



CAYMAN ISLANDS
GOVERNMENT



THE CAYMAN ISLANDS' THIRD QUARTER ECONOMIC REPORT 2015

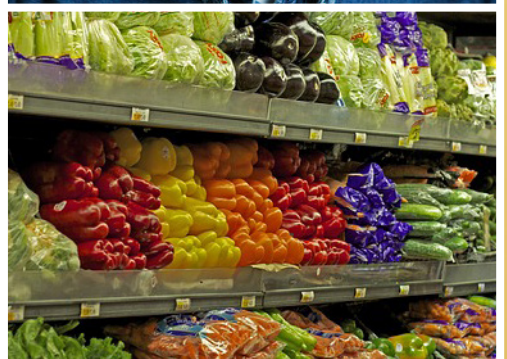


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Overview*

- Estimated gross domestic product (GDP) continued to expand in the third quarter, resulting to an average annualized growth rate of 1.6% in the first three quarters.
- The average Consumer Price Index fell by 2.3%, as lower price indices were recorded for housing and utilities, restaurants and hotels, transport, and miscellaneous goods and services.
- Merchandise imports declined by 10.3% to \$538.5 million as the value of petroleum related products and non-oil related goods brought into the country fell.
- Current work permits rose by 10.0% to 22,215, compared to a year ago.
- Broad liquidity or money supply expanded by 6.1% as foreign currency deposits held by residents and local currency money supply expanded.
- The weighted average lending rate for KYD increased by 52 basis points to 6.86% while the prime lending rate remained stable at 3.25%.
- Domestic credit moderated by 0.1% as credit to the public sector decreased by 3.5% and credit to the public sector increased marginally by 0.3%.
- Bank and trust company licenses fell by 6.3% and insurance licenses fell by 6.7%.
- Mutual funds including the category “master funds” recorded an overall decline of 0.7%.
- Stock exchange listings declined by 2.6% to settle at 1,054; however, market capitalization grew by 14.9%.
- New company registrations rose by 7.8% to total 8,992 as all categories of company registration recorded increases.
- Following strong growth a year ago, air arrivals and cruise passengers registered slower growth of by 0.7% and 3.1%, respectively.
- The value of building permits issued fell by 56.8% although total number of permits increased by 46.7%.
- Property transfers declined in value by 33.9% although it grew in volume by 2.2%.
- Electricity and water consumption increased by 1.6% and 3.8%, respectively.
- Demand for telecommunication services continued on a downward trajectory except for broadband connections and fixed and mobile handsets which rose by 19.0% and 2.7%, respectively.
- The central government’s overall fiscal surplus ameliorated to \$104.7 million compared to \$92.9 million a year ago.
- The total outstanding debt of the central government declined to \$518.4 million from \$543.1 million a year ago.

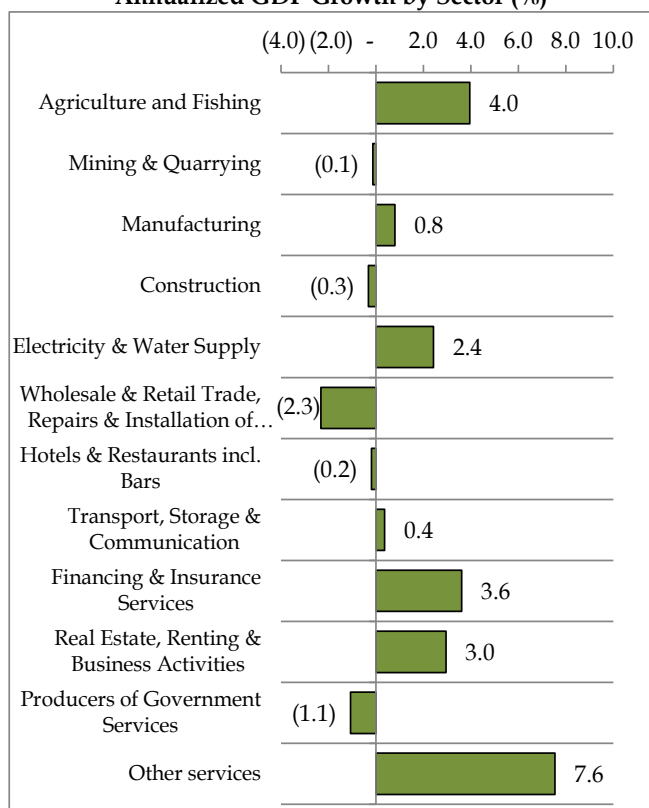
*Comparative data over the first nine months of 2014, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off.

1. GDP Growth and Macroeconomic Forecasts

Based on available indicators, the Cayman Islands' real GDP grew by an estimated annualised rate of 1.6% in the first nine months of 2015 compared to a year ago.

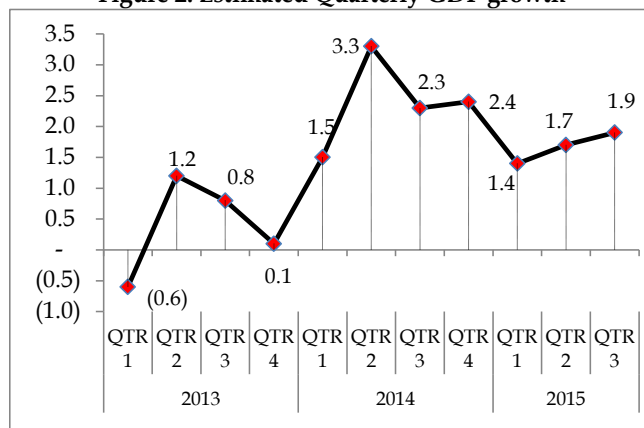
Upbeat growth rates were indicated for a number of sectors, led by financing and insurance services (3.6%), real estate, renting and business activities (3.0%), electricity and water supply (2.4%), agriculture and fishing (4.0%) and other services (7.6%). However, declines were indicated for wholesale and retail trade, government services, and hotels and restaurants.

Figure 1: Estimated First Nine Months of 2015 Annualized GDP Growth by Sector (%)



Source: Economics and Statistics Office

Figure 2: Estimated Quarterly GDP growth



Source: Economics and Statistics Office

Given the first nine months of the year's performance, forecast GDP growth for the calendar year 2015 is maintained at 1.7%, (see Table 1). This assumes stable growth during the last quarter of the year.

The inflation forecast for 2015 is revised downwards to -2.3% from -0.2% in June 2015, given that the average inflation in the first nine months stood at -2.3%, supported by declining world oil prices and cost of local housing.

The forecast unemployment rate is also revised downwards to 4.7% from the previous 5.2%, conditional on the continuing revival of economic activities in the last quarter of 2015.

Table 1: Macroeconomic Performance Based on First Three Quarters Indicators

	2012	2013	2014	Projection 2015
	Percent (%)			
Real GDP*	1.2	1.4	2.4	1.7
CPI Inflation	1.2	2.2	1.3	-2.3
Unemployment Rate	6.2	6.3	4.7	4.7

Source: Economics and Statistics Office

2. Inflation

Average inflation for the first nine months of 2015 was recorded at -2.3% (see Table 2). This resulted mainly from lower price indices for housing and utilities (6.4%), transport (4.3%), restaurants and hotels (3.0%), and miscellaneous goods and services (1.6%). Higher prices indices were recorded for food and non-alcoholic beverages (1.9%), household equipment (0.3%), education (4.2%), clothing and footwear (2.8%), communication (2.9%), recreation and culture (1.8%), and alcohol and tobacco (0.6%).

