2006	35,959	35,016	943	2.6
2007	37,431	36,026	1,405	3.8
2008	38,999	37,450	1,549	4.0
2009	38,269	35,958	2,311	6.0
2010	37,313	34,983	2,330	6.2
2011	37,620	35,267	2,353	6.3
2012	38,811	36,401	2,410	6.2

Source: Cayman Islands Government, Economics & Statistics Office

Note:

No Labour Force Surveys were conducted in 1999 and 2000

*2004 results are derived from Spring LFS and not Fall 2004 LFS on account of hurricane Ivan in September 2004.

Table A4: Composition of the Employed Labour Force

<i>Year</i>	Total	Caymanian	Non-Caymanian
1995	18,845	10,490	8,355
1996	19,370	10,705	8,665
1997	20,725	10,390	10,335
1998	21,820	11,525	10,295
2001	25,862	12,479	13,383
2002	27,355	12,993	14,362
2003	28,827	13,973	14,854
2004	28,946	14,775	14,171
2005	35,464	18,025	17,439
2006	35,016	17,621	17,395
2007	36,026	16,520	19,506
2008	37,450	16,518	20,932
2009	35,958	16,048	19,910
2010	34,983	15,794	19,189
2011	35,267	15,969	19,298
2012	36,401	16,493	19,908

Source: Cayman Islands Government, Economics & Statistics Office

Note:

No Labour Force Surveys were conducted in 1999 and 2000

*2004 results are derived from Spring LFS and not Fall 2004 LFS on account of hurricane Ivan in September 2004.

Table A5: Composition of the Unemployed Labour Force

Year	Total Unemployed	Caymanian	Non-Caymanian
1995	978	703	275
1996	1,049	692	357
1997	895	579	316
1998	907	609	298
2001	2,109	1,311	798
2002	1,550	1,058	492
2003	1,079	857	222
2004	1,311	887	424
2005	1,303	1,039	264
2006	943	682	261
2007	1,405	1,029	376
2008	1,549	1,169	380
2009	2,311	1,680	631
2010	2,330	1,713	617
2011	2,353	1,732	621
2012	2,410	1,925	485

Source: Cayman Islands Government, Economics & Statistics Office

Note:

No Labour Force surveys were conducted by the Statistics Office in 1999 or 2000

Table A6: The Employed by Industry

Year	Agric., Fish, Manufacturing, Construction, Utilities	Wholesale, Retail, Hotel & Restaurant	Transport, Postal & Communications	Insurance, Financial & Business	Public Administration Education, Health & Social Services	Recreation, Community & Personal	Others	Total
1992	2,895	4,160	1,385	2,375	2,105	2,300	-	15,220
1993	2,790	4,310	1,345	3,610	1,980	1,960	-	15,995
1994	2,995	4,715	1,205	2,920	2,425	2,570	-	16,830
1995	2,640	5,555	1,785	3,570	2,270	3,025	-	18,845
1996	3,545	5,375	1,125	3,840	2,220	3,265	-	19,370
1997	3,505	5,580	1,475	4,025	2,660	3,480	-	20,725
1998	3,660	6,175	1,450	4,230	2,475	3,830	-	21,820
2001	4,608	6,644	1,347	5,373	3,908	3,982	-	25,862
2002	4,923	6,932	1,640	5,399	4,364	4,087	10	27,355
2004	5,456	7,286	1,446	6,099	4,188	4,427	-	28,946
2006	8,258	8,011	1,477	7,648	4,801	4,821	-	35,016
2007	7,695	7,310	2,058	7,734	5,487	4,923	819	36,026
2008	7,836	9,032	1,687	8,793	5,066	4,664	370	37,499
2009	6,892	7,870	1,710	7,493	5,050	4,869	33	33,920
2010	5,437	8,114	2,213	8,568	5,607	4,945	100	34,984
2011	5,175	7,962	2,456	8,552	5,478	5,572	71	35,267
2012	5,824	8,985	2,098	8,583	5,323	5,268	319	36,401

Source: October Labour Force Surveys, Cayman Islands Government, Economics & Statistics Office

