



THE CAYMAN ISLANDS' SEMI-ANNUAL ECONOMIC REPORT 2013

September 2013



The Economics and Statistics Office

Contents

Overview*	1
1. GDP Performance	2
2. Inflation	3
3. Trade	4
4. Employment	5
5. Money & Banking	6
5.1. Net Foreign Assets (NFA).....	6
5.2. Net Domestic Assets.....	7
5.3. Broad Liquidity.....	8
5.4. Interest Rates	8
6. Financial Services	9
6.1 Banks & Trust	9
6.2 Insurance	10
6.3 Mutual Funds	10
6.4 Stock Exchange.....	10
6.5 New Company Registration.....	11
7. Tourism	11
7.1 Air Arrivals.....	11
8. Construction	12
8.1 Building Permits	12
8.2 Project Approvals.....	13
9. Real Estate	14
10. Utilities.....	14
10.1 Water.....	14
10.2 Electricity.....	14
10.3 Telecommunications.....	15
11. Fiscal Operations of the Central Government	15
11.1 Revenue	16
11.2 Expenditure	17
11.3. Capital Expenditure and Net Lending	18
11.4. Net Financing and Debt Service Indicators.....	18

Overview*

- Notwithstanding the first quarter decline, gross domestic product was estimated to have expanded at an annualised rate of 0.9% in the first half of 2013.
- The Consumer Price Index inflation averaged 2.0%, driven by higher prices for several items led by household equipment, clothing & footwear, and alcohol & tobacco.
- Merchandise imports fell by 0.5% to register at \$371.2 million.
- Current work permits rose by 2.3% to 20,616.
- Broad liquidity or money supply expanded marginally by 0.2% to reach \$5.3 billion.
- Domestic credit contracted anew by 3.0% due to declines in credit to both the public and private sectors.
- The KYD weighted average lending rate fell by 15 basis points to 6.26% while prime lending rate remained stable at 3.25%.
- Bank and trust company licenses slid by 6.0% while insurance licenses increased by 2.5%.
- Total mutual funds registration rose by 3.1% to 11,209, on the back of the new category 'Master Fund' which increased by 41.4%.
- Stock exchange listings declined by 3.9% as all types of instruments, except primary equity, fell.
- New company registrations increased by 0.1% to total 4,798.
- Air arrivals improved by 6.1% while cruise passengers visitors declined by 9.8% during the period.
- The value of building permits rose 4.6% to \$92.0 million, although the numbers fell 7.0%.
- The number of property transfers increased by 11.5% to 990 while the total value surged by 67.0% to \$367.9 million.
- Electricity production and consumption increased by 1.3%. Similarly, water production and consumption rose by 2.7% and 1.7% respectively.
- The central government's overall fiscal surplus improved to \$94.8 million from \$27.6 million a year ago.
- The total outstanding debt of the central government contracted to \$573.2 million from \$599.4 million a year ago.

*Comparative data over the first six months of 2012, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off.

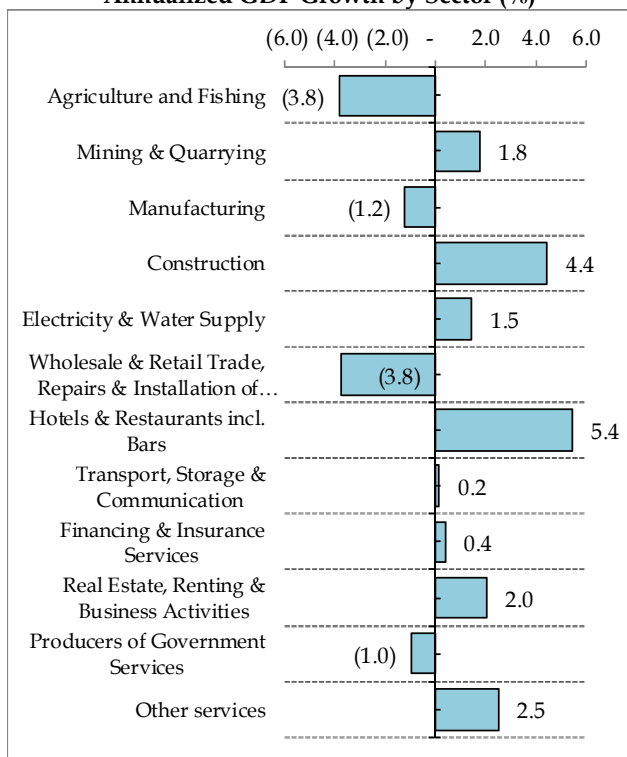
1. GDP Performance

Based on available indicators, the Cayman Islands' real GDP grew by an estimated annualised rate of 0.9% in the first half of 2013 compared to a year ago.

Upbeat growth rates were indicated for most sectors, led by hotels and restaurants (5.4%), construction (4.4%), real estate, renting and business activities (2.0%), electricity and water supply (1.5%). Financing and insurance, the largest sector, posted marginal growth (0.4%) (see Figure 1).

However, declines were indicated for wholesale and retail trade, agriculture and fishing, government services and manufacturing.

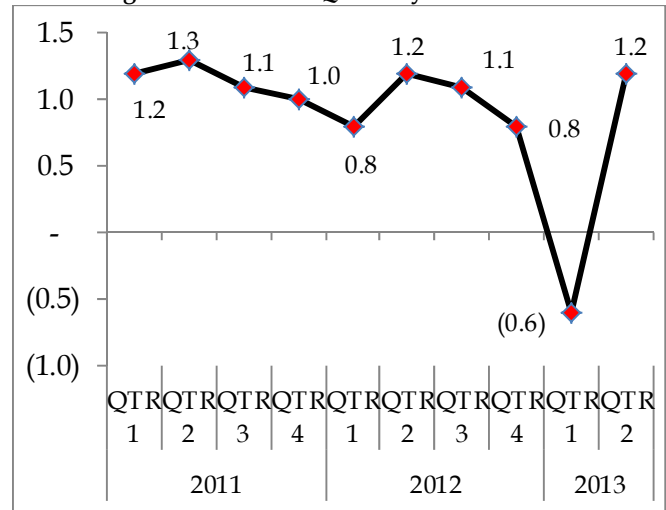
Figure 1: Estimated First Half of 2013 Annualized GDP Growth by Sector (%)



Source: Economics and Statistics office

As depicted in Figure 2, the economy rebounded in the second quarter with a 1.2% expansion, reversing the 0.6% dip in the first quarter.

Figure 2: Estimated Quarterly GDP Growth



Source: Economics and Statistics Office

Given the first half of the year's performance, forecast GDP growth for the calendar year 2013 is placed at 1.5% (see Table 1). This assumes acceleration in growth during the second half of the year particularly from public-private partnership construction projects, wholesale and retail trade, financial and business services, and government services.

Barring sharp changes in oil prices, the inflation forecast for 2013 is 2.1% given the 2.0% average inflation in the first six months.

Unemployment rate is forecasted at 6.1%, conditional on the continuing revival of economic activities.

**Table 1: Macroeconomic Outlook
Based on Semi-Annual Data**

	2010	2011	2012	Forecast
	Percent (%)			2013
Real GDP*	(2.9)	0.9	1.6	1.5
CPI Inflation	0.3	1.3	1.2	2.1
Unemployment Rate	6.2	6.3	6.2	6.1

* 2012 is Estimated

Source: Economics and Statistics Office

2. Inflation

Average inflation for the first half of 2013 was recorded at 2.0% (see Table 2). This resulted mainly from rising price indices for alcohol and tobacco (13.6%), food and non-alcoholic beverages (3.5%), clothing and footwear (6.4%), household equipment (6.8%), and miscellaneous goods and services (8.4%).

