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# THE CAYMAN ISLANDS' FIRST QUARTER ECONOMIC REPORT 2011

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July 2011



The Economics and Statistics Office

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## Overview

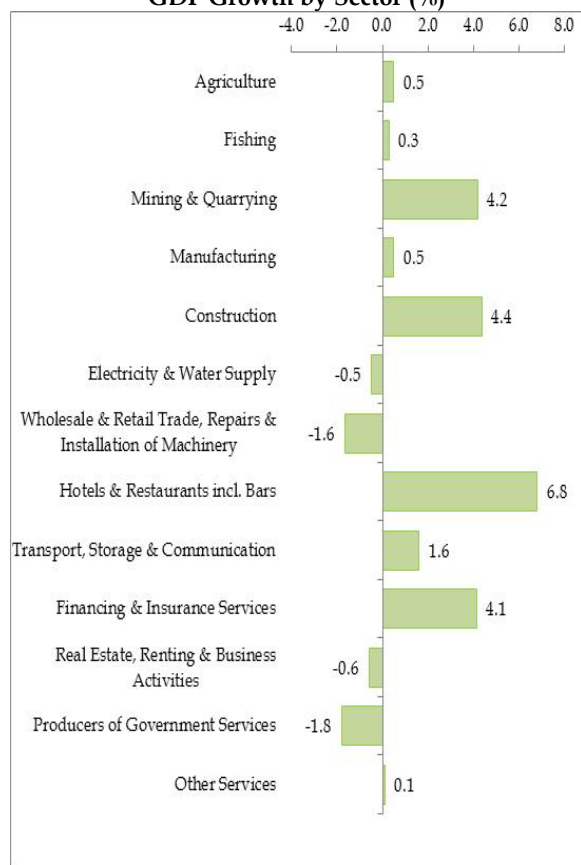
- Gross domestic product was estimated to have expanded at an annualised rate of 1.2% in the first quarter of 2011.
- The Consumer Price Index remained almost stable, marginally inching up by 0.03%, mainly due to lower price indices for housing and communications which offset the increases for transport and other consumption divisions.
- Merchandise imports fell by 1.6% to register at \$169.2 million; this rate of decline is lower compared to 5.7% in the same quarter last year.
- Current work permits fell by 10.6%.
- Broad liquidity or money supply contracted by 7.6% due to reductions in both foreign currency deposits held by residents and CI dollar-denominated money.
- The weighted average lending rate rose to 7.4% from 6.4%, although the prime lending rate remained stable at 3.25%.
- Domestic credit expanded anew by 2.0% as credit to the public sector increased by 32.4% while credit to the private sector fell marginally
- Air arrivals grew by 6.8% while cruise passengers increased by 8.2%.
- Mutual funds registration fell as compared to the previous year by 117 or 1.2%.
- Bank and trust company registrations moved downward by 8.6% while insurance licenses decreased by 5.4%.
- Stock exchange listings contracted by 10.6% to settle at 1,136 while stock market capitalization for mutual funds declined.
- New company registrations rebounded by 11.9% to total 2,397.
- Building permits fell by 19.4% to settle at 179, valued at \$61.1 million.
- The number of property transfers moved upwards by 20.3% while the total value spiked by 271.2% to \$253.9 million.
- Electricity consumption rose by 1.5% on account of increased commercial consumption while water consumption fell by 3.7%.
- The central government's overall fiscal deficit narrowed to \$9.9 million from \$17.3 million a year ago.
- The total outstanding debt of the central government increased to \$561.0 million from \$508.7 million a year ago.

\*Comparative data over the first quarter of 2010, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off

## 1. GDP Growth

First quarter indicators suggest that the Cayman Islands’ real GDP grew by an estimated annualised rate of 1.2% in the first quarter of 2011 compared to a year ago when the estimated contraction was 1.3%. During the period, upbeat growth rates are estimated for financial and insurance services (4.1%), hotels and restaurant (6.8%) and construction (4.4%). The contracting sectors were: real estate, renting and business services; government services, wholesale and retail trade and utilities (see Figure 1).

**Figure 1: Estimated First Quarter 2011 Annualized GDP Growth by Sector (%)**



Source: Economics and Statistics office

The macroeconomic outlook for the calendar year 2011 is as shown in Table 1.

**Table 1: Macroeconomic Outlook as at March 2011**

	2009	2010*	Forecast 2011
	Percent (%)		
Real GDP*	(7.0)	(4.0)	0.9
CPI Inflation	(1.5)	0.3	1.9
Unemployment Rate	6.0	6.7	6.5
BOP Current A/C (% of GDP)**	(16.6)	(15.2)	(14.4)

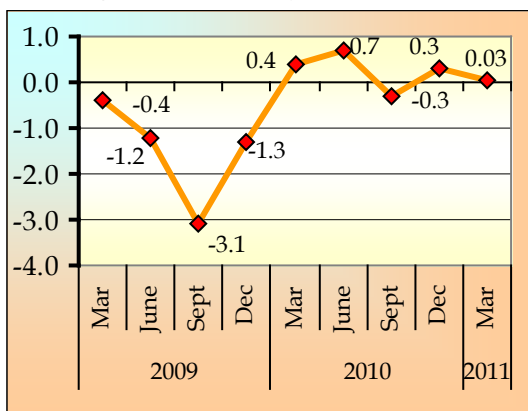
\* 2010 is Estimated

\*\* Balance of Payments Current Account

Source: Economics and Statistics Office

## 2. Inflation

The Consumer Price Index (CPI) stood at 99.2 in the first quarter, marginally higher by 0.03% compared to March 2010. This resulted mainly from rising price indices for transport (9.3%), alcohol and tobacco (0.4%), restaurants and hotels (1.0%), miscellaneous goods and services (2.9%), education (1.8%), recreation and culture (1.4%), food and non-alcoholic beverage (2.7%), and health (0.5%). However, these increases were offset by declines in housing and utilities (-4.6%) and communication (-0.7%).

