

Summary Economic Indicators: As at September 2008*

- The **Consumer Price Index inflation** averaged 5.2% as all major categories of goods and services had rising average prices.....*Page 1*
- **Work permits** increased by 5.0%.....*Page 3*
- **Merchandise imports** rose by 2.4%.....*Page 3*
- **Net foreign assets** of the monetary and banking sector fell by 17.6% while net domestic assets rose by 14.3%.....*Page 4*
- **Credit** to the private sector by commercial banks rose by 7.2%*Page 5*
- Average **prime interest rate** fell to 5.0% by the end of the period from 7.75% a year ago.....*Page 6*
- **Banks and trusts registration** fell by 2.8% while **insurance** increased by 2.2%.....*Page 7*
- **Mutual funds** grew by 9.7%.....*Page 8*
- **Stock exchange listings** increased by 16.6% while the combined stock market capitalization of mutual funds and domestic equity fell by 7.4%.....*Page 8*
- **New company registrations** declined by 10.7%.....*Page 9*
- **Arrivals** by air increased by 8.8% while **cruise arrivals** fell by 14.1%.....*Page 9*
- The value of **building permits** surged by 24.3%, while the value of project approvals decreased by 17.2%.....*Page 11*
- The value of **transferred properties** rose by 23.1% to reach \$517. 9 million.....*Page 12*

*Comparative data over the first nine months of 2007.

1. Overview

The macroeconomic indicators suggest continued growth in 2008, but at a lower pace compared to the recent past. In 2008, economic growth is projected at 1.5%, largely due to international economic conditions.

2. Inflation

Average inflation for the first nine months of 2008 stood at 5.2% which can be traced mainly to housing (7.3%), transport and communication (5.4%), food (5.0%), household equipment (6.1%) education and medical (4.4%), and personal goods and services (3.0%).

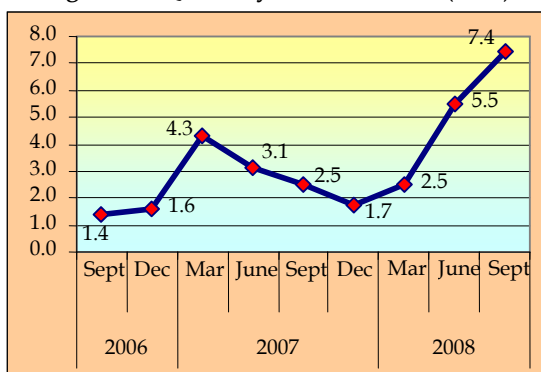
Table 2.1: Average Inflation by Category (in %) as at September

CPI Major Categories	Avg Inflation Rates (%)		
	2006	2007	2008
Food	2.1	5.5	5.0
Alcohol & beverage	2.4	2.9	1.5
Housing	-5.5	1.7	7.3
Clothing	3.8	4.5	0.8
Household equipment	-1.9	7.6	6.1
Transport & communication	4.2	2.4	5.4
Education & medical	1.8	1.5	4.4
Personal goods & services	5.9	5.2	3.0
All items	0.5	3.3	5.2

Source: Economics and Statistics Office

For the quarter ended September 2008, the CPI stood at 159.6, up by 7.4% from September the previous year, mainly due to increasing price indices for housing, food, education and medical, transport and communication, and personal goods and services.

Figure 2.1: Quarterly Inflation Rates (in %)



Source: Economics and Statistics Office

The housing price index moved up by 11.7%, due mainly to increases in the average cost of utilities, rent, maintenance and insurance of housing.

The average price of personal goods and services increased, pushing this price index by 7.5% compared to September 2007. This resulted from increases in holiday-related costs.