Note:

No Labour Force surveys were conducted by the Statistics Office in 1999, 2000 and 2005

2004 and 2006 Labour Force Surveys refer to the Spring Labour Force

2010 refers to the 2010 Census

Table A7: Work Permits

Year	Total
1995	10,198
1996	9,951
1997	11,314
1998	12,885
1999	...
2000	14,284
2001	13,883
2002	15,779
2003	17,123
2004	20,508
2005	21,763
2006	22,393
2007	26,350
2008	26,516
2009	23,531
2010	20,452
2011	19,852
2012	20,789

Source: 1995-1999 data from Economics and Statistics Office;
2000-2009 data from Immigration Department.

Table A8: Merchandise Trade, CI\$ Millions

Year	Imports	Exports	Trade Balance
1995	331.6	3.4	(328.2)
1996	314.9	2.2	(312.7)
1997	423.7	1.8	(421.9)
1998	447.8	1.0	(446.8)
1999	452.2	1.2	(451.0)
2000	575.7	2.0	(573.7)
2001	514.5	2.4	(512.1)
2002	496.1	3.0	(493.1)
2003	546.2	19.5	(526.7)
2004	718.9	11.9	(707.0)
2005	976.4	42.8	(933.6)
2006	868.7	13.9	(854.8)
2007	867.8	17.9	(849.9)
2008	898.7	12.4	(886.3)
2009	744.5	16.0	(728.5)
2010	690.4	11.1	(679.3)
2011	759.5	19.2	(740.3)
2012	758.5	16.4	(742.1)

Source of basic data: Cayman Islands Customs Department and Economics & Statistics Office

Table A9: Imports by Standard International Trade Classification (CI\$ Millions)

	2006	2007	2008	2009	2010	2011	2012
Total Imports	868.7	867.8	898.7	744.5	690.4	759.5	758.5
Food and Live Animals	81.7	91.8	95.1	90.8	113.2	119.0	127.4
Beverages and Tobacco	24.8	25.2	28.9	29.4	27.5	27.4	29.0
Inedible Crude Materials	12.0	9.5	12.6	9.3	8.9	9.3	8.9
Mineral Fuels, Lubricants and Related Materials	71.6	126.9	185.3	112.8	128.0	184.4	155.1
Animal and Vegetable Oils, Fats and Waxes	0.0	0.0	0.1	0.0	0.3	0.3	0.2
All Chemical & Rel. Prods N.E.C.	32.8	28.1	31.2	26.6	31.5	32.3	36.9
Manufactured Goods (classified chiefly by material)	129.3	118.1	96.1	85.8	78.5	77.4	92.8
Machinery & Transport Equipment	155.9	138.0	119.7	92.6	97.9	108.3	116.1
Misc. Manufactured Articles	274.6	273.3	268.9	226.2	134.5	131.2	131.0
Commodities and Transactions Not Classified Elsewhere	86.0	56.9	60.9	70.9	70.2	69.9	61.3

Source of basic data: Cayman Islands Customs Department and Economics & Statistics Office

Table A10: Domestic Credit from Retail Banks, CI\$ Millions

	Dec-2008	Dec-2009	Dec-2010	Dec-2011	Dec-2012
Total	2,437.5	2,598.1	2,729.3	2,724.3	2,691.9
Credit to Business	952.7	971.3	1,049.5	1,007.8	838.1
Production & Manufacturing	118.2	149.4	291.9	410.5	324.1
Agriculture, Fishing and Mining	7.2	7.0	7.1	15.8	11.9
Manufacturing	5.4	7.0	9.3	25.1	27.2
Utilities	25.7	20.6	57.0	17.6	2.6
Construction	79.9	114.9	218.5	351.9	282.4
Services	186.9	260.1	210.8	167.1	129.4
Accommodation, Food, Bar & Entertainment Services	78.7	130.5	113.4	116.3	92.6
Transportation, Storage & Communications	41.8	27.7	5.0	25.8	14.9
Education, Recreational & Other Professional Services	66.5	101.9	92.4	24.9	21.8
Trade and Commerce	607.2	519.0	454.0	383.6	343.5
Wholesale & Retail Sales Trade	167.7	79.8	67.3	78.1	58.0
Real Estate Agents, Rental and Leasing Companies	430.3	425.9	364.1	136.5	128.6
Other Business Activities (General Business Activity)	9.2	13.4	22.6	169.0	156.9
Other Financial Corporation	40.4	42.6	92.9	46.8	41.1
Credit to Households	1,484.7	1,626.7	1,679.3	1,716.2	1,853.7
Domestic Property	1,295.8	1,375.6	1,458.5	1,487.1	1,540.9
Motor Vehicles	44.0	70.2	49.8	36.8	33.0
Education and Technology	1.7	3.2	4.7	4.5	4.3
Miscellaneous*	143.3	177.7	166.3	187.8	275.5
Non-Profit Organization	0.0	0.2	0.4	0.2	0.1

