

Summary Economic Indicators as at September 2009*

- Merchandise imports fell by 18.0% to register at \$534.4 million.
- Current work permits fell by 9.5%, largely on account of declines in construction, financial services and tourism-related services.
- Notwithstanding the global financial crisis, the banking sector's total assets grew by 9.5% as both net domestic and net foreign assets continued to expand.
- Money supply expanded by 16.8%, boosted by growth in foreign currency deposits.
- Bank credit expanded by 17.1% (or \$382.7 million) as the weighted average rate on outstanding loans fell to 7.43% from 8.07% while the prime lending rate was stable at 3.25%.
- Mutual fund registration fell by 453 or 4.4% as compared to a year ago.
- Bank and trust company registrations fell by 3.2% while insurance licenses rose by 0.8%.
- Stock exchange listings contracted by 20.6% to settle at 1,316.
- New company registrations declined by 39.2% to total 5,840.
- Air arrivals fell by 13.1% while cruise passengers decreased by 1.9%.
- Total value of building permits plummeted by 28.5% to settle at \$300.1 million.
- The number of property transfers fell by 18.0% whilst the total value slumped by 40.0%.
- Electricity production and consumption fell by 2.8% and 2.1% respectively.
- Water production and consumption increased by 4.6% and 3.5% respectively.
- The central government's fiscal deficit widened to \$125.0 million compared to \$60.2 million for the same period in 2008.
- Total outstanding debt of the central government increased to \$421.7 million from \$291.6 million a year ago.

*Comparative data over the first three quarters of 2008, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off

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1. Overview

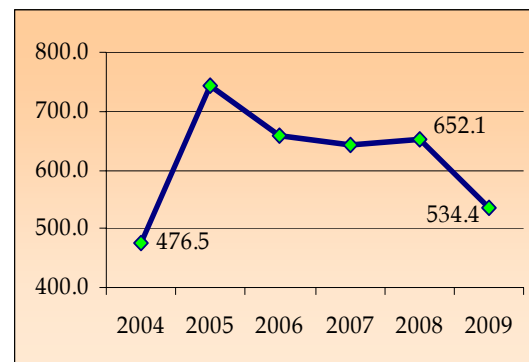
As at the end of September 2009, key indicators suggest that the Cayman Islands' GDP contracted at an annualized rate of 3.6% in the first nine months of 2009.

2. Trade

Preliminary data for the first three quarters of 2009 indicates that merchandise imports fell by 18.0% from the comparative period a year ago to \$534.4 million (see Figure 2.1). This decline was anticipated in light of the projected downturn in domestic demand.

In absolute terms, merchandise imports fell by \$117.7 million, mainly due to reductions in building materials, transport and transport-related items, tobacco and alcohol, and manufactured products.

Figure 2.1: Merchandise Imports (CIS\$ Millions)
Jan - Sept

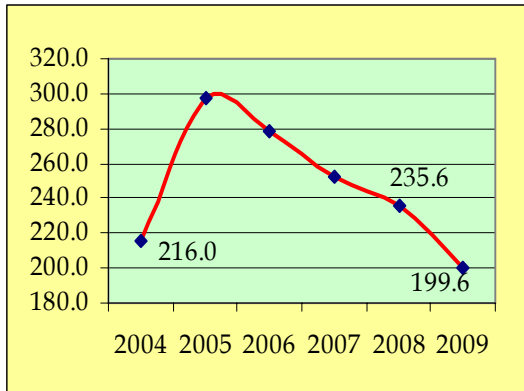


Source: Customs Department and ESO

Since September 2005, the volume of imported cargo declined consistently. As at September 2009, the tonnage of cargo imports declined by 15.3% compared to the similar period of 2008 (see Figure 2.2). It may be noted that the slowdown in the

construction sector precipitated declines in imports of cement, aggregates and other building materials by 28.8%, 53.3% and 46.0% respectively.

Figure 2.2: Total Tonnage of Cargo ('000 tons), Jan - Sept



Source: Cayman Island Port Authority

Table 2.1 shows the total quantity of fuel imported which increased by 15.3% during the review period despite the depressed economic condition. Diesel imports which accounts for 71.7% of total fuel, rose by 16.6%, while gas and aviation fuel grew by 16.0% and 15.5% respectively. These increases may be partly explained by the general downtrend in oil prices, which boosted domestic demand. However, propane gas imports declined by 28.9% during the period.

Table 2.1: Quantity of Fuel Imports

	Millions of imperial gallons			%
	Sep-07	Sep-08	Sep-09	
Total Fuel	31.11	30.29	34.93	15.3
Diesel	20.69	21.48	25.05	16.6
Gas	6.66	5.84	6.77	16.0
Aviation Fuel	3.15	2.24	2.58	15.5
Propane	0.61	0.74	0.53	-28.9

Source: Cayman Island Port Authority

3. Work Permits

Demand for foreign labour slid further as weakening economic conditions hit employers.

The measure of foreign employment in the private sector, total work permits issued by the Immigration Department, recorded a 9.5% decrease as it fell to 23,626 in 2009 (see Table 3.1). This is the steepest decline in the recent past and represents the shedding of 2,488 jobs since a year ago.

