



THE CAYMAN ISLANDS' ANNUAL ECONOMIC REPORT 2011

May 2012



The Economics and Statistics Office
Ministry of Finance, Tourism & Development

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1. Executive Summary

1.1 Economic activity in 2011 turned positive following three consecutive years of downturn. Gross domestic product (GDP) rose at an estimated rate of 1.1 percent from a year ago as services sector recovered.

1.2 The estimated mid-year population reached 55,277 falling by 0.4 percent compared to the mid-year population of a year ago. The marginal growth in real GDP and a decline in the mid-year population resulted in a higher real per capita income of \$43,202, 1.5 percent higher than the level in 2010.

1.3 Economic growth in 2011 was stimulated by increased demand for stay-over tourism services, financial services, business services and real estate. Total consumer goods imports grew by 2.3 percent. Government capital spending and total capital imports increased.

1.4 The financial services industry exhibited another year of mixed performance. New company registrations continued its recovery (11.1%) as well as new partnership (22.9%) and stock exchange listing (3.9%). In contrast, downturns were recorded in mutual funds registration (1.9%), insurance licences (0.3%), and banks and trusts by (4.9%).

1.5 Air arrivals continued with another year of strong growth of 7.2 percent. However, cruise visitors slipped by 12.3 percent which resulted in a 9.3 percent fall-off in the total visitor arrivals to 1.71 million in 2011.

1.6 Construction declined in 2011 albeit at a significantly slower rate, as indicated by the value of building permits which slid to \$183.1 million (or 11.0% lower than in 2010). The value of planning approvals also fell by 33.2 percent to reach \$220.8 million. Certificates of occupancy rose in value but declined in number.¹

1.7 Real estate activity rebounded strongly as the number of transferred properties rebounded by 5.5 percent to 1,886, while the total value surged to \$657.9 million due to a few of large transactions.

¹ These indicators pertain to Grand Cayman only.

1.8 The average inflation rate in 2011 was 1.3 percent, higher than the 0.3 percent a year ago due mainly to strong growth of transport, food and electricity indices.

1.9 Total labour force in 2011 was estimated at 37,620, which is 0.8 percent higher than a year ago. The unemployment rate rose slightly to 6.3 percent compared to 6.2 percent in 2010.

1.10 Merchandise imports rose by 10.4 percent to \$762.0 million, mainly reflecting a 43.2 percent increase in the value of fuel imports while non-fuel imports increased by 3.1 percent.

1.11 Broad liquidity (M2) contracted by 10.4 percent to settle at \$4.8 billion (US\$5.7 billion) in 2011. This contraction emanated from an 11.8 percent slump in foreign currency deposits and a 4.6 percent decline in the local currency denominated broad money.

1.12 Domestic credit from commercial banks expanded by \$98.5 million to reach \$3.1 billion. The public sector indebtedness to the local banking sector increased by 37.1 percent while credit to the private sector contracted by 0.2 percent. Private sector credit declined as a total of \$160.2 million were repaid by the services sector, trade and commerce sector and other financial corporations.

1.13 The net foreign asset position of local commercial banks fell by 20.7 percent (or by \$615 million) to \$2.4 billion. The decline stemmed from a reduction in foreign assets and an expansion of foreign liabilities.

1.14 In 2011, central government's total current revenue net of current expenditure amounted to a surplus of \$18.9 million from a deficit of \$3.9 million a year ago. Similarly, the overall balance (total revenue minus total expenditure) recorded a smaller deficit of \$80.3 million, compared to a deficit of \$88.5 million in 2010 due to unexpected growth in revenue. The central government's total outstanding debt expanded by 3.5 percent to \$613.4 million (or 24.9% of GDP) as at December 2011.

1.15 GDP growth projection for 2012 is placed at 1.8 percent, in view of expected continued growth in tourism, construction and financial services. Inflation rate in 2012 is expected to be higher at 2.1 percent arising from oil price increases.

The Cayman Islands Economic Performance: Summary Indicators

Indicators	2009	2010	2011
Real GDP (\$million)*	2,445.6	2,362.9	2,388.1
GDP growth in real terms (percent)*	(6.9)	(3.4)	1.1
Real GDP per capita (in \$)*	43,280	42,559	43,202
Nominal GDP per capita (in \$)*	44,421	43,429	44,657
Nominal GDP (\$million)*	2,510.1	2,411.2	2,468.5
Population (year-end)	56,005	55,036	55,517
<i>Of which Caymanians</i>	31,165	30,979	31,325
Population (mid-year)	56,507	55,521	55,277
Employment	35,958	34,983	35,267
Unemployment rate (percent of labour force)	6.0	6.2	6.3
Inflation rate (percent)	(1.5)	0.3	1.3
Total imports (in \$million)	744.5	690.4	762.0
Total imports (percent of GDP)	29.7	28.6	30.9
Overall fiscal balance of the central government (\$million)	(203.6)	(88.5)	(80.3)
Overall fiscal balance of the central government (percent of GDP)	(8.1)	(3.7)	(3.3)
Outstanding debt of the central government (\$million)	513.5	592.7	613.4
Outstanding debt of the central government (percent of GDP)	20.5	24.7	24.9
Stay-over tourists (in thousands)	272.0	288.3	309.1
Cruise ship passengers (in thousands)	1,520.4	1,597.8	1,401.5
Total money supply (stock M2, in \$million)	5,949.6	5,307.4	4,752.9
Domestic credit (outstanding balance, in \$million)	2,836.8	3,008.1	3,106.6
Mutual funds	9,523	9,438	9,258
Insurance licenses	808	768	766
Banking and trust licenses	266	246	234
Trust companies	136	127	123
Stock exchange listings	1,312	1,113	1,156
New company registrations	7,863	8,157	9,064
Grand Cayman building permits (\$million)	355.0	205.6	183.1
Cayman Islands planning approvals (\$million)	434.2	330.5	251.8
Cayman Islands property transfers (\$million)	416.5	316.4	657.9
Electricity consumption (percent growth)	2.2	(1.3)	0.0
Water consumption (percent growth)	5.8	(2.1)	(0.4)
Total fixed and mobile telephone lines	144,850	137,242	132,349

*Estimated.

2. Global and Regional Macroeconomic Environment

The year in review marked an expansion of the global economy albeit lower than the previous year with varying degrees of growth across regions. This review is based on information culled from the International Monetary Fund and other international organizations.

2.1 Economic Growth

Global output growth in 2011 slowed to 3.9 percent from the 5.3 percent in the preceding year. However, this represents an improvement from the weak and vulnerable recovery expected a year ago because of the legacy of the financial crisis. Economic conditions in the advanced economies became fragile, resulting in a growth of 1.6 percent in 2011, lower than the 3.2 percent growth recorded in 2010 but an improvement on expectations. Emerging and developing countries expanded strongly at a rate of 6.2 percent in 2011, although 1.3 percentage points lower than the preceding year (see Table 2.1).

Economic activity in the United States of America (US) expanded by 1.7 percent during the year as policies geared at improving domestic-driven economic activity resulted in improved financial conditions which supported private demand and increased employment. Similarly, Canadian economic output expanded in 2011 at a rate of 2.5 percent.

Table 2.1: Global Economic Growth

	2008	2009	2010	2011
	in Percent (%)			
World GDP	3.0	-0.5	5.3	3.9
Advanced economies	0.9	-3.4	3.2	1.6
US	1.1	-2.6	3.0	1.7
Euro area	0.9	-4.1	1.9	1.4
Japan	-0.6	-6.3	4.4	-0.7
UK	0.7	-4.9	2.1	0.7
Canada	0.5	-2.5	3.2	2.5
Emerging market and developing countries	6.1	2.7	7.5	6.2
China	9.0	9.2	10.4	9.2
India	7.3	6.8	10.6	7.2

Source: International Monetary Fund (April 2012)

The Euro area recorded economic growth of 1.4 percent in 2011, as countries recovered with uneven pace with Germany leading the growth at 3.1 percent while Greece, Portugal and Slovenia declined. Some periphery countries from the Euro area were challenged with sovereign debt crisis and a general loss of confidence. The United Kingdom (UK) also posted a growth of 0.7 percent.

Emerging and developing economies posted another year of strong economic expansion (6.2%) propelled by resilient domestic demand although external demand dimmed. The 2011 growth in emerging and developing economies was led by China with 9.2 percent and India with 7.2 percent.

The Caribbean region grew by 2.8 percent which is lower than the previous year but higher than 2009, due largely to strong growth in the Dominican Republic (4.5%), Suriname (4.5%), Haiti (5.6%) and Guyana (4.2%). However, growth in some of the English-speaking Caribbean economies remained subdued as Trinidad and Tobago, Antigua and Barbuda, St. Kitts and Nevis, and St. Vincent and the Grenadines recorded economic contraction in 2011.

Table 2.2: Caribbean Region Economic Growth

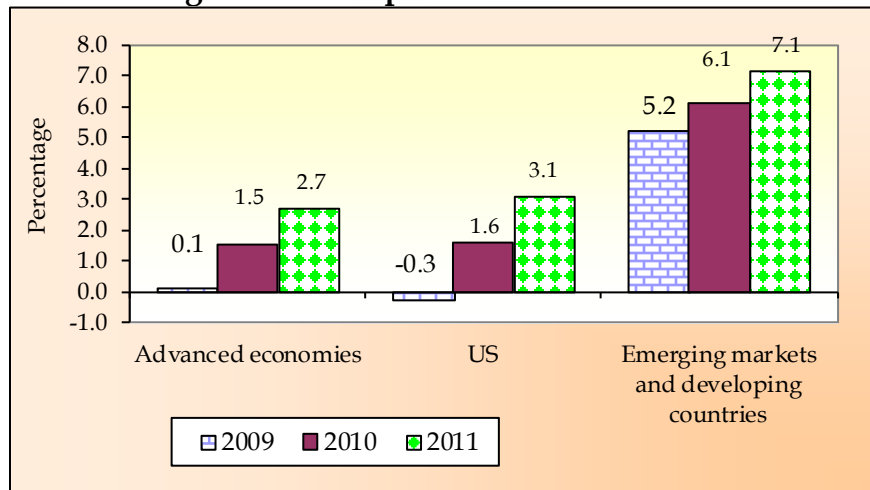
	2008	2009	2010	2011
	in Percent (%)			
Caribbean	2.9	0.4	3.4	2.8
Bahamas	-1.3	-5.4	1.0	2.0
Barbados	-0.2	-4.2	0.2	0.5
Trinidad & Tobago	2.7	-3.3	0.0	-1.3
Jamaica	-0.8	-3.1	-1.4	1.5
OECS				
Antigua & Barbuda	1.5	-10.3	-8.9	-0.5
Dominica	7.8	-0.7	0.3	0.5
Grenada	1.7	-5.7	-1.3	1.1
St. Kitts & Nevis	4.0	-5.6	-2.7	-2.0
St. Lucia	5.8	-1.3	3.4	0.2
St. Vincent & the Grenadines	-0.6	-2.3	-1.8	-0.4

Source: International Monetary Fund (April 2012)

2.2 Inflation

Inflation surged to 2.7 percent among advanced economies in 2011, led by the US with 3.1 percent. Commodity prices remained high but were marginally lower than the previous year while oil prices moved higher. Oil prices rose sharply during 2010 and early 2011 to about US\$115 a barrel, then eased to about US\$100 a barrel. The general price level in emerging markets and developing countries grew at a much stronger rate of 7.1 percent due to strong domestic demand coupled with tighter monetary policy and higher energy prices.

Figure 2.1: Comparative Inflation Rates:



Source: International Monetary Fund (April 2012)

Inflationary pressures in the Caribbean were marginally stronger resulting in an average inflation rate of 7.2 percent in 2011 from the 7.1 percent of the previous year, fuelled mainly by higher energy prices in most countries.

Table 2.3: Inflation Rates: Caribbean Region

	2008	2009	2010	2011
	in Percent (%)			
Caribbean	12.0	3.6	7.1	7.2
<i>of which:</i>				
Bahamas	4.4	2.1	1.0	2.5
Barbados	8.1	3.7	5.8	9.4
Trinidad & Tobago	12.0	7.0	10.5	5.1
Jamaica	22.0	9.6	12.6	7.5

Source: International Monetary Fund (April 2012)

2.3 International Finance

The overall fiscal deficit among advanced economies continued to improve, as it narrowed from 10.0 percent in 2009 and to 8.7 percent in 2010 and now to 7.7 percent in 2011 due to fiscal tightening. The US general government's fiscal deficit or net borrowing² narrowed from 10.5 percent of GDP in 2010 to 9.6 percent of GDP in 2011. Similarly, the overall fiscal deficit of the Euro area improved from 6.2 percent of GDP in 2010 to 4.1 percent of GDP in 2011 while the UK fiscal deficit in 2011 move down to 8.7 percent of GDP from 9.9 percent in 2010.

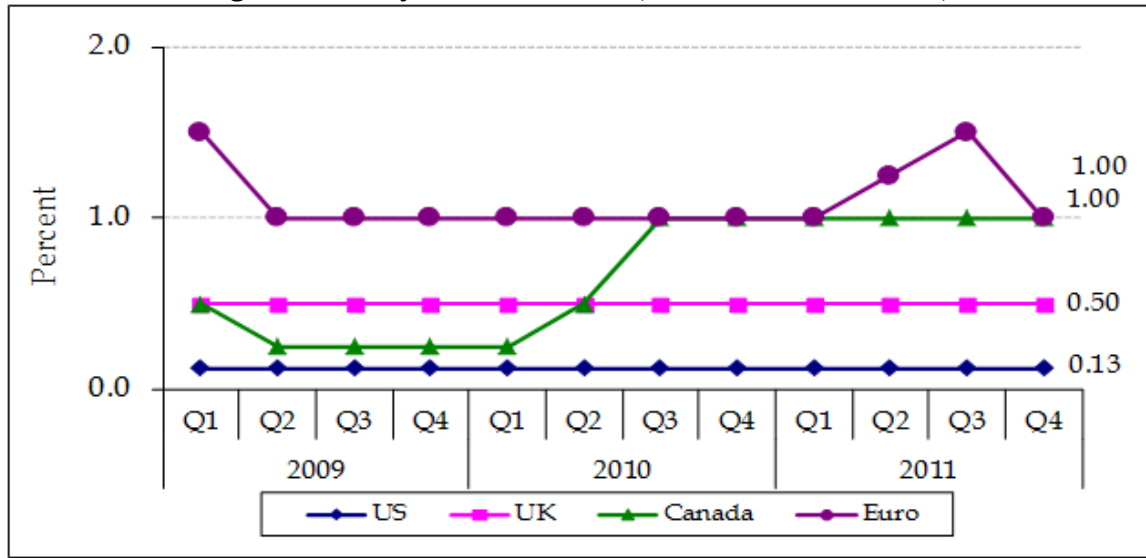
Interest rate policies across our major source markets remained stable in 2011. In the US, the Federal Reserve maintained its interest rate from December 2008 to a range of 0 to 0.25 percent and recently announced its intention to hold it stable until 2014. The Bank of England maintained its interest rate³ at 0.5 percent. Likewise, in an effort to balance growth activity in the Euro zone economy, the European Central Bank in the second and third quarters raised the key interest rate⁴, however, in the last quarter reverted it to 1.0 percent in an effort to stem the fiscal crisis that engulfed the region. Bank of Canada also maintained its key interest rates during the year at 1.0 percent (see Figure 2.2).

² Net lending/borrowing is equal to total revenue less total expenditure less net acquisition of nonfinancial assets and liabilities. It is viewed as an indicator of the financial impact of governments' activity on the rest of the economy.

³ The Bank of England's key interest rate is also called **current official bank rate**.

⁴ The ECB's key interest rate is for **main refinancing operations** which provide the bulk of liquidity to the banking system.

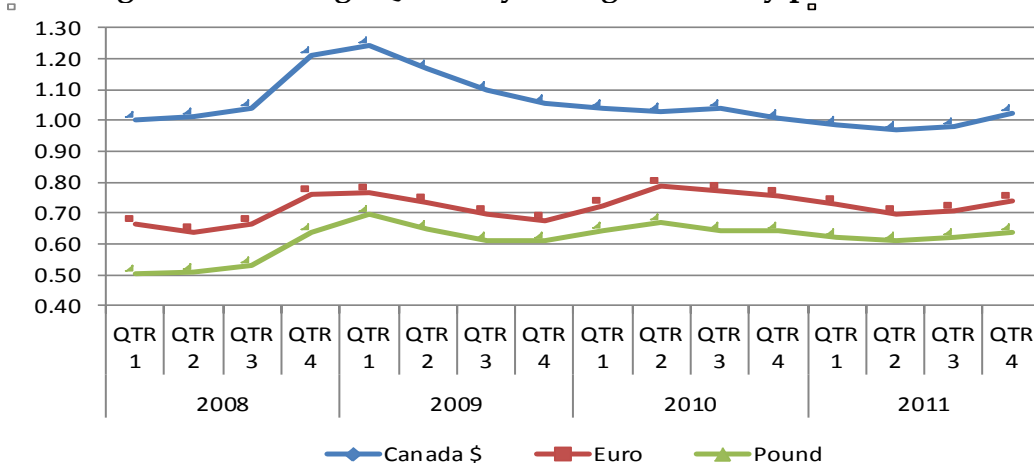
Figure 2.2: Key Interest Rates (% , at End of Quarter)



Source: Bank of England, Federal Reserve Bank, European Central Bank & Bank of Canada

The U.S dollar generally appreciated against the Canadian dollar, Euro and the UK pound for the first half of 2011, however, it depreciated slightly in the last half of the year as exhibited in Figure 2.3. All currencies pegged to the US dollar (including the Cayman Islands dollar) would have followed the same path as the US dollar during the review period.

Figure 2.3: Average Quarterly Foreign Currency per U.S dollar



Source: United States Federal Reserve Bank

2.4 Regional and International Tourism⁵

Based on recent World Tourism Organization (WTO) figures, global tourist arrivals grew by an estimated 4.4 percent to tally at 980 million in 2011. When examined separately, Europe displayed the strongest growth when compared to emerging regions, boosting the overall results for advanced economies. Specifically, part of the growth in the Southern Mediterranean Europe resulted from “a shift in traffic away from the Middle East and North Africa, while destinations in the Mediterranean also profited from improved outbound flows from markets such as Scandinavia, Germany and the Russian Federation.”