*Miscellaneous include consolidated debt, insurance, medical & travel

Source: Cayman Islands Monetary Authority

Table A11: Financial Services Indicators

Year	Bank & Trust Licences	Insurance Licences	Captive Insurance Premiums (US\$B)	Mutual Funds	New Companies Registered	Stock Market Cap*. (US\$B)	Stock Listings
2002	383	629	4.2	4,285	7,016	36.30	710
2003	349	672	4.9	4,808	7,254	43.94	735
2004	322	722	5.6	5,932	8,892	53.57	857
2005	305	759	6.7	7,106	10,210	75.56	1,015
2006	291	767	7.1	8,134	12,277	111.52	1,225
2007	281	793	7.5	9,413	14,232	168.33	1,748
2008	278	805	7.7	9,870	11,861	167.70	1,579
2009	266	808	7.5	9,523	7,863	162.92	1,312
2010	246	768	8.7	9,438	8,157	145.65	1,113
2011	234	766	11.8	9,258	9,064	143.84	1,156
2012	226	768	11.8	10,841**	8,971	166.50	1,157

Source: Cayman Islands Monetary Authority, Cayman Islands Stock Exchange, Cayman Islands General Registry

* Cap = Capitalization

** Includes master funds

Table A12: Banks & Trust Licences

Year	Class A Banks			Class B Banks			Total
	Bank & Trust	Bank	Total Bank & Trust	Bank & Trust	Bank	Total Bank & Trust	
2002	22	4	26	142	214	356	382
2003	21	4	25	130	192	322	347
2004	19	3	22	118	178	296	318
2005	16	3	19	113	169	282	301
2006	16	3	19	112	160	272	291
2007	14	5	19	106	156	262	281
2008	13	5	18	96	164	260	278
2009	12	5	17	95	154	249	266
2010	12	5	17	87	142	229	246
2011	12	3	15	83	136	219	234
2012	12	3	15	80	131	211	226

Source: Cayman Islands Monetary Authority

Table A13: Insurance Licences

Year	Class A (Domestic) Insurers	Class B (international) Insurers			Total Insurance Companies
	Total Class A	Captives Excluding SPCs	Captives- SPCs Only	Total Class B	
2002	27	539	61	600	627
2003	27	565	79	644	671
2004	27	604	89	693	720
2005	26	632	101	733	759
2006	27	623	117	740	767
2007	28	641	124	765	793
2008	28	652	125	777	805
2009	28	650	130	780	808
2010	30	619	119	738	768
2011	27	615	124	739	766
2012	27	608	133	741	768

Source: Cayman Islands Monetary Authority

Table A14: Mutual Funds Domiciled in the Cayman Islands

Year	Administered Funds	Licensed Funds	Registered Funds	Master	Total
2002	641	51	3,593	-	4,285
2003	592	48	4,168	-	4,808
2004	616	67	5,249	-	5,932
2005	598	79	6,429	-	7,106
2006	548	105	7,481	-	8,134
2007	543	119	8,751	-	9,413
2008	510	129	9,231	-	9,870
2009	448	131	8,944	-	9,523
2010	435	133	8,870	-	9,438
2011	424	120	8,714	-	9,258
2012	408	121	8,421	1,891	10,841

