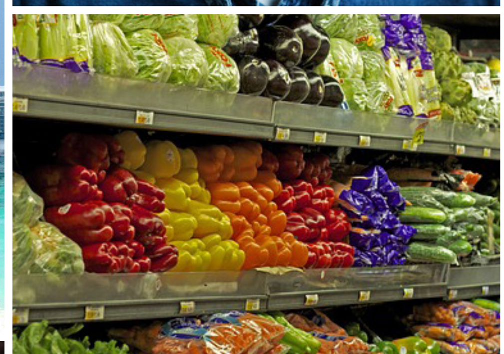
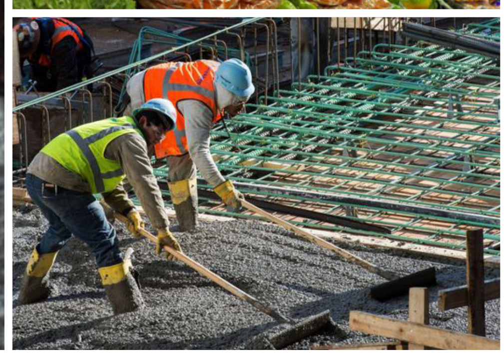
CAYMAN ISLANDS
GOVERNMENT











# THE CAYMAN ISLANDS' **THIRD QUARTER ECONOMIC REPORT 2023**

ESO
The Economics and Statistics Office

February 2024

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**Overview***

- Economic growth among advanced economies slowed in the September 2023 quarter, except for the United States, which grew by 4.9%. Average inflation in the US declined to 4.4% from 8.3% in the same period of 2022.
- Cayman's gross domestic product (GDP) expanded by an estimated annualised rate of 4.0% in the first three quarters of 2023.
- The average Consumer Price Index increased by 3.9%, as all divisional indices except one grew for the period.
- Merchandise imports expanded by 0.5% to $1,112.1 million due to increases in non-oil imports as the value of oil imports declined.
- Work permits increased by 11.6% to 36,079, while public sector employment rose by 4.6% to 4,629.
- Broad liquidity or money supply contracted by 2.3% as both local and foreign currency deposits held by residents declined.
- The weighted average lending rate for KYD rose by 169 basis points (bps) to 9.10%, while the prime lending rate increased by 212 bps to 8.25%.
- Domestic credit expanded by 2.9% due to a 3.0% rise in credit to the private sector and a 1.5% increase in public sector loans.
- Bank and trust company licences decreased by 4.1% to 94, while insurance licences rose by 1.9% to 706.
- Mutual funds, including the category "master funds" fell by 0.1% to 13,008.
- The number of listings on the Stock Exchange rose by 4.0% to 2,776, while market capitalization increased by 13.7% to US$872.0 billion.
- New company registrations declined by 22.9% to 7,519, while new partnership registrations fell by 28.3% to 2,742.
- Air arrivals rose by 78.8% to 323,028, while cruise visitors rose by 118.1% to 936,754.
- The value of building permits contracted by 28.0%, while the value of project approvals declined by 5.9%.
- Property transfers fell by 10.4% in value and by 12.0% in volume.
- Electricity consumption increased by 8.4%, while water consumption rose by 12.3%.
- The central government's overall fiscal surplus was $72.3 million compared to $66.6 million a year ago.
- The total outstanding debt of the central government contracted to $469.0 million from $524.4 million a year ago.

*Comparative data over the first nine months of 2022, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off.

## 1. International Economy

### 1.1 Economic Growth[1]

Economic growth among the world's major economies was generally subdued in the third quarter of 2023. Notwithstanding, the United States (U.S.) economy remained strong for the period.

The U.S. economy grew at an annualised rate of 4.9% for the quarter, significantly outpacing the 2.1% expansion in the second quarter. This growth reflected increases in consumer spending, private inventory investment, exports, government spending and residential & non-residential fixed investment. In total, 14 of the 22 industry groups expanded for the period.

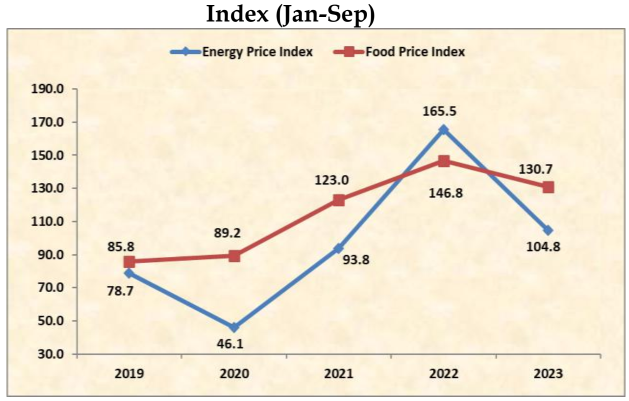
Conversely, the United Kingdom (UK) and the Euro Area contracted by 0.1% in the third quarter (Q3). In the UK, output from the services sector fell, offsetting increases in the construction and production sectors. Economic activity in the Euro Area reflected declines in manufacturing and construction, the impact of which was partially offset by increases in private consumption, mainly services. The Canadian economy also declined at an annualised rate of 1.1% for the quarter due to lower oil exports and slower inventory accumulation.

### 1.2 Inflation[2]

The 2023 nine-month Consumer Price Index (CPI) inflation slowed for the world's major economies compared to the same period in 2022. The U.S. and Canada recorded inflation rates of 4.4% and 4.3%, respectively, falling from 8.3% and 6.7% in the previous year. Likewise, inflation in the Euro Area fell to 6.4% from 7.8% in 2022. In contrast, inflation in the UK rose from 7.5% to 7.6%.

The general slowdown in the pace of inflation was generally in line with contractions in the energy and non-energy price indices. The World Bank energy price index declined by 32.0%, while the food price index contracted by 9.2%.

**Figure 1: Global Crude Oil Prices and Food Prices Index (Jan-Sep)**




Source: World Bank commodity prices (The Pink Sheet)

The fall in non-energy prices was largely due to lower costs of fertiliser, food, and metals & minerals. While the decline in the energy index was reflected reductions in the prices of coal, crude oil, and natural gas. Crude oil prices averaged US$80.96 per barrel in January–September 2023 compared with US$101.05 per barrel in January–September 2022.[3]

[1] Data sourced from the US Bureau of Economic Analysis, Statistics Canada, Office for National Statistics in the UK and the Eurostat.

[2] Data obtained from the US' Bureau of Labour Statistics, Bank of Canada, Office for National Statistics and Eurostat.

[3] Data sourced from The World Bank's Commodity Price Data and represent the average of Brent, Dubai and West Texas Intermediate prices.

### 1.3 Interest Rates and Exchange Rates[4]

All major central banks tightened monetary policy during the review period. This policy stance was noted as necessary to curb price pressures and return inflation to target levels.

The Federal Reserve Bank raised the Federal Fund Rate by 0.25 percentage points compared to the second quarter of 2023. This target range of 5.25% to 5.5% represented an historic 22-year high. The Bank of Canada and the Bank of England also increased their respective policy rate by 0.25 percentage points to 5.0% and 5.25%, respectively.

The European Central Bank (ECB) increased all three key interest rates. The interest rate on the main refinancing operations was raised to 4.5% from 4.0%, while the deposit facility and marginal lending facility were increased by a similar percentage point to 4.75% and 4.0%, respectively.

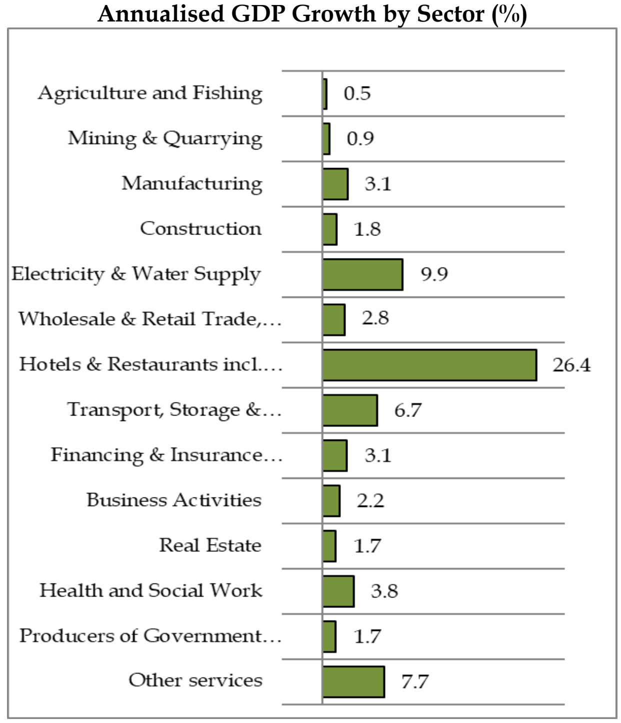
The US Dollar, on average, strengthened nominally against two of the world's major traded currencies for the first nine months of 2023. Notably, the US Dollar appreciated against the Great Britain Sterling Pound and the Canadian Dollar by 1.1% and 4.8%, respectively. In contrast, the Dollar weakened by 1.8% against the Euro.

## 2. GDP Growth and Macroeconomic Forecasts

Real Gross Domestic Product (GDP) expanded at an estimated annualised rate of 4.0% in the first nine months of 2023 compared to the same period of 2022. Available indicators suggest that the Islands' output expanded across all the core sectors.