Table 2: Average Inflation (%)

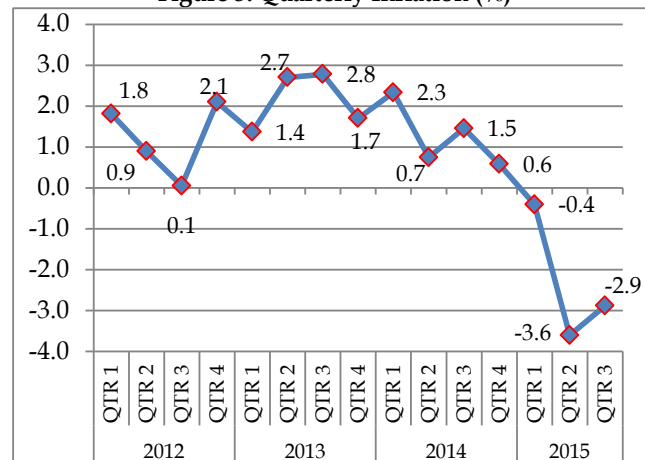
Categories	QTR 3: Inflation	
	2014	2015
Food & Non-alcoholic Beverages	2.3	1.9
Alcohol and Tobacco	0.0	0.6
Clothing and Footwear	-0.7	2.8
Housing and Utilities	-0.6	-6.4
Household Equipment	7.4	0.3
Health	-0.3	0.3
Transport	3.3	-4.3
Communication	1.1	2.9
Recreation and Culture	1.8	1.8
Education	2.8	4.2
Restaurants and Hotels	6.9	-3.0
Misc. Goods and Services	1.5	-1.6
Overall CPI Inflation	1.5	-2.3

Source: Economics and Statistics Office

In the quarter ended September 2015, the Consumer Price Index (CPI) was lower by 2.9% compared to a year ago (see Figure 3)¹. Falling price indices were recorded for housing and utilities (8.8%), transport (5.3%), miscellaneous goods and services (0.8%) and

household equipment (0.2%). However, these inclines were offset by increases in food and non-alcoholic beverage, clothing and footwear, education, recreation and culture and other categories.

Figure 3: Quarterly Inflation (%)



Source: Economics and Statistics Office

The price index for housing and utilities stood at 81.7 in the third quarter of 2015, a decrease of 8.8% from a year ago. This was mainly on account of an 8.4% declines in imputed rentals for owner-occupied housing, coupled with a 6.3% fall in actual rentals of housing. The cost of electricity, gas and other fuels and water supply and miscellaneous services also decreased by 18.4% and 10.7%, respectively. The continuing decline in global fuel prices was the key factor in the downtrend.

The transport price index decreased by 5.3%, due mainly to reduction in the cost of operating personal transport vehicles (mainly fuel) by 8.7% and purchase of vehicles by 1.6%.

The household equipment price index was lower by 0.2%, resulting from price declines for household textiles, glassware, tableware,

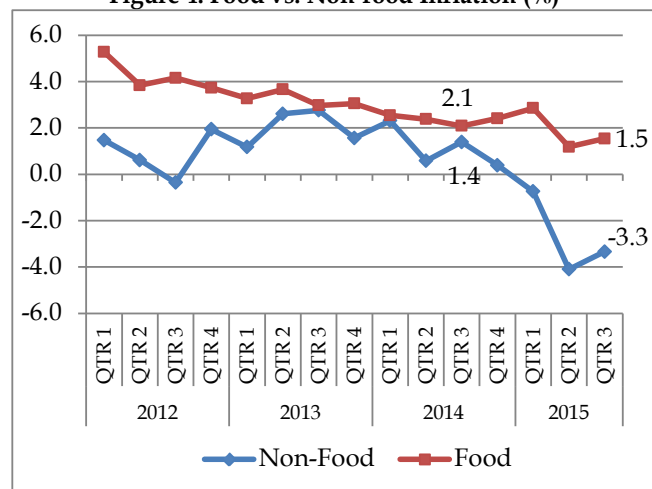
¹ See also 'The Cayman Islands Consumer Price Index Report: September 2015,' www.eso.ky

and goods and services for routine household maintenance.

Lower cost of insurance services led the miscellaneous goods and services index to decline by 0.8%.

The food and non-alcoholic beverages index increased by 1.5% in the third quarter of 2015 compared to the same period a year ago. A dissection of year-on-year inflation showed that food inflation has generally trended downwards since the third quarter of 2012, while non-food inflation generally trended downwards from a high of 2.8% in the third quarter of 2013 to -3.3% in the third quarter of 2015 (see Figure 4).

Figure 4: Food vs. Non-food Inflation (%)

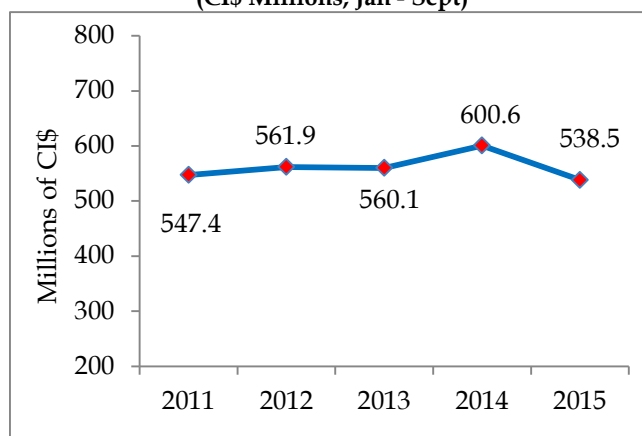


Source: Economics and Statistics Office

3. Trade

Merchandise imports in the first nine months of 2015 decreased by 10.3% to \$538.5 million. Contraction in the value of petroleum related products led the decline augmented with a lower value of non-petroleum products.

Figure 5: Merchandise Imports (CI\$ Millions, Jan - Sept)



Source: Customs Department and ESO

The value of petroleum related products reflect continued decline in world oil prices, which fell by 38.7% to \$78.8 million in the first nine months of 2015.

The volume of imported fuel also fell, for the first time in the year, declining by 5.4% to 37.2 million imperial gallons.

Table 3: Quantity of Fuel Imports

	Sep-13	Sep-14	Sep-15	% Change
Millions of imperial gallons				
Total Fuel	36.7	39.3	37.2	(5.4)
Diesel	24.8	27.2	24.4	(10.5)
Gas	7.9	8.3	7.7	(6.9)
Aviation Fuel	3.0	2.8	3.7	29.3
Propane	1.0	0.9	1.4	50.7

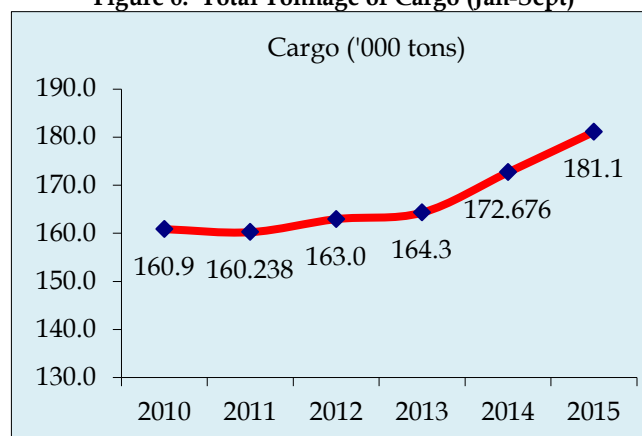
Source: Cayman Islands Port Authority

Importation of non-petroleum products totalled \$472.0 million, 2.6% lower than a year ago. Notable increases include the importation of food and live animals (4.1%), crude materials (except fuels) (14.6%), animal

& vegetable oils, fats and waxes (175.2%) and commodities and transactions not classified elsewhere (9.9%). These were overshadowed by declines in miscellaneous manufactured articles, manufactured goods classified chiefly by materials and beverages and tobacco.

In contrast to the decline in the total value of non-oil imports, total tonnage of landed cargo increased by 4.9% relative to September 2014 (see Figure 6).