**Figure 2: Quarterly Inflation (%)**


Source: Economics and Statistics Office

The decline in the price index for housing and utilities was mainly on account of decreases in actual and imputed rent by 4.3% and 11.1%, respectively. Cost of utilities increased as water supply and miscellaneous services; and electricity, gas and other fuels rose by 4.4% and 14.8%, respectively. These were caused largely by the price surge for international oil and oil-related products, which increased the production cost of electricity and the cost of pumping water.

Similarly, higher oil prices accounted mainly for the increase in the transport index by 9.3%.

The index for food and non-alcoholic beverage increased by 2.7% on account of higher international food prices, precipitated by adverse weather conditions in producing countries.

The price index for miscellaneous goods and services moved up by 2.9% as a

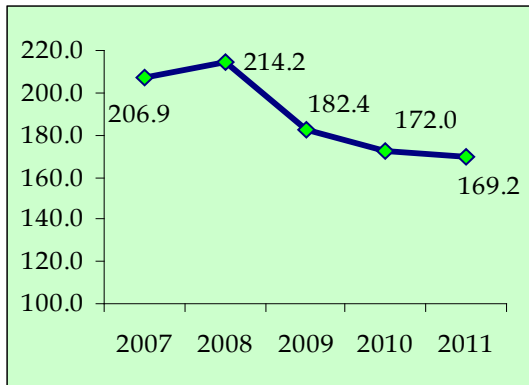
result of higher average cost of personal care, social protection and personal effects.

### 3. Trade

Although merchandise imports continued on its downward path, the rate of decline has slowed significantly. Preliminary data for the first quarter of 2011 indicates that merchandise imports fell by 1.6% to \$169.2 million from the comparative period in 2010 (see Figure 3).

During the period, the value of oil and petroleum-related products increased by 24.7%. Other increases were recorded in the value of beverages and tobacco (16.3%), and inedible crude materials excluding fuels (10.2%). The categories of imports which declined were; food and live animals (-1.3%), manufactured goods classified chiefly by material (-21.5%), all chemical and related-products (-7.5%), machinery and transport equipment (-6.6%), and miscellaneous manufactured articles (-12.2%).

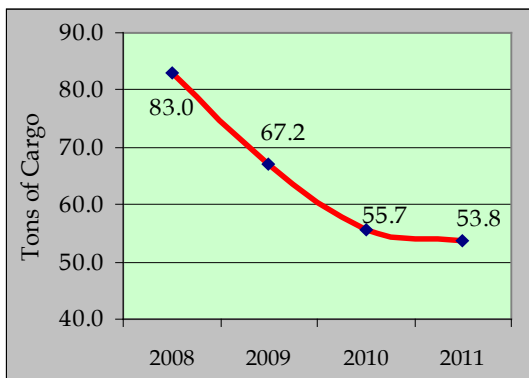
**Figure 3: First Quarter Merchandise Imports (CI\$ Millions)**



Source: Customs Department and ESO

Consistent with the lower rate of decline in the value of merchandise import, the volume of imported cargo began stabilizing. The total tonnage of cargo landed declined by 3.4% (see Figure 4), which is lower compared to the 17.1% decline a year ago.

**Figure 4: First Quarter Total Tonnage of Cargo ('000)**



Source: Cayman Islands Port Authority

As exhibited in Table 2, the quantity of imported fuel grew by 1.1% during the review period. Diesel imports which accounts for 59.6% of total fuel fell by 10.1% while aviation fuel imports decreased by 10.0%. Meanwhile,

propane and gas imports increased by 69.7% and 43.9%, respectively.

**Table 2: Quantity of Fuel Imports**

	Mar-09	Mar-10	Mar-11	% Change
Millions of imperial gallons				
Total Fuel	11.79	11.24	11.36	1.1
Diesel	7.80	7.53	6.77	-10.1
Gas	2.68	2.03	2.92	43.9
Aviation	1.13	1.49	1.34	-10.0
Propane	0.18	0.20	0.33	69.7

Source: Cayman Islands Port Authority

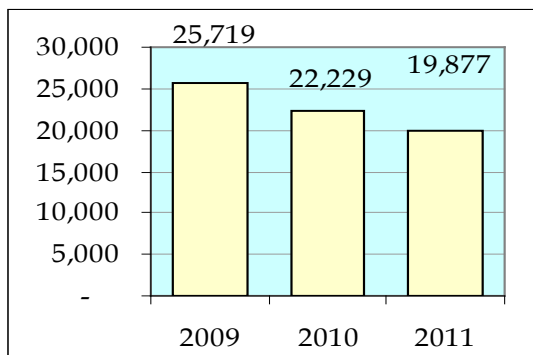
#### 4. Work Permits

Following the decline in work permits of 13.6% a year ago, the contraction continued this period, this time by 10.6% to settle at 19,877.

The downturn in work permits is plausibly the result of non-renewals in all sectors of the economy as businesses may be inclined to restructure to benefit from the anticipated economic upturn in 2011.

During the first quarter, civil service employment decreased by 1.8% to total 3,618 as foreign workers decreased by 4.6% (or 48 persons) and Caymanians by 0.7% (or 17 persons)<sup>1</sup>

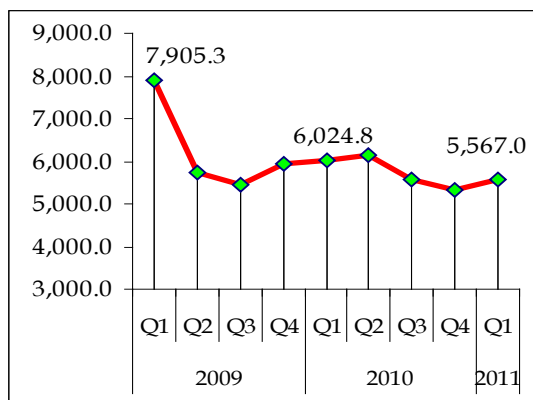
<sup>1</sup> Source: Portfolio of the Civil Service

**Figure 5: Work Permits**


Sources: Immigration Department, Economics & Statistics Office

## 5. Money & Banking

Broad liquidity (M2) comprising CI dollar-denominated money and foreign exchange deposits contracted by 7.6% to settle at \$5,567.0 million in the first quarter of 2011. This represents an 8.7% contraction in foreign currency deposits and a 2.5% decline in CI dollar-denominated money.