Among the skill classes of work permits, those with occupations predominantly in construction and tourism-related industries such as the administrative/managerial and trades/technical/skilled registered double-digit falls.

Table 3.1: Work Permits, by Type of Skill

	Sep-08	Sep-09	% Change 2008/09
Trades/Technical /Skilled	11,346	9,984	(12.0)
Unskilled	9,741	8,979	(7.8)
Professional	4,264	4,016	(5.8)
Admin/Managerial	763	647	(15.2)
Total	26,114	23,626	(9.5)

Source: Immigration Department

Industrial Analysis

Prolonged economic slowdown deepened the retrenchment of foreign labour. All industries recorded lower work permits, although industries catering to households such as Community, Social and Personal Services, and Private Households with Employed Persons recorded milder declines (see Table 3.2).

In construction, the largest employer of foreign labour, work permits reported its steepest decrease (18.7%) since the start of the year. Plummeting business investment and reductions in government projects saw work permit in the industry falling from 6,078 in 2008 to 4,943 in 2009.

In financial services, global consolidation, corporate restructuring and slower business demand due to the global financial adjustments led to double-digit contraction (14.4%) of work permits in the industry.

Tourism-related services, following the decline in tourist arrivals, also

downsized foreign staff complement. Hotels and Condominiums, which are almost wholly dependent on foreign visitors, reduced work permits by 17.4% while Restaurant & Bars decreased by 8.3%.

Government's employment of foreign nationals also contracted by 11.6% in the first nine months of 2009, mainly as a result of the government moratorium on recruitment starting in October 2008.

Table 3.2: Work Permits for All Industries

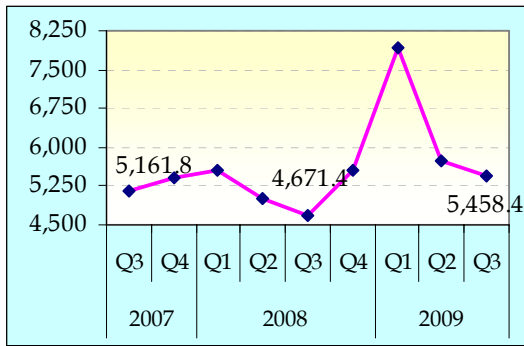
	Sep-08	Sep-09	% Change 2008/09
Construction	6,078	4,943	(18.7)
Financial Services	2,282	1,954	(14.4)
Restaurant & Bars	2,616	2,398	(8.3)
Business Services	2,898	2,768	(4.5)
Hotels & Condominiums	751	620	(17.4)
Wholesale & Retail	3,131	2,917	(6.8)
Private Households w/ Employed People	4,239	4,168	(1.7)
Community, Social & Personal Services	1,506	1,498	(0.5)
All Other Industries	2,613	2,360	(9.7)
Total	26,114	23,626	(9.5)
<i>of which Govt Contracts</i>	1,442	1,275	(11.6)

Source: Immigration Department and ESO

4. Money & Banking

After peaking in the first quarter of 2009, broad money supply (M2) declined for the second consecutive quarter to settle at \$5,458.4 million in the third quarter. However, this represents an increase of 16.8% from September 2008.

Figure 4.0: Total Money Supply (M2)
in \$ Millions



Source: Cayman Islands Monetary Authority and ESO

Using the balance sheet concept, M2 representing the liabilities side is equivalent to the asset side (see Table 4.0). The asset side shows an increase of 9.5% and 20.5% in net foreign assets and net domestic assets respectively notwithstanding the global financial crisis.

Table 4.0: Monetary and Banking Summary Indicators (\$ Millions)

	Sept-08	Sept-09	% Change
Net Foreign Assets	3,017.2	3,304.1	9.5
Monetary Authority	94.8	93.4	-1.5
Commercial Banks	2,922.4	3,210.8	9.9
Net Domestic Assets	2,512.5	3,027.2	20.5
Other Items	-858.3	-873.0	-1.7
Total Assets	4,671.4	5,458.4	16.8
Narrow Money (M1)	326.2	364.7	11.8
Quasi Money	4,345.2	5,093.7	17.2
Monetary Liabilities (M2)	4,671.4	5,458.4	16.8

Source: Cayman Islands Monetary Authority and ESO

4.1. Net Foreign Assets. The combined net foreign assets of the Cayman Islands Monetary Authority

and the domestic commercial banking sector improved by 9.5% over the review period (see Table 4.1). This arose mainly from a reduction in non-resident deposits which reduced overall foreign liabilities of commercial banks. Plausibly, the fall in non-resident deposits reflects the dampening impact of the global financial crisis, along with the lower interest rates on deposits.

