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# THE CAYMAN ISLANDS' SEMI-ANNUAL ECONOMIC REPORT 2012

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September 2012



**The Economics and Statistics Office**

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## Overview\*

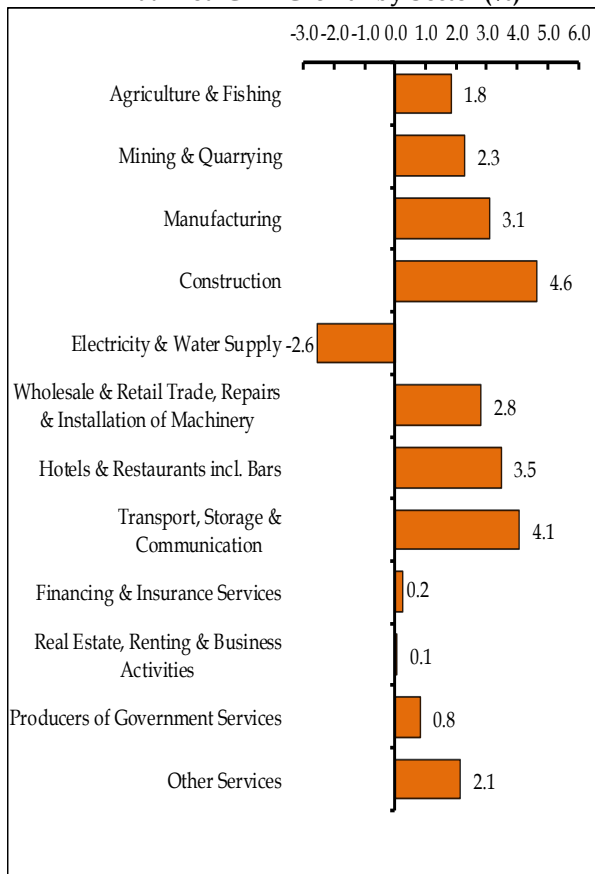
- Gross domestic product was estimated to have expanded at an annualised rate of 1.2% in the first half of 2012.
- The average Consumer Price Index increased by 1.4%, led by higher price for food and non-alcoholic beverages, transport and clothing and footwear.
- Merchandise imports rose by 1.2% to register at \$369.9 million as non-oil goods import increased by 5.1% as compared to the same period last year.
- Current work permits rose by 1.2% to 20,158.
- Broad liquidity or money supply contracted by 2.5% due to reductions in foreign currency deposits held by residents.
- The weighted average lending rate fell by 2 basis points to 6.41% while prime lending rate remained stable at 3.25%.
- Domestic credit expanded anew by 2.9% amidst a decline in credit to the public sector by 4.5% while credit to the private sector grew by 4.0%.
- Bank and trust company licenses slid by 6.0% while insurance licenses increased marginally by 0.5%.
- Mutual funds registration increased by 15.5% to 10,871 this resulted because of the new category 'Master Fund' which totalled 1,732.
- Stock exchange listings expanded by 5.1% to settle at 1,162 followed by stock market capitalization particularly Eurobond.
- New company registrations declined by 1.0% to total 4,794.
- Air arrivals grew by 3.5% and 5.1% more cruise passengers visited during the period.
- Building permits grew by 5.8% to settle at 383, valued at \$88.0 million.
- The number of property transfers declined by 5.7% to 888 while the total value plummeted by 46.1% to \$220.2 million.
- Electricity production and consumption fell by 1.5% and 1.4% respectively. Similarly, water production and consumption fell by 4.5% and 6.7% respectively.
- The central government's overall fiscal deficit narrowed marginally to \$43.2 million from \$47.3 million a year ago.
- The total outstanding debt of the central government fell to \$599.4 million from \$629.2 million a year ago.

\*Comparative data over the first six months of 2011, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off\*\*

## 1. GDP Growth

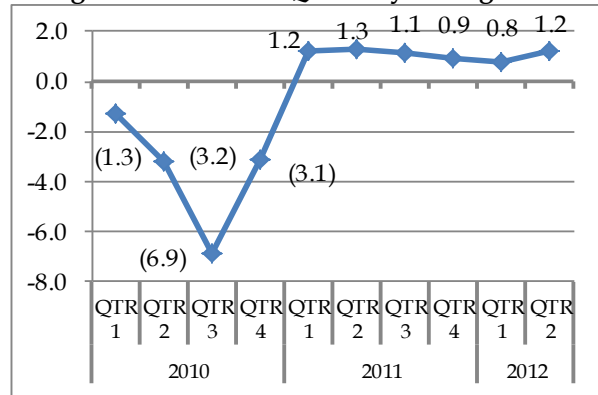
Indicators for the six months of 2012 suggest that the Cayman Islands' real GDP grew by an estimated annualised rate of 1.2% compared to a year ago when the estimated growth was 1.3%. During the period, positive but small growth rates were indicated for all sectors except utilities (see Figure 1).

**Figure 1: Estimated First half of 2012 Annualized GDP Growth by Sector (%)**



Source: Economics and Statistics office

**Figure 2: Estimated Quarterly GDP growth**



Source: Economics and Statistics Office

As depicted in Figure 2, for the first two quarters of 2012, GDP growth was estimated at 0.8% and 1.2% respectively. As a result of the sluggish economic performance, the macroeconomic outlook for the calendar year 2012 is revised downwards from 1.8% to 1.4% (see Table 1). This downward revision to economic growth is due to lower-than expected growth in air arrivals, continued lacklustre financial services indicators, slower than anticipated implementation of public-private partnership construction projects, and contraction of government expenditure coupled with higher fees.

However, upside potential remains with the commencement of construction on the first phase of Health City Cayman Islands (Dr. Shetty Hospital), and the expected boost to the air arrivals capacity with the expected introduction of JetBlue service to the Cayman Islands.

The inflation forecast is revised downwards to 1.7% from 2.1%, as average inflation for the first half of the year was 1.4%, as the housing market

stabilize and inflation is now mainly pushed by food and alcoholic beverages, transport, and clothing footwear.

Unemployment rate forecast is revised marginally upwards to 6.3% from 6.2% as the level of economic activity is not expected to absorb the anticipated increase in the labour force.

**Table 1: Macroeconomic Outlook  
Based on Semi-Annual Data**

	2010	2011	Forecast 2012
	Percent (%)		
Real GDP*	(3.4)	1.1	1.4
CPI Inflation	0.3	1.3	1.7
Unemployment Rate	6.2	6.3	6.3
BOP Current A/C (% of GDP)			

\* 2011 is Estimated

Source: Economics and Statistics Office

## 2. Inflation

Average inflation for the first half of 2012 was recorded at 1.4% (see Table 2). This resulted mainly from rising price indices for transport (4.9%), food and non-alcoholic beverages (4.6%), and clothing and footwear (4.5%).

