



---

# THE CAYMAN ISLANDS' ANNUAL ECONOMIC REPORT 2008

---

June 2009



The Economics and Statistics Office  
Portfolio of Finance and Economics

---

## CONTENTS

---

1.	Executive Summary .....	3
2.	Global and Regional Macroeconomic Environment.....	7
2.1	Economic Growth .....	7
2.2	Inflation .....	9
2.3	International Finance.....	10
2.4	Regional and International Tourism .....	14
3.	Macroeconomic Performance.....	16
3.1	Economic Growth .....	16
3.2	Inflation .....	17
3.3	Labour Force and Employment .....	18
3.4	External Sector .....	22
3.5	Money & Banking .....	25
4.	Key Sector Developments.....	31
4.1	Financial Services.....	31
4.2	Tourism .....	38
4.2.	Construction .....	43
4.4	Real Estate .....	47
4.5	Utilities and Telecommunications.....	47
5.	Fiscal Operations of the Central Government .....	49
5.1	Overview .....	49
5.2	Revenue .....	50
5.3	Expenditure.....	53
5.4.	Primary Balance .....	55
5.5.	Net Financing and Debt Service Indicators.....	56
6.	Macroeconomic Outlook for 2009.....	58
6.1	Global Outlook.....	58
6.2	Domestic Growth.....	59
6.3	Domestic Inflation.....	60
7.	Acknowledgement.....	61
8.	Statistical Appendix.....	62

## 1. Executive Summary

---

Growth of economic activity in 2008 continued on a downward trend as gross domestic product (GDP) grew at an estimated rate of 1.1 percent as compared to a year ago.

The estimated mid-year population reached 55,998 growing by 3.5 percent over the mid-year population in 2007. Growth in estimated nominal GDP was 5.3 percent which increased GDP per capita to \$40,253, 1.7 percent above the level in 2007<sup>1</sup>.

The modest growth in 2008 was supported on the demand side by growth in government consumption and demand for stay-over tourism services. Other demand indicators showed mixed performances: electricity consumption was up by 2.5 percent while total consumer goods imports and water consumption fell by 2.8 percent and 0.7 percent respectively. Government capital spending increased while total capital imports fell suggesting a decline in private investment in capital goods.

In 2008, the financial services industry exhibited the effects of the global economic crisis as all performance indicators weakened. Mutual funds and insurance continued to grow but at lower paces compared to 2007. Downturns were recorded in stock exchange listings (-9.7%), new companies registration (-16.7%) while banks and trusts continued to fall, this time by 1.1 percent.

Air arrivals expanded by 3.9 percent in 2008, a moderation from the 9.0 percent growth recorded in 2007. Cruise arrivals fell by 9.5 percent to reach 1.55 million passengers, which pulled down the total visitor arrivals to 1.86 million or a decline of 7.5 percent relative to the previous year.

Construction rebounded in 2008 to record positive growth. Although building permits reached 1,081 (or 0.8% lower than in 2007) the total value of \$502.3 million represents an improvement over a year ago by 12.5 percent. There were 534 certificates of occupancy valued at \$222.6 million issued during the period, or 26.0 percent above the previous year. However, the value of planning approvals moderated to totaled \$508.8 million.

---

<sup>1</sup> All values in this report are in CI\$ unless specified otherwise.

After softening in 2007, real estate activity marginally improved in 2008 with the number of transferred freehold properties rising by 4.5 percent to 2,289 valued at \$558.1 million.

The average inflation rate in 2008 was 4.1 percent, higher than the 2.9 percent in 2007 due mainly to the recovery of the housing price index, specifically rentals and utilities.

Total labour force as of fall 2008 was estimated at 38,998, 4.2 percent higher than in 2007. Total employment as a proportion of the labour force reached 96.0 percent from 96.2 percent in fall 2007. Hence, the unemployment rate rose to 4.0 percent compared to 3.8 percent in fall 2007.

Merchandise imports grew to \$876.5 million from \$860.0 million a year ago. However, this was on account of the surge in the value of fuel imports by 27.2 percent, while consumption goods, intermediate goods and capital goods contracted.

Total money supply (M2) stood at \$5.6 billion (US\$6.7 billion) in 2008, an increase of 2.8 percent (or \$153.4 million) compared to a year ago, as both narrow money and quasi money (savings deposits, fixed deposits and foreign current deposit) recorded modest increases.

Amidst the onset of the global financial crisis, net domestic credit from the commercial banks expanded by 22.4 percent to reach \$2.8 billion. The central government's financing requirement pushed net credit to the public sector by 71.2 percent while credit to the private sector rose by 17.9 percent.

The net foreign asset position of local commercial banks fell by 6.7 percent to \$3.6 billion. The reduction stemmed from the growth in foreign liabilities which outpaced a smaller increase in foreign assets.

In 2008, the fiscal position of the central government deteriorated to a marginal current surplus (total current revenue minus current expenditure) of \$19.5 million or 0.9 percent of GDP, down from 3.1 percent of GDP a year ago. Similarly, the overall balance (total revenue minus total expenditure) recorded a deficit of \$131.1 million, compared to a deficit of \$39.0 million in 2007 due to strong growth in expenditure outlays. The central government's total

outstanding debt expanded by 68.7 percent to \$354.9 million as at December 2008 or 15.7 percent of GDP.

GDP growth projection for 2009 is placed at -1.4 percent, given the recessionary conditions in the advanced economies which are the predominant source markets of the Cayman Islands for tourism and financial services. Inflation rate in 2009 is expected at 2.4 percent arising from foreseen lower imported inflation and softer domestic demand.

**The Cayman Islands Economic Performance: Summary Indicators**

<b>Indicators</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Real GDP (\$million)	951.9	973.3	984.4
GDP growth in real terms (percent)	4.6	2.2	1.1
GDP per capita (in \$)	39,137	39,587	40,253
Nominal GDP (\$million)	2,034.8	2,140.8	2,254.1
Population (year-end)	53,172	54,986	57,009
<i>Of which</i> Caymanians	30,840	31,342	31,858
Population (mid-year)	51,992	54,079	55,998
Employment	35,016	36,026	37,449
Unemployment rate (percent of labour force)	2.6	3.8	4.0
Inflation rate (percent)	0.8	2.9	4.1
Total imports (in \$million)	868.7	860.0	876.5
Total imports (percent of GDP)	42.7	40.2	38.9
Overall fiscal balance of the central government (\$million)	67.3	-39.1	-131.1
Overall fiscal balance of the central government (percent of GDP)	3.3	-1.8	-5.8
Outstanding debt of the central government (\$million)	175.4	210.5	354.9
Outstanding debt of the central government (percent of GDP)	8.6	9.8	15.7
Total money supply (M2, in billion)	6.4	5.5	5.6
Stay-over tourists (in thousands)	267.3	291.5	302.9
Cruise ship passengers (in thousands)	1,930.1	1,715.7	1,553.1
Mutual funds	8,134	9,413	9,870
Insurance licenses	767	793	805
Banking and trust licenses	291	281	278
Trust companies	134	138	141
Stock exchange listings	1,225	1,748	1,579
New company registration	12,277	14,238	11,861
Stock exchange capitalization (US\$, in billion)	111.5	168.3	167.7
Building permits (\$million)	445.8	446.3	502.3
Planning approvals (\$million)	638.9	505.2	508.8
Property transfers (\$million)	691.1	545.5	558.1
Electricity consumption (percent growth)	14.9	8.7	2.5
Water consumption (percent growth)	19.9	6.2	-0.7
Total fixed and mobile telephone lines	122,167	130,622	121,448

## 2. Global and Regional Macroeconomic Environment

*The year in review marked the deepening of the global economic fallout arising from the financial breakdown in the United States which spread among other advanced economies. This review is based on information culled from the International Monetary Fund and other international organizations.*

### 2.1 Economic Growth

In 2008, global output expanded by 3.2 percent, a significant moderation compared to 5.2 percent a year ago. The advanced economies grew by 0.9 percent while emerging and developing countries rose by 6.1 percent (see Table 2.1A). The fallout in the U.S. and other advanced economies became more pronounced in the second half of 2008.

The U.S. was at the epicenter of the crisis as its private sector suffered from a severe squeeze on credit, despite large cuts in policy interest rates. Due to dwindling financial and housing wealth, lower earnings prospects and elevated uncertainty about job security, all of which have driven consumer confidence to low levels, consumption became depressed. GDP growth of the U.S. deteriorated in 2008 to 1.1 percent from 2.0 percent in 2007. Canada also suffered from the contagion effect as it grew by 0.5 percent during the period, compared to 2.7 percent in 2007.

**Table 2.1A: Global Economic Growth**

	2006	2007	2008
	in Percent (%)		
World GDP	5.0	5.2	3.2
Advanced economies	3.0	2.7	0.9
US	2.9	2.0	1.1
Euro area	2.8	2.7	0.9
Japan	2.4	2.4	-0.6
UK	2.9	3.0	0.7
Canada	2.8	2.7	0.5
Emerging market and developing countries	7.8	8.3	6.1
China	11.1	13.0	9.0
India	9.7	9.3	7.3

Source: International Monetary Fund (April 2009)

Economic growth in the Euro area slipped to 0.9 percent in 2008, exacerbated by the deep recession in Italy and Ireland. In the UK, economic growth slid to 0.7 percent from 3.0 percent the previous year. Other than the U.S., the UK is expected to suffer most heavily from credit constraints, given the direct damage to their financial institutions arising from the major correction in housing finance and the reliance on household borrowing to support consumption. Emerging and developing economies posted another year of strong economic expansion albeit at a slower pace than previous years, due to domestic demand from a large population base although growth of investment and exports declined, particularly in China and India.

The Caribbean also suffered in 2008 due to high levels of economic dependency on North America and Europe. The region grew by 3.0 percent which was lower than 2006 (7.8%) and 2007 (5.8%). In 2008, the performance across countries was mixed where economic growth in Trinidad and Tobago, and Antigua and Barbuda exceeded the regional growth rate while at the other extreme, recessions were recorded in Bahamas and Jamaica. On the whole, Caribbean economic performance correlated with the performance of tourism in the region (see Section 2.4).

**Table 2.1B: Regional Economic Growth**

	2006	2007	2008
	in Percent (%)		
Caribbean	7.8	5.8	3.0
Bahamas	3.4	3.1	-1.3
Barbados	3.9	4.2	0.6
Trinidad & Tobago	12.0	5.5	3.4
Jamaica	2.5	1.4	-1.2
OECS			
Antigua & Barbuda	12.2	6.9	4.2
Dominica	4.0	1.5	2.6
Grenada	-2.4	4.5	0.3
St. Kitts & Nevis	6.4	2.9	3.0
St. Lucia	5.0	1.7	1.7
St. Vincent & the Grenadines	6.9	7.0	0.9

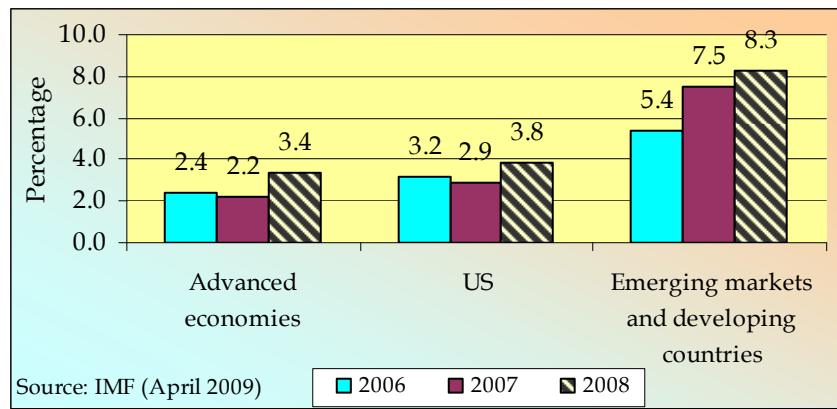
Source: International Monetary Fund (April 2009)



## 2.2 Inflation

Despite low consumer confidence which depressed consumption demand during the year, consumer prices across advanced economies rose by 3.4 percent in 2008 (see Figure 2.2A). Inflation in the U.S. reached 3.8 percent in 2008 due to strong upward pressure in the first half of the year from high and volatile energy and food prices. However, this was tempered by a slowing private consumption.

**Figure 2.2A Comparative Inflation Rate:**



Inflationary pressures in the Caribbean increased as average inflation rate reached 11.9 percent in 2008, which exceeding the 6.7 percent posted the previous year. However, the inflation rates more than doubled in both Jamaica and Barbados, while Trinidad and Tobago stood at 12.1 percent in 2008 (Table 2.2A).

**Table 2.2A Comparative Inflation Rates (%):  
Caribbean Region**

	2006	2007	2008
Caribbean	7.8	6.7	11.9
<i>of which:</i>			
Bahamas	1.8	2.4	4.5
Barbados	7.3	4.0	8.3
Trinidad & Tobago	8.3	7.9	12.1
Jamaica	8.5	9.3	22.0

Source: IMF (April 2009)

### 2.3 International Finance

The fiscal balances of advanced economies deteriorated due to governments' stimulus plans and low fiscal revenues resulting from the global economic downturn. As expected, the U.S. general government fiscal deficit rose sharply from 2.9 percent of GDP in 2007 to 6.1 percent in 2008. Meanwhile, emerging and developing economies continued to hold up as its fiscal position was generally on balance.

The worldwide financial turmoil intensified in the second half of 2008. Increasing signs of an escalating recession and deflationary pressures led the Federal Reserve Bank to adopt the zero-interest rate policy and liquidity injections to stimulate economic activity. The Fed reduced its interest rate to a range of 0 to 0.25 percent in December 2008, similar to the zero-rate policy adopted by Japan during its battle against deflation from early 1990s to mid 2006. Liquidity injections took the form of buying mortgage-related bonds, long-term Treasury bonds, corporate debt and consumer loans. The Federal Reserve reduced its interest rates three times in the last quarter of 2008 from 2.0 percent in the preceding quarter.

In a similar attempt to encourage lending and curb recessionary pressures, the Bank of England lowered its interest rate<sup>2</sup> to 2.0 percent in December 2008, the third time in the last quarter of 2008, down from 5.0 percent in October 2008. Likewise, in an effort to lift the Euro zone economy, the European Central Bank reduced the key interest rate<sup>3</sup> to 2.5 percent in December, the third reduction since September when it stood at 4.25 percent. Bank of Canada also cut its key interest rates<sup>4</sup> three times in the fourth quarter to 1.5 percent at the end of December (see Figure 2.3A).

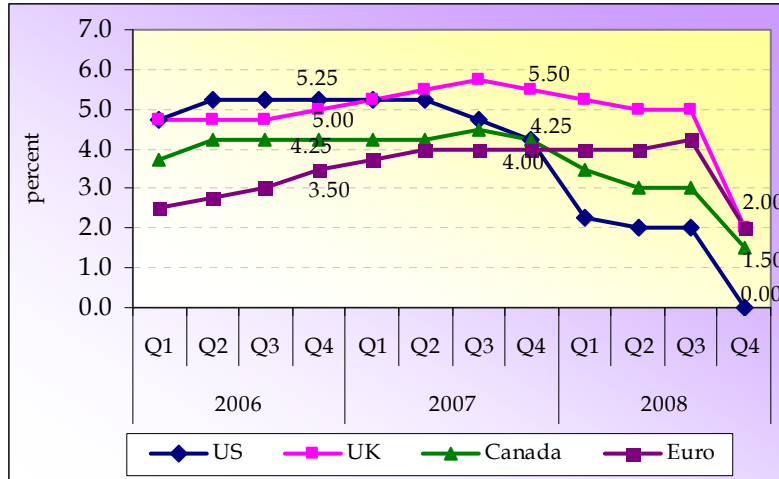
---

<sup>2</sup> The Bank of England's key interest rate is also called **current official bank rate**.

<sup>3</sup> The ECB's key interest rate is for **main refinancing operations** which provide the bulk of liquidity to the banking system.

<sup>4</sup> The Bank of Canada's key interest rate is also called **the key policy rate** or **the target for the overnight rate**. It is the interest at which major financial institutions borrow and lend one-day (or overnight) funds among themselves and the Bank of Canada sets the target for that.

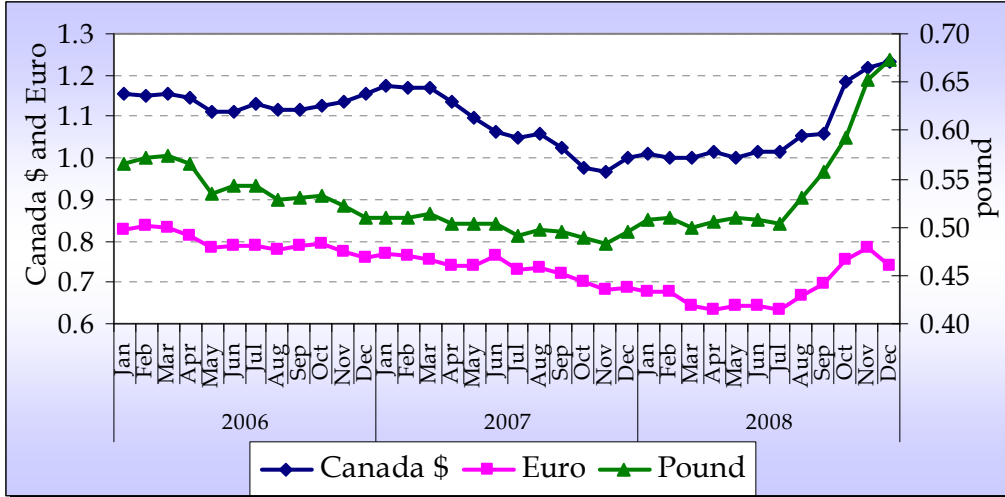
Figure 2.3A: Comparative Key Interest Rates (% End of Quarter)



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

The key interest rate adjustments are reflected in the subsequent fluctuation of exchange rates. The U.S dollar generally depreciated against the Euro and pound from 2006 until July 2008. Since August 2008, the U.S dollar has appreciated against all three reported currencies in Figure 2.3B suggesting that the U.S dollar has benefited from a flight to safety. All currencies pegged to the U.S dollar (including the Cayman Islands dollar and Middle East currencies) in turn appreciated as they gained from the strength of the U.S dollar. However, currencies of emerging market economies with floating currencies weakened considerably; for example, in emerging Europe, depreciation resulted despite large foreign currency borrowings (from IMF and other official sources) and withdrawals of foreign currency reserves to mitigate the weakening of economic activity. Asian and Latin American countries used their international reserves to restrict the downward exchange rate pressures in the face of the global downturn particularly in the second half of 2008 as the global crisis began affecting their currency. These moves have led to reserve losses, sharp rise in sovereign bond spreads and intensive stock market volatility.