Table 4.1: Net Foreign Assets (\$ Millions)

	Sept-08	Sept-09	% Change
Net Foreign Assets	3,017.2	3,304.1	9.5
Monetary Authority	94.8	93.4	-1.5
Commercial Banks	2,922.4	3,210.8	9.9
Foreign Assets	6,724.8	6,054.5	-10.0
Bal. with Banks & Branches	3,524.3	3,268.2	-7.3
Total Investment	1,576.5	1,250.6	-20.7
Total Non-Resident Loans	1,624.0	1,535.7	-5.4
Foreign Liabilities	3,802.4	2,843.7	-25.2
Total Non-Resident Deposits	3,750.6	2,741.5	-26.9
Other Liabilities	51.8	102.2	97.3

Source: Cayman Islands Monetary Authority and ESO

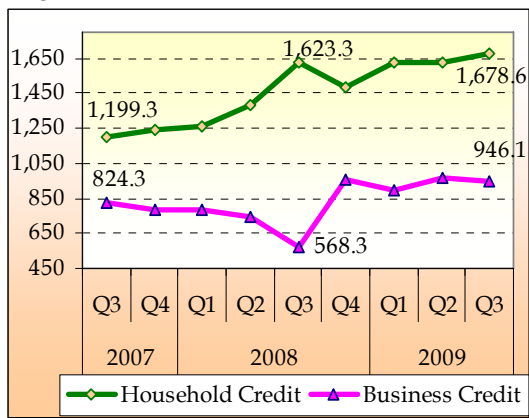
4.2 Net Domestic Assets. Total net domestic assets or net domestic credit granted by the commercial banking sector grew by 20.5% to reach \$3,027.2 million as at September 2009. Domestic credit to public and private sectors increased by 48.8% (\$132.0 million) and 17.1% (\$382.7 million) respectively. The robust increase in credit may reflect domestic borrowing by the central government along with the possible impact of record-low lending rates on the demand for credit in general.

Table 4.2A: Net Domestic Assets (\$ Millions)

	Sept 2008	Sept 2009	% Change
Net Domestic Assets	2,512.5	3,027.2	20.5
Net Domestic Credit to Public Sector	270.3	402.3	48.8
Net Domestic Credit to Private Sector	2,242.2	2,624.9	17.1

Source: Cayman Islands Monetary Authority and ESO

Figure 4.2 plots the major components of private sector domestic credit: i.e. credit to businesses and credit to households. Both components are on a general upward trend, with household credit rising slower than business lending.

Figure 4.2: Credit to Business and Households


Source: Cayman Islands Monetary Authority and ESO

Loans allocated to households – which accounted for 64.0% of total private sector credit – rose by 3.4% (or \$55.3 million) as at September 2009 compared to a year ago (see Table 4.2B). Credit for domestic property accounted for majority of household lending; however, loan increases were dominated by

consolidated debt and other miscellaneous debts.

Lending to the business sector – which accounted for 36.0% of total private sector credit – grew by 52.9% over the review period (see Table 4.2B). Expansions were recorded for all sectors except recreational, personal and community service.

Table 4.2B: Net Credit to the Private Sector (\$ Millions)

	Sept-08	Sept-09	% Change
Total	2,242.2	2,624.9	17.1
Credit to Businesses	618.8	946.1	52.9
<i>of which</i>			
Construction	76.7	123.2	60.5
Hotel, Restaurant and Bar	43.8	127.7	191.9
Real Estate, Renting & Other	280.9	381.6	35.9
Utilities (Electricity, Gas & Water)	14.8	28.2	90.6
Trade & Commerce	69.0	88.1	27.6
Other	51.4	99.0	92.6
Credit to Households	1,623.3	1,678.6	3.4
Domestic Property	1,405.7	1,386.2	-1.4
Motor Vehicles	50.3	70.1	39.4
Education & Technology	1.7	3.3	100.9
Miscellaneous	165.7	218.9	32.1
Other NonProfit Organisations	0.1	0.2	366.7

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

Source: Cayman Islands Monetary Authority and ESO

4.3. Money Supply. Broad money supply (M2) in the first nine months of 2009 expanded as both quasi-money and narrow money rose.

M1 or narrow money supply (used primarily for day-to-day spending) rose by 11.8% to reach \$364.7 million as at September 2009, dominated by a 14.6% increase in total demand

deposits and a 2.6% expansion in currency in circulation.

Despite lower interest rates, quasi-money increased by 17.2% (\$748.5 million) to reach about \$5.1 billion as at September 2009. The expansion came from foreign currency deposits, offsetting the declines in both savings and fixed deposits.

Table 4.3: Money Supply (CI\$ Millions)

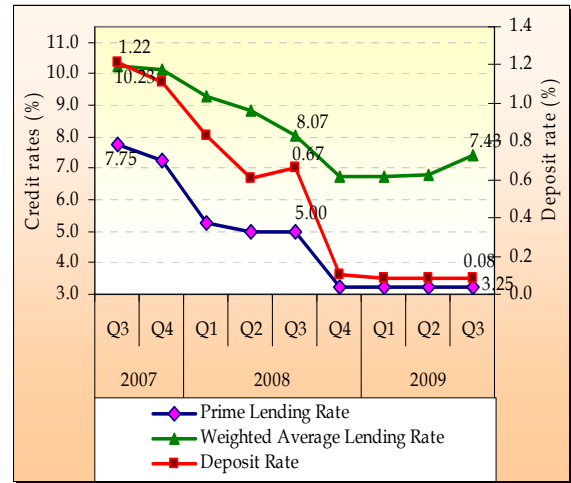
	Sept-08	Sept-09	% Change
Monetary Liabilities (M2)	4,671.4	5,458.4	16.8
Narrow Money (M1)	326.2	364.7	11.8
Currency with public	77.3	79.3	2.6
Total demand deposits	248.9	285.3	14.6
Quasi Money	4,345.2	5,093.7	17.2
Savings deposits	265.3	229.1	-13.6
Fixed Deposits	452.9	420.7	-7.1
Foreign Currency Deposits	3,627.0	4,443.9	22.5