During the second quarter of 2012, the Consumer Price Index (CPI) stood at 101.4, higher by 0.9% compared to June 2011 (see Figure 3)<sup>1</sup>. Rising price indices were recorded for transport (3.4%), clothing and footwear (5.4%), food and non-alcoholic beverage (3.8%), health

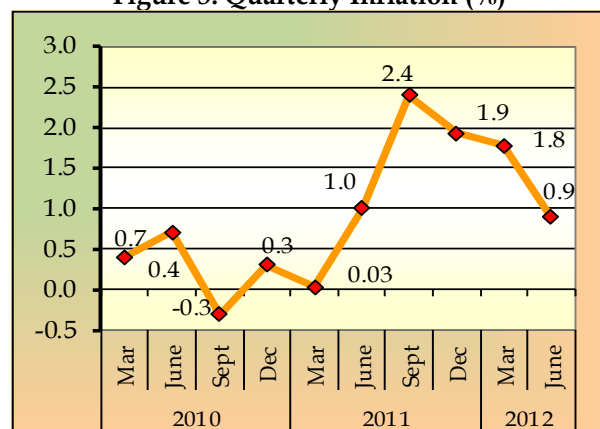
(1.3%), alcohol and tobacco (0.4%), miscellaneous goods and services (0.3%), housing and utilities (0.1%), and household equipment (0.9%). However, these increases were offset by declines in communication (-1.7%), restaurants and hotels (-0.2%), recreation and culture (-0.8%).

**Table 2: Average Semi-Annual Inflation (%)**

Categories	Semi-Annual Avg Inflation Rates (%)	
	2011	2012
Food & Non Alcoholic Beverages	2.2	4.6
Alcohol and Tobacco	0.4	0.5
Clothing and Footwear	-0.3	4.5
Housing and Utilities	-3.7	0.5
Household Equipment	0.5	0.7
Health	0.9	2.0
Transport	11.3	4.9
Communication	0.9	0.3
Recreation and Culture	1.7	-1.1
Education	1.8	0.0
Restaurants and Hotels	1.3	0.4
Misc. Goods and Services	2.6	0.2
<b>Overall CPI Inflation</b>	<b>0.5</b>	<b>1.4</b>

Source: Economics and Statistics Office

**Figure 3: Quarterly Inflation (%)**



Source: Economics and Statistics Office

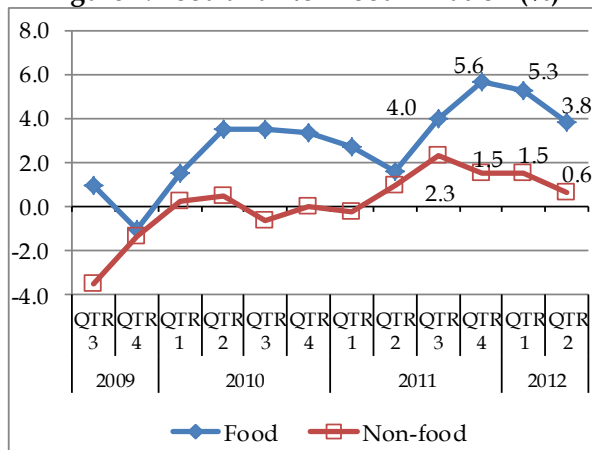
Higher prices of land, air and sea transportation coupled with higher price of vehicles accounted for the increase in

<sup>1</sup> See also 'The Cayman Islands Consumer Price Report June 2012,' [www.eso.ky](http://www.eso.ky)

the transport index by 3.4% during the second quarter.

The index for food and non-alcoholic beverages increased by 3.8% on account of higher international food prices, precipitated by adverse weather conditions in producing countries. This quarter food price inflation has been the lowest within the last four quarters (see Figure 4).

**Figure 4: Food and Non-food Inflation (%)**



Source: Economics and Statistics Office

Noteworthy increase was also recorded in the clothing and footwear index, moving up by 5.4% to 106.4.

The price index for housing and utilities stood at 90.5 (up 0.1%) in the second quarter was on account of a 5.5% increase in maintenance-related cost, as both actual rent and imputed rent (owner-occupied) fell marginally. Additionally, cost of utilities increased as water supply and miscellaneous services (3.0%) and electricity, gas and other fuels (1.1%) increased. Fluctuations in utility prices are usually precipitated directly from price changes of international oil and oil-

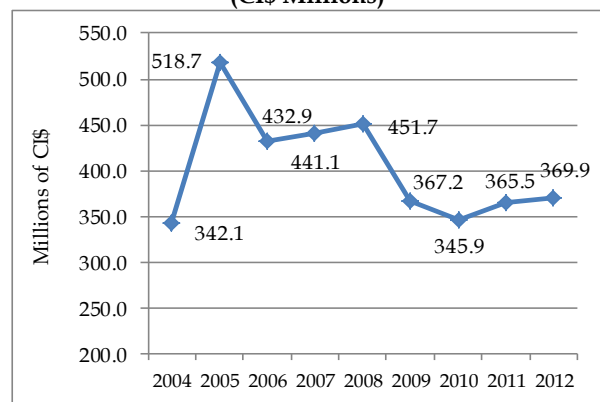
related products, which also affects the production cost of pumping water indirectly.

### 3. Trade

Preliminary data for the first six months of 2012 indicates that merchandise imports for the first half of 2012 increased by 1.2% to \$369.9 million. This resulted, despite a 6.3% reduction in the second quarter as the strong first quarter growth of 9.8% outweighed the most recent quarter performance. The six months growth can be traced predominantly to a 5.1% increase in non-oil imports.

During the period, the value of oil and petroleum-related products declined by 9.8% as the quantity of imported fuel fell by 10.1% to 23.3 million imperial gallons during the first half of 2012. This decrease permeated all fuel types with various proportionate declines. The decline in oil and oil-related products was aided by lower oil price on the international market.

**Figure 5: Half-Year Merchandise Imports (CIS\$ Millions)**

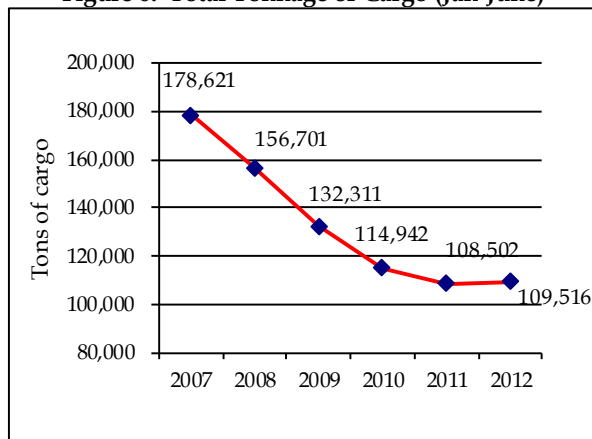


Source: Customs Department and ESO

The value of food and live animals increased by 6.9% as world food prices trended up during the period. Manufactured goods classified chiefly by materials increased by 15.8% and miscellaneous manufactured articles increased by 10.3%. Other increases were recorded in the value of beverages and tobacco (0.3%), all chemical and related-products (6.1%), and machinery and transport equipment (2.2%). The categories of imports which declined were commodities and transactions not classified elsewhere (14.1%), mineral fuels, lubricants and related materials (10.0%), and crude materials (7.0%).

Consistent with the increase in the overall value of non-oil imports for the first half of 2012, the volume of imported cargo began increasing following a long period of decline. Therefore the total tonnage of landed cargo increased by 0.9% in 2012 as compared to a 5.6% decline during the first half of 2011 (see Figure 6).

