

### Summary Economic Indicators: First Quarter 2010\*

- The Consumer Price Index increased by 0.5%, mainly due to higher average prices of communications, restaurants and hotels, transport, food and non-alcoholic beverages, and alcohol and tobacco.
- Merchandise imports fell by 6.2% to register at \$171.1 million.
- Current work permits fell by 13.6%.
- Broad liquidity contracted by 23.8% due primarily to reductions in foreign currency deposits held by residents.
- The weighted average lending rate fell to 6.4% from 6.71%, as the prime lending rate remain stable at 3.25%.
- Net domestic assets expanded anew by 0.2% as credit to the private sector increased by 4.0%.
- Air arrivals grew by 8.3% while cruise passengers increased by 1.3%.
- Mutual funds fell anew compared to the previous year by 327 or 3.4%.
- Bank and trust company registrations continued on its downward trajectory by 0.4% while insurance licenses decreased by 2.8%.
- Stock exchange listings contracted by 18.0% to settle at 1,271 while stock market capitalization for both specialist debt and mutual funds declined.
- New company registrations grew by 13.8% to total 2,139.
- Building permits inched up by 6.7% to settle at 287, valued at \$77.2 million.
- The number of property transfers fell by 15.6% with the total value slumped by 22.1%.
- Electricity production and consumption rose by 3.2% and 3.9%, respectively. While water production and consumption grew by 6.8% and 4.9%, respectively.
- The central government's overall fiscal balance ameliorated to \$85.8 million from \$8.6 million a year ago.
- The total outstanding debt of the central government increased to \$508.7 million from \$350.4 million a year ago.

\*Comparative data over the first quarter of 2009, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off

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## 1. Overview

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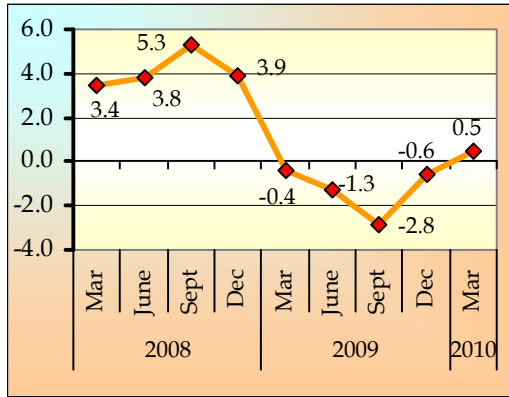
First quarter indicators suggest that the Cayman Islands economy continue to contract but at a lower rate. Annualised real GDP was estimated to have contracted by 1.2% in the first quarter of 2010 compared to a year ago when the estimated contraction was 7.1%. During the period, economic indicators showed improvements in financial services, hotels and restaurant and utilities. Whilst most of the other sectors, namely; real estate, construction, wholesale and retail, government services and insurance continue to dampen GDP growth with declines.

## 2. Inflation

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The Consumer Price Index (CPI) stood at 99.3 in the first quarter, an increase of 0.5% compared to March 2009. This increase was mainly on account of rising price indices for transport (7.4%), alcohol and tobacco (9.7%), communication (4.3%), restaurants and hotels (7.0%), miscellaneous goods and services (1.4%), education (1.8%), recreation and culture (1.1%), food (0.9%) and health (0.9%). Alternatively declines were recorded in; housing and utilities (-2.8%), clothing and footwear (-2.6%) and household equipment (-0.9%).

Figure 1: Quarterly Inflation (%)



Source: Economics and Statistics Office

The decline in the price index for housing and utilities by 2.8% is mainly on account of decreases in actual and imputed rent by 13.7% and 3.9%, respectively which was partially caused by declines in both population and interest rates in the face of domestic economic recession. Cost of utilities increased as water supply and miscellaneous and electricity, gas and other fuels rose by 3.5% and 19.0%, respectively. This is likely caused by surge in international oil and petroleum prices.

The index for food, and alcohol and tobacco increased by 0.9% and 9.7%, respectively which was partially caused by recent government revenue measures.

The index for transport moved up by 7.4% as cost of purchasing vehicles and operations of personal transport equipment rose.

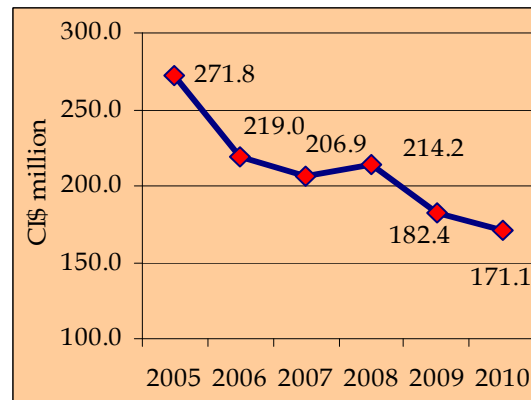
The price index for restaurant and hotels moved up by 7.0% as a result of higher average cost of catering cost and accommodation services.

### 3. Trade

Preliminary data for the first quarter of 2010 indicates that merchandise imports fell by 6.2% to \$171.1 million from the comparative period in 2009 (see Figure 2).

In absolute terms, merchandise imports fell by \$11.3 million despite the value of oil and petroleum related products increased by 43.0% although the imported quantity declined. The decline in imports was influenced by reductions in food and live animals, beverages and tobacco, manufactured goods classified chiefly by material, machinery and transport equipment, and miscellaneous manufactured articles.