Source: Cayman Islands Monetary Authority and ESO

4.4. Interest Rates. Since the fourth quarter of 2008, cost of borrowing indicators remain at their lowest following trends of the U.S. Federal Reserve policy rates. The Cayman Islands' prime lending rate was stable at 3.25% in September 2009. Average savings deposit rate and the weighted average rate on outstanding loans remained almost constant since the fourth quarter of 2008; however, the weighted average lending rate increased to 7.43% in September - the highest for the year to date (see Figure 4.4). The latter movement may be traced to systemic

risk arising from the bearish economic conditions.

Figure 4.4: Interest Rates (%) (End of period)



Source: Cayman Islands Monetary Authority and ESO

5. Financial Services

The lackluster global economic recovery is reflected in mixed performances of the financial services sector as at September 2009. With the exception of insurance companies, fewer registrations were recorded for mutual funds, trust companies, bank and trust licences and new companies.

5.1 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 270 as at September 2009, a 3.2% decline from the September 2008 figure. Similarly,

licences to trust companies decreased by 2.1% to reach 138.

Table 5.1: Bank & Trust Companies

	Sep 2008	Sep 2009	% Change
Bank and Trust	279	270	-3.2
Class "A"	19	18	-5.3
Class "B"	260	252	-3.1
Trust Companies	141	138	-2.1
Restricted	87	85	-2.3
Unrestricted	54	53	-1.9

Source: Cayman Islands Monetary Authority

Class 'A' bank & trust licences declined by 1 to 18, while Class 'B' licences declined by 8, to settle at 252.

Applicants from Europe and USA led Cayman's banking licensees comprising 29.3% and 27.8%, respectively. The rest of the banking license sources are distributed as follows: South America 16.3%, Asia and Australia 10.0%, Caribbean and Central America 7.8%, Canada and Mexico 5.2% and Middle East and Africa 3.7%.

5.2 Insurance

The Cayman Islands insurance business grew slightly as the total number of insurance licences increased by 6 (or 0.8%) – from 800 in September 2008, to 806 as at September 2009.

Class 'A' insurance licences narrowed to 27, while Class 'B' (captive) licences increased by 7 to reach 779 over the review period. However,

total premium of captives declined by US\$ 339 million.

Table 5.2A: Insurance Companies

	Sep 2008	Sep 2009	% Change
Class 'A'	28	27	-3.6
Class 'B'	772	779	0.9
Total	800	806	0.8

Source: Cayman Islands Monetary Authority

The captive licencees' primary class of business comprised of healthcare (35.2%), workers' compensation coverage (20.9%), property (14.2%), general liability (9.4%), and professional liability (8.1%).

Table 5.2B: Captive Insurance Licences by Primary Class of Business, September 2009

	Licences	%
Healthcare	274	35.2
Workers' Compensation	163	20.9
Property	111	14.2
General Liability	73	9.4
Professional Liability	63	8.1
Other	95	12.2
Total	779	100.0

Source: Cayman Islands Monetary Authority

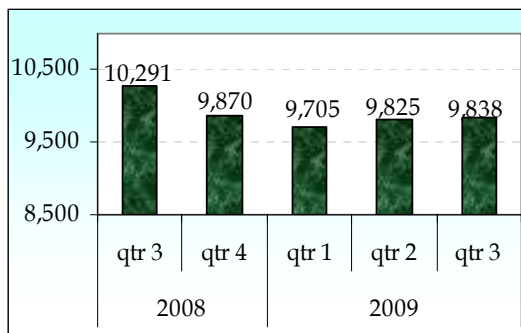
The most popular geographic source of captive insurance companies remain to be North America (89.7%); while the share of total captive insurance licences for the Caribbean and Latin America region (3.5%) was third after the 'Worldwide' category (4.1%).

Premiums for captives decreased by about US\$339 million (4.5%) to register at US\$7.3 billion at the end of September 2009.

5.3 Mutual Funds

Activity within the mutual funds industry weakened during the review period as total mutual funds dropped to 9,838 as at September 2009, a 4.4% (or 453) adjustment since September 2008. Nonetheless, the third quarter figure represents an improvement over the second quarter of 2009.

Figure 5.3: Mutual Funds
(As at end of Quarter)



Source: Cayman Islands Monetary Authority

5.4 Stock Exchange

The total Cayman Islands Stock Exchange listings decreased by 20.6% from 1,657 in September 2008 to 1,316 in September 2009. Mutual funds and specialist debt remained on a downtrend while Eurobond grew anew. Meanwhile, international equity shares which are secondary listings as they are primarily listed on other stock exchanges, remained at 3.