The economic growth for the period was led by a growth of 26.4% in the recovering hotels and restaurants sector. This supported growth of 6.7% and 7.7% in the transport storage & communication and the óther' sector, respectively. The recovery in tourism-related activities and high temperatures in the summer boosted activities in the electricity and water supply sector by 9.9%.

**Figure 2: Estimated First Nine Months of 2023 Annualised GDP Growth by Sector (%)**



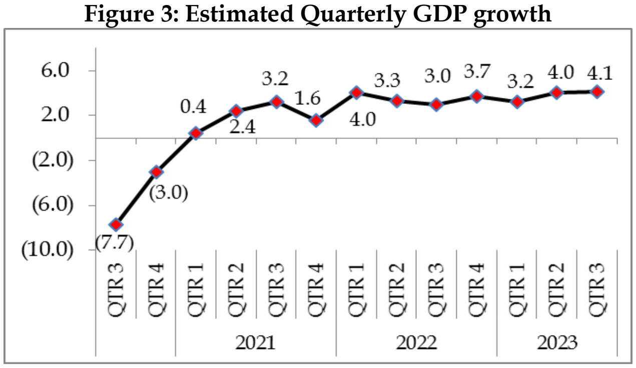

Source: Economics and Statistics Office

Finance and insurance services, which continue to be the largest contributor to GDP, expanded by 3.1% during the review period (see Figure 2). Notable expansions in

[4] Data sourced from the US Federal Reserve, Bank of England, Bank of Canada and European Central Bank.

economic activity is also estimated in auxiliary sectors such as health & social services and wholesale & retail trade, which expanded by 3.8% and 2.8%, respectively.

**Figure 3: Estimated Quarterly GDP growth**




Source: Economics and Statistics Office

The strong performance of the economy in the first three quarters of the year has led to an upward revision of the Calendar year forecast. Economic activities in the Islands is now projected to increase by 3.8% for 2023, with growth expected to remain strong in tourism and auxiliary services (see Table 1).

Declining energy prices on the international market and stabilising inflation in the US is expected to subdue inflation levels for the remainder of the year. Consequently, the forecasted average inflation for 2023 has been revised downwards to 3.6%.

Robust economic activity and a strong recovery in the labour-intensive accommodation sector have driven unemployment levels to record lows and close to their natural rate. As the unemployment rate remains close to this natural level, some oscillation is anticipated. As a result, the unemployment rate for the year has been revised marginally upwards to 3.3%.

**Table 1: Macroeconomic Performance**

| | 2020 | 2021 | 2022 | Projection 2023 |
|---|---|---|---|---|
| | Percent (%) | | | |
| Real GDP | -5.0 | 4.9 | 5.2 | 3.8 |
| CPI Inflation | 1.0 | 3.3 | 9.5 | 3.6 |
| Unemployment Rate | 5.2 | 5.7 | 2.1 | 3.3 |

Source: Economics and Statistics Office

## 3. Inflation

Inflation moderated to an average of 3.9% for the first nine months of 2023 relative to 10.8% in the same period of 2022 (see Table 2). This reflected annual point-to-point rates of 6.6%, 4.1% and 1.2% in the first, second and third quarters, respectively (see Figure 4)[5].

**Table 2: Average Inflation (%)**

| | Avg. Inflation Rates (%) | |
|---|---|---|
| Categories | 9-Months 2022 | 9-Months 2023 |
| Food & Non-alcoholic Beverages | 7.7 | 7.9 |
| Alcohol and Tobacco | 1.2 | 3.9 |
| Clothing and Footwear | 9.5 | 4.6 |
| Housing and Utilities | 17.7 | 4.7 |
| Household Equipment | 7.2 | 9.7 |
| Health | 1.0 | 1.1 |
| Transport | 14.3 | 2.0 |
| Communication | 3.6 | (1.4) |
| Recreation and Culture | 4.6 | 2.6 |
| Education | 0.3 | 1.2 |
| Restaurants and Hotels | 6.3 | 5.2 |
| Misc. Goods and Services | 3.1 | 3.0 |
| Overall CPI Inflation | 10.8 | 3.9 |

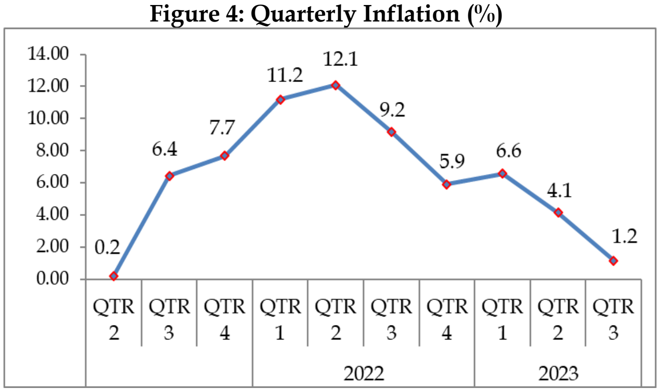
Source: Economics and Statistics Office

[5] See also 'The Cayman Islands Consumer Price Index Report: September 2023,' www.eso.ky

The moderate price increase for the first nine months of the year was recorded in all divisions of the index except for communications. The highest absolute increase in prices was seen in household equipment and furnishings (9.7%), food & non-alcoholic beverages (7.9%), restaurants and hotels (5.2%) and housing & utilities (4.7%).

The 1.2% increase in the index for the September 2023 quarter primarily reflected the influence of higher costs for food, household items and service costs. For the quarter, food prices rose by 4.9%, largely due to increases in the price of tea, confectionary and other imported processed foods. Furnishings, Household Equipment, and Routine Household Maintenance increased by 10.3% for the quarter, reflecting a general rise in the price of furniture and household items.
Restaurants and accommodation services rose by 2.3% as the cost of food at restaurants and cafes increased by 3.4%, while accommodation costs rose by 3.1%.

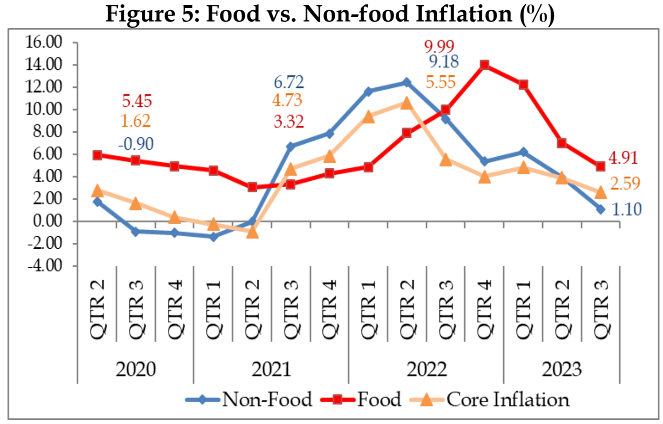
**Figure 4: Quarterly Inflation (%)**




Source: Economics and Statistics Office

Non-food prices for the quarter increased by 1.1% as energy-related inflation moderated. Specifically, the index for housing and utilities rose by 0.9%, while the index for transport increased by 1.4%.

**Figure 5: Food vs. Non-food Inflation (%)**




*Core inflation is measured as inflation excluding food, electricity, and fuel
Source: Economics and Statistics Office

Core inflation, which is inflation excluding food, electricity, and fuel, increased by 2.6% for the quarter relative to the same period in 2022 (see Figure 5). The core CPI rose by 3.8% for the first nine months of the year, relative to the same period in 2022.

## 4. International Trade[6]

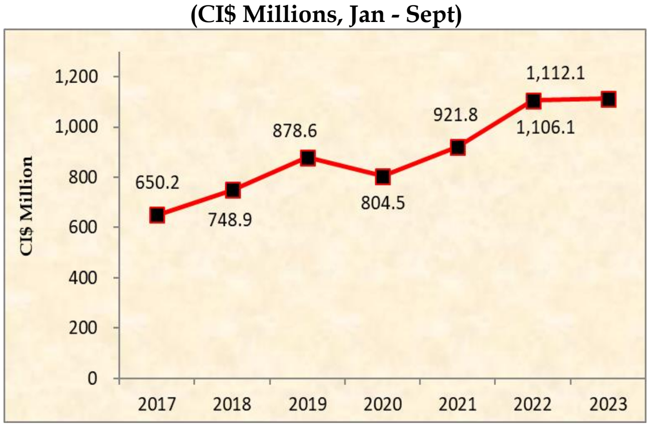
The total value of merchandise imports maintained its trend increase in the first nine months of the year. Imports totalled $1,112.1 million, a 0.5% increase relative to same period in 2022 (see Figure 6). The higher import value reflected expansions in six out of ten categories.

The categories recording the largest nominal increases were food and live animal (up $24.5 million, or 14.4%), miscellaneous

[6] A detailed trade report is posted at www.eso.ky

manufactured articles (up $17.5 million, or 7.9%), machinery & transport equipment (up $10.5 million or 4.9%) and chemical & related products not otherwise specified (up $10.2 million, or 4.9%). In contrast, the value of mineral fuel imports fell by $27.7 million or 15.2% for the period. This reduction was due to the fall in the price of petroleum products on the international market as the imported volume of fuels increased for the period.

