

### Summary Economic Indicators: Half Year 2007\*

- The average Consumer Price Index rose by 3.7%, mainly due to higher average prices for personal goods & services, food and household equipment.
- Work permits declined by 4.6% to total 20,286.
- Money supply expanded by 21.3% due to strong growth in foreign currency deposits held by residents.
- Merchandise imports rose by 17.8%.
- Air arrivals grew by 8.4% while cruise passengers increased by 2.6%.
- Mutual funds grew by 14.4%.
- Bank and trust licences decreased by 3.4% while insurance licences increased by 2.2%.
- Stock exchange listings increased by 26.5% while stock market capitalization rose by US\$36 billion, an increase of 39.7%.
- New companies registration increased by 13.2%.
- The value of building permits spiked by 36.4%, while the value of projects approvals declined by 15.2%.
- Value of property transfers rose by 3.9%, although the number of properties changing hands fell by 39.8%.

\*Comparative data over the first half of 2006.

## 1. Overview

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Indicators for the first half of 2007 (as summarized above) suggest that the Cayman Islands economy is on a growth path to achieving real GDP growth of approximately 3.8%.

### Upside performance

Total imports for the period amounted to \$535.7 million, up by 17.8% from the same period a year ago.

Total credit of the local commercial banks to the private sector went up by 15.3% as credit to households rose by 13.3% while credit to businesses increased by 17.0%.

Financial services remained upbeat. In particular, mutual funds grew by 1,127 (or 14.4%) while new companies registration rose by 13.2%.

In tourism, total visitor arrivals grew by 3.3% mainly due to an 8.4% increase in stay-over visitors. Meanwhile, cruise visitors further grew by 2.6% during the same period.

### Downside risk

The number of works permits dipped by 4.6% mainly due to cuts in construction (-2.6%) and employment of private households (-15.0%).

In construction, the value of building permits rose anew by 36.4% to reach \$286.5 million. However, other indicators actually fell: number of building permits (-13.9%), the number of project approvals (-10.3%), and value of projects (-15.2%).

## 2. Inflation

Average inflation for the first half of 2007 stood at 3.7% which can be traced mainly to personal goods & services (up 6.2%), food (up 5.9%), and household equipment (up 5.3%).

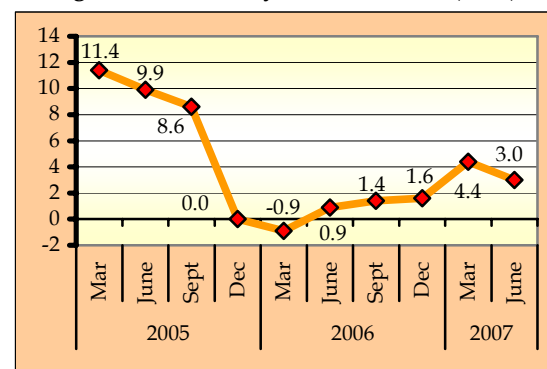
Table 2.1: Semi-Annual Inflation by Category

Major Categories	Avg. Half-Year Inflation Rates	
	2006	2007
Food	1.5	5.9
Tobacco & alcohol	3.4	3.1
Housing	-6.6	2.2
Clothing	3.7	2.0
Household equipment	-3.6	5.3
Transport & communication	3.1	3.1
Education & medical	2.2	1.5
Personal goods & services	6.8	6.2
<b>All items</b>	<b>0.0</b>	<b>3.7</b>

Source: Economics and Statistics Office

For the quarter ended June 2007, the Consumer Price Index (CPI) stood at 147.5, up by 3.0% from June 2006, on account mainly of increasing price indices for food, personal goods and services, and transport and communication.

Figure 2.1: Quarterly Inflation Rates (in %)



Source: Economics and Statistics Office

The second quarter CPI also increased by 0.1% compared to the quarter ended March 2007 as a result of increasing price indices for clothing (2.3%), food (2.0%) and transport and

communication (1.7%) while housing had a 2.3% reduction.