Figure 6: Total Tonnage of Cargo (Jan-Sept)



Source: Cayman Islands Port Authority

4. Labour Market

The first nine months showed higher demand for expatriate labour coupled with higher civil service employment.

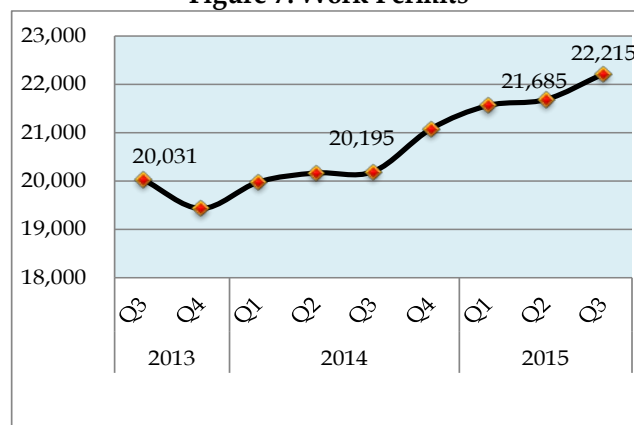
4.1. Work Permits

Work permits increased by 10.0% to 22,215 in September 2015 as compared to a year earlier.

Relative to the previous quarter, work permits rose 2.4%. This increase marks the

seventh consecutive quarter of positive growth.

Figure 7: Work Permits



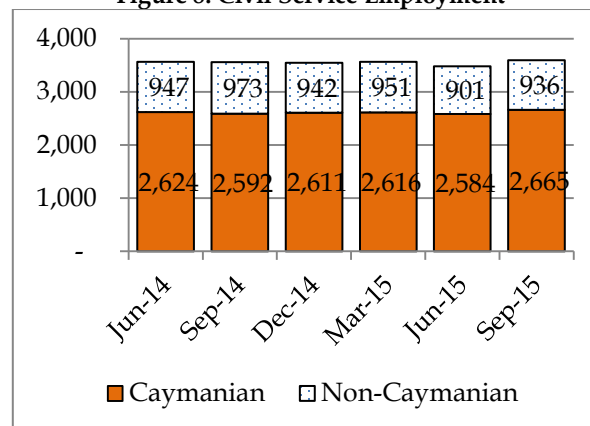
Sources: Immigration Department, Economics & Statistics Office

4.2. Public Sector Employment

As shown in Figure 8, civil service employment increased by 36 persons (1.0%) to 3,601 from 3,565 in September 2014.

During the review period, the number of Caymanian civil servants rose by 73 to 2,665 while non-Caymanians decreased by 37 to 936.

Figure 8: Civil Service Employment

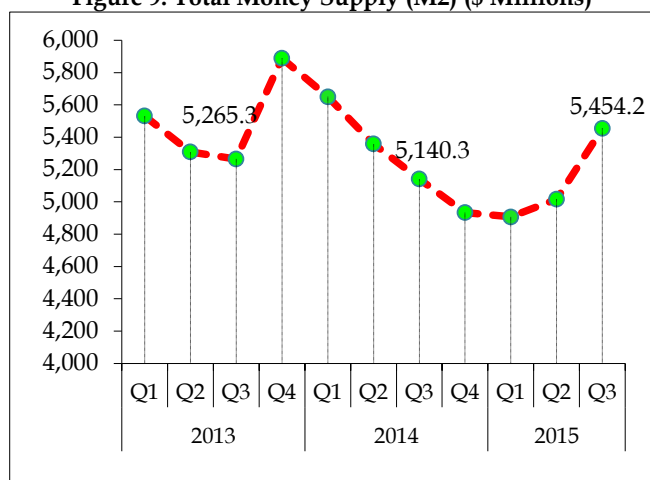


Source: Portfolio of the Civil Service

5. Money & Banking

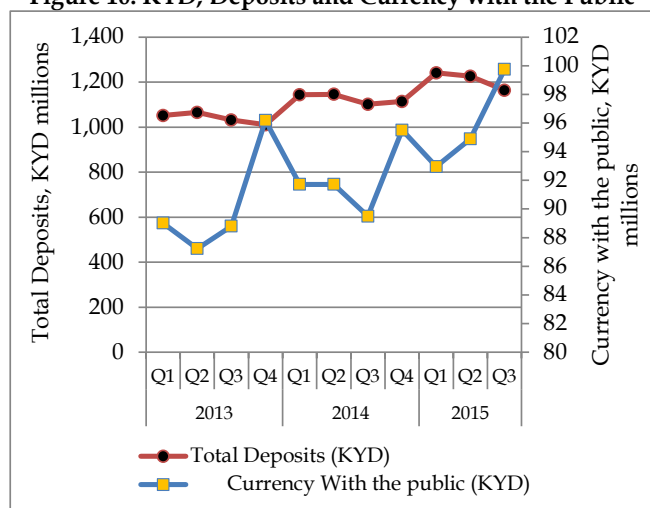
Broad liquidity (M2) which comprises CI dollar-denominated money and foreign exchange deposits expanded by 6.1% to settle at \$5,454.2 million in the first nine months of 2015. The expansion resulted as foreign exchange deposits and CI dollar-denominated money supply recorded growth (see Figure 9 and Table 4).

Figure 9: Total Money Supply (M2) (\$ Millions)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Figure 10: KYD; Deposits and Currency with the Public



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Table 4: Monetary and Banking Summary Indicators (\$ millions)

	Sept-14	Sept-15	% Change
Total Assets	5,140.3	5,454.2	6.1
Net Foreign Assets	2,606.2	3,206.1	23.0
Monetary Authority	95.5	104.3	9.2
Commercial Banks	2,510.7	3,101.8	23.5
Net Domestic Assets	2,534.1	2,248.1	(11.3)
Domestic credit	3,010.9	3,008.9	(0.1)
Claims on central government	250.4	234.8	(6.2)
Claims on other public sector	72.0	76.3	6.0
Claims on private sector	2,688.5	2,697.8	0.3
Other items net (assets +)	(476.8)	(760.8)	59.6
Broad Liquidity	5,140.3	5,454.2	6.1
Broad money (KYD) M2	1,190.5	1,263.3	6.1
Currency in circulation	89.5	99.7	11.4
KYD Deposits	1,101.0	1,163.6	5.7
Demand deposits	420.2	457.1	8.8
Time and savings deposits	680.8	706.5	3.8
FOREX deposits	3,949.8	4,190.9	6.1
of which: US dollars	3,537.7	3,806.3	7.6
US\$ Contribution (%)	89.6	90.8	

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

5.1. Net Foreign Assets (NFA). During the review period, NFA expanded by 23.0% to \$3.2 billion. NFA of the domestic commercial banks grew by 23.5% while that of the Cayman Islands Monetary Authority went up by 9.2% (see Tables 4 and 5).

The higher NFA of commercial banks' resulted from the growth in foreign assets which outweighed the growth in the foreign liabilities. Significant growth in non-resident loans by \$1,710.2 augmented by growth in total investment pushed up foreign assets by 39.8%. Foreign liabilities increased as non-residents deposits and other liabilities increased by 58.6% and 6.0%, respectively.

Table 5: Net Foreign Assets (\$ millions)

	Sept-14	Sept-15	% Change
Net Foreign Assets	2,606.2	3,206.1	23.0
Monetary Authority	95.5	104.3	9.2
Commercial Banks	2,510.7	3,101.8	23.5
Foreign Assets	5,394.5	7,541.3	39.8
Bal. with Banks & Branches	3,375.3	2,934.6	(13.1)
Total Investment	1,191.8	2,069.1	73.6
Total Non-Resident Loans	827.4	2,537.6	206.7
Foreign Liabilities	2,883.8	4,439.5	53.9
Total Non-Resident Deposits	2,628.6	4,169.0	58.6
Other Liabilities	255.2	270.5	6.0

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

5.2. Domestic Credit. During the review period, domestic credit contracted by 0.1% arising from the net amortization of public sector borrowings while private sector indebtedness increased by 0.3% (see Table 6).