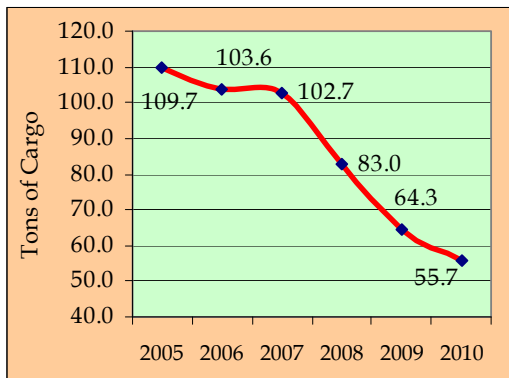
Figure 2: First Quarter Merchandise Imports (CIS\$ Millions)



Source: Customs Department and ESO

Since 2005, the volume of imported cargo declined consistently. Hence, as at March 2010, the total tonnage of cargo imports declined by 13.4% compared to the similar period of 2009 as less consumer goods, intermediate and capital goods were imported (see Figure 3).

**Figure 3: First Quarter Total Tonnage of Cargo ('000)**



Source: Cayman Islands Port Authority

As exhibited in Table 1, the quantity of imported fuel fell by 16.7% during the review period, commensurate with the reduced domestic economic activity. Diesel imports which accounts for 76.9% of total fuel fell by 1.1%. Gas and aviation fuel fell by 34.0% and 79.9% respectively. Finally, propane gas imports increased by 6.4% during the period.

**Table 1: Quantity of Fuel Imports**

	Mar-08	Mar-09	Mar-10	Change %
Millions of imperial gallons				
Total Fuel	11.80	10.97	9.14	-16.7
Diesel	8.17	7.11	7.03	-1.1
Gas	2.13	2.55	1.68	-34.0
Aviation	1.20	1.13	0.23	-79.9
Propane	0.30	0.18	0.20	6.4

Source: Cayman Islands Port Authority

## 4. Work Permits

In the first quarter of 2010, work permits declined by 13.6%, - the steepest contraction ever recorded, to settle at 22,229.

The downturn in work permits is plausibly the result of non-renewals in all sectors of the economy with the majority from building construction as this is the largest sector with foreign persons.

The policy of government to reduce the civil service resulted in the number of foreign workers decreasing by 24.2% from 1,450 to 1,099.

**Table 2: Work Permits**

	Mar-08	Mar-09	Mar-10	Change %
<b>Total</b>	26,451	25,719	22,229	(13.6)
<i>of which CI Gov't</i>				
Contracts	1,479	1,450	1,099	(24.2)

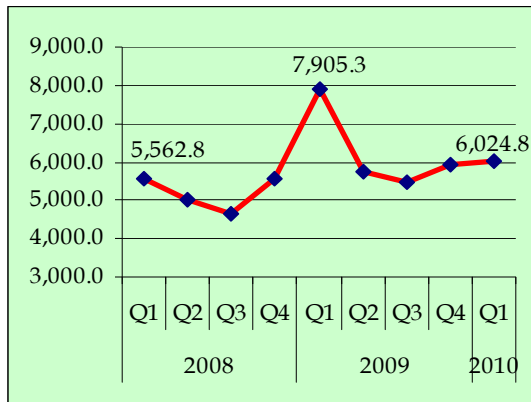
Source: Immigration Department, Economics & Statistics Office

## 5. Money & Banking

Broad liquidity (M2) in the first quarter of 2010, registered at \$6,024.8 million, after peaking in the first quarter of 2009. In comparison to the first quarter of 2009, this represents a 23.8% contraction

largely due to a sharp decline in foreign currency deposits.

**Figure 4: Total Money Supply (M2)  
in \$ millions**



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

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

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

	Mar-09	Mar-10	% Change
<b>Total Assets</b>	<b>7,905.3</b>	<b>6,024.8</b>	<b>(23.8)</b>
<b>Net Foreign Assets</b>	<b>5,837.8</b>	<b>3,993.2</b>	<b>(31.6)</b>
Monetary Authority	103.0	97.7	(5.1)
Commercial Banks	5,734.9	3,895.5	(32.1)
<b>Net Domestic Assets</b>	<b>2,853.7</b>	<b>2,860.5</b>	<b>0.2</b>
Domestic credit	2,853.7	2,860.5	0.2
Claims on central government	267.9	172.8	(35.5)
Claims on other public sector	63.5	65.6	3.3
Claims on private sector	2,522.2	2,622.1	4.0
Other items net (assets +)	(786.2)	(829.0)	5.4
<b>Broad Liquidity</b>	<b>7,905.3</b>	<b>6,024.8</b>	<b>(23.8)</b>
Broad money (KYD) M2	<b>1,047.4</b>	<b>1,046.3</b>	<b>(0.1)</b>
Currency in circulation	82.6	82.3	(0.5)
KYD Deposits	<b>964.8</b>	<b>964.0</b>	<b>(0.1)</b>
Demand deposits	277.5	294.7	6.2
Time and savings deposits	687.3	669.4	(2.6)
FOREX deposits	<b>6,857.9</b>	<b>4,978.5</b>	<b>(27.4)</b>
of which: US dollars	6,424.1	4,486.4	(30.2)
<i>US Contribution (%)</i>	<i>93.7</i>	<i>90.1</i>	

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

**5.1. Net Foreign Assets.** During the review period, net foreign assets for domestic commercial banks fell by 32.1% (see Table 4) which outweighed a fall of 5.1% in Cayman Islands Monetary Authority's net foreign assets resulting in a \$1,741.7 million (or 31.6%) fall-off in overall net foreign assets. This decline resulted from a slight increase in foreign liabilities (of 43.8%) and a reduction (of 13.3%) in foreign assets. The data also shows that local commercial banks have reduced their investments abroad.