Table 2.2: QTR 3 Inflation by Category (in %)

CPI Major Categories	Year-on-Year Inflation Rates (%)		
	2006	2007	2008
Food	3.2	4.6	7.7
Alcohol & beverage	0.5	2.3	3.5
Housing	-3.3	0.8	11.7
Clothing	4.0	8.2	-5.4
Household equipment	1.5	12.2	3.7
Transport & communication	6.4	1.7	5.6
Education & medical	1.1	1.5	4.6
Personal goods & services	4.2	1.7	7.5
All items	1.4	2.5	7.4

Source: Economics and Statistics Office

The price index for food rose by 7.7% from September 2007 due to price increases in fruits and vegetables, oils and fats and bread and cereal. However, meat prices declined on average.

The transportation and communication index increased by 5.6%, due mainly to increases in the average cost of travel and household vehicles.

The third quarter CPI also increased by 2.4% compared to the quarter ended June 2008 as a result of increasing price indices for housing (5.9%), food (3.5%) while clothing declined by 6.9%.

3. Labour Market

Work permits grew by 5.0% from 23,497 in the third quarter 2007 to 24,672 in the same quarter of 2008.

Table 3.1: Work Permits

	Sep-07	Sep-08	% Change
Trades/Technical /Skilled	10,971	11,346	3.4
Unskilled	9,247	9,741	5.3
Professional	2,439	2,822	15.7
Admin/Managerial	840	763	-9.2
Total	23,497	24,672	5.0

Source: Immigration Department

Work permits increased in three of the four classes; however the 'Admin/Managerial' class continued to contract.

The 'Professional' category recorded the largest increase rising by 15.7% from 2,439 permits in September 2007 to reach 2,822.

The largest class, 'Trades/Technical/Skilled' showed a modest increase of 3.4% rising from 10,971 to 11,346 during the review period.

In the 'Unskilled' category, work permits rose to 9,741, a 5.3% increase over the same period last year.

By industry, work permits rose in all industries except construction. Construction, which accounts for the largest share, held 6,078 work permits,

a 4.8% reduction when compared to the same period in September 2007.

In tandem with stronger stay-over arrivals, tourism related businesses such as hotel & condominiums, and restaurant and bars recorded higher work permits numbers. During the period, work permits for restaurant and bars grew by 11.4% to reach 2,616.

In financial services, work permits rose by 12.0% from 2,037 in September of last year to 2,282 of this year. This growth is largely attributed to insurance.

Table 3.2: Work Permits for All Industries

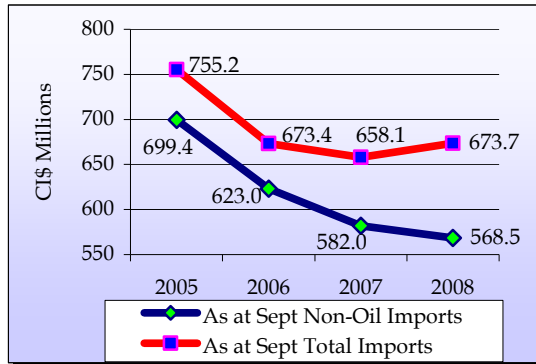
	Sep-07	Sep-08	% Change
Construction	6385	6078	(4.8)
Financial Services	2037	2282	12.0
Restaurant & Bars	2348	2616	11.4
Business Services	2685	2898	7.9
Wholesale & Retail	2920	3131	7.2
Private Households w/ Employed People	3989	4239	6.3
Community, Social & Personal Services	1361	1506	10.7
All Other Industries	1772	1922	8.5
Total	23497	24672	5.0
Govt Contracts	1462	1442	(1.4)

Source: Immigration Department & ESO

4. Trade

Preliminary data as at September 2008 showed total merchandise trade rose by 2.4% to settle at \$673.7 million as compared to the same period in 2007.