Source: Cayman Islands Monetary Authority

Table A15: New Companies Registered in the Cayman Islands

Year	Exempt	Non-Resident	Resident	Foreign	Total
2002	5,795	768	310	143	7,016
2003	5,941	692	439	182	7,254
2004	7,480	674	530	208	8,892
2005	8,694	595	650	271	10,210
2006	10,735	569	588	385	12,277
2007	12,691	533	531	477	14,232
2008	10,536	293	510	522	11,861
2009	6,764	220	487	392	7,863
2010	7,104	230	432	391	8,157
2011	7,980	156	485	443	9,064
2012	7,940	69	506	456	8,971

Source: Companies Registrar

Table A16: Money and Banking Survey: Monetary Assets (CI\$ Millions)

	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
Total Assets	5,568.2	5,949.6	5,307.4	4,752.9	5,248.7
Net Foreign Assets	3,579.1	3,981.1	3,056.5	2,446.7	2,801.9
Monetary Authority	101.6	100.4	89.4	94.6	99.1
Commercial Banks	3,477.5	3,880.7	2,967.1	2,352.1	2,702.7
Net Domestic Assets	1,989.1	1,968.5	2,250.9	2,306.2	2,446.8
Domestic Credit	2,763.1	2,836.8	3,008.1	3,106.6	3,050.6
Claims on central government	271.7	172.1	219.0	293.7	278.3
Claims on other public sector	54.0	66.5	59.8	88.6	80.4
Claims on private sector	2,437.5	2,598.1	2,729.3	2,724.3	2,691.9
Other items (net)	(774.0)	(868.3)	(757.2)	(800.4)	(603.8)
Broad Liquidity	5,568.2	5,949.6	5,307.4	4,752.9	5,248.7
Broad money (KYD) M2	1,017.7	962.2	981.1	935.9	1,110.4
Currency in circulation	83.6	87.5	85.2	89.7	86.9
KYD Deposits	934.1	874.6	895.9	846.1	1,023.4
Demand deposits	250.7	254.5	298.9	237.7	337.0
Time and savings deposits	683.3	620.1	597.0	608.4	686.4
FOREX deposits	4,550.5	4,987.5	4,326.2	3,817.0	4,138.3
Of which: US dollars	4,218.7	4,316.0	3,632.8	3,251.6	3,517.9

Source: Cayman Islands Monetary Authority and ESO

Table A17: Visitor Arrivals ('000) and Cruise Ship Calls

Year	Stay-Over	Cruise	Total Arrivals	Cruise Ship Calls
1997	381.2	866.6	1,247.8	572
1998	404.2	871.4	1,275.6	518
1999	394.7	1,035.5	1,430.2	638
2000	354.1	1,030.9	1,385.0	612
2001	334.1	1,214.8	1,548.9	711
2002	302.8	1,574.8	1,877.6	732
2003	293.5	1,819.0	2,112.5	825
2004	259.9	1,693.3	1,953.2	732
2005	167.8	1,799.0	1,966.8	784
2006	267.3	1,930.1	2,197.4	802
2007	291.5	1,715.7	2,007.2	657
2008	302.9	1,553.1	1,855.9	570
2009	272.0	1,520.4	1,792.3	547
2010	288.3	1,597.8	1,886.1	570
2011	309.1	1,401.5	1,710.6	525
2012	321.7	1,507.4	1,829.0	518

Source: Cayman Islands Department of Tourism

Table A18: Occupancy Rates and Length of Stay

Year	Hotel Occupancy Rates (%)	Apt/Condo Occupancy Rates (%)	Hotel Length of Stay (Days)	Apt/Condo Length of Stay (Days)
1997	66.9	48.2	4.8	7.0
1998	73.1	52.3	5.0	7.0
1999	71.8	46.9	4.7	5.8
2000	62.4	46.8	4.6	7.0
2001	55.3	43.1	4.5	7.3
2002	50.6	40.2	4.8	7.3
2003	51.2	37.7	4.7	7.4
2004	61.7	43.1	4.9	6.8
2005	55.8	46.0	4.9	6.7
2006	59.4	40.7	4.5	6.6
2007	61.7	42.5	4.7	6.7
2008	62.2	44.0	4.5	6.4
2009	59.0	43.9	4.4	6.9
2010	68.2	44.1	4.4	6.8
2011	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a