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

	Mar-09	Mar-10	% Change
<b>Net Foreign Assets</b>	<b>5,837.8</b>	<b>3,993.2</b>	<b>(31.6)</b>
Monetary Authority	103.0	97.7	(5.1)
Commercial Banks	5,734.9	3,895.5	(32.1)
<b>Foreign Assets</b>	<b>7,621.5</b>	<b>6,608.6</b>	<b>(13.3)</b>
Bal. with Banks & Branches	4,799.8	4,175.2	(13.0)
Total Investment	1,285.1	929.8	(27.6)
Total Non-Resident Loans	1,536.6	1,503.6	(2.1)
<b>Foreign Liabilities</b>	<b>1,886.7</b>	<b>2,713.1</b>	<b>43.8</b>
Total Non-Resident Deposits	1,693.3	2,686.7	58.7
Other Liabilities	193.4	26.4	(86.4)

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

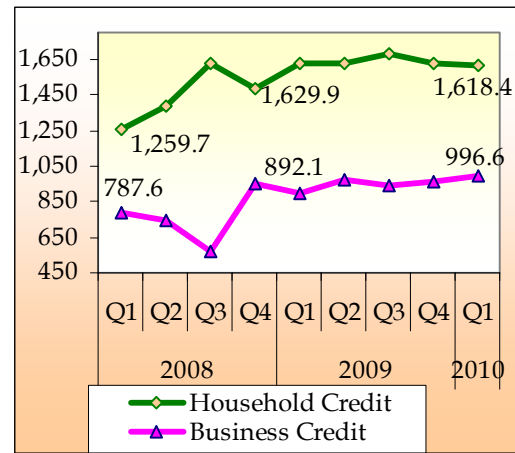
**5.2 Net Domestic Assets.** Total net domestic assets which comprises; total net domestic credit to both public and private sectors expanded by 0.2% in March 2010 compared to a year ago. This occurred despite a reduction in credit to the public sector as central government refinanced local debt through an international bond issue.

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

	Mar-09	Mar-10	% Change
<b>Domestic Assets</b>	<b>2,853.7</b>	<b>2,860.5</b>	<b>0.2</b>
Domestic Credit to Public Sector	331.4	238.5	(28.1)
Domestic Credit to Private Sector	2,522.2	2,622.1	4.0

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Domestic lending to the private sector comprises credit to businesses and households. As Figure 5 shows, loans to household fell slightly, while business loans rebounded following a trough in the third quarter of 2008.

**Figure 5: Credit to Business and Households**


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

The loans allocated to households, which accounted for 61.9% of total private sector credit, declined by 0.7% (or \$11.5 million) in March 2010 compared to the preceding year. The decline was precipitated by a major fall-off in miscellaneous credit to households by \$18.2 million (or 10.9%) mainly due to a decline in consolidated debt.

Loans to the business sector which comprised 38.1% of total credit to the private sector expanded by 11.7%, this can be attributed to an overall increase in all subsectors except real estate business which remained relatively stable during the period.



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

	Mar-09	Mar-10	% Change
<b>Total</b>	<b>2,522.2</b>	<b>2,615.2</b>	<b>3.7</b>
<b>Credit to Businesses</b>	<b>892.1</b>	<b>996.6</b>	<b>11.7</b>
<i>of which</i>			
Construction	115.9	165.6	42.9
Hotel, Restaurant and Bar	125.3	128.0	2.1
Real Estate, Renting & Other	390.0	389.4	(0.1)
Utilities (Electricity, Gas & Water)	24.0	25.1	4.6
Trade & Commerce	74.8	85.2	13.9
Others	162.1	203.3	25.4
<b>Credit to Households</b>	<b>1,629.9</b>	<b>1,618.4</b>	<b>(0.7)</b>
Domestic Property	1,394.5	1,397.2	0.2
Motor Vehicles	64.7	68.0	5.0
Education & Technology	3.2	4.0	22.8
Miscellaneous	167.5	149.3	(10.9)
<b>Other Non-Profit Organisation:</b>	<b>0.2</b>	<b>0.2</b>	<b>2.9</b>

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

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

**5.3. Broad Liquidity.** As referenced in table 3, broad liquidity (M2) in the Cayman Islands reached \$6,024.8 million in March 2010, compared to \$7,905.3 million for the same period last year, a 23.8% decline. The decline directly follows from a decrease in foreign currency deposits, local currency deposits and currency in circulation.