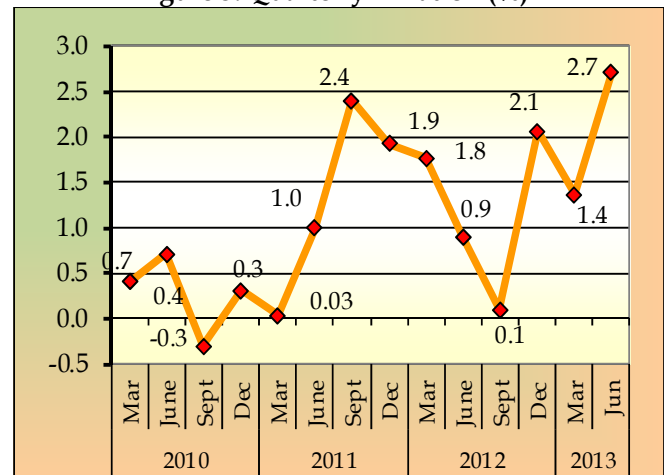
During the second quarter of 2012, the Consumer Price Index (CPI) stood at 104.2, higher by 2.7% compared to June 2012 (see Figure 3)¹. Rising price indices were recorded for clothing and footwear (4.5%), food and non-alcoholic beverage (3.7%), alcohol and tobacco (13.3%), miscellaneous goods and services (13.5%), household equipment (6.5%), and education (5.0%). These increases were offset by declines in housing and utilities (0.4%), restaurants and hotels (4.2%), and recreation and culture (2.0%).

¹ See also 'The Cayman Islands Consumer Price Report June 2013,' www.eso.ky

Table 2: Average Inflation (Jan-June)

Categories	Half-Year Avg Inflation Rates (%)	
	2012	2013
Food & Non Alcoholic Beverages	4.6	3.5
Alcohol and Tobacco	0.5	13.6
Clothing and Footwear	4.5	6.4
Housing and Utilities	0.5	-0.5
Household Equipment	0.7	6.8
Health	2.0	1.6
Transport	4.9	0.8
Communication	0.3	0.5
Recreation and Culture	-1.1	-1.8
Education	0.0	3.0
Restaurants and Hotels	0.4	-3.2
Misc. Goods and Services	0.2	8.4
Overall CPI Inflation	1.4	2.0

Source: Economics and Statistics Office

Figure 3: Quarterly Inflation (%)*


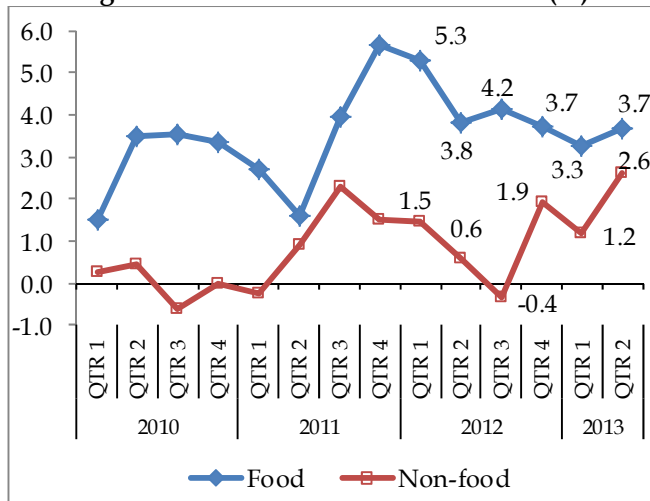
*Inflation of current quarter CPI over the same quarter a year ago.

Source: Economics and Statistics Office

Higher prices of alcohol and tobacco by 4.7% and 49.9% respectively pushed the index by 13.3% during the second quarter. These increases can be traced directly to the adjustment of import duties for these items.

The index for food and non-alcoholic beverages increased by 3.7% on account of higher international food prices, precipitated by adverse weather conditions in producing countries. Food price inflation has been consistently higher than non-food inflation since 2010 as depicted in Figure 4.

Figure 4: Food and Non-food Inflation (%)



Source: Economics and Statistics Office

The clothing and footwear index moved up by 4.5% to 111.2, resulting from price movements of clothing (up by 4.6%) and footwear (up by 3.7%).

The average price of household equipment increased by 6.5%, traced mainly to the 9.5% rise in the cost of goods used in routine household maintenance.

Higher cost of insurance by 21.8% and personal effects by 16.1% propelled the index for miscellaneous goods and services by 13.5%.

The price index for education increased by 5.0% mainly due to the 12.5% increase in the cost of tertiary education.

The price index for housing and utilities stood at 90.2, down by 0.4% in the second quarter on account of a 2.4% decrease in actual rent while imputed rent (for owner-occupied units) fell marginally. On the other hand, cost of utilities increased, reflecting the movement for water supply and miscellaneous services (1.4%) and electricity, gas and other fuels (2.8%). Fluctuations in utility prices are usually associated with price changes of international oil and oil-related products, which also affects the production cost of pumping water.

Table 3: Various Inflation Rates

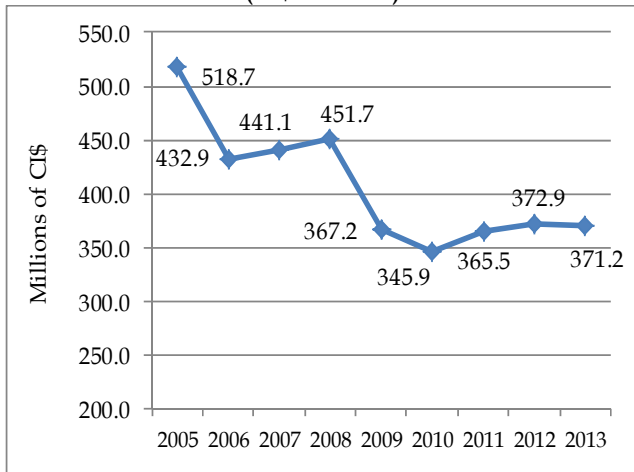
	2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2
Overall inflation	1.8	0.9	0.1	2.1	1.4	2.7
Overall inflation <i>excluding</i>						
food and electricity	1.3	0.6	0.0	1.7	1.2	2.6
housing and utilities	2.3	1.3	1.0	2.4	2.5	4.4
Non-food inflation	1.5	0.6	-0.4	1.9	1.2	2.6
Housing & Utilities inflation	0.9	0.1	-1.7	1.5	-0.6	-0.4
Electricity inflation	4.2	1.1	-5.5	5.5	0.8	2.8

Source: Economics and Statistics Office

3. Trade

Preliminary data for the first six months of 2013 indicates that merchandise imports decreased by 0.5% to \$371.2 million. This resulted as a 2.3% reduction in the second quarter outweighed a 1.3% growth in the first quarter.

The first six months performance can be traced to a 3.2% reduction in non-petroleum imports. In contrast, the value of oil and petroleum-related products increased by 1.3% as the quantity of imported fuel increased by 16.0% to 24.1 million imperial gallons.