The price index for food rose by 7.2% from June 2006 due to price increases for fish, non-alcoholic drinks, meat & dairy products and eggs.

The personal goods and services index increased by 5.1% compared to June 2006. This upward movement was precipitated by a 37.9% price increase for domestic services and a 20.7% increase for personal goods.

**Table 2.2: QTR 2 Inflation by Category**

Major Categories	Inflation Rates (%)	
	2006	2007
Food	0.4	7.2
Alcohol & beverage	2.9	3.4
Housing	-5.0	-0.1
Clothing	6.8	2.1
Household equipment	-2.3	4.0
Transport & communication	3.8	4.5
Education & medical	3.0	0.8
Personal goods & services	7.5	5.1
<b>All items</b>	<b>0.9</b>	<b>3.0</b>

Source: Economics and Statistics Office

The transportation and communication index increased by 4.5% as the price for communications rose by 7.2%, in particular, the cost of postage. Additionally, the average prices for household vehicles and vehicle-related costs contributed to the increase.

The average price index for household equipment moved up by 4.0%, due to increases in the average price of furniture and floor coverings and household appliances.

### 3. Labour Market

Work permits declined to 20,286 as at the first half of 2007, from 21,272 a year ago.

**Table 3.1: Work Permits**

	QTR 2 2006	QTR 2 2007	% Change
Trades/Technical Skilled	10,322	10,013	(3.0)
Unskilled	8,068	7,229	(10.4)
Professional	2,024	2,260	11.7
Administrative/Managerial	858	784	(8.6)
<b>Total</b>	<b>21,272</b>	<b>20,286</b>	<b>(4.6)</b>

Source: Immigration Department & ESO

Decreases occurred in all but one of the four classes of work permits, with only the 'Professional' category increasing by 11.7% to 2,260.

The largest class 'Trades/Technical/Skilled', accounting for 49.4% of total work permits, decreased by 3.0%, from 10,322 in June 2006 to 10,013 this period.

In the 'Unskilled' category, work permit numbers fell by 10.4% to 7,229, while the 'Administrative/Managerial' category decreased by 8.6% to 784.

By industry, 'Construction' and 'Private Households with Employed People' continued to record the largest number of work permits with 5,242 and 3,199 permits, respectively. However, both categories also incurred the largest decreases over the review period.

Work permits for business services also decreased slightly by 0.3% from 2,601 in June 2006 to 2,593 this period.

However, all remaining categories experienced increases, particularly financial services (6.4%) and restaurants and bars (5.6%).

**Table 3.2: Work Permits for All Industries**

	Jun-06	Jun-07	% Change
Construction	6,001	5,242	-12.6
Financial Services	1,782	1,896	6.4
Restaurant & Bars	2,054	2,168	5.6
Business Services	2,601	2,593	-0.3
Wholesale & Retail	2,317	2,353	1.6
Private Households w/ employed people	3,762	3,199	-15.0
Community, Social & personal services	1,241	1,290	3.9
All Other Industries	1,514	1,545	2.0
<b>Total</b>	<b>21,272</b>	<b>20,286</b>	<b>-4.6</b>

Source: Immigration Department and ESO

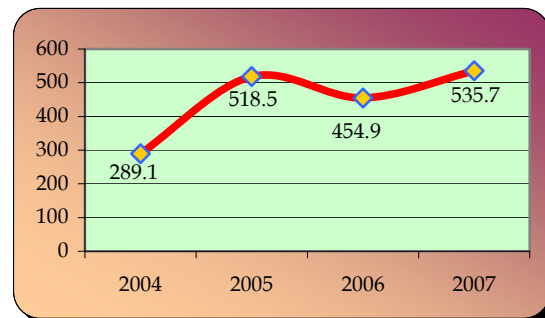
## 4. Trade

The total value of imports as at June grew by 17.8% to \$535.7 million, compared to the comparative period

in 2006. Most categories contributed to the growth in merchandise imports, including construction materials which rose from \$6.3 million as at June 2006 to \$11.8 million as at June 2007.