Meanwhile, the Caribbean regional tourism market grew at a slower rate of 3.3 percent to reach 238 million as the main source markets were impacted by various factors including continued high unemployment levels and unsteady fuel prices. As revealed by the Caribbean Tourism Organization (CTO), Canada maintained its lead as a growing source market with inflows to the region rising by 6.8 percent. Majority of the Canadian arrivals in 2011 visited destinations such as Cancun, Cuba and the Dominican Republic as in previous years.

In contrast, weak economic conditions in the European markets impacted results within the Caribbean as arrivals from the region grew by 1.2 percent. This was largely associated with the modest 1.8 percent increase noted for the Organization of Eastern Caribbean States (OECS) and the 1 percent rise in arrivals to the other CARICOM countries.

Among the sub-regions, the Commonwealth countries (i.e. CARICOM, Bermuda, British Virgin Islands and the Cayman Islands) expanded by a combined rate of 2.2 percent. Among the individual countries, the strongest growing countries in terms of stay-over arrivals in 2011 were Curacao (14.2%), Suriname (7.9%), Cuba (7.3%), the Cayman Islands (7.2%) and Barbados (6.7%).

⁵ Sources of basic information: World Tourism Organization website, Caribbean Tourism Organization website.

3. Macroeconomic Performance

The domestic economy rebounded to improve real per capita income. However, the unemployment rate remained high. The general price level increased modestly mainly due to higher international fuel and food prices.

3.1 Economic Growth

In 2011, domestic output staged a turn-around following three consecutive years of contraction. The increased economic activity originated in the services sectors, especially within the hotels and restaurants, and real estate, renting and business activities sectors.

Real Gross Domestic Product (GDP) in 2011 was estimated to have expanded by 1.1 percent to reach \$2.5 billion. This was largely influenced by an estimated 1.2 percent increase in value added within the services sector which accounts for approximately 94.9 percent of GDP.

Table 3.1: Cayman Islands' Gross Domestic Product

	2007	2008	2009	2010	2011 ^E
GDP at Current Prices (\$M)	2,637.1	2,661.5	2,510.1	2,411.2	2,468.5
<i>Current GDP growth (%)</i>	7.7	0.9	(5.7)	(3.9)	2.4
Per Capita GDP at constant 2007 prices (CI\$) ¹	48,763	46,927	43,280	42,559	43,202
GDP at constant 2007 prices (\$M)	2,637.1	2,627.8	2,445.6	2,362.9	2,388.1
<i>Real GDP growth (%)</i>	4.3	(0.4)	(6.9)	(3.4)	1.1

¹ Using mid- year population figures.

^E Preliminary estimates based on sector economic indicators

Source: Economics & Statistics Office

Per capita income at constant prices rose by 1.5 percent to \$43,202 as GDP expanded coupled with a lower mid-year population (see Table 3.1). The latter is traced to a reduction in the transient portion of the population (non-Caymanians) as of end 2010, as the population as of end 2011 grew marginally. The 2011 population upturn resulted, as the full effects of the roll-over policy was mitigated with temporary policy measures which included Term Limit

Exemption Permits⁶ and a Specialist Caregiver Certificate⁷, which allowed expatriate labour to stay longer on the islands.

Expansion in economic activity was strongest in hotels and restaurants, real estate, and renting and business activities, financing and insurance services, and wholesale and retail trade.

As shown in Table 3.2, the hotels and restaurants sector was estimated to have increased by 6.4 percent as a result of higher quantity of stay-over visitors (see Section 4.2).

Financing and insurance services which accounted for approximately 41.9 percent of GDP was estimated to have expanded by 0.6 percent compared to a decline of 4.8 percent a year ago (see also Section 4.1). This resulted as financing services expanded by 1.1 percent based on anticipated higher earned interest in the local banking sector and a stable flow of financial services. However, insurance services declined by 1.4 percent.

Wholesale and retail trade activity increased by 1.4 percent as indicated by the growth in imported consumer and intermediate goods. Real estate, renting and business activities was estimated to have grown by 3.1 percent, as both business services and real estate activities picked up based on the value of property transfers and registration of new companies. Transportation, storage and communication fell by 1.4 percent as growth in stay-over tourism transportation was outweighed by the estimated declines in cruise visitors, cargo transportation and telecommunication activities.

Construction activity fell for the third consecutive year, this time by an estimated 1.3 percent, following previous reductions of 29.3 percent and 23.7 percent for 2009 and 2010 respectively. The current decline is associated with a 12.2 percent drop in building permits although imported building materials more than doubled partly due to duty free concessions from a one-year building incentive

⁶ Term Limit Exemption Permit which, if granted, will allow them to remain employed in the Islands, either for their last employer or for a new employer, for up to two years from 28 October 2011 even though their term limit has expired.

⁷ The Certificate for Specialist Caregivers is for persons who have worked in the Cayman Islands as a domestic helper, nanny or nurse or in some other care-giving capacity for a sick, elderly or handicapped person and who, due to the expiry of their term limit, are no longer able to continue in that employment. A Certificate for Specialist Caregivers is issued for a (renewable) period of five years and entitles the holder to continue to work for their present or former employer.

scheme. The smaller decline in construction was supported by an increase in government investment expenditure by 17.2 percent through capital and net lending expenditures of the central government as the construction of school continued (see Section 5).

The value added of government services fell by 0.2 percent due to the combined effects of lower staff levels, reinstatement of the cost of living adjustment in December 2011 and higher government consumption expenditure (see also Section 5).

Table 3.2: Real GDP at 2007 prices by Sector (\$ million)

	2008	2009	2010	2011 ^E	% Change
	Millions of Cayman Islands Dollars				
Primary Sector	29.4	29.2	27.0	25.9	(4.1)
Agriculture & Fishing	8.1	8.9	8.7	8.1	(6.9)
Mining & Quarrying	21.4	20.3	18.3	17.8	(2.7)
Secondary Sector	168.9	125.2	98.6	97.0	(1.6)
Manufacturing	26.5	24.5	21.8	21.2	(2.8)
Construction	142.4	100.7	76.8	75.8	(1.3)
Services Sector	2,429.5	2,291.2	2,237.3	2,265.2	1.2
Electricity & Water Supply	92.4	95.3	93.5	93.5	-
Electricity	58.3	59.3	58.9	59.0	0.2
Water Supply	34.1	36.0	34.6	34.5	(0.3)
Wholesale & Retail Trade, Repairs & Installation of Machinery	244.5	216.4	199.1	201.9	1.4
Hotels & Restaurants incl. Bars	134.3	120.6	129.0	137.2	6.4
Transport, Storage & Communication	217.7	213.7	209.2	206.2	(1.4)
Financing & Insurance Services	1,225.9	1,043.7	993.8	999.7	0.6
Real Estate, Renting & Business Activities	592.9	587.5	584.3	602.3	3.1
Business Activities	317.2	323.0	328.0	338.3	3.1
Real Estate	221.5	213.2	206.8	214.6	3.8
Administrative & Support Services	54.2	51.2	49.5	49.4	(0.2)
Producers of Government Services	329.7	323.2	314.9	314.4	(0.2)
Other Services	82.0	80.1	78.9	79.3	0.5
Financial Services Indirectly Measured (FISIM)*	489.9	389.3	365.4	369.3	1.1
GDP constant at basic prices	2,627.8	2,445.6	2,362.9	2,388.1	
Growth (%)	(0.4)	(6.9)	(3.4)	1.1	

^E Preliminary estimates based on sector economic indicators.

*Financial Intermediation Services Indirectly Measured (FISIM) is the difference between the interest rates charged to borrowers and the interest rates paid to lenders. It is an implicit charge to customers for the service provided by financial intermediaries.

Source: Economics & Statistics Office

3.2 Inflation

In 2011, consumer prices rose on average by 1.3 percent, as compared to 0.3 percent in the preceding year. For the second consecutive year, inflation can be traced mainly to the sharp movement of fuel prices and higher food prices.

Table 3.3: Average Inflation Rates

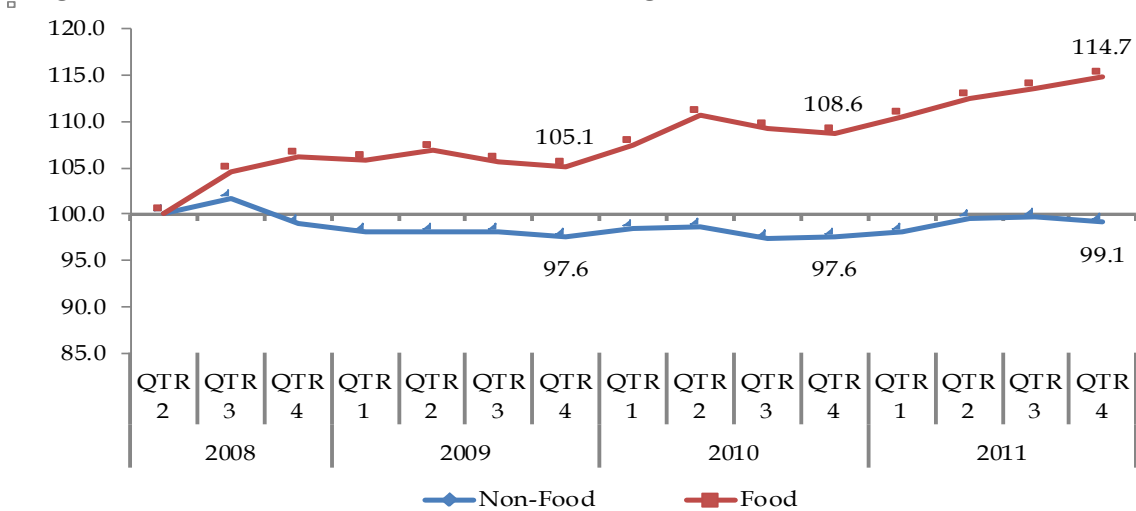
Categories	Avg Inflation Rates (%)	
	2010	2011
Food & Non Alcoholic Beverages	3.0	3.5
Alcohol and Tobacco	10.2	0.3
Clothing and Footwear	-0.2	0.1
Housing and Utilities	-4.0	-1.1
Household Equipment	0.6	1.0
Health	1.2	1.0
Transport	8.1	10.6
Communication	2.1	1.3
Recreation and Culture	1.2	0.5
Education	1.7	0.9
Restaurants and Hotels	5.1	1.0
Misc. Goods and Services	1.6	0.9
Overall CPI Inflation	0.3	1.3

Source: Economics & Statistics Office

During the year, all major categories of CPI inflation increased except housing and utilities (see Table 3.3). The indices for restaurants and hotels, health and household increased by 1.0 percent while education and miscellaneous goods and services grew by 0.9 percent. The transport index recorded the largest average increase of 10.6 percent which was affected by higher cost associated with higher prices of fuel and lubricants during the period.

Since the rebased CPI index in the second quarter of 2008 (see Figure 3.2), food and non-alcoholic beverages index held a more or less consistent upward trajectory. The food index stood at 114.7 which increased by approximately 14.7 percent since the second quarter of 2008. The average food inflation in 2011 stood at 3.5 percent, having been positive in all four quarters of the year and with stronger average growth in the last two quarters (see Table 3.4). The main reasons are high international oil prices arising from a recent boom in bio-fuels and increased demand for agricultural commodities coupled with adverse weather conditions in the major source markets.

Figure 3.1: Food and Non-alcoholic Beverages vs. Non-food Inflation Indices



Source: Economics & Statistics Office

The housing and utility index is the highest weighted category of the consumer price index basket at 39.4 percent which exerts significant influence on the rate of inflation. In 2011, average housing and utilities inflation declined by 1.0 percent despite a hike in electricity inflation of an average 19.2 percent. Housing inflation (housing excluding utilities) was influenced by the combined forces of actual rental for housing which on average went down by 0.2 percent and the imputed rentals of owner-occupied housing which fell by 7.4 percent. Meanwhile, the average price of electricity increased continuously since the fourth quarter of 2009⁸ as international oil prices surged during the first four months of 2011 from US\$95 per barrel to approximately US\$115 per barrel, and oscillated between US\$100 per barrel and US\$115 per barrel for the remainder of the year.

Overall, consumer price index inflation when housing and utilities is excluded averaged 2.7 percent in 2011 which is indicative of the dampened impact of housing and utility component on the annual inflation.

⁸ The electricity inflation for the fourth quarter of 2009 was 9.5%. The others are displayed in Table 3.4.

Table 3.4: Selected Quarterly Inflation Rates

		% Change over the same Quarter a Year Ago						
		CPI Inflation	Non Food Inflation	CPI: Excluding; Food & Electricity	CPI: Excluding; Housing & Utilities	Food Inflation	Housing & Utilities Inflation	Electricity Inflation
2010	QTR 1	0.4	0.3	-0.5	2.3	1.5	-2.8	19.0
	QTR 2	0.7	0.5	-0.3	2.5	3.5	-2.2	28.4
	QTR 3	-0.3	-0.6	-1.7	3.3	3.5	-6.0	24.1
	QTR 4	0.3	0.0	-0.7	3.4	3.4	-4.9	13.8
Annual average 2010		0.3	0.0	-0.8	2.9	3.0	-4.0	21.3
2011	QTR 1	0.0	-0.2	-1.0	2.8	2.7	-4.6	14.8
	QTR 2	1.0	0.9	-0.2	3.2	1.6	-2.9	23.8
	QTR 3	2.4	2.3	1.2	2.5	4.0	2.4	22.5
	QTR 4	1.9	1.5	0.7	2.3	5.6	1.0	15.7
Annual average 2011		1.3	1.1	0.2	2.7	3.5	-1.0	19.2

Source: Economics & Statistics Office

3.3 Labour Force and Employment

Labour market indicators improved slightly in 2011, supported by modest economic growth and a slight increase in the population. The labour force edged upwards by 0.8 percent to settle at 37,620 partly recovering from the 2.5 percent decline a year earlier.

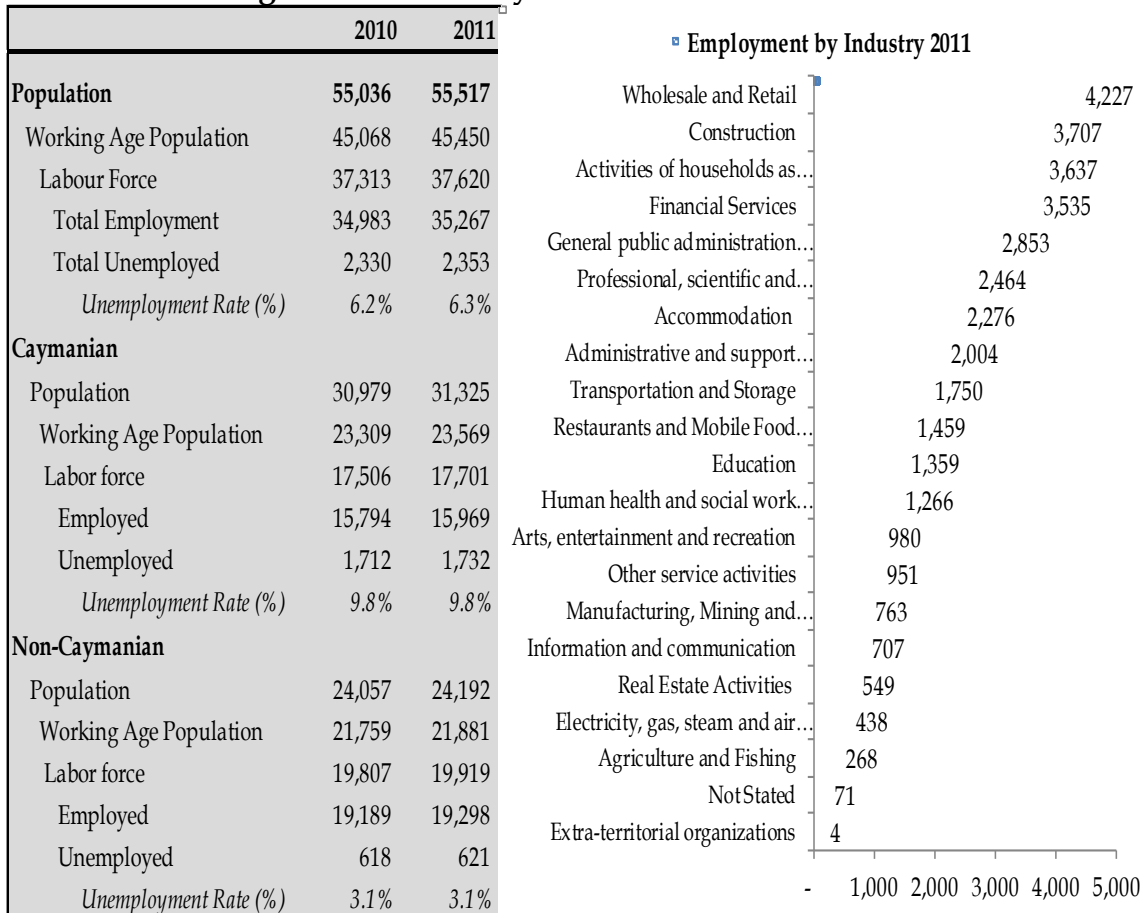
After weakening in 2009 and 2010, employment inched up by 0.2 percent (284 persons) to 35,068. Amongst the employed, Caymanians benefitted most with the number of employed Caymanians rising by 1.1 percent to 15,969 compared to the 0.6 percent increase for Non-Caymanians.

Among the industries, those with higher employment include households (20.3%), administrative and support service activities (10.6%) and real estate activities (2.0%). Strong tourist arrivals also supported employment growth in the transport and storage (4.0%) and accommodation industries (3.9%) (See Figure 3.2). Shrinking employment activity persisted in construction (-6.3%) and related manufacturing, mining and quarrying (-7.5%), financial services (-2.8%) and education (-6.9%).

The overall number of unemployed persons totalled 2,353 with the unemployment rate rising by 0.1 percentage points to 6.3 percent. The number of Caymanians unemployed reached 1,732 persons resulting in a Caymanian

unemployment rate of 9.8 percent in 2011. The unemployment rate for Non-Caymanians remains substantially lower at 3.1 percent with 621 persons recorded as unemployed.