Figure 2.3B: Average Monthly Foreign Currency per U.S dollar



Source: United States Federal Reserve Bank

**Box 1: Recent Financial Crisis: Some Historical Notes**

Between 2003 and 2007, the world has seen unprecedented expansion of economic output when global growth averaged 4.7 percent as compared to 3.2 percent between 1990 and 2002. This has led to trade imbalances particularly of the U.S. which persisted, abetted by global capital flows in search of high yields in a market environment characterized as follows:

- Relative to historical rates, interest rates were extremely low during the period of rapid growth of the sub-prime mortgage industry.
- Over the last several years prior to the meltdown, home prices have appreciated significantly. Borrowers were able to refinance their mortgages and pull equity out of their properties. As long as property values were going up, default rates remained low in the sub-prime industry.
- Changes in technology also made it easier for lenders to make quick mortgage decisions based on credit scores and other borrowing information.
- Over the last few years there has been a huge demand for high yielding sub-prime asset backed securities (ABS) and collateralized debt obligations (CDOs). These created considerable amounts of liquidity and made credit more available to sub-prime borrowers. Sub-prime loans were originated and then sold as fast as possible to meet the existing demand.
- Underwriting standards were relaxed considerably during this period making it easier for borrowers to get mortgage loans.

In 2006, the rapid increase of home prices started to slow. Once housing prices leveled off, and in some cases started to fall, the risks in the sub-prime industry (i.e. delinquencies, defaults, and foreclosures) become more apparent. Lenders persisted in originating loans to meet the demand for sub-prime ABS. Some incentives were structured so that lender revenue was tied to the total number of sub-prime loans made, not to the number of good sub-prime loans made. The result in part, was the dramatic relaxation of underwriting standards such as the following:

- Historically, borrowers were required to make a minimum down payment of 20 percent or they were forced to get mortgage insurance. During this period, however, these requirements was relaxed where some borrowers made no down payment but were allowed to get piggyback loans, which allowed them to borrow the remaining 20 percent in the form of a home equity line of credit.
- Relaxed documentation requirements, whereby income and assets were not seemingly required to be proven by the borrower.
- Hybrid sub-prime adjustable rate mortgages were used to attract borrowers, with some lenders offering 30-year mortgages with teaser rates that adjusted upward after a period of two or three years.

Source: "Subprime Mortgage Meltdown: How did it Happen and How will it end?", Allan N. Krinsman, The Journal of Structural Finance Vol XIII, No. 2, Summer 2007.

## **2.4 Regional and International Tourism<sup>5</sup>**

During the year, the economic downturn in source markets negatively impacted Caribbean tourism activity. Other contributing factors were the record high oil prices in the first half of the year which increased air fares and prompted airlines to reduce flights and low consumer confidence in the main tourism markets. The weakening of the U.S. market was partly offset initially by the relative strength of the Canadian currency which translated into a marked improvement in Canadian arrivals to the region. This outcome is also consistent with source market trends for the Cayman Islands with the U.S. share decelerating and that of Canada and Europe expanding.

Tourism performance across the Caribbean region posted mixed results in 2008 with most countries registering either a decline or slower growth in arrivals. Based on currently published data by the Caribbean Tourism Organization (CTO), Anguilla, and St. Vincent and the Grenadines were among the few CTO members who fared the worst with air arrivals down 10.8 percent and 9.5 percent, respectively, from January to August. Similarly, the Bahamas, characteristically one of the stronger competitors, experienced a 3.0 percent and nearly 5.0 percent fall in stay-over arrivals and cruise arrivals, respectively.

The adverse global conditions prompted redundancies in the tourism industry in several neighbouring destinations, while hoteliers have generally continued to lower prices and seek creative ways to sustain their properties. In December, Sandals Resorts International announced the release of 650 Caribbean hotel workers in the Bahamas, Jamaica and St. Lucia, representing 7.0 percent of its workforce. This retrenchment precipitated earlier setbacks in the Bahamas, where the renowned Atlantis resort also dismissed 800 workers, among other cuts by various hotel operators.

Other tourism property developments in the region were also impacted by the unfavourable economic climate. The Dominican Republic's Cap Cana resort, a major development which includes four luxury hotels, three golf courses and a mega-yacht marina was halted due to the economic turmoil. In Jamaica, plans for a US\$122 million project which includes construction of duty-free shops and a renovation of the nearby Port Royal town as a cruise ship destination was

---

<sup>5</sup> Source of basic information: World Tourism Organization website

deferred to 2011. This suspension followed the withdrawal of several international banks, citing the global financial crisis.

Meanwhile, growth in international tourism moderated to 2.0 percent in 2008 to reach a total of 924 million visitors. A strong growth of 5.0 percent was initially recorded between January and June but this slowed to 1.0 percent over the second half of the year.

### 3. Macroeconomic Performance

*The Cayman Islands' performance was impacted by the global economic downturn in 2008 but was propped up by the government's counter-cyclical spending and supported by a stable domestic banking sector. The fall-off in economic activity slightly pushed the unemployment rate higher. The inflation rate rose in view of rising international food prices, along with high and volatile oil and petroleum prices.*

#### 3.1 Economic Growth

Real Gross Domestic Product (GDP) in 2008 expanded by 1.1 percent. In nominal terms, GDP grew by approximately 5.3 percent on account of a higher inflation rate as compared to a year ago. Per capita income was approximated at \$40,253 compared to \$39,587 last year (see Table 3.1).

**Table 3.1: Cayman Islands, GDP Estimates 2005-2008**

	2005	2006	2007	2008
GDP at Current Prices (\$M)	1,929.9	2,034.8	2,140.8	2,254.1
Per Capita GDP at current prices (CI\$) <sup>1</sup>	39,913	39,137	39,587	40,253
GDP at constant 1986 prices (\$M)	910.0	951.9	973.3	984.4
Real GDP growth (%)	6.5	4.6	2.2	1.1

Source: Cayman Islands Government, Economics & Statistics Office

<sup>1</sup> Using mid- year population figures.

In 2008, government consumption expenditure grew in real terms by 11.0 percent, albeit, at a slower rate than in 2007, when it grew by 10.2 percent (see also Section 5). Meanwhile, private consumption showed mixed trends. Total consumer imports fell by 2.8 percent during the year. Additionally, consumption of utilities showed mixed performance with electricity consumption increasing by 2.5 percent while water consumption fell by 0.7 percent.

Indicators of gross domestic capital formation (domestic investment) showed mixed signals for investment activity. Capital imports fell marginally in 2008, whilst construction materials fell by a larger proportion (see Section 3.4). However, capital and net lending expenditures of the central government

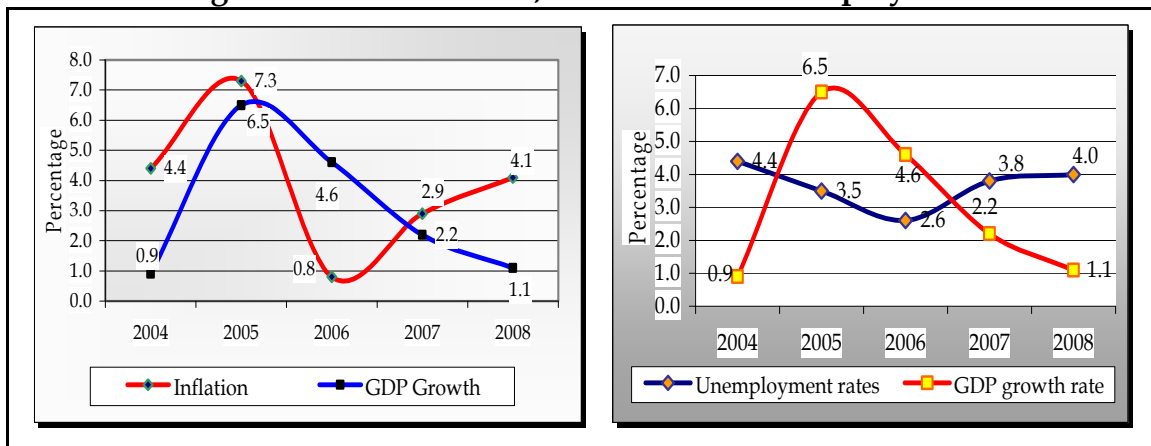


recorded strong growth by 42.2 percent to settle at \$150.6 million during the year (see Section 5).

The financial services sector (financial services and business services) also moderated in 2008. As shown in Section 4.1, all indicators for the financial services fell below the levels in 2007.

The stay-over tourism industry also softened as stay-over tourists rose by 3.9 percent, from 9.1 percent in 2007 (See Section 4.2).

**Figure 3.1: GDP Growth, Inflation and Unemployment**



Source: Economics & Statistics office

### 3.2 Inflation

In 2008, consumer prices rose on average by 4.1 percent, as compared to 2.9 percent in 2007. Household equipment recorded the largest increase in prices (7.5%) followed by food (5.6%), housing (4.2%), education and medical services (4.2%), transport & communication (4.1%), personal goods and services (2.9%), alcohol and beverages (2.2%), and clothing (0.1%). Inflation in the first three quarters of 2008 was impacted by higher international prices for food, and oil and petroleum products. The latter pushed the index for transport and communication services as well as the utilities component of the housing index.

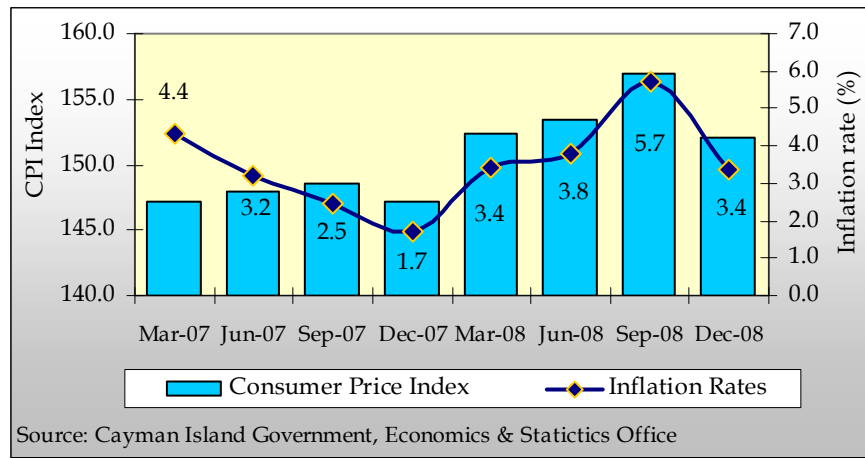
**Table 3.2: Comparative Annual Average Inflation Rates**

CPI Major Categories	Inflation Rates (%)		
	2006	2007	2008
Food	2.7	5.2	5.6
Alcohol & beverage	1.8	1.9	2.2
Housing	-4.2	-0.2	4.2
Clothing	5.0	3.8	0.1
Household equipment	-0.1	7.8	7.5
Transport & communication	4.7	2.6	4.1
Education & medical	1.6	1.8	4.2
Personal goods & services	3.8	6.0	2.9
All items	0.8	2.9	4.1

Source: Cayman Islands Government, Economics & Statistics Office

The inflationary pressures rose steadily in the first three quarters of 2008, in the fourth quarter, these pressures were eased off by a significant drop in utility cost, led by electricity (-27.0%), (See Figure 3.2).

**Figure 3.2: Consumer Price Index and Inflation Rates**



Source: Cayman Island Government, Economics & Statistics Office

### 3.3 Labour Force and Employment

Based on the 2008 Fall Labour Force Survey (LFS), the supply of labour stood at 38,998 in 2007 or an increase of 4.2 percent from the same period a year ago. Non-Caymanians represented the majority of the labour force accounting for 54.7 percent or 21,313 persons while Caymanians made up 45.3 percent or 17,686 persons in 2008.

**Table 3.3A: Summary of Labour Force Survey Results<sup>6</sup>**

	Fall 2005	Fall 2007	Fall 2008
<b>Population Estimate</b>	52,465	54,986	57,009
<b>Labour Force</b>	36,767	37,376	38,999
<b>Labour Force Participation Rate</b>	84.0%	83.0%	84.1%
<b>Unemployment Rate</b>	3.5%	3.8%	4.0%
<b>Caymanian Labour Force</b>	19,064	17,549	17,686
% Share of Labour Force	51.9%	47.0%	45.3%
Employed	18,025	16,520	16,517
Unemployed	1,039	1,029	1,169
<b>Non-Caymanian Labour Force</b>	17,703	19,882	21,313
% Share of Labour Force	49.1	53.2%	54.7%
Employed	17,439	19,506	20,932
Unemployed	264	376	380
<b>Labour Force by Gender</b>	1,303	1,405	1,549
Male	50.2%	52.0%	51.6%
Female	49.8%	48.0%	48.4%

Source: Economics and Statistics Office

The unemployed totalled 1,549 persons pushing the unemployment rate upwards from 3.8 percent recorded in Fall 2007 to 4.0 percent in Fall 2008. The number of unemployed was nearly equally divided between males and females; however, Caymanians comprised 75.5 percent of all unemployed persons.

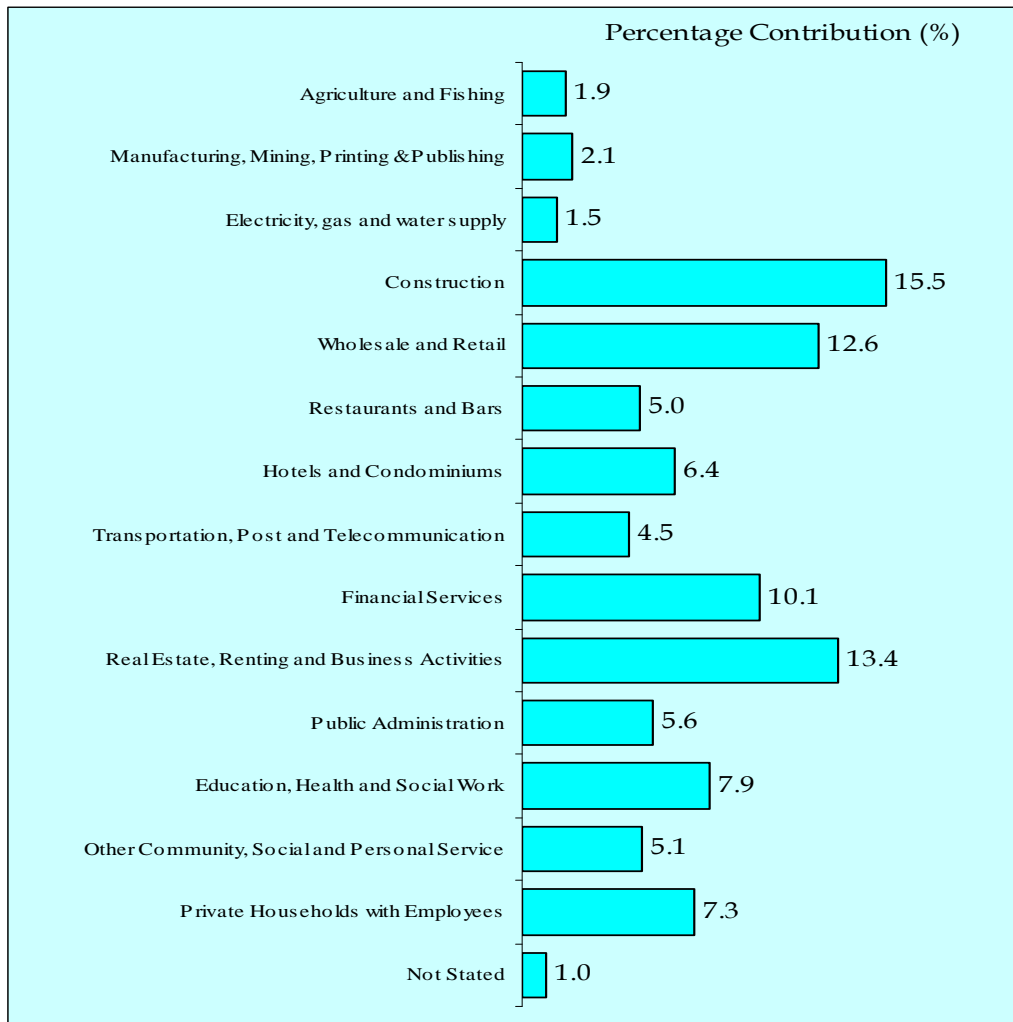
Within the employed labour force, approximately 90.1 percent or 33,933 persons were recorded as employees with the self-employed accounting for 8.7 percent or 3,246 persons.

Two industries, 'Construction' and 'Real Estate, Renting and Business Activities' were the largest employers accounting for 15.5 percent and 13.4 percent of the labour force. Moderation in construction activity saw its share of employment slip from 16.6 percent in 2007 to 15.5 percent. Other major employers were

<sup>6</sup> In this and other tables in the Report, total figures may not be equal to the sum of component items due to rounding off. Similarly, percentage change calculations may not be exact due to rounding-off.

business services (13.4%), wholesale and retail (12.6%), restaurants/bars, hotels and condominium (11.5%) and financial services (10.1%).

**Figure 3.3A: Employment by Industry, Fall 2007-2008**



Source: Economics and Statistics Office

Current work permits in effect issued by the Immigration Department recorded the slowest pace of growth in four years, 0.7 percent, with a total of 25,054 work permits in effect at year end 2008. Compared to the 24,877 work permits observed in the same period last year, this represents an additional 177 work permits in 2008.