**Figure 6: Total Tonnage of Cargo (Jan-June)**

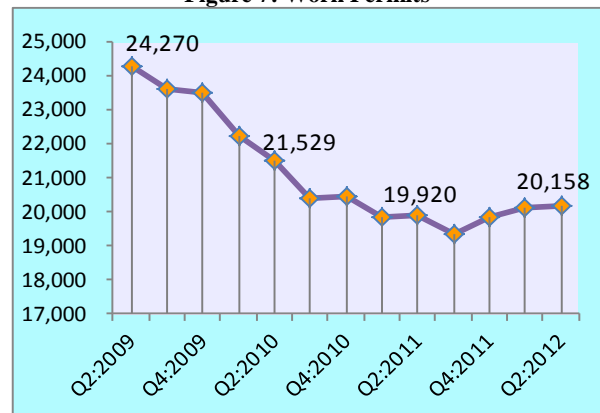


Source: Cayman Islands Port Authority

#### 4. Work Permits

Foreign employment levels expanded by 1.2% to 20,158 for the first six months of 2012, this is an improvement on the 7.5% decline for the same period a year ago.

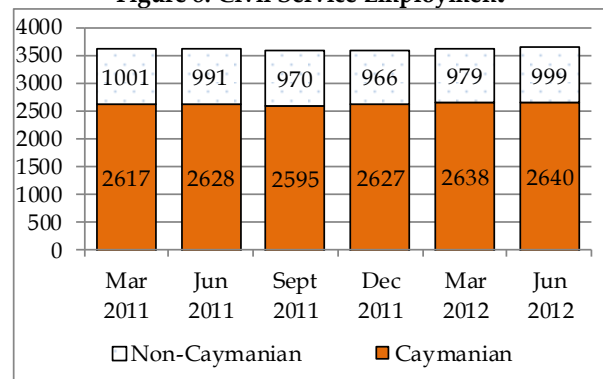
**Figure 7: Work Permits**



Sources: Immigration Department, Economics & Statistics Office

As depicted in Figure 8, the civil service employment increased by 0.6% (or 20 persons) to total 3,639 when compared to a year ago.

**Figure 8: Civil Service Employment**

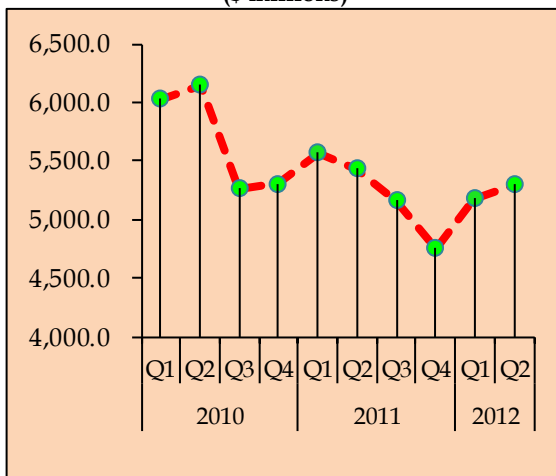


Source: Portfolio of the Civil Service

## 5. Money & Banking

Broad liquidity (M2) comprising CI dollar-denominated money and foreign exchange deposits contracted by 2.5% to settle at \$5,296.9 million in the first half of 2012. During this period, foreign currency deposits declined by 5.6%, while CI dollar-denominated money grew by 10.6%.

**Figure 9: Total Money Supply (M2)**  
(\$ millions)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

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

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

	Jun-11	Jun-12	% Change
<b>Total Assets</b>	<b>5,432.8</b>	<b>5,296.9</b>	<b>(2.5)</b>
<b>Net Foreign Assets</b>	<b>3,108.1</b>	<b>2,839.5</b>	<b>(8.6)</b>
Monetary Authority	89.7	93.5	4.2
Commercial Banks	3,018.4	2,746.0	(9.0)
<b>Net Domestic Assets</b>	<b>2,324.7</b>	<b>2,457.4</b>	<b>5.7</b>
Domestic credit	2,985.5	3,072.1	2.9
Claims on central government	302.7	285.4	(5.7)
Claims on other public sector	89.6	89.2	(0.4)
Claims on private sector	2,593.2	2,697.5	4.0
Other items net (assets +)	(660.8)	(614.7)	(7.0)
<b>Broad Liquidity</b>	<b>5,432.8</b>	<b>5,296.9</b>	<b>(2.5)</b>
Broad money (KYD) M2	1,033.8	1,143.5	10.6
Currency in circulation	84.9	88.7	4.4
KYD Deposits	948.9	1,054.8	11.2
Demand deposits	294.5	365.1	24.0
Time and savings deposits	654.4	689.7	5.4
FOREX deposits	4,399.0	4,153.4	(5.6)
of which: US dollars	3,798.9	3,558.6	(6.3)
<b>US\$ Contribution (%)</b>	<b>86.4</b>	<b>85.7</b>	

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

**5.1. Net Foreign Assets (NFA).** During the review period, net foreign assets of domestic commercial banks fell by 9.0% (see Table 4), while that of the Cayman Islands Monetary Authority increased by 4.2%, resulting in an overall contraction of \$268.6 million (or 8.6%). The decline in commercial banks' NFA resulted from an increase in foreign liabilities (6.4%) coupled with a reduction in foreign assets (1.1%). The increase in foreign liabilities resulted as non-resident deposits and other liabilities increased while the change in foreign assets was influenced by declines in total investments and total non-resident loans.



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

	Jun-11	Jun-12	% Change
<b>Net Foreign Assets</b>	<b>3,108.1</b>	<b>2,839.5</b>	<b>(8.6)</b>
Monetary Authority	89.7	93.5	4.2
Commercial Banks	3,018.4	2,746.0	(9.0)
<b>Foreign Assets</b>	<b>6,186.5</b>	<b>6,115.8</b>	<b>(1.1)</b>
Bal. with Banks & Branches	3,612.0	3,860.6	6.9
Total Investment	938.7	895.1	(4.6)
Total Non-Resident Loans	1,635.8	1,360.1	(16.9)
<b>Foreign Liabilities</b>	<b>3,168.1</b>	<b>3,369.9</b>	<b>6.4</b>
Deposits	3,038.6	3,216.2	5.8
Other Liabilities	129.5	153.7	18.7

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

**5.2. Net Domestic Assets.** A 2.9% expansion in net domestic assets was driven by a 4.0% growth in credit to private sector which outweighed the 4.5% reduction in credit to the public sector during the period (see Table 5).

The contraction in public sector indebtedness by \$17.7 million is traced mainly to the central government (down by \$17.3 million). Other public sector entities also declined marginally.

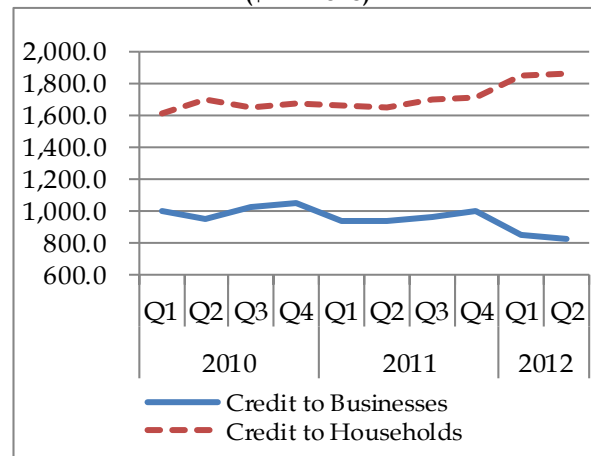
**Table 5: Net Domestic Assets (\$ millions)**

	Jun-11	Jun-12	% Change
<b>Domestic Credit</b>	<b>2,985.5</b>	<b>3,072.1</b>	<b>2.9</b>
Domestic Credit to Public Sector	392.3	374.6	(4.5)
Domestic Credit to Private Sector	2,593.2	2,697.5	4.0

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

As compared to a year ago, domestic lending to the private sector increased. As Figure 10 shows, increase in loans to households while lending to businesses

declined compared to the same period last year.