Figure 4.1: Merchandise Imports, Jan - Sept, (CI\$M)



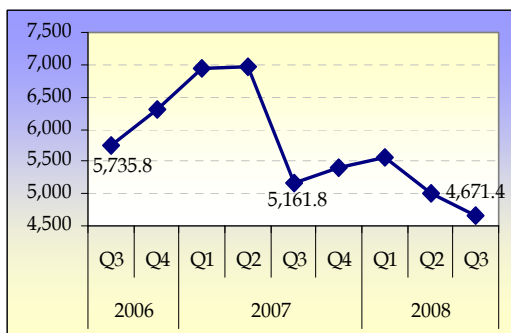
Source: Customs Department and ESO

The increase is due largely to oil and petroleum products which posted higher prices in the world market. The volume of fuel imports also grew moderately by 3.5% to settle at 38.3 million imperial gallons.

5. Money & Banking

Marking the second consecutive decline in 2008, total money supply (M2) fell further by 9.5% compared to the third quarter in 2007, to register at \$4,671.4 million.

Figure 5.1: Total Money Supply (M2) in CI\$ millions



Source: Cayman Islands Monetary Authority

In Table 5.1, M2 represents liabilities of the balance sheet, which is equivalent to the asset side. The asset side recorded a decrease in net foreign assets of \$644.4 million (or 17.6%) which negated the increase in net domestic assets of \$314.1 million (or 14.3%).

Table 5.1: Monetary and Banking Summary Indicators (CI\$ millions)

	Sep-07	Sep-08	Change %
Net Foreign Assets	3,661.6	3,017.2	-17.6
Monetary Authority	101.0	94.8	-6.2
Commercial Banks	3,560.6	2,922.4	-17.9
Net Domestic Assets	2,198.4	2,512.5	14.3
Other Items	-698.2	-858.3	22.9
Total Assets	<u>5,161.8</u>	<u>4,671.4</u>	-9.5
Narrow Money (M1)	309.7	326.2	5.3
Quasi Money	4,852.1	4,345.2	-10.4
Monetary Liabilities (M2)	<u>5,161.8</u>	<u>4,671.4</u>	-9.5

Source: Cayman Islands Monetary Authority

5.1 Net foreign assets

Net foreign assets for the Cayman Islands Monetary Authority and the local commercial banking sector contracted by 17.6% over the review period. This was a consequence of a larger decline in foreign assets of \$428.1 million (or 6.0%) that offset the increase in foreign liabilities of \$210.1 million (or 5.8%) as shown in Table 5.2 below.

Table 5.2: Net Foreign Assets (CI\$ millions)

	Sep-07	Sep-08	% Change
Net Foreign Assets	3,661.6	3,017.2	-17.6
Monetary Authority	101.0	94.8	-6.2
Commercial Banks	3,560.6	2,922.4	-17.9
Foreign Assets	7,152.9	6,724.8	-6.0
Bal. with Banks & Branches	3,939.9	3,524.3	-10.5
Total Investment	1,801.5	1,576.5	-12.5
Total Non-Resident Loans	1,411.5	1,624.0	15.1
Foreign Liabilities	3,592.3	3,802.4	5.8
Total Non-Resident Deposits	3,101.5	3,750.6	20.9
Other Liabilities	490.7	51.8	-89.4

Source: Cayman Islands Monetary Authority

5.2 Net domestic assets

Total net domestic assets or total net domestic credit provided by the commercial banking sector expanded by 12.0% to reach \$2,461.9 million in September 2008. This directly follows from an increase in credit allocated to both public and private sectors of 75.4% (\$116.2 million) and 7.2% (\$147.3 million) respectively, which could be associated with recent reductions in interest rates.

