



CAYMAN ISLANDS
GOVERNMENT



THE CAYMAN ISLANDS'
**SEMI-
ANNUAL
ECONOMIC
REPORT
2019**



November 2019

The Economics and Statistics Office



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Overview*

- Advanced economies reflected growth in the first half of 2019, led by Canada and the US which grew by 3.7% and 2.0, respectively.
- Cayman's gross domestic product was estimated to have expanded in real terms at an annualised rate of 3.1% in the first half of 2019.
- The Consumer Price Index inflation averaged 3.9%, driven by price trends in several divisions led by housing and utilities largely through rents.
- The value of merchandise imports increased by 10.6% to \$544.2 million.
- The unemployment rate in the first half of the year fell to 3.0%.
- Broad liquidity or money supply expanded by 10.6% to reach \$7.4 billion.
- Domestic credit contracted by 15.3% as credit to the private and public sector fell by 15.5% and 12.2%, respectively.
- The weighted average lending rate fell to 7.68% from 7.87%, while the prime lending rate increased to 5.50% from 4.88%.
- Bank and trust company licences decreased by 9.5% to 133 and insurance licences fell by 5.8% to 684.
- Total mutual funds registered, including the category "master funds", increased by 2.3%.
- The number of listings on the stock exchange surged by 27.3% to 1,863 and market capitalization increased by 30.8% to US\$373.3 billion.
- New company fell by 23.1% to 6,819, while new partnership registrations declined by 11.2% to 2,343.
- Air arrivals grew by 11.0% while cruise visitors declined by 5.0%.
- The value of building permits spiked by 88.0% to \$208.1 million, while project approvals surged from \$87.3 million to \$523.2 million.
- The total value of property transfers increased to \$448.7 million from \$401.0 million.
- Electricity consumption increased by 6.4% while water consumption grew by 1.8%.
- The central government's overall fiscal surplus improved to \$178.3 million compared with \$178.2 million a year ago.
- The total outstanding debt of the central government declined to \$407.1 million from \$431.5 million a year ago.

*Comparative data over the first six months of 2018, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off.



1. International Economy

1.1 Economic Growth¹

The main advanced economies trading with the Cayman Islands continued to exhibit growth during the first half of 2019. The USA and Canada grew at annualised rates of 2.0% and 3.7%, respectively. Growth in the US resulted from increases in personal consumption expenditure and government spending, while the Canadian economy benefited from increased exports, particularly in energy products.

The UK and the Euro Area recorded annualised growth of 1.3% and 1.4%, respectively. Growth in the UK stemmed partly from an increase in household expenditure.

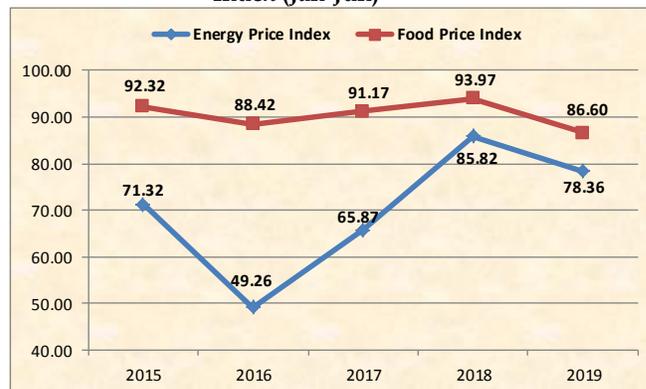
1.2 Inflation²

Consumer prices within the selected economies increased during the review period. The USA and Euro Area recorded respective inflation rates of 1.7% and 1.4%. Canada and the UK both registered inflation of 1.9%.

The energy and food price indices decreased during the review period (see Figure 1) despite an increase in consumer prices among the major economies. The decline in prices for

energy commodities was due primarily to the lower price of crude oil on the international market, which averaged US\$62.78 per barrel in January–June 2019 relative to US\$68.01 per barrel in January–June 2018³.