**Figure 10: Credit to Business and Households (\$ millions)**


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Loans to households increased by 13.1% (or \$216.9 million) as at June 2012 compared to the preceding year. Loans for domestic property and miscellaneous<sup>2</sup> expanded by 6.0% and 103.0%, respectively. However, credit for motor vehicles and education and technology declined (see Table 6). During the last three months, new credit for households increased by \$21.2 million due to higher miscellaneous debt.

Loans to businesses contracted by 11.9% as the production and manufacturing sector, and services sector recorded double-digit decline. Lending to other financial corporations increased by 34.1% while trade and commerce borrowings remained flat.

<sup>2</sup> Miscellaneous include consolidated debt, insurance, medical and travel.

Credit to the service sectors declined by 34.1%, as loans for entertainment, communications and professional services declined.

Loans outstanding to the production and manufacturing sectors declined as borrowings by the utilities and construction sectors declined which outweighed increased borrowings for agriculture, fishing and mining sector.

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

	Jun-11	Jun-12	% Change
<b>Total</b>	2,593.2	2,697.5	4.0
<b>Credit to Businesses</b>	943.3	831.0	(11.9)
<b>Production &amp; Manufacturing</b>	396.1	339.2	(14.4)
Agriculture, Fishing and Mining	6.9	15.3	121.7
Manufacturing	33.1	29.4	(11.2)
Utilities	23.2	8.5	(63.4)
Construction	332.9	286.0	(14.1)
<b>Services</b>	194.4	128.1	(34.1)
Entertainment Services	111.4	92.3	(17.1)
Communications	44.1	20.3	(54.0)
Professional Services	38.9	15.5	(60.2)
<b>Trade and Commerce</b>	320.8	320.8	0.0
Wholesale & Retail Sales Trade	65.8	63.2	(4.0)
Real Estate Agents, Rental and Leasing Companies	223.7	119.9	(46.4)
Other Business Activities (General Business Activity)	31.3	137.7	339.9
<b>Other Financial Corporations</b>	32.0	42.9	34.1
<b>Credit to Households</b>	1,649.5	1,866.4	13.1
Domestic Property	1,459.8	1,547.1	6.0
Motor Vehicles	45.5	33.4	(26.6)
Education and Technology	5.4	4.2	(22.2)
Miscellaneous*	138.8	281.7	103.0
<b>NonProfit Organizations</b>	0.4	0.1	(75.0)

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

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

**5.3. Broad Liquidity.** As referenced in Table 4, broad liquidity (M2) in the Cayman Islands reached \$5,296.9 million in June 2012, compared to \$5,432.8 million for the same period last year.

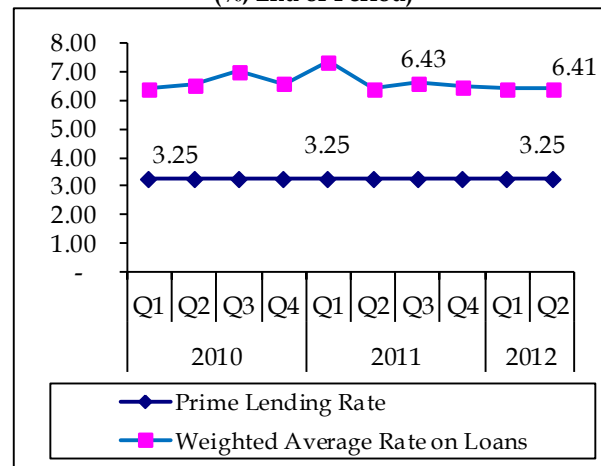
This represents a 2.5% decline which directly follows from a decrease in foreign currency deposits although local currency broad money grew.

Foreign currency deposits recorded a decline of 5.6%, predominantly due to a fall-off in the holdings of US dollar-denominated deposits by 6.3%.

Cayman Islands dollar money supply grew by 10.6% as total CI dollar deposits rose by 11.2%, in tandem was local currency in circulation with a growth of 4.4% during the period. The increase in currency in circulation is usually an indication of possible higher level of economic transactions.

**5.4. Interest Rates.** As depicted in Figure 11, the weighted average lending rate fell marginally by 2 basis points from 6.43% in June 2011 to 6.41% in the same period of 2012. The Cayman Islands prime lending rate remained constant at 3.25%.

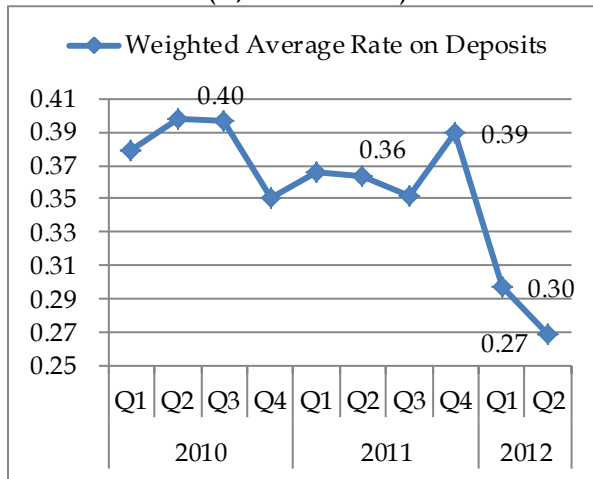
**Figure 11: KYD Lending Rates (% End of Period)**



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

As depicted in Figure 12, the weighted average savings rate on KYD deposits declined by 9 basis points from a year ago to 0.27%.

**Figure 12: KYD Weighted Average Savings Rates  
(%, End of Period)**



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

## 6. Financial Services

Mid-year results for the financial services sector were variable as both mutual fund listings and insurance company registrations improved while all other sub-sector indicators lessened.

### 6.1 Banks & Trust

Similar to previous results, the total number of bank and trust companies licensed dipped to 235 at mid-year 2012, a 6.0% decrease from the June 2011 mark. Meanwhile, licences to trust companies remained unchanged.

**Table 7: Bank & Trust Companies**

	Jun 2010	Jun 2011	Jun 2012	% Change
<b>Bank and Trust</b>	<b>265</b>	<b>250</b>	<b>235</b>	<b>-6.0</b>
Class "A"	18	16	15	-6.3
Class "B"	247	234	220	-6.0
<b>Trust Companies</b>	<b>128</b>	<b>124</b>	<b>124</b>	<b>-</b>
Restricted	78	71	71	-
Unrestricted	50	53	53	-

Source: Cayman Islands Monetary Authority

Class 'A' bank & trust licences lessened to 15, while Class 'B' licences reduced by 14, to settle at 220, since June 2011.

Europe and USA are the main participants in Cayman Islands banking industry accounting for 28.1% and 23.0% respectively of the banking licensees. The rest are allocated as follows: South America 18.3%, Asia and Australia 10.6%, Caribbean and Central America 8.1%, Canada and Mexico 8.1% and Middle East and Africa 3.8%.