It is also noted that merchandise imports for the first half of 2007 was 3.3% higher than in 2005, the year immediately following hurricane Ivan.

**Figure 4.1: Merchandise Imports (CI\$ Million), Jan - June**

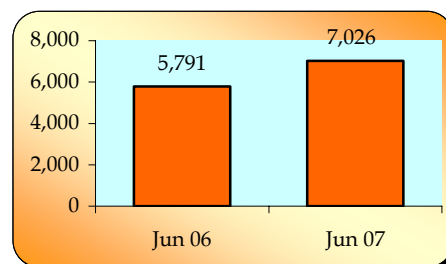


Source: Customs Department and ESO

## 5. Money & Banking

Total money supply (M2) in the Cayman Islands reached CI\$7.0 billion (US\$8.4 billion) in June 2007, an increase of 21.3% over the comparative period in 2006.

**Table 5.1: Total Money Supply (M2) In CI\$ million**



Source: Cayman Islands Monetary Authority

From the asset side, the main source of the increase was the growth in net foreign assets of commercial banks; on the liabilities side, the main increase was seen in quasi-money (primarily the foreign currency deposits held by residents).

**Table 5.2: Monetary and Banking Summary Indicators (CI\$ thousands)**

	Jun-06	Jun-07	% Change
Net Foreign Assets	4,516,652	5,724,609	26.7
Monetary Authority	88,727	100,149	12.9
Commercial Banks	4,427,925	5,624,460	27.0
Net Domestic Assets	1,859,177	2,147,826	15.5
Other Items	(584,618)	(846,136)	44.7
Monetary Liabilities (M2)	5,791,211	7,026,299	21.3
Narrow Money	327,875	286,632	-12.6
Quasi Money	5,463,336	6,739,667	23.4

Source: Cayman Islands Monetary Authority

**Net foreign assets.** Net foreign assets of the Cayman Islands Monetary Authority and the local commercial banking sector increased by 26.7% over the review period. This was primarily due to the 27.0% rise in gross foreign assets of commercial banks, largely from the sector's balances with banks & branches, foreign investment, and loans to non-residents. Meanwhile, loans and advances to foreign banks and branches decreased significantly by 100.0%.

On the liabilities side, foreign deposits of non-residents increased by 21.7%,

while other foreign liabilities rose by 332.2% over the review period.

**Table 5.3: Net Foreign Assets (CI\$ thousands)**

	Jun-06	Jun-07	% Change
Net Foreign Assets	4,516,652	5,724,609	26.7
Monetary Authority	88,727	100,149	12.9
Commercial Banks	4,427,925	5,624,460	27.0
Foreign Assets	5,668,985	7,506,363	32.4
Bal. with Banks & Branch.	1,720,385	4,347,680	152.7
Total Investment	690,755	1,726,589	150.0
Loans & Advances to Banks & Branch.	1,947,714	1	-100.0
Total Non-Resident Loans	1,310,132	1,432,092	9.3
Foreign Liabilities	1,241,061	1,881,902	51.6
Total Non-resident Deposit	1,121,360	1,364,583	21.7
Other Liabilities	119,701	517,320	332.2

Source: Cayman Islands Monetary Authority

**Net domestic assets.** Total net domestic assets or domestic credit provided by the commercial banking sector increased by 15.5% since June 2006. Credit allocation to both the public and resident private sectors expanded by 19.5% and 15.2% respectively.

**Table 5.4: Net Domestic Assets (CI\$ thousands)**

	Jun-06	Jun-07	% Change
Net Domestic Assets	1,859,177	2,147,826	15.5
Net Domestic Credit to Public Sector	129,872	155,157	19.5
Net Domestic Credit to Private Sector	1,729,305	1,992,669	15.2

Source: Cayman Islands Monetary Authority

Credit to households - which accounts for over 55.8% of total credit to the private sector- increased by 13.3% this period. Mortgage and other property loans continued to be the dominant type of household loans reaching

\$1,012.0 million as at June 2007, a growth of 13.4%. Loans for vehicles moderately grew by 8.4% during the period.