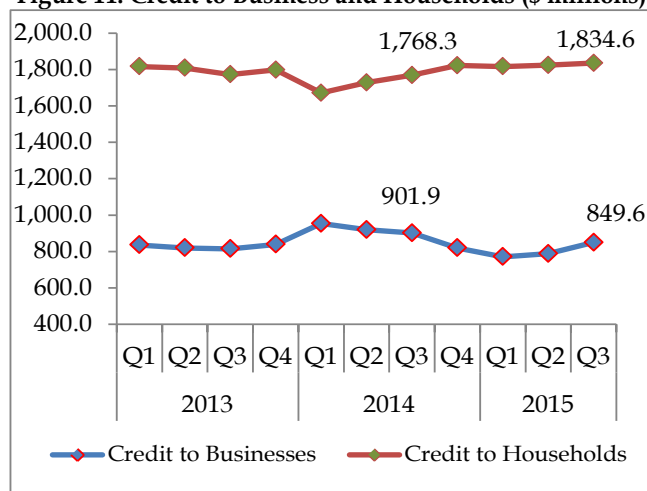
The central government reduced its debt by \$15.6 million (6.2%) while other public sector entities debt increased their debt by \$4.3 million (6.0%) (see Table 4).

Table 6: Domestic Credit (\$ millions)

	Sept-14	Sept-15	% Change
Domestic Credit	3,010.9	3,008.9	(0.1)
Domestic Credit to Public Sector	322.4	311.1	(3.5)
Domestic Credit to Private Sector	2,688.5	2,697.8	0.3

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Lending to the domestic private sector (businesses, households and non-profit organizations) expanded by 0.3% compared to a year ago (Table 6 and Figure 11).

Figure 11: Credit to Business and Households (\$ millions)


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Loans to households which comprised the largest share of domestic private credit increased by 3.7% (or by \$66.3 million) as at September 2015 compared to the same period a year ago. This was precipitated by an increase (by 5.6%) in borrowings for domestic property which accounts for the vast majority of total outstanding household loans. There was a decline in loans for miscellaneous purposes, but strong growth was seen in loans for motor vehicles, education and technology purposes. (see Table 7).

Credit to businesses contracted as net lending to the production and manufacturing sector declined by 65.6%. Lending to construction companies also declined consistently since September 2014, with an overall decline of 72.8% to settle at \$97.5 million. In contrast, credit to the trade and commerce and the services sectors grew by 32.6% and 6.0%, respectively.

Table 7: Net Credit to the Private Sector (\$ millions)

	Sept-14	Sept-15	Change %
Total	2,688.5	2,697.8	0.3
Credit to Businesses	901.9	849.6	(5.8)
Production & Manufacturing	395.1	136.1	(65.6)
Agriculture, Fishing and Mining	13.1	8.7	(34.0)
Manufacturing	13.4	16.5	22.9
Utilities	10.2	13.4	31.4
Construction	358.4	97.5	(72.8)
Services	66.4	70.4	6.0
Accommodation, Food, Bar & Entertainment Services	29.5	25.4	(14.0)
Transportation, Storage & Communications	14.5	13.7	(5.5)
Education, Recreational & Other Professional Services	22.4	31.3	39.7
Trade and Commerce	413.1	547.9	32.6
Wholesale & Retail Sales Trade	70.6	68.7	(2.7)
Real Estate Agents, Rental and Leasing Companies	126.5	201.7	59.4
Other Business Activities (General Business Activity)	216.0	277.5	28.5
Other Financial Corporations	27.2	95.2	250.0
Credit to Households	1,768.3	1,834.6	3.7
Domestic Property	1,460.5	1,542.7	5.6
Motor Vehicles	32.9	46.9	42.4
Education and Technology	5.6	6.2	10.7
Miscellaneous*	269.3	238.8	(11.3)
NonProfit Organizations	18.3	13.7	(25.1)

*Miscellaneous include consolidated debt, insurance, medical & travel

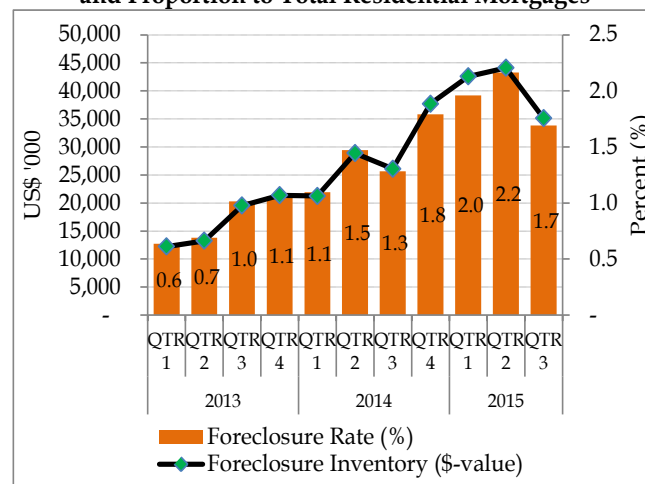
Source: Cayman Islands Monetary Authority & Economics and Statistics Office

5.3. Residential Mortgage Foreclosures.

Residential mortgage foreclosure data from CIMA show that foreclosures of residential mortgages exhibited an upward trajectory in value and quantity as of the third quarter of 2015, although a decline was posted compared to the second quarter of 2015.

As at the end of the third quarter of 2015, the foreclosures inventory stood at 148

amounting to US\$35.1 million, 34.6% higher compared to a year ago. The former represents 1.7% of the total value of residential mortgages, which amounted to the \$2.1 billion.

Figure 12: Residential Mortgages Foreclosures Inventory and Proportion to Total Residential Mortgages


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

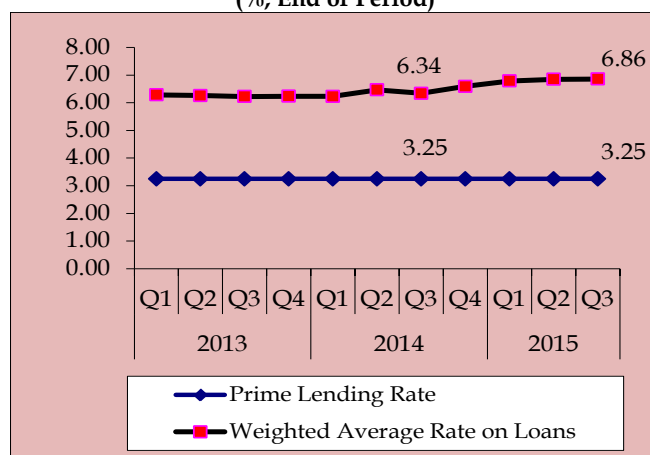
The total number of completed mortgage foreclosures during the review period was 22, significantly higher compared to the 3 posted in the same quarter of 2014. The total value of completed foreclosures also increased from \$338,000 in the third quarter of 2014 to \$4.2 million for the same period in 2015.

5.4. Broad Liquidity. As referenced in Table 4, broad liquidity (M2) in the Cayman Islands reached \$5.45 billion in September 2015, a 6.1% expansion from a year ago due to the growth in foreign currency deposits and CI dollar denominated money supply. Foreign currency deposits increased by 6.1%, as deposits of US dollar denominated deposits rose by 7.6% (or \$268.6 million).

Similarly, total CI dollar denominated money supply grew by 6.1%, as CI dollar deposits rose by 5.7% or \$62.6 million while currency in circulation grew by 11.4% or \$10.2 million compared to a year ago (see Figure 10).

5.5. Interest Rates. As depicted in Figure 11, the weighted average lending rate in KYD rose by 52 basis points from 6.34% in September 2014 to 6.86% in the same period of 2015. The Cayman Islands prime lending rate which is based on the Federal Funds Rate remained constant at 3.25%.