**Figure 6: Total Money Supply (M2) in \$ millions**


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

According to the balance sheet concept, M2 also represents the liabilities of the monetary and banking sector as shown in Table 3. The corresponding asset side recorded a double-digit decrease in net foreign assets while net domestic assets increased.

**Table 3: Monetary and Banking Summary Indicators (\$ millions)**

	Mar-10	Mar-11	% Change
<b>Total Assets</b>	<b>6,024.8</b>	<b>5,567.0</b>	<b>(7.6)</b>
<b>Net Foreign Assets</b>	<b>3,993.2</b>	<b>3,302.6</b>	<b>(17.3)</b>
Monetary Authority	97.7	89.8	(8.1)
Commercial Banks	3,895.5	3,212.8	(17.5)
<b>Net Domestic Assets</b>	<b>2,031.6</b>	<b>2,264.4</b>	<b>11.5</b>
Domestic credit	2,860.5	2,918.2	2.0
Claims on central government	172.8	236.8	37.0
Claims on other public sector	65.6	78.9	20.3
Claims on private sector	2,622.1	2,602.5	(0.7)
Other items net (assets +)	(829.0)	(653.8)	(21.1)
<b>Broad Liquidity</b>	<b>6,024.8</b>	<b>5,567.0</b>	<b>(7.6)</b>
Broad money (KYD M2)	<b>1,046.3</b>	<b>1,020.3</b>	<b>(2.5)</b>
Currency in circulation	82.3	85.6	4.0
KYD Deposits	<b>964.0</b>	<b>934.7</b>	<b>(3.0)</b>
Demand deposits	294.7	290.8	(1.3)
Time and savings deposits	669.4	644.0	(3.8)
FOREX deposits	<b>4,978.5</b>	<b>4,546.7</b>	<b>(8.7)</b>
of which: US dollars	4,486.4	3,939.6	(12.2)

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 17.5% (see Table 4) which was augmented with a simultaneous decline of 8.1% in Cayman Islands Monetary Authority's net foreign assets, resulting in a \$690.6 million (or 17.3%) fall-off in overall net foreign assets. The decline in commercial banks' NFA resulted from an increase in foreign liabilities (13.5%) as non-resident deposits increased

coupled with a reduction in foreign assets (-4.8%) as balances with banks and branches declined.

**Table 4: Net Foreign Assets (\$ millions)**

	Mar-10	Mar-11	% Change
<b>Net Foreign Assets</b>	<b>3,993.2</b>	<b>3,302.6</b>	<b>(17.3)</b>
Monetary Authority	97.7	89.8	(8.1)
Commercial Banks	3,895.5	3,212.8	(17.5)
<b>Foreign Assets</b>	<b>6,608.6</b>	<b>6,292.2</b>	<b>(4.8)</b>
Bal. with Banks & Branches	4,175.2	3,720.1	(10.9)
Total Investment	929.8	930.5	0.1
Total Non-Resident Loans	1,503.6	1,641.6	9.2
<b>Foreign Liabilities</b>	<b>2,713.1</b>	<b>3,079.4</b>	<b>13.5</b>
Total Non-Resident Deposits	2,686.7	2,956.2	10.0
Other Liabilities	26.4	123.2	366.8

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

**5.2. Net Domestic Assets.** Expansion in net domestic assets was driven by a 32.4% growth in public sector indebtedness and a marginal reduction in credit to the private sector of 0.7% compared to a year ago.

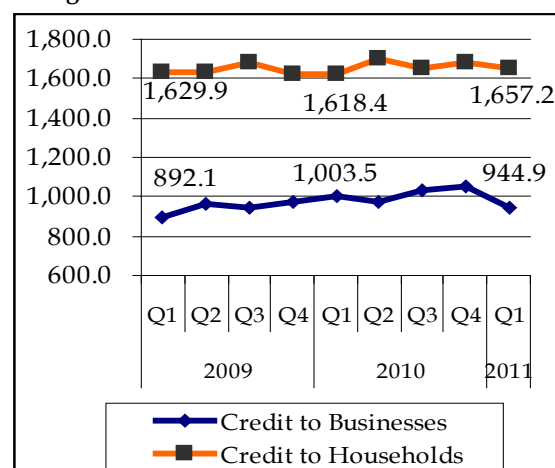
**Table 5: Net Domestic Assets (\$ millions)**

	Mar-10	Mar-11	% Change
<b>Domestic Assets</b>	<b>2,860.5</b>	<b>2,918.2</b>	<b>2.0</b>
Domestic Credit to Public Sector	238.5	315.7	32.4
Domestic Credit to Private Sector	2,622.1	2,602.5	(0.7)

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Domestic lending to the private sector comprising of credit to businesses and households declined. As Figure 7 shows, loans to households increased, while business loans declined compared to the same period last year.

**Figure 7: Credit to Business and Households**



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Loans to households expanded by 2.4% (or \$38.8 million) in March 2011 compared to the preceding year. This increase resulted from higher lending for domestic property and miscellaneous credit to households (see Table 6). During the last three months alone, new credit for domestic property amounted to \$1.5 million.

Business sector loans contracted by 5.8%, as lending to both trade and commerce, and services recorded double digit declines. Trade and commerce borrowings fell by 40.5% as wholesale and retail trade, and real estate and rental/leasing companies borrowed less. The services sectors' credit also declined but by 21.5%, partly due to lower credit for accommodation, food, bars and entertainment services. Despite the overall decline in private sector credit, borrowings for construction expanded by \$172.3 million as compared to a year ago.