Source: Cayman Islands Department of Tourism

Table A19: Total Stay-Over Arrivals by Country of Origin ('000)

Year	USA	Europe	Canada	Others	Total Arrivals
1995	266.2	37.3	14.1	43.8	361.4
1996	274.7	33.5	16.2	48.8	373.2
1997	278.7	32.7	18.2	51.6	381.2
1998	295.2	34.7	18.4	55.9	404.2
1999	280.3	34.5	18.9	61.0	394.7
2000	281.6	22.6	15.0	34.3	354.1
2001	270.1	20.4	13.6	34.9	334.1
2002	244.9	17.9	13.6	26.2	302.8
2003	232.4	18.2	14.1	28.8	293.5
2004	205.2	15.3	12.1	27.3	259.9
2005	118.8	12.7	10.5	25.8	167.8
2006	217.4	16.7	14.9	18.3	267.3
2007	231.9	20.4	17.4	21.9	291.5
2008	240.5	21.3	18.5	22.6	302.9
2009	215.0	19.1	17.3	20.6	272.0
2010	228.5	19.9	19.5	20.5	288.3
2011	242.9	21.1	24.6	20.4	309.1
2012	253.2	21.4	24.1	23.0	321.7

Source: Cayman Islands Department of Tourism

Table A20: Property Transfers: Number and Value (in CI\$ Millions)

Year	Freehold		Leasehold		Total Transfers	
	Number	Value	Number	Value	Number	Value
1995	1,729	191.2	127	3.6	1,856	194.8
1996	2,055	267.2	153	3.3	2,208	270.5
1997	2,151	281.8	125	6.1	2,279	287.9
1998	2,344	317.2	128	2.3	2,472	319.5
1999	2,293	222.5	201	7.4	2,494	229.9
2000	1,868	257.3	143	2.3	2,011	259.6
2001	1,846	172.8	181	0.8	2,027	173.6
2002	1,842	269.9	147	4.1	1,989	274.0
2003	2,357	324.3	205	1.7	2,562	326.0
2004	2,335	339.2	127	1.9	2,462	341.1
2005	2,640	450.8	245	1.4	2,885	452.2
2006 ¹	2,777	691.1	179	4.1	2,956	695.2
2007	2,190	544.7	360	23.3	2,512	551.0
2008	2,289	558.1	323	76.2	2,612	634.3
2009	2,045	397.0	242	19.5	2,287	416.5
2010	1,619	307.2	168	9.2	1,787	316.4
2011	1,708	632.1	178	25.8	1,886	657.9
2012	1,696	418.1	116	11.9	1,812	430.0

Source: Cayman Islands Lands & Survey Department

¹ Property transfers numbers and values were revised for 2006 only.
Leasehold transfers include lease transfers and subleases.

Table A21: Number of Project Approvals in Grand Cayman

Year	Apts/ Condos	Houses	Commercial	Government	Hotel	Industrial	Other	Total
2000	96	369	34	21	1	16	511	1,048
2001	79	309	45	7	3	11	442	896
2002	88	327	83	4	5	17	424	948
2003	129	385	67	12	-	34	504	1,131
2004	111	359	52	6	1	17	427	973
2005	132	532	95	15	4	26	394	1,198
2006	222	336	70	15	1	30	574	1,248
2007	112	437	56	10	1	14	493	1,123
2008	103	424	43	7	-	11	580	1,168
2009	109	426	46	3	-	12	526	1,122
2010	73	327	43	9	-	5	505	962
2011	52	332	36	14	-	9	496	939
2012	38	313	46	7	-	16	570	990

Source: Cayman Islands Planning Department

Table A22: Value of Project Approvals in Grand Cayman (CI\$ Million)