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



Source: World Bank commodity prices (The Pink Sheet)

1.3 Interest Rates and Exchange Rates⁴

All major central banks maintained their policy interest rates during the review period. These monetary decisions were premised on the main economic indicators, such as GDP growth and inflation, moving in line with expectations. The Federal Reserve maintained the target range for its federal funds rate at 2.25% to 2.50% during the first half of 2019. The Bank of Canada upheld its policy interest rate at 1.75%.

The Bank of England preserved its policy interest rate at 0.75%. The European Central Bank (ECB) retained its policy interest rates on the main refinancing operations, marginal

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

² Data obtained from the US Bureau of Labor 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.

⁴ Data obtained from the Federal Reserve Bank, Bank of England, Bank of Canada, European Central Bank



lending facility and deposit facility at 0.00%, 0.25% and -0.40%, respectively.

Table 1: Central Bank Policy Interest Rates (Jan-Jun)

		US ¹	UK	Canada	Euro Area
Rates in %					
2017	Q1	0.88	0.25	0.50	0.00
	Q2	1.13	0.25	0.50	0.00
	Q3	1.13	0.25	1.00	0.00
	Q4	1.38	0.50	1.00	0.00
2018	Q1	1.63	0.50	1.25	0.00
	Q2	1.88	0.50	1.25	0.00
	Q3	2.13	0.75	1.50	0.00
	Q4	2.38	0.75	1.75	0.00
2019	Q1	2.38	0.75	1.75	0.00
	Q2	2.38	0.75	1.75	0.00

1. Mid-point of the federal funds rate range used in this table

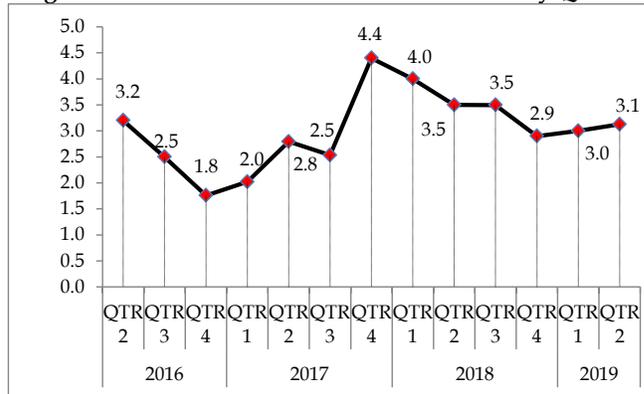
Source: Federal Reserve Bank, Bank of England, Bank of Canada and European Central Bank.

The US Dollar, on average, strengthened nominally against three of the world’s major traded currencies during January–June 2019 compared with the corresponding period in 2018. Notably, the US Dollar strengthened by 6.0% against the Great Britain Sterling Pound, 6.7% against the Euro and 4.3% against the Canadian Dollar.

2. Cayman Islands’ Estimated GDP

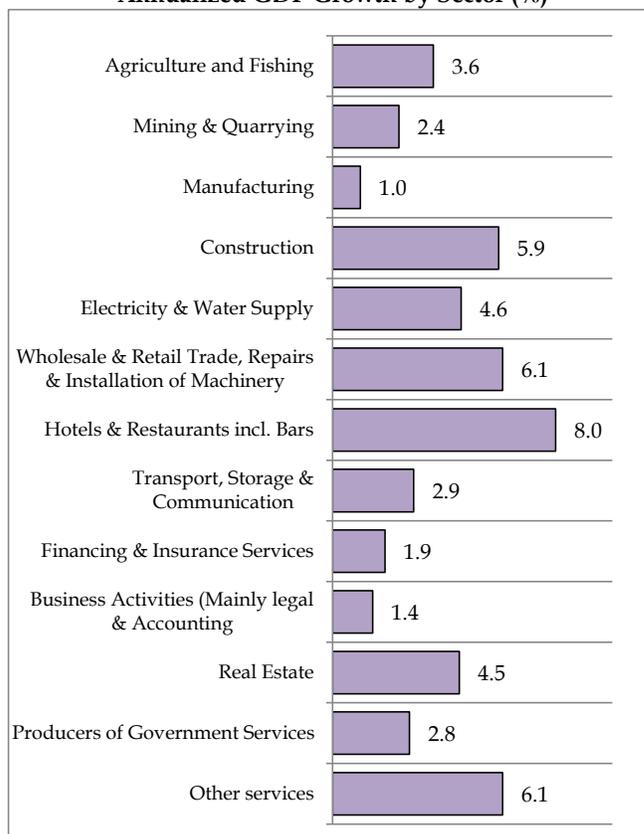
Available indicators suggest that the Cayman Islands’ gross domestic product (GDP) grew in real terms by an estimated annualised rate of 3.1% in the first six months of 2019 compared to 3.7% a year ago. The economy is estimated to have expanded by 3.1% in the second quarter slightly above the 3.0% growth estimated in the first quarter.