Table 5.4A: Number of Stock Listings by Instruments

Instruments	2007	2008	2009
Mutual Funds	985	856	548
Specialist Debt	414	743	698
Eurobond	15	53	64
International Equity	5	3	3
Domestic Equity	2	2	3

Source: Cayman Islands Stock Exchange

The contraction in mutual fund listings is also mirrored in the fall of its market capitalization of US\$33.1 billion (or 39.7%) to reach US\$50.3 billion in September 2009.

Table 5.4B shows falling trend of market capitalization for all other types of instrument except for specialist debt.

Table 5.4B: Market Capitalization by Instruments (US\$ Billions)

Instruments	2007	2008	2009
Mutual Funds	90.1	83.4	50.3
Specialist Debt	27.1	82.4	80.9
Eurobond	11.8	23.8	29.6
International Equity	1.9	1.6	0.8
Domestic Equity	0.174	0.170	0.124

Source: Cayman Islands Stock Exchange

5.5 New Company Registration

During the period January to September 2009, total new company registrations reached 5,840 as compared to 9,600 over the same period of 2008, representing a 39.2% decline. This decrease was on account of reductions across all categories. In particular, exempt companies which account for

majority of the registrations fell by 41.1%.

Figure 5.5: New Company Registrations

	2007	2008	2009
Total	10,752	9,600	5,840
Exempt	9,584	8,543	5,033
Non-Resident	418	230	145
Resident	412	427	386
Foreign	338	400	276
Percentage change (%)			
Total	15.8	-10.7	-39.2
Exempt	18.3	-10.9	-41.1
Non-Resident	-2.8	-45.0	-37.0
Resident	-12.5	3.6	-9.6
Foreign	18.6	18.3	-31.0

Source: Registrar of Companies

6. Tourism

The global economic recession continued to impact tourism arrivals in the Cayman Islands during the first three quarters of the year.

Total visitor arrivals as of the end of September 2009 recorded a decrease of 3.8% over the comparative period of 2008. This contraction was associated with decreases in both air arrivals (13.1%) and cruise arrivals (1.9%).

6.1 Air Arrivals

In contrast to the 240,288 stay-over visitors registered in 2008, air arrivals

for the first three quarters of 2009 totalled 208,761.

Due to the greater impact of the global economic crisis on American households, the decline in tourist arrivals from the US market was also the highest at 13.6%.

As shown in Table 6.1, when dissecting US visitors by origin within the US, fewer visitors were recorded for all regions overall. However, the composition of total stay-over arrivals indicated a slightly greater share of travellers arriving from both the Northeast (0.9%) and Southwest (1.0%) regions when compared to the previous year.

Table 6.1: Air arrivals by US regions

	2007	2008	2009	% Change
In Thousands				
USA	178.1	193.6	167.3	-13.6
Northeast	58.1	66.6	59.1	-11.2
Midwest	38.2	39.9	34.2	-14.2
Southeast	40.1	40.9	33.7	-17.6
Southwest	27.9	31.3	28.8	-8.0
West Coast	13.8	15.0	11.5	-23.4
Europe	14.8	15.9	14.2	-10.9
Canada	12.1	13.9	12.5	-9.5
Others	15.8	16.9	14.7	-13.0
Total	220.9	240.3	208.8	-13.1
<i>of Which: USA (%)</i>	80.6	80.6	80.1	

Source: Department of Tourism

Accommodation

For the period January – September, hotel occupancy rates contracted from 64.9% in 2008 to 59.9% in 2009, while occupancy levels for

apartments weakened from 46.3% to 45.8%.

The *average length of stay* for hotels remained constant at 4.5 days while the average length of stay at apartments improved slightly from 6.4 days to 6.9 days.

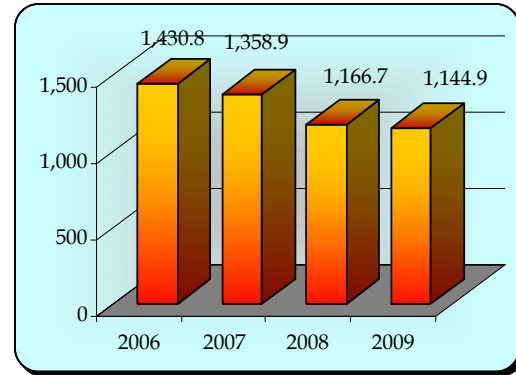
The decline in stay-over tourism was addressed by hoteliers as they aggressively targeted stay-over visitors through value-added promotions and discounts where necessary.

Moreover, plans to boost tourism in the Sister Islands through the formalisation of a tourism policy were announced in August, while programs to further improve domestic tourism in the form of 'staycations' are also being considered.

6.2 Cruise Arrivals

During the first three quarters of 2009, cruise arrivals totalled 1,144,948 visitors, a decrease of 1.9% over the comparative period for 2008. This was attributed to the continued worldwide economic slowdown resulting in weaker tourism activity.

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



Source: Department of Tourism & ESO

Between January and September 2009, the number of cruise ship calls to George Town port decreased by 4.4% to 411, an improvement compared to the -14.4% decline noted for the same period last year. Nonetheless, cruise passengers per day averaged 4,241 persons, a decrease of 80 visitors per day from the average in the first three quarters of 2008.

7. Construction

7.1 Building Permits

Construction, amidst worsening recession, continued to falter in the first nine months of the year. Although the number of permits rose, the total value slumped.