**Figure 6: Merchandise Imports (CI$ Millions, Jan - Sept)**




Source: Cayman Islands Customs and Border Control and ESO

The volume of fuel imports rose by 19.2% to 46.1 million imperial gallons for the first nine months of 2023 relative to 38.7 million imperial gallons in the same period of 2022 (Table 3). The higher volume of imports was largely driven by aviation fuel, which increased to 4.5 million imperial gallons from 1.8 million imperial gallons (up by 155.5%). Gas, diesel and propane imports expanded by 2.3 million imperial gallons (or 24.1%), 1.4 million imperial gallons (or 5.5%) and 0.9 million imperial gallons (or 67.6%), respectively. The uptick in aviation jet fuel imports was consistent with the growth in tourism demand while the rise in the other fuel categories may have been augmented by rising population levels, higher temperatures and increased economic activity.

**Table 3: Quantity of Fuel Imports (Jan-Sep)**

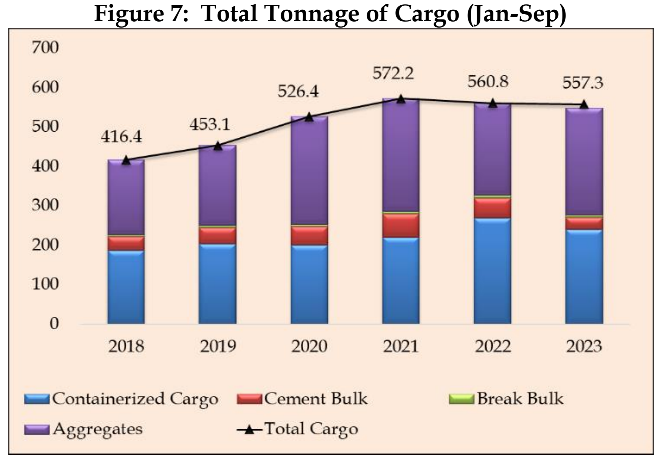
| | 2021 | 2022 | 2023 | % Change |
|---|---|---|---|---|
| | Millions of Imperial Gallons | | | |
| **Total Fuel** | **35.0** | **38.7** | **46.1** | **19.2** |
| Diesel | 25.4 | 26.0 | 27.4 | 5.5 |
| Gas | 8.0 | 9.6 | 11.9 | 24.1 |
| Aviation Fuel | 0.5 | 1.8 | 4.5 | 155.6 |
| Propane | 1.0 | 1.4 | 2.3 | 67.6 |

Source: Cayman Islands Port Authority

The total tonnage of landed cargo declined by 0.6% to 557,301 tonnes for the review period (Figure 7). Containerised cargo, cement bulk and break-bulk cargo declined by 10.8%, 39.2% and 19.9%, respectively. In contrast, imported aggregates rose by 16.2% (or 37,873 tonnes) to 272,295 tonnes.

Aggregates and containerised cargo accounted for 91.8% of the total landed cargo at the end of the review period. Specifically, aggregates accounted for 48.9%, while containerised cargo amounted to 42.9% (239,138 tonnes). Cement bulk and break-bulk cargo accounted for 5.6% (30,980 tonnes) and 1.0% (5,792 tonnes), respectively.

**Figure 7: Total Tonnage of Cargo (Jan-Sep)**




Source: Cayman Islands Port Authority

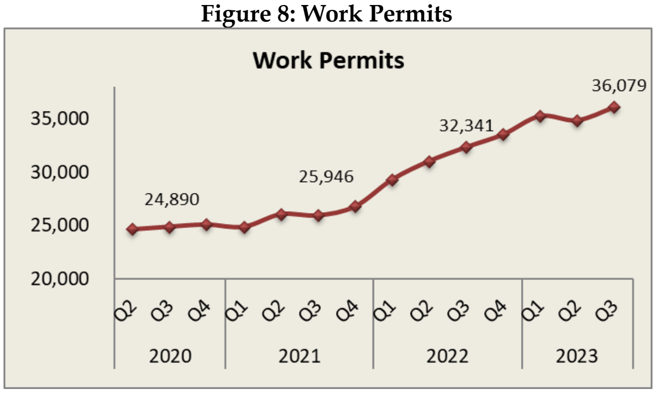
## 5. Employment

### 5.1. Work Permits

At the end of September 2023, the number of active work permits totalled 36,079, an increase of 3,738 (or 11.6%) compared to 32,341 in the same period of 2022. The accommodation and food service sector accounted for the majority of the additional work permits, with an increase of 22.8% to 5,934. Notable increases were also observed in construction, wholesale and retail trade, activities of household employers and administrative & support services.

Relative to June 2023, work permits increased by 3.5% or 1,215. The construction sector remains the largest user of work permit holders, accounting for 17.7% at the end of September 2023.

**Figure 8: Work Permits**

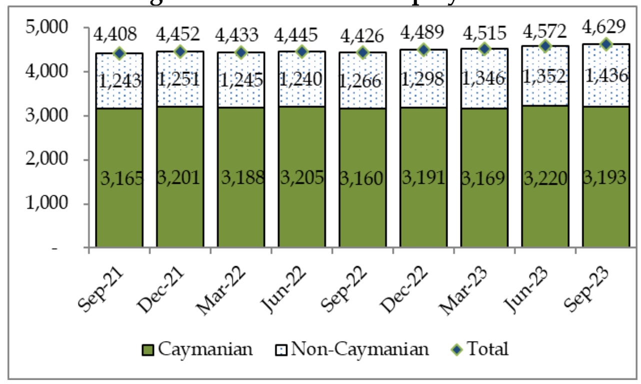



Sources: Work Force Opportunities and Residency Cayman, Economics & Statistics Office

### 5.2. Public Sector Employment

There were 4,629 civil servants employed by the central government at the end of September 2023, an increase of 203 (or 4.6%) relative to the corresponding period of 2022. The number of Caymanian and non-Caymanian employees increased to 3,193 (up 1.0%) and 1,436 (13.4%) persons, respectively.

**Figure 9: Civil Service Employment**

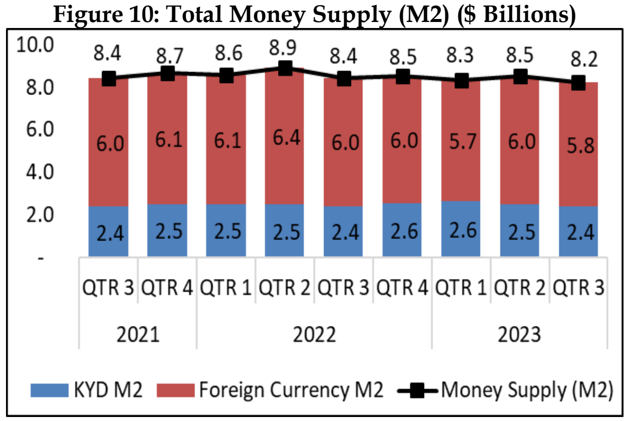



Source: Portfolio of the Civil Service

## 6. Money & Banking

Liquidity conditions in Cayman's banking system deteriorated in the first nine months of the year. Specifically, broad liquidity (M2), which comprises CI dollar-denominated money and foreign currency deposits, contracted by 2.3% to $8,228.1 million (see Figure 10 and Table 4). The tightening supply of funds to the system resulted from contractions in foreign and local currency deposits.

**Figure 10: Total Money Supply (M2) ($ Billions)**




Source: Cayman Islands Monetary Authority & Economics and Statistics Office

There was a 2.9% decline in foreign currency deposits, reflecting declines of 3.0% and 1.1% in US dollar-denominated and other foreign currency deposits, respectively. Total CI dollar-denominated deposits fell by 0.2% (or $4.8 million), while currency in circulation contracted by 8.5% (or $14.4 million) compared to the same period of the previous year. The fall in local currency deposits was due to a contraction in demand deposits (down by 8.0%). Notably, savings and time deposits increased by 6.0%. Given the rise in interest rates, the inverse movement between demand and savings deposits could be due to depositors simultaneously trying to meet higher debt needs and capitalise on the higher rates on longer-term deposits.

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

| | Sep-22 | Sep-23 | % Change |
|---|---|---|---|
| **Total Assets** | **8,420.4** | **8,228.1** | (2.3) |
| **Net Foreign Assets** | **5,256.3** | **5,089.3** | (3.2) |
| Monetary Authority | 183.9 | 176.9 | (3.8) |
| Commercial Banks | 5,072.4 | 4,912.4 | (3.2) |
| **Net Domestic Assets** | **3,164.1** | **3,138.8** | (0.8) |
| Domestic credit | 4,100.4 | 4,217.6 | 2.9 |
| Claims on central government | 415.5 | 427.8 | 3.0 |
| Claims on other public sector | 23.2 | 17.3 | (25.4) |
| Claims on private sector | 3,661.8 | 3,772.5 | 3.0 |
| Other items net | (936.4) | (1,078.8) | 15.2 |
| **Broad Liquidity** | **8,420.4** | **8,228.1** | (2.3) |
| Broad money (KYD) M2 | **2,420.1** | **2,400.9** | (0.8) |
| Currency in circulation | 168.1 | 153.8 | (8.5) |
| **KYD Deposits** | **2,251.9** | **2,247.1** | (0.2) |
| Demand deposits | 999.4 | 919.1 | (8.0) |
| Time and savings deposits | 1,252.5 | 1,328.0 | 6.0 |
| FOREX deposits | 6,000.3 | 5,827.2 | (2.9) |
| *of which:* US dollars | 5,586.0 | 5,417.3 | (3.0) |
| *US dollars share (%)* | *93.1* | *93.0* | |

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

The contraction in broad money liquidity represents a decline in the liabilities of the monetary and banking system. This was supported by a corresponding reduction on the asset side. The reduction in assets was concentrated in foreign assets, while domestic assets increased.