Year	Apt/ Condos	Houses	Commercial	Government	Hotel	Industrial	Other	Total
2000	90.6	63.3	21.2	21.0	75.0	14.4	24.7	310.1
2001	44.5	54.2	18.0	0.8	1.7	5.5	24.4	149.1
2002	82.0	60.6	48.9	0.8	9.7	9.9	24.4	236.3
2003	65.9	80.0	29.0	55.1	-	7.1	29.4	266.5
2004	153.7	67.5	133.2	3.9	45.0	7.3	45.7	456.3
2005	194.9	105.8	103.9	3.7	16.2	20.5	66.1	511.2
2006	294.3	74.8	119.8	7.5	6.0	44.4	74.2	620.9
2007	88.9	131.3	71.7	54.5	55.0	8.4	59.1	468.9
2008	141.5	110.3	125.4	18.5	-	11.1	74.0	480.9
2009	170.0	122.0	29.0	0.1	-	2.6	97.5	421.2
2010	35.9	93.9	92.5	3.6	-	1.0	84.8	311.7
2011	27.5	116.5	25.8	15.1	-	16.6	40.3	241.8
2012	17.3	81.9	11.7	5.2	-	8.1	28.1	152.3

Source: Cayman Islands Planning Department

Table A23: Number of Project Approvals in the Sister Islands

Year	Houses	Apt/Condo	Hotel	Government	Commercial	Industrial	Other	Total
2000	49	3	-	7	6	7	53	125
2001	41	7	-	5	9	3	46	111
2002	21	2	-	5	2	9	74	113
2003	29	3	-	4	14	2	60	112
2004	36	1	-	11	13	4	75	140
2005	43	4	-	5	9	1	73	135
2006	39	-	1	10	5	10	67	132
2007	35	6	-	9	5	-	49	104
2008	40	5	2	3	5	1	53	109
2009	34	2	-	3	2	-	62	103
2010	27	2	-	8	5	1	71	114
2011	35	-	-	2	2	1	62	102
2012	21	-	-	7	5	1	56	90

Source: Cayman Islands Planning Department

Table A24: Value of Project Approvals in the Sister Islands (CI\$ Millions)

Year	Houses	Apt/Condo	Hotel	Government	Commercial	Industrial	Other	Total
2000	5.2	3.2	-	1.0	0.5	1.6	1.0	12.4
2001	-	2.8	-	2.1	1.1	1.1	0.8	8.0
2002	3.2	0.2	-	0.3	0.3	1.2	2.3	7.6
2003	4.1	0.8	-	0.1	1.4	0.4	0.7	7.4
2004	6.6	0.1	-	0.3	1.9	4.0	0.7	13.7
2005	5.9	1.3	-	0.2	0.6	0.5	0.8	9.3
2006	6.7	-	5.5	2.7	0.7	1.6	0.8	17.9
2007	6.5	23.9	-	2.1	0.3	-	3.5	36.2
2008	7.8	8.2	6.9	0.1	1.0	-	3.9	27.9
2009	5.8	0.7	-	2.0	1.1	-	3.3	12.8
2010	6.0	0.4	-	9.1	1.3	0.4	1.8	19.0
2011	7.4	-	-	0.1	0.1	1.6	0.8	9.9
2012	4.2	-	-	7.1	1.0	1.5	4.9	18.7

Source: Cayman Islands Planning Department

Table A25: Building Permits in Grand Cayman

Category	Number					Value (CI\$M)				
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
Apartment/ Condo	182	171	114	77	54	116.6	92.7	49.4	37.4	15.4
Houses	503	532	390	348	347	116.6	146.4	93.1	87.9	103.0
Commercial	176	116	120	112	100	162.8	49.5	45.3	39.5	15.1
Government	36	16	12	15	17	62.7	28.8	2.0	6.9	3.0
Hotel	1	-	-	-	1	0.2	-	-	-	10.0
Industrial	14	7	7	1	4	29.6	2.6	3.2	0.5	1.2
Other	169	303	347	270	214	13.7	35.0	12.6	10.9	8.7
Total	1,081	1,145	990	823	737	502.3	355.0	205.6	183.1	156.4