### 6.2 Insurance

The Cayman Islands insurance company business weakened as the total number of insurance licences grew by 4 (or 0.5%) from 754 in June 2011, to 758 as at June 2012.

Class 'A' insurance licences declined by 2 to settle at 29, while Class 'B' (captive) licences grew by 6 over the review period.

**Table 8: Insurance Companies**

	Jun 2011	Jun 2012	% Change
Class 'A'	29	27	-6.9
Class 'B'	725	731	0.8
<b>Total</b>	<b>754</b>	<b>758</b>	<b>0.5</b>

Source: Cayman Islands Monetary Authority

The composition of captive insurance licences remained relatively constant during the period. Healthcare abounded as the primary class of business in the captive insurance sector constituting 35.4% followed by the workers' compensation coverage (21.7%). Other significant classes of business include: property (12.1%), general liability (9.7%) and professional liability (9.0%).

**Table 9: Captive Insurance Licences by Primary Class of Business, June 2012**

	licences	%
Healthcare	253	34.6
Workers' Compensation	158	21.6
Property	88	12.0
General Liability	73	10.0
Professional Liability	65	8.9
Others	94	12.9
<b>Total</b>	<b>731</b>	<b>100</b>

Source: Cayman Islands Monetary Authority

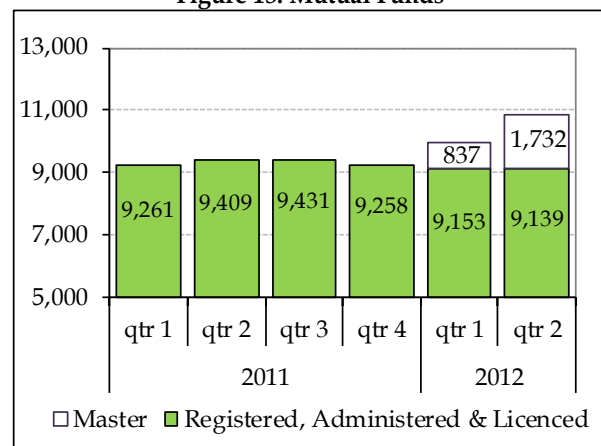
The prime geographical source for captive insurance companies is North America comprising 90.5%.

Premiums for captive insurance reached US\$9.07 billion at the end of June 2012, an increase of about US\$1.6 billion from June 2011.

### 6.3 Mutual Funds

When compared to mid-year 2011, total mutual funds rose by 15.5% to total 10,871. The increase is associated with the inclusion of master funds in accordance with Mutual Funds (Amendment) Law (2011) which was enacted in December of the same year.

Despite the increase in total mutual funds, in 2012, the categories of registered, administered and licenced declined in by 2.9% to total 9,139 when compared to the similar period a year ago.

**Figure 13: Mutual Funds**


Source: Cayman Islands Monetary Authority

### 6.4 Stock Exchange

The Cayman Islands Stock Exchange total stock listings rose from 1,106 in June 2011 to 1,162 in June 2012; an increase of 5.1% (see Table 10). This upsurge was largely on account of marked growths in both primary equity and Eurobond listings (by 100% and 36.5%, respectively). This outcome also coincided with enhanced market capitalization for these

instruments, as well as, secondary equity listings.

**Table 10: Number of Stock Listings by Instruments**

Instruments	2011	2012	Change %
Mutual Funds	296	331	11.8
Specialist Debt	641	621	(3.1)
Eurobond	85	116	36.5
Secondary Equity	2	2	-
Primary Equity	2	4	100.0
Insurance Linked Security	80	88	10.0
<b>Total</b>	<b>1,106</b>	<b>1,162</b>	<b>5.1</b>

Source: Cayman Islands Stock Exchange

**Table 11: Market Capitalization by Instruments (US\$ billions)<sup>3</sup>**

Instruments	2011	2012	Change %
Mutual Funds	30.4	17.6	(42.1)
Specialist Debt	77.0	76.0	(1.3)
Eurobond	30.8	63.0	104.5
Secondary Equity	0.03	0.84	2,376.4
Primary Equity	0.17	2.68	1,476.5
Insurance Linked Security	6.2	8.6	38.7
<b>Total</b>	<b>144.6</b>	<b>168.7</b>	<b>16.7</b>

Source: Cayman Islands Stock Exchange

## 6.5 New Company Registration

During the first half of 2012, total new company registrations stood at 4,794, a 1.0% decrease compared to a year ago. With the exception of exempt companies and non-resident companies (which abated by 0.6% and 56.2%, respectively), all remaining sub-categories registered marginal improvements. This overall performance represents the second

consecutive year of positive growth for new company registrations within the past five years (since resting at its lowest level in 2009).

**Table 12: New Company Registrations**

	2010	2011	2012
<b>Total</b>	<b>4,362</b>	<b>4,844</b>	<b>4,794</b>
Exempt	3,766	4,245	4,221
Non-Resident	128	89	39
Resident	252	278	291
Foreign	216	232	243
Percentage change (%)			
<b>Total</b>	<b>18.4</b>	<b>11.0</b>	<b>-1.0</b>
Exempt	19.2	12.7	-0.6
Non-Resident	37.6	-30.5	-56.2
Resident	5.9	10.3	4.7
Foreign	11.9	7.4	4.7

Source: Registrar of Companies

## 7. Tourism

When compared to 2011, total visitor arrivals to the Cayman Islands through to June 2012 stood at 1,060,298 – an improvement of 4.8%. This upturn was associated with higher arrivals for both air and cruise arrivals.

### 7.1 Air Arrivals

Air arrivals increased by 3.5% over last year's mid-year results from 175,046 in 2011 to 181,108 this year.

The United States of America remained the largest contributor of inbound visitors, contributing 80.4% of total

<sup>3</sup> The figures for mutual funds and domestic equity refer to market capitalization. Figures for specialist debt, Eurobond and international equity are based on par values.

arrivals at the end of second quarter of 2012. Other arrivals originated from Europe 6.2%, Canada 7.9% and 'Other' countries 5.4%. Unlike the previous year, Canada's share narrowed, whereas the composition of visitors from the U.S. strengthened marginally. The share of 'Other' category of visitors also slightly improved this year.

Table 13: Air arrivals by countries (Jan-June)

	In Thousands			%
	2010	2011	2012	Change
<b>USA</b>	130.9	140.2	145.7	3.9
Northeast	48.9	51.3	50.5	-1.6
Midwest	31.4	33.9	36.4	7.4
Southeast	22.5	24.0	24.7	2.9
Southwest	20.1	22.4	24.7	10.3
West Coast	8.0	8.6	9.4	9.3
<b>Europe</b>	10.7	11.2	11.3	0.9
<b>Canada</b>	11.4	15.1	14.4	-4.6
<b>Others</b>	9.1	8.6	9.8	14.0
<b>Total</b>	162.1	175.1	181.2	3.5
<i>of Which: USA (%)</i>	80.8	80.1	80.4	

Source: Department of Tourism

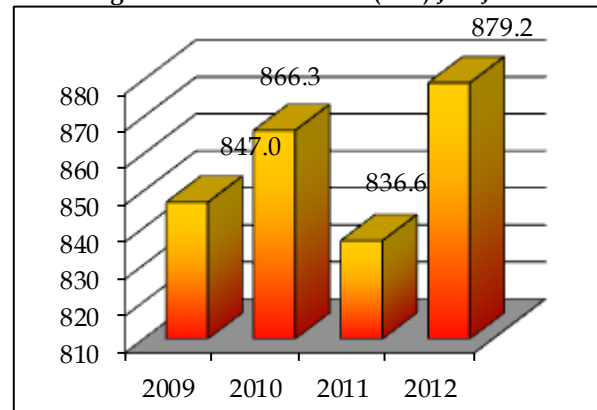
Whilst the US stay-over visitor market continued to outpace other categories of stay-over arrivals, in contrast to 2011, its contribution improved marginally to 80.4%. With the exception of the Northeast region, all other categories of arrivals rebounded.