Figure 3.2: Summary of Labour Force Indicators^a



a- data for 2010 is from the Census and 2011 is from the Labour Force Survey

Source: Economics & Statistics Office

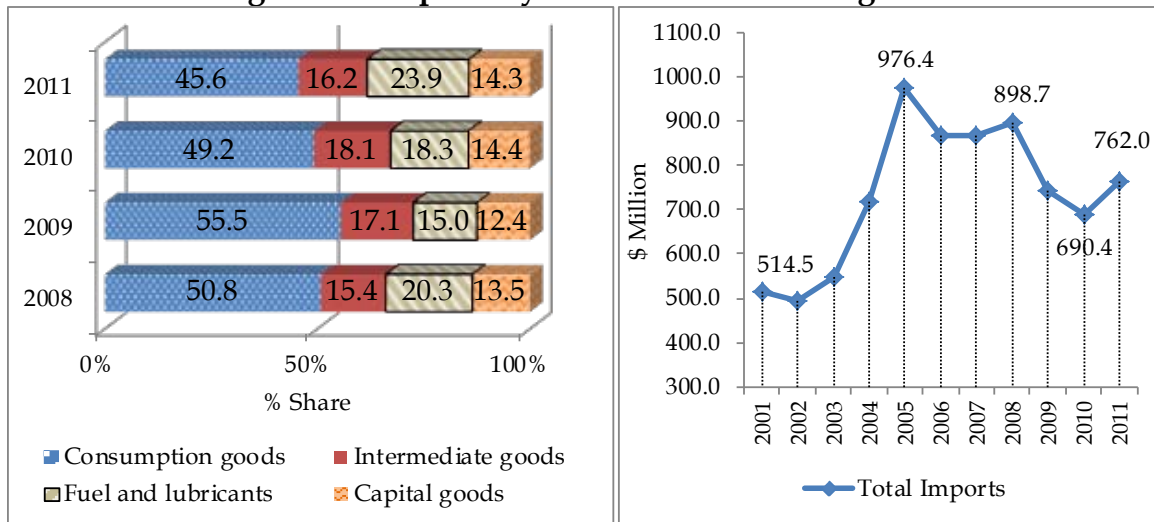
As depicted in Figure 3.2, the wholesale and retail industry continues to account for the largest number of employment with 12.0 percent of total employment. This is followed by construction (10.5%), households with employees (10.3%), financial services (10.0%) and public administration (8.1%).

Foreign employment levels, as measured by work permits issued by the Immigration Department, continued to subside in 2011 although the rate of decline moderated from the strong downturn a year earlier. At the close of the year, work permits contracted by 2.9 percent from the 20,452 recorded a year ago to 19,852, a smaller fall than the 13.1 percent decline in 2010.

3.4 External Sector

Imports. Total merchandise imports rebounded in 2011 to grow by 10.4 percent to reach \$762.0 million⁹. The growth in trade was predominantly from higher value of oil and petroleum products imports which accounted for 24.1 percent of total imports. Oil and petroleum products import increased by 43.2 percent to total \$183.4 million while non-oil related imports expanded by 3.1 percent to total \$581.8 million. The value of imported consumption goods increased by 2.3 percent, supported by strong growth in stay-over tourism. Capital goods increased by 9.8 percent while intermediate goods declined by 3.0 percent.

Figure 3.3: Imports by Broad Economic Categories



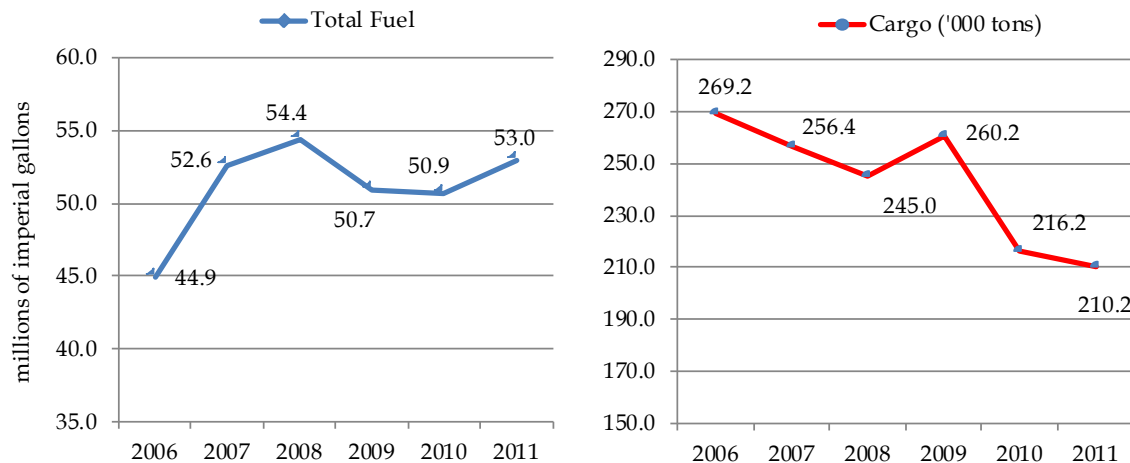
Source: Economics and Statistics Office

Contributing to the growth in value of fuel imports during the period was the increase in the fuel volume, albeit at a lower percentage of 4.1 percent, to reach 53.0 million imperial gallons. All types of fuel imports increased during this period.

Overall, the volume of imported cargo declined by 2.8 percent to 210.2 thousand tons. However, imported aggregates which is used in the construction sector increased by 8.2 percent to 143.5 thousand tons in 2011. The latter may be partly due to the reduction of import duty on building materials from 22 percent to 11 percent, a concession granted by Cabinet for 2011.

⁹ Value of imports and export includes cost of insurance and freight.

Figure 3.4: Quantity of Imported Fuel and Cargo



Source: Customs Department and Port Authority of the Cayman Islands

Exports. Total merchandise exports in 2011 reached \$19.2 million, a 70.3 percent increase compared to the previous year. This was due mainly to re-export of goods.

Current Account. The country's current account deficit was estimated to have widened by 11.5 percent to \$455.0 million, or 18.4 percent of GDP in 2011 (see Table 3.5) due mainly to an increase in outflow of funds arising from higher merchandise imports. In addition, the growth in receipts was at a slower pace in 2011 (2.7%) compared to 2010 (3.9%).

Inflows from tourism visitor expenditure and financial services dominated the inflow of funds. Tourism visitor expenditure was estimated at \$398.0 million, up by 1.4 percent despite strong growth in air arrivals in view of a large reduction in cruise arrivals. Meanwhile, receipts from financial services rose by 4.9 percent to \$415.0 million as new company registrations rebounded. Workers remittances narrowed as less money are remitted due to a reduction of work permit holders.

Table: 3.5: Balance of Payments (in CI\$ million)*

	2008	2009	2010	2011 ^E
Current Account Balances				
Trade balance	(758.1)	(619.7)	(584.8)	(645.6)
Exports, f.o.b.	28.4	38.7	33.8	40.0
Imports, f.o.b.	(786.5)	(658.4)	(618.6)	(685.6)
Services, net	605.5	464.6	474.5	488.8
Receipts	1,280.7	1,141.3	1,185.7	1,217.2
o/w tourism visitor expenditure	433.0	378.4	392.4	398.0
o/w financial services	501.0	379.0	395.7	415.0
Payments	(675.2)	(676.7)	(711.3)	(728.4)
Net income	(109.2)	(87.2)	(155.6)	(158.8)
Transfers, net	(182.4)	(177.8)	(142.3)	(139.3)
Current Account Balance	(444.2)	(420.1)	(408.2)	(455.0)
<i>Percent of GDP (%)</i>	(16.7)	(16.7)	(16.9)	(18.4)
Financial and Capital Account, net*	439.7	419.1	398.8	460.3
Balance of Payments	(4.5)	(1.0)	(9.4)	5.3
Change in Reserves**	4.5	1.0	9.4	(5.3)

^E Estimated based on selected economic indicators

f.o.b - Free on board (excludes insurance and freight)

* Includes overall errors and omissions

** Changes in foreign currency reserves of the Cayman Islands Monetary Authority's Currency Board

Source: Economics and Statistics Office

3.5 Money & Credit

Broad Liquidity. Broad liquidity (M2) comprising CI dollar-denominated money and foreign exchange deposits contracted for the second consecutive year. After falling by 10.8 percent in 2010, broad liquidity narrowed further by 10.4 percent to settle at \$4,752.9 million in 2011 (see Figure 3.5 and Table 3.6). The contraction in 2011 emanated from an 11.8 percent slump in foreign currency deposits coupled with a 4.6 percent decline in the local currency money supply (M2).

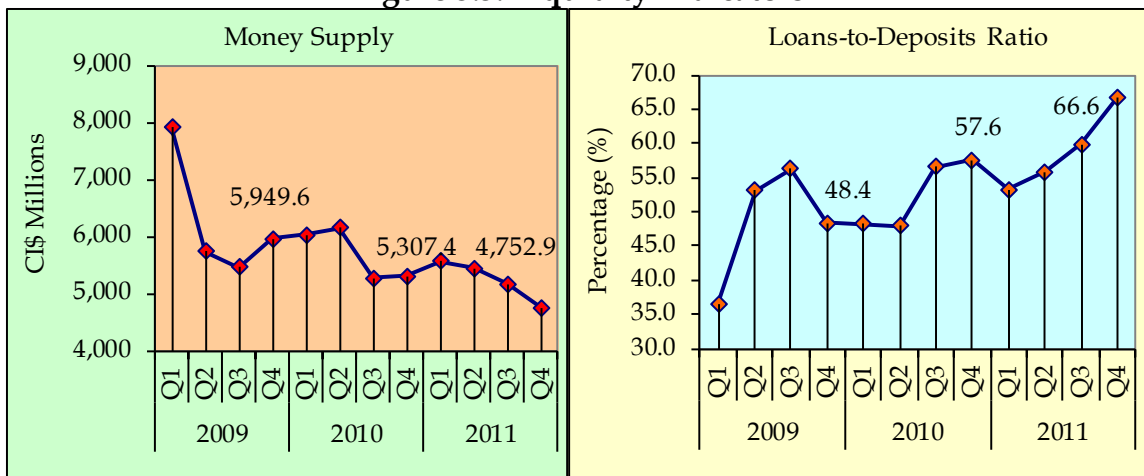
The decline in foreign currency deposits was triggered by a reduction of US dollar-denominated deposits by 10.5 percent. This could have resulted from the

outflows of foreign currency in search of higher returns in the wake of a dimmed global recovery and minimal local investment opportunities.

Broad money comprising of local currency (KYD) deposits and currency in circulation fell by 4.6 percent to \$935.9 million. This resulted from a decrease in KYD deposits by 5.6 percent while currency in circulation expanded by 5.3 percent.

The overall loan-to-deposit ratio of commercial banks increased due to marginally higher loan balances and a simultaneous significant reduction in local and foreign currency deposits amounting to approximately \$559 million. In 2011, this ratio averaged 66.6 percent as compared to 57.6 percent in 2010; the increase is traced to higher government borrowings during 2011.

Figure 3.5: Liquidity Indicators



Source: Cayman Islands Monetary Authority & ESO

The contraction in broad liquidity was associated with a 20.7 percent reduction in net foreign assets of local commercial banks. Net domestic assets rose by \$55.3 million (or 2.5 percent) as domestic credit rose by 3.3 percent.

Table 3.6: Monetary and Banking Summary, in CI\$ million

	Dec-08	Dec-09	Dec-10	Dec-11	% Change
Total Assets	5,568.2	5,949.6	5,307.4	4,752.9	(10.4)
Net Foreign Assets	3,579.1	3,981.1	3,056.5	2,446.7	(20.0)
Monetary Authority	101.6	100.4	89.4	94.6	5.8
Commercial Banks	3,477.5	3,880.7	2,967.1	2,352.1	(20.7)
Net Domestic Assets	1,989.1	1,968.5	2,250.9	2,306.2	2.5
Domestic credit	2,763.1	2,836.8	3,008.1	3,106.6	3.3
Claims on central government	271.7	172.1	219.0	293.7	34.1
Claims on other public sector	54.0	66.5	59.8	88.6	48.2
Claims on private sector	2,437.5	2,598.1	2,729.3	2,724.3	(0.2)
Other items net	(774.0)	(868.3)	(757.2)	(800.4)	5.7
Broad Liquidity	5,568.2	5,949.6	5,307.4	4,752.9	(10.4)
Broad money (KYD) M2	1,017.7	962.2	981.1	935.9	(4.6)
Currency in circulation	83.6	87.5	85.2	89.7	5.3
KYD Deposits	934.1	874.6	895.9	846.1	(5.6)
Demand deposits	250.7	254.5	298.9	237.7	(20.5)
Time and savings deposits	683.3	620.1	597.0	608.4	1.9
FOREX deposits	4,550.5	4,987.5	4,326.2	3,817.0	(11.8)
<i>of which: US dollars</i>	4,218.7	4,316.0	3,632.8	3,251.6	(10.5)
<i>US dollars share (%)</i>	92.7	86.5	84.0	85.2	

Source: Cayman Islands Monetary Authority & ESO

Net foreign assets. Net foreign assets (NFA) of the Cayman Islands Monetary Authority's (CIMA) expanded by 5.8 percent while the commercial banks' NFA declined by 20.7 percent during the period (see Table 3.7). CIMA's NFA rose by \$5.2 million during the period following declines for the last two years. The reduction of commercial banks' NFA stemmed from an increase in foreign liabilities by 16.5 percent as non-resident deposits grew by \$504 million while foreign assets fell by 1.5 percent due to reductions in balances in banks and branches.

The ratio of foreign currency-denominated liabilities to total liabilities (a financial soundness indicator which measures the relative importance of foreign currency funding within total liabilities) stood at 80.3 percent in 2011. This represented a slight fall compared to 81.5 percent in 2010 and 83.8 percent in 2009. This is an indication that foreign currency continued to be an important source of funding

in the Cayman Islands' "dollarized economy", supporting the fixed exchange rate in the currency board system.

Table 3.7: Net Foreign Assets, CI\$ million

	Dec-08	Dec-09	Dec-10	Dec-11	% Change
Net Foreign Assets	3,579.1	3,981.1	3,056.5	2,446.7	(20.0)
Monetary Authority	101.6	100.4	89.4	94.6	5.8
Commercial Banks	3,477.5	3,880.7	2,967.1	2,352.1	(20.7)
Foreign Assets	7,430.7	6,630.9	6,140.1	6,049.7	(1.5)
Bal. with Banks & Branches	4,450.8	3,923.2	3,785.8	3,569.2	(5.7)
Total Investment	1,427.8	1,170.9	906.7	963.3	6.2
Total Non-Resident Loans	1,552.1	1,536.8	1,447.6	1,517.2	4.8
Foreign Liabilities	3,953.2	2,750.2	3,173.0	3,697.6	16.5
Total Non-Resident Deposits	3,732.7	2,677.9	3,076.2	3,580.2	16.4
Other Liabilities	220.5	72.3	96.8	117.4	21.3

Source: Cayman Islands Monetary Authority & ESO

Net domestic assets. The expansion in net domestic assets was precipitated by the continued growth in domestic credit which went up by 3.3 percent to \$3,106.6 million. This was due to the growth in public sectors' stock of debt and a simultaneous decline in private sector loans. Credit to the public sector increased by 37.1 percent as central government debt from commercial banks expanded to \$293.7 million (see Tables 3.6 and 3.8). Credit allocated to the private sector fell marginally by 0.2 percent as credit to businesses contracted while household credit expanded.

Table 3.8: Net Domestic Assets, CI\$ million

	Dec-08	Dec-09	Dec-10	Dec-11	% Change
Domestic Assets	2,763.1	2,836.8	3,008.1	3,106.6	3.3
Domestic Credit to Public Sector	325.6	238.7	278.8	382.3	37.1
Domestic Credit to Private Sector	2,437.5	2,598.1	2,729.3	2,724.3	(0.2)

Source: Cayman Islands Monetary Authority & ESO

Credit to households which constituted 63.0 percent of total credit to the private sector rose by 2.2 percent during the period, as credit for domestic property and miscellaneous purposes expanded (see Table 3.9). Credit for miscellaneous items include consolidated debt, insurance, medical and travel. New credit for domestic property rose by \$28.6 million in 2011 although this new lending was lower than the \$82.9 million and \$79.8 million in 2010 and 2009 respectively. Approximately 96 percent of the new borrowing for domestic property occurred

in the latter half of 2011 (these late disbursements are expected to have some spill-over economic effects for 2012).

Credit to the business sector which accounted for 37.0 percent of total credit to the private sector contracted by 4.0 percent, as credit to the service sectors, trade and commerce, and other financial corporations declined by 20.7 percent, 15.5 percent, and 49.6 percent, respectively. Meanwhile, lending to the manufacturing sector expanded on account of higher borrowing for construction which increased by 61.1 percent or \$133.4 million. The vast majority of this borrowing by the commercial construction sector occurred in the first quarter which totalled \$119.4 million and an additional \$12.4 million in the last quarter of 2011.

During the review period, US dollar-denominated loans continued to dominate total loans as foreign currency-denominated loans to total loans ratio stood at 67.8 percent, up from 66.1 percent in 2010.

The household debt-to-GDP ratio which measures the overall level of household indebtedness as a share of GDP stood at 69.5 percent as compared to 69.7 percent in 2010. Further, this means on average each household¹⁰ in the Cayman Islands is indebted at approximately \$73,783 in 2010 which increased to \$77,505 in 2011 as household debt expanded while the number of households dwindled. This worsening of household indebtedness resulted from increases in loans to households amidst a reduction in economic output.

¹⁰ Total households in the Cayman Islands were 22,760 in 2010 and 22,143 in 2011.