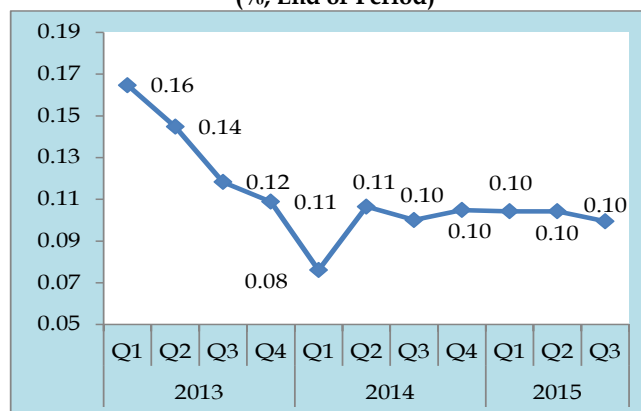
Figure 11: KYD Lending Rates
(%, End of Period)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

As depicted in Figure 13, the weighted average savings rate in KYD remained constant at 0.10%.

Figure 13: KYD Weighted Average Savings Rates
(%, End of Period)



Source: Cayman Islands Monetary Authority & ESO

6. Financial Services

The financial services sector continued to show a mixed performance in the first nine months of the year. While registration of new companies and trust companies expanded, all other sub-sectors recorded declines.

6.1 Banks & Trust

The challenging market environment continued to impact the Cayman Islands' banking license business.

As of September 2015, the total number of licensed bank and trust companies further decreased, falling by 6.3% to 193.

Domestic banks, which are Class 'A' bank & trust licences narrowed to 12 following the termination of three licenses. While foreign banks or Class 'B' licenses declined to 181, a 5.2% reduction.

Table 8: Bank & Trust Companies

	Sept 2013	Sept 2014	Sept 2015	% Change
Bank and Trust	221	206	193	(6.3)
Class "A"	15	15	12	(20.0)
Class "B"	206	191	181	(5.2)
Trust Companies	118	113	120	6.2
Restricted	67	64	62	(3.1)
Unrestricted	51	49	58	18.4

Source: Cayman Islands Monetary Authority

In contrast and contrary to 2014, the number of trust company licenses increased by 6.2% to 120. This growth is attributable to the 18.4% increase in 'unrestricted' licenses which compensated for the decline in 'restricted' licenses.

As in previous years, Europe and USA remain the leading sources of Cayman's banking licensees accounting for 24.4% and 20.7% of the total respectively. Other regional sources contributed the following: South America (18.7%), Asia and Australia (11.9%), Caribbean and Central America (11.9%), Canada and Mexico (9.8%), and the Middle East and Africa (2.6%).

6.2 Insurance

The number of insurance licenses totalled 740 at September 2015, 6.7% lower when compared to same period in 2014.

In the review period, Class 'B' licenses representing the international insurers declined by 7.1% to 711. This decline is traced to heightened merger and consolidation activity in the global reinsurance market.

Meanwhile, domestic insurers, which are Class 'A' licenses, rose by 1 to 29 in September 2015.

Table 9: Insurance Companies

	Sept 2013	Sept 2014	Sept 2015	% Change
Class 'A'	27	28	29	3.6
Class 'B'	755	765	711	-7.1
Total	782	793	740	-6.7

Source: Cayman Islands Monetary Authority

Classifying by primary class of business, healthcare and workers' compensation remain the predominant form of captive insurance. These categories accounted for a combined share of 55.0% of the market.

Table 10: Captive Insurance Licences by Primary Class of Business, September 2015

	Licenses Share (%)	
Healthcare	240	33.8
Workers' Compensation	151	21.2
Property	79	11.1
General Liability	73	10.3
Professional Liability	62	8.7
Other	106	14.9
Total	711	100

Source: Cayman Islands Monetary Authority

Similar to previous years, North America remains the preferred risk location representing 89.9% (639) of captive insurance business.

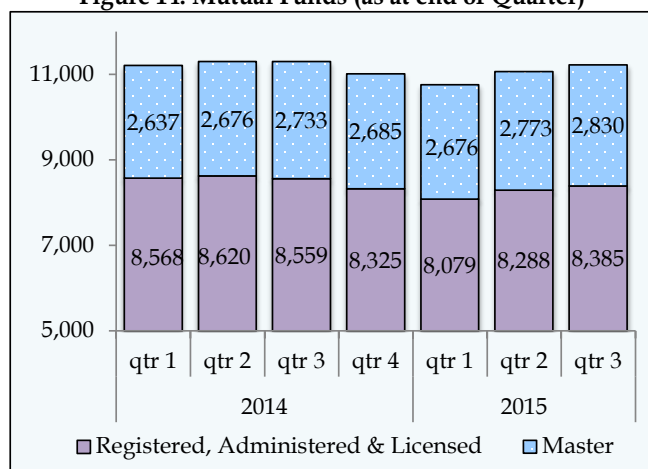
Following a contraction by following last year's 9.7% a year ago, total insurance premium for Class B licensees grew by 0.8% to US\$ 12.5 billion as at September 2015.

6.3 Mutual Funds

Mutual funds registration was recorded at 11,215 a marginal decrease of 0.7% when compared to the same period in 2014.

Amongst regulated funds, declines were recorded for the categories registered (2.1%), administered (0.5%), and licensed (4.7%). In contrast, master funds grew by 3.5% (or 57) to a record 2,830 in September 2015.

Figure 14: Mutual Funds (as at end of Quarter)



Source: Cayman Islands Monetary Authority

6.4 Stock Exchange

When compared to a year earlier, total stock listings on the Cayman Islands Stock Exchange decreased by 2.6% to 1,054.

The Eurobond was the only stock instrument recording positive growth, (34.8%) as specialist debt, mutual funds and insurance-linked security declined.

Table 11: Number of Stock Listings by Instruments (as at end September)

Instruments	2013	2014	2015	% Change
Total	1,088	1,082	1,054	(2.6)
Mutual Funds	316	280	241	(13.9)
Specialist Debt	572	593	576	(2.9)
Eurobond	114	135	182	34.8
Primary Equity	5	7	7	0.0
Secondary Equity	2	1	1	0.0
Insurance Linked Security	79	66	47	(28.8)

Source: Cayman Islands Stock Exchange

In contrast to weakening in stock exchange listings, market capitalization grew by US\$ 25.5 billion (or 14.9%) to US\$ 196.2 billion in September 2015. Growth in market capitalization is attributed to improved performance in specialist debt and Eurobonds.

Table 12: Market Capitalization by Instruments (US\$ Billion, as at end September)

Instruments	2013	2014	2015	% Change
Total	166.2	170.7	196.2	14.9
Mutual Funds	11.9	10.2	9.2	(9.8)
Specialist Debt	77.3	80.5	85.5	6.2
Eurobond	66.5	71.7	95.0	32.5
Primary Equity	0.3	0.2	0.2	0.0
Secondary Equity	0.9	0.1	0.1	0.0
Insurance Linked Security	9.3	8.0	6.2	(22.5)

Source: Cayman Islands Stock Exchange

6.5 New Company Registration

New company registration for the first nine months of 2015 rose by 7.8% to total 8,992, slower growth relative to the 17.1% increase a year earlier.

This increase is attributed to continued growth in exempt and foreign companies, supported by the upturn in non-resident and

resident companies, respectively by 34.8% and 16.9%.

Table 13: New Company Registrations (Jan-Sept)

	2013	2014	2015
Total	7,129	8,345	8,992
Exempt	6,331	7,554	8,119
Non-Resident	31	23	31
Resident	340	338	395
Foreign	427	430	447
Percentage change (%)			
Total	5.1	17.1	7.8
Exempt	6.0	19.3	7.5
Non-Resident	-40.4	-25.8	34.8
Resident	-16.9	-0.6	16.9
Foreign	22.0	0.7	4.0

Source: Registrar of Companies

7. Tourism

Despite slower growth in air and cruise arrivals, the tourism sector continued to strengthen for the first three quarters of 2015. Total arrivals recorded were 1,506,466 visitors. Air arrivals rose by 0.7% while Cruise arrivals rose by 3.1%.