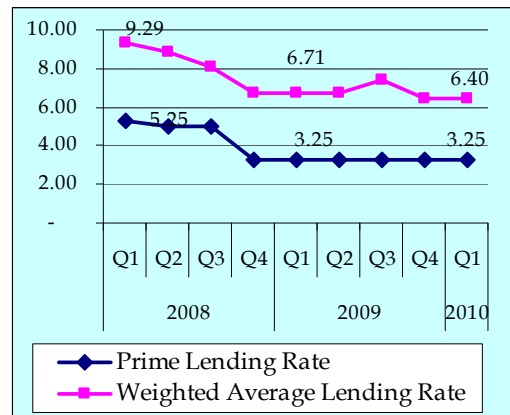
Foreign currency deposits recorded a decline of 27.4%, partially due to a fall-off in the holdings of U.S. foreign deposits. Time and savings deposits fell by 2.6% as reductions in savings is normally a result of economic hardship, however, demand deposit increased by 6.2%. Currency in

circulation fell by 0.5% during the period compared to a year ago.

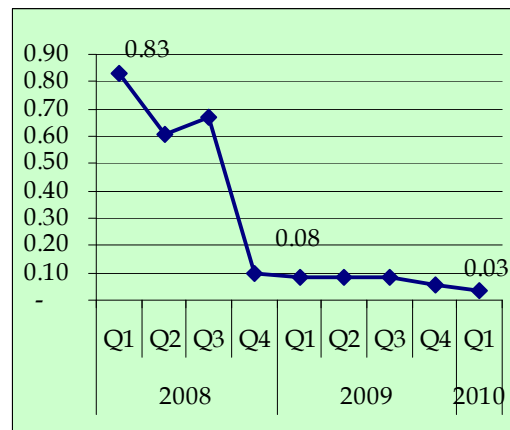
**5.4. Interest Rates.** Indicators of the cost of borrowing are favourable as the Cayman Islands prime lending rate remained constant at 3.25%.

During the period, both the deposit savings rate and the weighted average lending rate declined by 5 basis points and 31 basis points respectively.

**Figure 6: CI\$ Lending Rates - % (End of period)**



**Figure 7: Deposit rates - % (end of period)**



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

## 6. Financial Services

Financial services recorded reductions in insurance licences, banks and trust companies, mutual funds licences and stock exchange listings. However, new companies registration rebounded when compared to a year ago.

### 6.1 Banks & Trust

As at March 2010, the total number of bank and trust companies registered stood at 269—i.e. 0.4% lower than the previous year. Similarly, trust company licences fell to 130, a 7.8% decrease when compared to March 2009.

Table 7: Bank & Trust Companies

	Mar 2009	Mar 2010	% Change
<b>Bank and Trust</b>	<b>270</b>	<b>269</b>	<b>-0.4</b>
Class "A"	18	17	-5.6
Class "B"	250	252	0.8
<i>Of which:</i> Class			
Class "B" restricted	2	0	-100.0
<b>Trust Companies</b>	<b>141</b>	<b>130</b>	<b>-7.8</b>
Restricted	86	78	-9.3
Unrestricted	55	52	-5.5

Source: Cayman Islands Monetary Authority

Class 'A' bank & trust licences dropped by 1 to 17, while Class 'B' licences grew by 2, to settle at 252, since March 2009.

### 6.2 Insurance

The number of insurance companies in Cayman Islands fell during the review period. The total number of insurance licences declined from 815 in March 2009, to 792 as at March 2010.

Class 'A' insurance licences remained constant while Class 'B' (captive) licences fell by 23 (or 2.9%) to record 764 over the review period.

Table 8: Insurance Companies

	Mar 2009	Mar 2010	% Change
Class 'A'	28	28	0.0
Class 'B'	787	764	-2.9
<b>Total</b>	<b>815</b>	<b>792</b>	<b>-2.8</b>

Source: Cayman Islands Monetary Authority

The leading primary businesses of captive insurance licences constituted of: healthcare (34.8%), workers' compensation (21.1%), property (14.5%), general liability (9.2%) and professional liability (8.1%). North America remained the popular source of risk location for total captive companies' registered, accounting for 89.6%.



**Table 9: Captive Insurance Licences by Primary Class of Business, March 2010**

	licences	%
Healthcare	266	34.8
Workers' Compensation	161	21.1
Property	111	14.5
General Liability	70	9.2
Professional Liability	62	8.1
Other	94	12.3
<b>Total</b>	<b>764</b>	

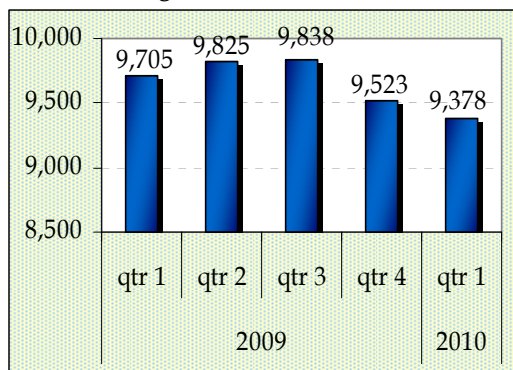
Source: Cayman Islands Monetary Authority

Premiums for captives contracted by about US\$192.7 million to record US\$7.5 billion as at the end of March 2010.

### 6.3 Mutual Funds

Total mutual funds fell by 3.4% to tally at 9,378 as at March 2010 compared to the same period a year ago. The number of funds recorded was the lowest since the first quarter of 2007.