**Table 6: Net Credit to the Private Sector  
(\$ millions)**

	Mar-10	Mar-11	% Change
<b>Total</b>	<b>2,622.1</b>	<b>2,602.5</b>	-0.7
<b>Credit to Businesses</b>	<b>1,003.5</b>	<b>944.9</b>	-5.8
<b>Production &amp; Manufacturing</b>	206	429	108.5
Agriculture, Fishing and Mining	6.9	7.7	11.4
Manufacturing	8.1	29.6	266.9
Utilities	25.1	53.6	113.6
Construction	165.6	337.9	104.0
<b>Services</b>	277.4	217.8	-21.5
Accommodation, Food, Bar & Entertainment Services	128.0	107.7	-15.8
Transportation, Storage & Communications	28.2	39.0	38.2
Education, Recreational & Other Professional Services	121.2	71.1	-41.3
<b>Trade and Commerce</b>	474.6	282.2	-40.5
Wholesale & Retail Sales Trade	81.2	57.8	-28.9
Real Estate Agents, Rental and Leasing Companies	389.4	205.9	-47.1
Other Business Activities (General Business Activity)	4.0	18.5	358.3
<b>Other Financial Corporations</b>	45.8	16.0	-65.0
<b>Credit to Households</b>	<b>1,618.4</b>	<b>1,657.2</b>	2.4
Domestic Property	1,397.2	1,460.0	4.5
Motor Vehicles	68.0	39.7	-41.6
Education and Technology	4.0	3.8	-3.9
Miscellaneous*	149.3	153.7	3.0
<b>NonProfit Organizations</b>	<b>0.2</b>	<b>0.4</b>	99.6

\*Miscellaneous include consolidated debt, insurance, medical & travel

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

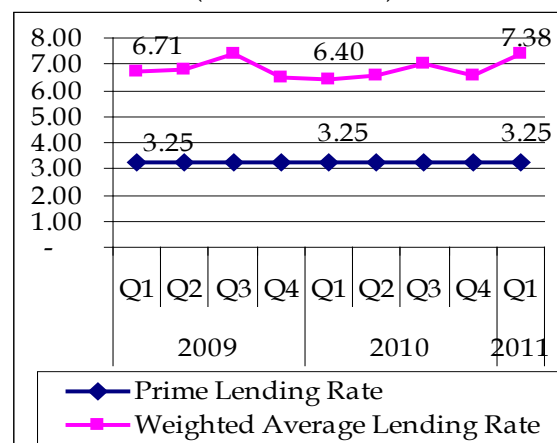
**5.3. Broad Liquidity.** As referenced in Table 3, broad liquidity (M2) in the Cayman Islands reached \$5,567.0 million in March 2011, compared to \$6,024.8 million for the same period last year. This 7.6% decline directly follows from a decrease in foreign currency deposits and local currency deposits while currency in circulation expanded.

Foreign currency deposits recorded a decline of 8.7%, partially due to a fall-off in the holdings of US dollar-

denominated deposits. Total CI dollar deposits fell by 3.0% indicating a reduction in savings which is normally a result of economic hardship. However, currency in circulation grew by 4.0% during the period compared to a year ago, an indication of possible higher level of economic transactions.

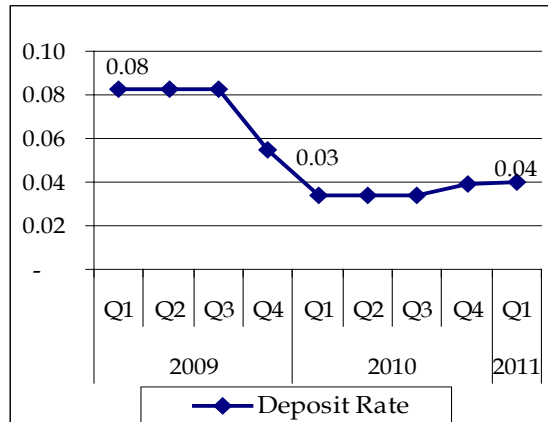
**5.4. Interest Rates.** As depicted in Figure 8, the weighted average lending rate increased by 98 basis points from 6.40% in first quarter of 2010 to 7.38% in the same period of 2011. This increased occurred amidst the Cayman Islands prime lending rate remaining constant at 3.25%.

During the period, the deposit savings rate increased marginally as depicted in Figure 9.

**Figure 8: CI\$ Lending Rates  
(%, End of Period)**


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Figure 9: CI Dollar Deposit Rates (% , End of Period)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

## 6. Financial Services

The Cayman Islands' financial services sector recorded mixed results as of March 2011. Overall, while most sectoral indicators accelerated, there were fewer bank and trust licences, and mutual funds.

### 6.1 Bank & Trust

As at March 2011, the total number of locally registered bank and trust companies stood at 246. This is 8.6% lower than the previous year as banks continue to consolidate and restructure in search of cost efficiencies, improvements in operational risk management and governance. Similarly, trust company licences fell to 125, a 3.8% decrease when compared to March 2010.

Table 7: Bank &amp; Trust Companies

	Mar 2010	Mar 2011	% Change
<b>Bank and Trust</b>	<b>269</b>	<b>246</b>	<b>-8.6</b>
Class "A"	17	16	-5.9
Class "B"	252	230	-8.7
<i>Of which:</i>			
Class "B" restricted	1	1	0.0
<b>Trust Companies</b>	<b>130</b>	<b>125</b>	<b>-3.8</b>
Restricted	78	53	-32.1
Unrestricted	52	72	38.5

Source: Cayman Islands Monetary Authority

Class 'A' bank & trust licences dropped by 1 to 16, while Class 'B' licences fell by 22, to settle at 230.