Building permits, after peaking in 2008, fell sharply by 28.5% from \$419.9 million to \$300.1 million in 2009.

Non-residential construction fuelled the decline, plausibly due to weak business activity and constrained fiscal spending. The total value of these permits plummeted by 66.3% to \$72.3 million.

Table 7.1: Building Permits (\$ Millions)
Jan-Sept

	2007	2008	2009	2009/08 % Change
Houses	76.8	93.0	120.1	29.1
Apartments	91.5	99.4	80.0	(19.6)
Commercial	129.5	149.1	41.3	(72.3)
Government	5.0	62.7	28.8	(54.1)
Industrial	29.0	2.6	2.3	(12.0)
Other	6.1	13.1	27.8	112.4
Total	337.9	419.9	300.1	-28.5

Source: Cayman Islands Government, Planning Department

However, residential building permits specifically houses, posted strong growth. Compared to a year ago, building permits for residential buildings expanded by 3.9% to \$200.1 million in 2009.

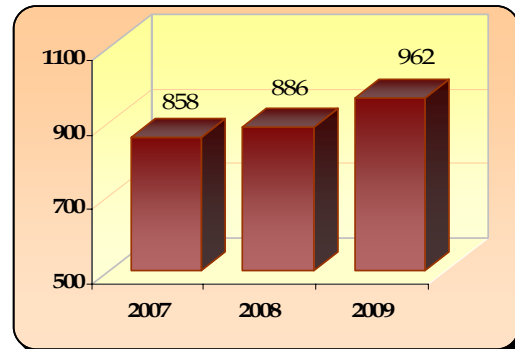
In the House category, building permits surged by 29.1% to \$120.1 million which may be traced to multi-million dollar homes and several large-scale property developments.

Softening of the apartment/condominium category was evident as its total value declined by 19.6% to \$80.0 million.

In terms of number, an increase was recorded in the third quarter which brought up the total for the first three

quarters to 962 or 8.6% higher than in the same period last year.

Figure 7.1: Number of Building Permits, (Jan - Sept)



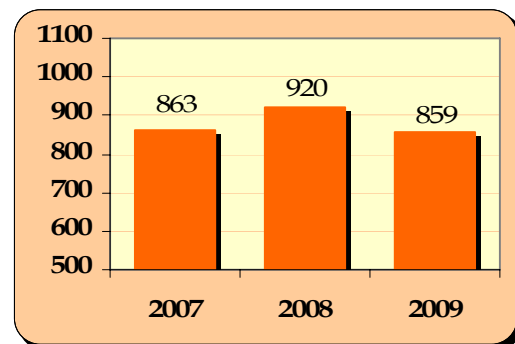
Source: Cayman Islands Government, Planning Department

7.2 Project Approvals

Construction intentions, as measured by project approvals slid downwards in terms of total value and number.

Since the start of the year, there were 859 project approvals, 6.6% less than the 920 approved in the same period in 2008.

Table 7.2: Number of Project Approvals
Jan-Sept



Source: Cayman Islands Government, Planning Department

The weak outlook for non-residential buildings is also shown by the slide in the value of approvals by 13.6% from \$403.2 million in 2008.

Figure 7.2: Project Approval (\$ Millions), Jan -Sept

	2007	2008	2009	2009/08 % Change
Houses	106.4	83.3	104.8	25.8
Apartments	73.5	111.9	131.0	17.1
Commercial	61.6	114.9	27.2	(76.3)
Government	54.2	18.2	0.1	(99.5)
Industrial	6.2	7.1	2.5	(65.0)
Other	42.1	68.0	82.9	22.0
Total	344.0	403.2	348.5	-13.6

Source: Cayman Islands Government, Planning Department

In the commercial category, project approvals receded by 76.3% to \$27.2 million. The industrial category also declined by 65.0% to \$2.5 million.

In the government category, projects were reduced to the minimum given the government’s commitment to reduce capital expenditures.

The outlook for future residential developments, however, remains upbeat as project approval for houses rose by 25.8% to \$104.8 million while apartments/condominiums expanded by 17.1 % to \$131.0 million.

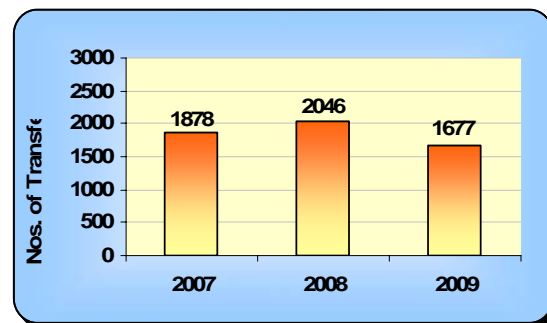
The ‘Other’ category, a mixture of residential and non-residential projects, increased from \$68.0 million in 2008 to \$82.9 million.

8. Real Estate

Real estate activity continued to suffer as global recessionary conditions subdued foreign investment.

Compared to a year ago, total volume and value of traded property contracted sharply. During the period, only 1,677 properties were traded, 18.0% less than the 2,046 recorded for the same period in 2008.