**Table 3.3B: Work Permits in Effect, December 2006-2008**

	2006	2007	2008	Change
<b>Trades/Tech/Skilled</b>	11,143	11,637	11,455	-1.6%
<b>Unskilled</b>	8,016	9,727	9,949	2.3%
<b>Professional</b>	2,397	2,690	2,893	7.5%
<b>Admin/Managerial</b>	838	823	757	-8.0%
<b>Total</b>	<b>22,394</b>	<b>24,877</b>	<b>25,054</b>	<b>0.7%</b>

Source: Immigration Department & Economics & Statistics Office

During the period, both the 'Professional' and 'Unskilled' category experienced increases by 7.5 percent and 2.3 percent respectively. In the largest category, 'Trades, Technical, Skilled' softening construction activity led to a decline in foreign employment with work permits declining by 1.6 percent. The Administrative/Managerial category also registered a sharp 8.0 percent reduction.

Across industries, work permits for the construction and hotel and condominiums declined during the period by 6.4 percent and 1.3 percent respectively.

Meanwhile, permits in the wholesale and retail sector grew robustly by 6.4 percent to 2,967 in 2008. Positive growth was also recorded for community, social and personal services, and financial services, which grew respectively by 4.2 percent and 4.0 percent.

**Table 3.3C: Work Permits for All Industries**

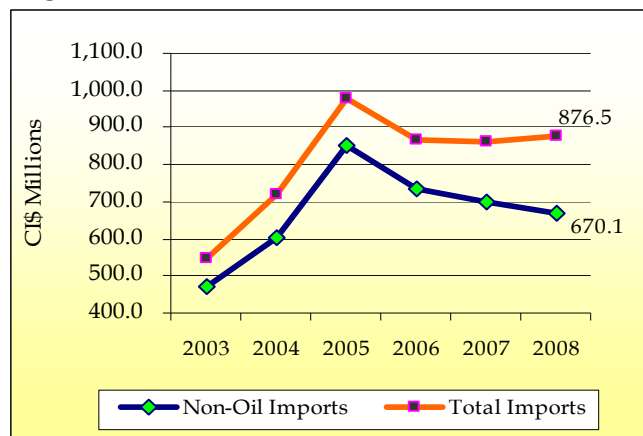
	Dec-06	Dec-07	Dec-08	2007/08 % Change
Construction	6,002	6,446	6,035	(6.4)
Financial Services	1,935	2,172	2,259	4.0
Restaurant & Bars	2,397	2,638	2,673	1.3
Hotels and Condominiums	714	751	741	(1.3)
Business Services	2,882	3,140	3,214	2.4
Wholesale & Retail	2,568	2,789	2,967	6.4
Private Households w/ Employed People	3,590	4,241	4,382	3.3
Community, Social & Personal Services	1,305	1,530	1,594	4.2
All Other Industries	1,001	1,170	1,189	1.6
<b>Total</b>	<b>22,394</b>	<b>24,877</b>	<b>25,054</b>	<b>0.7</b>
CI Government Contracts	1,332	1,473	1,462	

Source: Immigration Department & Economics & Statistics Office

### 3.4 External Sector

**Imports.** During 2008, total merchandise imports grew marginally by 1.9 percent to reach \$876.5 million, mainly due to the easing of economic activity in the country. As shown in Table 3.4A, the marginal growth came from the strong growth in the value of fuel imports which offset the decline in consumption goods and intermediate goods. However, fuel imports fell by 16.6 percent in 2008. Non-fuel imports declined by 4.0 percent in nominal terms.

**Figure 3.4A: Merchandise Imports 2003-2008**

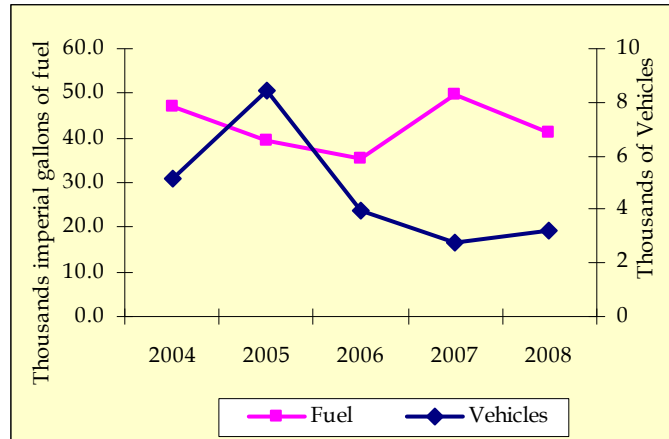


Source: Economics and Statistics Office

Consumer goods imports fell in 2008 by 2.8 percent to settle at \$350.4 million (see Table 3.4A). The decline is not unexpected as per capita income fell in real terms by 2.4 percent.

Intermediate goods import fell by 9.2 percent during the period. This resulted from a decline in construction-related imports by 3.7 percent while other intermediate goods dropped by 15.6 percent. Similarly, capital goods imports moved in the same direction despite positive growth from transportation imports (up 5.3%). After successive years of decline in vehicle importation, this was recovered in 2008 by 15.9 percent (See Figure 3.4B).

Figure 3.4B: Imports of Fuel and Vehicles



Source: Economics and Statistics Office

The value of fuel imports<sup>7</sup> amounted to \$206.4 million, up by 27.2 percent from a year ago, as average oil prices in the world market reached record prices up to the third quarter of 2008. In terms of volume, the demand for fuel went down by 8.3 million imperial gallons (or 16.6%) during the year. Specifically, diesel and gasoline imports fell by 6.3 and 2.7 million imperial gallons respectively whilst aviation fuel rose by 0.6 million imperial gallons.

<sup>7</sup> Fuel imports includes gasoline, diesel and petroleum related products.

**Table 3.4A: Imports by Broad Economic Categories**

	2005	2006	2007	2008
	CI\$ Millions			
<b>CONSUMER GOODS</b>				
<b>Total</b>	<b>325.2</b>	<b>371.0</b>	<b>360.4</b>	<b>350.4</b>
Food and Beverages	143.9	180.0	186.9	196.8
Clothing and Footwear	15.1	16.6	16.2	14.6
Other	166.3	174.5	157.3	139.0
<b>INTERMEDIATE GOODS</b>				
<b>Total</b>	<b>263.7</b>	<b>166.6</b>	<b>184.5</b>	<b>167.6</b>
Construction	161.1	92.8	99.9	96.2
Others	102.6	73.8	84.5	71.3
<b>FUEL</b>	<b>124.1</b>	<b>134.2</b>	<b>162.3</b>	<b>206.4</b>
<b>CAPITAL GOODS</b>				
<b>Total</b>	<b>263.2</b>	<b>196.9</b>	<b>152.9</b>	<b>152.1</b>
Transportation	207.2	144.9	102.0	107.4
Others	56.0	52.1	50.9	44.8
<b>TOTAL IMPORTS</b>	<b>976.3</b>	<b>868.7</b>	<b>860.0</b>	<b>876.5</b>

Source: Economics and Statistics Office

**Exports.** Total merchandise exports in 2008 was estimated at \$13.8 million, a 37.3 percent slump compared to the previous year.

**Table 3.4B: Exports by Broad Economic Categories**

	2005	2006	2007	2008
	CI\$ Millions			
Food & live animals	2.14	3.07	1.01	1.05
Beverages & tobacco	0.01	0.27	0.38	0.07
Crude Materials	0.28	0.33	2.93	0.36
Petroleum products and gas	0.01	0.03	0.02	0.01
Animal & vegetable oils, fats and waxes	0.09	0.00	0.40	0.00
Chemicals & related products	0.13	0.05	0.01	0.08
Manufactured goods classified chiefly by materials	1.99	0.64	0.02	0.29
Machinery & transport equipment	0.21	0.98	0.33	1.29
Miscellaneous manufactured articles	2.73	1.82	0.16	1.05
commodities & transactions not classified elsewhere <sup>1</sup>	41.87	14.96	16.81	9.65
<b>Total Merchandise Exports</b>	<b>49.45</b>	<b>22.15</b>	<b>22.07</b>	<b>13.84</b>

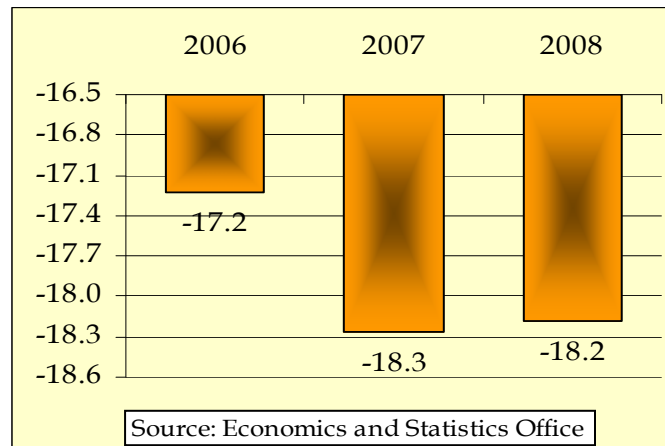
<sup>1</sup> Includes re-exports

Source: Customs Department and Economics and Statistics Office



**Current Account.** The country’s current account deficit widened by 4.8 percent to \$410.0 million, or 18.2 percent of GDP in 2008 (see Figure 3.4B) due partly to increased outflow of remittances and merchandise imports.

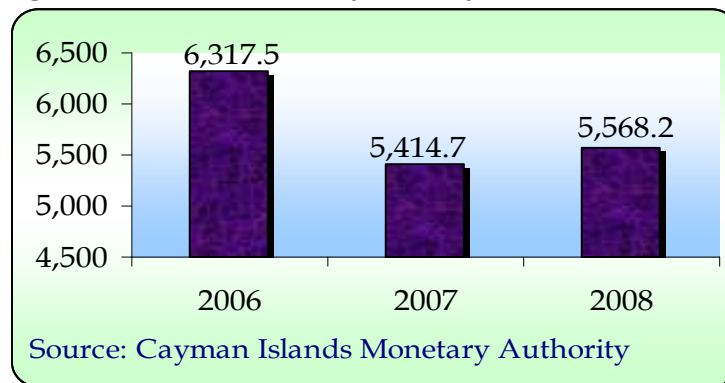
**Figure: 3.4B: Balance of Payments**  
Current Balance (% of GDP)



### 3.5 Money & Banking

Total money supply (M2) marginally increased to \$5,568.2 million in 2008, a 2.8 percent increase compared to 2007 (see Figure 3.5A and Table 3.5A). Narrow money expanded by 3.9 percent while quasi- money (fixed, savings and foreign currency deposits) moved up by 2.8 percent despite the instability in the global financial market.

**Figure 3.5A: Total Money Supply (M2) in \$ millions**



The increase in money supply was supported by a significant rise in net domestic assets of local commercial banks by 22.4 percent. In contrast, net foreign assets contracted by 6.7 percent.

Net domestic assets rose by \$506.1 million (or 22.4 percent) which was partially offset by the decline in net foreign assets of \$257.2 million (or 6.7 percent) contributing to a net total asset increase of 2.8 percent.

**Table 3.5A: Monetary and Banking Summary, 2006-2008 (\$ million)**

	2006	2007	2008	% Change 2007-2008
<b>Net Foreign Assets</b>	<b>4,791.0</b>	<b>3,836.3</b>	<b>3,579.1</b>	<b>-6.7</b>
Monetary Authority	99.2	106.6	101.6	-4.7
Commercial Banks	4,691.7	3,729.7	3,477.5	-6.8
<b>Net Domestic Assets</b>	<b>2,127.3</b>	<b>2,257.0</b>	<b>2,763.1</b>	<b>22.4</b>
<b>Other Items</b>	<b>(600.8)</b>	<b>(678.6)</b>	<b>(774.0)</b>	<b>-14.1</b>
<b>Total Assets</b>	<b>6,317.5</b>	<b>5,414.7</b>	<b>5,568.2</b>	<b>2.8</b>
Narrow Money (M1)	335.7	321.7	334.3	3.9
Quasi Money	5,981.7	5,093.0	5,233.9	2.8
<b>Monetary Liabilities (M2)</b>	<b>6,317.5</b>	<b>5,414.7</b>	<b>5,568.2</b>	<b>2.8</b>
<b>M2/GDP (%)</b>	<b>310.5</b>	<b>252.9</b>	<b>247.0</b>	<b>-5.9</b>

Source: Cayman Islands Monetary Authority and Economics & Statistics Office

**Net foreign assets.** Total foreign assets of the Cayman Islands Monetary Authority's and commercial banks contracted by 4.7 percent and 6.8 percent respectively during 2008. The NFA reduction for commercial banks stemmed from a significant increase in non-resident deposits (27.2%), an indication of the relative safety of the local banking system among global depositors amidst the turbulence in the international financial system.

**Table 3.5B: Net Foreign Assets, 2006-2008 (\$ million)**

				% Change
	2006	2007	2008	2007-2008
<b>Net Foreign Assets</b>	<b>4,791.0</b>	<b>3,836.3</b>	<b>3,579.1</b>	<b>-6.7</b>
<b>Monetary Authority</b>	<b>99.2</b>	<b>106.6</b>	<b>101.6</b>	<b>-4.7</b>
<b>Commercial Banks</b>	<b>4,691.7</b>	<b>3,729.7</b>	<b>3,477.5</b>	<b>-6.8</b>
<b>Foreign Assets</b>	<b>6,486.2</b>	<b>6,755.7</b>	<b>7,430.7</b>	<b>10.0</b>
Balances with Banks & Branches	3,824.0	3,889.0	4,450.8	14.4
Total Investment	1,358.2	1,449.4	1,427.8	-1.5
Loans & Advances to Banks & Branches	90.7	0.0	0.0	
Total Non-Resident Loans	1,213.4	1,417.4	1,552.1	9.5
<b>Foreign Liabilities</b>	<b>1,794.5</b>	<b>3,026.0</b>	<b>3,953.2</b>	<b>30.6</b>
Total Non-Resident Deposits	1,117.2	2,934.5	3,732.7	27.2
Other Liabilities	677.3	91.5	220.5	140.9

Source: Cayman Islands Monetary Authority

**Net domestic assets.** Notwithstanding the global credit crunch, total net domestic assets or total domestic credit granted by the commercial banking sector expanded by 22.4 percent during 2008 compared to a year ago. Credit allocated to the public and private sectors rose by 71.2 percent and 17.9 percent respectively (see Table 3.5C). The expansion in public sector credit is consistent with several government projects underway and the post-hurricane Paloma reconstruction of Cayman Brac and Little Cayman. The increase in private sector credit could be associated with falling lending rates (see Figure 3.5B).

**Table 3.5C: Net Domestic Assets, 2006-2008 (\$ million)**

				% Change
	2006	2007	2008	2007-2008
<b>Net Domestic Assets</b>	<b>2,127.3</b>	<b>2,257.0</b>	<b>2,763.1</b>	<b>22.4</b>
Net Domestic Credit to Public Sector	130.8	190.2	325.6	71.2
Net Domestic Credit to Private Sector	1,996.5	2,066.9	2,437.5	17.9

Source: Cayman Islands Monetary Authority

Table 3.5D shows a disaggregation of private sector credit. Credit to households constituted 60.9 percent of total credit to the private sector. It rose by 19.7 percent in 2008 as credit for domestic property and miscellaneous items further strengthened (see Table 3.5D). Credit to the business sector accounted for 39.1 percent of total credit to the private sector. It also grew by

20.8 percent in 2008 as lending to most major sectors with the exception of construction grew sharply.

**Table 3.5D: Net Credit to the Private Sector, 2006-2008 (\$ million)**

	2006	2007	% Change	
			2008	2007-2008
<b>Total Credit</b>	<b>1,996.5</b>	<b>2,066.9</b>	<b>2,437.5</b>	<b>17.9</b>
<b>Credit to Businesses</b>	<b>740.9</b>	<b>788.8</b>	<b>952.7</b>	<b>20.8</b>
<i>Of which</i>				
Construction	141.1	155.1	79.9	-48.5
Hotel, Restaurant and Bar	59.0	60.0	78.7	31.0
Real Estate, Renting & Other	136.2	298.8	430.3	44.0
Utilities (Electricity, Gas & Water)	12.9	11.8	25.7	118.4
Trade & Commerce	97.3	85.9	176.9	105.9
Other	294.4	177.2	161.3	-9.0
<b>Credit to Households</b>	<b>1,130.4</b>	<b>1,240.6</b>	<b>1,484.7</b>	<b>19.7</b>
Domestic Property	1,039.7	1,090.1	1,295.8	18.9
Motor Vehicles	44.4	47.0	44.0	-6.5
Education and Technology	2.9	4.8	1.7	-65.3
Miscellaneous	43.4	98.7	143.3	45.2
<b>Other NonProfit Organisations</b>	<b>125.2</b>	<b>37.5</b>	<b>0.0</b>	<b>-99.9</b>

Source: Cayman Islands Monetary Authority

"Miscellaneous" includes consolidated debt, insurance and medical & travel

**Money Supply.** As previously presented money supply (M2) expanded in 2008 due to increases in both quasi and narrow money. Amidst falling interest rates and the instability in the global financial system, savings and fixed deposits in the local commercial banking sector grew at double-digit rates. Foreign currency deposits were relatively stable, albeit it continued to dominate the quasi money portfolio.