## 7.2 Cruise Arrivals

Albeit, the number of cruise ships visiting Cayman's port lessened as of June (from 323 in 2011 to 309 in 2012), there was a total of 879,190 passengers (up 5.1%) compared to the 836,595 cruise ship travellers who visited a year ago.

Meanwhile, cruise passengers per day averaged 4,884 persons, an increase of 236 visitors over the first half of 2011.

Figure 14: Cruise Visitors ('000) Jan-June



Source: Department of Tourism

## 8. Construction

Construction indicators showed mixed performance in the first six months. While the value of building activity continued to contract albeit at a slower pace.

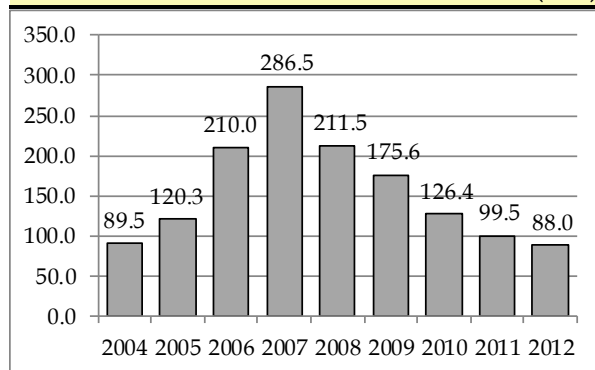
### 8.1 Building Permits

Building permit values totalling \$88.0 million continued to contract, albeit at a slower rate, this time by 11.6% as compared to 21.3% and 28.0% recorded in the previous two years. Despite the decline in the last few years, this level is consistent with the values of building permit prior to Hurricane Ivan in September 2004 (see Table 14).

The decline resulted from a sharp slowdowns in both the non-residential (commercial, government and industrial) and the apartment segments.

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

	2010	2011	2012	% Change
Millions CI\$				
Houses	51.2	38.0	60.6	59.5
Apartments	33.1	32.0	10.9	(65.9)
Commercial	35.5	19.1	8.3	(56.5)
Government	-	6.5	2.0	(69.2)
Industrial	1.3	0.5	-	(100.0)
Other	5.3	3.4	6.2	82.4
<b>Total</b>	<b>126.4</b>	<b>99.5</b>	<b>88.0</b>	<b>(11.6)</b>



Source: Planning Department

Overall, the residential sector which comprised houses and apartments experienced moderate growth rising by 2.1% to \$71.5 million. The upturn was limited to the 'House' segment whose values climbed by 59.5% to \$60.6 million on account of a \$19.7 million George Town development coupled with expansion of other existing developments.

In the apartment segment, building activity slipped by 65.9% to \$10.9 million as one plausible reason is the smaller expatriate population in recent years have dampened demand.

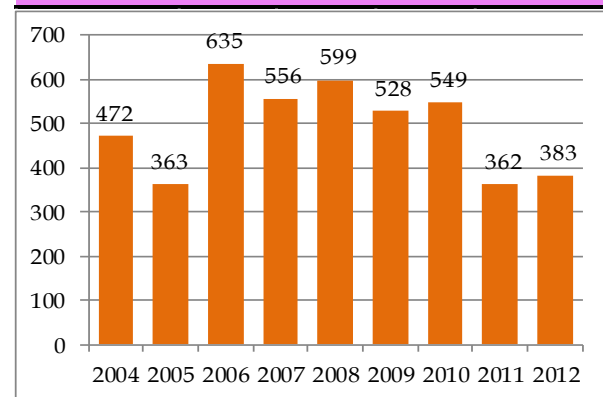
Non-residential building plunged anew by 60.5% from \$26.1 million in 2011 to \$10.3 million. Within this category,

Commercial and government components contracted by 56.5% and 69.2% respectively, while industrial activity remained flat.

During the review period, building permit numbers increased by 5.8% to 383. This increase was dominated by the number house permits, which were up by 28.6% (or 42 houses valued at \$22.6 million). The number of permits issued was lower than the comparative period before hurricane Ivan in 2004.

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

	2010	2011	2012	% Change
Houses	221	147	189	28.6
Apartments	68	42	29	(31.0)
Hotels	0	0	0	-
Commercial	78	45	35	(22.2)
Government	2	7	8	14.3
Industrial	3	1	0	(100.0)
Other	177	120	122	1.7
<b>Total</b>	<b>549</b>	<b>362</b>	<b>383</b>	<b>5.8</b>



Source: Planning Department

## 8.2 Project Approvals

Project approval which is a leading indicator of construction intentions deteriorated sharply in the review period,

as values plunged by 23.1% to \$73.6 million (see Table 16).

Majority of the decline emanated from the houses, as approval values fell to \$35.5 million from \$62.5 million a year ago.

Government categories fell by 19.0% to \$4.7 million as fiscal austerity impacted the level of capital expenditure.

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

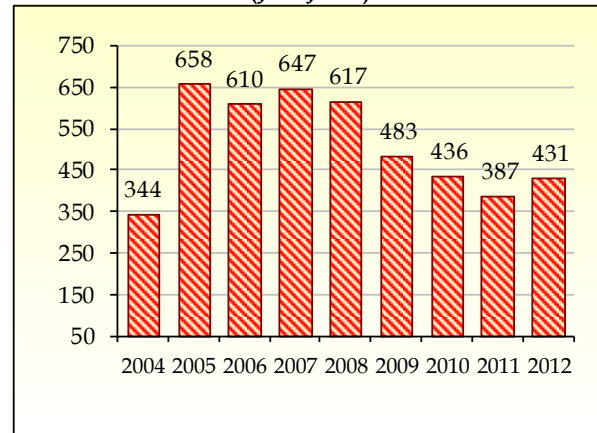
	2010	2011	2012	% Change
	Millions CI\$			
Houses	46.8	62.5	35.5	(43.2)
Apartments	23.4	10.7	14.6	36.4
Commercial	71.9	4.4	4.3	(2.3)
Government	0.1	5.8	4.7	(19.0)
Industrial	0.6	2.3	4.0	73.9
Other	30.5	10.0	10.5	5.0
<b>Total</b>	<b>173.3</b>	<b>95.7</b>	<b>73.6</b>	<b>(23.1)</b>

Source: Planning Department

Positive outlook were with apartments and industrial categories as they increase by 36.4% and 73.9% respectively, the combined increase in value amounted to \$5.6 million.