7.1 Air Arrivals

Air arrivals continued to grow albeit at a slower rate of 0.7% to reach 295,739.

Slower growth was largely on account of the arrivals from the USA, which increased marginally by 0.9% compared to a strong 9.4% increase last year. Regional markets such as the Midwest and West Coast recorded declines of 2.1% and 7.4%, respectively.

European arrivals also contracted by 6.0% following strong growth last year, while Canadian arrivals declined by 1.2%.

Tourists from other regional markets increased but at a moderate rate of 7.5% in comparison to 22.0% last year.

Table 14: Air Arrivals by US Regions (Jan-Sept)

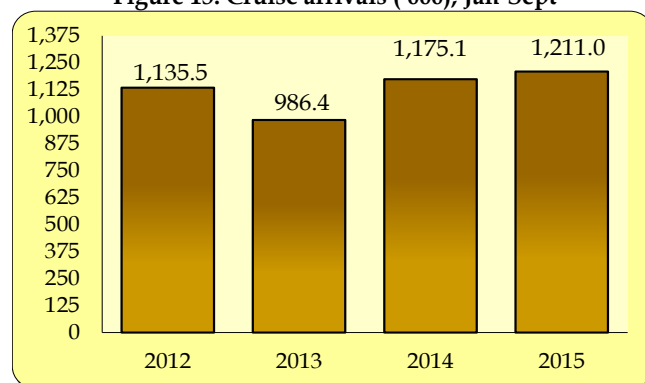
	2013	2014	2015	% Change
In Thousands				
USA	205.0	224.4	226.5	0.9
Northeast	72.0	80.9	82.1	1.5
Midwest	44.6	47.5	46.5	(2.1)
Southeast	35.1	37.3	38.1	2.1
Southwest	39.4	43.7	45.9	5.0
West Coast	13.9	15.0	13.9	(7.4)
Europe	19.6	26.6	25.0	(6.0)
Canada	16.7	18.0	17.8	(1.2)
Others	20.2	24.7	26.5	7.5
Total	261.6	293.7	295.7	0.7
of which: USA (%)	78.4	76.4	76.6	

Source: Department of Tourism

7.2 Cruise Arrivals

Cruise arrivals totaled 1, 211,099 for the first nine months of 2015. This represents a 3.1%, a lower rate relative to last year's 19.1% increase.

Figure 15: Cruise arrivals ('000), Jan-Sept



Source: Department of Tourism

During the months of January to September, cruise ship calls grew by 1.5% to 405; however, this represents a deceleration when compared to last year's 18.8%.

8. Construction

Construction intentions indicators declined in terms of value fell anew in the first nine months of 2015 following a recovery a year ago.

8.1. Building Permits

During the review period, the total value of building permit fell by 56.8% to \$135.0 million, as all categories of building permits declined except for the houses and the industrial categories. The value of building permits is the lowest in the last three years, albeit a single project (the Kimpton hotel and condominium project) pushed up the value of building permits a year ago.

Table 15: Building Permits (Jan-Sept)

	2013	2014	2015	% Change
Millions				
Houses	71.0	64.0	76.3	19.1
Apartments	19.7	69.2	28.9	(58.3)
Commercial	24.7	22.7	17.1	(24.6)
Government	0.2	5.8	1.0	(82.3)
Industrial	2.0	0.2	0.5	125.0
Hotel	-	141.5	4.6	(96.8)
Other	24.3	8.9	6.7	(24.1)
Total	141.9	312.3	135.0	(56.8)

Source: Cayman Islands Government, Planning Department

Building permits for houses increased by \$12.3 million (19.1%) as an additional 11

building permits were issued for the first nine months of 2015 compared to a year ago. As shown in Table 16, contractions in the number of permits were recorded for all but the houses and the other categories.

Table 16: Number of Building Permits (Jan-Sept)

	2013	2014	2015	% Change
Houses	230	171	182	6.4
Apartments	41	37	51	37.8
Commercial	81	55	51	(7.3)
Government	2	5	5	-
Industrial	1	3	2	(33.3)
Hotel	-	-	3	-
Other	153	112	268	139.3
Total	508	383	562	46.7

Source: Cayman Islands Government, Planning Department

8.2. Project Approvals

The total value of project approvals fell by 18.8% or \$46.8 million, precipitated by lower building intentions in the houses, apartments, industrial and other categories.

Table 17: Projects Approval (Jan-Sept)

	2013	2014	2015	% Change
Millions CI\$				
Houses	61.3	107.0	85.9	(19.7)
Apartments	13.4	87.2	32.3	(62.9)
Commercial	72.5	9.2	11.8	28.9
Government	0.1	2.2	50.1	2,154.6
Industrial	2.2	15.5	5.6	(64.0)
Hotel	-	0.1	-	-
Other	25.9	28.1	16.7	(40.4)
Total	175.4	249.3	202.5	(18.8)

Source: Cayman Islands Government, Planning Department

The residential sector accounted for 58.4% of all project approvals or a total of \$118.2

million. Apartment projects decreased in total value by 62.9% to \$32.3 million, following a \$78.0 million Gran Palazzo development that boosted project intentions a year ago. Approvals for houses also fell by 19.7% to reach \$85.9 million as the number of houses declined by 52 below last year's figure.

On the other hand, non-residential projects² increased by 52.8% to \$84.2 million as a result of four government projects valued at \$50.1 million.

After steadily declining since 2008, the total volume of approvals peaked at 799 as at September 2014 and declined by 21.9% to 624 as at September 2015. All categories declined, as at September 2015, except for the apartments and industrial categories.

Table 18: Project Approvals (Jan-Sept)

	2013	2014	2015	% Change
Houses	167	211	159	(24.6)
Apartments	19	31	32	3.2
Hotels	0	1	-	(100.0)
Commercial	25	25	10	(60.0)
Government	1	7	4	(42.9)
Industrial	4	6	7	16.7
Other	339	518	412	(20.5)
Total	555	799	624	(21.9)

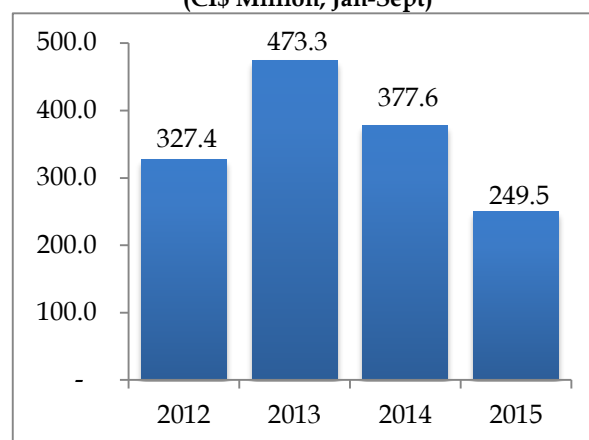
Source: Cayman Islands Government, Planning Department.

² Non-residential projects include all other projects other than residential (houses and apartments) projects.

9. Real Estate

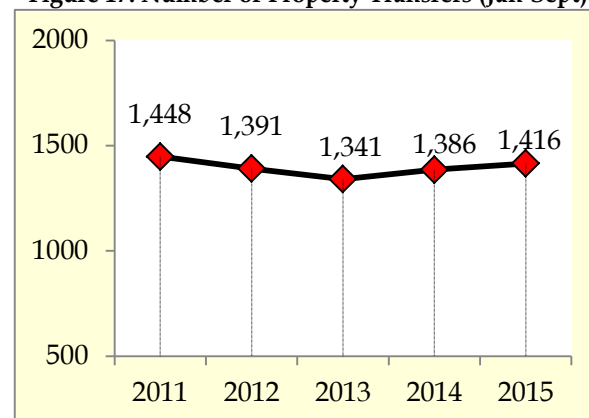
Real estate activity, as measured by traded properties, remains mixed in the first nine months of 2015. Although the volume of transfers rose, total value declined, thus indicating the preponderance of low-valued transfers.