Table 3.9: Net Credit to the Private Sector, CI\$ million

	Dec-08	Dec-09	Dec-10	Dec-11	% Change
Total	2,329.2	2,468.5	2,729.3	2,724.3	(0.2)
Credit to Businesses	844.5	841.7	1,049.5	1,007.8	(4.0)
Production & Manufacturing	118.2	149.4	291.9	410.5	40.6
<i>of which</i> Construction	79.9	114.9	218.5	351.9	61.1
Services	78.7	130.5	210.8	167.1	(20.7)
<i>of which;</i>					
Accommodation, Food, Bar & Entertainment Services	78.7	130.5	113.4	116.3	2.6
Trade and Commerce	607.2	519.0	454.0	383.6	(15.5)
Wholesale & Retail Sales Trade	167.7	79.8	67.3	78.1	16.0
Real Estate Agents, Rental and Leasing Companies	430.3	425.9	364.1	136.5	(62.5)
Other Business Activities (General Business Activity)	9.2	13.4	22.6	169.0	647.8
Other Financial Corporations	40.4	42.6	92.9	46.8	(49.6)
Credit to Households	1,484.7	1,626.7	1,679.3	1,716.2	2.2
Domestic Property	1,295.8	1,375.6	1,458.5	1,487.1	2.0
Motor Vehicles	44.0	70.2	49.8	36.8	(26.1)
Education and Technology	1.7	3.2	4.7	4.5	(4.3)
Miscellaneous*	143.3	177.7	166.3	187.8	12.9
Non Profit Organizations	0.0	0.2	0.4	0.2	(50.0)

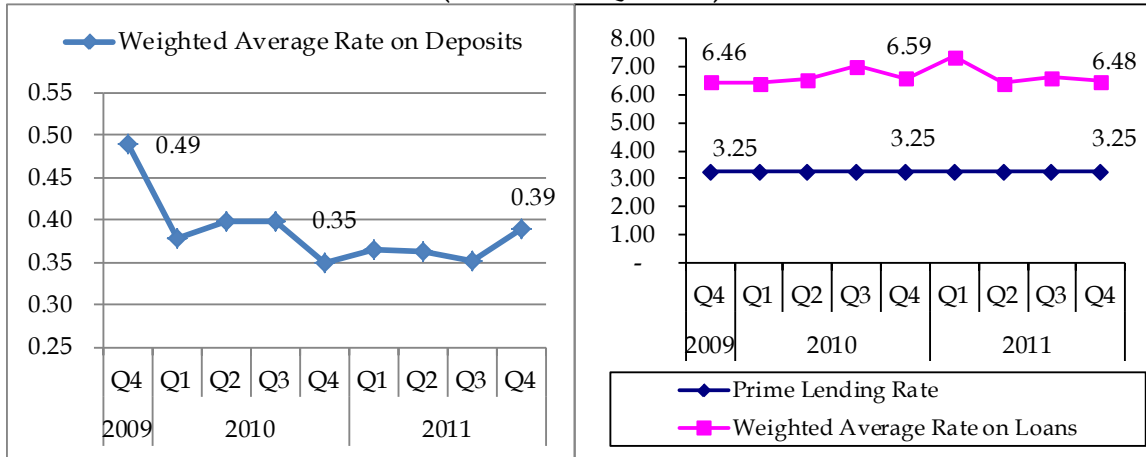
*Miscellaneous include consolidated debt, insurance, medical & travel

Source: Cayman Islands Monetary Authority & ESO

Interest Rates. As depicted in Figure 3.7, the weighted average lending rate fell marginally during the year. The weighted average rate on outstanding loans moved down by 11 basis points from 6.59 percent in 2010 to 6.48 percent in 2011 while the prime lending rate remained constant over the review period. The weighted average loan interest rate spread over Cayman prime averaged 3.5 percentage points, marginally up from 3.4 percentage points a year ago. Similarly, the weighted average loan interest rate spread over the weighted average savings rate was 6.4 percentage points, up from 6.3 percentage points a year ago.

The weighted average rate on deposits increased to 0.39 percent from 0.35 percent at the end of 2011 (see Figure 3.6).

**Figure 3.6: Cayman Islands' Interest Rates
(%, End of Quarter)**



Source: Cayman Islands Monetary Authority & ESO

4. Key Sector Developments

Cayman's financial services industry posted a mild recovery amidst a mixed performance of sector indicators while stay-over tourism grew strongly. The construction industry continued to suffer while real estate benefited from "buyer's market" conditions. The utilities sector comprising electricity and water was stable.

4.1 Financial Services

Overall, the financial services industry's gross value added posted an estimated growth of 0.6 percent in 2011 after three consecutive years of decline (see Section 3.1 and Table 3.2). However, the recovery is not yet broad-based as the performances of sector indicators remain mixed.

Banks & trusts. The number of bank and trust licences continued its downward trend in 2011 as fewer registrations were recorded for all categories of licences. This resulted as banks continue to consolidate and restructure in search of cost efficiencies, and improvements in operational risk management and governance. When compared to last year, Class A licences fell by 2 to reach 15; while Class B licences were reduced by 10 to total 219.

Table 4.1: Bank & Trust Companies, 2009-2011

	2009	2010	2011	2010-2011 % Change
Total Bank & Trust Licences	266	246	234	(4.9)
Class 'A'	17	17	15	(11.8)
Bank & Trust	12	12	12	-
Bank	5	5	3	(40.0)
Class 'B'	249	229	219	(4.4)
Bank & Trust	95	87	83	(4.6)
Bank	154	142	136	(4.2)
External Position of Banks^a	US\$ Billion			
Assets	1,734	1,728	1,607	(7.0)
Liabilities	1,762	1,798	1,680	(6.6)
Trust Companies	136	127	123	(3.1)
Unrestricted	53	51	54	5.9
Restricted	83	76	69	(9.2)

^aData available in 2011 is at September

Source: Cayman Islands Monetary Authority

The Cayman Islands continue to be recognised as one of the top ten international financial centres in the world with over forty of the top fifty banks from forty-five countries holding licences locally. This year, there were reductions in the shares of banks originating from Europe, United States, and Asia and Australia, while those from Canada and Mexico, and South America increased their shares. Similar to past years, those operating domestically are predominantly from Europe and the United States.

Table 4.2: Number of Banks by Region, 2009- 2011

	2008	2009	2010	2011
	Number of Banks			
Europe	81	78	72	66
USA	76	74	67	56
Caribbean & Central America	22	21	19	19
Asia & Australia	28	27	25	23
Canada & Mexico	14	14	14	18
South America	47	42	41	43
Middle East & Africa	10	10	8	9
	278	266	246	234
	Percentage (%)			
Europe	29.1	29.3	29.3	28.2
USA	27.3	27.8	27.2	23.9
Caribbean & Central America	7.9	7.9	7.7	8.1
Asia & Australia	10.1	10.2	10.2	9.8
Canada & Mexico	5.0	5.3	5.7	7.7
South America	16.9	15.8	16.7	18.4
Middle East & Africa	3.6	3.8	3.3	3.8
	100.0	100.0	100.0	100.0

Source: Cayman Islands Monetary Authority

Insurance. When compared to year-end 2010, activity within the insurance sector moderated with the total number of registered insurance licences narrowing by 2 (or -0.3%) to 766 in 2011. This decline resulted as three less Class 'A' licences were recorded while an additional Class 'B' was noted. During 2011, 38 new Class B licences were issued which was higher than the 25 granted in the previous year, however, 37 licences were not renewed. On the whole, some of the reasons cited for non-renewal were low returns for various categories of investments, concerns of protracted recessionary conditions, and the availability of discounted commercial insurance rates. Nonetheless, Cayman remains

foremost in the captive formation industry due to its cost competitiveness and regulatory structure, as five new SPC's¹¹ were licenced.

Table 4.3: Captive Insurance Companies, 2009-2011

	2009	2010	2011	% Change
Total Insurance Licences	808	768	766	-0.3
Class 'A' Licences (Domestic)	28	30	27	-10.0
Class 'B' Licences (Captives)	780	738	739	0.1
Financial Position of Captives	US\$ Billions			
Premiums	7.5	8.7	11.8	35.7
Net Income*	0.9	1.3	1.0	-23.1
Net Worth	9.2	13.4	14.2	6.0
Total Assets	44.7	58.0	68.5	18.1

Source: Cayman Islands Monetary Authority

The captive market stabilised as the fundamentals that make the Cayman Islands a domicile of choice still remain strong. Net premiums for captives grew by 35.7 percent to US\$11.8 billion in 2011. Assets under management have increased by 18.1 percent to US\$68.5 billion. On average, expense increased while net income decreased by 23.1 percent to total US\$1.0 billion in 2011.

¹¹ Segregated portfolio company (SPC) is a type of captive which segregates the assets and liabilities of different classes of shares from each other and from the general assets of the SPC. Only the assets of each segregated portfolio are available to meet liabilities to creditors in respect of that segregated portfolio. Where there are liabilities arising from a matter attributable to a particular segregated portfolio, the creditor may only have recourse to the assets attributable to that segregated portfolio. As at end 2011, there were 124 SPCs which contained 632 active cells.

Table 4.4: Captive Insurance Licences by Risk Location

	2008	2009	2010	2011
Number of Companies				
Africa, Asia & Middle East	10	6	4	4
North America	696	700	668	669
Pacific Rim	2	2	2	2
Other	33	32	27	27
	777	780	738	739
Total Captive Companies By Primary Class of Business				
	2008	2009	2010	2011
Number of Companies				
Healthcare	279	269	263	265
Workers' Compensation	163	162	160	161
Property	88	115	88	91
General Liability	74	73	72	71
Professional Liability	65	65	64	68
Other	108	96	91	83
	777	780	738	739

Source: Cayman Islands Monetary Authority

The composition of the insurance industry remained as in previous years (see Table 4.4). North America continues to dominate the risk location for Cayman's captive market, comprising the 90.5 percent of total companies registered with the rest originating from Caribbean and Latin America (3.1%); Africa, Asia and Middle East (0.5%); Europe (1.9%) and the rest of the world (3.7%).

Healthcare¹² followed by workers' compensation¹³ continue to dominate the captive's class of business accounting for a combined share of approximately 58 percent of total captives.

¹² Cayman became the most common jurisdiction for healthcare providers early on following the acceptance of the Harvard captive for medical malpractice in the mid-1970s. Although Bermuda was the more established domicile, Cayman offered some advantages, including:

- A willingness to allow hospital-sponsored physician programs; and
- A more favourable reimbursement impact due to flexible capital requirements

Several of the newer onshore domiciles have picked up healthcare captives, particularly risk retention groups and physician groups. However, Cayman remains the domicile of choice for

Domestic insurance licences (class ‘A’) in 2011 fell by 3 (or 10.0%) to total 27 (see Table 4.3). The 2011 unaudited consolidated financial statement indicated that gross premium was 1.1 percent lower, settling at \$356.5 million.

Ceded premiums¹⁴ amounted to \$120.4 million in 2011, a decrease from 41.4 percent of gross premium a year ago to 33.8 percent. The largest share (71.2%) of ceded premiums was property which was lower than the 81.6 percent a year ago. Meanwhile, property insurance accounted for 31.7 percent of gross premiums, down from 42 percent a year ago while health insurance accounted for 43.8 percent and motor 6.7 percent.

Net claims of domestic insurance increased by 2.9 percent to \$132.1 million as compared to a year ago, as health related claims amounted to \$114.8 million.

Mutual funds. For the third consecutive year, mutual funds activity abated as it fell by 1.9 percent to reach 9,258. During the period, new registrations totalled 1034 while 939 were terminated. The reasons for the termination include: (a) liquidation; (b) exemption under the mutual fund law; (c) the fund may no longer meet the definition of a mutual fund (e.g. closed ended fund); and (d) the fund may never have carried out business.

Table 4.5: Mutual Funds, 2009-2011

	2009	2010	2011	2010-2011 % Change
Registered Mutual Funds	8,944	8,870	8,714	-1.8
Administered Mutual Funds	448	435	424	-2.5
Licensed Mutual Funds	131	133	120	-9.8
Total	9,523	9,438	9,258	-1.9

Source: Cayman Islands Monetary Authority

Stock exchange. The Cayman Islands Stock Exchange (CSX) stock listings rebounded to 1,156 as at December 2011. The increase was largely spurred by

both for-profit and tax-exempt captive owners due to the experience of the professionals involved.

¹³ **Workers' compensation** is a form of insurance providing wage replacement and medical benefits to employees injured in the course of employment in exchange for mandatory relinquishment of the employee's right to sue his or her employer for the tort of negligence.

¹⁴ Ceded premiums are premiums paid or payable by the insurance company to another insurer for reinsurance protection.

the double-digit growth (i.e. 36.5%) in Eurobonds (see Table 4.6). Moreover, this upturn translated to a similar rise in Eurobond market capitalization of 18.8 percent to reach US\$36.9 billion.

Previously, catering mainly to hedge funds and specialized debt issuers, the CSX rebranded its equity securities listing during the year to meet changing market trends. This new venture serves to enhance its equity securities offerings, in particular, listings by small Central and South American-based mineral companies, mineral exploration companies, and companies offering securities to specialist investors.

Table 4.6: Stock Listings, 2009-2011

Instruments	2009	2010	2011	2010-2011
				% Change
Mutual Funds	546	322	347	7.8
Specialist Debt	693	712	702	-1.4
Eurobond	68	74	101	36.5
Secondary Equity	2	2	2	0.0
Domestic Equity	3	3	4	33.3
Total	1,312	1,113	1,156	3.9

Source: Cayman Islands Stock Exchange

Table 4.7: Market Capitalization (US\$ billions), 2009-2011¹⁵

Instruments	2009	2010	2011	2010-2011
				% Change
Mutual Funds	53.7	32.1	23.0	-28.3
Specialist Debt	79.4	81.3	80.4	-1.2
Eurobond	29.2	31.1	36.9	18.8
Secondary Equity	0.6	0.9	0.7	-23.1
Domestic Equity	0.208	0.246	2.818	1,045.5
Total	163.0	145.7	143.8	-1.3

Source: Cayman Islands Stock Exchange

Companies registry. The companies registry which comprises exempt, non-resident, resident and foreign companies increased by 1.9 percent to 92,964 in 2011 (see Table 4.8). This resulted from the addition of 9,064 new companies and the removal of 7,798 companies. With regard to the latter, 47.9 percent were removed by the registrar while 42.9 percent were voluntary dissolved and 3.8 percent were removed from companies register due to liquidation. Noteworthy

¹⁵ The figures for mutual funds and domestic equity refer to market capitalization. Figures for specialist debt, Eurobond and secondary equity is based on par values.

is that only 1.1 percent or 82 companies de-registered and moved to other jurisdictions. The exempt category which grew by 2.4 percent remains the largest proportion of total companies accounting for 80.4 percent. For 2011, both foreign and resident companies increased by 7.2 percent and 6.2 percent, respectively, while non-resident companies continued to dwindle by 6.1 percent which summed to 1,142 over the last two years.

New company registrations increased by 11.1 percent to reach 9,064. This is traced to increased registration of exempt, resident and foreign companies while non-resident company registration was lower (see Table 4.8).

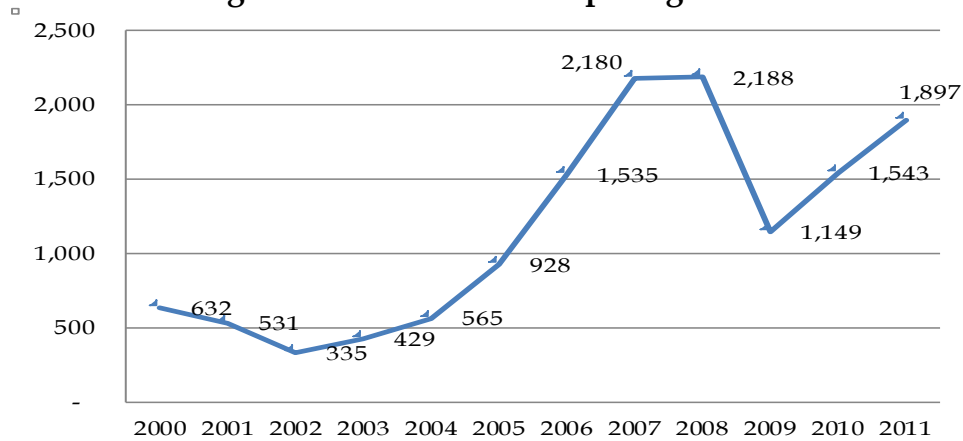
Table 4.8: Company Registrations, 2009-2011

				2009-2010
	2009	2010	2011	% Change
Total Company Registrations	92,867	91,206	92,964	1.9
Exempt	73,967	72,994	74,782	2.4
Non-Resident	10,202	9,651	9,060	-6.1
Resident	6,071	5,829	6,193	6.2
Foreign	2,627	2,732	2,929	7.2
New Company Registrations	7,863	8,157	9,064	11.1
Exempt	6,764	7,104	7,980	12.3
Non-Resident	220	230	156	-32.2
Resident	487	432	485	12.3
Foreign	392	391	443	13.3

Source: Cayman Islands General Registry

Company partnership registry. Domestic enterprise or inward investment interest in the form of registered partnership companies strengthened during the period. New partnerships rose by 354 (or 22.9 percent) to amass 1,897 while no new limited partnership licences were issued. A limited partnership allows for business transactions to be conducted by two or more persons or entities; whilst an exempt limited partnership is required when establishing limited partnerships for offshore investors to conduct business locally (as is solely necessary for offshore business operations).

Figure 4.1: New Partnerships Registered

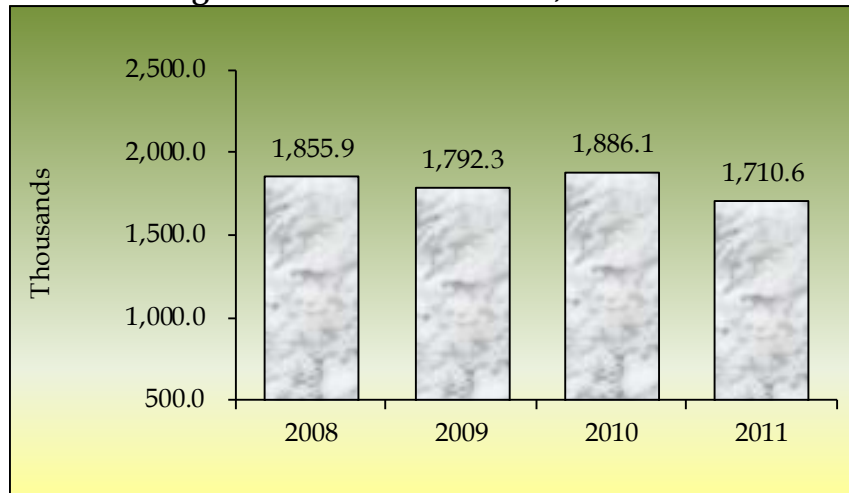


Source: Cayman Islands General Registry

4.2 Tourism

Total visitor arrivals to the Cayman Islands fell by 9.3 percent in 2011 to reach 1,710.6 thousand at year-end. This overall figure was owing to a 12.3 percent decrease in cruise arrivals which outweighed the 7.2 percent expansion in stay-over arrivals.