**6.1. Net Foreign Assets (NFA)**. During the first nine months of 2023, there was a 3.2% drawdown in NFA, bringing the total in the system to $5.1 billion. The reduction in NFA was due to reductions of 3.2% and 3.8% in commercial bank's NFA and the NFA of the monetary authority, respectively.

Within commercial bank's NFA, a contraction in foreign assets occurred in tandem with increased foreign liabilities. Foreign assets declined by 1.6% (or $130.4 million), reflecting a 6.0% (or $205.4 million) reduction in balances with banks and branches and a 16.5% (or $154.8 million) decline in non-resident loans. In contrast, foreign investments rose by 5.9% (or $229.7 million).

**Table 5: Net Foreign Assets ($ millions)**

| | Sep-22 | Sep-23 | % Change |
|---|---|---|---|
| **Net Foreign Assets** | **5,256.3** | **5,089.3** | (3.2) |
| Monetary Authority | 183.9 | 176.9 | (3.8) |
| Commercial Banks | 5,072.4 | 4,912.4 | (3.2) |
| **Foreign Assets** | **8,230.3** | **8,099.9** | (1.6) |
| Bal. with Banks & Branches | 3,395.2 | 3,189.8 | (6.0) |
| Total Investment | 3,897.7 | 4,127.4 | 5.9 |
| Total Non-Resident Loans | 937.5 | 782.7 | (16.5) |
| **Foreign Liabilities** | **3,157.9** | **3,187.5** | 0.9 |
| Total Non-Resident Deposits | 2,651.1 | 2,834.7 | 6.9 |
| Other Liabilities | 506.8 | 352.8 | (30.4) |

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Foreign liabilities rose by 0.9% (or $29.5 million) due to a 6.9% increase in non-resident deposits. In contrast, other liabilities fell by 30.4% for the period (see Table 5).

**6.2. Net Domestic Assets/Domestic Credit**. Despite rising interest rates, total domestic credit within the financial system expanded by 2.9% as loans extended to the private and public sectors increased. Private sector credit rose by 3.0% to $$3,772.5 million, while loans to the central government grew by 1.5% to $445.2 million. Notably, the increase in credit to the central government is due to an existing loan balance being brought into the local banking book and not due to new borrowing.

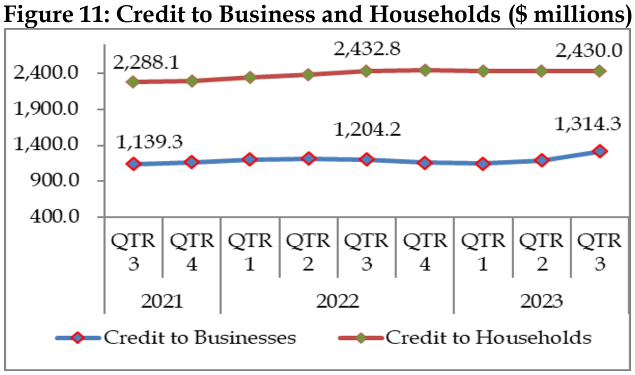
**Table 6: Domestic Credit ($ millions)**

| | Sep-22 | Sep-23 | % Change |
|---|---|---|---|
| **Domestic Credit** | **4,100.4** | **4,217.6** | **2.9** |
| Credit to Public Sector | 438.7 | 445.2 | 1.5 |
| Credit to Central Government | 415.5 | 427.8 | 3.0 |
| Credit to Other Public Sector | 23.2 | 17.3 | (25.4) |
| Credit to Private Sector | 3,661.8 | 3,772.5 | 3.0 |

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Credit extended to businesses rose 9.1% to $1,314.3 million, while household credit fell by 0.1% to $2,430.0 million. Loans to non-profit organisations increased by 13.4% to $28.1 million.

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




Source: Cayman Islands Monetary Authority & Economics and Statistics Office

The increase in business credit was mainly driven by an expansion in loans issued to the utilities sector and businesses involved in trade. Credit to the utilities sector increased by 103.5% (or $46.5 million). Similarly, wholesale and retail sales loans increased by 15.9%, while credit to real estate companies rose by 10.0% (or $32.0 million). Loans to professional service providers increased by 62.7% (or $22.9 million) (Figure 11 and Table 7).

The contraction in household credit was the first nine months of decline since 2014 and reflected a break in the general rise in personal credit. The reduction was largely due to a reduction of 0.2% (or $3.4 million) in loans for domestic properties. Similarly, loans for motor vehicles and education & technology fell by 0.6% (or $0.3 million) and 17.7% (or $0.5 million). In contrast, miscellaneous credit rose by 0.7% (or $1.5 million).

**Table 7: Net Credit to the Private Sector ($ Millions)**

| | Sep-22 | Sep-23 | % Change |
|---|---|---|---|
| **Total Private Sector Credit** | **3,661.8** | **3,772.4** | **3.0** |
| **Credit to Businesses** | **1,204.2** | **1,314.3** | **9.1** |
| **Production & Manufacturing** | **252.6** | **301.8** | **19.5** |
| Mining | 4.5 | 4.6 | 2.3 |
| Manufacturing | 8.4 | 9.0 | 6.4 |
| Utilities | 44.9 | 91.4 | 103.5 |
| Construction | 194.8 | 196.9 | 1.1 |
| **Services** | **135.4** | **134.2** | **(0.9)** |
| Accommodation, Food, Bar & Entertainment Services | 75.1 | 69.4 | (7.6) |
| Transportation, Storage & Communications | 23.8 | 5.5 | (76.9) |
| Education, Recreational & Other Professional Services | 36.4 | 59.3 | 62.7 |
| **Trade and Commerce** | **799.3** | **867.5** | **8.5** |
| Wholesale & Retail Sales Trade | 111.3 | 129.0 | 15.9 |
| Real Estate Agents, Rental and Leasing Companies | 318.4 | 350.4 | 10.0 |
| Other Business Activities (General Business Activity) | 369.5 | 388.1 | 5.0 |
| **Other Financial Corporations** | **17.0** | **10.8** | **(36.4)** |
| **Credit to Households** | **2,432.8** | **2,430.0** | **(0.1)** |
| Domestic Property | 2,169.5 | 2,166.1 | (0.2) |
| Motor Vehicles | 56.4 | 56.1 | (0.6) |
| Education and Technology | 3.1 | 2.5 | (17.7) |
| Miscellaneous* | 203.8 | 205.3 | 0.7 |
| **NonProfit Organizations** | **24.8** | **28.1** | **13.4** |

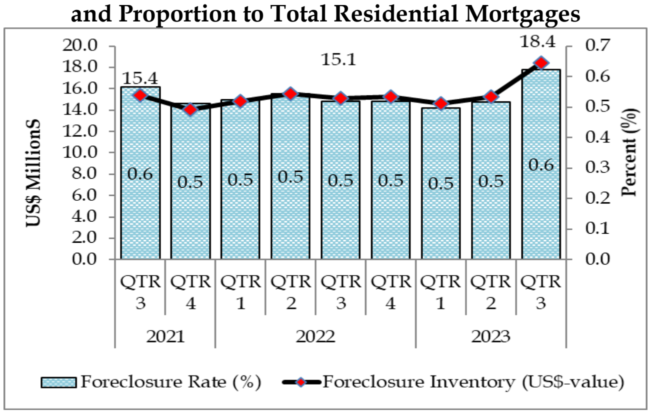
Source: Cayman Islands Monetary Authority & Economics and Statistics Office

### 6.3. Residential Mortgage Foreclosures.

Data from CIMA indicates that two residential properties were foreclosed in the third quarter of 2023. This was relative to no foreclosures in the same quarter of 2022 and one foreclosure in the previous quarter.

As of September 2023, there were 57 properties in the foreclosure inventory valued at US$18.4 million. This reflected an increase from the 56 properties valued at US$15.1 million a year ago. The foreclosure inventory value accounted for 0.6% of the total value of residential mortgages, which amounts to $3.0 billion (see Figure 12).

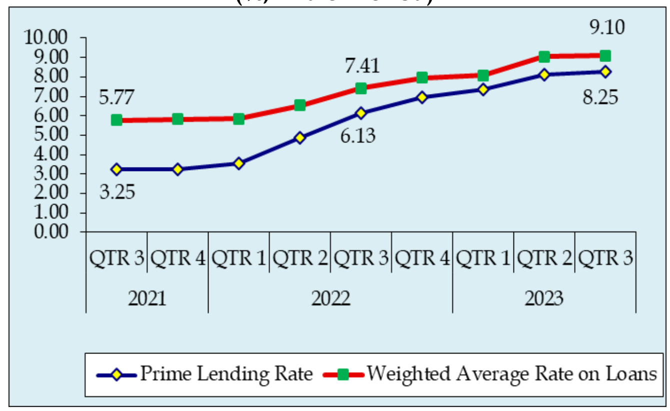
**Figure 12: Residential Mortgages Foreclosures Inventory and Proportion to Total Residential Mortgages**




Source: Cayman Islands Monetary Authority & Economics and Statistics Office

**6.4. Interest Rates.** The Cayman Islands' prime lending rate rose by 212 basis points (bps) to 8.25% for the review period. Consistently, the KYD weighted average lending increased by 169 bps to 9.1% (see Figure 13).