**Figure 16: Value Property Transfers:
(CI\$ Million, Jan-Sept)**



Source: Lands & Survey Department

Figure 17: Number of Property Transfers (Jan-Sept)



Source: Lands & Survey Department

For the second consecutive year, the total value of traded property declined, this time by 33.9% to \$249.5 million as compared to the similar period a year ago. This is attributed to weak performances in both freehold and

leasehold markets which declined by 33.9% and 33.7%, respectively.

The volume of transfers rose by 2.2% to 1,416 in the review period. This upturn is due to a 4.5% increase in freehold property transfers, which outweighed a 22.7% decline in leasehold property transfers.

10. Utilities

Demand for utilities further increased during the first nine months of the year. Increases were recorded in electricity and water consumption as well as broadband connections. Variation in demand was shown in phone services as phones in operation increased phone usage fell.

10.1 Electricity

Electricity consumption totaled 435.4 Mwh as at September 2015. This represents a 1.6% increase over the consumption level of the similar period last year. The increase in consumption resulted mainly from higher sales to the residential and commercial users, associated with warmer weather conditions and an increase in the total number of customers.

The total number of customers rose by 1.7% to 28,035, comprising of both commercial and residential users (see Table 19).

10.2. Water

Relative to its level in September 2014 US million gallons, water consumption recorded

further growth of 3.8%. Water production, however, declined marginally by 1.4% to 1,549.1 to US million gallons.

Table 19: Utilities Production and Consumption

	As at end		%
	Sep-14	Sep-15	
Millions of US Gallons			
Water Production	1,571.6	1,549.1	(1.4)
Water Consumption	1,285.1	1,333.5	3.8
000 of megawatt hrs			
Electricity Consumption	428.4	435.4	1.6
Residential	203.4	205.9	1.2
Commercial	220.0	224.4	2.0
Public	5.1	5.1	0.0
Total Customers	27,560	28,035	1.7
Residential	23,537	23,874	1.4
Commercial	4,023	4,161	3.4

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

10.3 Telecommunications

Following last year's decline, the total number of mobile handsets in operation increased by 2.7% to 125,799. This indicates recovery in traditional telecommunication services.

Robust growth was recorded in Broadband connections as it totaled 75,990, a 19.0% increase from last year's 6%.

Phone usage, however, continued its downtrend in both domestic (-8.0%) and international (11.2%) markets. Cheaper internet substitutes for international communication continue to erode the market share of domestic suppliers.

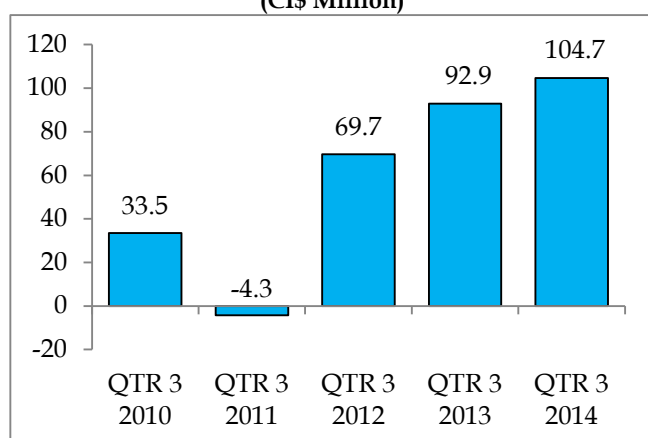
Table 20: Telecommunication Sector Indicators

	Sep-14	Sep-15	% Change
Fixed and Mobile handsets in operation	122,521	125,799	2.7
Total fixed & mobile domestic & int'l minutes ('000)	187,931	171,161	(8.9)
Fixed and mobile domestic minutes	135,535	124,653	(8.0)
Fixed and mobile int'l retail minutes	52,396	46,508	(11.2)
Broadband connections	63,836	75,990	19.0

Source: Information Communication and technology Authority (ICTA)

11. Fiscal Operations of the Central Government

For the third consecutive year, the overall fiscal surplus improved. As at September 2015, the fiscal surplus increased to \$104.7 million as compared to \$92.9 million for the comparative period in 2014 (see Figure 18).

Figure 18: Central Government Overall Fiscal Balance (CI\$ Million)


Source: Cayman Islands Treasury Department & Economics and Statistics Office

Table 21: Summary of Fiscal Operations

	Sep-14	Sep-15	% Change
CI\$ Millions			
Total Revenue	532.81	519.82	(2.4)
Total Expenditure	439.94	415.11	(5.6)
Current Expenditure	419.27	406.74	(3.0)
Net Capital Expenditure & Net Lending ¹	20.68	8.37	(59.5)
Current Balance	113.54	113.08	(0.4)
Overall Balance	92.87	104.72	12.8
Financing	(92.87)	(104.72)	
Net Borrowing	(24.02)	(12.59)	
Change in Cash	68.85	92.13	

¹ Net Capital Expenditure and Net Lending is equal to Gross Capital Expenditure and Net Lending less Depreciation

Source: Cayman Islands Treasury Department & Economics and Statistics Office

The stronger overall fiscal position was due to a higher current surplus which benefitted from the reduction in both current and capital expenditure despite a decrease in total revenue. The current surplus stood at \$113.1 million as compared to \$92.9 million a year ago. Current expenditure, and net capital expenditure and net lending declined by 3.0% and 59.5% respectively during the period (see Table 21).

11.1. Revenue

Total revenue declined by 2.4% to reach \$519.8 million (see Table 22) for the first three quarters of 2015. Total revenue comprises both coercive (95.0%) and non-coercive revenue (5.0%).

Coercive revenue totalled \$493.6 million, a decrease of 2.8% below the receipts in the preceding year. Of the revenue categories under the rubric of coercive revenue, taxes

on international trade and transactions decreased by 8.6%, domestic taxes on goods and services was lower by 1.3%, while taxes on property and fines increased by 5.4% and 21.0%, respectively.

Table 22: Revenue Collection of the Central Government

Revenue Sources	Sep-14	Sep-15	% Change
	CI\$ Millions		
Total Revenue	532.81	519.82	(2.4)
Coercive Revenue	507.99	493.59	(2.8)
Taxes on Int'l Trade & Transactions	133.21	121.72	(8.6)
Domestic Taxes on Goods & Services	344.33	339.94	(1.3)
Taxes on Property	28.84	30.39	5.4
Fines	1.28	1.54	21.0
Other Taxes	0.34	-	(100.0)
Non-coercive Revenue	24.82	26.23	5.7
Sale of Goods & Services	23.92	25.26	5.6
Investment Revenue	0.58	0.74	26.1
Other Revenue	0.31	0.24	(23.1)

Source: Cayman Islands Treasury Department & Economics and Statistics Office

During the period, **tax receipts from international trade and transactions** fell by 8.6%, as revenue from gasoline and diesel duty, motor vehicle duty, tobacco products duty fell during this period. Revenue to central government from gasoline and diesel duty declined by 45.1% as the rate of duty on diesel was reduced from 75 cents to 50 cents. In addition, the overall volume of fuel imports declined (see Section 3 and Table 3). Revenue collected from the importation of motor vehicles and tobacco products declined by 0.9% and 6.4%, respectively. In contrast, alcohol beverages duty, cruise ship departure charges and other import duty recorded marginal increases. Cruise ship departure tax benefitted from an increase in cruise ship visitors and other imports

increased despite a marginal decline in non-oil imports.