Figure 2: Estimated Annualized GDP Growth by Quarter



Source: Economics and Statistics Office

Figure 3: Estimated First Half of 2019 Annualized GDP Growth by Sector (%)



Source: Economics and Statistics Office

The economic performance in the first half of the year was broad-based with all sectors contributing to growth. The sectors with the



highest estimated growth rates were hotels and restaurants (8.0%), wholesale and retail trade, repair and installation of machinery (6.1%), construction (5.9%), electricity and water supply (4.6%), and real estate (4.5%). The financing and insurance services sector, which continues to be the largest contributor to GDP, grew by 1.9% during the review period (see Figure 3).

Given the strong performance in the first two quarters, and with growth expected to persist in some sectors, the forecasted GDP growth for the year is revised up to 2.8% from 2.6% (see Table 2). The revision is supported by robust demand in the domestic economy and continued resilience in advance economies. General stability is also expected to continue in the financing and insurance sector, which will help to maintain the forecasted growth path.

**Table 2: Macroeconomic Outlook
Based on Semi-Annual Data**

	2016 2017 2018			Projection
				2019
	Percent (%)			
Real GDP*	3.1	3.0	3.3	2.8
CPI Inflation	-0.7	2.0	3.3	3.2
Unemployment Rate	4.2	4.9	2.8	3.5

Source: Economics and Statistics Office

The robust expansion in the economy supported increased demand which exerted additional inflationary pressures on prices in the first half of the year. Consistent with the upward revision in economic growth forecast and with demand pressures expected to persist. The inflation forecast was revised upwards to 3.2% for the year from the 2.9% previously anticipated.

The forecast for the year-end unemployment rate is maintained at 3.5%, conditional on expected stability in local labour market conditions. Notwithstanding, the continued expansion in the local economy poses some downside risk to the forecast.

3. Inflation⁵

For the first half of 2019, the inflation rate averaged 3.9%, continuing the increasing trend observed for the last two corresponding period. The rise in prices was reflected in both the first and second quarter of the year which posted inflation rates of 4.5% and 3.4%, respectively (see Table 3 and Figure 4).

Table 3: Inflation Rates (% , Jan-June)

Categories	Avg. Inflation Rates (%)	
	Half year 2018	Half year 2019
Food & Non-alcoholic Beverages	4.4	1.4
Alcohol and Tobacco	0.3	2.1
Clothing and Footwear	0.2	2.6
Housing and Utilities	3.3	10.8
Household Equipment	3.4	2.6
Health	4.9	0.7
Transport	12.5	-5.3
Communication	1.4	6.9
Recreation and Culture	0.1	7.9
Education	4.1	2.6
Restaurants and Hotels	-0.1	1.8
Misc. Goods and Services	0.9	-0.3
Overall CPI Inflation	4.0	3.9