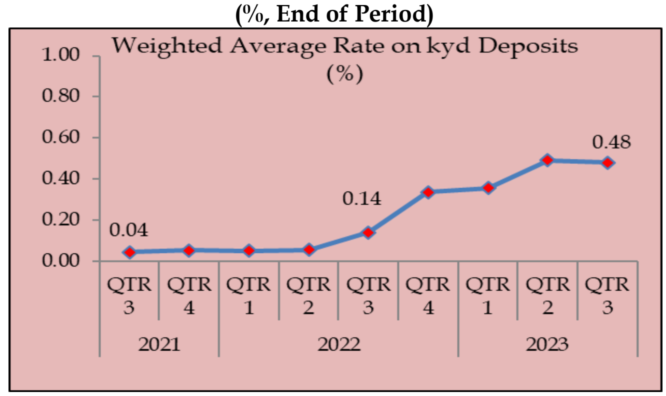
**Figure 13: KYD Lending Rates (%, End of Period)**




Source: Cayman Islands Monetary Authority & Economics and Statistics Office

As depicted in Figure 14, the weighted average savings rate on KYD deposits expanded by 34 bps, or 0.48%, for the period.

**Figure 14: KYD Weighted Average Savings Rates (%, End of Period)**




Source: Cayman Islands Monetary Authority & ESO

## 7. Financial Services

For the first nine months of 2023, indicators of financial services mostly declined relative to 2022. Specifically, there were declines in five of the eight indicators monitored.

### 7.1 Banks & Trust

Cayman's bank and trust licenses totalled 94 at the end of the review period, a decline of 4.1% from the same period in 2022 (see Table 8). This reflected a contraction in Class 'B' licensees by 4.6% to 83, while the number of Class 'A' licensees remained unchanged at 11.

There were 113 trust companies on record compared to 115 in the corresponding period in 2022. Restricted and unrestricted licences each declined by one company to a total of 56 and 57, respectively.

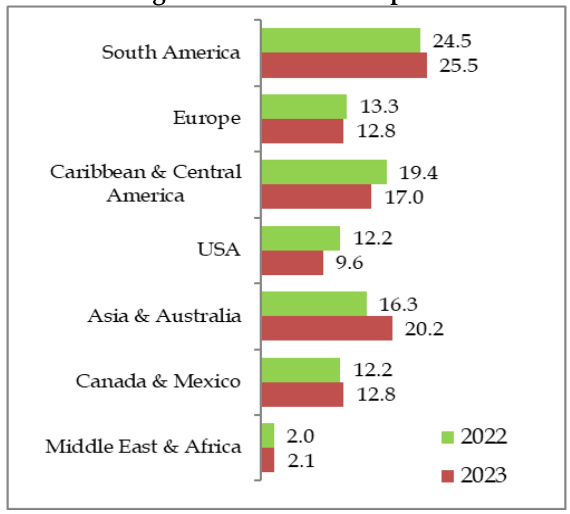
**Table 8: Bank & Trust Companies**

| | Sep 2021 | Sep 2022 | Sep 2023 | % Change |
|---|---|---|---|---|
| **Bank and Trust** | **108** | **98** | **94** | **(4.1)** |
| Class A | 10 | 11 | 11 | 0.0 |
| Class B | 98 | 87 | 83 | (4.6) |
| **Trust Companies** | **117** | **115** | **113** | **(1.7)** |
| Restricted | 59 | 57 | 56 | (1.8) |
| Unrestricted | 58 | 58 | 57 | (1.7) |

Source: Cayman Islands Monetary Authority

The Cayman Islands' top banking source markets during the period were South America (24 or 25.5%), the Caribbean & Central America (16 or 17.0%), and Asia & Australia (19 or 20.2%).

**Figure 15: Percentage Proportion of Registered Banks by Regional Source as at September 2023**




Source: Cayman Islands Monetary Authority

### 7.2 Insurance

All categories of insurance licences in the Cayman Islands increased except Class C. The number of insurance licenses totalled 706 companies compared to 693 at the end of 2023. This 1.9% increase resulted from Class A licensees increasing to 27 from 25 and captive licensees increasing to 679 from 668.

Within captives, Class B licensees increased to 653 (up by 2.2%), and Class D licensees increased to 8 (up by 14.3%). The number of Class 'C' licensees declined to 18 from 22 (down by 18.2%).

**Table 9: Insurance Companies**

| | Sep 2021 | Sep 2022 | Sep 2023 | % Change |
|---|---|---|---|---|
| Domestic - Class 'A' | 25 | 25 | 27 | 8.0 |
| Captives | 662 | 668 | 679 | 1.6 |
| Class 'B' | 634 | 639 | 653 | 2.2 |
| Class 'C' | 22 | 22 | 18 | (18.2) |
| Class 'D' | 6 | 7 | 8 | 14.3 |
| **Total** | **687** | **693** | **706** | **1.9** |

Class B: captives and segregated portfolio companies;
Class C: special purpose vehicles
Class D: other insurance vehicles
Source: Cayman Islands Monetary Authority

Healthcare and Workers' Compensation were the top two classes of business in the captive insurance space, with 28.1% and 22.1% of the market, respectively (see Table 10). North America remained the primary source market of the captive insurance business, with 609 licenses or 89.7%.

**Table 10: Captive Insurance Licences by Primary Class of Business**

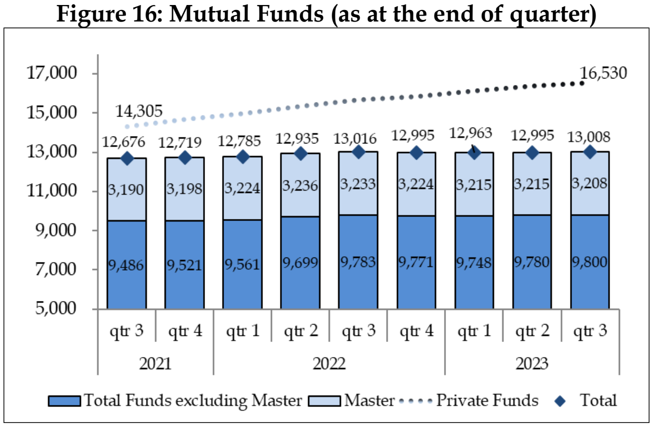
| | Sep-22 | Sep-23 | % Change | % Proportion |
|---|---|---|---|---|
| Healthcare | 192 | 191 | (0.5) | 28.1 |
| Workers' Compensation | 149 | 150 | 0.7 | 22.1 |
| Property | 72 | 72 | 0.0 | 10.6 |
| General Liability | 84 | 96 | 14.3 | 14.1 |
| Professional Liability | 58 | 58 | 0.0 | 8.5 |
| Other | 113 | 112 | (0.9) | 16.5 |
| **Total** | **668** | **679** | **1.6** | **100.0** |

Source: Cayman Islands Monetary Authority

## 7.3 Mutual Funds

The number of registered mutual funds at the end of September 2023 fell to 13,008 (down 0.1%), relative to 13,016 at the end of September 2022. Master funds, administered funds and Limited Investor funds declined by 25, 9 and 27, respectively. Conversely, registered funds increased to 8,833 (up by 53) licences, while Licenced funds remained unchanged at 52.

**Figure 16: Mutual Funds (as at the end of quarter)**




Source: Cayman Islands Monetary Authority

Private funds rose to 16,530 at the end of the period, an increase of 868 or 5.3% compared to September 2022.

## 7.4 Stock Exchange

As of September 2023, the number of stocks listed on the Cayman Islands Stock Exchange totalled 2,776. This reflected an increase of 4.0% from the same period in 2022 (see Table 11). Specialist Debt and Investment Fund increased by 4.8% and 8.4% to 2,372 and 116, respectively. Primary Equity Security remained unchanged at 3, while four categories declined for the period.

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

| Instrument | 2022 | 2023 | % Change |
|---|---|---|---|
| Investment Fund Security | 107 | 116 | 8.4 |
| Specialist Debt Security | 2,264 | 2,372 | 4.8 |
| Corporate & Sovereign Debt Security | 254 | 249 | (2.0) |
| Primary Equity Security | 3 | 3 | 0.0 |
| Secondary Equity Security | 1 | 0 | (100.0) |
| Insurance Linked Security | 40 | 36 | (10.0) |
| Retail Debt Security | 1 | 0 | (100.0) |
| **Total** | **2,670** | **2,776** | **4.0** |

Source: Cayman Islands Stock Exchange

The value of market capitalisation rose to US$872.0 billion (up by 13.7%) for the period. This increase was attributable to specialist debt, investment funds and corporate & sovereign debt securities. Specialist debt security rose by 17.1% to US$698.5 billion, investment fund securities rose by 9.7% to US$19.3 billion, and corporate & sovereign debt securities increased by 1.1% to US$149.2 billion.

In contrast, primary and secondary equity securities, insurance-linked securities, and retail debt securities declined in value relative to the previous year.