Lending to the business sector- which accounted for 37.6% of total credit to the private sector- rose considerably by 17.0% over the review period. Among the sharpest increases were: construction (99.1%) and real estate business (28.8%). Meanwhile, credit to the utilities sector, trade & commerce and the hospitality industry dropped by 64.2%, 11.9% and 0.9% respectively.

**Table 5.5: Net Credit to the Private Sector (CI\$ thousands)**

	Jun-06	Jun-07	% Change
<b>Total</b>	<b>1,728,891</b>	<b>1,992,669</b>	<b>15.3</b>
<b>Credit to Businesses</b>	<b>640,944</b>	<b>749,853</b>	<b>17.0</b>
Of which			
Construction	81,704	162,698	99.1
Hotel, Restaurant and Bar	58,296	57,797	-0.9
Real Estate, Renting & Other	198,010	254,958	28.8
Utilities (Electricity, Gas & Water)	23,885	8,542	-64.2
Trade & Commerce	90,371	79,593	-11.9
<b>Credit to Households</b>	<b>980,587</b>	<b>1,110,970</b>	<b>13.3</b>
Domestic Property	892,255	1,011,996	13.4
Motor Vehicles	44,294	48,030	8.4
Education and Technology	1,840	2,644	43.7
Other	42,198	48,300	14.5
<b>Other</b>	<b>107,360</b>	<b>131,846</b>	<b>22.8</b>

Source: Cayman Islands Monetary Authority

**Money Supply.** Total money supply (M2) increased over the period, due to the large increase in quasi money<sup>1</sup>.

M1 or narrow money supply which is used mainly for transaction purposes contracted by 12.6% to reach \$286.6 million as at June 2007. This drop was a direct result of the decrease in total demand deposits by 18.2% over the review period.

Currency in circulation increased by 8.0%, to register at \$76.2 million.

Meanwhile, quasi money surged by 23.4% to \$6.7 billion as at June 2007.

**Table 5.6: Money Supply (CI\$ thousands)**

	Jun-06	Jun-07	% Change
<b>Net Foreign Assets</b>	<b>4,516,652</b>	<b>5,724,609</b>	<b>26.7</b>
Monetary Authority	88,727	100,149	12.9
Commercial Banks	4,427,925	5,624,460	27.0
<b>Net Domestic Assets</b>	<b>1,859,177</b>	<b>2,147,826</b>	<b>15.5</b>
Other Items	(584,618)	(846,136)	44.7
<b>Monetary Liabilities (M2)</b>	<b>5,791,211</b>	<b>7,026,299</b>	<b>21.3</b>
Narrow Money	327,875	286,632	-12.6
Quasi Money	5,463,336	6,739,667	23.4

Source: Cayman Islands Monetary Authority

## 6. Financial Services

With the exception of bank & trust licences, the financial services industry continued to hold its upward trajectory, with increases seen in insurance company licences, mutual

<sup>1</sup> Quasi money includes deposits of Cayman Islands residents in other currencies including US dollars.

funds, stock exchange listings and market capitalisation, and company registrations.

### 6.1 Banks & Trust

Between June 2006 and June 2007, the total number of bank & trust licences dropped by 10 (or 3.4%) to 286. Trust companies increased modestly by 4 (or 3.0 %).

Table 6.1: Bank & Trust Companies

	June 06	June 07	% Change
<b>Bank &amp; Trust</b>	<b>296</b>	<b>286</b>	<b>-3.4</b>
Class "A"	19	20	5.3
Class "B"	277	266	-4.0
<i>Of which:</i> Class "B" Restricted	4	2	
<b>Trust Companies</b>	<b>133</b>	<b>137</b>	<b>3.0</b>
Restricted	81	86	6.2
Unrestricted	52	51	-1.9

Source: Cayman Islands Monetary Authority

Class 'A' bank & trust licences increased by 1 to total 20, while Class 'B' licences declined by 11, to stand at 266, since June 2006.