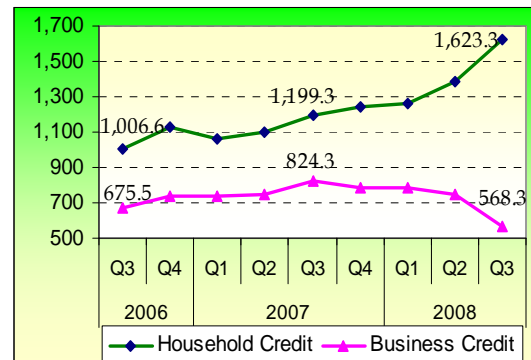
Table 5.3: Net Domestic Assets (CI\$ millions)

	Sep 2007	Sep 2008	% Change
Net Domestic Assets	2,198.4	2,461.9	12.0
Net Domestic Credit to Public Sector	154.1	270.3	75.4
Net Domestic Credit to Private Sector	2,044.3	2,191.6	7.2

Source: Cayman Islands Monetary Authority

Figure 5.4 shows that credit to households continued its upward trend whereas credit to businesses slowed to its lowest level since 2006.

Figure 5.4: Credit to Business and Households



Source: Cayman Islands Monetary Authority

Household credit constituting 74.1% of total credit to the private sector, increased by 35.4% (or \$424.0 million) in September 2008 compared to September 2007 (see Table 5.4). The leading type of household loans is the mortgage and property category which rose by \$384.7 million (or 37.7%) to reach \$1,405.7 million. Other credit to household expanded by \$44.8 million (or 37.1%) mainly because of a large increase in insurance and professional services. In contrast, loans to education and technology and for motor vehicles contracted by \$2.6 million (61.6%) and \$2.9 million (5.4%) respectively over the period.

Business sector credit, comprising 26.0% of total credit to the private sector, decreased by 31.1% over the review period due to significant drops in construction (60.5%); hotel, restaurant and bar (27.5%); trade and commerce (11.6%) and other (25.6%). However, loans to real estate business and utilities continued to rise (see Table 5.4).

Table 5.4: Net Credit to the Private Sector (CI\$ millions)

	Sep-07	Sep-08	% Change
Total	2,044.3	2,191.6	7.2
Credit to Businesses	824.3	568.3	-31.1
<i>of which</i>			
Construction	194.3	76.7	-60.5
Hotel, Restaurant and Bar	60.3	43.8	-27.5
Real Estate, Renting & Other	17.3	18.4	6.6
Utilities (Electricity, Gas & Water	10.0	14.8	47.8
Trade & Commerce	78.1	69.0	-11.6
Other	464.3	345.5	-25.6
Credit to Households	1,199.3	1,623.3	35.4
Domestic Property	1,021.0	1,405.7	37.7
Motor Vehicles	53.2	50.3	-5.4
Education & Technology	4.3	1.7	-61.6
Miscellaneous	120.9	165.7	37.1
Other NonProfit Organisations	20.8	0.1	-99.8

Source: Cayman Islands Monetary Authority

"Miscellaneous" include consolidated debt, insurance, medical & travel

5.3 Money Supply

As previously mentioned, total money supply (M2) declined in September 2008 mirroring a larger decrease in quasi money which outweighed the expansion in narrow money.

Quasi money declined by 10.4% (\$507.0 million) to about \$4,345.2 million as at September 2008 owing to a fall in the holdings of U.S foreign currency deposits.

In contrast, M1 or narrow money supply, used mainly for transaction purposes, expanded by 5.3% to reach \$326.2 million as at September 2008. This reflected a \$15.0 million (6.4%) increase in total demand deposits that

outpaced a \$1.6 million expansion in currency in circulation.

Table 5.6: Money Supply (CI\$ millions)

	Sep-07	Sep-08	% Change
Monetary Liabilities (M2)	5,161.8	4,671.4	-9.5
Narrow Money (M1)	309.7	326.2	5.3
Currency with public	75.7	77.3	2.1
Total demand deposits	233.9	248.9	6.4
Quasi Money	4,852.1	4,345.2	-10.4
Savings deposits	196.3	265.3	35.2
Fixed Deposits	456.5	452.9	-0.8
Foreign Currency Deposits	4,199.4	3,627.0	-13.6