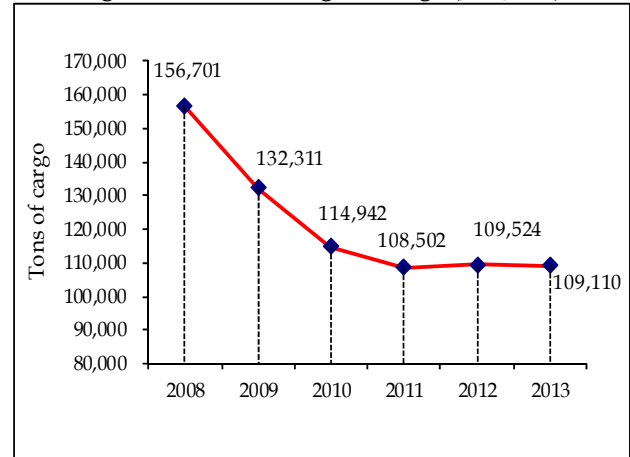
**Figure 5: Merchandise Imports (Jan-June)
(CI\$ Millions)**


Source: Customs Department and ESO

Total imports of food and live animals increased by 10.9% as world food prices trended up during the period. Machinery and transport equipment moved up marginally by 0.5% while beverages and tobacco increased by 3.1%.

Other increases were recorded in the value of mineral fuels, lubricants and related materials (1.3%), and crude materials (0.2%). The categories of imports which declined were commodities and transactions not classified elsewhere (24.9%), miscellaneous manufactured articles (22.1%), and all chemical and related-products (4.4%).

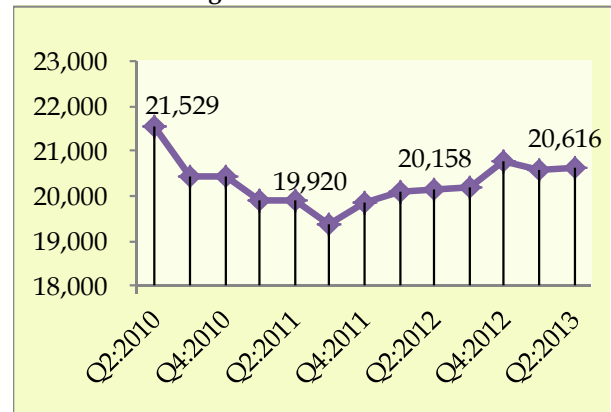
Consistent with the decline in the overall value of non-oil imports for the first six months of 2013, the total tonnage of landed cargo decreased by 0.4% in 2013 as compared to a year ago (see Figure 6).

Figure 6: Total Tonnage of Cargo (Jan-June)


Source: Cayman Islands Port Authority

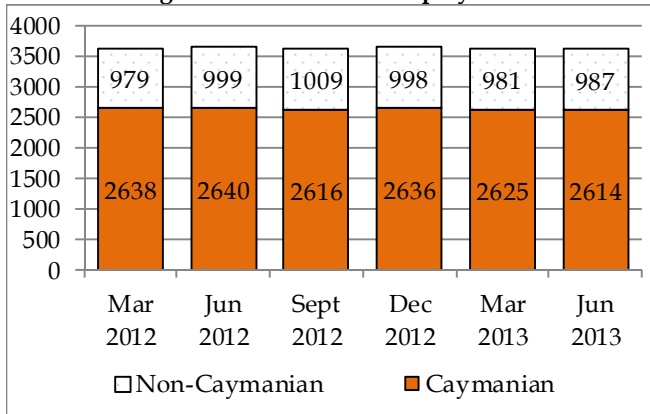
4. Employment

Work permits grew 2.3% in the first six months of the year to 20,616 compared to a year ago. The growth rate is sharper than the 1.2% recorded for the same period last year.

Figure 7: Work Permits


Sources: Immigration Department, Economics & Statistics Office

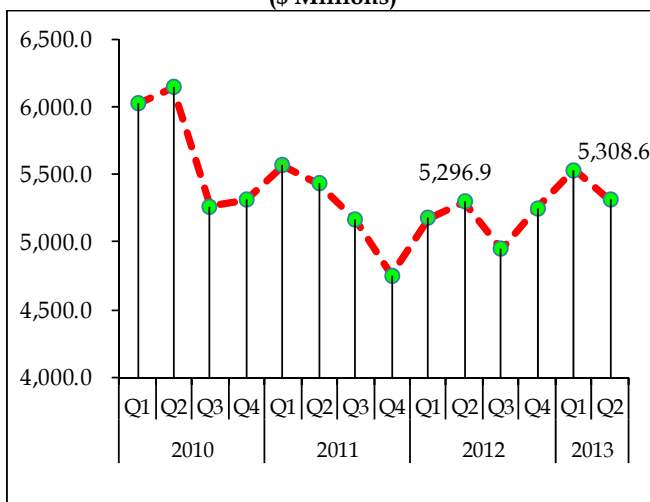
As depicted in Figure 8, the civil service employment decreased by 1.0% (or 38 persons) to total 3,601 when compared to a year ago. Caymanian and non-Caymanian employment fell by 1.0 percent and 1.2 percent respectively.

Figure 8: Civil Service Employment


Source: Portfolio of the Civil Service

5. Money & Banking

Broad liquidity (M2) comprising CI dollar-denominated money and foreign exchange deposits expanded by 0.2% to settle at \$5,308.6 million in the first six months of 2013. During this period, total foreign currency deposits which dominate the money supply, increased by 0.1%, and CI dollar-denominated money grew by 0.8%.

Figure 9: Total Money Supply (M2) (\$ Millions)


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

M2 also represents the liabilities of the monetary and banking sector. The corresponding asset side recorded a decrease in net foreign assets while net domestic assets increased.

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

	Jun-12	Jun-13	% Change
Total Assets	5,296.9	5,308.6	0.2
Net Foreign Assets	2,839.4	2,813.7	(0.9)
Monetary Authority	93.4	92.2	(1.3)
Commercial Banks	2,746.0	2,721.5	(0.9)
Net Domestic Assets	2,457.5	2,494.9	1.5
Domestic credit	3,072.2	2,980.1	(3.0)
Claims on central government	285.4	282.5	(1.0)
Claims on other public sector	89.2	69.3	(22.3)
Claims on private sector	2,697.6	2,628.3	(2.6)
Other items net (assets +)	(614.7)	(485.2)	(21.1)
Broad Liquidity	5,296.9	5,308.6	0.2
Broad money (KYD) M2	1,143.5	1,152.1	0.8
Currency in circulation	88.7	87.2	(1.7)
KYD Deposits	1,054.8	1,064.9	1.0
Demand deposits	365.1	444.9	21.9
Time and savings deposits	689.7	620.0	(10.1)
FOREX deposits	4,153.4	4,156.5	0.1
of which: US dollars	3,558.6	3,584.0	0.7
US\$ Contribution (%)	85.7	86.2	

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

5.1. Net Foreign Assets (NFA). During the review period, net foreign assets of domestic commercial banks fell by 0.9% (see Table 4), and the Cayman Islands Monetary Authority by 1.3%, resulting in an overall contraction of \$25.7 million (or 0.9%). The decline in commercial banks' NFA resulted from a decrease in foreign liabilities (4.7%) which outweighed a reduction in foreign assets (3.0%) (see Table 5). Foreign liabilities fell as non-resident deposits and other liabilities declined. Foreign assets dipped

notwithstanding increases in foreign investment and balances with banks and branches abroad, as loans to non-residents fell by 47.3%.