Source: Economics and Statistics Office

⁵ A detailed inflation report is posted at www.eso.ky

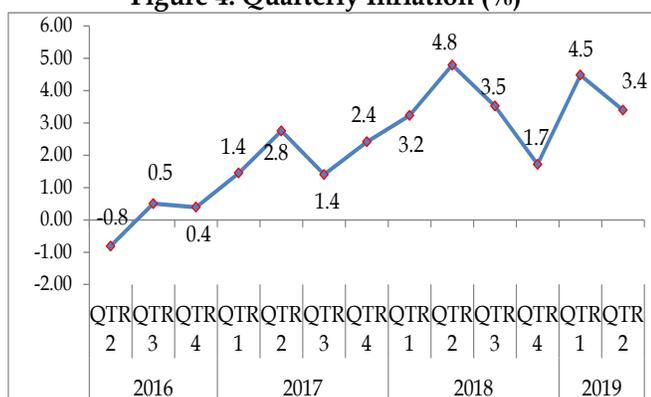


Higher prices were recorded for most divisions with both food and non-food prices increasing. These increases were primarily due to domestic demand and supply conditions as global food and fuel prices declined.

Despite the increasing price trends in most divisions, there were declines in the cost of transport and miscellaneous goods and services for the period.

The second-quarter inflation rate of 3.4% is mainly traced to price increases for housing, recreation services and food.

Figure 4: Quarterly Inflation (%)*

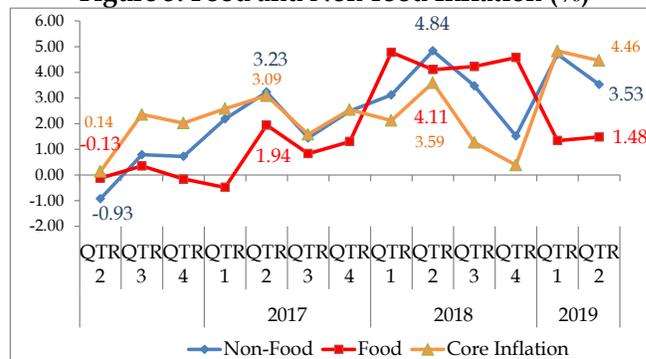


*Inflation of current quarter CPI over the same quarter a year ago.
Source: Economics and Statistics Office

Core inflation (CPI excluding food, electricity and fuels) averaged 4.6% for the first half of the year as the second quarter core increased by 4.5%. The average core was traced to the cost of housing and utilities which rose by 10.8%. The growth in the division was largely driven by a rise in actual rental and imputed rental costs of 19.5% and 11.0%, respectively. Additionally, the index for maintenance and repair of dwellings rose by 4.0%.

The price index for recreation and culture went up by 7.9% due largely to an increase in of 44.0% in recreation and sporting services and a 23.0% rise in package holidays abroad in the second quarter.

Figure 5: Food and Non-food Inflation (%)



Source: Economics and Statistics Office

Food and alcoholic beverages showed an average inflation rate of 1.4% with price increases reflected in fish and seafood, oils and fats and Sugar, sugar confectionery, and snacks.

4. Trade⁶

Driven by the continued increase in local economic activity, the total value of merchandise imports rose by 10.6% to \$544.2 million in the first six months of 2019 compared with the corresponding period in 2018 (see Figure 6). This performance was reflected in most major categories of imports. Fuels and petroleum-related products rose by 2.4% to \$68.1 million while non-petroleum products grew by 11.9% to \$476.1 million.

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



Within non-petroleum products, the categories recording the most substantial increases were *machinery and transport equipment* (up by \$22.7 million to \$122.1 million), *miscellaneous manufactured articles* (up \$12.8 million to \$110.4 million) and *Manufactured goods classified chiefly by material* (up \$11.3 million to \$66.2 million).

Figure 6: Merchandise Imports (Jan-June)
(CI\$ Millions)



Source: Customs Department and ESO

The rise in imported petroleum-related products occurred despite a reduction in the quantity of fuel imported and a drop in international crude oil prices for the review period. The quantity of fuel imports fell by 4.4% to reach 30.3 million imperial gallons (see Table 4).