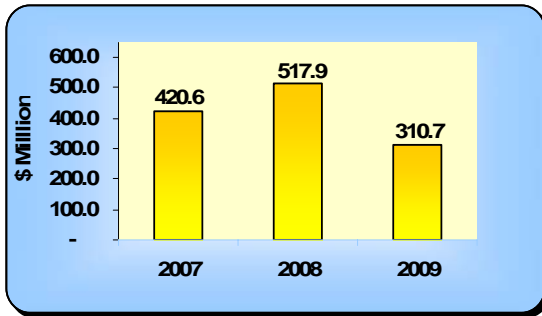
Figure 8: Numbers of Traded Property: Jan-Sept



Source: Lands & Survey Department

The total value of properties traded also contracted by 40.0% from \$517.9 million to \$310.7 million, owing to the drop in transaction volume and softening real estate prices.

Figure 8.1: Value of Property Transfers, Jan-Sept



Source: Lands & Survey Department

Among traded freehold properties, residential property represents over 90.0% of all transactions.

In 2009, raw land accounted for 47.1% or 688 transactions, followed by condominiums (35.2%) and residential property (21.1%).

9. Utilities

Electricity production fell by 2.8% to 449.6 megawatt hours (mWh) during the first nine months of 2009 (see Table 9.1). This was in response to lower total electricity demand (-2.1%) traced to both residential and commercial consumers. The fall in demand can be associated with the impact of economic recession.

Table 9.1: Utilities Production/Consumption

	Sep-08	Sep-09	Change %
Millions of US Gallons			
Water Production	1,464.0	1,530.9	4.6
Water Consumption	1,320.7	1,367.1	3.5
'000 of megawatt hrs			
Electricity Production	462.7	449.6	-2.8
Electricity Consumption	422.9	413.8	-2.1
Residential	198.2	191.0	-3.7
Commercial	220.6	218.7	-0.9
Public	4.0	4.1	1.7

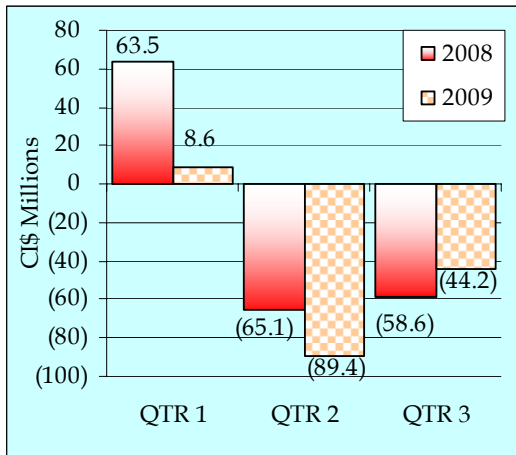
Source: Cayman Islands Water Authority, Cayman Water Company, Caribbean Utilities Company

Meanwhile, water production increased by 4.6% as at September 2009 compared to a year ago although consumption increased at a slower pace of 3.5% to settle at 1,367.1 million US gallons.

10. Fiscal Operations of Central Government

Double-digit declines in both the recurrent and capital expenditures for the third quarter (i.e. the first quarter of the government's new financial year but third quarter of the calendar year) resulted in a reduction in the overall deficit in the third quarter of 2009 compared to the same period in 2008 (see figure 10.).

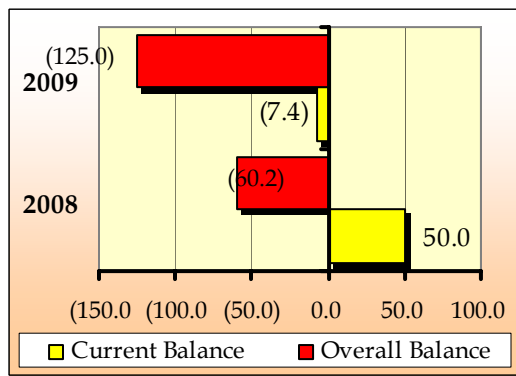
Figure 10: Quarterly Central Government Overall Fiscal Balance (CI\$ Millions)



Source: Cayman Islands Treasury Department

However, the cumulative overall fiscal deficit for the first three quarters of 2009 remained wider at \$125.0 million as compared to \$60.2 million for the same period a year ago (see Figure 10.). This came about as total expenditure grew by 2.4% while total revenue contracted by 12.5%.

Figure 10.2: Central Government Fiscal Balance (CI\$ Millions), Jan - Sept



Source: Cayman Islands Treasury Department

Table 10: Summary of Fiscal Operations (Jan-Sept)

	2008	2009	% Change
	CI\$ Millions		
Total Revenue	424.2	371.0	(12.5)
Total Expenditure	484.4	496.0	2.4
Current Expenditure	363.4	353.4	(2.7)
Extraordinary Expenses	0.4	17.8	4785.1
Other Executive Expenses	10.4	7.2	(30.8)
Capital Expenditure & Net Lending	110.3	117.6	6.6
Current Balance	50.0	(7.4)	(114.8)
Overall Balance	(60.2)	(125.0)	107.5
Financing	60.2	125.0	107.5
Net Borrowing	123.9	95.1	(23.3)
Change in Cash (minus=increase)	(63.7)	29.9	(146.9)

Source: Cayman Islands Treasury Department

10.1 Revenue

Total revenue fell by 12.5% to reach \$371.0 million (see Table 10.1). Total revenue comprises both coercive (91.1%) and non-coercive revenue (8.9%). Coercive revenue which totalled \$337.9 million fell by \$35.8 million, or 9.6% below the receipts in the preceding year (see Table 10.1). On the other hand, non-coercive revenue amounted to \$33.1 million, 34.5% below the comparative period a year ago.