The number of approvals increased from 387 recorded a year ago to 431. The number of approvals has consistently declined towards the pre-hurricane Ivan level, however, this year the downward trajectory change slightly.

**Figure 15: Number of Project Approvals, (Jan-June)**



Source: Planning Department

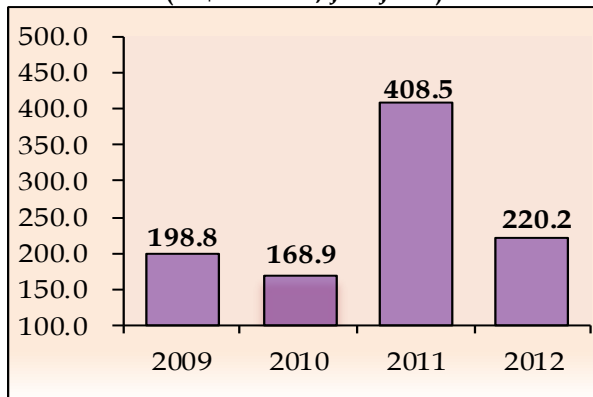
## 9. Real Estate

Real estate performance as measured by the total value of traded properties fell relative to the first six months of 2011 but remained higher than the recession years of 2009 and 2010. The value of traded properties fell by 46.1% to settle at \$220.2 million, this decline only resulted as the comparative period in 2011 was unusually high due to a few high-value sales of a few prime Seven Mile Beach properties.

When compared to the recession years, traded properties were 30.4% and 10.8% above year 2010 and 2009 respectively.



**Figure 16: Value Property Transfers:  
(CIS\$ Million, Jan-June)**

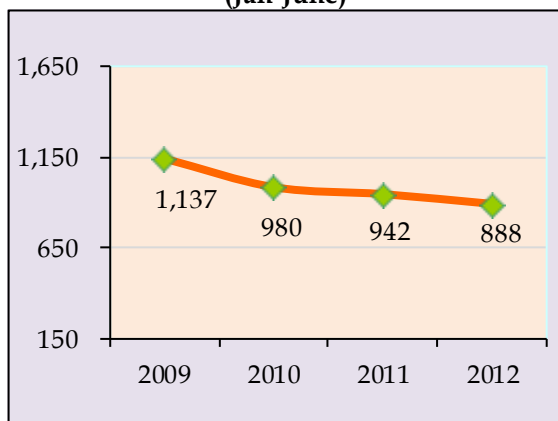


Source: Lands & Survey Department

Amongst traded property, freehold value dropped by 44.8% to \$218.2 million, however, higher than the levels of years 2009 and 2010. Alternatively, leasehold values remain at low levels, approximately \$2.0 million.

The volume of traded properties registered a 5.7% drop to 888 by the end of the first half of 2012.

**Figure 17: Number of Property Transfers:  
(Jan-June)**



Source: Lands & Survey Department

## 10. Utilities

Both electricity and water production and consumption fell during the first half of the year.

### 10.1 Electricity

Local electricity production fell by 1.5% to 285.4 kWh as at June 2012 (see Table 17). Similarly total consumption fell by 1.4% to 266.4 kWh as at June 2012 due to reductions in consumption by both residential and commercial customers.

Residential consumption fell by 1.7% despite an increase in the number of customers by 1.6% to 22,933. This is plausibly due to a general adverse response to the increase in electricity prices.

Commercial consumption fell by 1.3% despite the number of commercial customers increasing by 2.4% to total 3,897. Alternatively, public lighting consumption increased by 3.2% during the period.

### 10.2 Water

When compared to the first half of 2011, water consumption and production decreased by 6.7% and 4.5% respectively, due likely to the rise in water prices.

**Table 17: Utilities Production and Consumption**

	As at end		% Change
	Jun-11	Jun-12	
Millions of US Gallons			
Water Production	1,070.3	1,022.4	-4.5
Water Consumption	959.9	896.0	-6.7
'000 of megawatt hrs			
Electricity Production (Net)	289.6	285.4	-1.5
Electricity Consumption	270.2	266.4	-1.4
Residential	122.5	120.4	-1.7
Commercial	144.6	142.8	-1.3
Public	3.1	3.2	3.2
Total Metered Customers	26,387	26,830	1.7
Residential	22,582	22,933	1.6
Commercial	3,805	3,897	2.4

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

### 10.3 Telecommunications

This sector showed signs of further weakening in the first half of 2012 as it did a year ago.

The total number of paid domestic and international communication minutes decreased by 6.3% and 44.6%, respectively, for the first six months of 2012. This coincided with a 2.8% reduction in the total number of telephones in service as at end of June 2012.

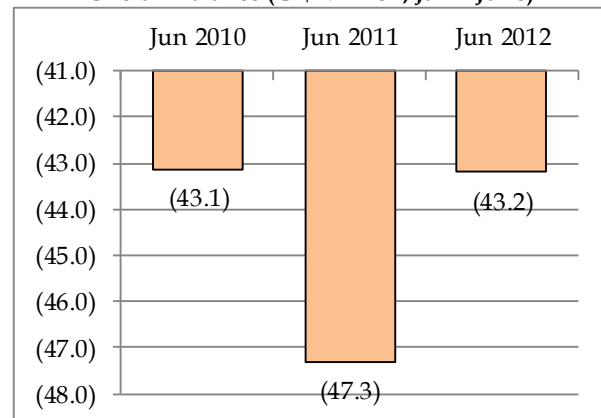
**Table 18: Telecommunication Sector Indicators**

	As at end		% Change
	Jun-11	Jun-12	
Fixed and mobile lines in service	133,177	129,483	-2.8
Total domestic minutes ('000)	57,835	54,167	-6.3
Total international minutes ('000)	45,577	25,239	-44.6

Source: Information Communication and technology Authority (ICTA)

## 11. Fiscal Operations of Central Government

The overall fiscal deficit ameliorated to \$43.2 million in the first six months of 2012 as compared to \$47.3 million a year ago (see Figure 18). This came about as both total revenue and total expenditure declined by 1.5% and 2.6% respectively.

**Figure 18: Central Government Fiscal Overall Balance (CI\$ Million, Jan - June)**


Source: Cayman Islands Treasury Department

**Table 19: Summary of Fiscal Operations (Jan-June)**

	Jun-11	Jun-12	% Change
	CI\$ Millions		
<b>Total Revenue</b>	275.1	270.9	(1.5)
<b>Total Expenditure</b>	322.4	314.1	(2.6)
Current Expenditure	271.7	283.9	4.5
Net Capital Expenditure & Net Lending <sup>1</sup>	50.7	30.2	(40.4)
Current Balance	3.4	(13.0)	(482.4)
Overall Balance	(47.3)	(43.2)	8.7
<b>Financing</b>	47.3	43.2	(8.7)
Net Borrowing	46.0	(13.0)	(128.3)
Reduction in Cash Balance	(1.3)	(56.2)	(4223.1)

<sup>1</sup> Net Capital Expenditure and Net Lending is equal to Gross Capital Expenditure and Net Lending less Depreciation

Source: Cayman Islands Treasury Department

## 11.1 Revenue

During the first half of 2012, total revenue declined by 1.5% from the same period in 2011 to settle at \$270.9 million (see Table 20).