Figure 4.2: Tourist Arrivals, 2008-2011



Source: Department of Tourism

Meanwhile, as reported by the World Tourism Organization (WTO), visitor arrivals grew by over 4 percent *worldwide* during the same period to total at 980 million. In contrast to previous years, WTO noted that this “growth was higher in advanced economies (5.0%) than in emerging ones (3.8%) due largely to the

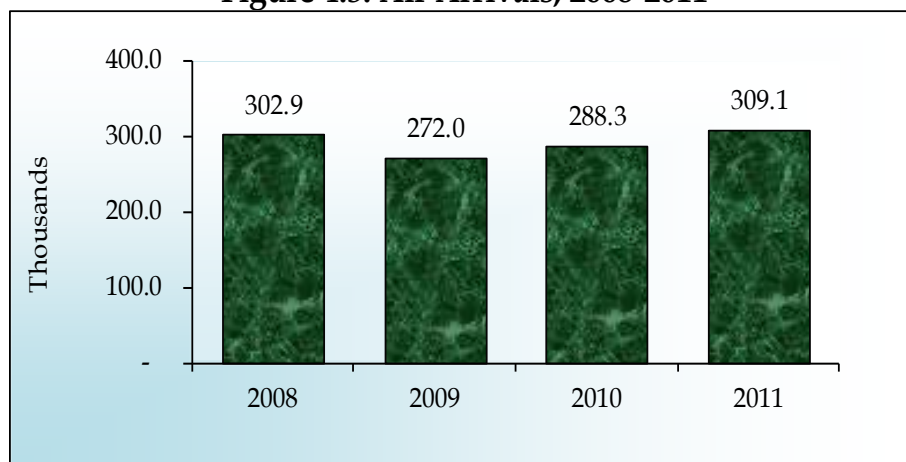
strong results in Europe and the setbacks in the Middle East and North America¹⁶”.

Despite the fragile recovery of some markets, the Caribbean tourism industry also performed better in 2011. Based on results from the Caribbean Tourism Organization (CTO), an estimated 23.8 million visitors was noted in 2011, growing by 3.3 percent over a year ago. This outcome was associated with strong results in larger destinations such as Cuba, the Dominican Republic, Puerto Rico and the US Virgin Islands.

Stay-over market. Stay-over arrivals in the Cayman Islands grew for the second consecutive year as a total of 309,091 persons visited, 7.2 percent higher than in 2011. The recently introduced (three-year) direct service to Toronto by West Jet airline contributed largely to this boost in arrivals as the Canadian region showed the highest growth in arrivals. Increased demand for travel by European markets was reflected domestically, as this region represented the second strongest growth. On a broader outlook, as revealed by the International Air Transport Association (IATA), international travel from the European region has been fuelled by “business travel on long-haul markets”.

Increased visitor activity was directly related to new promotional strategies undertaken by the Department of Tourism such as ‘Caymankind’. Similarly, the recently introduced Kittiwake shipwreck attraction served to stimulate the diving industry and improve stay-over numbers.

Figure 4.3: Air Arrivals, 2008-2011



Source: Department of Tourism

¹⁶ www.unwto.org, World Tourism Organization

When compared to 2010, arrivals from all regions within the USA (the largest market for stay-over arrivals in the Cayman Islands) improved. The West Coast dominated this outcome as it registered a double-digit growth of 11.3 percent. Similarly, all other markets followed closely behind while the Midwest region showed the lowest growth of 2.3 percent.

Further review shows that the USA—the largest contributor of arrivals to the Cayman Islands—accounted for 78.6 percent of the total market. This figure was lower than the share of 79.3 percent reported last year. Meanwhile, Canada comprised 8.0 percent of overall visitors and grew by 26.3 percent; while Europe accounted for 6.8 percent and improved by 6.5 percent. See Table 4.9

Table 4.9: Stay-over Arrivals by Country of Origin, 2008-2011

	2008	2009	2010	2011	Absolute Change	% Change
USA	240.5	215.0	228.5	242.9	14.4	6.3
Northeast	82.6	75.9	83.8	85.7	1.9	2.3
Midwest	50.1	45.1	49.2	52.6	3.4	6.9
Southeast	51.3	43.0	42.1	45.7	3.6	8.6
Southwest	37.9	36.0	38.3	42.1	3.8	9.9
West Coast	18.6	15.0	15.1	16.8	1.7	11.3
Europe	21.3	19.1	19.9	21.1	1.2	6.0
Canada	18.5	17.3	19.5	24.6	5.1	26.2
Others	22.6	20.6	20.5	20.4	(0.1)	(0.5)
Total	302.9	272.0	288.4	309.1	20.7	7.2
% Share of USA	79.4	79.1	79.2	78.6		

Source: Cayman Islands Department of Tourism

At year-end, the local room inventory for visitors declined by 261 as the total number of bedrooms in operation, as reported by the Department of Tourism (DOT), fell from 4,563 to 4,302. Similarly, the total number of licensed tourist accommodation properties decreased from 300 to 280 this year.

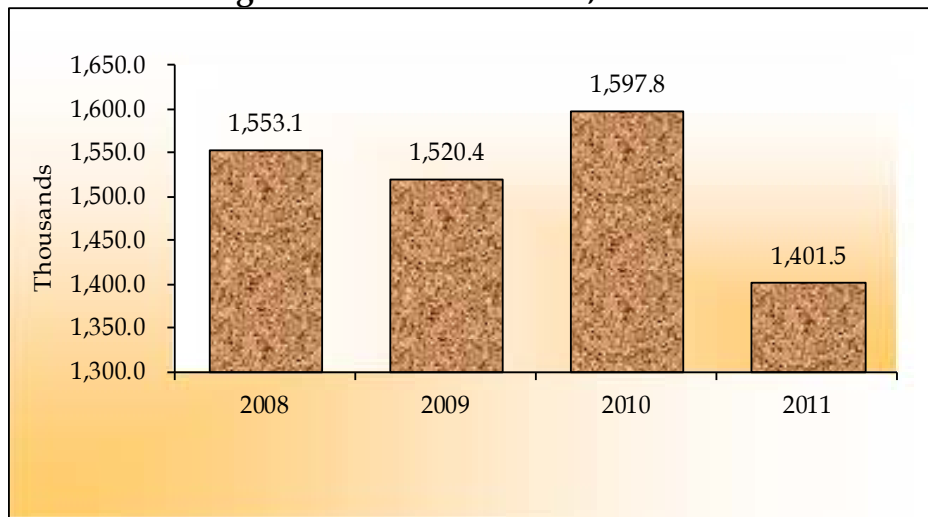
Statistics on occupancy and accommodation levels were unavailable at the time of the publication of this report.

Cruise Market. Cruise arrivals declined by 12.3 percent to 1,401,495 (see Figure 4.4). This performance is in line with the marginal 0.3 percent growth noted in regional cruise arrivals which tallied 20.6 million by December 2011. Overall cruise arrivals in the region were seemingly affected by the redeployment of

several cruise vessels to non-Caribbean routes. Other downside pressure that could have impacted the industry is the demand for home-port travel to densely populated catchment areas in destinations such as the Mediterranean and other large European countries.

Meanwhile, the number of local cruise ship calls declined by 8.2 percent to 523 at year-end. This contraction reversed the 4.2 percent recovery recorded for 2010.

Figure 4.4: Cruise Arrivals, 2008-2011



Source: Department of Tourism

Cruise passengers per day averaged 3,893 persons which was 545 visitors less than the average a year ago.

4.3 Construction

Construction indicators continued to slide resulting in the industry’s estimated gross value added dipping by 1.3 percent in 2011 (See Table 3.2). The total value of building permits and project approvals fell to their lowest levels in seven years, respectively to \$183.1 million and \$251.8 million. Similarly, the number of certificates of occupancy fell for the second consecutive year, declining by 36.2 percent to 391.

Building Permits. Construction activity continued its downward trend falling by 11.0 percent to \$183.1 million, albeit the decline is sharply lower than the 42.1 percent recorded a year earlier. Nevertheless, building activity showed some signs of stabilising in the second half of the year with two consecutive quarters of growth following nine consecutive quarters of contraction.

Table 4.10: Grand Cayman Building Permits, 2008-2011

	2008	2009	2010	2011	% Change
Millions of CI\$					
Houses	116.6	146.4	93.1	87.9	(5.5)
Apartments	116.6	92.7	49.4	37.4	(24.3)
Commercial	162.8	49.5	45.3	39.5	(12.8)
Industrial	29.6	2.6	3.2	0.5	(84.6)
Hotel	0.2	0.0	-	-	
Government	62.7	28.8	2.0	6.9	244.5
Other	13.7	35.0	12.6	10.9	(13.4)
Total	502.3	355.0	205.6	183.1	(11.0)

Source: Cayman Islands Planning Department

In the residential sector, permit values fell for a second year this time by 12.1 percent to \$125.3 million. In addition to the 5.5 percent decline in house building, apartment/condominium building activity fell to its lowest level in ten years (\$37.4 million). Recovery in residential activity, particularly in the apartment/condominium category, remains hampered by declining population and slow employment growth.

Non-residential activity (which consists of commercial, industrial and government construction) edged downwards by 7.1 percent to \$46.9 million. The declines in commercial (-12.8%) and industrial (-84.6%) countered the increase in government project values (244.5%).

Activity levels, as measured by building permit numbers, similarly echoed the decline across all but the government category. Building permit numbers when compared to a year ago fell by 16.9 percent to 823.

Table 4.11: Grand Cayman Building Permits, 2008-2011

	2008	2009	2010	2011	% Change
Houses	503	532	390	348	(10.8)
Apartments	182	171	114	77	(32.5)
Commercial	176	116	120	112	(6.7)
Industrial	14	7	7	1	(85.7)
Hotel	1	0	0	0	0
Government	36	16	12	15	25.0
Other	169	303	347	270	(22.2)
Total	1,081	1,145	990	823	(16.9)

Source: Cayman Islands Planning Department

Project Approvals. Construction intentions, as measured by the value of project approvals contracted by 23.8 percent to \$251.8 million. The decline is traced to the sharp fall in commercial category (-72.4 %) and the 'other' category (-52.5 %).

Table 4.12: Cayman Islands Planning Approvals, 2008-2011

	2008	2009	2010	2011	% Change
Millions of CI\$					
Houses	118.1	127.7	99.9	123.9	24.0
Apartments	149.7	170.9	36.3	27.5	(24.1)
Hotels	6.9	-	-	-	-
Commercial	126.4	30.1	93.7	25.9	(72.4)
Government	18.6	2.1	12.7	15.2	19.2
Industrial	11.2	2.6	1.3	18.2	1,278.8
Other	77.9	100.8	86.5	41.1	(52.5)
Total	508.8	434.2	330.5	251.8	(23.8)

Source: Cayman Islands Planning Department

Projects in the non-residential sector receded from \$107.8 million in 2010 to \$59.3 million. The commercial category plunged to its lowest level of \$25.9 million with only one new office building planned in 2011 compared to four buildings in 2010. Mitigating the decline in the commercial category were increases in the government and industrial categories with the latter climbing to \$18.2 million as a result of a planned \$12.5 million distribution centre.

Residential approvals recorded an 11.2 percent increase to \$151.4 million following a 31.4 percent decline in 2010. Higher approvals for houses (24.0%) offset a 24.1 percent contraction in the apartment/condominium category.

The total number of approvals fell by 3.3 percent to 1,041 with broad declines recorded for all but the house (3.7%) and industrial (66.7%) categories.

Table 4.13: Cayman Islands Planning Approvals, 2008-2011

	2008	2009	2010	2011	% Change
Houses	464	460	354	367	3.7
Apartments	108	111	75	52	(30.7)
Hotels	2	0	0	0	-
Commercial	48	48	48	38	(20.8)
Government	10	6	17	16	(5.9)
Industrial	12	12	6	10	66.7
Other	633	588	576	558	(3.1)
Total	1,277	1,225	1,076	1,041	(3.3)

Source: Cayman Islands Planning Department

Certificates of Occupancy. During the review period, the number of certificates of occupancy fell by 36.2 percent in 2011. The residential segment, accounting for majority of projects, declined in number from the 400 issued last year to 256.

Similarly, the overall number of non-residential certificates declined as the commercial and government decreased by 16.1 and 50.0 percent respectively. However, the industrial category rose by two in the review period.

The monetary value of properties granted completion approval, when compared to a year ago, rose by 3.5 percent to \$150.5 million in 2011 as a result of completion of the \$50.6 million Government Office Accommodation Building. This significant offset the declines across remaining categories.

Table 4.14: Certificates of Occupancy Grand Cayman, 2008-2011

	2008	2009	2010	2011	% Change
Houses	283	305	308	212	(31.2)
Apartments	120	98	92	44	(52.2)
Hotel	0	1	0	0	-
Government	3	2	10	5	(50.0)
Commercial	108	100	93	78	(16.1)
Industrial	4	5	3	5	66.7
Other	16	29	107	47	(56.1)
Total	534	540	613	391	(36.2)

Source: Cayman Islands Planning Department

Table 4.15: Certificates of Occupancy Grand Cayman, 2008-2011

Sectors	2008	2009	2010	2011	% Change
Millions of CI\$					
Houses	63.1	77.8	67.0	57.1	(14.8)
Apartments	87.0	100.4	43.4	19.2	(55.7)
Hotel	-	-	0.0	-	-
Government	1.0	-	1.6	50.6	3,078.4
Commercial	60.2	73.5	26.7	20.0	(25.2)
Industrial	2.9	3.6	1.6	0.2	(87.5)
Other	8.4	24.3	5.1	3.4	(33.3)
Total	222.6	279.6	145.4	150.5	3.5

Source: Cayman Islands Planning Department

4.4 Real Estate

The real estate sector experienced a strong resurgence in 2011, after three continuing years of decline. The volume of traded property rose by 5.5 percent to 1,886 following a 21.9 percent decline a year ago, though it remains lower than the 2006-2008 levels (See Table 4.16).

Table 4.16: Property Transfers, 2008-2011

	2008	2009	2010	2011	2010-2011% Change
Freehold					
number	2,289	2,045	1,619	1,708	5.5
value (CI\$M)	558.1	397.0	307.2	632.1	105.8
Leasehold					
number	323	242	168	178	6.0
value (CI\$M)	76.2	19.5	9.2	25.8	180.4
Total					
number	2,612	2,287	1,787	1,886	5.5
value (CI\$M)	634.3	416.5	316.4	657.9	107.9

Source: Lands and Survey Department

Amongst freehold property (the principal type of traded property), both volume and value recovered after two years of decline. This was boosted by sales of

multi-million dollar properties such as the Watercolours Development (\$33.6 million) and properties comprising Stan Thomas Holdings (US\$124.0 million).

Traded leasehold property amounted to \$25.8 million, representing a 180.4 percent increase over the \$9.2 million recorded last year. This rebound is indicative of the strengthening economy as businesses increased their take-up of office/retail space.

4.5 Utilities and Telecommunications

Utilities. Local electricity production rose marginally by 0.2 percent to 606.5 megawatt hours (mWh) as at year-end 2011 (see Table 4.17). However, overall demand remained relatively constant at 554.0 mWh. Although, commercial consumption rose by 1.4 percent, both residential and public usage fell by 1.4 percent and 1.1 percent, respectively. As reported by the Caribbean Utilities Company (CUC), the fall in residential consumption was primarily influenced by higher fuel costs which prompted greater energy conservation by households despite warmer weather impacting the last quarter of the year compared to 2010.

Similarly, while local water production increased by 0.3 percent between 2010 and 2011, demand was lower as total usage fell by 0.4 percent during the period. Demand for electricity and water were seemingly impacted by the decline in the number of households in 2011.

Table 4.17: Utilities Production/Consumption, 2009-2011

	2009	2010	2011	% Change
Millions of US Gallons				
Water Production	1,959.1	1,970.9	1,977.6	0.3
Water Consumption	1,741.8	1,704.5	1,697.8	-0.4
'000 of megawatt hrs				
Electricity Production	608.8	605.1	606.5	0.2
Electricity Consumption	559.8	553.8	554.0	0.0
Residential	263.1	262.5	258.8	-1.4
Commercial	290.7	285.0	289.0	1.4
Public	6.0	6.2	6.2	-1.1

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

Telecommunications. During the year, the total number of telephone lines (fixed lines and mobile) fell by 3.6 percent resulting in the number of paid telecommunication minutes declining by 12.2 percent to 411,001.

In seeking to boost their market share and product offerings both local telecommunication companies, Digicel and LIME, initiated strategic measures over the period. With its announced majority share in Caribbean systems integrator Netxar Technologies in February, Digicel aimed to deliver advanced ICT systems and processes to a broader range of its corporate customers. Meanwhile, LIME increased the number of its regional businesses to 14 with the acquisition of the Bahamas Telecommunications Company by LIME's parent company, Cable and Wireless Communications Plc.

Additionally, during the latter part of the year, LIME announced its improved 4G network in all three islands. This enhanced coverage – especially for the Sister Islands – enables advanced data capacity and Internet capability, as well as reliable video conferencing from mobile devices.

Table 4.18: Telecommunication Sector Indicators, 2009-2011

	2010	2011	% Change
Fixed and mobile handsets in operation	137,242	132,349	(3.6)
Total fixed & mobile domestic & int'l minutes ('000)	468,049	411,001	(12.2)
Fixed and mobile domestic minutes ('000)	263,185	231,692	(12.0)
Fixed and mobile int'l retail minutes ('000)	204,864	179,309	(12.5)
Broadband connections	18,852	18,816	(0.2)

Source: Information Communication and Technology Authority (ICTA)

5. Fiscal Operations of the Central Government

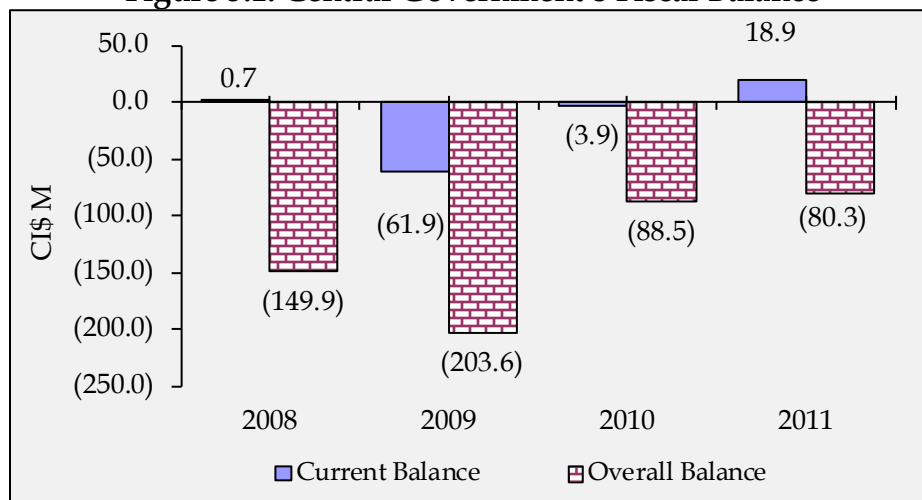
The central government’s overall fiscal position showed improvements in 2011 as revenue collection recovered while expenditure continued on the uptrend. However, overall balance remained in deficit requiring additional net borrowing which increased the central government’s debt.