Table 4: Oil Imports (Jan-June)

	2017	2018	2019	% Change
	Millions of Imperial Gallons			
Total Fuel	28.1	31.7	30.3	(4.4)
Diesel	17.8	19.4	16.0	(17.5)
Gas	6.3	7.6	9.6	26.3
Aviation Fuel	2.9	3.5	3.1	(11.4)
Propane	1.1	1.2	1.5	25.0

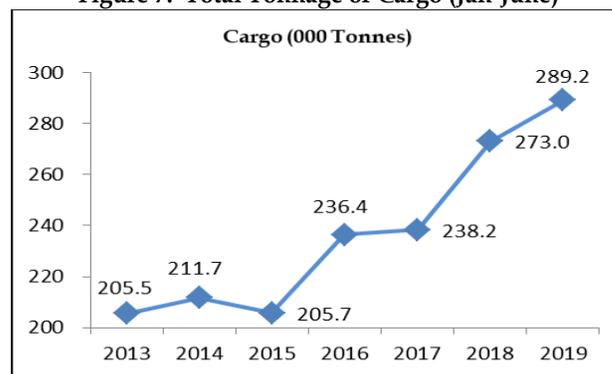
Source: Cayman Islands Port Authority

The total tonnage of landed cargo increased by 5.9% to 289,189 tonnes (see Figure 7). Of

this amount, containerised cargo accounted for 46.3% (133,960 tonnes), Aggregates represented 42.6% (123,050 tonnes), while cement bulk and breakbulk cargo accounted for 9.6% (27,808 tonnes) and 1.5% (4,371 tonnes) of the total landed cargo, respectively.

The increase in the quantity of cargo was supported by a rise in productivity at the port. Specifically, the amount of cargo handled per hour rose to 134 tonnes from 122 tonnes in the corresponding period of 2018.

Figure 7: Total Tonnage of Cargo (Jan-June)



Source: Cayman Islands Port Authority

5. Employment

5.1. Labour Force⁷

According to the 2019 Spring Labour Force Survey, the labour force expanded by 7.7% to 47,622. This expansion was attributed to an 18.0% growth in the Non-Caymanian labour force and a 2.6% rise in the Caymanian labour force. In contrast, Permanent Residents with Rights to Work (WRW) declined by 12.0%.

⁷ See also “The Cayman Islands’ Labour Force Survey Report Spring 2018,” www.eso.ky

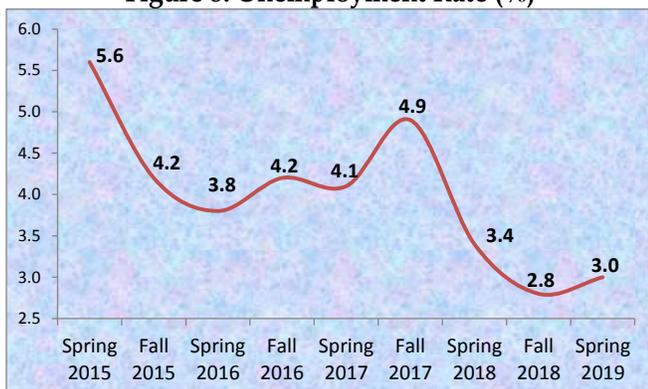


The increase in the supply of labour emanated from increases in the working-age population of Non-Caymanians (by 17.6%) and Caymanians (by 3.0%). The impact of which was partly mitigated by a decline in the working-age population of Permanent Residents WRW by 17.0%.

Employment increased by 8.2% (or 3,498) to 46,215 persons, with Non-Caymanian employment increasing by 18.0% to 21,939 and Caymanian employment rising by 3.2% to 20,474. In contrast, employment among Permanent Residents WRW fell by 11.2% to 3,802.

The unemployment rate decreased to 3.0% from 3.4% in the same period of 2018. This decline emanated from reductions in unemployment across the Caymanian and Permanent Residents WRW status groups. The highest reduction in unemployment was recorded among Caymanians, which fell by 80 to 1,038 or from 5.3% in the first half of 2018 to 4.8% in the review period.