**Figure 8: Mutual Funds**



Source: Cayman Islands Monetary Authority

### 6.4 Stock Exchange

Total Stock Exchange (CSX) listings in the Cayman Islands contracted by 18.0% to register 1,271 by the end of March 2010. This is largely associated with the 34.7% reduction in mutual funds attributable to the continued effects of the global financial crisis.

**Table 10: Number of Stock Listings by Instrument as at March Each Year**

Instruments	2008	2009	2010
Mutual Funds	1,083	766	500
Specialist Debt	658	717	698
Eurobond	42	62	68
International Equity	5	3	2
Domestic Equity	1	2	3
<b>Total</b>	<b>1,789</b>	<b>1,550</b>	<b>1,271</b>

Source: Cayman Islands Stock Exchange

Although mutual funds listings contracted, its market capitalization improved by US\$1.7 billion to post US\$53.6 billion. Of all stock exchange instruments, Specialist Debt, alone, fell by US\$2.2 billion; registering US\$80.2 billion at the end of March 2010.

**Table 11: Market Capitalization by Instruments as at March Each Year<sup>1</sup>**

Instruments	2008	2009	2010
Mutual Funds	94.3	51.9	53.6
Specialist Debt	53.9	82.4	80.2
Eurobond	20.7	25.7	28.6
International Equity	1.9	0.6	0.6
Domestic Equity	0.18	0.13	0.22

Source: Cayman Islands Stock Exchange

## 6.5 New Company Registrations

During the review period, total new company registrations recovered by 13.8% to reach 2,139 in March 2010. This movement was represented in all types of company registrations.

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

	2008	2009	2010
<b>Total</b>	<b>3,367</b>	<b>1,880</b>	<b>2,139</b>
Exempt	3,010	1,624	1,853
Non-Resident	67	45	53
Resident	141	119	130
Foreign	149	92	103

### Percentage change (%)

<b>Total</b>	<b>-0.9</b>	<b>-44.2</b>	<b>13.8</b>
Exempt	0.1	-46.0	14.1
Non-Resident	-55.0	-32.8	17.8
Resident	-6.6	-15.6	9.2
Foreign	69.3	-38.3	12.0

Source: Registrar of Companies

<sup>1</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.

## 7. Tourism

Total visitor arrivals for the first quarter of 2010 recorded an increase of 2.4% over the comparative period of 2009. During this period, air and cruise arrivals grew by 8.3% and 1.3%, respectively.

### 7.1 Air Arrivals

Air arrivals totalled 87,841 visitors, which was 8.3% above arrival figures noted in the same quarter of 2009.

The USA continued to be the major source of air arrivals, contributing 80.3% of total arrivals in the first quarter of 2010. Other contributions emanated from Europe (6.5%), Canada (8.7%) and other countries (5.0%).

**Table 13: First Quarter Air Arrivals by Country of Origin, 2008-2010**

	2008	2009	2010	% Change 2010/09
	in thousands			
<b>USA</b>	<b>75.5</b>	<b>64.4</b>	<b>70.5</b>	<b>9.5</b>
Northeast	27.7	24.3	28.3	16.7
Midwest	21.8	18.6	20.5	10.7
Southeast	12.5	10.3	9.9	(4.2)
Southwest	9.0	7.9	8.3	5.7
West Coast	4.5	3.4	3.4	2.3
<b>Europe</b>	<b>6.4</b>	<b>5.9</b>	<b>5.7</b>	<b>(3.1)</b>
<b>Canada</b>	<b>8.2</b>	<b>7.3</b>	<b>7.7</b>	<b>5.3</b>
<b>Other</b>	<b>4.5</b>	<b>3.5</b>	<b>4.0</b>	<b>12.7</b>
<b>Total</b>	<b>94.7</b>	<b>81.1</b>	<b>87.8</b>	<b>8.3</b>
<i>of which: USA (%)</i>	<b>79.8</b>	<b>79.4</b>	<b>80.3</b>	

Source: Department of Tourism

### Accommodation

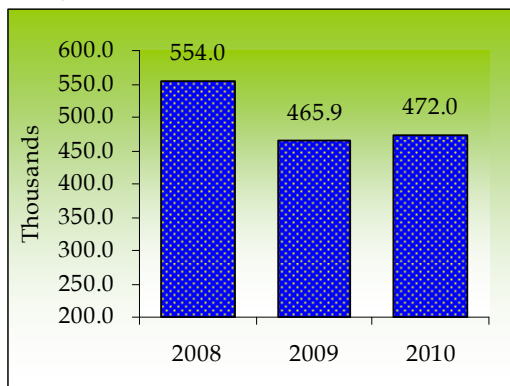
Hotel *occupancy* rates improved favourably from 67.0% in the first quarter of 2009 to 73.9% this year. Conversely, occupancy levels for apartments fell slightly from 54.3% to 53.2%.

The *average length of stay* for hotels contracted modestly from 4.5 days in 2009 to 4.3 days this year. Similarly, the average length of stay at apartments shortened from 7.3 days last year to 7.0 days this year.

### 7.2 Cruise Arrivals

During the first three months of 2010, cruise arrivals totalled 472,036 visitors, which is an increase of 1.3% over the first quarter of 2009.