5.1 Overview

In 2011, central government’s overall deficit narrowed as growth in total revenue outweighed the growth total expenditure. The overall deficit settled at \$80.3 million in 2011 as compared to \$88.5 million in 2010 (see Figure 5.1).

Total revenue rose by 5.9 percent to \$545.8 million, while total expenditure followed with a 3.7 percent increase to reach \$626.1 million (see Table 5.1). The improvement in recurrent revenue combined with marginal increase in recurrent expenditure yielded a current surplus¹⁷ of \$18.9 million as compared to a current deficit of \$3.9 million a year ago.

Figure 5.1: Central Government’s Fiscal Balance



Source: Cayman Islands Treasury Department and ESO

¹⁷ Current surplus (deficit) is total current revenue (coercive revenue plus non-coercive revenue) less current expenditure. In some years, there were other expenses (extraordinary expenses and other executive expenses) which were also added to current expenditure.

Revenue increases in 2011 emanated from a combination of revenue measures primarily taxes on international trade and transactions, domestic taxes on goods and services, and taxes on property.

Table 5.1: Summary of Fiscal Operations, 2008-2011

	2008	2009	2010	2011	% Change 2010/11
	Millions of Cayman Islands Dollars				
Total Revenue	522.2	473.7	515.4	545.8	5.9
Total Expenditure	672.1	677.3	603.9	626.1	3.7
Current Expenditure	521.5	535.6	519.3	526.9	1.5
<i>of which :</i>					
Extraordinary Expenses	1.7	20.1	2.1	0.0	(100.0)
Other Executive Expenses	12.3	3.7	2.5	3.0	20.0
Capital Expenditure & Net Lending	150.6	141.7	84.6	99.2	17.3
Current Balance	0.7	(61.9)	(3.9)	18.9	(584.6)
Overall Balance	(149.9)	(203.6)	(88.5)	(80.3)	(9.3)
Financing	149.9	203.6	88.5	80.3	(9.3)
Net Borrowing	145.4	158.4	80.7	21.0	(74.0)
Change in Cash (minus=increase)	4.5	45.3	7.8	59.3	659.6

Source: Cayman Islands Treasury Department

On the expenditure side, total expenditure increased from higher capital expenditure and net lending, and recurrent expenditure. The former was precipitated by strong increase in capital acquisition while the latter was propelled by increases in cost of supplies and consumables, and subsidies to parastatals.

5.2 Revenue

Revenue grew by 5.9 percent to reach \$545.8 million, raising the revenue-to-GDP ratio to 22.1 percent compared to 21.4 percent a year ago.

Total revenue comprises both coercive (89.7%) and non-coercive revenue (10.3%). As displayed in Table 5.2, coercive revenue which totalled \$489.3 million rose by \$30.8 million, or 6.7 percent compared to the preceding year (see Table 5.2). On the other hand, non-coercive revenue fell by 0.7 percent to total \$56.5 million, compared to the previous year.

Table 5.2: Revenue Collection of Central Government

Revenue Sources	2008	2009	2010	2011	% Change 2010/11
Millions of Cayman Islands Dollars					
Total Revenue	522.2	473.7	515.4	545.8	5.9
Coercive Revenue	457.9	430.9	458.5	489.3	6.7
Taxes on Int'l Trade & Transactions	176.9	152.0	158.5	162.2	2.3
Domestic Taxes on Goods & Services	238.0	248.2	277.1	289.5	4.5
Taxes on Property	41.1	23.9	21.3	36.4	70.9
Fines	1.9	2.4	1.6	1.2	(25.0)
Other Taxes	-	4.5	0.0	0.0	
Non-coercive Revenue	64.3	42.8	56.9	56.5	(0.7)
Sale of Goods & Services	59.7	41.8	56.2	55.8	(0.7)
Investment Revenue	4.2	0.3	0.1	0.6	338.0
Other Operating Revenue	0.4	0.7	0.6	0.1	(82.6)

Source: Cayman Islands Treasury Department

Coercive revenue from international trade and transactions. Over the past few years the receipts from international trade and transactions declined as a share of coercive revenue. This ratio moved from 38.6 percent in 2008 to 33.2 percent in 2011 notwithstanding the increase in average duty from 20 percent to 22 percent in 2010. In addition, a higher reliance is being placed on revenue generated from domestic transactions with rate hikes over the last three years. In 2011, taxes on international trade and transactions rose by 2.3 percent to reach \$162.2 million (see Table 5.2).

Table 5.3: Revenue from Import Duties

	2008	2009	2010	2011	Absolute Change	% Change 2010/11
Millions of Cayman Islands Dollars						
Import Duties	162.9	138.6	143.9	149.1	5.2	3.6
Gasoline/Diesel	22.4	26.5	29.0	35.5	6.5	22.4
Alcoholic Beverages	15.8	14.9	16.8	16.6	(0.2)	(1.2)
Motor Vehicles	13.6	8.2	8.3	8.7	0.4	4.8
Tobacco Products	3.2	3.1	4.7	4.7	-	0.0
Other Import Duties	107.8	85.9	85.1	83.6	(1.5)	(1.8)
Cruise Ship Departure Charges	9.3	9.0	9.6	8.4	(1.2)	(12.5)
Environmental Protection Fund Fees	4.7	4.5	5.0	4.7	(0.3)	(6.0)
Taxes on International Trade	176.9	152.0	158.5	162.2	3.7	2.3

Source: Cayman Islands Treasury Department

The increase in revenue from international trade and transactions is traced mainly to higher receipts from gasoline and diesel imports by \$6.5 million (or 22.4 percent). This higher revenue resulted from the total quantity of imported fuel which increased by 4.5 percent, and the increase in the rate of fuel duty by 25 cents per imperial gallon starting June 2010. With the exception of receipts from motor vehicles, all other revenue sources under this rubric declined (see Table 5.3).

Revenue collected from cruise ship departure charges fell by 12.5 percent, on account of a 12.3 percent decrease in cruise ship visitors during the year.

Other import duties declined by 1.8 percent although the volume of non-fuel imported goods grew by 3.1 percent.

Coercive revenue from domestic taxes on goods and services. Revenue from domestic taxes yielded \$289.5 million in 2011, which was \$12.4 million higher than the collection a year ago (see Table 5.2). The increase was mainly from financial services fees/licences, work permits and residency related fees, and traders' licences.

Growth in fees from financial services arose from company fees, partnership fees and security investment business licences. Company fees increased by 4.7 percent to \$66.0 million, aided by the recovery in the number of new companies registered. New partnership fees increased by 16.7 percent to total \$9.8 million on account of higher new partnership registrations, while the increase revenue from security investment business licences was \$2.2 million (see Section 4.1).

Work permits fees and related residency fees increased by 3.2 percent to total \$58.5 million despite a 2.9 percent reduction in work permits. This increase emanated from enhanced enforcement effort to collect revenue from previously delinquent sources, which included outstanding fees associated with permanent residence. Similarly, collection from traders' licences increased by \$2.3 million arising from increased enforcement.

Other domestic taxes comprising a host of low yielding fees increased by 6.6 percent (or \$3.8 million) to total \$61.6 million. This category was led by tax and trust undertakings and tourist accommodation charges with total fees increasing by \$2.1 million and \$1.3 million, respectively.

Collections from other stamp duties and ICTA licence and royalties dropped by \$1.0 million, respectively.

Table 5.4: Domestic Taxes on Goods and Services

	2008	2009	2010	2011	% Change 2010/11
Millions of Cayman Islands Dollars					
Domestic Taxes					
Various financial service licenses	122.4	127.6	143.0	149.5	4.5
ICTA licences & royalties	8.7	8.4	7.9	6.9	(12.7)
Work permit fees and residency fees	48.0	43.1	56.7	58.5	3.2
Other stamp duties	12.6	9.7	8.1	7.1	(12.3)
Traders' licenses	6.2	6.5	3.6	5.9	63.9
Other domestic taxes	40.1	53.1	57.8	61.6	6.6
Domestic Taxes on Good & Services	238.0	248.2	277.1	289.5	4.5

Source: Cayman Islands Treasury Department

Other coercive revenue. In 2011, revenue from taxes on property benefitted from a major transfer of properties in the Seven Mile road. The increase amounted to \$15.1 million (70.9%) while revenue from fines declined during the period (see Table 5.2).

Non-coercive revenue. Revenue from this source turned in a total of \$56.5 million which was 0.7 percent lower than the collection a year ago (see Table 5.2). Sales of goods and services generated \$55.8 million during the year.

5.3 Expenditure

Total expenditure amounted to \$626.1 million, 3.7 percent above the previous year's level (see Table 5.1). As a proportion to GDP, total expenditure increased from 25.1 percent in 2010 to 25.4 percent in 2011. The expansion in expenditure was due to a 17.3 percent increase in capital expenditure and net lending, coupled with a 1.5 percent increase in recurrent expenditure.

Current expenditure. In 2011, total current expenditure increased by 1.5 percent to \$526.9 million due mainly to increases in supplies and consumables, subsidies and interest payments. Funds spent on supplies and consumables increased by 7.9 percent to total \$94.0 million during the period. Subsidies increased by 5.1 percent to \$131.6 million, of which 80 percent are subventions to public entities.

Transfer payments which are social benefits to protect a target segment of the population against certain social risk increased by 4.4 percent to settle at \$31.0 million. Interest payments went up by 17.9 percent to \$32.9 million in the wake of additional interest payments for servicing an additional debt of \$21.0 million during the year (see Table 5.7).

Personnel costs fell by 3.8 percent to \$216.3 million (see Table 5.5) due to reduction in the number of civil servants by 25 persons (or 0.7%) to total 3,593 in 2011. This is coupled with a 3.2 percent salary-cut of civil servants in July of 2010 which reduced personnel cost in the first half of 2011 until it was reinstated in December 2011.

Table 5.5: Current Expenditure of the Central Government

	2008	2009	2010	2011	% Change 2010/11
	Millions of Cayman Islands Dollars				
Current Expenditure	521.5	535.6	519.3	526.9	1.5
Personnel Costs	245.2	236.6	224.8	216.3	(3.8)
Supplies & Consumables	97.8	84.5	87.1	94.0	7.9
Subsidies	105.5	122.5	125.2	131.6	5.1
Transfer Payments	28.4	27.2	29.7	31.0	4.4
Depreciation	18.8	21.6	20.0	18.1	(9.5)
Interest Payments	11.7	19.4	27.9	32.9	17.9
Extraordinary Expenses	1.7	20.1	2.1	0.0	(100.0)
Other Executive Expenses	12.3	3.7	2.5	3.0	20.0

Source: Cayman Islands Treasury Department

Extraordinary expenses and other executive expenses. The former captures expenditure that is of a temporary nature which was unbudgeted for the year. Outlays for those items plummeted as little or no unplanned events (such as natural disasters) occurred.

Other executive expenses comprise expenditure mainly for social intervention projects and other government measures which are not categorised as transfer payments or subsidies to public authorities. In 2011, this increased by 20.0 percent to total \$3.0 million (see Table 5.5).

Capital expenditure and net lending. Total spending on capital expenditure and net lending reached \$99.2 million (or 4.0% of GDP) during the period (see Table 5.6) which was 17.3 percent higher than the preceding year. This included an increase in equity investment of 91.6 percent to reach \$82.2 million of which

the vast majority was spent on the construction of two new high schools and expansion of existing schools. Expenditure on executive assets was slashed to minimize additions to the public debt while adhering to the fiscal prudential limits set out in the Public Management and Finance Law (PMFL). Spending for executive assets declined by 57.3 percent to \$16.0 million.

Table 5.6: Capital Expenditure and Net Lending of Central Government

	2008	2009	2010	2011	% Change 2010/11
Millions of Cayman Islands Dollars					
Capital Expenditure and Net Lending	150.6	141.7	84.6	99.2	17.3
Capital Acquisition (now Equity Investments)	40.7	105.4	42.9	82.2	91.6
Capital Development (now Executive Assets)	109.9	35.2	37.5	16.0	-57.3
Net Lending	0.0	1.1	4.2	1.0	-76.2

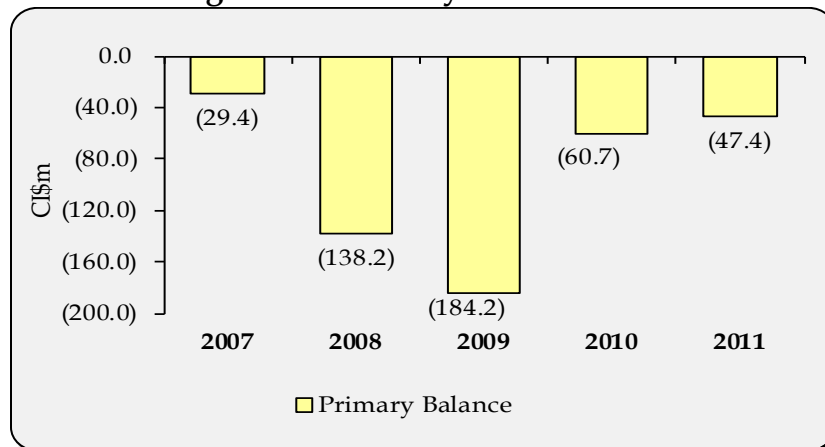
Source: Cayman Islands Treasury Department

5.4 Primary Balance

The primary balance is the overall fiscal balance excluding interest payments and is a standard indicator of the central government’s capacity to service debt obligations. During the period, the overall deficit narrowed to \$80.3 million (3.3% of GDP) compared to \$88.5 million (3.7% of GDP) in 2010 (see Figure 5.1).

Similarly, the primary balance improved from a deficit of \$60.7 million or 2.5 percent of GDP in 2010 to a deficit of \$47.4 million or 1.9 percent of GDP in 2011.

Figure 5.2: Primary Fiscal Balance



Source: Cayman Islands Treasury Department and ESO

5.5 Net Financing and Debt Service Indicators

The overall deficit of \$80.3 million was financed by borrowing and a simultaneous drawdown of \$59.3 million from cash reserves (see Table 5.7). Net borrowing totalled \$21.0 million after accounting for the loan repayments of \$132.6 million, as a large proportion was used as bridge/short-term financing.

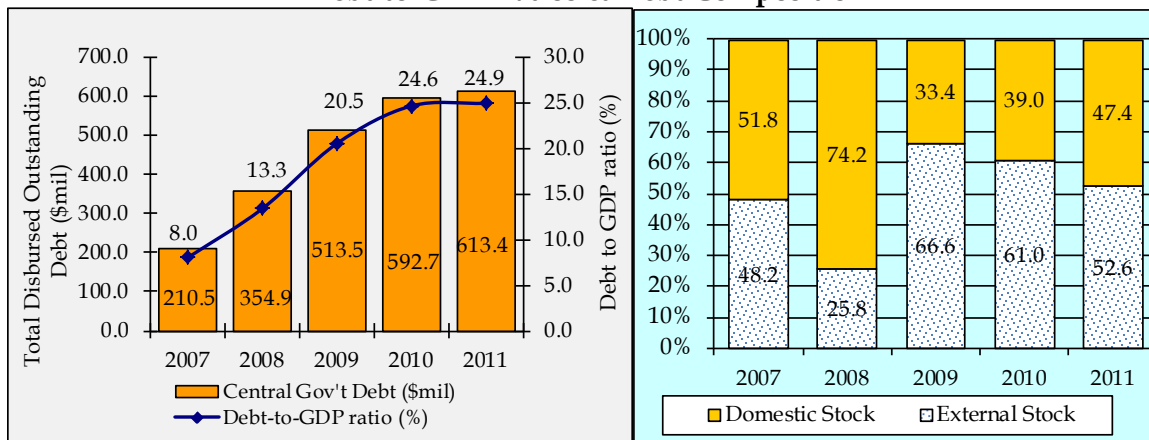
Table 5.7: Financing of Central Government

	2008	2009	2010	2011	% Change 2010/11
Millions of Cayman Islands Dollars					
Financing	149.9	203.6	88.5	80.3	(9.3)
Net Borrowing	145.4	158.4	80.7	21.0	(74.0)
Disbursements	166.2	184.3	106.7	153.6	44.0
Loan Repayment	(20.7)	(25.9)	(25.9)	(132.6)	412.0
Change in Cash (minus = increase)	4.5	45.3	7.8	59.3	660.3

Source: Cayman Islands Treasury Department

The expansion in net borrowings during the year resulted in an increase in the central government’s outstanding debt to total \$613.4 million as at end December 2011 (see Figure 5.3) from \$592.7 million as at end 2010.¹⁸ This placed the debt-to-GDP ratio at 24.9 percent, higher than the 24.6 percent as at December 2010. In 2011, the outstanding debt comprised 52.6 percent from external sources and 47.4 percent from domestic sources.

Figure 5.3: Central Government’s Outstanding Debt, Debt-to-GDP Ratios & Debt Composition



Source: Cayman Islands Treasury Department, ESO

¹⁸ Central government’s outstanding debt comprises debt managed directly by the Treasury Department and excludes government-guaranteed debt and other contingent liabilities.

The central government's debt service-to-current revenue ratio worsened in 2011 to 30.3 percent, from 10.4 percent a year ago (see Table 5.8). This hike was due to a bridge or short-term loan facility amounting to \$107.1 million, which was borrowed and repaid during the course of the year. Similarly, interest payments-to-current revenue ratio stood at 6.0 percent compared to 5.4 percent a year ago. Additionally, the debt service to GDP ratio stood at 6.7 percent as short-term debt were amortised during the period.

Table 5.8: Central Government Debt Service Indicators

Debt Service Indicators	2008	2009	2010	2011
	Percentage (%)			
Interest Payments - to - Current Revenue Ratio	2.2	4.1	5.4	6.0
Debt Service - to - GDP Ratio	1.2	1.8	2.2	6.7
Debt Service - to - Current Revenue Ratio	6.2	9.6	10.4	30.3

Source: Cayman Islands Treasury Department, Economics and Statistics Office

6. Macroeconomic Outlook for 2012

The Cayman Islands' economy is projected to improve in 2012, conditional on continued growth in major source markets for tourism and financial services. Domestic inflation is projected to be higher due to higher global oil prices.

6.1 Global Outlook¹⁹

Global economic output growth is forecast to slow to about 3.5 percent in 2012 from the 3.9 percent in 2011. This is hinged on the moderate recovery of consumption spending among advanced economies in the midst of deleveraging by both households and governments. The downside risks primarily include weak confidence, fiscal consolidation, and prevailing tight financial conditions in a number of economies particularly in the Euro area. However, these weaknesses are expected to ameliorate in 2013.