**Table 12: Market Capitalisation by Instruments (US$ Billion as of the end of September)**

| Instruments | 2022 | 2023 | % Change |
|---|---|---|---|
| Investment Fund Security | 17.6 | 19.3 | 9.7 |
| Specialist Debt Security | 596.4 | 698.5 | 17.1 |
| Corporate & Sovereign Debt Security | 147.6 | 149.2 | 1.1 |
| Primary Equity Security | 0.5 | 0.5 | (13.1) |
| Secondary Equity Security | 0.1 | 0.0 | (100.0) |
| Insurance Linked Security | 4.6 | 4.6 | (1.2) |
| Retail Debt Security | 0.4 | 0.0 | (100.0) |
| Total | **767.3** | **872.0** | **13.7** |

Source: Cayman Islands Stock Exchange

### 7.5 New Company Registration

The registration of new companies declined to 7,519 from 9,750 in the same period of 2022 (see Table 13). This reduction was reflected in all categories of companies. Exempt companies, which accounted for 77.2% of new registrations, fell by 22.6% to 5,802.

**Table 13: New Company Registrations (Jan-Sep)**

| | 2020 | 2021 | 2022 | 2023 | % Change |
|---|---|---|---|---|---|
| **Total** | **8,550** | **12,848** | **9,750** | **7,519** | **(22.9)** |
| Exempt | 6,784 | 10,333 | 7,500 | 5,802 | (22.6) |
| Non-Resident | 6 | 10 | 12 | 5 | (58.3) |
| Resident | 520 | 603 | 567 | 562 | (0.9) |
| Foreign | 578 | 605 | 700 | 487 | (30.4) |
| FDN | 26 | 112 | 234 | 171 | (26.9) |
| LLC | 636 | 1,185 | 737 | 492 | (33.2) |

Source: Registrar of Companies.

### 7.6. Partnerships

New partnership registrations declined to 2,742, down by 28.3% from the same period in 2022 (see Table 14). All three categories of partnerships decreased with exempt, foreign and limited liability partnerships (LLP) falling by 29.0% (or 1,070), 9.1% (or 12) and 50.0% (or 2), respectively.

**Table 14: New Partnership Registrations (Jan–Sep)**

| | 2021 | 2022 | 2023 | % Change |
|---|---|---|---|---|
| **Total** | **4,284** | **3,826** | **2,742** | **(28.3)** |
| Exempt | 4,152 | 3,690 | 2,620 | (29.0) |
| Foreign | 113 | 132 | 120 | (9.1) |
| LLP | 19 | 4 | 2 | (50.0) |

Source: Registrar of Companies

## 8. Tourism

Continued recovery in cruise and stay-over visitors spurred continued expansion in arrivals during the review period. Total tourist arrivals rose to 1,259,792 for the first three quarters of the year relative to 610,160 in the corresponding period of 2022.

### 8.1 Air Arrivals

Stay-over arrivals rose to 323,028 in the review period, a 78.8% increase relative to its corresponding period of 2022. Growth in arrivals was mainly driven by visitors from the USA market, which increased by 83.1% to 270,187. The European, Canadian and 'Other' markets recorded increases of 30.4%, 86.9%, and 62.2%, respectively.

**Table 15: Air Arrivals by Region (Jan-Sep)**

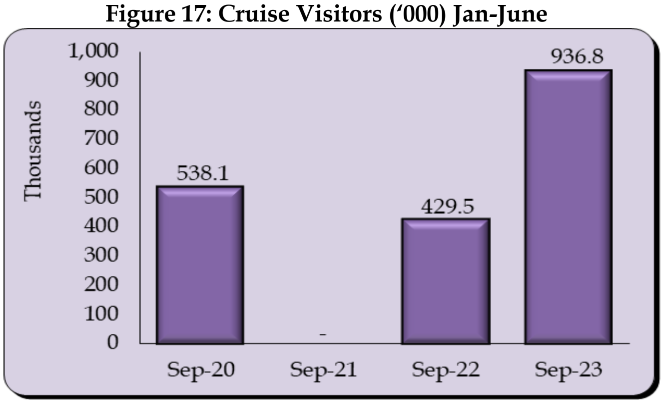
| | 2021 | 2022 | 2023 | % Change |
|---|---|---|---|---|
| | In Thousands | | | |
| **USA** | 3.3 | 147.6 | 270.2 | 83.1 |
| **Europe** | 1.0 | 10.8 | 14.1 | 30.4 |
| **Canada** | 0.5 | 11.0 | 20.5 | 86.9 |
| **Others** | 1.9 | 11.3 | 18.2 | 62.2 |
| **Total** | 6.6 | 180.6 | 323.0 | 78.8 |
| USA (% share) | 50.4 | 81.7 | 83.6 | |

Source: Department of Tourism

## 8.2 Cruise Arrivals

Cruise Arrivals surged by 118.1% to 936,754 for the first nine months of 2023. This increase corresponded with an additional 148 ship calls for the period.

**Figure 17: Cruise Visitors ('000) Jan-June**




Source: Tourism Department

## 9. Construction

Construction indicators declined for the first three-quarters of 2023. Both building permits and project approvals contracted in both value and volume.

### 9.1. Building Permits

After reaching its highest value on record in the same period of 2022, building permit values declined by 27.9% to $591.8 million for the period. This decline was attributed to the non-recurrence of four hotel permits, which overshadowed continued growth in the residential category (see Table 16).

There were no hotel permits issued during the period relative to the same period in 2022, when the value of hotel permits reached $297.0 million. Additionally, industrial permits contracted by 75.8% to $2.0 million, while permits for houses declined by 54.2% to $56.1 million.

**Table 16: Building Permits (Jan-Sep)**

| | Building Permits (CI$ Mil) | | | % |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | Change |
| Residential | 286.1 | 322.7 | 357.9 | 10.9 |
| *Houses* | *113.8* | *122.5* | *56.1* | *(54.2)* |
| *Apartments* | *172.3* | *200.3* | *301.8* | *50.7* |
| Commercial | 107.2 | 93.2 | 97.4 | 4.4 |
| Industrial | 4.9 | 8.4 | 2.0 | (75.8) |
| Hotel | 80.0 | 297.0 | - | (100.0) |
| Government | 5.5 | 1.8 | 4.5 | 152.6 |
| Other | 128.1 | 98.7 | 130.0 | 31.8 |
| **Total** | **611.8** | **821.9** | **591.8** | **(28.0)** |

Source: Cayman Islands Planning Department

Despite the decline, the apartment category was boosted by permits issued for several high-end properties. Specifically, the apartment category rose by 50.7% to $301.8 million. Similarly, permits in the commercial and 'other' category grew by 4.4% and 31.8%, respectively.

**Table 17: Number of Building Permits (Jan-Sep)**

| | Number of Permits | | | % |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | Change |
| Residential | 470 | 419 | 260 | (37.9) |
| *Houses* | *309* | *273* | *135* | *(50.5)* |
| *Apartments* | *161* | *146* | *125* | *(14.4)* |
| Commercial | 70 | 75 | 60 | (20.0) |
| Industrial | 9 | 6 | 9 | 50.0 |
| Hotel | 1 | 4 | - | (100.0) |
| Government | 16 | 9 | 9 | - |
| Other | 399 | 312 | 210 | (32.7) |
| **Total** | **965** | **825** | **548** | **(33.6)** |

Source: Cayman Islands Planning Department

Consistent with the decline in value, the number of building permits issued for the period fell by 33.6% to 548.

### 9.2. Project Approvals

The value of project approvals contracted to $490.0 million, a fall of 5.9% when compared to the same period of 2022. This decline was traced to contractions in most of the categories.

Residential approvals fell in value by 36.0%, reflecting the non-recurrence of some high-value projects. Commercial approvals contracted by 64.8% to $18.3 million, while industrial approvals fell by 37.4% to $14.3 million. Approvals for government projects fell by 94.2% (or $7.3 million) to $0.5 million.

In contrast, project approval for the hotels category rose by 114.5% (or $88.2 million) to $165.2 million. The 'other' category also rose by 173.8% (or $50.2 million) to $79.2 million.

**Table 18: Project Approvals (Jan-Sep)**

| | Project Approvals (CI$ Mil) | | | % |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | Change |
| Residential | 248.6 | 332.0 | 212.6 | (36.0) |
| *Houses* | *88.3* | *161.2* | *76.9* | *(52.3)* |
| *Apartments* | *160.3* | *170.8* | *135.7* | *(20.5)* |
| Commercial | 33.6 | 51.9 | 18.3 | (64.8) |
| Industrial | 16.2 | 22.9 | 14.3 | (37.4) |
| Hotel | 160.0 | 77.0 | 165.2 | 114.5 |
| Government | 2.0 | 7.8 | 0.5 | (94.2) |
| Other | 425.4 | 28.9 | 79.2 | 173.8 |
| **Total** | **885.7** | **520.5** | **490.0** | **(5.9)** |

Source: Cayman Islands Planning Department

Consistent with the decline in value, the total number of project approvals fell by 22.1%, settling at 611 for the period (See Table 19).