Source: Cayman Islands Planning Department

Table A26: Water Production and Consumption, Millions of US Gallons

Year	Production¹	Consumption
1995	592.9	637.6
1996	631.0	678.1
1997	730.7	779.8
1998	808.9	849.4
1999	874.3	908.8
2000	986.5	1,028.5
2001	1,097.4	1,069.2
2002	1,147.9	1,056.1
2003	1,197.9	1,173.7
2004	1,291.3	1,252.7
2005	1,371.6	1,301.7
2006	1,639.6	1,560.7
2007	1,720.8	1,657.7
2008	1,730.3	1,646.1
2009	1,959.1	1,741.8
2010	1,970.9	1,704.5
2011	1,977.6	1,697.8
2012	2,012.5	1,752.6

Source: Cayman Islands Water Authority, Cayman Water Company

¹ Excludes Non-Potable Water

Table A27: Electricity ('000 megawatt hours)

Year	Production*	Consumption			
		Domestic	Industrial/ Commercial	Public Lighting	Total
1995	297.4	118.1	147.5	3.3	268.9
1996	309.7	124.6	153.8	3.1	281.4
1997	347.8	140.3	168.7	3.3	312.3
1998	381.1	158.9	181.3	3.3	343.5
1999	390.4	168.2	191.5	3.3	363.0
2000	426.5	179.5	203.1	3.4	386.0
2001	449.3	189.7	213.9	3.5	407.0
2002	466.1	200.4	221.0	4.2	425.6
2003	489.7	211.2	228.5	4.5	444.2
2004	433.4	183.1	191.5	4.1	378.7
2005	463.2	200.3	222.4	5.0	427.8
2006	535.7	228.2	258.0	5.3	491.5
2007	546.1	249.4	279.4	5.4	534.2
2008	578.4	251.7	290.3	5.7	547.7
2009	597.4	263.1	290.7	6.0	559.8
2010	593.5	262.5	284.9	6.2	553.8
2011	594.0	258.8	289.0	6.2	554.0
2012	587.1	254.4	287.1	6.3	547.8

Source: Caribbean Utilities Company

- Net generation/production is reported from 2007

Table A28: Summary of Central Government Operations (CI\$ Millions)

Year	Total Revenue	Current Expenditure	Gross Capital Expenditure and Net Lending	Total Expenditure	Current Balance	Overall Balance
1995	163.5	143.7	23.7	166.1	19.7	(2.6)
1996	190.7	161.8	34.1	195.5	27.8	(4.7)
1997	214.4	187.2	46.5	233.5	26.6	(19.1)
1998	248.6	214.7	31.3	244.8	33.9	3.8
1999	275.7	245.2	37.6	280.9	30.5	(5.3)
2000	278.2	268.4	43.2	311.2	9.3	(33.0)
2001	285.4	290.6	26.1	316.6	(6.2)	(31.2)
2002	314.1	278	17.6	295.7	36.1	18.4
2003	326.2	283.7	21.2	305.2	42.5	21.0
2004	336.4	349.2	29.2	378.1	(13.2)	(41.7)
2005	428.6	381.8	47.5	430.3	87.5	(1.7)
2006	500.4	393.5	39.6	433.1	106.9	67.3
2007	513.0	446.1	105.9	552.0	66.9	(39.0)
2008	522.2	521.5*	150.6	653.2	0.8	(131.0)
2009	473.7	535.6	141.7	655.7	(61.8)	(181.9)
2010	515.4	519.3	76.3	573.5	0.5	(55.8)
2011	545.8	526.9	98.3	602.7	20.8	(56.8)
2012	564.6	547.1	68.5	592.2	17.5	(27.6)

*Annual depreciation is added to current expenditure but deducted from total expenditure starting 2008

Source: Cayman Islands Treasury Department

Note:

Interdepartmental purchases and services and vehicle and equipment maintenance fees were netted in current expenditure from 1992 to 1999.