Average GDP growth among the advanced economies is expected at 1.4 percent, with the U.S. and Canada forecasted to grow by 2.1 percent. Similarly, the UK and Germany are foreseen to improve by 0.8 percent and 0.6 percent, respectively. Overall, however, the Euro area is expected to contract by 0.3 percent.

In 2012, inflation among advanced economies is projected to increase as oil prices are expected to be higher in the wake of geopolitical tensions. Non-fuel commodity prices are anticipated to remain high albeit marginally lower than the previous year. The inflation rates for the US and the advanced economies are forecasted at 2.1 percent and 1.9 percent respectively. On the other hand, inflation in emerging and developing economies is projected at 6.2 percent.

6.2 Domestic Growth

The Cayman Islands economy is expected to sustain growth in 2012. GDP is projected to expand by 1.8 percent, as financial services activities is expected to post a stronger recovery coupled with another year of growth in the stay-over tourism sector. Domestic demand is also expected to pick-up with higher private construction as early indicators seem to suggest several projects are at

¹⁹ This global outlook is based on information culled from the International Monetary Fund (April 2012) and other international organizations.

implementation stage; however, public investment is expected to decline further in 2012. Real estate, renting and business activities are expected to benefit from increased activities in company registration and financial services in general. In addition, real estate and renting are also expected to grow from support services for private construction projected to begin implementation in 2012.

Table 6.1: Macroeconomic Indicators 2008-2013

	2008	2009	2010	2011	Projected	
					2012	2013
Real GDP growth (%)						
Cayman Islands	(0.4)	(6.9)	(3.4)	1.1	1.8	2.7
United States	0.4	(2.4)	3.0	1.7	2.1	2.4
World	2.8	(0.6)	5.3	3.9	3.5	4.1
Consumer Prices Inflation (CPI) (%)						
Cayman Islands	4.1	(1.5)	0.3	1.3	2.1	2.0
United States	3.8	(0.3)	1.6	3.1	2.1	1.9
Advanced economies	3.4	0.1	1.5	2.7	1.9	1.7
Unemployment Rate (%)						
Cayman Islands	4.0	6.0	6.2	6.3	6.1	5.7
United States	5.8	9.3	9.6	9.0	8.2	7.9
Advanced economies	5.8	8.0	8.3	7.9	7.9	7.8

Sources: International Monetary Fund (April 2012) for data on the US, World and Advanced Economies, and Economics and Statistics Office for Cayman data.

Financial service sectors are expected to improve with firmer recovery in some sectors while others are likely to stage soft upturns. Overall, economic conditions within key external markets remain tenuous in the short and medium term. Despite recently improved results in the U.S. economy (as per renewed consumer spending and GDP growth) downside risks persist with the continued Euro-zone sovereign debt challenges. While stricter measures within these jurisdictions to re-structure their debt and stimulate stagnating economies remain the likely scenario, inevitably, to U.S. recovery may be adversely impacted.

Despite, the latent risk which exists in the global financial services industry, more specifically in the Euro area, the Cayman Islands could possibly benefit from outflows of capital flight to safety.

Financial services indicators for the first two months of 2012 showed new companies and new partnerships registration are up by 5.4 percent and 12.5 percent respectively, while mutual funds for the first quarter of 2012 rebounded by 7.9 percent.

Stay-over tourism growth is expected to continue in line with the United Nations World Tourism Organisation (UNWTO) projections. UNWTO forecasts continued growth in international tourism in 2012 although at a slower rate. Arrivals are expected to increase between 3 percent and 4 percent, reaching the historic one billion mark by year end. Emerging economies will lead with stronger growth in Asia, the Pacific and Africa (4% to 6%), followed by the Americas and Europe (2% to 4%). The Middle East (0% to 5%) is forecast to start to recover part of its losses from 2011. The recovery in major source markets is expected to continue in positively impacting the local tourism industry. This outlook is supported by an increase of 11.4 percent in total tourist arrivals for the first two months of 2012. Stay-over arrivals is projected to grow overall by 2.7 percent for the year 2012.

6.3 Domestic Inflation

The consumer price index (CPI) is forecasted at 2.1 percent in 2012. This is due to higher imported inflation, as international food and energy prices are expected to dominate overall movement in prices locally. Imported inflation could be lower if geopolitical tensions recede. Local demand is not expected to have any significant impact on prices due to low economic activity.

7. Acknowledgement

The Economics and Statistics Office gratefully acknowledges the assistance of the following local companies and agencies in generating the data sets used in this edition of the Annual Economic Report:

Caribbean Utilities Company
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Cayman Islands Land and Surveys Department
Cayman Islands Monetary Authority
Cayman Islands Planning Department
Cayman Islands Stock Exchange
Cayman Islands Treasury Department
Cayman Islands Water Authority
Cayman Water Company
Department of Immigration
Information & Communication Technology Authority
Maritime Authority of Cayman Islands
Port Authority of the Cayman Islands

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Table A1: Gross Domestic Product

Year	Nominal GDP (CI\$M)	Real GDP 2007 Prices (CI\$M)	Mid-Year Population (000s)	Real GDP Per Capita (\$)	Real GDP Growth (%)
1998	1,534.7	2,065.0	38.1	54,200	5.8
1999	1,663.9	2,134.9	39.0	54,740	3.4
2000	1,739.0	2,155.8	40.2	53,628	1.0
2001	1,784.0	2,167.8	41.4	52,362	0.6
2002	1,860.6	2,205.2	42.5	51,888	1.7
2003	1,929.5	2,249.3	43.6	51,590	2.0
2004	2,032.5	2,269.5	44.2	51,300	0.9
2005	2,322.7	2,416.9	48.4	49,986	6.5
2006	2,448.9	2,528.1	52.0	48,627	4.6
2007	2,637.1	2,637.1	54.1	48,745	4.3
2008	2,661.5	2,627.8	56.0	46,927	(0.4)
2009	2,510.1	2,445.6	56.5	43,280	(6.9)
2010	2,411.2	2,362.9	55.5	42,559	(3.4)
2011	2,468.5	2,388.1	55.3	43,202	1.1

Source: Cayman Islands Government, Economics & Statistics Office

Table A2: Consumer Price Index & Inflation
(June 2008=100)

Year	Index Year-end	Index Average	Inflation Rate (%)
1995	67.2	66.7	2.5
1996	69.3	68.4	2.6
1997	71.3	70.3	2.7
1998	73.0	72.4	3.0
1999	78.7	77.3	6.8
2000	79.9	79.4	2.7
2001	80.5	80.3	1.1
2002	82.9	82.3	2.4
2003	83.4	82.8	0.6
2004	92.7	86.5	4.4
2005	92.7	92.8	7.3
2006	94.2	93.5	0.8
2007	95.8	96.2	2.9
2008	99.5	100.1	4.1
2009	98.2	98.6	(1.5)
2010	98.5	98.9	0.3
2011	100.4	100.2	1.3

Source: Cayman Islands Government, Economics & Statistics Office

Table A3: Labour Force and Employment

Year	Labour Force	Total Employed	Total Unemployed	Unemployment Rate (%)
1995	19,820	18,845	980	4.9
1996	20,410	19,370	1,040	5.1
1997	21,620	20,725	895	4.1
1998	22,725	21,820	905	4.0
2001	27,971	25,862	2,109	7.5
2002	28,905	27,355	1,550	5.4
2003	29,905	28,827	1,079	3.6
2004	30,257	28,946	1,311	4.3
2005	36,767	35,464	1,303	3.5
2006	35,959	35,016	943	2.6
2007	37,431	36,026	1,405	3.8
2008	38,999	37,450	1,549	4.0
2009	38,269	35,958	2,311	6.0
2010	37,313	34,983	2,330	6.2
2011	37,620	35,267	2,353	6.3

Source: Cayman Islands Government, Economics & Statistics Office

Note:

No Labour Force Surveys were conducted in 1999 and 2000

*2004 results are derived from Spring LFS and not Fall 2004 LFS on account of hurricane Ivan in September 2004.

Table A4: Composition of the Employed Labour Force

<i>Year</i>	Total	Caymanian	Non-Caymanian
1995	18,845	10,490	8,355
1996	19,370	10,705	8,665
1997	20,725	10,390	10,335
1998	21,820	11,525	10,295
2001	25,862	12,479	13,383
2002	27,355	12,993	14,362
2003	28,827	13,973	14,854
2004	28,946	14,775	14,171
2005	35,464	18,025	17,439
2006	35,016	17,621	17,395
2007	36,026	16,520	19,506
2008	37,450	16,518	20,932
2009	35,958	16,048	19,910
2010	34,983	15,794	19,189
2011	35,267	15,969	19,919

Source: Cayman Islands Government, Economics & Statistics Office

Note:

No Labour Force Surveys were conducted in 1999 and 2000

*2004 results are derived from Spring LFS and not Fall 2004 LFS on account of hurricane Ivan in September 2004.

Table A5: Composition of the Unemployed Labour Force

Year	Total Unemployed	Caymanian	Non-Caymanian
1995	978	703	275
1996	1,049	692	357
1997	895	579	316
1998	907	609	298
2001	2,109	1,311	798
2002	1,550	1,058	492
2003	1,079	857	222
2004	1,311	887	424
2005	1,303	1,039	264
2006	943	682	261
2007	1,405	1,029	376
2008	1,549	1,169	380
2009	2,311	1,680	631
2010	2,330	1,713	617
2011	2,353	1,732	621

Source: Cayman Islands Government, Economics & Statistics Office

Note:

No Labour Force surveys were conducted by the Statistics Office in 1999 or 2000

Table A6: The Employed by Industry

Year	Agric., Fish, Manufacturing, Construction, Utilities	Wholesale, Retail, Hotel & Restaurant	Transport, Postal & Communications	Insurance, Financial & Business	Public Administration Education, Health & Social Services	Recreation, Community & Personal	Others	Total
1992	2,895	4,160	1,385	2,375	2,105	2,300	-	15,220
1993	2,790	4,310	1,345	3,610	1,980	1,960	-	15,995
1994	2,995	4,715	1,205	2,920	2,425	2,570	-	16,830
1995	2,640	5,555	1,785	3,570	2,270	3,025	-	18,845
1996	3,545	5,375	1,125	3,840	2,220	3,265	-	19,370
1997	3,505	5,580	1,475	4,025	2,660	3,480	-	20,725
1998	3,660	6,175	1,450	4,230	2,475	3,830	-	21,820
2001	4,608	6,644	1,347	5,373	3,908	3,982	-	25,862
2002	4,923	6,932	1,640	5,399	4,364	4,087	10	27,355
2004	5,456	7,286	1,446	6,099	4,188	4,427	-	28,946
2006	8,258	8,011	1,477	7,648	4,801	4,821	-	35,016
2007	7,695	7,310	2,058	7,734	5,487	4,923	819	36,026
2008	7,836	9,032	1,687	8,793	5,066	4,664	370	37,499
2009	6,892	7,870	1,710	7,493	5,050	4,869	33	33,920
2010	5,437	8,114	2,213	8,568	5,607	4,945	100	34,984
2011	5,175	7,962	2,456	8,552	5,478	5,572	71	35,267

Source: October Labour Force Surveys, Cayman Islands Government, Economics & Statistics Office

Note:

No Labour Force surveys were conducted by the Statistics Office in 1999, 2000 and 2005

2004 and 2006 Labour Force Surveys refer to the Spring Labour Force

2010 refers to the 2010 Census

Table A7: Work Permits

Year	Total
1995	10,198
1996	9,951
1997	11,314
1998	12,885
1999	...
2000	14,284
2001	13,883
2002	15,779
2003	17,123
2004	20,508
2005	21,763
2006	22,393
2007	26,350
2008	26,516
2009	23,531
2010	20,452
2011	19,852

Source: 1995-1999 data from Economics and Statistics Office;
2000-2009 data from Immigration Department.

Table A8: Merchandise Trade, CI\$ Millions

Year	Imports	Exports	Trade Balance
1995	331.6	3.4	(328.2)
1996	314.9	2.2	(312.7)
1997	423.7	1.8	(421.9)
1998	447.8	1.0	(446.8)
1999	452.2	1.2	(451.0)
2000	575.7	2.0	(573.7)
2001	514.5	2.4	(512.1)
2002	496.1	3.0	(493.1)
2003	546.2	19.5	(526.7)
2004	718.9	11.9	(707.0)
2005	976.4	42.8	(933.6)
2006	868.7	13.9	(854.8)
2007	867.8	17.9	(849.9)
2008	898.7	12.4	(886.3)
2009	744.5	16.0	(728.5)
2010	690.4	11.1	(679.3)
2011	762.0	19.2	(742.8)

Source of basic data: Cayman Islands Customs Department and Economics & Statistics Office

Table A9: Imports by Standard International Trade Classification (CI\$ Millions)

	2006	2007	2008	2009	2010	2011
Total Imports	868.7	867.8	898.7	744.5	690.4	762.0
Food and Live Animals	81.7	91.8	95.1	90.8	113.2	118.4
Beverages and Tobacco	24.8	25.2	28.9	29.4	27.5	27.6
Inedible Crude Materials	12.0	9.5	12.6	9.3	8.9	9.2
Mineral Fuels, Lubricants and Related Materials	71.6	126.9	185.3	112.8	128.0	183.4
Animal and Vegetable Oils, Fats and Waxes	0.0	0.0	0.1	0.0	0.3	0.3
All Chemical & Rel. Prods N.E.C.	32.8	28.1	31.2	26.6	31.5	31.7
Manufactured Goods (classified chiefly by material)	129.3	118.1	96.1	85.8	78.5	77.1
Machinery & Transport Equipment	155.9	138.0	119.7	92.6	97.9	107.4
Misc. Manufactured Articles	274.6	273.3	268.9	226.2	134.5	134.0
Commodities and Transactions Not Classified Elsewhere	86.0	56.9	60.9	70.9	70.2	73.1

Source of basic data: Cayman Islands Customs Department and Economics & Statistics Office

Table A10: Domestic Credit from Retail Banks, CI\$ Millions

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
Total	2,069.4	2,437.5	2,598.1	2,729.3	2,724.3
Credit to Businesses	791.3	952.7	971.3	1,049.5	1,007.8
Production & Manufacturing	179.3	118.2	149.4	291.9	410.5
Agriculture, Fishing and Mining	5.8	7.2	7.0	7.1	15.8
Manufacturing	6.6	5.4	7.0	9.3	25.1
Utilities	11.8	25.7	20.6	57.0	17.6
Construction	155.1	79.9	114.9	218.5	351.9
Services	184.8	186.9	260.1	210.8	167.1
Accommodation, Food, Bar & Entertainment Services	60.0	78.7	130.5	113.4	116.3
Transportation, Storage & Communications	15.0	41.8	27.7	5.0	25.8
Education, Recreational & Other Professional Services	109.8	66.5	101.9	92.4	24.9
Trade and Commerce	387.3	607.2	519.0	454.0	383.6
Wholesale & Retail Sales Trade	73.0	167.7	79.8	67.3	78.1
Real Estate Agents, Rental and Leasing Companies	298.8	430.3	425.9	364.1	136.5
Other Business Activities (General Business Activity)	15.5	9.2	13.4	22.6	169.0
Other Financial Corporations	39.9	40.4	42.6	92.9	46.8
Credit to Households	1,240.6	1,484.7	1,626.7	1,679.3	1,716.2
Domestic Property	1,090.1	1,295.8	1,375.6	1,458.5	1,487.1
Motor Vehicles	47.0	44.0	70.2	49.8	36.8
Education and Technology	4.8	1.7	3.2	4.7	4.5
Miscellaneous*	98.7	143.3	177.7	166.3	187.8
NonProfit Organizations	37.5	0.0	0.2	0.4	0.2

*Miscellaneous include consolidated debt, insurance, medical & travel

Source: Cayman Islands Monetary Authority

Table A11: Financial Services Indicators

Year	Bank & Trust Licences	Insurance Licences	Captive Insurance Premiums (US\$B)	Mutual Funds	New Companies Registered	Stock Market Cap*. (US\$B)	Stock Listings
2002	383	629	4.2	4,285	7,016	36.30	710
2003	349	672	4.9	4,808	7,254	43.94	735
2004	322	722	5.6	5,932	8,892	53.57	857
2005	305	759	6.7	7,106	10,210	75.56	1,015
2006	291	767	7.1	8,134	12,277	111.52	1,225
2007	281	793	7.5	9,413	14,232	168.33	1,748
2008	278	805	7.7	9,870	11,861	167.70	1,579
2009	266	808	7.5	9,523	7,863	162.92	1,312
2010	246	768	8.7	9,438	8,157	145.65	1,113
2011	234	766	11.8	9,258	9,064	143.84	1,156

Source: Cayman Islands Monetary Authority, Cayman Islands Stock Exchange, Cayman Islands General Registry

* Cap = Capitalization

Table A12: Banks & Trust Licences

Year	Class A Banks			Class B Banks			Total
	Bank & Trust	Bank	Total Bank & Trust	Bank & Trust	Bank	Total Bank & Trust	
2002	22	4	26	142	214	356	382
2003	21	4	25	130	192	322	347
2004	19	3	22	118	178	296	318
2005	16	3	19	113	169	282	301
2006	16	3	19	112	160	272	291
2007	14	5	19	106	156	262	281
2008	13	5	18	96	164	260	278
2009	12	5	17	95	154	249	266
2010	12	5	17	87	142	229	246
2011	12	3	15	83	136	219	234

Source: Cayman Islands Monetary Authority

Table A13: Insurance Licences

Year	Class A (Domestic) Insurers	Class B (international) Insurers			Total Insurance Companies
	Total Class A	Captives Excluding SPCs	Captives- SPCs Only	Total Class B	
2002	27	539	61	600	627
2003	27	565	79	644	671
2004	27	604	89	693	720
2005	26	632	101	733	759
2006	27	623	117	740	767
2007	28	641	124	765	793
2008	28	652	125	777	805
2009	28	650	130	780	808
2010	30	619	119	738	768
2011	27	615	124	739	766

Source: Cayman Islands Monetary Authority

Table A14: Mutual Funds Domiciled in the Cayman Islands

Year	Administered Funds	Licensed Funds	Registered Funds	Total
2002	641	51	3,593	4,285
2003	592	48	4,168	4,808
2004	616	67	5,249	5,932
2005	598	79	6,429	7,106
2006	548	105	7,481	8,134
2007	543	119	8,751	9,413
2008	510	129	9,231	9,870
2009	448	131	8,944	9,523
2010	435	133	8,870	9,438
2011	424	120	8,714	9,258