Table 3.5E: Money Supply, 2006-2008 (\$ million)

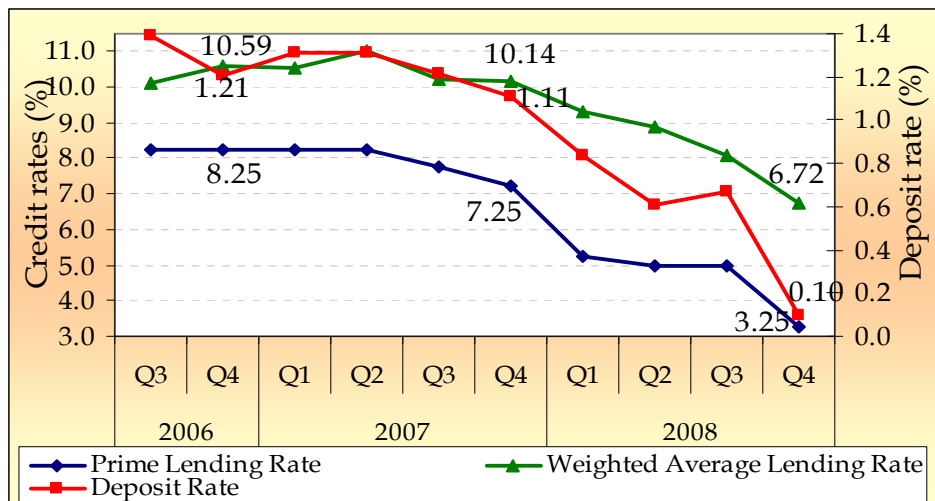
	2006	2007	2008	% Change 2007-2008
<b>Monetary Liabilities (M2)</b>	6,317.5	5,414.7	5,568.2	2.8
<b>Narrow Money (M1)</b>	335.7	321.7	334.3	3.9
Currency with the public	78.2	81.8	83.6	2.2
Total demand deposits	257.5	239.9	250.7	4.5
<b>Quasi Money</b>	5,981.7	5,093.0	5,233.9	2.8
Savings Deposits	189.5	180.6	221.9	22.9
Fixed Deposits	413.9	411.7	461.4	12.1
Foreign Currency Deposits	5,378.3	4,500.6	4,550.5	1.1

Source: Cayman Islands Monetary Authority

**Interest Rates.** Interest rates in the country were on the downward trend in 2008. The prime lending rate fell by cumulative four percentage points since December 2007 to 3.25 percent as at December 2008. This large decline is in line with reductions in the U.S. Federal Funds Rate of comparable magnitude, as the Fed eased monetary policy to revive the economy. Similarly, the weighted average rate on outstanding loans moved downward from 10.14 percent in 2007 to 6.72 percent in 2008.

In line with the fall in the prime lending rate, the average savings deposit rate also contracted to 0.10 percent at the end of 2008 (see Figure 3.5B).

Figure 3.5B: Cayman Islands Interest Rates (% – End of Quarter)



**Box 2: Commercial Bank Credit in the Cayman Islands**

Private sector credit is essential for economic development although it can also lead to unintended consequences. In some countries, rapid credit expansions are often followed by banking crisis and currency crisis. However, the conventional notion is that the higher the private sector credit is, the more developed are the financial markets.

Two forms of private sector credit exist: credit to households and credit to businesses. Credit to households is used for consumption purposes which generally neither adds to the productive capacity of an economy nor contributes to export earnings except for credit for education and technology. Credit to businesses is more likely directed for investment.

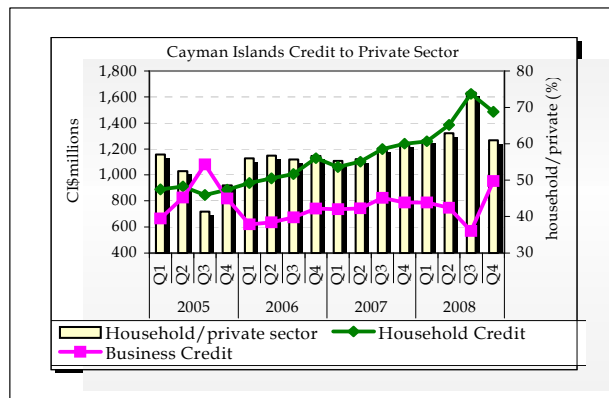
The proportion of household credit and business credit vary significantly across countries. In emerging countries, data show that the proportion of household credit to private sector credit has been increasing in the last decade, after the early 1990s liberalization process. The higher share of household credit enables credit-constrained households to smooth out consumption, improving total consumption thus decreasing savings. The increased share of household credit can also crowd out investment, especially in countries where financial markets are not well developed to fund investment

In the Cayman Islands, credit to households has been increasing in recent years accounting for more than 50 percent of total credit to the private sector. This is not an unexpected phenomenon because much of household credit involves collateral (real estate) and therefore requires less judgement on the part of loan officers. Poor judgement on domestic property loans is usually less costly unless there is a drop in real estate prices, a sharp increase in unemployment or a sharp increase in interest rates. However, an increase in unsecured household debt, e.g. through increased availability of credit cards should be a concern since higher ratios of debt to income increase the probability of defaults.

Domestic property accounts for the largest proportion of household credit in the Cayman Islands, averaging about 80 percent. Housing credit indirectly increases the consumption of imported goods through, for example, the increased demand for furniture and other durable goods

Even though household to private sector loans ratio is generally above 50 percent and on an upward trend, it might not necessarily have a crowding-out effect on business loans

due to the lack of a manufacturing a sector. In addition, the nature of business ownership of the main drivers of the economy (tourism and financial sector), is likely to put a greater reliance on foreign financing. Consequently, a higher share of household loans is expected. Business credit followed a downward trend since the fourth quarter of 2005 until the fourth quarter of 2008 when it suddenly rose.



Reference:

Bernanke, B., M. Gertler. and S. Gilchrist. (1999). The Financial Accelerator in a Quantitative Business Cycle Framework. In: Taylor, J. & Woodford, M. (Eds.), Handbook of Macroeconomics. North Holland.  
 Buyukkarabacak, B. (2008). Macroeconomic Implications of Credit Constraints. PhD thesis, Emory University.

#### 4. Key Sector Developments

*Cayman's financial services industry softened while stay-over tourism also moderated. The construction industry sustained some activity from government projects. The real estate market posted marginal growth. In the utilities sector, electricity continued to record strong growth while water production declined.*

##### 4.1 Financial Services

In 2008, the financial services industry began to show signs of the impact of the global financial crisis. The mutual funds industry slowed to single-digit growth while registration of new companies fell. The other sub-sectors also weakened (see Box 3).

**Banks & trusts.** Bank & trust licences continued to fall, registering at 278 as at December 2008, a 1.1 percent decline. In contrast, pure trust companies expanded by 2.2 percent to reach 141 at the end of 2008 compared to 138 a year ago.

**Table 4.1A: Bank & Trust Companies, 2006-2008**

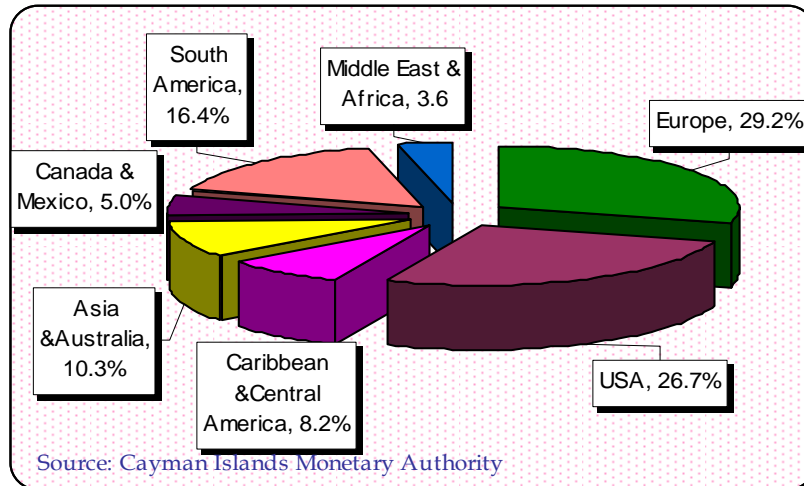
	2006	2007	2008	2007-2008 % Change
<b>Banks and Trust Licences</b>	<b>291</b>	<b>281</b>	<b>278</b>	<b>-1.0</b>
<i>Of which:</i> Class 'A'	19	19	18	-5.3
Class 'B'	269	260	258	-0.7
Class 'B' Restricted	3	2	2	0.0
<b>Trust companies</b>	<b>134</b>	<b>138</b>	<b>141</b>	<b>2.2</b>
Trust Companies (unrestricted)	51	51	54	5.9
Trust companies (Restricted)	83	87	87	0.0
<b>External Position of Banks<sup>a</sup></b>	US\$ trillions			
Assets	1.41	1.81		28.4
Liabilities	1.37	1.77		29.2

Source: Cayman Islands Monetary Authority

<sup>a</sup>Data available as of June 2008.

As in previous years, banks from Europe and the United States, comprised majority of the licenses.

Figure 4.1A: Number of Banks by Region, 2008



**Insurance.** The insurance market was virtually stable, with the total number of insurance licence registrations rising by 12 (or 1.5%), from 793 in 2007 to 805 in 2008.

Table 4.1B: Captive Insurance Companies, 2006-2008

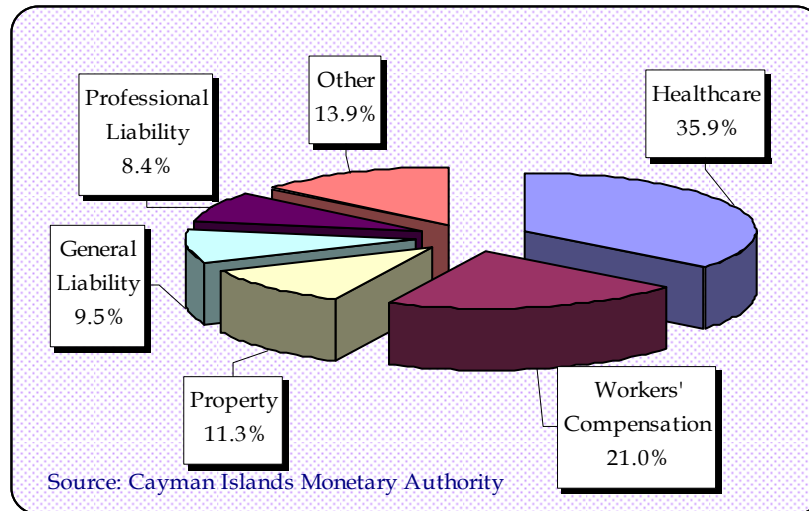
	2006	2007	2007-2008	
			2008	% Change
<b>Total Insurance Licences</b>	767	793	805	1.5
Class 'A' Licences (Domestic)	27	28	28	0.0
Class 'B' Licences (Captives)	740	765	777	1.6
Unrestricted	674	692	699	1.0
Restricted	66	73	78	6.8
<b>Financial Position of Captives</b>	<b>US\$ Billions</b>			
Premiums	7.1	7.5	7.7	2.6
Net Income	1.3	1.9	1.9	0.8
Net Worth	6.7	8.4	9.9	17.8
Total Assets	29.6	32.9	36.9	12.2

Source: Cayman Islands Monetary Authority

The structure of the insurance industry remained as in previous year (see Figure 4.1B below).



Figure 4.1B: Captive Insurance Licences by Primary Class of Business, 2008



Total assets of Cayman-based captives registered US\$36.9 billion in 2008 rising by 12.2 percent from 2007. North America continues to dominate the risk location for Cayman’s captive market, comprising the 89.6 percent of total companies registered with the rest originating from Caribbean and Latin America (3.3%); Africa, Asia and Middle East (1.3%); Europe (1.3%) and the rest of the world (4.2%).

Premiums for captives reached US\$7.7 billion in 2008 from US\$7.5 billion a year ago while their net income improved by 0.8 percent to tally at US\$1.9 billion in 2008.

**Mutual funds.** Coming off from consecutive years of double-digit growth total mutual funds rose by 4.9 percent in 2008. The impact of the financial crisis began to hit the industry in the fourth quarter as mutual funds dropped from the third quarter peak of 10,291.

Table 4.1C: Mutual Funds, 2006-2008

	2006	2007	2007-2008	
			2008	% Change
Registered Mutual Funds	7,481	8,751	9,231	5.5
Administered Mutual Funds	548	543	510	-6.1
Licensed Mutual Funds	105	119	129	8.4
<b>Total</b>	<b>8,134</b>	<b>9,413</b>	<b>9,870</b>	<b>4.9</b>

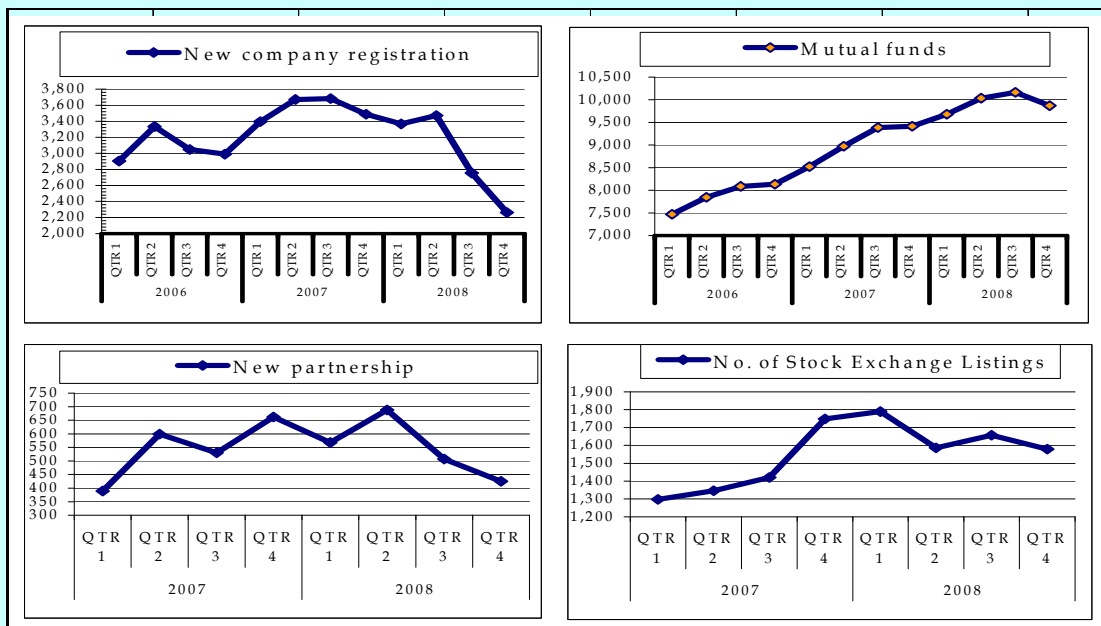
Source: Cayman Islands Monetary Authority

### Box 3: Impact of the Global Financial Crisis on Financial Services

The massive financial crisis and an acute loss of confidence which began in the U.S. and spread across national borders are expected to have a profound negative impact on the Cayman Islands. According to the IMF (WEO April 2009) "...these events prompted a huge increase in perceived counterparty risk as banks faced large write-downs, the most established financial names came into question, the demand for liquidity jumped to new heights, and market volatility surged... The result was a flight to quality that depressed yields on the most liquid government securities and an evaporation of wholesale funding that prompted a disorderly deleveraging that cascaded across the rest of the global financial system". The crisis has led to an unprecedented contraction of economic activity and trade across the global economy.

Economic performance in the Cayman Islands is predominantly hinged on demand in Europe and North America for financial services and tourism. Although the monetary value of the impact on the local financial services sector is presently not quantifiable, indicators revealed a slowdown as the crisis deepened. New company registrations declined by 35.2 percent while total mutual funds growth slowed to 4.9 percent, the lowest in the past thirteen years. The total number of new mutual funds processed during the year represented an 18.0 percent decline from the 2,009 new funds processed in 2007<sup>1</sup>. Total partnership registrations posted the lowest growth rate of 1.7 percent since 2001 to record 8,605 for the year 2008. New partnership registrations slowed comparatively but grew by 0.4 percent to tally at 2,188, the slowest rate of increase since 2003. Stock exchange listings plummeted to 1,579 by the end of the year, a 9.7 percent reduction from 2007.

A closer look at 2008 fourth quarter weighed against the preceding quarter reveal the intensity of the global crisis impact. Declines in the following financial indicators were posted: bank and trust – class A (5.3%) and nominee trusts (1.6%) , fiduciary nominee trusts (10.0%), insurance agents (6.4%), total mutual funds (4.1%), exempt new partnerships (16.2%) and new company registrations ( 18.0%).



<sup>1</sup> Presentation by Mrs. Cindy Scotland, Managing Director CIMA 28<sup>th</sup> January 2009

**Stock exchange.** The Cayman Islands Stock Exchange (CSX) stock listings contracted to 1,579 as at December 2008, reversing the upward trend since 2001. The decline was largely influenced by a significant fall of 291 mutual fund stock listings (see Figure 4.1D). This decline was matched with a fall-off in mutual fund market capitalization of US\$36.9 billion.

**Table 4.1D: Stock Listings, 2006-2008**

Instruments	2006	2007	2007-2008	
			2008	% Change
Mutual Funds	909	1084	793	-26.8
Specialist Debt	302	623	721	15.7
Eurobond	9	35	60	71.4
Secondary Equity	4	5	3	-40.0
Domestic Equity	1	1	2	100.0
	1,225	1,748	1,579	-9.7

Source: Cayman Islands Stock Exchange

**Table 4.1E: Market Capitalization (US\$ billions), 2006-2008<sup>8</sup>**

Instruments	2006	2007	2007-2008	
			2008	% Change
Mutual Funds	81.0	97.4	60.5	-37.9
Specialist Debt	19.8	50.1	80.6	61.1
Eurobond	8.6	18.8	25.3	34.5
Secondary Equity	1.9	1.9	1.1	-42.0
Domestic Equity	0.193	0.164	0.159	-3.0

Source: Cayman Islands Stock Exchange

**Companies registry.** Total company registrations increased from 87,109 in 2007 to 93,693 in 2008, a 7.6 percent expansion. New company registrations fell sharply by 16.7 percent to record 11,861 as at December 2008. The decline in new company registrations accelerated in the fourth quarter of 2008 reflecting the impact of the global financial crisis.

<sup>8</sup> 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.

In addition, the reductions in new exempt, resident and non-resident registrations offset the increase in new foreign company registrations over the same period.

**Table 4.1F: Company Registrations, 2006-2008**

	2006	2007	2008	2007-08 % Change
Total Company Registrations	83,532	87,109	93,693	7.6
New Company Registrations	<u>12,277</u>	<u>14,238</u>	<u>11,861</u>	-16.7
Exempt	10,735	12,697	10,536	-17.0
Non-Resident	569	533	293	-45.0
Resident	588	531	510	-4.0
Foreign	385	477	522	9.4

Source: Cayman Islands General Registry

#### Box 4: Legislative Changes in the Financial Sector

The Cayman Islands continued to update its regulatory standards to conform to appropriate international regulatory standards and practices. Three new rules were formalized/introduced in 2008 to comply with the International Organization of Securities Commissions (IOSCO). The rules are:

- i) **The Rule on the Contents of Offering Documents** - outline the information to be included in offering documents for example the funds offering documents should describe the fund's equity interests in all material respects;
- ii) **The Rule on the Calculation of Asset Values** - necessitate funds to state their policy for calculating the funds asset values;
- iii) **The Rule on the Segregation of Assets for Licensed Funds** - requires a funds portfolio to be segregated and accounted for separately from any assets of any service provider.