More than half of Cayman's bank licensees continue to originate from Europe and the USA region, accounting for 30% and 27% of total licensees respectively. This is followed by South America which presently accounts for 16% of total licensees.

### 6.2 Insurance

The total number of insurance licences increased by 17 (or 2.2%) -

from 763 in June 2006, to 780 as at the end of June 2007.

Class 'A' insurance licences increased by 2 over the review period for a final tally of 28, while Class 'B' (captive) licences increased by 15 to register at 752.

Table 6.2A: Insurance Companies

	June 2006	June 2007	% Change
Class 'A'	26	28	7.8
Class 'B'	737	752	2.0
<b>Total</b>	<b>763</b>	<b>780</b>	<b>2.2</b>

Source: Cayman Islands Monetary Authority

Captive insurance licences continued to be dominated by the following primary classes of business: healthcare (37.0%), workers' compensation (21.3%), property (10.5%), general liability (9.2%), and professional liability (8%). North America continues to maintain its position as the largest risk location of total captive companies, comprising 90.3 % of total companies.

Table 6.2B: Captive Insurance Licences by Primary Class of Business, June 2007

	Licences	%
Healthcare	278	37.0
Workers' Compensation	160	21.3
Property	79	10.5
General Liability	69	9.2
Professional Liability	60	8.0
Other	106	14.1
<b>Total</b>	<b>752</b>	<b>100.0</b>

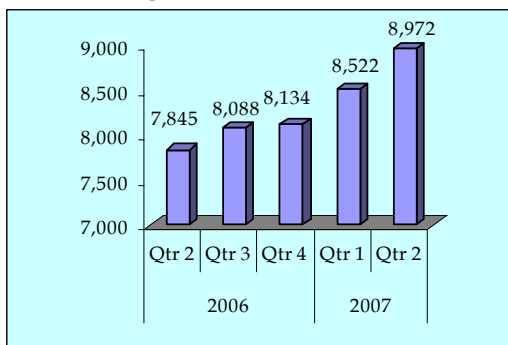
Source: Cayman Islands Monetary Authority

Captive insurance premiums increased by over US\$400 million to register at US\$7.5 billion as at the end of June 2007 compared to US\$7.1 billion a year ago.

### 6.3 Mutual Funds

Total mutual funds increased by 14.4% since June 2006, to tally at 8,972 as at the end of June 2007.

Figure 5.1: Mutual Funds



Source: Cayman Islands Monetary Authority

### 6.4 Stock Exchange

During the review period, stock listings at the Cayman Islands Stock Exchange (CSX) increased by 282 (or 26.5%) to register at 1,345 by the end of June 2007. Stock market capitalisation totalled US\$126.6 billion, from US\$90.6 billion a year ago, an increase of US\$36 billion.

Table 6.4: Market Capitalization (US\$ Billion)

	2006	2007
Mutual Funds	75.7	88.8
Specialist Debt	8.6	27.1
Eurobond	3.4	8.7
International Equity	2.8	1.9
Domestic Equity	0.2	0.2
<b>Total</b>	<b>90.6</b>	<b>126.6</b>

Source: Cayman Islands Stock Exchange

### 6.5 New Company Registration

At the end of June 2007, registration of new companies for the year totalled 7,064, a 13.2% increase over the comparative period in 2006. Exempt companies recorded a 16.1% increase to total 6,310 from 5,433 in June 2006, while foreign companies increased slightly by 0.5% to 195 companies. However, both resident and non-resident companies fell by 15.6% and 0.4% respectively.

## 7. Tourism

Total visitor arrivals for the first half of 2007 recorded an increase of 3.3% over the comparative period of 2006. Air arrivals grew by 8.4%, while cruise arrivals strengthened by 2.6%.

### 7.1 Air Arrivals

Air arrivals totalled 163,086 visitors, which was 8.4% above arrival figures noted in the same half year period of 2006.