Table A29: Central Government Debt and Self- Financing Debt, (CI\$M) a/

Year	Disbursed Outstanding Debt	Drawings	Exchange (Gain)/ Loss	Amortisation	Interest Payments
1995	51.6	1.8		11.2	4.1
1996	67.6	22.4		6.6	3.4
1997	82.9	25.5		8.7	4.5
1998	93.8	21.5		10.9	5.9
1999	98.3	18.2		13.1	5.6
2000	107.8	23.8		14.3	7.0
2001	143.5	49.7		14.0	6.8
2002	132.1	10.9	(0.3)	21.3	3.8
2003	143.9	136.9		124.5	5.1
2004	157.6	23.3		9.5	7.3
2005	180.9	39.0		11.4	9.5
2006	179.7	10.0		14.5	8.9
2007	210.5	52.3	(0.2)	16.4	9.6
2008	354.9	166.2	(0.5)	20.7	11.7
2009	513.5	184.3		25.9	19.4
2010	592.7	106.7	(0.2)	25.9	27.9
2011	613.4	154.2	0.3	133.9	32.9
2012	586.2	-	(0.2)	25.9	33.8

Source: Cayman Islands Treasury Department

a/ Self-financing debt refers to the loans raised by the central government on behalf of agencies which are required to reimburse the servicing of these loans.

Table A30: Fiscal Operations (CI\$ Millions)

	2008	2009	2010	2011	2012
	CI\$	CI\$	CI\$	CI\$	CI\$
Total Revenue	522.2	473.8	517.7	545.9	564.6
Current Revenue	522.2	473.8	517.7	545.9	564.6
Coercive Revenue	457.9	431.0	460.8	489.3	504.9
Taxes on International Trade & Transactions	176.9	152.0	158.5	162.2	167.2
Domestic Taxes on Goods & Services	238.0	248.2	279.4	289.5	296.6
Taxes on Property	41.1	23.9	21.3	36.4	36.7
Fines	1.9	2.4	1.6	1.2	1.3
Other Taxes	0.0	4.5	0.0	0.0	3.1
Non-coercive Revenue	64.3	42.8	56.9	56.6	59.7
Sale of Goods & Services	59.7	41.8	56.2	55.8	55.0
Investment Revenue	4.2	0.3	0.1	0.6	0.3
Other Operating Revenue	0.4	0.7	0.6	0.2	4.4
Total Expenditure	653.2	655.7	573.5	602.7	592.2
Current Expenditure	521.4	535.6	517.2	525.1	547.1
Personnel Costs	245.2	236.6	224.8	216.4	226.5
Supplies & Consumables	97.8	84.5	86.4	89.2	94.1
Subsidies	105.5	122.5	125.2	131.6	131.7
Transfer Payments	28.4	27.2	29.7	31.0	30.5
Depreciation	18.8	21.6	20.0	20.7	23.4
Interest Payments	11.7	19.4	27.9	32.9	33.8
Extraordinary Expenses	1.7	20.1	0.0	0.0	0.0
Other Executive Expenses	12.3	3.7	3.2	3.3	7.1
Gross Capital Expenditure & Net Lending	150.6	141.7	76.3	98.3	68.5
Capital Acquisition (now Equity Injections)	40.7	105.4	28.1	62.2	37.6
Capital Development (now Executive Assets)	109.9	35.2	52.6	36.0	29.2
Net Lending	0.0	1.1	-4.4	0.1	1.7
Net Capital Expenditure & Net Lending	131.8	120.1	56.3	77.6	45.1
Depreciation	18.8	21.6	20.0	20.7	23.4
Primary Balance	(119.3)	(162.5)	(27.9)	(23.9)	6.2
Current Balance	0.8	(61.8)	0.5	20.8	17.5
Overall Balance	(131.0)	(181.9)	(55.8)	(56.8)	(27.6)
Financing	131.0	181.9	55.8	56.8	27.6
Net Borrowing	145.5	158.4	80.7	20.3	(25.9)
Disbursements	166.2	184.3	106.7	154.2	0.0
Loan Repayment	(20.7)	(25.9)	(25.9)	(133.9)	(25.9)
Change in Cash (minus = increase)	(14.5)	23.5	(24.9)	36.5	53.5

Source: ESO and Treasury Department