The rules apply to all funds licensed pursuant to s.4(1)(a) of the Mutual Funds Law 2007 except those subject to the Retail Mutual Funds (Japan) Regulations 2003. The rules are intended for potential retail investors to make informed investment decisions as well as improve the investor protection and assets in the licensed funds.

**Rule on Operational Risk Management for Banks:** The rule apply to all banks regulated by CIMA under the Banks and Trust Companies Law (2007 Revision). It gives guidance on the "key elements for the implementation of an effective and sound operational risk management framework".

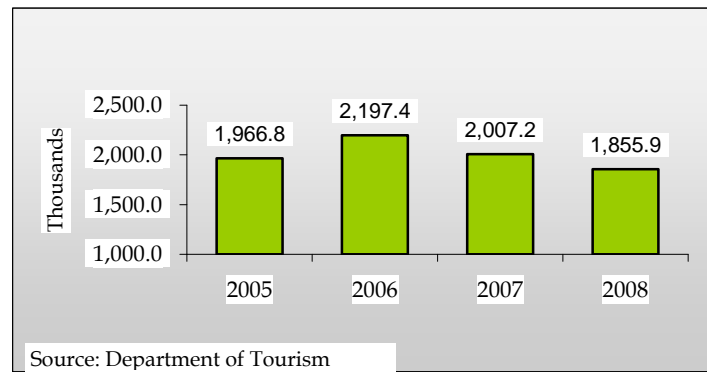
**Revised Guidance Notes on the Prevention and Detection of Money Laundering and Terrorist Financing:** The revisions made include clarifying the definition of regulatory laws and the list of activities meant by "relevant financial business". For instance, there is now specific guidance relating to wire transfers; a new section on money services businesses to provide sector-specific guidance; an explicit statement that the notes cover terrorism financing; and that the notes extend to cover dealers of precious metals and stones. The notes also expand on the previous guidance related to financial transactions and business relationships, and the handling of documents, data and information.

Source: CIMA website ([www.cimoney.com.ky](http://www.cimoney.com.ky).)

## 4.2 Tourism

The tourism sector softened in 2008. Growth in air arrivals fell below the record in the past two years while cruise arrivals remained on the downward trend.

Figure 4.2A: Tourist Arrivals in 2005-2008



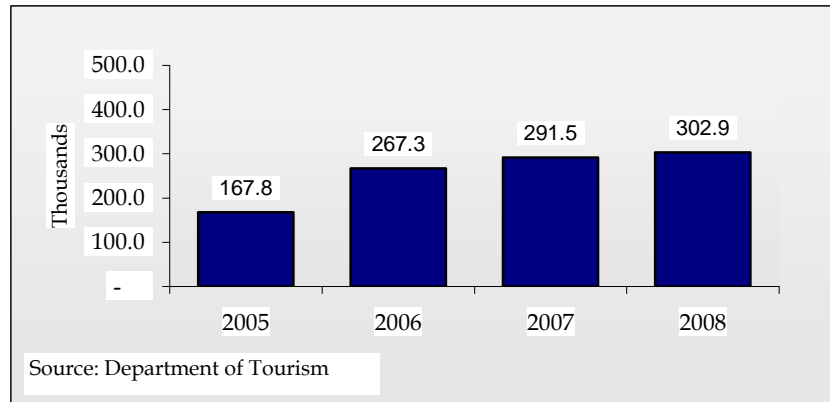
Total visitor arrivals stood at 1,855,932 in 2008, a 7.5 percent decrease compared to a year ago. Air arrivals accounted for 302,879 visitors, a growth of 3.9 percent from the 2007 level (see Figure 4.2A). In contrast, cruise arrivals reached 1,553,053 visitors, 9.5 percent lower than the previous year. According to the World Tourism Organization, “growth in international tourist arrivals has slowed drastically worldwide, under the influence of an extremely volatile and unfavourable global economy”. Consequently, this slowdown translated into a 2.0 percent growth (or a total of 924 million visitors) in global tourism in 2008 compared to the previous record growth of 6.0 percent a year ago.

**Stay-over market.** A number of initiatives aimed at boosting visitor arrivals were undertaken during the year. Both US Airways and Cayman Airways introduced new services to north-eastern locations such as Boston, Washington DC, and Chicago. With Chicago having traditionally been included in the top five source markets for US visitors, Cayman Airways launched new direct services to the area, in addition to Washington DC, in December. This added route was projected to bolster growth within both markets over the winter season.

Under the Department of Tourism’s (DOT) new marketing campaign unveiled last September, secondary markets such as Canada and the UK have also been strategically identified for greater expansion, amid weakening stay-over arrivals. The programme is designed to promote Grand Cayman, Cayman Brac and Little

Cayman under the slogan of “three islands, one idyllic destination” and offer Canadian visitors greater diversity within one product.

**Figure 4.2B: Air Arrivals, 2005-2008**



Overall, arrivals from the USA grew by 3.7 percent while arrivals from Europe, Canada and other regions registered growth rates of 4.5 percent, 6.9 percent and 3.1 percent, respectively.

Nevertheless, the United States remained the biggest market for stay-over arrivals in the Cayman Islands, as it accounted for 79.4 percent of the total market while Europe and Canada comprised 7.0 percent, and 6.1 percent, respectively. Moreover, within the US market, the Northeast region remained the largest source of visitors as enhanced air services to this area further translated into a share of 27.3 percent compared to 26.2 percent last year. This was also followed by the Southeast (16.9%); Midwest (16.6%); Southwest (12.5%); and the West Coast (6.1%).

**Table 4.2A: Stay-over Arrivals by Country of Origin, 2006-2008**

	2006	2007	2008	Absolute Change	% Change
<b>USA</b>	<b>217.4</b>	<b>231.9</b>	<b>240.5</b>	8.6	3.7
Northeast	69.7	76.3	82.6	6.3	8.2
Midwest	47.4	49.7	50.1	0.5	0.9
Southeast	50.6	52.0	51.3	(0.8)	(1.5)
Southwest	33.5	35.4	37.9	2.5	7.0
West Coast	16.2	18.4	18.6	0.1	0.8
<b>Europe</b>	<b>16.7</b>	<b>20.4</b>	<b>21.3</b>	0.9	4.5
<b>Canada</b>	<b>14.9</b>	<b>17.4</b>	<b>18.5</b>	1.2	6.9
<b>Other</b>	<b>18.3</b>	<b>21.9</b>	<b>22.6</b>	0.7	3.1
<b>Total</b>	<b>267.3</b>	<b>291.5</b>	<b>302.9</b>	11.4	3.9

Source: Department of Tourism

As reported by the Department of Tourism (DOT), a total of 4,484 bedrooms remained in operation as at year-end which surpassed the previous figure of 3,907. Similarly, the total number of licensed tourism accommodation properties increased from 178 to 236 in 2007. Whereas the room stock experienced some losses with the closure of the 66-room Spanish Bay Reef Hotel in July, the opening of other properties such as the Wembley building of Morrit's Tortuga Club served to sustained local room supply.

Actual use of accommodation improved as the average hotel occupancy rate rose slightly from 61.7 percent in 2007 to 62.2 percent in 2008. Apartments/condominiums occupancy rates also increased from 41.5 percent to 44.0 percent.

With respect to the average length of stay at local establishments, this contracted for both hotels and apartments/condos from 4.7 days in 2007 to 4.5 days from 6.7 in 2007 to 6.4 days.

Local room supply on Grand Cayman was reduced considerably in the latter part of the year with the closure of the 204-bedroom Courtyard Marriott hotel. The cause of the closure was initially reported as relating to "extensive water damage" from Hurricane Paloma.



Tourist hotel accommodation also suffered setbacks in Cayman Brac with extensive damages to the Brac Reef Beach Resort following Hurricane Paloma. While some rooms were left standing, major damage to the upper floor guest rooms were reported. The Brac Reef has been the only functioning hotel on Cayman Brac since September 2006 when the Divi Tiara Beach Hotel was abruptly closed.

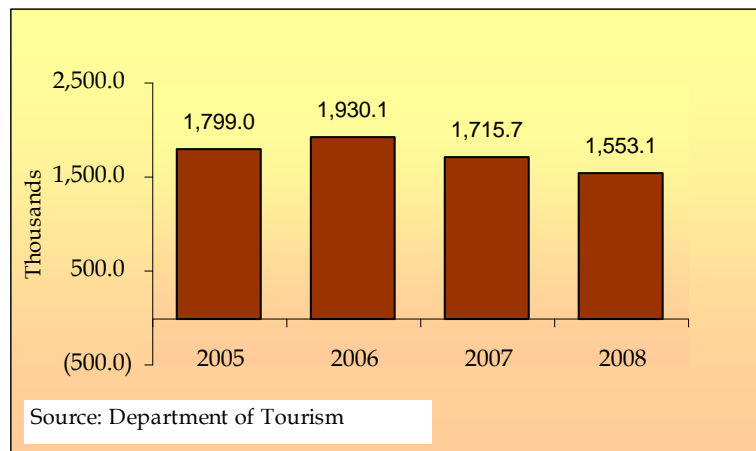
**Cruise Market.** The cruise ship sector remained the largest contributor of visitors to the Cayman Islands in 2008. Cruise ship visitors totalled 1,553,053 during the year, compared with 1,715,666 in 2007, a decrease of 9.5 percent (see Figure 4.2C).

A 13.2 percent decrease in the number of cruise ship calls was also noted, which totalled 570 at year-end. Nonetheless, this fall is slightly lower than the 18.1 percent decrease last year.

On August 13, the Nickelodeon Family Cruise, made its inaugural visit to Grand Cayman. This new promotion was the result of the partnership between Royal Caribbean International Cruise Line and the Nickelodeon Kids cable channel and is aimed at further enhancing the cruise market by featuring a Nickelodeon brand alignment for families in the summer months.

Cruise passengers per day averaged 4,314 persons, which was 452 visitors less than the average a year ago.

**Figure 4.2C: Cruise Arrivals, 2005-2008**



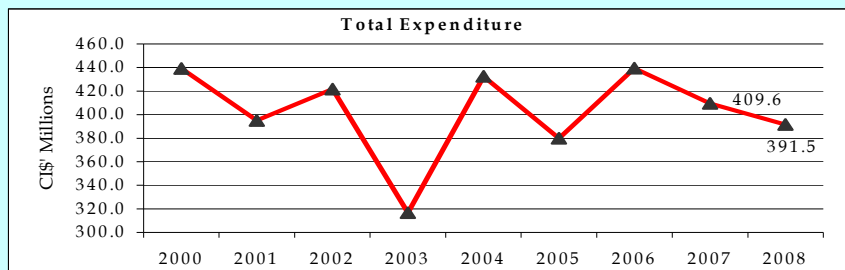
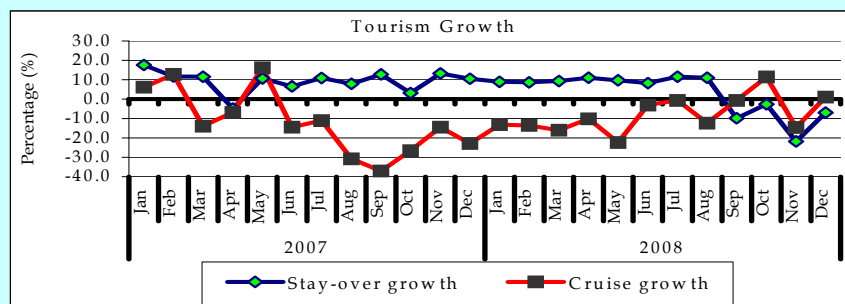
**Box 5: Impact of the Global Credit Crisis on Tourist Arrivals**

Recessionary conditions in North America and Europe is expected to have profound impact on the local tourism sector as both business and pleasure travel plans are foreseen to be curtailed. Record low consumer and business confidence in the major source markets have changed consumption behaviour. According to the IMF (WEO Report, April 2009) “these shocks have (in the US) depressed consumption; the household saving rate, which had been falling for two decades, has risen sharply to more than 4.0 percent in February 2009, up from about ¼ percent a year earlier”.

According to the World Tourism Organization (UNWTO) “...the growth in international tourist arrivals has slowed dramatically world wide, under the influence of an extremely volatile and unfavourable global economy – due to factors such as the credit crunch, the widening financial crisis, commodity and oil price rises, and massive exchange rate fluctuations. All this has, inevitably, undermined both business and consumer confidence, contributing in turn to the current global recession”. The WTO projected tourism growth in the Americas for 2009 to be between -1.0 percent and 2.0 percent.

While the exact tourism sector contribution to the domestic economy remains unknown, total tourist arrivals was 1.86 million in 2008. Stay-over arrivals accounted for 16.3 percent of total tourist arrivals while cruise accounted for 83.7 percent; however, the stay-over’s contributed two-thirds of total visitor expenditure. Further, over 80 percent of all stay-over arrivals originated in North America.

Stay-over arrivals rebounded to record growth since hurricane Ivan in 2004, however, negative growth began in September 2008 while cruise started its descent much earlier. These arrival statistics are expected to worsen as economic conditions persist in the source markets before they improve in 2010.



## 4.2. Construction

**Building permits.** Despite a marginal decline in the number of building permits in 2008, the total value peaked in 2008 at \$502.3 million. This was a result of increases in both the residential<sup>9</sup> and non-residential<sup>10</sup> sectors. The expansion in the residential sector is traced to on-going major development projects. It is noted that the credit market continues to support the mortgage market (see Section 3.5).

**Table 4.3A: Grand Cayman Building Permits**

	2005	2006	2007	2007-2008	
				2008	% Change
<b>Millions of CI\$</b>					
Houses	145.9	119.6	100.7	116.6	16.0
Apartments	96.3	172.4	116.4	116.6	-
Commercial	71.9	118.5	183.2	162.8	(11.0)
Industrial	3.5	12.1	4.3	29.6	589.0
Hotel	8.1	0.3	1.0	0.2	(80.0)
Government	7.3	0.9	6.1	62.7	921.0
Other	2.8	22.1	34.6	13.7	(60.0)
<b>Total</b>	<b>335.8</b>	<b>445.8</b>	<b>446.3</b>	<b>502.3</b>	<b>12.5</b>

Source: Cayman Islands Planning Department

In the residential sector, the total value of building permits values grew by 7.5 percent from \$217.1 million in 2007 to \$233.2 million; however this is less than the record \$292.0 million achieved in 2006. In 2008, building permits for houses showed strong expansion (16.0%) while those for apartments/condominium was stable.

The non-residential categories for the first time accounted for more than half of total value of building permit, representing 50.1 percent in 2008. Gains in the industrial and government building permits tempered the decline in the commercial component.

In the industrial component, building permits values surged from \$4.3 million in 2007 to \$29.6 million on account of the \$25.0 million-expansion by the electricity

<sup>9</sup> Residential sector includes houses, apartments (condominiums) and duplexes. Hotels are excluded.

<sup>10</sup> Non-residential sector includes commercial, government, and industrial. "Other" is excluded as this is a mixture of residential and non-residential works.

company. The construction of the new secondary schools worth \$60 million was the predominant project in the government category.

Building permits for commercial structures, which attained record level in 2007 at \$183.2 million, decreased by 11.0 percent to \$162.8 million in 2008. Two large projects (an office and service building) contributed 70.4 percent or \$101.5 million.

In 2008, there were nine fewer permits issued in 2008 than in 2007 to total 1,081. There was sharp fall in the number of permits for apartments in contrast with houses.

**Table 4.3B: Grand Cayman Building Permits**

	2005	2006	2007	2007-2008	
				2008	% Change
Houses	533	517	496	503	1.4
Apartments	164	374	219	182	-16.9
Commercial	163	197	186	176	-5.4
Industrial	8	35	10	14	40
Hotel	31	2	4	1	-75
Government	5	8	16	36	125
Other	64	157	159	169	6.3
<b>Total</b>	<b>968</b>	<b>1,290</b>	<b>1,090</b>	<b>1,081</b>	<b>-0.8</b>

Source: Cayman Islands Planning Department

**Project approvals.** Construction intentions as measured by project approvals held steady in 2008 with project approvals totalling \$508.8 million, compared to the \$505.2 million in 2007.

In the non-residential sector, large-scale projects saw values rising in the commercial category by 72.5 percent to \$126.4 million and the industrial category by 32.9 percent to 11.2 million. However, in the government category this fell to \$18.6 million on account of reductions in the capital works programme.

**Table 4.3C: Cayman Islands Planning Approvals, 2005-2008**

	2005	2006	2007	2008	2007-2008 % Change
<b>Millions of CI\$</b>					
Houses	111.7	81.6	137.7	118.1	-14.2
Apartments	196.1	294.3	112.8	149.7	32.7
Hotels	16.2	11.5	55.0	6.9	-0.9
Commercial	104.6	120.4	72.1	126.4	75.3
Government	3.9	10.2	56.6	18.6	-67.2
Industrial	21.0	45.9	8.4	11.2	32.9
Other	66.9	74.9	62.6	77.9	24.5
<b>Total</b>	<b>520.4</b>	<b>638.8</b>	<b>505.2</b>	<b>508.8</b>	<b>0.7</b>

Source: Cayman Islands Planning Department

The residential sector saw the value of project approvals reaching \$267.8 million in 2008, up 6.9 percent from last year. The apartment/condominium category rose by 32.7 percent from \$112.8 million in 2007 to \$149.7 million. This rebound mitigated the decline in housing which dipped by 14.2 percent from the peak of \$137.7 million recorded in 2007 to \$118.1 million in 2008.

Overall, fifty additional projects were approved in 2008 for a total of 1,277 compared to 2007. This increase is traced to the 'Other' category which includes any other construction which is not classified in Table 4.3C with approval numbers declining in both the residential and non-residential sectors.