Europe and USA continued to dominate Cayman's banking licensees with shares of 29.3% and 27.2% respectively. The rest originated from: South America, 17.1%; Asia and Australia, 10.2%; Caribbean and Central America, 7.7%; Canada and Mexico, 5.3%; and Middle East and Africa, 3.3%.

### 6.2 Insurance

Class 'A' insurance licences rose by 1 while Class 'B' (captive) licences narrowed by 44 (or 5.8%) to record at 720 for the review period. This drop resulted from the termination of captive licences that related to companies put into liquidation previously that have become dissolved in 2011.

Despite the overall decline in class 'B' licences during the quarter, there were 11 more new licences, which is more than the 4 granted for the same period a year ago.

**Table 8: Insurance Companies**

	Mar 2010	Mar 2011	% Change
Class 'A'	28	29	3.6
Class 'B'	764	720	-5.8
<b>Total</b>	<b>792</b>	<b>749</b>	<b>-5.4</b>

Source: Cayman Islands Monetary Authority

The leading primary businesses of captive insurance licences constituted of: healthcare (35.7%), workers' compensation (21.9%), property (12.1%), general liability (9.7%) and professional liability (8.6%). North America remained the popular source of risk location, accounting for 90.6% of total captives.

**Table 9: Captive Insurance Licences by Primary Class of Business, March 2011**

	Licences	%
Healthcare	257	35.7
Workers' Compensation	158	21.9
Property	87	12.1
General Liability	70	9.7
Professional Liability	62	8.6
Other	86	11.9
<b>Total</b>	<b>720</b>	

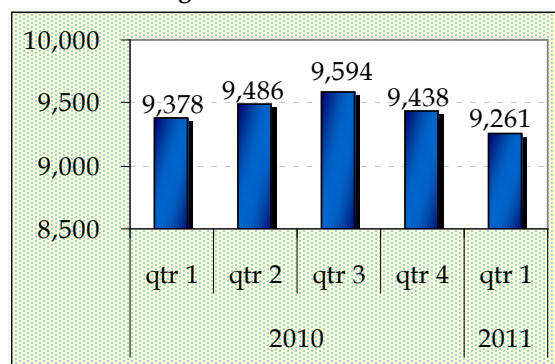
Source: Cayman Islands Monetary Authority

Premiums for captives increased by about US\$1,124.4 million to reach US\$8.7 billion as at the end of March 2011. Similarly, total net income increased by 40.3% to \$1.29 billion, thus pushing up total assets by 29.2%.

### 6.3 Mutual Funds

Total mutual funds fell by 1.2% to tally at 9,261 as at March 2011 compared to the same period a year ago. The

number of funds recorded was also lower by 1.9% when matched to the last quarter of 2010.

**Figure 10: Mutual Funds**


Source: Cayman Islands Monetary Authority

### 6.4 Stock Exchange

Total Stock Exchange (CSX) listings in the Cayman Islands contracted by 10.6% to register at 1,136 by the end of March 2011. This is largely associated with the 33.4% reduction in listed mutual funds which was impacted by a large mutual fund delisted during the period.

**Table 10: Number of Stock Listings by Instrument as at End of First Quarter**

Instruments	2009	2010	2011
Mutual Funds	766	500	333
Specialist Debt	717	698	723
Eurobond	62	68	75
International Equity	3	2	2
Domestic Equity	2	3	3
<b>Total</b>	<b>1,550</b>	<b>1,271</b>	<b>1,136</b>

Source: Cayman Islands Stock Exchange

Meanwhile, market capitalization for mutual funds listings contracted by 39.2% to settle at US\$32.6 billion due mainly to the delisting of Schroder International Selection Fund. This fund which delisted in September 2010

comprised approximately 170 sub-funds.

In contrast, market capitalization for international equity grew considerably by 61.3% to US\$1.0 billion at the end of March 2011.

**Table 11: Market Capitalization by Instruments as at End of First Quarter (CI\$ billion)<sup>2</sup>**

Instruments	2009	2010	2011
Mutual Funds	51.9	53.6	32.6
Specialist Debt	82.4	80.2	82.0
Eurobond	25.7	28.6	31.5
International Equity	0.6	0.6	1.0
Domestic Equity	0.13	0.22	0.03

Source: Cayman Islands Stock Exchange

## 6.5 New Company Registrations

New company registrations recorded a second consecutive first quarter growth following the declines of previous years. This time registrations grew by 11.9% to reach 2,397 in March 2011. This movement was reflected in all types of company registrations, except non-resident companies, as shown in Table 12.

<sup>2</sup> 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.

**Table 12: New Company Registrations: Jan-Mar**

	2009	2010	2011
<b>Total</b>	<b>1,884</b>	<b>2,142</b>	<b>2,397</b>
Exempt	1,624	1,855	2,091
Non-Resident	45	53	53
Resident	122	131	139
Foreign	93	103	114
Percentage change (%)			
<b>Total</b>	<b>-44.1</b>	<b>13.7</b>	<b>11.9</b>
Exempt	-46.1	14.2	12.7
Non-Resident	-32.8	17.8	0.0
Resident	-13.5	7.4	6.1
Foreign	-37.6	10.8	10.7

Source: Registrar of Companies

## 7. Tourism

Total visitor arrivals for the first quarter of 2011 reached 604,470, an increase of 8.0% over the comparative period of 2010 due to increases in both air and cruise visitors.

### 7.1 Air Arrivals

Air arrivals totalled 93,822 visitors, which was 6.8% above arrival figures noted in the same quarter of 2010.

The USA continued to be the major source of air arrivals, contributing 78.2% of total arrivals in the first quarter of 2011 (albeit contracting slightly from its share of 80.3% last year). The composition of visitors from the Canadian region strengthened notably to 11.1% (up from 8.7%); while

contributions emanating from Europe and other countries stood at 6.5% and 4.2%, respectively.