Table 10.1: Revenue Collection of the Central Government (Jan - Sept)

Revenue Sources	2008	2009	% Change
CI\$ Millions			
Total Revenue	424.2	371.0	(12.5)
Coercive Revenue	373.7	337.9	(9.6)
Taxes on Int'l Trade & Transactions	130.6	112.7	(13.7)
Domestic Taxes on Goods & Services	207.1	201.6	(2.7)
Taxes on Property	34.6	17.3	(50.1)
Fines	1.4	1.9	37.8
Other Taxes	0.0	4.5	34,717.7
Non-coercive Revenue	50.5	33.1	(34.5)
Sale of Goods & Services	45.3	31.6	(30.3)
Investment Revenue	4.0	0.6	(86.1)
Operating and Other Revenue	1.2	0.9	(24.6)
Extraordinary items	0.0	0.0	

Source: Cayman Islands Treasury Department

Except for fines, all revenue sources declined, most notably taxes from international trade and transactions (13.7%) and taxes on domestic property (50.1%).

10.2 Expenditure

Despite a decline in recurrent expenditure for the first three quarters of 2009, total expenditure expanded due to growth in capital expenditure and net lending. Capital expenditure and net lending rose by 6.6% during the period while recurrent expenditure declined by 2.7%. The latter was precipitated by strong decline in supplies and consumables (see Table 10.2).

Table 10.2: Current Expenditure of the Central Government (Jan - Sept)

	2008	2009	% Change
CI\$ Millions			
Current Expenditure	363.4	353.4	(2.7)
Personnel Costs	172.2	179.7	4.3
Supplies & Consumables	86.2	60.3	(30.1)
Subsidies	81.6	83.0	1.7
Transfer Payments	15.3	19.0	24.5
Interest Payments	8.1	11.4	41.0

Source: Cayman Islands Treasury Department

During the period, personnel costs expanded to \$179.7 million, higher by 4.3% compared to a year ago, despite a 3.9% reduction in the number of personnel in the civil service to 3,682 as at end of September 2009.

Similarly, transfer payments moved up by 24.5% to total \$19.0 million, primarily on account of a \$3.0 million rebate to Caribbean Utilities Company.

Interest payments for servicing the disbursed outstanding debt was increased by 41.0% to \$11.4 million as the stock of debt expanded by 44.6% during the review period.

Subsidies rose by 1.7% to \$83.0 million, due to government support for statutory authorities.

10.3. Net Financing

The overall deficit was financed by a disbursement of loan funds which totalled \$79.6 million during the period (see Table 10.3). Net

borrowing totalled \$95.1 million after accounting for the loan repayment of \$15.5 million. Additional financing requirements came from a decrease in cash reserves by \$29.9 million.

compared to a year ago. This movement increased the central government's debt service-to-current revenue ratio to 7.3%, from 5.6% a year ago. Similarly, interest payments-to-current revenue ratio stood at 3.1% compared to 1.9% as at September 2008.

Table 10.3: Overall & Primary Fiscal Balance (Jan-Sept)

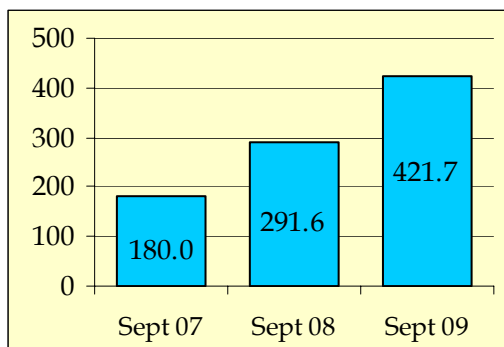
	2008	2009	% Change
	CI\$ Millions		
Financing	60.2	125.0	107.5
Net Borrowing	123.9	95.1	(23.3)
Disbursements	108.4	79.6	(26.6)
Loan Repayment	15.6	15.5	(0.4)
Change in Cash (minus = increase)	(63.7)	29.9	(146.9)

Source: Cayman Islands Treasury Department

10.4. Debt and Debt Service

The expansion in net borrowings between September 2008 and September 2009 resulted in an increase in the central government's outstanding debt to total \$421.7 million (see Figure 10.4) from \$291.6 million as at end September 2008.

Figure 10.4: Central Government Outstanding Debt (CI\$ Millions)



Source: Cayman Islands Treasury Department

Central government's outstanding debt grew by 44.6% or \$130.1 million

ACKNOWLEDGMENT

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**Caribbean Utilities Company
Cayman Islands Water Authority
Cayman Water Company
Cayman Islands Monetary Authority
Cayman Islands Stock Exchange
Customs Department
Department of Tourism
General Registry
Immigration Department
Lands and Survey Department
Planning Department
Treasury Department**