**Table 4.3D: Cayman Islands Planning Approvals, 2005-2008**

	2005	2006	2007	2008	2007-2008 % Change
Houses	575	375	472	464	-1.73
Apartments	136	222	118	108	-8.5
Hotels	4	2	1	2	100
Commercial	104	75	61	48	-21.3
Government	20	25	19	10	-47.4
Industrial	27	40	14	12	-14.3
Other	467	641	542	633	16.8
<b>Total</b>	<b>1,333</b>	<b>1,380</b>	<b>1,227</b>	<b>1,277</b>	<b>4.1</b>

Source: Cayman Islands Planning Department

**Certificates of Occupancy.** In 2008, the seal of occupancy certificates which is an indication of change in the building stock, increased by 8.1 percent to 534, the highest record thus far. The residential category (houses and condominiums)

accounted for the majority of such certificates totalling 403, a 4.9 percent increase over the previous year, as the housing recovered by 17.9 percent.

In the commercial category, thirty more certificates were issued in 2008 for a total of 108 representing an increase of 38.5 percent. Further increases were recorded in the government and other categories.

**Table 4.3E: Certificates of Occupancy, Grand Cayman Islands, 2005-2008**

Sectors	2005	2006	2007	% Change	
				2008	2007-2008
Houses	183	281	240	283	17.9
Apartments	71	150	144	120	-16.7
Hotel	0	3	1	0	-100
Government	0	1	1	3	200
Commercial	41	83	78	108	38.5
Industrial	2	8	23	4	-82.6
Other	0	3	7	16	128.6
<b>Total</b>	<b>297</b>	<b>529</b>	<b>494</b>	<b>534</b>	<b>8.1</b>

Source: Cayman Islands Planning Department

Similarly, the monetary value of properties granted with completion approval also rose from \$176.7 million in 2007 to \$222.6 million in 2008. The ensuing average unit cost was approximately \$416,854 as compared to 357,692 in 2007.

**Table 4.3E: Certificates of Occupancy, Grand Cayman Islands, 2005-2008**

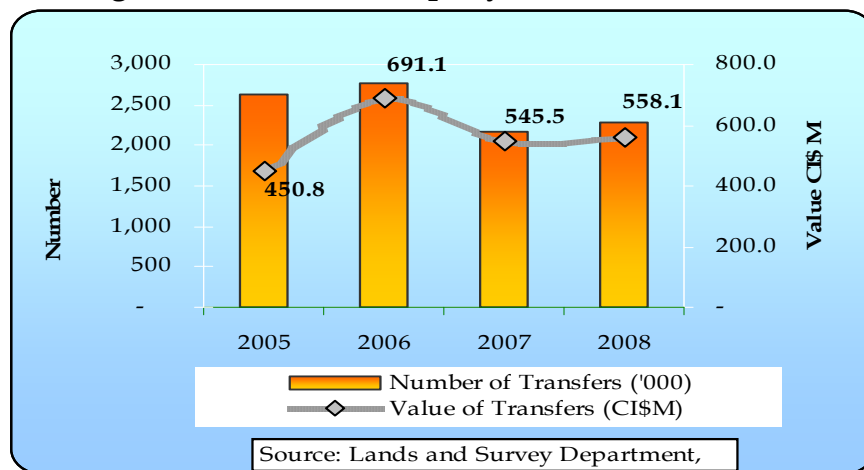
Sectors	2005	2006	2007	% Change	
				2008	2007-2008
Millions of CI\$					
Houses	37.6	56.1	55.5	63.1	13.7
Apartments	46.0	61.8	60.9	87.0	42.9
Hotel	-	34.7	-	-	0.0
Government	-	-	-	1.0	0.0
Commercial	9.6	13.6	32.5	60.2	85.1
Industrial	0.5	4.3	6.8	2.9	56.6
Other	-	37.1	21.0	8.4	-59.9
<b>Total</b>	<b>93.6</b>	<b>207.6</b>	<b>176.7</b>	<b>222.6</b>	<b>26.0</b>

Source: Cayman Islands Planning Department

#### 4.4 Real Estate

After a dramatic softening in 2007, real estate activity marginally improved in 2008 with the number of transferred freehold properties rising by 4.5 percent to 2,289 compared to the 2,190 in 2007. Total value also rose, inching upwards by 2.3 percent from \$545.5 million in 2007 to \$558.1 million. In addition, the average value of transfers dipped slightly from \$249,087 in 2007 to \$243,818.

Figure 4.4: Freehold Property Transfers, 2005-2008



The strong reselling of condominium units along the Seven Mile Beach, and healthy pre-selling also saw the values of leasehold transfers rising to \$76.2 million in 2008, up from the \$23.3 million in 2007. The number of leasehold transfers stood at 323 in 2008, a decrease compared to the peak of 360 achieved in 2007.

The moderate improvement in real estate activity may be associated with the lower interest rate in 2008 and the continuing availability of bank credit for property purchases.

#### 4.5 Utilities and Telecommunications

**Utilities.** Despite the increase in average charges in 2008, local electricity production rose by 2.1 percent to 596.8 megawatt hours (mWh) as at year-end 2008 (see Table 4.5A). This was in response to higher demand (2.5%) to 547.7 mWh as at December 2008. All categories of electricity consumption expanded: commercial (3.9%), residential (0.9%) and public lighting (5.6%).

When compared to 2007, water consumption decreased by 0.7 percent in 2008 mainly on account of decreased demand by public authorities (18.9%) and truckers (16.4%).

**Table 4.5A: Utilities Production/Consumption, 2006-2008**

	2006	2007	2008	2007-08 % Change
<b>Water</b>				
Water Consumption ( <i>millions of US gallons</i> )	1,560.6	1,657.7	1,646.1	(0.7)
<b>Electricity ('000 megawatt hrs)</b>				
Electricity Production (mWh)	535.7	584.4	596.8	2.1
Electricity Consumption (mWh)	491.5	534.2	547.7	2.5
• Residential	228.2	249.4	251.7	0.9
• Commercial	258.0	279.4	290.3	3.9
• Public	5.3	5.4	5.7	5.6

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

**Telecommunications.** In 2008, the total number of paid telecommunication minutes increased by 11.0 percent to 493,291 partially due to a reduction in the unit cost of telecommunication during the period, although the number of telephone lines (fixed lines and mobile) decreased during the same period.

**Table 4.5B: Telecommunication Sector Indicators, 2006-2008**

Indicators	2006	2007	2008	2007-08 % Change
Fixed and mobile lines in service as of year-end	122,167	130,622	121,448	(7.0)
Total lines-to-household ratio*	5.2	5.5	4.4	(20.0)
Total domestic and international minutes for fixed and mobile lines ('000)	369,699	444,213	493,291	11.0

\*Using end of year number of households

Source: Information Communication and Technology Authority (ICTA)



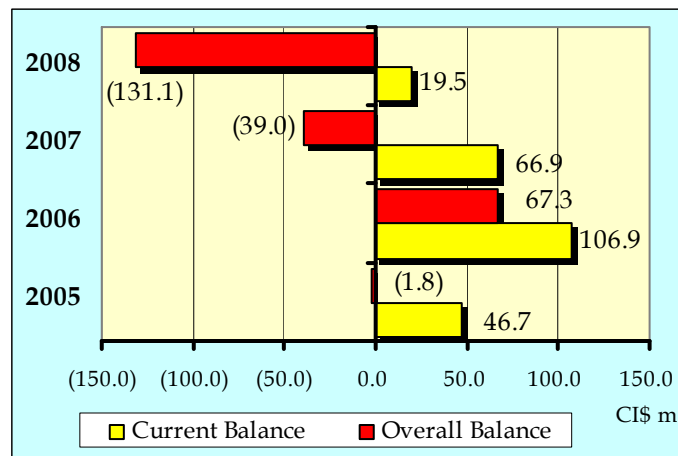
## 5. Fiscal Operations of the Central Government

*In 2008, the overall fiscal position deteriorated as revenue collection grew marginally, predominantly through domestic sources, while recurrent and capital expenditure rose at double-digit rates.*

### 5.1 Overview

The overall fiscal deficit widened to \$131.1 million (or 5.8% of GDP) in 2008 as compared to \$39.0 million (or 1.8% of GDP) a year ago (see Figure 1). This came about partly due to automatic fiscal stabilizers which raised current expenditure, and partly due to the countercyclical fiscal policy through capital expenditures. Total revenue grew by 1.8 percent to reach \$522.2 million, whereas, total expenditure grew by 18.4 percent, to reach \$653.3 million (see Table 5.1). The sharp increase in current expenditure also yielded a lower current surplus<sup>11</sup> of \$19.5 million from \$66.9 million a year ago (see Figure 5.1).

**Figure 5.1: Central Government Fiscal Balance**



Source: Cayman Islands Treasury Department

<sup>11</sup> 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.

The marginal increase in revenue during 2008 was pushed by collections from domestic taxes on goods and services which, however, were partially offset by the decline in receipts from international trade and transactions.

**Table 5.1: Summary of Fiscal Operations, 2005-2008**

	2005	2006	2007	2008	% Change 2007/08
	Millions of Cayman Islands Dollars				
<b>Total Revenue</b>	<b>428.5</b>	<b>500.4</b>	<b>513.0</b>	<b>522.2</b>	1.8
<b>Total Expenditure</b>	<b>430.3</b>	<b>433.1</b>	<b>552.0</b>	<b>653.3</b>	18.4
Current Expenditure	339.4	384.3	435.4	488.7	12.2
Extraordinary Expenses	39.4	7.2	3.2	1.7	(46.5)
Other Executive Expenses	3.0	2.0	7.4	12.3	67.7
Capital Expenditure & Net Lending	48.5	39.6	105.9	150.6	42.2
Current Balance	46.7	106.9	66.9	19.5	(70.9)
Overall Balance	(1.8)	67.3	(39.0)	(131.1)	236.2
<b>Financing</b>	<b>1.8</b>	<b>(67.3)</b>	<b>39.0</b>	<b>131.1</b>	236.2
Net Borrowing	27.6	(4.5)	35.9	145.4	305.1
Change in Cash (minus=increase)	(25.8)	(62.8)	3.1	(14.3)	(564.5)

Source: Cayman Islands Treasury Department

On the expenditure side, capital expenditure and net lending rose sharply by 42.2 percent in 2008, coupled with a 12.2 percent increase in current expenditure. The latter was precipitated by strong growth in personnel cost, subsidies and transfer payments.

## 5.2 Revenue

Revenue collections in 2008 were dampened by reductions in economic activity which resulted in a meagre growth of 1.8 percent to reach \$522.2 million. Notwithstanding the weaker performance of the financial services industry, this contributed the marginal growth in revenue. The revenue-to-GDP ratio fell slightly to 23.2 percent compared to 24.6 percent in 2007.

Total revenue comprises both coercive (87.7%) and non-coercive revenue (12.3%). Coercive revenue which totalled \$457.9 million, posted a meagre increase of \$9.9 million, or 2.2 percent, over the receipts in 2007 (see Table 5.2A). On the other hand, non-coercive revenue amounted to \$64.3 million, 1.0 percent below the previous year.

**Table 5.2A: Revenue Collection of Central Government**

Revenue Sources	2005	2006	2007	2008	% Change 2007/08
Millions of Cayman Islands Dollars					
<b>Total Revenue</b>	<b>428.5</b>	<b>500.4</b>	<b>513.0</b>	<b>522.2</b>	1.8
<b>Coercive Revenue</b>	<b>376.3</b>	<b>442.5</b>	<b>448.0</b>	<b>457.9</b>	2.2
Taxes on Int'l Trade & Transactions	171.9	187.0	178.6	176.9	(1.0)
Domestic Taxes on Goods & Services	171.5	193.7	223.2	238.0	6.6
Taxes on Property	21.4	47.2	37.2	41.1	10.5
Fines	0.9	1.6	1.7	1.9	9.5
Other Taxes	10.6	13.1	7.3	0.0	(100.0)
<b>Non-coercive Revenue</b>	<b>52.3</b>	<b>57.9</b>	<b>65.0</b>	<b>64.3</b>	(1.0)
Sale of Goods & Services	40.8	53.8	58.4	59.7	2.2
Investment Revenue	4.3	4.0	6.2	4.2	(31.2)
Operating and Other Revenue	1.6	0.1	0.4	0.4	(7.2)
Extraordinary items	5.5	0.0	0.0	0.0	

Source: Cayman Islands Treasury Department

**Coercive revenue from international trade and transactions.** In 2008, receipts from international trade and transactions which comprised 38.6 percent of coercive revenue, declined by 1.0 percent to reach \$176.9 million (see Table 5.2B).

**Table 5.2B: Revenue from Import Duties 2004-2008**

	2005	2006	2007	2008	Absolute Change	% Change
Millions of Cayman Islands Dollars						
<b>Import Duties</b>	<b>155.7</b>	<b>168.4</b>	<b>163.3</b>	<b>162.9</b>	(0.4)	(0.3)
Gasoline/Diesel	19.2	22.0	24.0	22.4	(1.5)	(6.4)
Alcoholic Beverages	13.5	15.3	14.1	15.8	1.7	12.2
Motor Vehicles	25.7	13.9	12.7	13.6	0.9	7.5
Tobacco Products	3.2	3.2	2.9	3.2	0.3	11.6
Other Import Duties	94.1	114.0	109.7	107.8	(1.9)	(1.7)
Cruise Ship Departure Charges	11.3	12.4	10.3	9.3	(1.0)	(10.1)
Environmental Protection Fund Fees	4.9	6.3	4.9	4.7	(0.2)	(4.8)
<b>Taxes on International Trade</b>	<b>171.9</b>	<b>187.0</b>	<b>178.6</b>	<b>176.9</b>	(1.7)	(1.0)
Import Duties	90.6	90.0	91.4	92.1		

Source: Cayman Islands Treasury Department

The decline in revenue from international trade and transactions are traced to all of the three major sources: import duties (down by 0.3%), cruise ship departure charges (down by 10.1%) and environmental protection fund fees (down by 4.8%). The slippage in import duties was due to lower level of dutiable imports

(see Section 3.4) and increase in duty-free exemptions during 2008<sup>12</sup>. Amidst the general decline in import duties, the following revenue sources: alcohol beverages (12.2%), motor vehicles (7.5%), and tobacco products (11.6%). Meanwhile, increased receipts from gasoline/diesel fell by 6.4 percent as the volume of fuel imports dipped.<sup>13</sup> Similarly, revenue collected from cruise ship departure charges also fell by 10.1 percent, which resulted from a 9.5 percent decline in cruise ship visitors during 2008.

**Coercive revenue from domestic taxes on goods and services.** Revenue collections from domestic taxes totalled \$238.0 million in 2008, 6.6 percent over the collections of a year ago (see Table 5.2C). The growth was precipitated by increases in other domestic taxes by 14.5 percent in tandem with various financial services licences (up 14.0%).

The increase in various financial services fees was led by a \$10.0 million increase in fees from exempt companies in 2008 following an equivalent decline the previous year. This increase was realised amidst a 17.0 percent decline in exempt companies' registration. Fees associated with mutual funds administration contributed \$29.4 million, an increase of 7.7 percent, following a 4.9 percent increase in mutual funds (see Table 4.1C). Partnership fees also grew by 48.6 percent to total \$5.5 million; however, non-resident companies' fees declined by 10.9 percent to total \$4.1 million during the period in sync with the decline in registrations of 45.0 percent in 2008 (see Section 4.1, Table 4.1F).

Other sources of domestic revenue also showed positive contribution in 2008. Traders' licences and Information and Communication Technology Authority (ICTA) licences and royalties strengthened by 5.6 percent and 0.7 percent respectively.

Revenue from work permits fell by 14.1 percent, as work permits grew marginally by 0.7 percent, precipitated by a decline of 6.4 percent in the largest component of work permit i.e. construction (see Section 3.3). Other stamp duties fell slightly to \$12.6 million from \$12.7 million in 2007 notwithstanding an increase in transferred properties.

---

<sup>12</sup> Duty-free imports included goods imported for the Cayman Brac in the aftermath of hurricane Paloma in late 2008 coupled with materials imported for government construction projects.

<sup>13</sup> The quantity of gasoline imported decreased by 0.58 million imperial gallons (or 38.8%) while diesel decreased by 8.2 million imperial gallons (or 16.6%) during the year.

**Table 5.2C: Domestic Taxes on Goods and Services, 2005-2008**

	2005	2006	2007	2008	% Change
Millions of Cayman Islands Dollars					
<b>Domestic Taxes</b>					
Various financial service licenses	107.3	110.8	107.4	122.4	14.0
ICTA licences & royalties	7.3	8.2	8.6	8.7	0.7
Work permit fees	28.7	30.8	46.7	40.1	(14.1)
Other stamp duties	7.6	13.4	12.7	12.6	(1.0)
Traders' licenses	6.0	4.7	5.9	6.2	5.6
Other domestic taxes	14.7	25.8	41.9	48.0	14.5
<b>Domestic Taxes on Good &amp; Services</b>	<b>171.5</b>	<b>193.7</b>	<b>223.2</b>	<b>238.0</b>	<b>6.6</b>

Source: Cayman Islands Treasury Department

During the year, revenue from taxes on property grew by 10.5 percent to settle at \$41.1 million. Additionally, fines increased by 9.5 percent to \$1.9 million while other taxes plummeted to a nil value (see Table 5.2A).

**Non-coercive revenue.** This source turned in \$64.3 million or 1.0 percent lower than the collections a year ago (see Table 5.2). Sales of goods and services generated \$59.7 million during the year, an increase of 2.2 percent. Investment income plummeted to \$4.2 million from \$6.2 million in 2007, together with a 7.2 percent reduction in operating and other income, most likely due to the general fall in interest rates.

### 5.3 Expenditure

In 2008, expenditure increased to \$653.3 million, up 18.4 percent over the previous year (see Table 5.1). As a proportion to GDP, total expenditure rose from 21.3 percent in 2007, to 29.0 percent in 2008. This escalation was primarily due to a 42.2 percent increase in capital expenditure and net lending coupled with a 12.7 percent increase in current expenditure.