Figure 9: First Quarter Cruise Arrivals



Source: Department of Tourism

The number of cruise ship calls to George Town port decreased by 2.8% from 178 calls in 2009 to 173 calls during the first quarter of 2010. Nonetheless, cruise passengers per day averaged 5,245 persons, an

increase of 69 visitors compared to the same period a year ago.

## 8. Construction

### 8.1 Building Permits

Construction remained subdued in the first quarter as the industry struggles with extremely weak demand from economic contraction.

During the review period, building permits declined by 26.8% falling from \$105.4 million to \$77.2 million in 2010- a near reversal of the 37.8% growth recorded in 2009.

Table 14: Building Permits (Jan-Mar)

	2008	2009	2010	% Change
Millions of CI\$				
Houses	32.1	53.3	27.7	(48.0)
Apartments	14.9	33.2	18.7	(43.6)
Commercial	17.4	2.4	27.6	1,044.4
Government	10.0	0.1	-	(100.0)
Industrial	0.2	-	0.6	
Other	1.9	16.4	2.6	(84.0)
<b>Total</b>	<b>76.5</b>	<b>105.4</b>	<b>77.2</b>	<b>(26.8)</b>

Source: Planning Department

A significant decline in residential activity, the sector largely fuelling most of construction work in the last year, played a role in this weak result.

In the 'House' category, building permit values retreated from the high point of \$53.3 million achieved in 2009 to \$27.7 million in 2010.

The 'apartment/condominium' category also experienced moderation with building permits decreasing by 43.6% to \$18.7 million.

However, Non-residential construction compared to a year ago recorded improvement albeit from a very low base. This sector was severely impacted from the slowdown in economic drivers, tourism and financial services.

Recovery in the commercial category spiked non-residential building permit values upwards from \$2.5 million a year ago to \$28.2 million.

In the government sector, commitments to expenditure reductions resulted in no new building activity at the start of the year.

Building permit numbers rose by 6.7% to 287, following 2.7% growth a year earlier. This growth however, masks the overall downward trend in building permits with only the 'commercial' and 'other' categories recording increases.

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

	2008	2009	2010	% Change
Houses	131	125	113	(9.6)
Apartments	44	47	36	(23.4)
Hotels	0	0	0	
Commercial	13	6	37	516.7
Government	1	2	1	(50.0)
Industrial	1	0	3	
Other	72	89	97	9.0
<b>Total</b>	<b>262</b>	<b>269</b>	<b>287</b>	<b>6.7</b>

Source: Planning Department

## 8.2 Project Approvals

Economic uncertainty continue to dampen construction intentions.

Compared to a year ago, the value of project approvals fell by 13.5% from \$107.5 million to \$92.9 million; this follows an earlier 4.3% decline in 2009.

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

	2008	2009	2010	% Change
<b>Millions CI\$</b>				
Houses	30.0	18.9	24.5	29.6
Apartments	28.8	65.0	16.5	(74.6)
Commercial	21.0	6.9	33.5	384.0
Government	17.0	0.1	0.1	(5.9)
Industrial	4.2	0.4	0.5	23.0
Other	11.9	16.1	17.8	10.6
<b>Total</b>	<b>112.9</b>	<b>107.5</b>	<b>92.9</b>	<b>(13.5)</b>

Source: Planning Department

Reduced investments in the apartment/condominium category offset recovery in both commercial (384.0%) and house (29.6%) approval values.

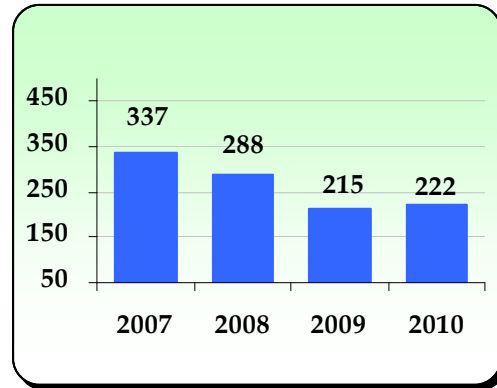
In the apartment/condominium category, project approval values dropped to \$16.5 million, a 74.6% decrease compared to a year ago which is the lowest approval values since 2004.

Upsurge in non-residential project approvals was limited to the recovery of the commercial category. On-going expansion to the Camana Bay development saw project approvals rise to \$33.5 million after bottoming at \$6.9 million in 2009.

Lower fiscal outturns and consumer demand continue to adversely impact project approval value in both the government and industrial categories.

In contrast to the plunging project approval values, the number of such approvals rose slightly by 3.3% from 215 in 2009 to 222. The increase is attributable to growth in the 'Other' and 'Commercial' category, as project approval numbers contracted across the remaining categories.

Figure 10: Number of Project Approvals (Jan-Mar)

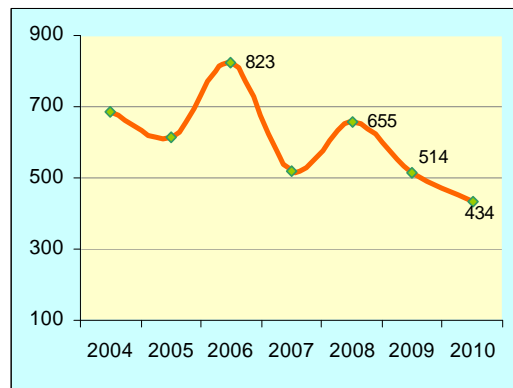


Source: Planning Department

## 9. Real Estate

In the first quarter 2010, real estate continued on its downward trend as total traded properties fell by 15.6% to 434 compared to the same period a year ago. This is only the second time that properties traded fell below the 500 mark.