The USA continued to be the major source of air arrival visitors contributing 81.5% of total arrivals in the first half of 2007.



**Table 7.1: Semi-Annual Air Arrivals**

	2004	2005	2006	2007
	In Thousands			
<b>USA</b>	147.1	59.2	124.8	133.0
Northeast	47.6	18.3	40.9	44.7
Midwest	42.0	14.3	30.3	31.7
Southeast	26.4	14.1	27.1	27.6
Southwest	21.5	8.6	18.0	19.1
West Coast	9.6	4.0	8.5	9.9
<b>Europe</b>	10.3	6.1	9.1	11.0
<b>Canada</b>	9.3	5.3	9.2	10.1
<b>Others</b>	14.5	12.5	7.4	9.1
<b>Total</b>	181.3	83.1	150.5	163.1
<i>of Which: USA (%)</i>	81.2	71.2	82.9	81.5

Source: Department of Tourism & ESO

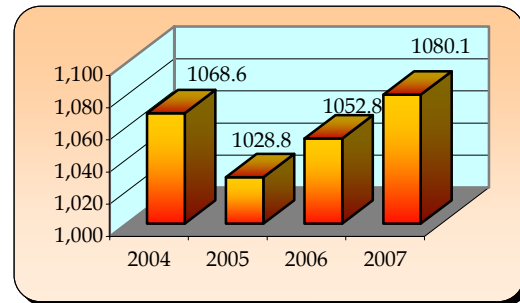
The modest performance occurred amidst continued improvements in the supply of local accommodation, and enhanced air service to the Cayman Islands within recent months.

In June, air service to the New York region was further bolstered as Cayman Airways re-launched direct service to the region after nearly 15 years.

## 7.2 Cruise Arrivals

Cruise arrivals expanded slightly during the first half of 2007, totalling 1,080,121 cruise passengers. This represents an increase of 2.6% over the comparative period last year.

**Figure 7.1: Semi-Annual Cruise Arrivals (in 000)**



Source: Department of Tourism & ESO

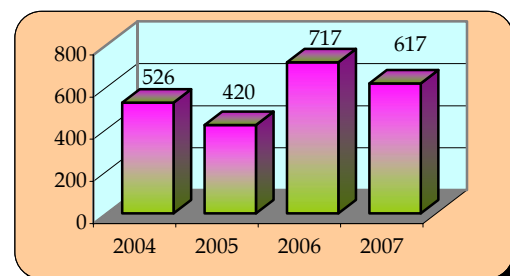
As at June, the number of cruise ship calls to George Town port decreased by 8.9 % to 415 calls. Despite a brief upturn in 2006, this declining trend has remained since 2004. Accordingly, cruise passengers per day averaged 6,000 persons, an increase of 151 visitors per day compared to the first half of 2006.

## 8. Construction

### Building Permits

The number of building permits stood at 617 or 13.9% lower than in the same period of 2006.

**Figure 8.1: Building Permits, Semi- Annual 2004 - 2007**



Source: Planning Department & ESO

The total value of building permits increased by 36.4%, from \$210.0 million in the first half of 2006 to \$286.5 million this year. This was mainly due to a 152.4% spike in the combined industrial and commercial categories. These two accounted for 52.8% of the total value of building permits thus surpassing the combined residential categories (houses and apartments) which have historically dominated this indicator. Combined demand for houses and apartments combined, fell marginally by 0.01% when compared to a year ago.