**Current expenditure.** During the period, personnel costs expanded to \$245.2 million, higher by 14.9 percent compared to a year ago (see Table 5.3A), despite a 1.1 percent reduction in the number of personnel in the civil service to 3,801 in 2008. Additionally, pension-related cost increased by \$1.3 million. Expenditure on supplies and consumables fell by 3.2 percent to total \$97.8 million in 2008. Subsidies increased by 19.7 percent to \$105.5 million. This surge was due to increased government support for statutory authorities and government

companies: National Roads Authority (up \$6.2 million), private schools (up \$2.6 million), University College of the Cayman Islands (up \$1.1 million), Health Services Authority (up \$1.9 million) and Cayman Airways (up \$2.9 million). Similarly, transfer payments moved up by 22.7 percent to settle at \$28.4 million, on account of a \$1.5 million increase in scholarships and bursaries coupled with an increase of \$3.0 million outlay as sports grant. Interest payment rose to \$11.7 million in the wake of additional interest payments for servicing net additional debt of \$145.4 million disbursed during the year (see Table 5.5A).

**Table 5.3A: Current Expenditure of the Central Government**

	2005	2006	2007	2008	% Change 2007/08
	Millions of Cayman Islands Dollars				
<b>Current Expenditure</b>	<b>339.4</b>	<b>384.3</b>	<b>435.4</b>	<b>488.7</b>	12.2
Personnel Costs	163.8	182.6	213.5	245.2	14.9
Supplies & Consumables	89.5	109.0	101.0	97.8	(3.2)
Subsidies	59.7	66.9	88.1	105.5	19.7
Transfer Payments	17.0	16.9	23.2	28.4	22.7
Interest Payments	9.5	8.9	9.6	11.7	21.4

Source: Cayman Islands Treasury Department

**Other executive expenses.** This comprises expenditure mainly for social intervention projects and other government measures which are not categorised as transfers payments or subsidies to public authorities. This increased from \$7.4 million in 2007 to \$12.3 million in 2008 (see Table 5.1) partly due to expenditure for special services valued at \$3.5 million and foreign exchange losses at \$0.83 million.

**Capital expenditure and net lending.** Total spending on capital expenditure and net lending reached \$150.6 million (or 6.7% of GDP) in 2008 (see Table 5.3B) despite a 32.7 percent decline in capital acquisition/equity investment. This represented an increase of \$44.7 million over a year ago (or 2.0% of GDP). The increase was on account of a 141.5 percent hike in capital development/executive assets, including the land acquisition and construction of a new Government Administration Building and schools.

**Table 5.3B: Capital Expenditure and Net Lending of Central Government**

	2005	2006	2007	2008	% Change 2007/08
Millions of Cayman Islands Dollars					
<b>Capital Expenditure and Net Lending</b>	<b>48.5</b>	<b>39.6</b>	<b>105.9</b>	<b>150.6</b>	42.2
Capital Acquisition (now Equity Investments)	40.8	20.5	60.4	40.7	-32.7
Capital Development (now Executive Assets)	6.7	19.1	45.5	109.9	141.5
Net Lending	1.0	0.0	0.0	0.0	

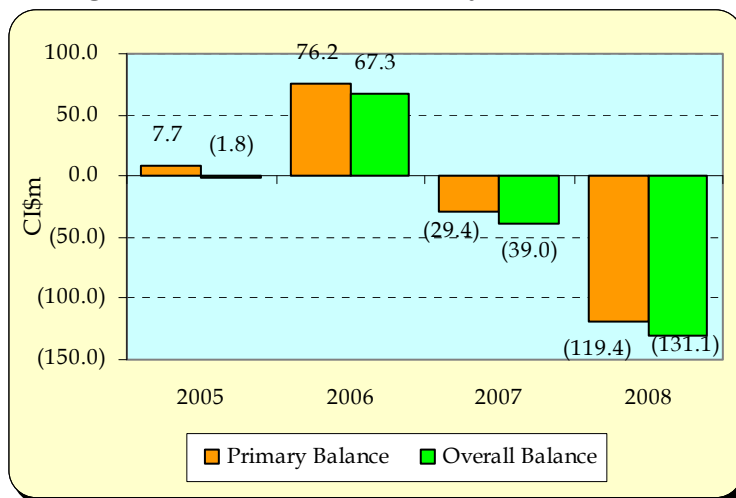
Source: Cayman Islands Treasury Department

#### 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. In 2008, the overall deficit widened to \$131.1 million (5.8% of GDP) compared to \$39.0 million (1.8% of GDP) in 2007 (see Figure 5.4).

Similarly, the primary balance worsened from a deficit of \$29.4 million or 1.4 percent of GDP in 2007 to a deficit of \$119.4 million or 5.3 percent of GDP in 2008.

**Figure 5.4: Overall & Primary Fiscal Balance**



Source: Cayman Islands Treasury Department

### 5.5. Net Financing and Debt Service Indicators

The overall deficit was financed by a disbursement of loan funds which totalled \$166.2 million during the year (see Table 5.5A). Net borrowing totalled \$145.4 million after accounting for the loan repayment of \$20.7 million. Additional financing requirements were also met by an accumulation of cash reserves by \$14.3 million.

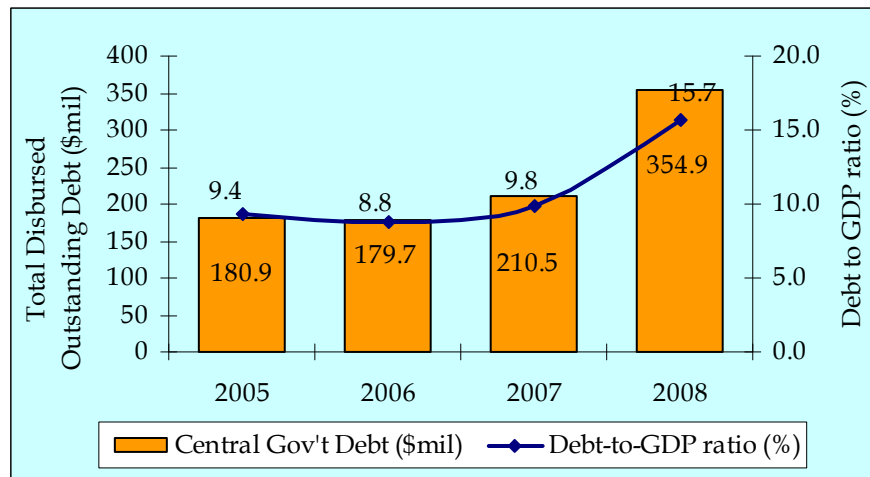
**Table 5.5A: Financing of Central Government**

	2005	2006	2007	2008	% Change 2007/08
Millions of Cayman Islands Dollars					
<b>Financing</b>	1.8	(67.3)	39.0	131.1	(236.2)
Net Borrowing	27.6	(4.5)	35.9	145.4	(305.1)
Disbursements	39.0	10.0	52.3	166.2	217.7
Loan Repayment	(11.4)	(14.5)	(16.4)	(20.7)	(26.5)
Change in Cash (minus = increase)	(25.8)	(62.8)	3.1	(14.3)	564.5

Source: Cayman Islands Treasury Department

The expansion in net borrowings during 2008 resulted in an increase in the central government’s outstanding debt to total \$354.9 million as at end December 2008 (see Figure 5.5) from \$210.5 million as at end 2007.<sup>14</sup> This placed the debt-to-GDP ratio at 15.9 percent, higher than the 9.8 percent as at December 2007.

**Figure 5.5: Central Government’s Outstanding Debt & Debt- to- GDP Ratio**



Source: Cayman Islands Treasury Department, Economics and Statistics Office

<sup>14</sup> Central government’s outstanding debt comprises debt managed directly by the Treasury Department and excludes government guaranteed debt and other contingent liabilities.



The expansion in central government's outstanding debt by 68.6 percent in 2008 has worsened the central government's debt service-to-current revenue ratio to 6.2 percent, from 5.1 percent a year ago (see Table 5.5B). Similarly, interest payments-to-current revenue ratio stood at 2.2 percent compared to 1.9 percent in 2007. Additionally, the debt service to GDP ratio worsened to 1.4 percent.

**Table 5.5B: Central Government Debt Service Indicators**

Debt Service Indicators	2005	2006	2007	2008
	Percentage (%)			
Interest Payments - to - Current Revenue Ratio	2.2	1.8	1.9	2.2
Debt Service - to - GDP Ratio	1.1	1.2	1.2	1.4
Debt Service - to - Current Revenue Ratio	4.9	4.7	5.1	6.2

Source: Cayman Islands Treasury Department, Economics and Statistics Office

## 6. Macroeconomic Outlook for 2009

---

*The Cayman Islands' economy is projected to shrink in 2009, as a result of the contagion effect from recessionary conditions in the global economy. This decline in economic activity is expected to be mitigated by higher capital expenditure in the public sector. The financial services and tourism sectors are expected to bear the impact of the global crisis. Domestic inflation is projected to be lower due the easing of imported inflation along with suppressed local demand.*

### 6.1 Global Outlook<sup>15</sup>

The global outlook for 2009 is expected to further accentuate the extent of global recession, as world output growth is projected to further weaken at -1.3 percent. GDP growth among the advanced economies is expected at -3.8 percent, led by the U.S. with its growth forecasted at -2.8 percent. Similarly, the UK and Canada are expected to suffer, with their output growth falling by 4.1 and 2.5 percent, respectively.

Amidst the uncertainty in the return of credit flows, and the impact of fiscal and monetary interventions across the globe, the emerging prognosis points to a gradual global recovery, beginning in the second half of 2009, and further improving in 2010 with world output rebounding by 1.9 percent. In this projection, however, the outlook for advanced economies is pessimistic as their GDP growth is placed at zero percent, led by the US with the same growth rate of zero percent.

Meanwhile, inflation among advanced economies is projected to ease in 2009 in the midst of curtailed growth in domestic demand. The inflation rates for the US and the advanced economies are forecasted at -0.9 percent and -0.2 percent, respectively.

---

<sup>15</sup> This global outlook is based on information culled from the International Monetary Fund (April 2009) and other international organizations.

## 6.2 Domestic Growth

**Economic activity in the Cayman Islands is expected to worsen in 2009 – 2010.** GDP is projected to fall, dragged down mainly by the impact of the global economic crisis on local financial services and tourism. The U.S. continues to be the main source of demand for financial services and accounts for approximately 80 percent of stay-over tourism.

**Table 6.2: Macroeconomic Indicators 2006-2010**

	2006	2007	2008	Projected	
				2009	2010
Real GDP growth (%)					
Cayman Islands	4.6	2.2	1.1	-1.4	-0.3
United States	3.3	2.0	1.1	-2.8	0.0
World	5.4	4.9	3.2	-1.3	1.9
Consumer Prices Inflation (CPI) (%)					
Cayman Islands	0.8	2.9	4.1	2.4	3.0
United States	3.2	2.9	3.8	-0.9	-0.1
Advanced economies	2.4	2.2	3.5	-0.2	0.3
Unemployment Rate (%)					
Cayman Islands	2.6	3.8	4.0	6.0	4.2
United States	4.6	4.6	5.8	8.9	10.1
Advanced economies	5.7	5.4	5.8	8.1	9.2

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

**The service sectors are expected to succumb to the financial crisis and decline during 2009.** Financial services indicators for the first quarter of 2009 showed new companies declining by 44.2 percent while mutual funds and insurance grew by 0.2 percent and 3.4 percent respectively. In addition to the recession in the US and other key markets, the key sources of uncertainty in the sector are the expected changes in the regulatory regimes of source markets and how these will impact the local market.

**Another year of downturn is expected for the tourism sector.** The economic crisis in major source markets is expected to exert an adverse impact on the local tourism industry. This is supported by an 18.5 percent slump in total tourist

arrivals for the first four months of 2009. Stay-over arrivals was down by 12.5 percent while cruise passengers fell by 14.5 percent for the first four months of 2009 compared to a year ago. Tourist arrivals is largely influenced by economic conditions in the North American market which is the main source of air arrivals providing approximately 80 percent of total air arrivals. Similarly, arrivals from other countries of origin such as Europe and Canada are likely to be impacted negatively due to the contagion effect of the financial crisis.

### **6.3 Domestic Inflation**

**The consumer price index (CPI) is forecasted at 2.4 percent in 2009.** This is due to lower imported inflation along with weak consumer demand. The upward pressure for inflation could come from an increase in electricity rates.

---

## 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  
Cayman Islands Customs Department  
Cayman Islands Department of Tourism  
Cayman Islands General Registry  
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**

---

## 8. Statistical Appendix

---

Table A1: Gross Domestic Product.....	63
Table A2: Consumer Price Index & Inflation.....	64
Table A3: Labour Force and Employment .....	65
Table A4: Composition of the Employed Labour Force.....	65
Table A5: The Unemployed.....	66
Table A6: The Employed by Industry .....	67
Table A7: Work Permits Issued by Occupational Class .....	68
Table A9: Imports by Standard International Trade Classification.....	70
Table A10: Domestic Credit from Retail Banks .....	71
Table A11: Financial Services Indicators .....	72
Table A12: Banks & Trust Licences .....	72
Table A13: Insurance Licences .....	73
Table A14: Mutual Funds Domiciled in the Cayman Islands .....	73
Table A15: New Companies Registered in the Cayman Islands.....	73
Table A16: Money and Banking Survey: Monetary Assets .....	74
Table A17: Money and Banking Survey: Monetary Liabilities.....	75
Table A18: Visitor Arrivals .....	76
Table A19: Occupancy Rates and Length of Stay.....	76
Table A20: Total Stay-over Arrivals by Country of Origin.....	77
Table A21: Property Transfers .....	78
Table A22: Numbers of Project Approvals in Grand Cayman.....	79
Table A23: Value of Project Approvals in Grand Cayman .....	79
Table A24: Numbers of Project Approvals in the Sister Islands .....	80
Table A25: Values of Project Approvals in the Sister Islands.....	80
Table A26: Building Permits in Grand Cayman.....	81
Table A27: Water Production and Consumption.....	82
Table A28: Electricity .....	83
Table A29: Summary of Government Operations.....	84
Table A30: Central Government Debt and Self- Financing Debt.....	85
Table A31: Fiscal Operations .....	86

**Table A1: Gross Domestic Product**

Year	Nominal GDP (CI\$M)	Real GDP 1986 Prices (CI\$M)	Mid-Year Population (000s)	GDP Per Capita (\$)	Real GDP Growth (%)
1998	1,275.2	777.5	38.1	33,470	5.8
1999	1,382.5	803.8	39.0	35,449	3.4
2000	1,444.9	811.7	40.2	35,943	1.0
2001	1,482.3	816.2	41.4	35,848	0.6
2002	1,546.0	830.3	42.5	36,419	1.7
2003	1,603.2	846.9	43.6	36,771	2.0
2004	1,688.8	854.5	44.2	38,173	0.9
2005	1,929.9	910.0	48.4	39,913	6.5
2006	2,034.8	951.9	51.9	39,137	4.6
2007	2,140.8	973.3	53.2	39,587	2.2
2008	2,254.1	984.4	56.0	40,253	1.1

Source: Cayman Islands Government, Economics & Statistics Office

**Table A2: Consumer Price Index & Inflation**

(September 1994=100)

<b>Year</b>	<b>Index Year-end</b>	<b>Index Average</b>	<b>Inflation Rate (%)</b>
1994	100.8	99.9	...
1995	103.1	102.4	2.5
1996	106.4	105.0	2.6
1997	109.5	107.9	2.7
1998	112.1	111.1	3.0
1999	120.8	118.7	6.8
2000	122.8	121.9	2.7
2001	123.5	123.3	1.1
2002	127.2	126.3	2.4
2003	128.1	127.1	0.6
2004	142.3	132.7	4.4
2005	142.3	142.4	7.3
2006	144.6	143.5	0.8
2007	147.1	147.7	2.9
2008	152.0	153.7	4.1

Source: Cayman Islands Government, Economics &amp; Statistics Office



**Table A3: Labour Force and Employment**

Year	Labour Force	Total Employed	Total Unemployed
1995	19,820	18,845	980
1996	20,410	19,370	1,040
1997	21,620	20,725	895
1998	22,725	21,820	905
2001	27,971	25,862	2,109
2002	28,905	27,355	1,550
2003	29,905	28,827	1,079
2004	30,257	28,946	1,311
2005	36,767	35,464	1,303
2006	35,959	35,016	943
2007	37,431	36,026	1,405
2008	38,999	37,449	1,549

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 September 2004 hurricane.

**Table A4: Composition of the Employed Labour Force**

Year	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	37,449	16,517	20,932

Source: Cayman Islands Government, Economics & Statistics Office

**Table A5: The Unemployed**

<b>Year</b>	<b>Total Unemployed</b>	<b>Caymanian</b>	<b>Non-Caymanian</b>
1995	978	703	275
1996	1,049	692	357
1997	895	579	316
1998	907	609	298
1999	...	...	...
2000	...	...	...
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

Source: October Labour Force Surveys, 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	Other	Total
1992	2,895	4,160	1,385	2,375	700	1,405	2,300	-	15,220
1993	2,790	4,310	1,345	3,610	770	1,210	1,960	-	15,995
1994	2,995	4,715	1,205	2,920	1,015	1,410	2,570	-	16,830
1995	2,640	5,555	1,785	3,570	950	1,320	3,025	-	18,845
1996	3,545	5,375	1,125	3,840	890	1,330	3,265	-	19,370
1997	3,505	5,580	1,475	4,025	995	1,665	3,480	-	20,725
1998	3,660	6,175	1,450	4,230	870	1,605	3,830	-	21,820
2001	4,608	6,644	1,347	5,373	1,765	2,143	3,982	-	25,862
2002	4,923	6,932	1,640	5,399	1,948	2,416	4,087	10	27,355
2004	5,456	7,286	1,446	6,099	1,760	2,428	4,427	-	28,947
2006	8,258	8,011	1,477	7,648	2,380	2,421	4,821	-	35,016
2007	7,695	7,310	2,058	7,734	2,578	2,909	4,923	819	36,026
2008	7,836	9,032	1,687	8,793	2,095	2,971	4,664	370	37,450

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

**Table A7: Work Permits Issued by Occupational Class**

Year	Administrative/ Managerial	Professional	Trades/ Technical/ Skilled	Un- Skilled	Other	Total
1995	786	668	4,606	4,138	-	10,198
1996	676	554	4,741	3,980	-	9,951
1997	755	788	5,455	4,316	-	11,314
1998	698	968	6,331	4,888	-	12,885
1999	...	...	...	...	...	...
2000	752	1,039	7,633	4,837	23	14,284
2001	664	1,077	7,285	4,852	5	13,883
2002	699	1,530	7,167	6,383	1	15,779
2003	682	1,748	7,383	7,310	-	17,123
2004	671	1,834	9,385	8,618	-	20,508
2005	819	1,957	10,576	8,411	-	21,763
2006	838	2,396	11,143	8,016	-	22,393
2007	823	2,690	11,637	9,727	-	24,877
2008	757	2,893	11,455	9,949	-	25,054

Source: 1995-1999 data from Statistics Office and data from 2000-2006 Immigration Department.