Figure 8: Unemployment Rate (%)

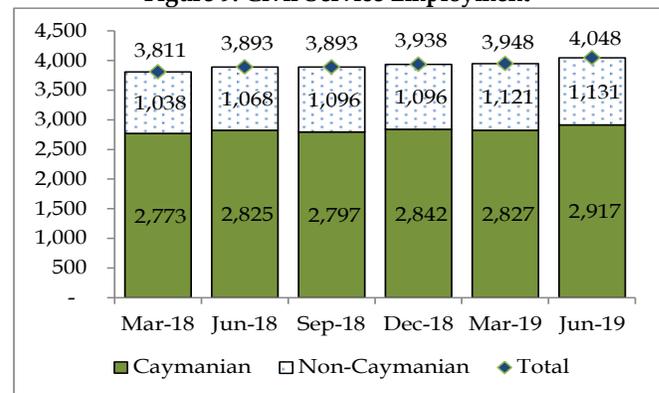


Source: Economics and Statistics Office

5.2 Central Government Employment

Central government employment rose to 4,048 at the end of the review period from 3,893 at the end of June 2018. Caymanian and Non-Caymanian employment increased by 92 to 2,917 and 63 to 1,131, respectively. Caymanians accounted for 72.1% of the civil service while Non-Caymanians represented 27.9%.

Figure 9: Civil Service Employment



Source: Portfolio of the Civil Service

5.3. Work Permits

Based on the database of the Immigration Department, the number of work permits issued in the Cayman Islands was recorded at 28,750 at the end of June 2019 from 25,570 at the end of June 2018. The number of work permits has shown an increasing trend since the third quarter of 2014.

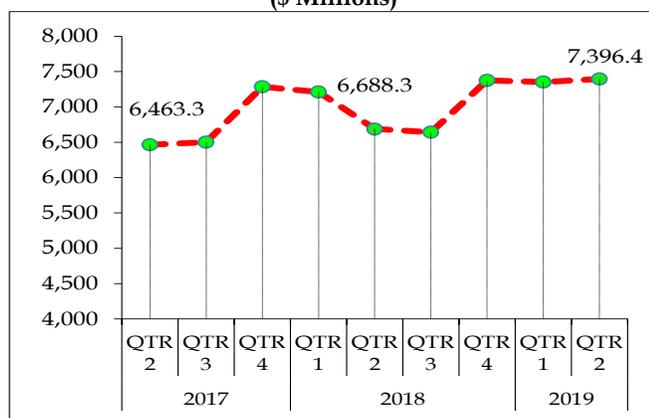
When compared with the end of March 2019, the number of work permits increased by 5.0% from 27,374.



6. Money & Banking

Total deposits in the domestic banking system rose in the first half of the year with both local and foreign currency-denominated money increasing. Foreign currency (FOREX) deposits for the period increased by 10.7%, while KYD dollar-denominated money grew by 10.5%. The expansion in deposits coupled with increased currency in circulation boosted broad liquidity (M2) by 10.6% to \$7,396.4 million in the first half of 2019 (see Figure 10 and Table 5).

Figure 10: Total Money Supply (M2)
(\$ Millions)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

The growth in broad liquidity (M2), which represents the liabilities of the monetary and banking sector, was supported by an increase in net foreign assets while net domestic assets declined.