Source: Cayman Islands Monetary Authority

Table A15: New Companies Registered in the Cayman Islands

Year	Exempt	Non-Resident	Resident	Foreign	Total
2002	5,795	768	310	143	7,016
2003	5,941	692	439	182	7,254
2004	7,480	674	530	208	8,892
2005	8,694	595	650	271	10,210
2006	10,735	569	588	385	12,277
2007	12,691	533	531	477	14,232
2008	10,536	293	510	522	11,861
2009	6,764	220	487	392	7,863
2010	7,104	230	432	391	8,157
2011	7,980	156	485	443	9,064

Source: Companies Registrar

Table A16: Money and Banking Survey: Monetary Assets (CI\$ Millions)

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
Total Assets	5,414.7	5,568.2	5,949.6	5,307.4	4,752.9
Net Foreign Assets	3,836.3	3,579.1	3,981.1	3,056.5	2,446.7
Monetary Authority	106.6	101.6	100.4	89.4	94.6
Commercial Banks	3,729.7	3,477.5	3,880.7	2,967.1	2,352.1
Net Domestic Assets	1,578.4	1,989.1	1,968.5	2,250.9	2,306.2
Domestic credit	2,257.0	2,763.1	2,836.8	3,008.1	3,106.6
Claims on central government	118.2	271.7	172.1	219.0	293.7
Claims on other public sector	71.9	54.0	66.5	59.8	88.6
Claims on private sector	2,066.9	2,437.5	2,598.1	2,729.3	2,724.3
Other items net	(678.6)	(774.0)	(868.3)	(757.2)	(800.4)
Broad Liquidity	5,414.7	5,568.2	5,949.6	5,307.4	4,752.9
Broad money (KYD) M2	914.1	1,017.7	962.2	981.1	935.9
Currency in circulation	81.8	83.6	87.5	85.2	89.7
KYD Deposits	832.2	934.1	874.6	895.9	846.1
Demand deposits	239.9	250.7	254.5	298.9	237.7
Time and savings deposits	592.3	683.3	620.1	597.0	608.4
FOREX deposits	4,500.6	4,550.5	4,987.5	4,326.2	3,817.0
of which: US dollars	3,982.6	4,218.7	4,316.0	3,632.8	3,251.6
US dollars share (%)	88.5	92.7	86.5	84.0	85.2

Source: Cayman Islands Monetary Authority and Economics and Statistics Office

Table A17: Visitor Arrivals ('000) and Cruise Ship Calls

Year	Stay-Over	Cruise	Total Arrivals	Cruise Ship Calls
1996	373.2	800.3	1,173.5	525
1997	381.2	866.6	1,247.8	572
1998	404.2	871.4	1,275.6	518
1999	394.7	1,035.5	1,430.2	638
2000	354.1	1,030.9	1,385.0	612
2001	334.1	1,214.8	1,548.9	711
2002	302.8	1,574.8	1,877.6	732
2003	293.5	1,819.0	2,112.5	825
2004	259.9	1,693.3	1,953.2	732
2005	167.8	1,799.0	1,966.8	784
2006	267.3	1,930.1	2,197.4	802
2007	291.5	1,715.7	2,007.2	657
2008	302.9	1,553.1	1,855.9	570
2009	272.0	1,520.4	1,792.3	547
2010	288.3	1,597.8	1,886.1	570
2011	309.1	1,401.5	1,710.6	523

Source: Cayman Islands Department of Tourism

Table A18: Occupancy Rates and Length of Stay

Year	Hotel Occupancy Rates (%)	Apt/Condo Occupancy Rates (%)	Hotel Length of Stay (Days)	Apt/Condo Length of Stay (Days)
1996	66.1	51.0	4.6	7.3
1997	66.9	48.2	4.8	7.0
1998	73.1	52.3	5.0	7.0
1999	71.8	46.9	4.7	5.8
2000	62.4	46.8	4.6	7.0
2001	55.3	43.1	4.5	7.3
2002	50.6	40.2	4.8	7.3
2003	51.2	37.7	4.7	7.4
2004	61.7	43.1	4.9	6.8
2005	55.8	46.0	4.9	6.7
2006	59.4	40.7	4.5	6.6
2007	61.7	42.5	4.7	6.7
2008	62.2	44.0	4.5	6.4
2009	59.0	43.9	4.4	6.9
2010	68.2	44.1	4.4	6.8
2011	n/a	n/a	n/a	n/a

Source: Cayman Islands Department of Tourism

Table A19: Total Stay-Over Arrivals by Country of Origin ('000)

Year	USA	Europe	Canada	Others	Total Arrivals
1995	266.2	37.3	14.1	43.8	361.4
1996	274.7	33.5	16.2	48.8	373.2
1997	278.7	32.7	18.2	51.6	381.2
1998	295.2	34.7	18.4	55.9	404.2
1999	280.3	34.5	18.9	61.0	394.7
2000	281.6	22.6	15.0	34.3	354.1
2001	270.1	20.4	13.6	34.9	334.1
2002	244.9	17.9	13.6	26.2	302.8
2003	232.4	18.2	14.1	28.8	293.5
2004	205.2	15.3	12.1	27.3	259.9
2005	118.8	12.7	10.5	25.8	167.8
2006	217.4	16.7	14.9	18.3	267.3
2007	231.9	20.4	17.4	21.9	291.5
2008	240.5	21.3	18.5	22.6	302.9
2009	215.0	19.1	17.3	20.6	272.0
2010	228.5	19.9	19.5	20.5	288.3
2011	242.9	21.1	24.6	20.4	309.1

Source: Cayman Islands Department of Tourism

Table A20: Property Transfers: Number and Value (in CI\$ Millions)

Year	Freehold		Leasehold		Total Transfers	
	Number	Value	Number	Value	Number	Value
1995	1,729	191.2	127	3.6	1,856	194.8
1996	2,055	267.2	153	3.3	2,208	270.5
1997	2,151	281.8	125	6.1	2,279	287.9
1998	2,344	317.2	128	2.3	2,472	319.5
1999	2,293	222.5	201	7.4	2,494	229.9
2000	1,868	257.3	143	2.3	2,011	259.6
2001	1,846	172.8	181	0.8	2,027	173.6
2002	1,842	269.9	147	4.1	1,989	274.0
2003	2,357	324.3	205	1.7	2,562	326.0
2004	2,335	339.2	127	1.9	2,462	341.1
2005	2,640	450.8	245	1.4	2,885	452.2
2006 ¹	2,777	691.1	179	4.1	2,956	695.2
2007	2,190	544.7	360	23.3	2,512	551.0
2008	2,289	558.1	323	76.2	2,612	634.3
2009	2,045	397.0	242	19.5	2,287	416.5
2010	1,619	307.2	168	9.2	1,787	316.4
2011	1,708	632.1	178	25.8	1,886	657.9

Source: Cayman Islands Lands & Survey Department

¹ Property transfers numbers and values were revised for 2006 only.

Leasehold transfers include lease transfers and subleases.

Table A21: Number of Project Approvals in Grand Cayman

Year	Apts/ Condos	Houses	Commercial	Government	Hotel	Industrial	Other	Total
2000	96	369	34	21	1	16	511	1,048
2001	79	309	45	7	3	11	442	896
2002	88	327	83	4	5	17	424	948
2003	129	385	67	12	-	34	504	1,131
2004	111	359	52	6	1	17	427	973
2005	132	532	95	15	4	26	394	1,198
2006	222	336	70	15	1	30	574	1,248
2007	112	437	56	10	1	14	493	1,123
2008	103	424	43	7	-	11	580	1,168
2009	109	426	46	3	-	12	526	1,122
2010	73	327	43	9	-	5	505	962
2011	52	332	36	14	-	9	496	939

Source: Cayman Islands Planning Department

Table A22: Value of Project Approvals in Grand Cayman (CI\$ Million)

Year	Apt/ Condos	Houses	Commercial	Government	Hotel	Industrial	Other	Total
2000	90.6	63.3	21.2	21.0	75.0	14.4	24.7	310.1
2001	44.5	54.2	18.0	0.8	1.7	5.5	24.4	149.1
2002	82.0	60.6	48.9	0.8	9.7	9.9	24.4	236.3
2003	65.9	80.0	29.0	55.1	-	7.1	29.4	266.5
2004	153.7	67.5	133.2	3.9	45.0	7.3	45.7	456.3
2005	194.9	105.8	103.9	3.7	16.2	20.5	66.1	511.2
2006	294.3	74.8	119.8	7.5	6.0	44.4	74.2	620.9
2007	88.9	131.3	71.7	54.5	55.0	8.4	59.1	468.9
2008	141.5	110.3	125.4	18.5	-	11.1	74.0	480.9
2009	170.0	122.0	29.0	0.1	-	2.6	97.5	421.2
2010	35.9	93.9	92.5	3.6	-	1.0	84.8	311.7
2011	27.5	116.5	25.8	15.1	-	16.6	40.3	241.8

Source: Cayman Islands Planning Department

Table A23: Number of Project Approvals in the Sister Islands

Year	Houses	Apt/Condo	Hotel	Government	Commercial	Industrial	Other	Total
2000	49	3	-	7	6	7	53	125
2001	41	7	-	5	9	3	46	111
2002	21	2	-	5	2	9	74	113
2003	29	3	-	4	14	2	60	112
2004	36	1	-	11	13	4	75	140
2005	43	4	-	5	9	1	73	135
2006	39	-	1	10	5	10	67	132
2007	35	6	-	9	5	-	49	104
2008	40	5	2	3	5	1	53	109
2009	34	2	-	3	2	-	62	103
2010	27	2	-	8	5	1	71	114
2011	35	-	-	2	2	1	62	102

Source: Cayman Islands Planning Department

Table A24: Value of Project Approvals in the Sister Islands (CI\$ Millions)

Year	Houses	Apt/Condo	Hotel	Government	Commercial	Industrial	Other	Total
2000	5.2	3.2	-	1.0	0.5	1.6	1.0	12.4
2001	-	2.8	-	2.1	1.1	1.1	0.8	8.0
2002	3.2	0.2	-	0.3	0.3	1.2	2.3	7.6
2003	4.1	0.8	-	0.1	1.4	0.4	0.7	7.4
2004	6.6	0.1	-	0.3	1.9	4.0	0.7	13.7
2005	5.9	1.3	-	0.2	0.6	0.5	0.8	9.3
2006	6.7	-	5.5	2.7	0.7	1.6	0.8	17.9
2007	6.5	23.9	-	2.1	0.3	-	3.5	36.2
2008	7.8	8.2	6.9	0.1	1.0	-	3.9	27.9
2009	5.8	0.7	-	2.0	1.1	-	3.3	12.8
2010	6.0	0.4	-	9.1	1.3	0.4	1.8	19.0
2011	7.4	-	-	0.1	0.1	1.6	0.8	9.9

Source: Cayman Islands Planning Department

Table A25: Building Permits in Grand Cayman

Category	Number					Value (CI\$M)				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
Apartment/ Condo	219	182	171	114	77	116.4	116.6	92.7	49.4	37.4
Houses	496	503	532	390	348	100.7	116.6	146.4	93.1	87.9
Commercial	186	176	116	120	112	183.2	162.8	49.5	45.3	39.5
Government	16	36	16	12	15	6.1	62.7	28.8	2.0	6.9
Hotel	4	1	-	-	-	1.0	0.2	-	-	-
Industrial	10	14	7	7	1	4.3	29.6	2.6	3.2	0.5
Other	159	169	303	347	270	34.6	13.7	35.0	12.6	10.9
Total	1,090	1,081	1,145	990	823	446.3	502.3	355.0	205.6	183.1

Source: Cayman Islands Planning Department

Table A26: Water Production and Consumption, Millions of US Gallons

Year	Production¹	Consumption
1995	592.9	637.6
1996	631.0	678.1
1997	730.7	779.8
1998	808.9	849.4
1999	874.3	908.8
2000	986.5	1,028.5
2001	1,097.4	1,069.2
2002	1,147.9	1,056.1
2003	1,197.9	1,173.7
2004	1,291.3	1,252.7
2005	1,371.6	1,301.7
2006	1,639.6	1,560.7
2007	1,720.8	1,657.7
2008	1,730.3	1,646.1
2009	1,959.1	1,741.8
2010	1,970.9	1,704.5
2011	1,977.6	1,697.8

Source: Cayman Islands Water Authority, Cayman Water Company

¹ Excludes Non-Potable Water

Table A27: Electricity ('000 megawatt hours)

Year	Production	Consumption			
		Domestic	Industrial/ Commercial	Public Lighting	Total
1995	297.4	118.1	147.5	3.3	268.9
1996	309.7	124.6	153.8	3.1	281.4
1997	347.8	140.3	168.7	3.3	312.3
1998	381.1	158.9	181.3	3.3	343.5
1999	390.4	168.2	191.5	3.3	363.0
2000	426.5	179.5	203.1	3.4	386.0
2001	449.3	189.7	213.9	3.5	407.0
2002	466.1	200.4	221.0	4.2	425.6
2003	489.7	211.2	228.5	4.5	444.2
2004	433.4	183.1	191.5	4.1	378.7
2005	463.2	200.3	222.4	5.0	427.8
2006	535.7	228.2	258.0	5.3	491.5
2007	584.4	249.4	279.4	5.4	534.2
2008	596.8	251.7	290.3	5.7	547.7
2009	608.8	263.1	290.7	6.0	559.8
2010	605.1	262.5	284.9	6.2	553.8
2011	606.5	258.8	289.0	6.2	554.0

Source: Caribbean Utilities Company

Table A28: Summary of Central Government Operations (CI\$ Millions)

Year	Total Revenue	Current Expenditure	Capital Expenditure and Net Lending	Total Expenditure	Current Balance	Overall Balance
1995	163.5	143.7	23.7	166.1	19.7	(2.6)
1996	190.7	161.8	34.1	195.5	27.8	(4.7)
1997	214.4	187.2	46.5	233.5	26.6	(19.1)
1998	248.6	214.7	31.3	244.8	33.9	3.8
1999	275.7	245.2	37.6	280.9	30.5	(5.3)
2000	278.2	268.4	43.2	311.2	9.3	(33.0)
2001	285.4	290.6	26.1	316.6	(6.2)	(31.2)
2002	314.1	278	17.6	295.7	36.1	18.4
2003	326.2	283.7	21.2	305.2	42.5	21.0
2004	336.4	349.2	29.2	378.1	(13.2)	(41.7)
2005	428.6	381.8	47.5	430.3	87.5	(1.7)
2006	500.4	393.5	39.6	433.1	106.9	67.3
2007	513.0	446.1	105.9	552.0	66.9	(39.0)
2008	522.2	521.5*	150.6	672.1	0.7	(149.9)
2009	473.7	535.6	141.7	677.3	(61.9)	(203.6)
2010	515.4	519.3	84.6	604.0	(3.9)	(88.5)
2011	545.8	526.9	99.2	626.1	18.8	(80.3)

*Annual depreciation is included in current expenditure starting 2008

Source: Cayman Islands Treasury Department

Note:

Interdepartmental purchases and services and vehicle and equipment maintenance fees were netted in current expenditure from 1992 to 1999.

Table A29: Central Government Debt and Self- Financing Debt, (CI\$M) a/

Year	Disbursed Outstanding Debt	Drawings	Exchange Gain/ (Loss)	Amortisation	Interest Payments
1995	51.6	1.8		11.2	4.1
1996	67.6	22.4		6.6	3.4
1997	82.9	25.5		8.7	4.5
1998	93.8	21.5		10.9	5.9
1999	98.3	18.2		13.1	5.6
2000	107.8	23.8		14.3	7.0
2001	143.5	49.7		14.0	6.8
2002	132.1	10.9	(0.3)	21.3	3.8
2003	143.9	136.9		124.5	5.1
2004	157.6	23.3		9.5	7.3
2005	180.9	39.0		11.4	9.5
2006	179.7	10.0		14.5	8.9
2007	210.5	52.3	(0.2)	16.4	9.6
2008	354.9	166.2	(0.5)	20.7	11.7
2009	513.5	184.3		25.9	19.4
2010	592.7	106.7	(0.2)	25.9	27.9
2011	613.4	154.2	0.3	133.9	32.9

Source: Cayman Islands Treasury Department

a/ Self-financing debt refers to the loans raised by the central government on behalf of agencies which are required to reimburse the servicing of these loans.

Table A30: Fiscal Operations (CI\$ Millions)

	2008	2009	2010	2011
	CI\$	CI\$	CI\$	CI\$
Total Revenue	522.2	473.7	515.4	545.8
Coercive Revenue	457.9	430.9	458.5	489.3
Taxes on International Trade & Transactions	176.9	152.0	158.5	162.2
Domestic Taxes on Goods & Services	238.0	248.2	277.1	289.5
Taxes on Property	41.1	23.9	21.3	36.4
Fines	1.9	2.4	1.6	1.2
Other Taxes	0.0	4.5	0.0	0.0
Non-coercive Revenue	64.3	42.8	56.9	56.5
Sale of Goods & Services	59.7	41.8	56.2	55.8
Investment Revenue	4.2	0.3	0.1	0.6
Other Operating Revenue	0.4	0.7	0.6	0.1
Total Expenditure	672.1	677.3	603.9	626.1
Current Expenditure	521.5	535.6	519.3	526.9
Personnel Costs	245.2	236.6	224.8	216.3
Supplies & Consumables	97.8	84.5	87.1	94.0
Subsidies	105.5	122.5	125.2	131.6
Transfer Payments	28.4	27.2	29.7	31.0
Depreciation	18.8	21.6	20.0	18.1
Interest Payments	11.7	19.4	27.9	32.9
Extraordinary Expenses	1.7	20.1	2.1	0.0
Other Executive Expenses	12.3	3.7	2.5	3.0
Capital Expenditure & Net Lending	150.6	141.7	84.6	99.2
Capital Acquisition (now Equity Injections)	40.7	105.4	42.9	82.2
Capital Development (now Executive Assets)	109.9	35.2	37.5	16.0
Net Lending	0.0	1.1	4.2	1.0
Primary Balance	(138.2)	(184.2)	(60.6)	(47.4)
Current Balance	0.7	(61.9)	(3.9)	18.9
Overall Balance	(149.9)	(203.6)	(88.5)	(80.3)
Financing	149.9	203.6	88.5	80.3
Net Borrowing	145.4	158.4	80.7	21.0
Disbursements	166.2	184.3	106.7	153.6
Loan Repayment	(20.7)	(25.9)	(25.9)	(132.6)
Change in Cash (minus = increase)	4.5	45.3	7.8	59.3

Source: ESO and Treasury Department