Table 5: Net Foreign Assets (\$ Millions)

	Jun-12	Jun-13	Change %
Net Foreign Assets	2,839.4	2,813.7	(0.9)
Monetary Authority	93.4	92.2	(1.3)
Commercial Banks	2,746.0	2,721.5	(0.9)
Foreign Assets	6,115.9	5,934.0	(3.0)
Bal. with Banks & Branches	3,860.6	4,199.9	8.8
Total Investment	895.2	1,017.8	13.7
Total Non-Resident Loans	1,360.1	716.3	(47.3)
Foreign Liabilities	3,369.9	3,212.5	(4.7)
Total Non-Resident Deposits	3,216.2	3,065.2	(4.7)
Other Liabilities	153.7	147.3	(4.2)

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

5.2. Net Domestic Assets. A 3.0% contraction in net domestic assets was driven by reductions in credit to the private sector (2.6%) and the public sector (6.1%) during the period (see Table 6).

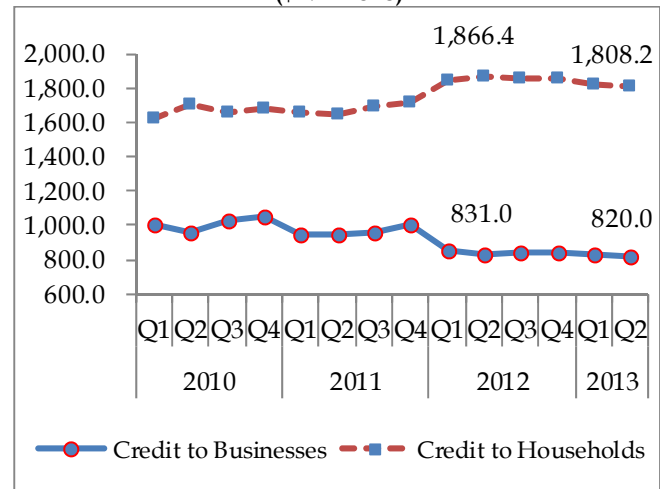
The contraction in public sector indebtedness by \$22.8 million is traced mainly to the other public sector entities (down by \$19.9 million). Central government borrowings also declined by \$2.9 million during the review period.

Table 6: Net Domestic Assets (\$ millions)

	Jun-12	Jun-13	Change %
Domestic Credit	3,072.2	2,980.1	(3.0)
Domestic Credit to Public Sector	374.6	351.8	(6.1)
Domestic Credit to Private Sector	2,697.6	2,628.3	(2.6)

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

As compared to a year ago, domestic lending to the private sector - households and businesses - experienced declines (Figure 10 and Table 7).

Figure 10: Credit to Business and Households (\$ Millions)


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Loans to households decreased by 3.1% (or \$58.2 million) as at June 2013 compared to the preceding year. Loans for domestic property and miscellaneous² contracted by 0.3% and 18.2%, respectively. Credit for motor vehicles purchase declined by 5.1% while lending for education and technology increased (see Table 7).

Loans to businesses contracted by 1.3% as the production and manufacturing sector, and services sector recorded declines. Credit to the service sectors contracted sharply by 31.8%, with all sub-sectors except for education, recreation & other professional services posting double-digit negative growth.

² Miscellaneous include consolidated debt, insurance, medical and travel.

Outstanding loans to the production and manufacturing sectors declined. Higher borrowings was recorded by the construction sector; however, lower lending activity was posted for utilities, agriculture and manufacturing sectors.

Lending to trade and commerce increased by 15.4% as all areas under this rubric recorded double-digit increases.

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

	Jun-12	Jun-13	% Change
Total	2,697.5	2,628.2	(2.6)
Credit to Businesses	831.0	820.0	(1.3)
Production & Manufacturing	339.2	331.6	(2.2)
Agriculture, Fishing and Mining	15.3	12.9	(15.7)
Manufacturing	29.4	26.6	(9.5)
Utilities	8.5	2.9	(65.9)
Construction	286.0	289.2	1.1
Services	128.1	87.4	(31.8)
Accommodation, Food, Bar & Entertainment Services	92.3	53.7	(41.8)
Transportation, Storage & Communications	20.3	13.3	(34.5)
Education, Recreational & Other Professional Services	15.5	20.4	31.6
Trade and Commerce	320.8	370.1	15.4
Wholesale & Retail Sales Trade	63.2	74.7	18.2
Real Estate Agents, Rental and Leasing Companies	119.9	142.6	18.9
Other Business Activities (General Business Activity)	137.7	152.8	11.0
Other Financial Corporations	42.9	30.9	(28.0)
Credit to Households	1,866.4	1,808.2	(3.1)
Domestic Property	1,547.1	1,541.7	(0.3)
Motor Vehicles	33.4	31.7	(5.1)
Education and Technology	4.2	4.3	2.4
Miscellaneous*	281.7	230.5	(18.2)
NonProfit Organizations	0.1	0.0	(100.0)

*Miscellaneous include consolidated debt, insurance, medical & travel

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

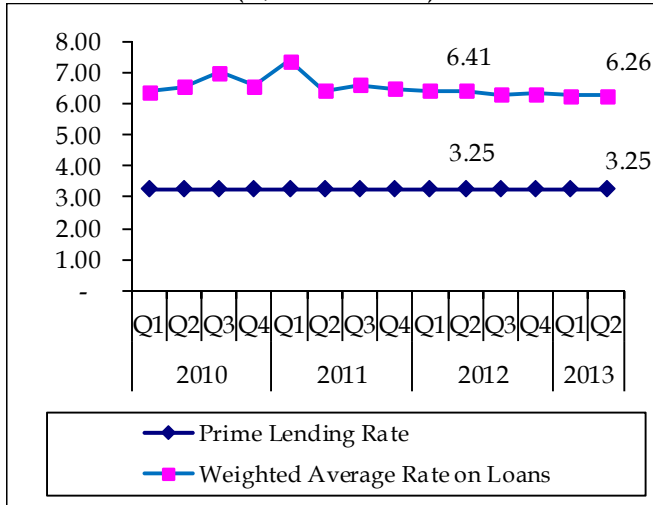
5.3. Broad Liquidity. As referenced in Table 4, broad liquidity (M2) in the Cayman Islands reached \$5,308.6 million in June 2013, compared to \$5,296.9 million for the same period last year. This represents a 0.2% expansion which directly follows from a small increase in foreign currency deposits and higher local currency broad money.

Foreign currency deposits recorded a marginal growth of 0.1%, although holdings of US dollar-denominated deposits increased by 0.7% as other currencies-denominated deposits declined.

The local dollar-denominated money supply grew by 0.8% as total CI dollar deposits rose by 1.0%. Local currency seems to be moving out of term deposits (time and savings) to checking deposits. Local currency in circulation was lower by 1.7% during the period, an indication of possible lower levels of currency-related economic transactions.

5.4. Interest Rates. As depicted in Figure 11, the KYD weighted average lending rate fell by 15 basis points from 6.41% in June 2012 to 6.26% in the same period of 2013, possibly due to the lower demand for loans. The Cayman Islands prime lending rate remained constant at 3.25%.