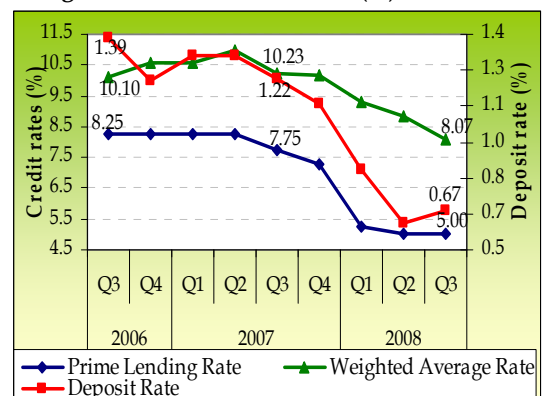
Source: Cayman Islands Monetary Authority

5.4 Interest Rates

Following the US Federal Funds rate, the prime lending rate fell by a cumulative 2.75 percentage points from September 2007 to register at 5.0% as at September 2008.

In line with the lending rate, the savings deposit rate and the weighted average rate on outstanding loans also fell to register at 0.67% and 8.07% respectively in September 2008.

Figure 5.5: CI\$ Interest Rates (%)



Source: Cayman Islands Monetary Authority

6. Financial Services

The heightened global meltdown in the financial markets is reflected in the mixed performances of the financial services sector as at September 2008. Insurance companies, mutual funds and trust companies continued to post increases but bank and trust licences and company registrations declined.

6.1 Banks & Trust

The worldwide consolidation in the banking sector continued to impact Cayman as the total number of bank and trust companies licensed contracted to 279 as at September 2008, a 2.8% decline from the September 2007 figure. In contrast, licences to trust companies expanded anew by 2.2% to reach 141.

Table 6.1: Bank & Trust Companies

	Sep 2007	Sep 2008	% Change
Bank and Trust	287	279	-2.8
Class 'A'	20	19	-5.0
Class 'B'	265	258	-2.6
<i>Of which: Class</i>			
Class 'B' restricted	2	2	0.0
Trust Companies	138	141	2.2
Restricted	86	87	1.2
Unrestricted	52	54	3.8

Source: Cayman Islands Monetary Authority

Class 'A' bank & trust licences declined by 1 to 19, while Class 'B' licences declined by 7, to settle at 258.

Applicants from Europe and USA led Cayman's banking licensees

comprising 29.0% and 27.6% respectively. The rest of the banking licenses are distributed as follows: South America 16.5%, Asia and Australia 10.4%, Caribbean and Central America 7.9%, Canada and Mexico 5.0% and Middle East and Africa 3.6%.

6.2 Insurance

The Cayman Islands insurance business strengthened as the total number of insurance licences increased by 17 (or 2.2%) – from 784 in September 2007, to 801 as at September 2008.

Class 'A' insurance licences stagnated at 28, while Class 'B' (captive) licences increased by 17 to reach 773 over the review period.

Table 6.2: Insurance Companies

	Sep 2007	Sep 2008	% Change
Class 'A'	28	28	0.0
Class 'B'	756	773	2.2
Total	784	801	2.2

Source: Cayman Islands Monetary Authority

The captive licensees primary class of business comprised of healthcare 36.0%; workers' compensation coverage 21.1%; property 11.4%; general liability 8.9%; and professional liability 8.3%.

Table 6.3: Captive Insurance Licences by Primary Class of Business, September 2008

	Licences	%
Healthcare	278	36.0
Workers' Compensation	163	21.1
Property	87	11.4
General Liability	73	8.9
Professional Liability	64	8.3
Other	108	14.3
Total	773	100.0

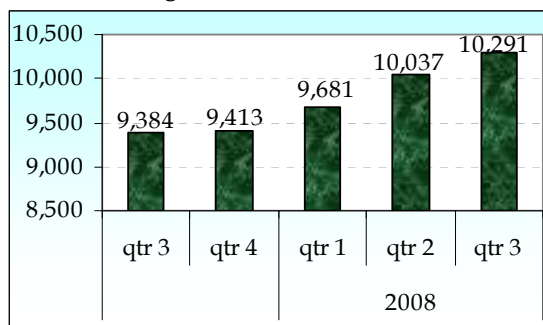
Source: Cayman Islands Monetary Authority

The most popular geographic source for captive insurance companies remain to be North America followed by the Caribbean and Latin America region.