**Table 13: Air Arrivals by US regions (in '000)**

	2009	2010	2011	Change %
	in thousands			
<b>USA</b>	<b>64.4</b>	<b>70.5</b>	<b>73.4</b>	<b>4.1</b>
Northeast	24.3	28.3	28.1	(0.8)
Midwest	18.6	20.5	21.9	6.7
Southeast	10.3	9.9	10.3	4.0
Southwest	7.9	8.3	9.6	15.5
West Coast	3.4	3.4	3.5	1.9
<b>Europe</b>	<b>5.9</b>	<b>5.7</b>	<b>6.1</b>	<b>6.6</b>
<b>Canada</b>	<b>7.3</b>	<b>7.7</b>	<b>10.4</b>	<b>35.9</b>
<b>Other</b>	<b>3.5</b>	<b>4.0</b>	<b>3.9</b>	<b>(0.9)</b>
<b>Total Air Arrivals</b>	<b>81.1</b>	<b>87.8</b>	<b>93.8</b>	<b>6.8</b>
<i>of which: USA (%)</i>	<b>79.4</b>	<b>80.3</b>	<b>78.2</b>	

Source: Department of Tourism

### Accommodation

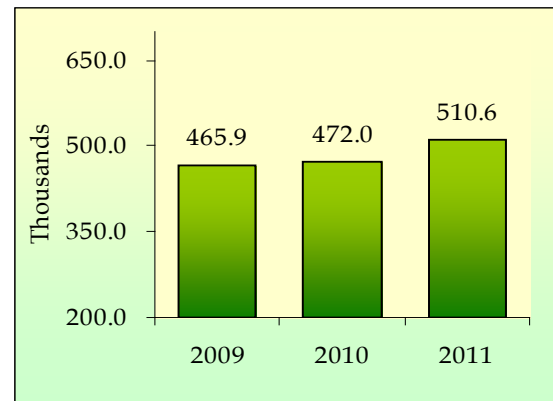
Hotel *occupancy rates* narrowed slightly from 76.1% in the first quarter of 2010 to 68.6% this year. Likewise, occupancy levels for apartments contracted slightly from 53.2% to 48.8%.

The *average length of stay* for hotels increased modestly from 4.4 days in 2010 to 4.8 days this year. Meanwhile, the average length of stay at apartments lengthened from 7.3 days last year to 8.1 days this year.

### 7.2 Cruise Arrivals

During the first three months of 2011, cruise arrivals totalled 510,648 visitors, which is an increase of 8.2% over the first quarter of 2010.

**Figure 11: Cruise Arrivals ('000)**



Source: Department of Tourism

The number of cruise ship calls to George Town port increased by 18.5% from 173 calls in 2010 to 205 during the first quarter of 2011. Correspondingly, cruise passengers per day averaged 5,674 persons, an increase of 429 visitors compared to the first quarter of 2010.

## 8. Construction

### 8.1 Building Permits

Building permit values compared to a year ago slackened further by 20.8% to \$61.1 million, the lowest level in five years. This is also the second straight year of decline.

**Table 14: Building Permits (Jan-Mar)**

	2009	2010	2011	% Change
	Millions of CI\$			
Houses	53.3	27.7	23.0	(16.8)
Apartments	33.2	18.7	24.3	30.3
Commercial	2.4	27.6	11.9	(56.8)
Government	0.1	-	-	-
Industrial	-	0.6	0.5	(16.7)
Other	16.4	2.6	1.3	(49.6)
<b>Total</b>	<b>105.4</b>	<b>77.2</b>	<b>61.1</b>	<b>(20.8)</b>

Source: Planning Department

The contraction is traced to a relapse in non-residential building permit values, whose performance rebounded in 2010 after bottoming in 2009. During the review period, this category contracted by 56.0% from \$28.2 million to \$12.4 million in 2011.

The commercial category experienced the strongest fall-off, of 56.8%.

In the government category, the on-going commitment to deficit reduction correlated with the nil value of building permits in the first quarter of the year.

Residential building permit values edged up by 2.1% to total \$47.4 million, which indicates a modest recovery following the 46.3% decline a year ago. The increase in this category resulted from a 30.3% increase for apartment/condominium which offset the 16.8% decline for houses.

**Table 15: Number of Building Permits (Jan-Mar)**

	2009	2010	2011	% Change
Houses	125	113	89	(21.2)
Apartments	47	36	19	(47.2)
Hotels	0	0	0	-
Commercial	6	37	23	(37.8)
Government	2	1	1	-
Industrial	0	3	1	(66.7)
Other	89	97	46	(52.6)
<b>Total</b>	<b>269</b>	<b>287</b>	<b>179</b>	<b>(37.6)</b>

Source: Planning Department

In the first quarter of 2011, the total number of building permits fell by 19.4% to 179, the lowest since 2004. The decline cut across all categories, except for government.

## 8.2 Project Approvals

The first three months of 2011 saw anew a significant decline in development intentions.

As domestic demand for properties remains subdued, the value of project approvals plummeted by 66.0% to settle at \$31.6 million.

**Table 16: Project Approvals (Jan-Mar)**

	2009	2010	2011	% Change
	Millions CI\$			
Houses	18.9	24.5	22.7	(7.4)
Apartments	65.0	16.5	1.1	(93.1)
Commercial	6.9	33.5	3.4	(90.0)
Government	0.1	0.1	1.9	2,225.0
Industrial	0.4	0.5	0.0	(99.0)
Other	16.1	17.8	2.5	(86.0)
<b>Total</b>	<b>107.5</b>	<b>92.9</b>	<b>31.6</b>	<b>(66.0)</b>

Source: Planning Department

Weaker intensions were pervasive across categories except for the government sector. The latter expanded from \$0.1 million in 2010 to \$1.9 million.