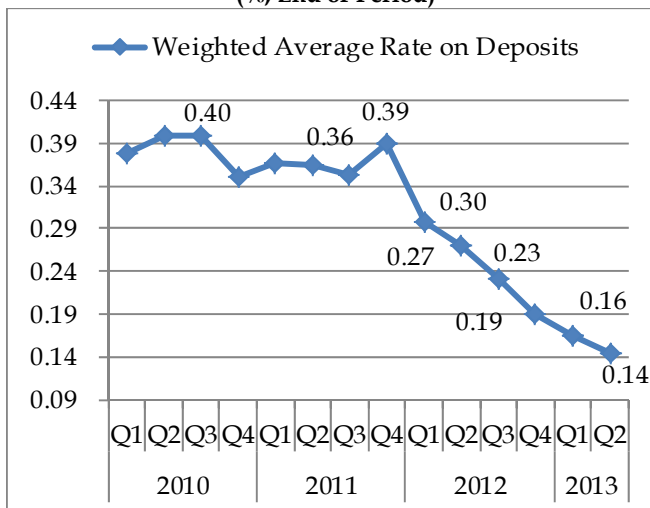
Figure 11: KYD Lending Rates
(%, End of Period)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

As depicted in Figure 12, the weighted average savings rate on KYD deposits declined by 13 basis points from a year ago to 0.14%.

Figure 12: KYD Weighted Average Savings Rates
(%, End of Period)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

6. Financial Services

Mid-year results for the financial services sector were mixed as mutual fund listings, insurance companies registration, and new company licences improved moderately while all other sub-sector indicators weakened.

6.1 Banks & Trust

Similar to previous results, the total number of bank and trust companies licensed dipped to 221 at mid-year of 2013, a 6.0% decrease from the comparative period in 2012. Meanwhile, licences to trust companies narrowed by 6 (or 4.8%).

Table 8: Bank & Trust Companies

	Jun 2011	Jun 2012	Jun 2013	% Change
Bank and Trust	250	235	221	-6.0
Class "A"	16	15	15	0.0
Class "B"	234	220	206	-6.4
Trust Companies	124	124	118	-4.8
Restricted	71	71	67	-5.6
Unrestricted	53	53	51	-3.8

Source: Cayman Islands Monetary Authority

Class 'A' bank & trust licences remained unchanged at 15, while Class 'B' licences reduced by 14, to settle at 206, since June 2012.

Entities from Europe and USA are the main participants in the Cayman Islands' banking industry accounting for 27.6% and 22.2% respectively of the banking licensees. The rest originated from: South America 18.1%, Asia and Australia 10.9%, Caribbean and Central America 9.0%, Canada and Mexico 8.1% and Middle East and Africa 4.1%.

6.2 Insurance

The Cayman Islands insurance market continued its recovery as the total number of insurance licences grew by 19 (or 2.5%) – from 758 in June 2012 to 777 as at June 2013.

Class ‘A’ insurance licences (domestic insurers) remained constant at 27 while Class ‘B’ (captive) licences rose by 19 over the review period.

Table 9: Insurance Companies

	Jun 2012	Jun 2013	% Change
Class 'A'	27	27	0.0
Class 'B'	731	750	2.6
Total	758	777	2.5

Source: Cayman Islands Monetary Authority

The composition of captive insurance licences remained relatively constant during the period. Healthcare abounded as the primary class of business constituting 33.9% of all captives, followed by workers’ compensation coverage (20.8%), property (12.0%), general liability (9.9%) and professional liability (9.2%).

Table 10: Captive Insurance Licences by Primary Class of Business, June 2013

	Licences	%
Healthcare	254	33.9
Workers' Compensation	156	20.8
Property	90	12.0
General Liability	74	9.9
Professional Liability	69	9.2
Others	107	14.3
Total	750	100

Source: Cayman Islands Monetary Authority

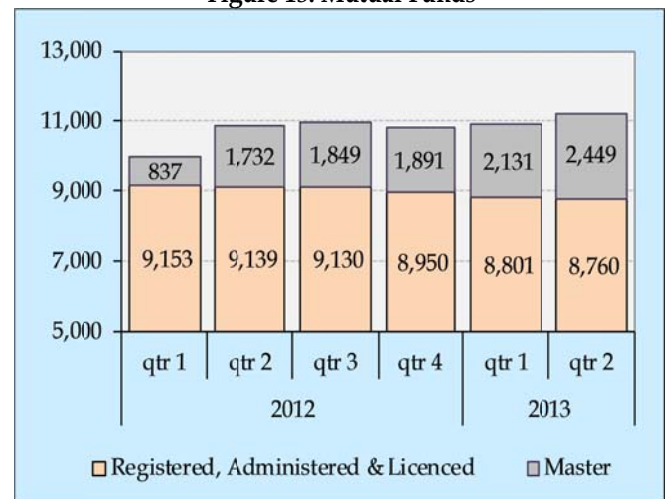
The captive insurance business remains dominated by demand from North America comprising 90.4% of the total.

Premiums for captive insurance reached US\$13.5 billion at the end of June 2013, a gain of about US\$4.6 billion from June 2012.

6.3 Mutual Funds

When compared to mid-year 2012, total mutual funds rose by 3.1% to reach 11,209. The increase is associated with the inclusion of master funds in accordance with Mutual Funds (Amendment) Law (2011) which was enacted in December 2011. Master funds alone registered a strong growth of 41.4% when matched over the same period a year ago. Apart from master funds, however, the traditional categories fell by 4.1%.

Figure 13: Mutual Funds



Source: Cayman Islands Monetary Authority

6.4 Stock Exchange

The Cayman Islands Stock Exchange total stock listings narrowed from 1,162 in June 2012 to 1,117 in June 2013, a decrease of 3.9%

(see Table 11). The decline was broad based, with only the primary equity posting growth.

Similarly, all instruments recorded a dip in market capitalization with the exception of eurobonds and insurance linked securities (see Table 12).

Table 11: Number of Stock Listings by Instruments

Instruments	2012	2013	% Change
Mutual Funds	331	320	(3.3)
Specialist Debt	621	598	(3.7)
Eurobond	116	111	(4.3)
Secondary Equity	2	2	-
Primary Equity	4	5	25.0
Insurance Linked Security	88	81	(8.0)
Total	1,162	1,117	(3.9)

Source: Cayman Islands Stock Exchange

Table 12: Market Capitalization by Instruments (US\$ billions)³

Instruments	2012	2013	% Change
Mutual Funds	17.6	12.8	(27.3)
Specialist Debt	76.0	75.0	(1.3)
Eurobond	63.0	63.5	0.8
Secondary Equity	0.84	0.11	(86.9)
Primary Equity	2.68	2.29	(14.6)
Insurance Linked Security	8.6	9.6	11.6
Total	168.7	163.3	(3.2)

Source: Cayman Islands Stock Exchange

6.5 New Company Registration

During the first half of 2013, total new company registrations stood at 4,798, a 0.1% improvement compared to a year ago. The dominant type - exempt companies - posted a recovery of 0.9%. Foreign companies

continued to be on the uptrend, growing by 18.1% from the same quarter of the previous year. In contrast, non-resident and resident companies registered sharp declines (see Table 13).