Premiums for captives increased by about US\$133 million to register at US\$7.6 billion at the end of September 2008.

6.3 Mutual Funds

The Cayman Islands continued its dominance of the global mutual funds industry as total mutual funds rose to 10,291 as at September 2008, a 9.7% (or 907) increase since September 2007.

Figure 6.4: Mutual Funds


Source: Cayman Islands Monetary Authority

6.4 Stock Exchange

Continuing the upward trend since 2001, the total Cayman Islands Stock Exchange listings increased from 1,421 in September 2007 to 1,657 in September 2008, a 16.6 % (or 236) increase. The rise stems from increases in the specialized debt, eurobond and domestic equity which offset the fall in mutual funds and international equity. (International equity shares are secondary listings as they are primarily listed on other stock exchanges).

Table 6.4: Number of Stock Listings by Instruments

Instruments	2006	2007	2008
Mutual Funds	885	985	856
Specialist Debt	234	414	743
Eurobond	5	15	53
International Equity	5	5	3
Domestic Equity	1	2	2
Total	1,130	1,421	1,657

Source: Cayman Islands Stock Exchange

The contraction in mutual fund listings corresponds to the fall in its market capitalization of US\$6.7 billion (or 7.4%) to reach US\$83.4 billion in September 2008 from US\$90.1 billion a year ago.

Table 6.5 shows a falling trend of market capitalization for domestic equity. Even though this stock listings of Domestic Equity remained at 2 from September 2007 to September 2008, the related market capitalization fell by US\$4 million to tally at US\$0.17 billion

at September 2008 due to a fall in current market price.

Table 6.5: Market Capitalization by Instruments (US\$ billions)¹

Instruments	2006	2007	2008
Mutual Funds	78.3	90.1	83.4
Specialist Debt	12.6	27.1	82.4
Eurobond	5.5	11.8	23.8
International Equity	2.1	1.9	1.6
Domestic Equity	0.188	0.174	0.170

Source: Cayman Islands Stock Exchange

6.5 New Company Registration

During the period January to September 2008, total new company registrations was registered at 9,593 from 10,746 over the same period of 2007, representing a 10.7 percent decline. This directly followed from reductions in both exempt and non-resident company registrations which outpaced the increase in resident and foreign companies. Exempt and non-resident companies dropped by 1,041 (or 10.9%) and 188 (or 45.0%). The registration of resident and foreign companies increased by 3.4% and 18.3% respectively.

¹ 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.

Figure 6.5: New Company Registrations

	2006	2007	2008
Total	9,287	10,746	9,593
Exempt	8,101	9,578	8,537
Non-Resident	430	418	230
Resident	471	412	426
Foreign	285	338	400
Percentage change (%)			
Total	20.3	15.7	-10.7
Exempt	23.7	18.2	-10.9
Non-Resident	-5.9	-2.8	-45.0
Resident	-9.9	-12.5	3.4
Foreign	48.4	18.6	18.3

Source: Registrar of Companies

7. Tourism

Total visitor arrivals thru September 2008 recorded a decrease of 10.9% over the comparative period of 2007. While the growth in air arrivals remained constant at 8.8%, a decrease of 14.1% was noted for cruise arrivals.

7.1 Air Arrivals

From the 220,919 stay-over visitors registered in the first three quarters of 2007, air arrivals for 2008 totalled 240,288. Despite this improvement, however, this figure remains marginally lower than that of 2004 (which stood at 242,545). It is nonetheless notable as the increase this year occurred amidst the global economic slowdown.