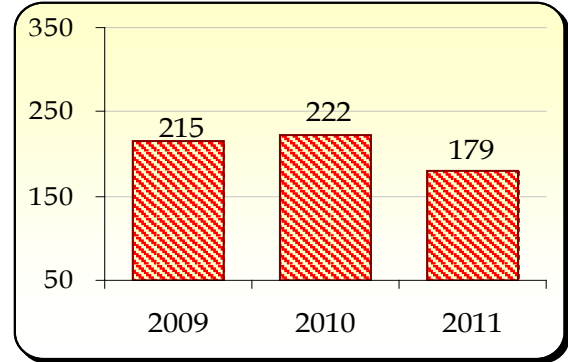
In the residential sector, project approval values for houses, following a 29.6% increase a year earlier fell by 7.4% in 2011 to \$22.7 million. This slide indicates increasing preference for modest-priced housing developments.

In the apartment/condominium category, approval values flattened to a mere \$1.1 million, as developers plausibly hesitate to initiate new projects owing to poor pre-sales of existing projects and reduced foreign investor interest.

In the non-residential sector, project approval values after an upturn in 2010 owing to an expansion of the mega Camana Bay development, dropped back to \$5.3 million, a new trough.

The 19.6% decrease in the number of project approvals from 222 in the first quarter of 2010 to 179 in the same period of 2011 is consistent with the drop in project approval values, with all categories recording declines.

Figure 12: Number of Project Approvals (Jan-Mar)

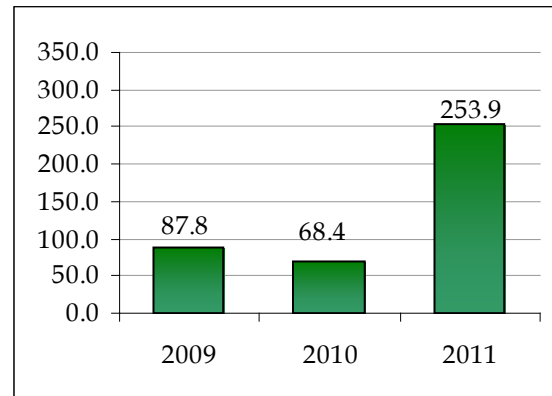


Source: Planning Department

## 9. Real Estate

The value of traded properties at the close of March 2011 spiked to \$253.9 million, compared to the \$68.4 million recorded in the same period last year.

Figure 13: Value of Property Transfers: (CIS\$ Million, Jan-Mar)



Source: Lands & Survey Department

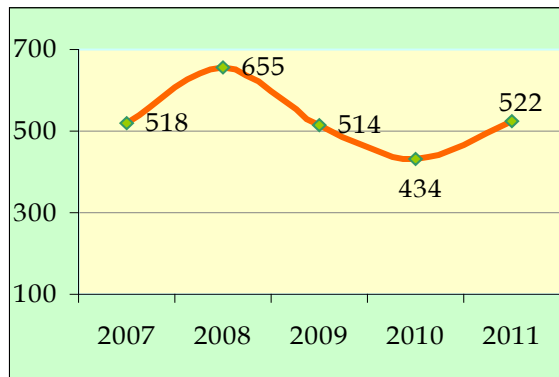
Following two years of decline, the upturn in traded property values is traced to the exceptional sale of large tracts of lucrative Seven Mile Beach

properties belonging to developer Stan Thomas and related companies. The estimated value of these properties was US\$124 million.

Both types of traded properties rose: freehold sales rose by 275.5% to \$250.9 million, and leasehold sales by 67.3% to \$2.6 million.

The volume of traded property also moved upwards by 20.3% to 522.

**Figure 14: Number of Property Transfers: (Jan-Mar)**



Source: Lands & Survey Department

## 10. Utilities

Local electricity production rose by 1.6% to 137.4 kWh as at March 2011 (see Table 17). Total consumption increased by 1.5% (to 125.2 kWh) as at March 2011 due to growth in sales to commercial customers. Commercial consumption grew by 4.0% as the number of commercial customers increased by 1.6% to total 3,810. In contrast, residential consumption fell despite an

increase in the number of residential customers by 2.4% to reach 22,451. Public lighting consumption dipped by 1.0% during the period.

When compared to the first quarter of 2010, water consumption and production decreased by 4.6% and 3.7% respectively, on account largely of a lower population.

**Table 17: Utilities Production/Consumption**

	Mar-10	Mar-11	Change %
Millions of US Gallons			
Water Production	563.4	537.3	-4.6
Water Consumption	502.7	484.2	-3.7
'000 of megawatt hrs			
Electricity Production	135.3	137.4	1.6
Electricity Consumption	123.4	125.2	1.5
Residential	55.8	55.0	-1.4
Commercial	66.1	68.7	4.0
Public	1.6	1.5	-1.0

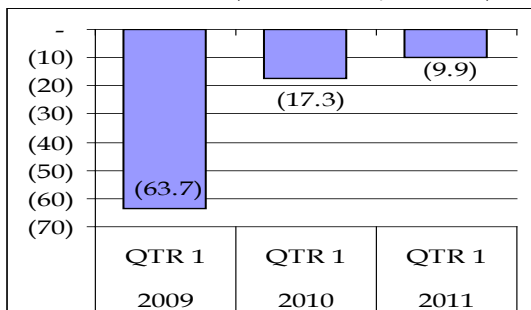
Source: Cayman Islands Water Authority, Cayman Water Company, Caribbean Utilities Company

## 11. Fiscal Operations of Central Government

The overall fiscal balance improved to a deficit of \$9.9 million in the first quarter of 2011 as compared to a deficit of \$17.3 million for the same period a year ago (see Figure 15). This came about as total revenue grew by 11.7% although total expenditure expanded by 4.9%.