Table 13: New Company Registrations (US\$ billions)

	2011	2012	2013
Total	4,844	4,794	4,798
Exempt	4,245	4,221	4,259
Non-Resident	89	39	20
Resident	278	291	232
Foreign	232	243	287
Percentage change (%)			
Total	11.0	-1.0	0.1
Exempt	12.7	-0.6	0.9
Non-Resident	-30.5	-56.2	-48.7
Resident	10.3	4.7	-20.3
Foreign	7.4	4.7	18.1

Source: Registrar of Companies

7. Tourism

When compared to 2012, total visitor arrivals to the Cayman Islands for the first six months of 2013 stood at 985,387, a contraction of 7.1%. This downturn is associated with fewer cruise arrivals as air arrival remained on the uptrend.

7.1 Air Arrivals

Air arrivals increased by 6.1% over last year's mid-year results from 181,108 in 2012 to 192,411 this year.

Efforts to diversify the tourism market seem to be bearing fruit. Visitor arrivals from various regions except Canada staged strong growth during the period, particularly

³ The figures for mutual funds and domestic equity refer to market capitalization. Figures for specialist debt, Eurobond and international equity are based on par values.

Europe (20.4%). The USA also generated growth of 4.8% in arrivals, contributed by all its regions with the northeast posting the highest growth (8.1%). The combined arrivals from all other regions registered the sharpest improvement of 23.5%.

Table 14: Air Arrivals by Countries of Origin

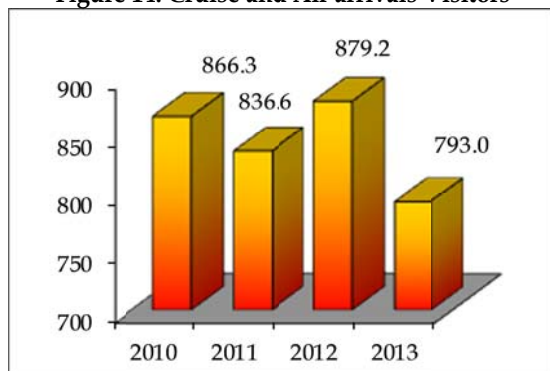
	2011	2012	2013	% Change
In Thousands				
USA	140.2	145.7	152.7	4.8
Northeast	51.3	50.5	54.6	8.1
Midwest	33.9	36.4	37.2	2.2
Southeast	24.0	24.7	25.0	1.2
Southwest	22.4	24.7	26.1	5.7
West Coast	8.6	9.4	9.8	4.3
Europe	11.2	11.3	13.6	20.4
Canada	15.1	14.4	13.9	-3.5
Others	8.6	9.8	12.1	23.5
Total	175.1	181.2	192.3	6.1
<i>of Which: USA (%)</i>	80.1	80.4	79.4	

Source: Department of Tourism

7.2 Cruise Arrivals

There were fewer cruise ships that visited Cayman's port as of June - from 309 in 2012 to 278 in 2013. This also translated into a total of 792,976 passengers compared to 879,190 cruise ship travellers who arrived a year ago, a 9.8% reduction.

Figure 14: Cruise and Air arrivals Visitors



Source: Department of Tourism

Meanwhile, cruise passengers per day averaged 4,405 persons—a decrease of 479 visitors over the first half of 2012.

8. Construction

Mid-year indicators for the construction sector show a mixed performance as building permits values increased while overall activity level declined.

8.1 Building Permits

In year-on-year terms, building permit values in the first six months rose by 4.6% to \$92.0 million.

Table 15: Building Permits (Jan-Jun)

	2011	2012	2013	% Change
Millions CI\$				
Houses	38.0	60.6	51.8	(14.6)
Apartments	32.0	10.9	12.7	16.3
Commercial	19.1	8.3	14.6	76.4
Government	6.5	2.0	0.2	(89.0)
Industrial	0.5	-	-	-
Other	3.4	6.2	12.7	104.8
Total	99.5	88.0	92.0	4.6

Source: Planning Department

Notwithstanding this increase, on a quarterly basis, the last three months witnessed significant slowdown with \$35.7 million permits issued as compared to \$54.5 million in the first quarter.

During the review period, varied performance was recorded among different segments. In the residential sector (comprising apartments and houses), overall permit values fell 9.8% to \$64.5 million owing to a 14.6% decline in houses. Of note, apartment building values increased, the first

time in three years, by 16.3% to \$12.7 million. Its values, however, remain at a low base compared to previous years.

Meanwhile, non-residential permit values totalling \$14.8 million were 43.7% higher than a year ago. This increase was however limited to the commercial segment as the government recorded diminished activity while the industrial segment remained inactive.

The \$10.0 million Health City Project (or Shetty Hospital) started in the first quarter, placing the commercial category total to \$14.6 million, 76.4% higher than a year ago.

In the Other segment, permit values jumped 104.8% to \$12.7 million. This segment, which is a mixture of residential and non-residential projects, was boosted by two large projects totalling \$6.1 million.

Overall, building permit numbers receded in the review period, falling 7.0% to 356. The pull-back was evident across all segments with only the commercial segment rising during the period.

Table 16: Number of Building Permits (Jan-Jun)

	2011	2012	2013	% Change
Houses	147	189	172	(9.0)
Apartments	42	29	27	(6.9)
Hotels	0	0	1	-
Commercial	45	35	51	45.7
Government	7	8	2	(75.0)
Industrial	1	0	0	-
Other	120	122	103	(15.6)
Total	362	383	356	(7.0)

Source: Planning Department

8.2 Project Approvals

Project approvals, an indicator of construction intention, strengthened in the first six months of 2013. Boosted by large projects, approval values surged 101.9% to \$148.6 million.

Table 17: Project Approvals (Jan- Jun)

	2011	2012	2013	% Change
	Millions CI\$			
Houses	62.5	35.5	43.6	22.8
Apartments	10.7	14.6	13.2	(9.6)
Commercial	4.4	4.3	70.3	1534.9
Government	5.8	4.7	0.1	(97.9)
Industrial	2.3	4.0	0.7	(82.5)
Other	10.0	10.5	20.7	97.1
Total	95.7	73.6	148.6	101.9

Source: Planning Department

The spike in approval values was a result of four large scale projects planned in the commercial sector, in addition to the \$50.0 million "Health City" project from the first quarter. These four projects altogether will be adding 49,064 sq. ft. totalling \$18.6 million.

Residential approval values increased 13.3% to \$56.8 million. However, intentions for houses and apartment varied, increasing for houses (22.8%) and declining for apartments (9.6%).

The Other segment also recorded upbeat intentions expanding by 97.1% to \$20.7 million.

In the government category, commitment to fiscal austerity resulted in capital expenditure falling from \$4.7 million to \$0.1 million.

Similarly, the industrial category, in the absence of any significant project, also fell 82.5% to \$0.7 million.

The number of approvals decreased 7.7% from 431 recorded a year ago to 398. This decline was broad-based with only the commercial segment improving during the period.