Similar to the previous year, the USA continued to be the major source of air arrival visitors to the Cayman Islands,

contributing 80.6% of total arrivals in the first three quarters of 2008. Other contributions emanated from Europe 6.6%, Canada 5.8% and other countries 7.0%.

Table 7.1:
Air arrivals by origin, Jan-Sep

	2005	2006	2007	2008
	In Thousands			
USA	193.9	167.6	178.1	193.6
Northeast	61.8	53.4	58.1	66.5
Midwest	49.6	36.8	38.2	39.9
Southeast	37.4	39.1	40.1	40.9
Southwest	31.2	26.4	27.9	31.3
West Coast	13.8	11.8	13.8	15.0
Europe	13.7	12.1	14.8	15.9
Canada	10.8	10.8	12.1	13.9
Others	24.1	12.5	15.8	16.9
Total	242.5	203.0	220.9	240.3
<i>of Which: USA (%)</i>	79.9	69.7	82.6	80.6

Source: Department of Tourism

Despite the economic downturn in the US, arrivals from all regions in 2008 improved over 2007. Unlike last year, improvements were noted in all regional categories (with the exception of the Midwest) when compared to the first three quarters of 2004, as depicted in Table 2.

Accommodation

Occupancy levels at local hotels and apartments improved during the stated period. Between January and September, hotel occupancy rates rose slightly from 61.7% in 2007 to 64.6% in 2008, while occupancy levels for apartments strengthened from 42.5 to 47.0%.

In contrast, the *average length of stay* for hotels showed a decrease from 4.7 days to 4.4 days; similarly, the average length of stay at apartments fell slightly from 6.7 days to 6.1 days.

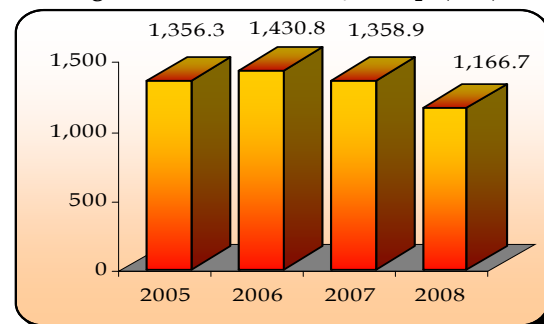
As announced by the Department of Tourism (DOT), a new marketing campaign is currently underway and is aimed at expanding secondary markets such as Canada and the UK.

Under this new scheme, Grand Cayman, Cayman Brac and Little Cayman will be promoted under the axiom of “three islands, one idyllic destination” and will offer Canadian visitors greater diversity within one product.

7.2 Cruise Arrivals

During the first three quarters of 2008, cruise arrivals totalled 1,166,741 visitors, a decrease of 14.1% over the comparative period for 2007.

Figure 6: Cruise arrivals, Jan-Sep, ('000)



Source: Department of Tourism & ESO

Between January and September 2008, the number of cruise ship calls to George Town port decreased by 14.7%

to 430. Accordingly, cruise passengers per day averaged 4,321 persons, a decrease of 712 visitors less than the first three quarters of 2007.

On August 13, the Nickelodeon Family Cruise, made its inaugural visit to Grand Cayman. This new promotion was the result of the partnership between Royal Caribbean International Cruise Line and the Nickelodeon Kids cable channel and is aimed at further enhancing the cruise market by featuring a Nickelodeon brand alignment for families in the summer months.

8. Construction

8.1 Building Permits

Building permits bolstered by government projects, amounted to \$419.9 million in the first nine months of the year. This represented an increase of 24.3% over the same period last year when building permit reached \$337.9 million.