**Table 8.1: Building Permits (CI\$M)  
Semi-Annual 2004-2007**

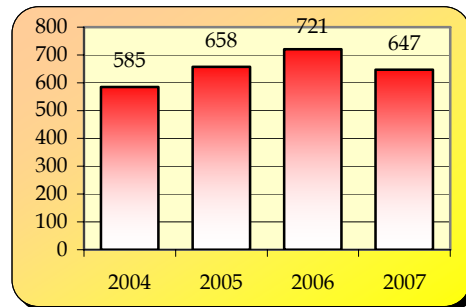
	2004	2005	2006	2007
Houses	46.5	35.7	69.9	55.5
Apartments	24.9	22.8	61.3	74.7
Commercial	14.5	57.1	51.9	122.9
Government	0.0	0.0	0.0	0.6
Industrial	0.0	1.9	8.0	28.3
Other	3.6	2.8	18.9	4.4
<b>Total</b>	<b>89.5</b>	<b>120.3</b>	<b>210.0</b>	<b>286.5</b>

Source: Planning Department & ESO

### Project Approvals

Construction intentions deteriorated in the first half of 2007. Overall, the number of approved applications reached 647, which was 10.3% lower than a year ago. Similarly, the total value of approved projects contracted by 15.2% to register at \$257.9 million.

**Figure 8.2: Project Approvals,  
Semi- Annual 2004 - 2007**



Source: Planning Department & ESO

In terms of value, the majority of approved projects comprised of residential units (houses & apartments), accounting for 53.0%. However, the total value of project approvals fell by 15.2% contracting from \$304.3 million in the first half of 2006 to \$257.9 million this year.

**Table 8.2: Project Approval (CI\$ Million)  
Semi-Annual 2004-2007**

	2004	2005	2006	2007
Houses	41.9	46.5	48.1	77.2
Apartments	125.2	215.9	154.7	59.4
Commercial	72.8	61.0	50.1	30.4
Government	1.4	1.4	5.0	51.4
Industrial	5.9	9.8	9.7	1.7
Other	47.2	41.3	36.7	37.9
<b>Total</b>	<b>294.4</b>	<b>375.9</b>	<b>304.3</b>	<b>257.9</b>

Source: Planning Department & ESO

The value of project approvals for single-family dwellings rose by 60.5% to tally at \$77.2 million.

Total value of project approvals in the commercial category plummeted to \$30.4 million from \$50.1 million in 2006.

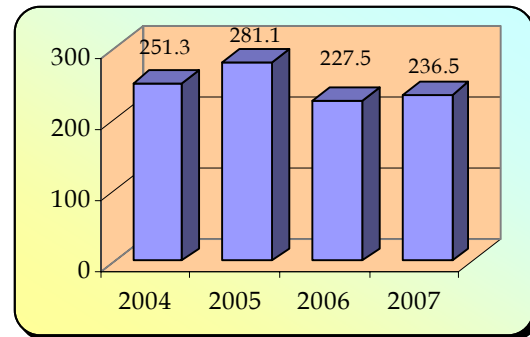
The value of project approvals in the Government category spiked from \$5.0 million in 2006 to \$51.4 million this year. This was mainly due to planned expansions of government facilities including renovations to the Owen Roberts International Airport.

However, the total value of transferred properties rose by 3.9% from \$227.5 million in the first half of 2006 to \$236.5 million in 2007.

### 9. Real Estate

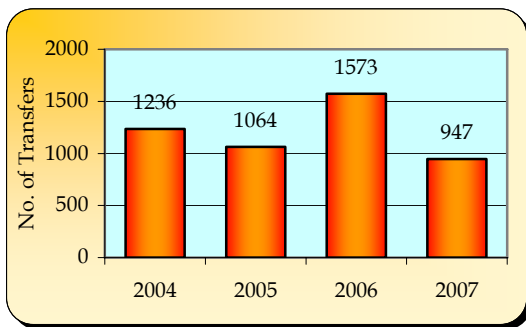
During the review period, the number of properties changing hands fell sharply. Compared to the same period a year ago, total freehold and lease property transfers declined by 39.8%, to settle at 947.

Figure 9.2: Value of Property Transfers (in CI\$ Million)



Source: Planning Department

Figure 9.1: Number of Property Transfers, Semi-Annual 2004-2007



Source: Planning Department

## ACKNOWLEDGMENT

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**Immigration Department**  
**Planning Department**  
**Registrar of Companies**