**Figure 15: Central Government Fiscal Overall Balance (CI\$ Million, Jan - Mar)**



Source: Cayman Islands Treasury Department

**Table 18: Summary of Fiscal Operations (Jan-Mar)**

	Mar-10	Mar-11	% Change
	CI\$ Millions		
<b>Total Revenue</b>	122.9	137.2	11.7
<b>Total Expenditure</b>	140.2	147.1	4.9
Current Expenditure	124.1	132.3	6.6
Capital Expenditure & Net Lending	16.1	14.8	(8.1)
Current Balance	(1.2)	4.9	510.4
Overall Balance	(17.3)	(9.9)	43.0
<b>Financing</b>	17.3	9.9	(43.0)
Net Borrowing	(3.6)	(33.5)	(824.7)
Change in Cash (minus=increase)	20.9	43.4	107.3

Source: Cayman Islands Treasury Department

## 11.1 Revenue

First quarter total revenue grew by 11.7% to reach \$137.2 million (see Table 19).

Total revenue comprises both coercive (90.1%) and non-coercive revenue (9.9%). Coercive revenue which totalled \$123.7 million increased by 12.2% above the receipts in the preceding year. On the other hand, non-coercive revenue

amounted to \$13.6 million, 6.9% above the comparative period a year ago.

**Table 19: Revenue Collection of the Central Government (Jan-Mar)**

Revenue Sources	Mar-10	Mar-11	% Change
	CI\$ Millions		
<b>Total Revenue</b>	<b>122.9</b>	<b>137.2</b>	11.7
<b>Coercive Revenue</b>	<b>110.2</b>	<b>123.7</b>	12.2
Taxes on Int'l Trade & Transactions	39.3	38.0	(3.2)
Domestic Taxes on Goods & Services	65.5	69.0	5.3
Taxes on Property	4.9	16.2	228.4
Fines	0.5	0.4	(6.8)
Other Taxes	0.0	0.0	
<b>Non-coercive Revenue</b>	<b>12.7</b>	<b>13.5</b>	6.9
Sale of Goods & Services	12.6	13.5	7.2
Investment Revenue	0.1	0.1	(34.3)

Source: Cayman Islands Treasury Department

A decline in the volume of imported goods caused taxes on international trade and transactions to fall anew by 3.2%. In contrast, domestic taxes on goods and services increased by 5.3%, due primarily to the recent spate of revenue measures. Property taxes more than tripled, moving from \$4.9 million to \$16.2 million during the period. This resulted largely from the sale of some properties along the Seven Mile Road.

## 11.2 Expenditure

In the first quarter of 2011, current expenditure grew by 6.6% while capital expenditure and net lending fell by 8.1%. The former was precipitated by strong growth in subsidies, transfer payments and depreciation (see Table 20).

**Table 20: Current Expenditure of the Central Government (Jan-Mar)**

	Mar-10	Mar-11	% Change
	CI\$ Millions		
<b>Current Expenditure</b>	<b>124.1</b>	<b>132.3</b>	6.6
Personnel Costs	58.2	52.4	(10.0)
Supplies & Consumables	24.2	21.9	(9.3)
Subsidies	23.8	37.6	58.4
Depreciation	5.1	6.3	22.5
Transfer Payments	4.5	5.6	24.5
Interest Payments	7.1	7.3	3.6
Extraordinary Expenses	0.4	0.0	(100.0)
Other Executive Expenses	0.9	1.1	32.4

Source: Cayman Islands Treasury Department

During the period, personnel cost fell by 10.0% to \$52.4 million, which resulted from a 3.2% salary cut that started in June 2010 coupled with a reduction in the civil service employment by 1.8% to 3,618 persons.

Supplies and consumables contracted by 9.3% to total \$21.9 million, as austerity measures continued.

Transfer payments which are payments to social welfare programmes moved up by 24.5% to settle at \$5.6 million, as financial assistance (or poor relief) amounted to \$1.5 million while Seaman Ex-Gratia totalled \$1.4 million.

Interest payments increased by 3.6% to \$7.3 million on account of a larger stock of debt, albeit lower than as at December 2010.

Subsidies which are essentially payments to statutory authorities and

corporations increased significantly by 58.4% to \$37.6 million. The majority were allocated to the Cayman Islands Monetary Authority, Health Services Authority and Cayman Islands National Insurance Company.

Depreciation which measures the decline in the value of the fixed assets owned by central government, grew by 22.5% to \$6.3 million.

### 11.3. Net Financing and Debt Service Indicators

The overall balance and debt amortization was financed by a reduction of cash balances amounting to \$43.4 million (see Table 21). Total loan repayment amounted to CI\$33.5 million which was almost ten times the loan repayment a year ago. Meanwhile, no loan disbursements were recorded during the review period.

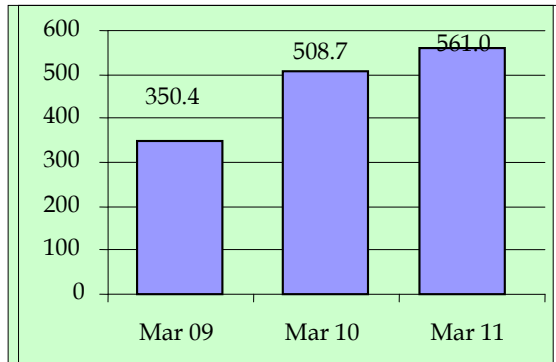
**Table 21: Net Financing (Jan-Mar)**

	Mar-10	Mar-11	% Change
	CI\$ Millions		
<b>Financing</b>	<b>17.3</b>	<b>9.9</b>	<b>(43.0)</b>
Net Borrowing	(3.6)	(33.5)	824.7
Disbursements	0.0	0.0	
Loan Repayment	3.6	33.5	824.7
Change in Cash (minus = increase)	20.9	43.4	107.3

Source: Cayman Islands Treasury Department

The central government's outstanding debt reached \$561.0 million as at March 2011 (see Figure 16).

**Figure 16: Central Government Outstanding Debt  
(CI\$ Millions) as at March**



Source: Cayman Islands Treasury Department

The amortization of central government's outstanding debt has increased the central government's debt service-to-current revenue ratio to 33.0%, from 9.7% as at March 2010.

## ACKNOWLEDGMENT

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**Caribbean Utilities Company**  
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**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**  
**Lands and Survey Department**  
**Port Authority of the Cayman Islands**