Figure 11: Number of Property Transfers: First Quarter 2004-2010



Source: Lands & Survey Department

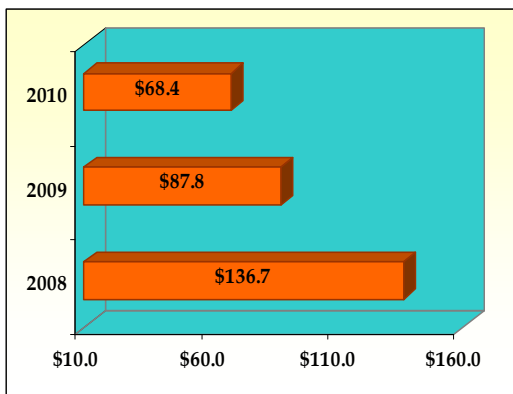
Trading of the two main types of property, freehold and leasehold,

recoded double-digit declines of 11.3% and 41.1% respectively. In the review period, traded freehold property totalled 391 and leasehold 43 respectively.

Information compiled by the Estates and Valuation Office on outright freehold property sales indicate sale transactions dampened across all but condominium category. Raw land (which represents the majority of all traded property) experienced a 19.1% drop, with similar declines in both residential and commercial properties of 37.5% and 46.7% respectively.

Reduction in transactions and general cooling of real estate prices led to a 22.1% fall in the value of traded properties to \$68.4 million. This decline was in tandem to a contraction of 35.8% in 2009.

**Figure 12: Value Property Transfers: First Quarter 2008-2010**



Source: Lands & Survey Department

Accordingly, the Estates and Valuation Office records slippage in the average sale prices of outright freehold property sales, with average sale price decreasing by 47.3% for land, 57.2% for commercial properties and 6.9% for residential properties.

During the review period, only condominium properties saw average sale prices increased by 42.1% from CI\$233,397 in 2009 to CI\$331,611.

## 10. Utilities

Electricity production rose by 3.2% to 135.3 kWh as at March 2010 (see Table 17). The increase in electricity production was driven by growth in demand which increased by 3.8% to 126.4 kWh as at March 2010. With the exception of commercial (which declined by 1.3%), all other categories of electricity consumption recorded increases: residential (up 4.7%) and public lighting (up 206.7%).



**Table 17: Utilities Production/Consumption**

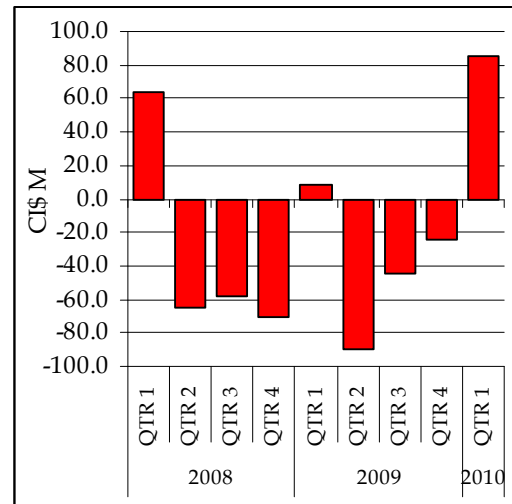
	Mar-09	Mar-10	Change %
Millions of US Gallons			
Water Production	527.6	563.4	6.8
Water Consumption	479.4	502.7	4.9
'000 of megawatt hrs			
Electricity Production	131.1	135.3	3.2
Electricity Consumption	121.8	126.5	3.9
Residential	53.3	55.8	4.7
Commercial	67.0	66.1	-1.3
Public	1.5	4.6	206.7

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

Meanwhile, water production increased by 6.8% as at March 2010 compared to a year ago although consumption increased at a slower pace of 4.9% to settle at 502.7 million US gallons.

## 11. Fiscal Operations of Central Government

The overall fiscal balance ameliorated to \$85.8 million in the first quarter of 2010 as compared to \$8.6 million for the same period a year ago (see Figure 13). This came about as total revenue grew by 14.1% while total expenditure contracted by 27.0%.

**Figure 13: Central Government Fiscal Overall Balance (CI\$M)**


Source: Cayman Islands Treasury Department

**Table 18: Summary of Fiscal Operations (January-March)**

	Mar-09	Mar-10	Change %
	CI\$ Millions		
<b>Total Revenue</b>	193.7	220.9	14.1
<b>Total Expenditure</b>	185.1	135.1	(27.0)
Current Expenditure	113.7	117.7	3.6
Extraordinary Expenses	8.9	0.4	(95.3)
Other Executive Expenses	0.6	0.9	33.7
Capital Expenditure & Net Lending	61.9	16.1	(74.0)
Current Balance	70.5	101.9	44.6
Overall Balance	8.6	85.8	898.3
<b>Financing</b>	(8.6)	(85.8)	898.3
Net Borrowing	3.6	3.6	0.0
Change in Cash (minus=increase)	(12.2)	(89.4)	632.0

Source: Cayman Islands Treasury Department

### 11.1 Revenue

Total revenue grew by 14.1% to reach \$220.9 million (see Table 18). Total revenue comprises both coercive (93.8%) and non-coercive revenue (6.2%). Coercive revenue which totalled \$207.2 million increased by 14.5% above the

receipts in the preceding year (see Table 19). On the other hand, non-coercive revenue amounted to \$13.7 million, 7.6% above the comparative period a year ago.