Table 18: Project Approvals (Jan- Jun)

	2011	2012	2013	% Change
Houses	137	125	112	(10.4)
Apartments	21	22	16	(27.3)
Hotels	0	0	0	-
Commercial	12	19	21	10.5
Government	8	2	1	(50.0)
Industrial	5	8	2	(75.0)
Other	204	255	246	(3.5)
Total	387	431	398	(7.7)

Source: Planning Department

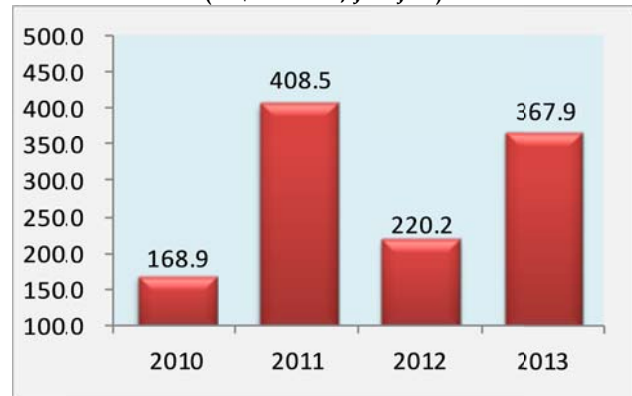
9. Real Estate

Real estate rebounded in the first six months of 2013 following brisk activity in the second quarter.

After four years of steady decline, transaction volume edged upwards by 11.5% from 888 in 2012 to 990 in 2013.

Total traded property values increased 67.0% to \$367.9 million; this is associated with the completion of the transfer of the Ritz Carlton Hotel and as well as the transfer of several luxury residential properties.

Figure 15: Value of Property Transfers (CIS\$ Million, Jan-Jun)



Source: Lands & Survey Department

Freehold property accounted for \$345.7 million, increasing 58.4% from a year earlier.

Leasehold property similarly recorded a strong upsurge reaching \$22.2 million during the review period as compared to the \$2.0 million a year ago.

10. Utilities

Consumption and production of both electricity and water production increased during the first half of the year.

10.1 Water

As shown in Table 19, water usage and production rose simultaneously during the first half of 2013 (by 2.7% and 1.7%, respectively) when compared to a year ago. Consumption of water stood at 900.0 million US gallons at the end of the period.

10.2 Electricity

Electricity production rose by 1.3% to 289.0 megawatt hours (mWh) as at June 2013. This coincided with higher electricity usage in the

residential and public categories (of 2.8% and 3.4%, respectively). Commercial usage remained relatively unchanged at 142.7 megawatt hours. The modest growth in consumption was directly related to hotter weather conditions during the second quarter resulting in increased air-conditioning loads.

Table 19: Utilities Production/Consumption

	Jun-12	Jun-13	Change %
Millions of US Gallons			
Water Production	1,022.4	1,050.1	2.7
Water Consumption	884.8	900.0	1.7
000 of Megawatt Hrs			
Electricity Production	285.4	289.0	1.3
Electricity Consumption	266.3	269.7	1.3
Residential	120.4	123.7	2.8
Commercial	142.8	142.7	0.0
Public	3.2	3.3	3.4
Total Customers	26,830	27,171	1.3
Residential	22,933	23,197	1.2
Commercial	3,897	3,974	2.0

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

10.3 Telecommunications

Notwithstanding that the total number of telephones in service increased by 0.9% to 132,777 as at end of June 2013, total number of paid domestic and international communication minutes decreased by 12.7% and 37.2%, respectively, for the first six months of 2013.

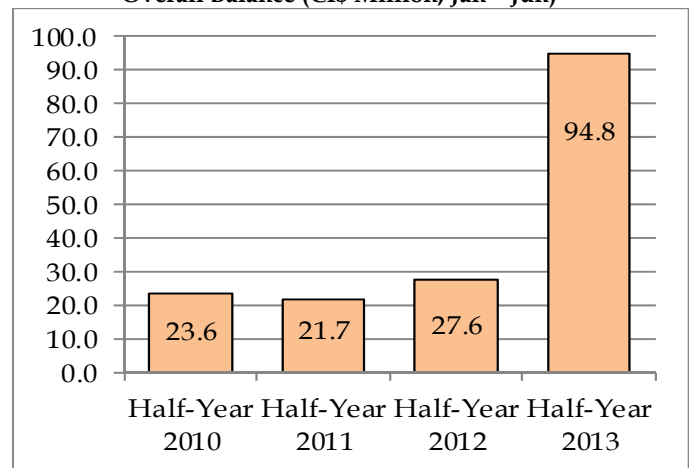
Table 20: Telecommunications

	Jun-12	Jun-13	Change %
Fixed and mobile handsets in operation	131,602	132,777	0.9
Total fixed & mobile domestic & int'l minutes ('000)	175,494	137,293	(21.8)
Fixed and mobile domestic minutes ('000)	110,444	96,418	(12.7)
Fixed and mobile int'l retail minutes ('000)	65,050	40,875	(37.2)

Source: Information Communication and Technology Authority (ICTA)

11. Fiscal Operations of the Central Government

The overall fiscal balance improved to a surplus of \$94.8 million in the first six months of 2013 as compared to a surplus of \$27.6 million a year ago (see Figure 16). This resulted as total revenue grew by 17.7% while total expenditure declined by 2.1%.

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


Source: Cayman Islands Treasury Department

Table 21: Summary of Fiscal Operations (Jan-Jun)

	Jun-12	Jun-13	% Change
	CI\$ Millions		
Total Revenue	341.7	402.2	17.7
Total Expenditure	314.1	307.4	(2.1)
Current Expenditure	283.9	296.3	4.4
Net Capital Expenditure & Net Lending ¹	30.2	11.1	(63.2)
Current Balance	57.8	105.9	83.2
Overall Balance	27.6	94.8	243.5
Financing	(27.6)	(94.8)	(243.5)
Net Borrowing	(13.0)	(13.3)	(2.3)
Change in Cash	14.6	81.5	458.2

¹ Net Capital Expenditure and Net Lending is equal to Gross Capital Expenditure and Net Lending less Depreciation

Source: Cayman Islands Treasury Department

11.1 Revenue

During the first six months of 2013, total revenue increased by 17.7% to settle at \$402.2 million as compared to the same period in 2012 (see Table 22).

Total revenue comprises both coercive (91.9%) and non-coercive revenue (8.1%). Coercive revenue which totalled \$369.7 million increased by 17.9% with strong increases in receipts from domestic taxes on good and services, taxes on property and fines while taxes on international trade and transactions increased at a slower pace. Similarly, non-coercive revenue amounted to \$32.5 million, 15.2% above the comparative period a year ago.

Table 22: Revenue of the Central Government (Jan-Jun)

Revenue Sources	Jun-12	Jun-13	% Change
	CI\$ Millions		
Total Revenue	341.7	402.2	17.7
Coercive Revenue	313.5	369.7	17.9
Taxes on Int'l Trade & Transactions	82.7	85.3	3.1
Domestic Taxes on Goods & Services	214.8	267.1	24.3
Taxes on Property	12.8	16.4	28.1
Fines	0.5	0.8	60.0
Other Taxes	2.7	0.1	(96.3)
Non-coercive Revenue	28.2	32.5	15.2
Sale of Goods & Services	27.9	31.3	12.2
Investment Revenue	0.3	0.9	200.0
Other Revenue	-	0.3	

Source: Cayman Islands Treasury Department

Tax receipts from international trade and transactions increased by 3.1% during the period. This was supported by higher duties on alcohol and tobacco products which boosted revenue by 6.9% and 60.2% respectively. Revenue from gasoline and diesel duty increased by 4.1% while collection from motor vehicle duty and environmental protection fund fees increased by 5.4% and 8.3% respectively.