**Table 19: Project Approvals (Jan-Sep)**

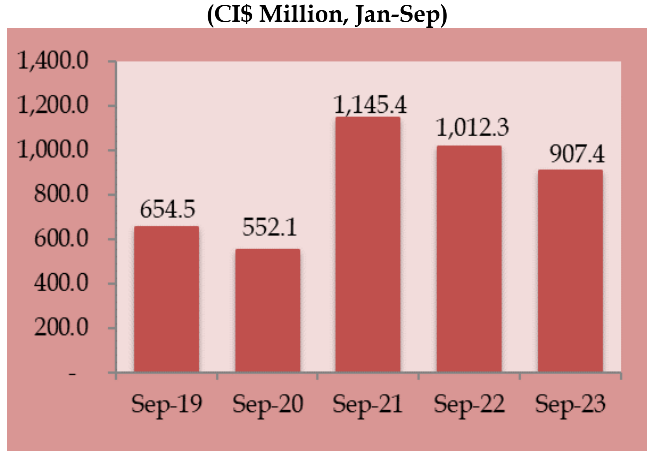
| | Number of Approvals | | | % |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | Change |
| Residential | 282 | 387 | 273 | (29.5) |
| *Houses* | *188* | *280* | *164* | *(41.4)* |
| *Apartments* | *94* | *107* | *109* | *1.9* |
| Commercial | 23 | 29 | 18 | (37.9) |
| Industrial | 10 | 15 | 8 | (46.7) |
| Hotel | 2 | 3 | 3 | - |
| Government | 9 | 2 | 3 | 50.0 |
| Other | 294 | 348 | 306 | (12.1) |
| **Total** | **620** | **784** | **611** | **(22.1)** |

Source: Cayman Islands Planning Department.

## 10. Real Estate

Real estate activity, as measured by the value and volume of traded properties, continued the declining pattern, which started in 2022. The total value of traded properties fell by 10.4% to $907.4 million for the first nine months of the year. When compared to its peak in the first three quarters of 2021, the value of traded properties declined by 20.8%.

**Figure 18: Value of Property Transfers: (CI$ Million, Jan-Sep)**

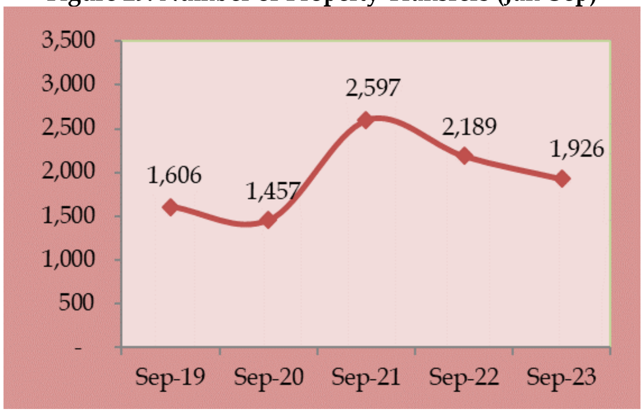



Source: Lands & Survey Department

The reduction in transfer value was concentrated in freehold transfers as leasehold transfers increased. Freehold transfers declined by 14.0% to $849.3 million. In contrast, leasehold transfers rose by 135.3% to $58.1 million.

The number of property transfers declined by 263 or 12.0% to 1,926 for the review period. When compared to the peak in September 2021, the number of properties transferred fell by 25.9%. Similar to the movement in value, the number of freehold transfers declined while leasehold transfers increased.

Figure 29: Number of Property Transfers (Jan-Sep)




Source: Lands & Survey Department

## 11. Utilities

### 11.1 Electricity

Electricity consumption rose 8.4% to 547.3 thousand megawatt-hours (MWh) in the first three quarters of 2023. The higher consumption level was attributed to expansions in both residential and commercial consumption, which rose by 9.5% and 7.3%, respectively. The rise in commercial consumption was due to a surge in both the number of customers and their average consumption. The number of commercial customers rose by 0.9% to 4,709, while average commercial consumption grew by 6.4%.

The rise in residential consumption also reflected increases in the number of customers and the average consumption of each customer. The residential customer base rose by 2.1% to 28,784, while the average consumption increased by 7.2%. Consistent with the rise in demand, electricity production expanded by 8.3% to 550.9 thousand megawatt-hours (MWh).

Table 20: Utilities Production and Consumption

| | Sep-22 | Sep-23 | % Change |
|---|---|---|---|
| Millions of US Gallons | | | |
| Water Production | 1,937.1 | 2,129.3 | 9.9 |
| Water Consumption | 1,573.0 | 1,766.2 | 12.3 |
| '000 of megawatt hrs | | | |
| Electricity Production (Net) | 508.8 | 550.9 | 8.3 |
| Electricity Consumption | 504.6 | 547.3 | 8.4 |
| Residential | 273.6 | 299.6 | 9.5 |
| Commercial | 227.5 | 244.1 | 7.3 |
| Public | 3.6 | 3.7 | 3.3 |
| Total Customers | 32,865 | 33,503 | 1.9 |
| Residential | 28,196 | 28,794 | 2.1 |
| Commercial | 4,669 | 4,709 | 0.9 |

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

### 11.2. Water

Water consumption expanded during the first nine months of the year by 12.3%, while production increased by 9.9%.

## 12. Fiscal Operations of the Central Government[7]

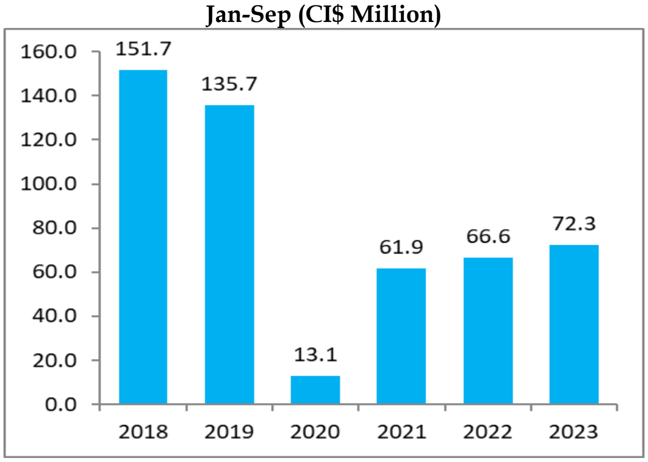
**Net lending (fiscal surplus)** improved for the third consecutive 9-months period to a total of $72.3 million, an increase of 8.7% relative to the corresponding period of 2022 (see Figure 20 and Table 21).

The improved overall surplus was largely due to increased revenues, which outweighed a rise in expenditure. Higher revenue was

[7] The ESO follows the Government Finance Statistics Manual (2014 Edition) framework for presenting and analysing fiscal operations.

reflected in both the taxes and 'other' revenue categories, while the rise in spending was due to higher expenses (current expenditure) and net investment in non-financial assets (net capital expenditure and net lending).

**Figure 20: Central Government's Overall Fiscal Balance Jan-Sep (CI$ Million)**




Source: Cayman Islands Treasury Department & Economics and Statistics Office

The **net operating balance (current balance)**, which is revenue minus expense, increased to $107.5 million (up by 10.7%) for the review period.

**Table 21: Summary of Fiscal Operations**

| | Sep-22 | Sep-23 | % Change |
|---|---|---|---|
| | CI$ Million | | |
| **Revenue** | **818.0** | **846.1** | **3.4** |
| **Expense** | **720.9** | **738.6** | **2.4** |
| **Net Operating Balance** | **97.1** | **107.5** | **10.7** |
| Net Investment in Nonfinancial Assets[1] | 30.5 | 35.2 | 15.3 |
| **Total Expenditure** | **751.4** | **773.7** | **3.0** |
| **Net Lending (Overall Balance)** | **66.6** | **72.3** | **8.7** |
| | | | |
| **Financing:** | | | |
| Net Acquisition of Financial Assets | 368.3 | 35.8 | 90.3 |
| Net Incurrence of Liabilities | 301.7 | (36.5) | 112.1 |

Source: Cayman Islands Treasury Department & Economics and Statistics Office

## 12.1 Revenue

From January to September 2023, there was a 3.4% increase in revenue collection, which reached $846.1 million (see Table 22). Taxes accounted for 92.9% of total collections, while other revenue accounted for 7.1%.

**Table 22: Revenue of the Central Government (Jan-Sep)**

| | Sep-22 | Sep-23 | % Change |
|---|---|---|---|
| | CI$ Million | | |
| **Revenue** | **818.0** | **846.1** | **3.4** |
| **Taxes** | **772.3** | **785.9** | **1.8** |
| Taxes on International Trade & Transactions | 171.0 | 184.0 | 7.6 |
| Taxes on Goods & Services | 519.3 | 537.7 | 3.5 |
| Taxes on Property | 78.4 | 63.7 | (18.7) |
| Other Taxes | 3.7 | 0.5 | (86.4) |
| **Other Revenue** | **45.7** | **60.2** | 31.9 |
| Sale of Goods & Services | 32.9 | 32.5 | (1.3) |
| Investment Revenue | 6.6 | 21.2 | 222.9 |
| Fines, Penalties and Forfeits | 4.0 | 5.3 | 32.9 |
| Transfers n.e.c. | 2.2 | 1.3 | (43.1) |

Source: Cayman Islands Treasury Department & Economics and Statistics Office

**Taxes** collected for the first nine months of 2023 totalled $785.9 million, increasing by $13.5 million or 1.8% relative to 2022. The higher collection was attributable to taxes on international trade & transactions (up 7.6%) and taxes on goods and services (up 3.5%).

Tax **receipts on international trade and transactions** increased by $13.0 million (or 7.6%) to $184.0 million (Table 22). Import duties reflected the largest nominal increase of $7.9 million (or 4.8%), with duty on alcoholic beverages (up by 6.4%) and other import duty (up by 6.7%) being the main contributors. Cruise ship departure charges and environmental protection fund fees also increased, rising from $2.6 million to $5.6 million and from $1.8 million to $3.8 million.