Table 8.1: Jan-Sep Building Permit Values 2005-2008 (\$M)

	2005	2006	2007	2008
Houses	59.3	98.4	76.8	93.0
Apartments	116.4	130.3	91.5	99.4
Commercial	72.6	91.7	129.5	149.1
Government	0.0	0.8	5.0	62.7
Industrial	2.3	17.6	29.0	2.6
Other	4.9	20.8	6.1	13.1
Total	255.5	359.6	337.9	419.9

Source: Planning Department

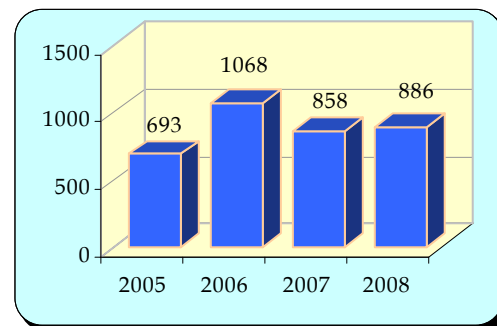
In the residential sector, building permits grew to \$192.4 million in 2008 from \$168.3 million in 2007. Permits for houses rose by 21.1% to \$93.0 million, as work progressed on Frank Hall Homes, a large GT housing development.

Building permits in the apartment/condominium category also inched upwards by 8.6% to \$99.4 million, after falling in the first half of the year.

In the non-residential sector, increases occurred in all categories except the industrial sector. Government projects which include a new secondary school and office complex resulted in an expansion of the government category to \$62.7 million and the commercial category to \$149.1 million.

In terms of number, building permits stood at 886, a 3.2% increase over the same period in 2007.

Figure 8.1: Jan- Sep. Number of Building Permits, 2005- 2008



Source: Planning Department

8.2 Project Approvals

After being down in the first half of the year, project approvals - an early indicator of construction intentions - inched upwards in terms of value and number when compared to a year ago.

In the first nine months of this year, the total number of project approvals stood at 920, representing a 6.6% increase over the 863 approvals recorded in the previous year.

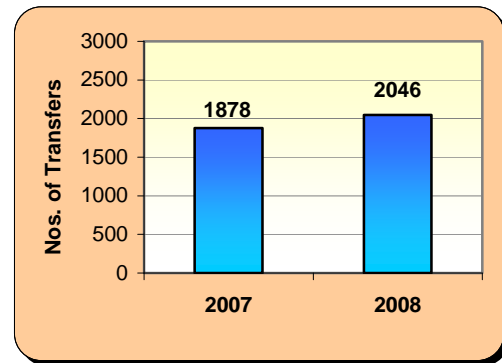
Compared to the same period a year ago, the total value of project approvals rose by 17.2% to \$403.2 million compared to \$344.0 recorded in 2007.

9. Real Estate

As at September, properties transferred grew by 8.9% with an additional 168 of such properties changing hands.

Freehold properties represented the majority, accounting for 87% of the 2,046 properties traded.

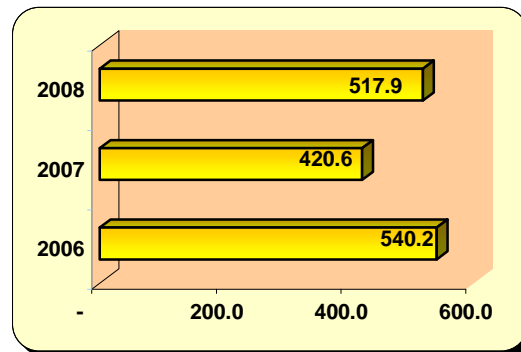
Figure 9.1: Number of Property Transfers, Jan- Sep



Source: Lands & Survey Department

Total value of transferred properties climbed from \$420.6 million to \$517.9 million in September 2008. In the leasehold category, leases transferred totalled \$70.3 million, compared to the \$18.6 million recorded a year ago. This increase is on account of strong sales of several new luxury condominiums.

Figure 9.2: Property Transfers, Jan - Sep



Source: Lands & Survey Department

ACKNOWLEDGMENT

The Economics and Statistics Office 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:

Cayman Islands Customs Department
Cayman Islands Monetary Authority
Cayman Islands Stock Exchange
Department of Tourism
Immigration Department
Planning Department
Registrar of Companies
Lands and Survey Department