Table A8: Merchandise Trade, CI\$M

<b>Year</b>	<b>Total Imports</b>	<b>Exports</b>	<b>Trade Balance</b>
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	19.8	(699.1)
2005	976.3	48.6	(927.7)
2006	868.7	19.2	(849.5)
2007	860.0	21.5	(838.5)
2008	876.5	13.1	(863.4)

Source of basic data: Cayman Islands Customs Department

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

	2004	2005	2006	2007	2008	% Change		Absolute Change 2007-2008
						2006-2007	2007-2008	
<b>Total Imports</b>	<b>718.9</b>	<b>976.3</b>	<b>868.7</b>	<b>860.0</b>	<b>876.5</b>	<b>(1.0)</b>	<b>1.9</b>	<b>16.5</b>
Food and Live Animals	58.4	53.3	44.9	61.0	95.6	35.9	56.6	34.6
Beverages and Tobacco	11.3	21.0	24.4	25.1	35.5	2.9	41.4	10.4
Inedible Crude Materials	7.5	13.7	11.2	11.2	11.1	0	-1.5	-0.2
Mineral Fuels, Lubricants and Related Materials	70.6	76.2	70.0	102.9	135.6	47.0	31.8	32.7
Animal and Vegetable Oils, Fats and Waxes	0.1	0	0	0	0.1	0	-22.6	0.0
All Chemical & Rel. Prods N.E.S.	16.8	22.1	26.1	27.5	30.3	5.4	9.9	2.7
Manufactured Goods (classified chiefly by material)	47.1	107.8	56.2	75.6	77.5	34.5	2.6	2.0
Machinery & Transport Equipment	117.3	168.2	94.9	101.8	94.8	7.3	-6.8	-7.0
Misc. Manufactured Articles	318.7	319.1	460.1	401.6	342.2	-14.8	-12.7	-59.4
Commodities and Transactions (not classified elsewhere)	71.0	200.0	80.9	53.1	53.7	-34.4	1.3	0.7

Source of basic data: Cayman Islands Customs Department, ESO

**Table A10: Domestic Credit from Retail Banks, CI\$'000**

	2005	2006	2007	2008
<b>Domestic Credit</b>	<b>1,949.2</b>	<b>2,127.3</b>	<b>2,257.0</b>	<b>2,763.1</b>
<b>Total Loans and Advances to Private Sector</b>	<b>1,825.3</b>	<b>1,996.5</b>	<b>2,066.9</b>	<b>2,437.5</b>
<b>Credit to Businesses</b>	<b>818.3</b>	<b>740.9</b>	<b>788.8</b>	<b>952.7</b>
Agriculture and Fishing	0.4	2.4	3.7	5.0
Mining and Quarrying	2.3	3.2	2.2	2.2
Manufacturing	3.5	6.0	6.6	5.4
Construction	85.6	141.1	155.1	79.9
Hotel, Restaurant and Bar	71.5	59.0	60.0	78.7
Transportation, Storage & Communications	21.1	16.9	15.0	41.8
Utilities (Electricity, Gas & Water)	29.0	12.9	11.8	25.7
Real Estate, Renting & Other	177.0	136.2	298.8	430.3
Recreational, Personal & Communication	19.8	24.3	8.8	49.0
Other Professional services	47.0	104.4	99.9	15.4
Trade & Commerce	87.5	97.3	85.9	176.9
Other	273.6	137.2	41.0	42.5
<b>Credit to Households</b>	<b>887.5</b>	<b>1,130.4</b>	<b>1,240.6</b>	<b>1,484.7</b>
Domestic Property	797.4	1,039.7	1,090.1	1,295.8
Motor Vehicles	43.7	44.4	47.0	44.0
Education and Technology	2.8	2.9	4.8	1.7
Other	43.6	43.4	98.7	143.3
<b>Other</b>	<b>119.5</b>	<b>125.2</b>	<b>37.5</b>	<b>0.0</b>
<b>Credit to Government</b>	<b>62.0</b>	<b>63.5</b>	<b>118.2</b>	<b>271.7</b>
<b>Credit to other Public Sector</b>	<b>62.0</b>	<b>67.3</b>	<b>71.9</b>	<b>54.0</b>

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

Source: Cayman Islands Monetary Authority

**Table A12: Banks & Trust Licences**

Year	Bank & Trust Licences			Trust Only		Total
	Class 'A'	Class 'B'	Class "B" Restricted	Unrestricted	Restricted	
2002	30	348	5	58	67	508
2003	27	316	6	49	73	471
2004	23	295	4	49	75	446
2005	21	281	3	50	77	432
2006	19	269	3	51	83	425
2007	19	261	2	51	87	419
2008	18	258	2	54	87	419

Source: Cayman Islands Monetary Authority



**Table A13: Insurance Licences**

Year	Class 'A' Insurance	Class "B" Insurance		Total
		Unrestricted	Restricted	
2002	29	532	68	629
2003	28	581	63	672
2004	29	634	59	722
2005	26	670	63	759
2006	27	674	66	767
2007	28	692	73	793
2008	28	699	78	805

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

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

Source: Companies Registrar

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

	2005	2006	2007	2008
<b>Total Assets</b>	<b>5,146.6</b>	<b>6,317.5</b>	<b>5,414.7</b>	<b>5,568.2</b>
<b>Net foreign Assets</b>	<b>4,048.5</b>	<b>4,791.0</b>	<b>3,836.3</b>	<b>3,579.1</b>
<b>Monetary Authority</b>	<b>89.8</b>	<b>99.2</b>	<b>106.6</b>	<b>101.6</b>
Foreign Assets	89.8	99.2	106.6	101.6
Foreign Liabilities				
<b>Commercial Banks</b>	<b>3,958.7</b>	<b>4,691.7</b>	<b>3,729.7</b>	<b>3,477.5</b>
<b>Foreign Assets</b>	<b>5,138.5</b>	<b>6,486.2</b>	<b>6,755.7</b>	<b>7,430.7</b>
Balances with Banks & Branches	3,789.3	3,824.0	3,889.0	4,450.8
USD	3,401.4	3,374.3	3,172.6	3,894.6
OTH	387.9	449.7	716.3	556.1
Total Investment	656.6	1,358.2	1,449.4	1,427.8
USD	651.7	1,352.6	1,449.4	1,391.3
OTH	4.9	5.5	0.0	36.6
Loans & Advances to Banks & Branches	232.2	90.7	0.0	0.0
KYD	34.5	0.0	0.0	0.0
USD	197.7	90.7	0.0	0.0
OTH	0.0	0.0	0.0	0.0
Total Non-Resident Loans	460.4	1,213.4	1,417.4	1,552.1
KYD	26.6	29.1	32.9	33.5
USD	433.0	1,183.2	1,380.3	1,483.8
OTH	0.8	1.1	4.2	34.8
<b>Foreign Liabilities</b>	<b>1,179.7</b>	<b>1,794.5</b>	<b>3,026.0</b>	<b>3,953.2</b>
Total Non-resident Deposits	1,006.5	1,117.2	2,934.5	3,732.7
KYD	36.0	37.2	122.9	50.7
USD	810.9	945.6	2,577.5	3,438.7
OTH	159.6	134.5	234.0	243.4
Other Liabilities	173.3	677.3	91.5	220.5
USD	171.6	672.9	158.3	295.6
OTH	1.6	4.4	-66.8	-75.2
<b>Net Domestic Assets</b>	<b>1,949.2</b>	<b>2,127.3</b>	<b>2,257.0</b>	<b>2,763.1</b>
<b>Total Domestic Credit</b>	<b>1,949.2</b>	<b>2,127.3</b>	<b>2,257.0</b>	<b>2,763.1</b>
Public Sector	124.0	130.8	190.2	325.6
Central Government	62.0	63.5	118.2	271.7
Other Public Sector	62.0	67.3	71.9	54.0
Private Sector	1,825.3	1,996.5	2,066.9	2,437.5
<b>Other Items</b>	<b>-851.1</b>	<b>-600.8</b>	<b>-678.6</b>	<b>-774.0</b>

Source: Cayman Islands Monetary Authority

**Table A17: Money and Banking Survey: Monetary Liabilities (CI\$ Millions)**

	2005	2006	2007	2008
<b>Monetary Liabilities (M2)</b>	<b>5,146.6</b>	<b>6,317.5</b>	<b>5,414.7</b>	<b>5,568.2</b>
<b>Money Supply (M1)</b>	<b>379.8</b>	<b>335.7</b>	<b>321.7</b>	<b>334.3</b>
Currency with the public	74.2	78.2	81.8	83.6
Total demand deposits (KYD)	305.6	257.5	239.9	250.7
<b>Quasi Money</b>	<b>4,766.9</b>	<b>5,981.7</b>	<b>5,093.0</b>	<b>5,233.9</b>
Savings Deposits Residents (KYD)	206.7	189.5	180.6	221.9
Fixed Deposits Residents (KYD)	333.4	413.9	411.7	461.4
Foreign currency deposits held by residents	4,226.8	5,378.3	4,500.6	4,550.5

Source: Cayman Islands Monetary Authority

**Table A18: Visitor Arrivals ('000)**

Year	Stay Over Arrivals (in '000)	Cruise Arrivals (in '000)	Total Arrivals (in '000)	Cruise Ship Calls (in '000)
1995	361.4	682.8	1,044.2	504
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

Source: Cayman Islands Department of Tourism

**Table A19: 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)
1995	75.3	53.9	4.7	6.8
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

Source: Cayman Islands Department of Tourism

**Table A20: 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

Source: Cayman Islands Department of Tourism

Table A21: Property Transfers (CIS\$M)<sup>1</sup>

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 <sup>1</sup>	2,777	691.1	179	4.1	2,956	695.2
2007 <sup>R</sup>	2,190	544.7	360	23.3	2,512	551.0
2008 <sup>2</sup>	2,289	558.1	323	76.2	2,612	634.3

Source: Cayman Islands Lands & Survey Department

<sup>1</sup> Property transfers numbers and values were revised as at 2006.

<sup>2</sup> Property transfers in 2008 include Transfers of Undivided Shares, Transfers by Chargee, and Transfers for Natural Love & Affection in 2008

**Notes:**

Prior to 2008, Freehold transfers exclude property transfers for “love and affection.”  
Leasehold transfers include lease transfers and subleases.

**Table A22: Numbers 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	0	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	0	11	580	1,168

Source: Cayman Islands Planning Department

**Table A23: Value of Project Approvals in Grand Cayman**

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

Source: Cayman Islands Planning Department

**Table A24: Numbers of Project Approvals in the Sister Islands**

Year	Houses	Apt/Condo	Hotel	Government	Commercial	Industrial	Other	Total
2000	49	3	0	7	6	7	53	125
2001	41	7	0	5	9	3	46	111
2002	21	2	0	5	2	9	74	113
2003	29	3	-	4	14	2	60	112
2004	36	1	-	11	13	4	75	140
2005	43	4	0	5	9	1	73	135
2006	39	0	1	10	5	10	67	132
2007	35	6	0	9	5	0	49	104
2008	40	5	2	3	5	1	53	109

Source: Cayman Islands Planning Department

**Table A25: Values 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	0	5.5	2.7	0.7	1.6	0.8	17.9
2007	6.5	23.9	0	2.1	0.3	0.0	3.5	36.2
2008	7.8	8.2	6.9	0.1	1.0	0.0	3.9	27.9

Source: Cayman Islands Planning Department



**Table A26: Building Permits in Grand Cayman**

Building Permit	Numbers					Value (CI\$M)				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Apartment/ Condo	145	164	374	219	182	46.1	96.3	172.4	116.4	116.6
Houses	341	533	517	496	503	66.8	145.9	119.6	100.7	116.6
Commercial	26	163	197	186	176	7.5	71.9	118.5	183.2	162.8
Government	8	5	8	16	36	1.2	7.3	0.9	6.1	62.7
Hotel	0	31	2	4	1	-	8.1	0.3	1.0	0.2
Industrial	42	8	35	10	14	7.9	3.5	12.1	4.3	29.6
Other	192	64	157	159	169	12.5	2.8	22.1	34.6	13.7
<b>Total</b>	<b>754</b>	<b>968</b>	<b>1,290</b>	<b>1,090</b>	<b>1,081</b>	<b>142.0</b>	<b>335.8</b>	<b>445.8</b>	<b>446.3</b>	<b>502.3</b>

Source: Cayman Islands Planning Department

**Table A27: Water Production and Consumption, Millions of US Gallons**

<b>Year</b>	<b>Production<sup>1</sup></b>	<b>Consumption</b>
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

Source: Cayman Islands Water Authority, Cayman Water Company

<sup>1</sup> Excludes Non-Potable Water

**Table A28: Electricity**

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

Source: Caribbean Utilities Company

**Table A29: Summary of Government Operations (CI\$ Million)**

Year	Current Revenue	Capital Revenue	Total Revenue	Current Expenditure	Capital Expenditure	Net Lending	Total Expenditure	Current Balance	Overall Balance
1995	163.4	0.1	163.5	143.7	23.7	(1.3)	166.1	19.7	(2.6)
1996	189.7	1.1	190.7	161.8	34.1	(0.4)	195.5	27.8	(4.7)
1997	213.8	0.6	214.4	187.2	46.5	(0.2)	233.5	26.6	(19.1)
1998	248.6	0.0	248.6	214.7	31.3	(1.2)	244.8	33.9	3.8
1999	275.7	-	275.7	245.2	37.6	(1.9)	280.9	30.5	(5.3)
2000	277.7	0.5	278.2	268.4	43.2	(0.5)	311.2	9.3	(33.0)
2001	284.4	0.9	285.4	290.6	26.1	(0.1)	316.6	(6.2)	(31.2)
2002	314.0	0.0	314.1	277.9	17.6	0.1	295.7	36.1	18.4
2003	326.2	0.0	326.2	283.7	21.2	0.3	305.2	42.5	21.0
2004	336.0	0.4	336.4	349.2	29.2	(0.3)	378.1	(13.2)	(41.7)
2005	426.9	0.0	428.6	339.4	47.5	1.0	430.3	87.5	(3.4)
2006	500.4	0.0	500.4	384.3	39.6	0.0	433.1	116.1	67.3
2007	513.0	0.0	513.0	435.4	105.9	0.0	552.0	77.4	(39.0)
2008	522.2	0.0	522.2	502.7	150.6	0.0	653.3	19.5	(131.1)

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 A30: 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

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 A31: Fiscal Operations (CI\$ Million)**

Year	2004	2005	2006	2007	2008
	CI\$	CI\$	CI\$	CI\$	CI\$
<b>Total Revenue</b>	<b>336.4</b>	<b>426.9</b>	<b>500.4</b>	<b>513.0</b>	<b>522.2</b>
<b>Current Revenue</b>	<b>336.0</b>	<b>426.9</b>	<b>500.4</b>	<b>513.0</b>	<b>522.2</b>
Coercive Revenue	303.2	376.3	442.5	448.0	457.9
Taxes on International Trade & Transactions	132.2	171.9	187.0	178.6	176.9
Domestic taxes on Goods & Services	144.8	171.5	193.7	223.2	238.0
Taxes on Property	22.3	21.4	47.2	37.2	41.1
Fines	0.8	0.9	1.6	1.7	1.9
Other taxes	3.1	10.6	13.1	7.3	
Non-coercive Revenue	32.8	50.6	57.9	64.9	64.3
Sale of Goods & Services	30.7	49.1	53.8	58.4	58.8
Investment Revenue	2.1	4.3	0.1	6.2	0.9
Other Operating Revenue		1.6	4.0	0.3	4.2
Extraordinary Revenue		(4.5)	0.0	0.0	0.4
<b>Capital Revenue</b>	<b>0.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Expenditure</b>	<b>378.1</b>	<b>430.3</b>	<b>433.1</b>	<b>552.0</b>	<b>653.3</b>
<b>Current Expenditure</b>	<b>349.2</b>	<b>339.4</b>	<b>384.3</b>	<b>435.4</b>	<b>488.7</b>
Personnel Costs	159.0	163.8	182.6	213.5	245.2
Supplies & Consumables	88.0	89.5	109.0	101.0	97.8
Subsidies	70.4	59.7	66.9	88.1	105.5
Transfer Payments	24.5	17.0	16.9	23.2	28.4
Interest Payments	7.3	9.5	8.9	9.6	11.7
Extraordinary Expenses		39.4	7.2	3.2	1.7
Other Executive Expenses		3.0	2.0	7.4	12.4
Other Non-Operating Revenue & Expenses					(0.02)
<b>Capital Expenditure &amp; Net Lending</b>	<b>28.9</b>	<b>48.5</b>	<b>39.6</b>	<b>105.9</b>	<b>150.6</b>
Capital Acquisition (now Equity Investments)	10.0	40.8	20.5	60.4	40.7
Capital Development (now Executive Assets)	19.2	6.7	19.1	45.5	109.9
Net Lending	(0.3)	1.0	0.0	0.0	0.0
<b>Current Balance</b>	<b>(13.2)</b>	<b>46.7</b>	<b>106.9</b>	<b>66.9</b>	<b>19.5</b>
<b>Overall Balance</b>	<b>(41.7)</b>	<b>(1.8)</b>	<b>67.3</b>	<b>(39.0)</b>	<b>(131.1)</b>
<b>Financing</b>	<b>41.7</b>	<b>3.4</b>	<b>(67.3)</b>	<b>39.0</b>	<b>131.1</b>
Net Borrowing	13.8	27.6	(4.5)	35.9	145.4
Disbursements	23.3	39.0	10.0	52.3	166.2
Loan Repayment	(9.5)	(11.4)	(14.5)	(16.4)	(20.7)
Change in Cash (minus = increase)	27.9	(24.2)	(62.8)	3.1	(14.3)

Source: ESO and Treasury Department