**Revenue collected from taxes on goods & services** increased to $537.7 million from $519.3 million in 2022 (see Table 23). Other domestic taxes (up 25.7%) and work permit and residency fees (up 8.3%) were the main contributors to the increase. 'Other domestic taxes' was driven by the increase in stay-over arrivals, with tourist accommodation charges rising to $35.4 million, up from the $13.5 million recorded in 2022. Motor vehicle charges also increased by 2.0% to $9.7 million for the period.

Work permit and residency fees rose by 8.3%, while other stamp duties and traders' licences increased by 1.0% and 3.1%, respectively.

**Table 23: Domestic Tax Collection of the Central Government (CI$ Million)**

| | Sep-22 | Sep-23 | % Change |
|---|---|---|---|
| | CI$ Million | | |
| Financial Services Licences | 332.1 | 324.4 | (2.3) |
| ICTA Licences & Royalties | 6.3 | 5.5 | (12.7) |
| Work Permit and Residency Fees | 85.9 | 93.0 | 8.3 |
| Other Stamp Duties | 12.7 | 12.8 | 1.0 |
| Traders' Licences | 6.5 | 6.7 | 3.1 |
| Other Domestic Taxes | 75.8 | 95.3 | 25.7 |
| Of which: | | | |
| Tourist Accommodation Charges | 13.5 | 35.4 | 162.7 |
| Motor Vehicle Charges | 9.5 | 9.7 | 2.0 |
| **Taxes on Goods & Services** | **519.3** | **537.7** | **3.5** |

Source: Cayman Islands Treasury Department & Economics and Statistics Office

**Taxes on property** declined to $63.7 million (down by 18.7%) (see Table 22). The reduction reflected a 17.5% (or $12.2 million) fall in stamp duty on land transfers and a 66.7% (or $3.8 million) fall in infrastructure fund fees.

**Other taxes,** which include miscellaneous income, declined to $496,000 from $3.7 million in the same period of 2022. This was due to the non-recurrence of proceeds from liquidated entities totalling $3.5 million in 2022.

**Other revenue** increased to $60.2 million from $45.7 million in 2022 (Table 22). Contributing to the increase were higher investment revenue (up by 229.2%) and fines, penalties, and forfeitures (up by 32.9%).

### 12.2. Expenditure

The central government's total expenditure increased to $773.7 million from $751.4 million. The rise in expenditure was due to higher expenses and capital spending.

**Expenses (current expenditure)** increased to $738.6 million (up by 2.4%) due to higher spending in five of the seven categories (see Table 24).

Compensation of employees (personnel costs) increased to $323.6 million (up by 7.6%) and was the largest contributor to the increase in expenses. The rise in compensation resulted from a $15.9 million increase in salaries and wages (including employee pension contributions). Additionally, there was a $5.1 million rise in healthcare expenses and a $0.8 million increase in employer/government pension expenses.

Use of goods and services (supplies and consumables) totalled $109.7 million, an increase of 11.3% year-over-year. Within this category, purchase of services (up by 9.9%), utilities (up by 14.6%) and general insurance (up by 26.4%) registered the largest increases.

**Table 24: Expenses of the Central Government (Jan-Sep)**

| | Sep-22 | Sep-23 | % Change |
|---|---|---|---|
| | CI$ Million | | |
| **Expense** | **720.9** | **738.6** | **2.4** |
| Compensation of Employees | 300.7 | 323.6 | 7.6 |
| Use of Goods and Services | 98.5 | 109.7 | 11.3 |
| Consumption of Fixed Capital | 39.2 | 40.5 | 3.3 |
| Subsidies | 191.7 | 196.2 | 2.3 |
| Social Benefits | 73.4 | 50.0 | (31.8) |
| Interest | 11.1 | 13.5 | 21.1 |
| Other Expense | 6.3 | 5.2 | (17.5) |

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Consumption of fixed capital (depreciation) rose by 3.3% to $40.5 million. This uptick resulted from the depreciation of buildings (up by 6.5%), computer hardware (up by 13.0%), and roads and sidewalks (up by 6.0%).

Subsidy payments to statutory authorities, government-owned companies and private suppliers increased to $196.2 million from $191.7 million in 2022. Increased payments were made to the Cayman Islands Monetary Authority, Cayman Islands National Insurance Company, Medical Care at Various Overseas Providers, and the Public-School Meal Programme.

Interest expenses rose to $13.5 million (up by 21.1% or $2.3 million) at the end of the review period. This resulted from an increase in interest on borrowings (up by $2.2 million) and interest paid on statutory authorities and government companies (SAGCs) deposits (up by $0.9 million).

Social benefits (transfer payments) declined by 31.8% to $50.0 million relative to the comparable period in 2022. The decline resulted mainly from the suspension of ex-gratia stipend payments. The impact of this decline was partially offset by an increase in scholarships and bursary payments. Similarly, other operating expenses contracted by 17.5% to $5.2 million.

**12.3 Investment in Non-financial Assets**

Gross investment in non-financial assets (gross capital expenditure) increased by 8.5% to $75.7 million (see Table 25). Investments in statutory authorities and government-owned companies and executive assets contributed to this increase. Net investment in non-financial assets rose by 15.3% to $35.2 million.

Within fixed assets, Capital investment in statutory authorities and government-owned companies increased to $23.5 million (up by $7.3 million or 26.8%). The National Housing Development Trust, Cayman Airways and the University College of the Cayman Islands received increased investments of $3.4 million, $2.9 million and $1.2 million, respectively.

The increase in fixed assets was partly offset by a contraction in the capital invested in ministries and portfolios by $10.8 million (or 32.2%) to $22.7 million. This mainly resulted from lower investment in the Ministry of Education, Youth, Sports, Agriculture & Lands (down $4.9 million) and the Ministry of Sustainability and Climate Resiliency (down $4.3 million). On the other hand, investment in the Ministry of Human Resources & Immigration increased by $1.7 million.

Investments in executive assets increased to $26.3 million, compared to $20.7 million in the corresponding period in 2022. This increase was primarily due to land purchases.

**Table 25: Investment in Non-Financial Assets (Jan-Sep)**

| | Sep-22 | Sep-23 | % Change |
|---|---|---|---|
| | CI$ Million | | |
| **Gross Investment in Non-Financial Assets** | **69.7** | **75.7** | **8.5** |
| Fixed Assets | 70.4 | 72.5 | 2.9 |
| Capital Investment in Ministries and Portfolios | 33.4 | 22.7 | (32.2) |
| Capital Investment in Statutory Authorities and Government Owned Companies | 16.2 | 23.5 | 44.8 |
| Executive Assets | 20.7 | 26.3 | 26.8 |
| Inventories | (0.7) | 3.2 | (562.0) |
| **Net Investment in Non-Financial Assets** | **30.5** | **35.2** | **15.3** |

Source: Cayman Islands Treasury Department & Economics and Statistics Office

## 12.4. Net Financing and Debt

There was a net acquisition of $35.8 million in financial assets for the review period. This assumes the cash balance associated with the fiscal surplus and the loan payments during the period (see Table 26). For the three quarters of 2023, the government reduced its liabilities by $36.5 million. This contrasted with a build-up of $301.7 million in 2022.

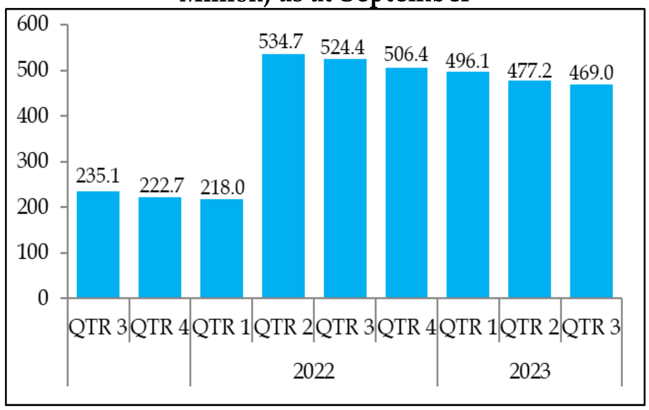
**Table 26: Net Financing**

| | Sep-22 | Sep-23 | % Change |
|---|---|---|---|
| | CI$ Million | | |
| **Financing:** | | | |
| Net Acquisition of Financial Assets | 368.3 | 35.8 | (90.3) |
| Net Incurrence of Liabilities | 301.7 | (36.5) | (112.1) |
| Incurrence (Disbursement) | 329.2 | 0.0 | (100.0) |
| Reduction (Loan Repayment) | 27.5 | 36.5 | 32.8 |

Source: Cayman Islands Treasury Department

Central government's outstanding debt totalled $469.0 million at the end of September 2023, down by 10.6% relative to the same period in 2022 (see Figure 21). The government has been reducing the debt balance since the draw-down of the standby facility in the second quarter of 2022.

**Figure 21: Central Government Outstanding Debt (CI$ Million) as at September**




Source: Cayman Islands Treasury Department

Selected key fiscal ratios deteriorated in the review period. Interest expenses, as a percentage of total expenses, increased to 1.8% from 1.5%. Similarly, interest expenses as a proportion of revenue, increased to 1.6% from 1.4%. The central government's debt service-to-revenue ratio rose to 5.9 (up by 25.1%).

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**Treasury Department**
**Cayman Islands Water Authority**
**Cayman Water Company**
**Workforce Opportunities & Residency**
**Cayman**
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**Port Authority of the Cayman Islands**
**Portfolio of the Civil Service**