Revenue collected from domestic taxes on goods and services surged by 24.3% (or \$52.3 million) in the first six months of 2013 due to higher fees from recently-implemented revenue measures (see Table 23). The highest increase was from financial services, providing \$42.5 million or 80.5% of the increase in total domestic taxes. The main contributors from the industry were banks and trusts (up by \$11.1 million), partnership (up by \$12.4 million), other exempt company (up by \$7.5 million), mutual fund

administrators (up by \$7.1 million) and security investment (up by \$3.3 million).

Table 23: Domestic Tax Collection of the Central Government (Jan-Jun)

	Jun-12	Jun-13	% Change
	CI\$ Millions		
Various financial service licenses	141.6	184.1	30.0
ICTA licenses & royalties	4.3	3.5	(18.9)
Work permit and residency fees	31.2	35.6	14.0
Other stamp duties	3.8	3.1	(18.2)
Traders' licenses	3.4	3.6	7.2
Other domestic taxes	30.5	37.2	22.0
<i>Of which</i>			
Tourism accommodation	8.4	10.3	22.9
Motor vehicle charges	4.2	5.4	29.0
Domestic Taxes on Goods & Services	214.8	267.1	24.3

Source: Cayman Islands Treasury Department

As depicted in Table 23, other significant increases were sourced from work permit and residency fees, tourism accommodation charges, motor vehicles charges and other domestic taxes.

Taxes on property increased to \$16.4 million from \$12.8 million due to the sale of some properties along the Seven Mile Road in 2013 and transfer transactions for some shares of large land-holding companies.

11.2 Expenditure

Current expenditure increased by 4.4% while net capital expenditure and net lending fell by 63.2%. The former resulted from higher personnel costs, subsidies and transfer payments (see Table 24).

Table 24: Current Expenditure of the Central Government (Jan-Jun)

	Jun-12	Jun-13	% Change
	CI\$ Millions		
Current Expenditure	283.9	296.3	4.4
Personnel Costs	114.4	127.0	11.0
Supplies & Consumables	56.0	47.9	(14.5)
Subsidies	68.3	76.6	12.2
Depreciation	11.6	13.5	16.4
Transfer Payments	11.7	13.3	13.7
Interest Payments	16.6	16.0	(3.6)
Extraordinary Expenses	0.0	0.0	
Other Executive Expenses	5.3	2.0	(62.3)

Source: Cayman Islands Treasury Department

During the period, personnel cost rose by 11.0% to \$127.0 million, mainly due to a \$15.0 million payment for past service pensions obligations. Civil service employment stood at 3,601 reflecting a small decline of 1.0% (or 38 persons), compared to the same period of 2012.

Subsidies which are essentially payments to statutory authorities and corporations were higher by \$8.3 million or 12.2% to total \$76.6 million for the first six months of 2013. The major recipients during this period were the Health Services Authority (\$17.6 million); Cayman Islands National Insurance Company (\$13.4 million); Cayman Islands Monetary Authority (\$7.4 million); Cayman Airways (\$11.4 million); and payments for tertiary care at various overseas institutions which amounted to \$11.6 million.

Transfer payments which are payments to social welfare programmes totalled \$13.3 million, higher by 13.7% from a year ago. Majority of this amount was allocated to the Department of Children and Family Services'

poor relief (\$3.6 million), Seaman Ex-Gratia (\$2.6 million), scholarships and bursaries (\$1.9 million) and the Nation Building church-based support (\$1.6 million).

Supplies and consumables contracted by 14.5% to total \$47.9 million as austerity measures continued.

Interest payments decreased by 3.6% to \$16.0 million on account of a lower debt stock.

Depreciation which is a provision for the decline in the value of the fixed assets owned by central government, increased by 16.4% to \$13.5 million.

11.3. Capital Expenditure and Net Lending

Gross capital expenditure and net lending declined during the period by 41.1% to settle at \$24.6 million. This resulted as capital acquisition/equity injections plummeted to \$6.5 million and capital development/executive assets declined by \$0.9 million to \$5.0 million (see Table 25). Public entities' working capital support stood at \$13.4 million, 20.7% higher compared to a year earlier.

After netting-out depreciation, capital expenditure and net lending declined by 63.2% to \$11.1 million compared to the same period a year ago.

Table 25: Capital Expenditure and Net Lending (Jan-Jun)

	Jun-12	Jun-13	% Change
Gross Capital Expenditure and Net Lending	41.8	24.6	(41.1)
Capital Acquisition/Equity Injections	25.5	6.5	(74.5)
Equity Injections and Working Capital support to Public Entities	11.1	13.4	20.7
Capital Development/Executive Assets	6.9	5.0	(27.5)
Net Lending	(1.7)	(0.3)	(82.4)
Net Capital Expenditure and Net Lending¹	30.2	11.1	(63.2)
Depreciation	11.6	13.5	16.4

¹ Net Capital Expenditure and Net Lending is equal to Gross Capital Expenditure and Net Lending less Depreciation

Source: Cayman Islands Treasury Department & ESO

11.4. Net Financing and Debt Service Indicators

With the improved overall balance, cash balances of the central government rose by \$81.5 million (see Table 26). Total loan repayment amounted to CI\$13.3 million while no loan disbursements were recorded during the review period.

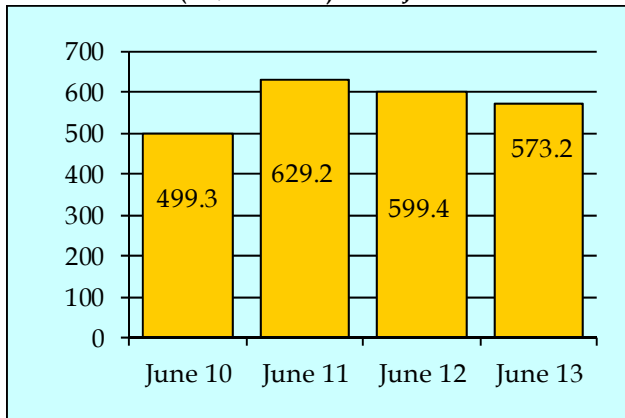
Table 26: Net Financing (Jan-Jun)

	Jun-12	Jun-13	% Change
	CI\$ Millions		
Financing	(27.6)	(94.8)	243.5
Net Borrowing	(13.0)	(13.3)	2.3
Disbursements	0.0	0.0	
Loan Repayment	(13.0)	(13.3)	2.3
Change in Cash Balance	14.6	81.5	458.2

Source: Cayman Islands Treasury Department

The central government’s outstanding debt continued to decline, amounting to \$573.2 million as at June 2013, lower by 4.4% from the same period a year ago (see Figure 18).

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



Source: Cayman Islands Treasury Department

The central government’s debt service-to-current revenue ratio stood at 7.3% as at June 2013. Interest payments for the quarter accounted for 5.4% of recurrent expenditure.

ACKNOWLEDGMENT

The Economics and Statistics Office (ESO) gratefully acknowledges the assistance of the following local companies, government offices and statutory authorities in generating the data sets used in this edition of the quarterly report:

Caribbean Utilities Company
Cayman Islands Customs Department
Cayman Islands Department of Tourism
Cayman Islands General Registry
Cayman Islands Monetary Authority
Cayman Islands Planning Department
Cayman Islands Stock Exchange
Cayman Islands Water Company
Department of Immigration
Information and Communication Technology Authority
Lands and Survey Department
Port Authority of the Cayman Islands
Portfolio of the Civil Service

This was produced by the Economics Unit of the ESO. General support from the staff of the ESO is gratefully acknowledged.