**Table 19: Revenue Collection of the Central Government (January-March)**

Revenue Sources	Mar-09	Mar-10	% Change
	CI\$ Millions		
<b>Total Revenue</b>	<b>193.7</b>	<b>220.9</b>	14.1
<b>Coercive Revenue</b>	<b>181.0</b>	<b>207.2</b>	14.5
Taxes on Int'l Trade & Transactions	40.5	39.3	(3.0)
Domestic Taxes on Goods & Services	134.7	162.5	20.7
Taxes on Property	5.4	4.9	(8.3)
Fines	0.4	0.5	12.6
Other Taxes	0.0	0.0	(25.0)
<b>Non-coercive Revenue</b>	<b>12.7</b>	<b>13.7</b>	7.6
Sale of Goods & Services	12.4	13.6	9.2
Investment Revenue	0.3	0.1	(73.0)
Operating and Other Revenue	0.0	0.0	164.7
Extraordinary items	0.0	0.0	

Source: Cayman Islands Treasury Department

Taxes on international trade and transactions declined by 3.0% which was partly due to reductions in the volume of imported goods. Alternatively, domestic taxes on goods and services increased by 20.7%, predominantly due to new revenue measures. Property taxes declined by 8.3% while fines improved by 12.6%.

## 11.2 Expenditure

Total expenditure fell due to reductions in capital expenditure and net lending while recurrent expenditure grew marginally. Capital expenditure and net lending

fell by 74.0% during the period, coupled with a 3.6% increase in current expenditure. The latter was precipitated by growth in interest payments and supplies and consumables (see Table 20).

**Table 20: Current Expenditure of the Central Government (January-March)**

	Mar-09	Mar-10	% Change
	CI\$ Millions		
<b>Current Expenditure</b>	<b>113.7</b>	<b>117.7</b>	3.6
Personnel Costs	62.9	58.2	(7.4)
Supplies & Consumables	17.3	24.2	39.5
Subsidies	24.9	23.8	(4.5)
Transfer Payments	5.2	4.5	(13.5)
Interest Payments	3.4	7.1	106.7

Source: Cayman Islands Treasury Department

During the period, personnel costs expanded to \$58.2 million, or 7.4% lower than a year ago.

Similarly, transfer payments moved down by 13.5% to settle at \$4.5 million.

Interest payments increased by 106.7% to \$7.1 million on account of a larger stock of debt.

Subsidies fell marginally by \$1.12 million or 4.5%.

Supplies and consumables expanded by 39.5% to total \$24.2 million.

### 11.3. Net Financing and Debt Service Indicators

The overall balance resulted in a built-up of cash net after amortization by \$82.2 million.

The expansion in central government's outstanding debt by 45.2% has increased the central government's debt service-to-current revenue ratio to 4.8%, from 3.6% as at March 2009.

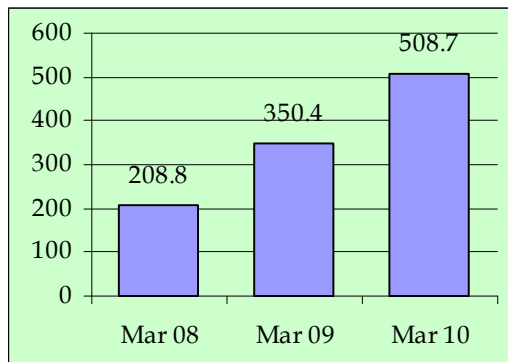
Table 21: Net Financing (January-March)

	Mar-09	Mar-10	% Change
	CI\$ Millions		
<b>Financing</b>	(8.6)	(85.8)	898.3
Net Borrowing	(3.6)	(3.6)	0.0
Disbursements	0.0	0.0	
Loan Repayment	3.6	3.6	0.0
Change in Cash (minus = increase)	(5.0)	(82.2)	1552.3

Source: Cayman Islands Treasury Department

The expansion in net borrowings during the period from March 2009 resulted in central government's outstanding debt totalling \$508.7 million (see Figure 14) from \$350.4 million as at end March 2010<sup>2</sup>.

Figure 14: Central Government Outstanding Debt (CI\$ Millions) as at March



Source: Cayman Islands Treasury Department

<sup>2</sup> Central government's outstanding debt comprises debt managed directly by the Treasury Department and excludes government guaranteed debt and other contingent liabilities.

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**Cayman Islands Monetary Authority**  
**Cayman Islands planning Department**  
**Cayman Islands Stock Exchange**  
**Customs Department**  
**Cayman Islands Water Company**  
**Department of Immigration**  
**Department of Tourism**  
**Immigration Department**  
**Lands and Survey Department**  
**Port Authority of the Cayman Islands**  
**Planning Department**