Total revenue comprises both coercive (89.6%) and non-coercive revenue (10.4%). Coercive revenue which totalled \$242.7 million decreased by 1.3% below the receipts in the preceding year. On the other hand, non-coercive revenue amounted to \$28.2 million, 3.1% below the comparative period a year ago.

**Table 20: Revenue Collection of the Central Government (Jan-June)**

Revenue Sources	Jun-11	Jun-12	% Change
	CI\$ Millions		
<b>Total Revenue</b>	<b>275.1</b>	<b>270.9</b>	(1.5)
<b>Coercive Revenue</b>	<b>246.0</b>	<b>242.7</b>	(1.3)
Taxes on Int'l Trade & Transactions	80.3	82.7	3.0
Domestic Taxes on Goods & Services	141.2	144.0	2.0
Taxes on Property	23.8	12.8	(46.2)
Fines	0.7	0.5	(28.6)
Other Taxes	-	2.7	
<b>Non-coercive Revenue</b>	<b>29.1</b>	<b>28.2</b>	(3.1)
Sale of Goods & Services	28.6	27.9	(2.4)
Investment Revenue	0.4	0.3	(25.0)
Other Revenue	0.1	-	

Source: Cayman Islands Treasury Department

The decline in coercive revenue can be traced to a reduction in taxes on property by \$11.0 million which was abnormally high in 2011 due to the sale of some properties along the Seven Mile Road. Receipts from taxes on international trade and transactions increased by 3.0% as the value of merchandise imports increased during the period. Similarly, revenue

intake from domestic taxes on goods and services increased by 2.0% in the first half of 2012.

## 11.2 Expenditure

In the review period, a 4.5% growth current expenditure pushed it \$13.0 million higher than revenue while net capital expenditure and net lending fell by 32.5%. The former resulted predominantly from increases in personnel cost, interest payments and other executive expenses (see Table 21).

**Table 21: Current Expenditure of the Central Government (Jan-June)**

	Jun-11	Jun-12	% Change
	CI\$ Millions		
<b>Current Expenditure</b>	<b>271.7</b>	<b>283.9</b>	4.5
Personnel Costs	106.2	114.4	7.7
Supplies & Consumables	55.9	56.0	0.2
Subsidies	68.8	68.3	(0.7)
Depreciation	11.2	11.6	3.6
Transfer Payments	11.8	11.7	(0.8)
Interest Payments	16.0	16.6	3.8
Extraordinary Expenses	0.0	0.0	
Other Executive Expenses	1.8	5.3	194.4

Source: Cayman Islands Treasury Department

During the period, personnel cost rose by 7.7% to \$114.4 million, mainly due to the reinstatement of 3.2% salaries cut in December 2011 which was implemented in July 2010. During the review period, some twenty employees were added to the payroll (see Section 4).

Interest payments increased by 3.8% to \$16.6 million on servicing the stock of debt which was at \$599.4 million at the end of June 2012.

For the first half of 2012, other executive expenses increased by \$3.5 million with approximately 60% as compensation payment to GLF Construction Company for intellectual property rights relating to the Port rescinded contract. The majority of the other portion related to bad debts written-off during the period.

Supplies and consumables inched up by 0.2% to total \$56.0 million as austerity measures continued.

Transfer payments which are payments to social welfare programmes fell slightly by 0.8% to reach \$11.7 million. The major contributors to total transfer payments were; financial assistance (including poor relief) amounted to \$3.9 million, nation building and church-based support turned out \$1.3 million, Seaman Ex-Gratia payments of \$2.8 million, and scholarships outlay amounted to \$0.9 million.

Subsidies which are essentially payments to statutory authorities and corporations were cut by 0.7% to \$68.3 million. The majority were allocated to the Cayman Islands Monetary Authority, Health Services Authority, Cayman Islands National Insurance Company, National Roads Authority and Cayman Airways.

Depreciation which measures the decline in the value of the fixed assets owned by central government grew by 3.6% to \$11.6 million.

### 11.3. Capital Expenditure and Net Lending

Gross capital expenditure and net lending was slashed during the period by 32.5% to \$41.8 million. This resulted as capital acquisition/equity injections were lower by \$11.8 million while capital development/executive assets fell by 3.5% (see Table 22). After taking depreciation into consideration, net capital expenditure and net lending fell by \$20.5 million as at the end of June 2012.

**Table 22: Capital Expenditure and Net Lending (Jan-June)**

	Jun-11	Jun-12	% Change
<b>Gross Capital Expenditure and Net Lending</b>	<b>61.9</b>	<b>41.8</b>	<b>(32.5)</b>
Capital Acquisition/Equity Injections	37.3	25.5	(31.6)
Equity Injections and Working Capital support to Public Entities	11.5	11.1	(3.5)
Capital Development/Executive Assets	13.0	6.9	(46.9)
Net Lending	0.1	(1.7)	
<b>Net Capital Expenditure and Net Lending<sup>1</sup></b>	<b>50.7</b>	<b>30.2</b>	<b>(40.4)</b>
Depreciation	11.2	11.6	3.6

<sup>1</sup> Net Capital Expenditure and Net Lending is equal to Gross Capital Expenditure and Net Lending less Depreciation

Source: Cayman Islands Treasury Department & ESO

### 11.4. Net Financing and Debt Service Indicators

Financing the overall balance and debt amortisation/repayment was financed by a reduction of cash balances amounting to \$56.2 million (see Table 23). Total loan

repayment amounted to CI\$13.0 million while no loan disbursements were recorded during the review period.

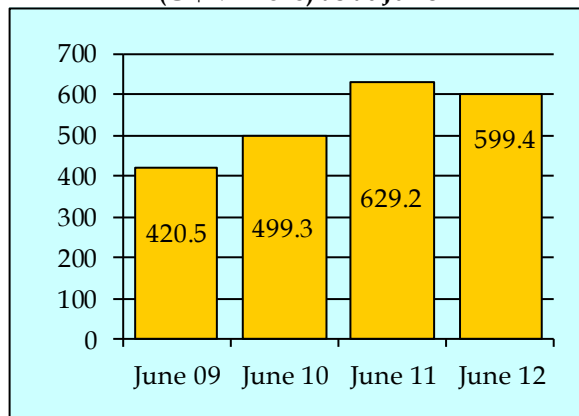
**Table 23: Net Financing (Jan-June)**

	Jun-11	Jun-12	% Change
	CI\$ Millions		
<b>Financing</b>	47.3	43.2	(8.7)
Net Borrowing	46.0	(13.0)	(128.3)
Disbursements	153.6	0.0	
Loan Repayment	(107.6)	(13.0)	(87.9)
Reduction in Cash Balance	(1.3)	(56.2)	(4223.1)

Source: Cayman Islands Treasury Department

The central government's outstanding debt reached \$599.4 million as at June 2012 (see Figure 19).

**Figure 19: Central Government Outstanding Debt (CI\$ Millions) as at June**



Source: Cayman Islands Treasury Department

The central government's debt service-to-current revenue ratio stood at 10.9% as at June 2012. Interest payments for the quarter accounted for 5.8% of recurrent expenditure and 6.1% of revenue.

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**Caribbean Utilities Company**  
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**Cayman Islands Planning Department**  
**Cayman Islands Stock Exchange**  
**Cayman Islands Water Company**  
**Department of Immigration**  
**Lands and Survey Department**  
**Port Authority of the Cayman Islands**  
**Portfolio of the Civil Service**

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