Revenue collected from domestic taxes on goods and services was lower by 1.3% (or \$4.4 million) in the first nine months of 2015. The decline was led by decline in other domestic taxes by 7.5%, work permit and residency-related fees by 1.8%, traders' licenses and motor vehicle charges by 10.7% and 28.4%, respectively (see Table 23). Revenue collected from financial services declined by \$0.9 million or 0.4% as compared to the comparative period a year ago. Revenue intake from all the financial services sector categories declined except partnership fees (up by \$3.3 million), money services fees (up by \$1.6 million) and foreign company fees (up by \$0.3 million). The largest declines were recorded in banks and trust licenses, mutual funds administrators, and exempt company fees as some companies paid fees earlier (in December 2014) which falls outside the comparative period.

Table 23: Domestic Tax on Goods and Services Of the Central Government (CI\$ Millions)

	Sep-14	Sep-15	% Change
Various financial service licenses	220.59	219.65	(0.4)
ICTA licenses & royalties	3.28	5.84	78.0
Work permit and residency fees	56.98	55.98	(1.8)
Other stamp duties	5.85	5.35	(8.5)
Traders' licenses	5.07	4.53	(10.7)
Other domestic taxes	52.54	48.59	(7.5)
<i>Of which</i>			
Tourism accommodation charges	17.38	17.46	0.5
Motor vehicle charges	8.34	5.97	(28.4)
Domestic Taxes on Goods & Services	344.32	339.94	(1.3)

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Levies on property increased by 5.4% to \$30.4 million, as higher stamp duty collections came from the sale of properties along the Seven Mile road.

Non-coercive revenue amounted to \$26.2 million, 5.7% higher than the comparative period a year ago.

11.2. Expenditure

Total expenditure for the first three quarters of 2015 declined. Current expenditure fell by 3.0% augmented with a 59.5% decrease in net capital expenditure and net lending³.

Current expenditure declined during the first nine months of 2015 mainly due to lower outlays for personnel costs, supplies and consumables, transfer payments and interest payments. However, other executive expenses and depreciation increased (see Table 24).

Table 24: Current Expenditure of the Central Government

	Sep-14	Sep-15	% Change
	CI\$ Millions		
Current Expenditure	419.27	406.74	(3.0)
Personnel Costs	186.63	181.81	(2.6)
Supplies & Consumables	71.91	61.73	(14.2)
Subsidies	96.09	94.73	(1.4)
Depreciation	19.88	24.71	24.3
Transfer Payments	20.07	19.10	(4.8)
Interest Payments	21.97	21.05	(4.2)
Other Executive Expenses	2.72	3.61	32.8

Source: Cayman Islands Treasury Department & Economics and Statistics Office

³ Net capital expenditure and net lending is gross capital expenditure and net lending after accounting for depreciation.

Despite a slight increase in Civil Service employment (see Figure 8) personnel cost was lower by 2.6% to settle at \$181.8 million, mainly due to lower payment towards the employer portion of pension liability and other personnel cost. (In June 2014, civil servants received a one-off gratuity amounting to 2.5% of annual salary as honorarium payment, which reverted to the normal level in June 2015. Other personnel cost in 2014 included the \$2.4 million voluntary separation programme. In addition, the number of civil service employment increased by 1.0% (or 36 persons) compared to the same period of 2014 (see Table 25).

Table 25: Personal Cost Breakdown: Jan – Sep

	Sep-14	Sep-15
	CI\$ Millions	
Salaries and Wages (incl. Employee Pension Contribution)	137.7	137.7
Health Care	24.9	26.0
Employer/Government Pension Expenses	20.6	16.9
Movement in Leave Provision Expense	0.3	0.6
Other Personnel Cost	3.1	0.7
Total	186.6	181.8

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Supplies and consumables decreased by 14.2% to total \$61.7 million during the period.

Subsidies which are essentially payments to statutory authorities and corporations fell by \$1.4 million or 1.4% to total \$94.7 million.

Major reductions were noted in the outlays to Cayman Airways (down by \$1.5 million), Health Services Authority (down by \$4.0 million), Cayman Islands Monetary Authority (down by \$0.6 million). However, tertiary hospital care at various institutions went up by \$4.6 million.

Transfer payments, which are payments to social welfare programmes, totalled \$19.1 million, lower by 4.8% from a year ago. Major reductions were noted in the outlays for Financial Assistance (down by \$0.6 million) and Sister Islands Assistance (down by \$0.3 million).

Interest payments decreased by 4.2% to \$21.1 million on account of a lower debt stock supported by a moratorium on new borrowings.

Depreciation, which is a provision for the decline in the value of the fixed assets owned by central government, increased by 24.3% to \$24.7 million. The increase was due mainly to revaluation of assets.

11.3. Capital Expenditure and Net Lending

Gross capital expenditure and net lending decreased by 18.4% to settle at \$33.1 million after netting-out depreciation. Net capital expenditure and net lending declined by 59.5% to reach \$8.4 million. This resulted as capital acquisition/equity injections increased by 12.9% to \$13.7 million. Capital support for public entities' working capital and equity injection also grew by 42.4% to \$13.7 million from a year earlier.

Table 26: Capital Expenditure and Net Lending

	Sep-14	Sep-15	% Change
Gross Capital Expenditure and Net Lending	40.55	33.07	(18.4)
Capital Acquisition/Equity Injections	12.14	13.70	12.9
Equity Injections and Working Capital support to Public Entities	21.25	12.25	(42.4)
Capital Development/Executive Assets	5.64	6.86	21.5
Net Lending	1.52	0.27	(82.5)
Net Capital Expenditure and Net Lending¹	20.68	8.37	(59.5)

¹ Net Capital Expenditure and Net Lending is equal to Gross Capital Expenditure and Net Lending less Depreciation

Source: Cayman Islands Treasury Department & Economics and Statistics Office

11.4. Net Financing and Debt

The total cash balance of the central government rose by \$92.1 million which was 33.8% higher than a year ago, following lower loan repayments coupled with higher overall fiscal surplus (see Table 27). Total loan repayment amounted to CI\$12.6 million while there was no new loan disbursement.

Table 27: Net Financing

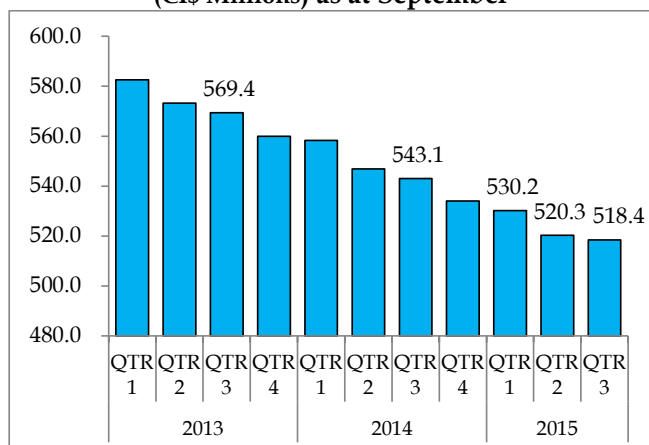
	Sep-14	Sep-15	% Change
	CI\$ Millions		
Financing	(92.9)	(104.7)	
Net Borrowing	(24.0)	(12.6)	
Disbursements	0.0	0.0	
Loan Repayment	(24.0)	(12.6)	
Change in Cash Balance	68.9	92.1	33.8

Source: Cayman Islands Treasury Department

The central government's outstanding debt continued to decline, amounting to \$518.4

million as at September 2015, lower by 4.5% from the same period a year ago (see Figure 19).

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



Source: Cayman Islands Treasury Department

The central government's debt service-to-current revenue ratio stood at 6.5% as at September 2015. Interest payments for the period accounted for 5.2% of recurrent expenditure.

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