Table 5: Monetary and Banking Indicators (\$ Millions)

	Jun-18	Jun-19	% Change
Total Assets	6,688.3	7,396.4	10.6
Net Foreign Assets	4,080.0	5,557.4	36.2
Monetary Authority	125.1	136.4	9.0
Commercial Banks	3,954.9	5,421.0	37.1
Net Domestic Assets	2,608.3	1,839.1	(29.5)
Domestic credit	3,691.9	3,125.9	(15.3)
Claims on central government	170.0	144.3	(15.1)
Claims on other public sector	52.0	50.5	(2.9)
Claims on private sector	3,469.9	2,931.1	(15.5)
Other items net	(1,083.6)	(1,286.9)	18.8
Broad Liquidity	6,688.3	7,396.4	10.6
Broad money (KYD) M2	1,682.4	1,853.0	10.1
Currency in circulation	117.9	124.1	5.3
KYD Deposits	1,564.5	1,728.9	10.5
Demand deposits	591.4	645.2	9.1
Time and savings deposits	973.1	1,083.7	11.4
FOREX deposits	5,005.9	5,543.4	10.7
of which: US dollars	4,644.2	5,105.6	9.9
US dollars share (%)	92.8	92.1	

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

6.1. Net Foreign Assets (NFA). Increased liquidity in the financial system allowed the Cayman Islands Monetary Authority (CIMA) and commercial banks to expand their net foreign assets by 9.0% and 37.1%, respectively. The higher NFA among commercial banks was driven by an increase in foreign assets and supported by a simultaneous reduction in foreign liabilities (see Table 6).

Commercial bank's foreign assets were boosted by an 18.0% build-up in foreign investments. Similarly, balances with banks and branches increased by 12.8%, while non-resident loans rose by 2.5%. On the liabilities side, there was a reduction in non-resident deposits and other liabilities by 11.8% and 10.4%, respectively.



Table 6: Net Foreign Assets (\$ Millions)

	Jun-18	Jun-19	% Change
Net Foreign Assets	4,080.0	5,557.4	36.2
Monetary Authority	125.1	136.4	9.0
Commercial Banks	3,954.9	5,421.0	37.1
Foreign Assets	7,972.0	8,967.4	12.5
Bal. with Banks & Branches	3,733.6	4,210.0	12.8
Total Investment	2,655.7	3,134.5	18.0
Total Non-Resident Loans	1,582.7	1,622.9	2.5
Foreign Liabilities	4,017.1	3,546.4	(11.7)
Total Non-Resident Deposits	3,776.5	3,330.8	(11.8)
Other Liabilities	240.6	215.7	(10.4)

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

6.2. Net Domestic Assets/Domestic Credit.

Domestic borrowings declined by 15.3% in the review period as credit extended to both the private and public sector contracted (see Table 7).

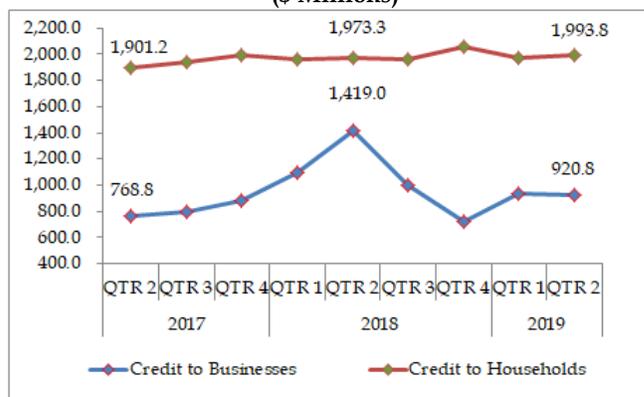
Table 7: Net Domestic Assets (\$ Millions)

	Jun-18	Jun-19	% Change
Domestic Credit	3,691.9	3,125.9	(15.3)
Credit to Public Sector	222.0	194.8	(12.2)
Credit to Central Government	170.0	144.3	(15.1)
Credit to Other Public Sector	52.0	50.5	(2.9)
Credit to Private Sector	3,469.9	2,931.1	(15.5)

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Continued commitment to fiscal discipline coupled with robust revenue growth, facilitated a decline in central government domestic debt by 15.1%. Similarly, lending to parastatals authorities fell by 2.9% over the period. Private sector credit decreased by 15.5% in the first half of 2019, driven by a reduction in business lending of 35.1%. The impact of this was partly offset by an expansion in household credit of 1.0% (Figure 11 and Table 8).

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



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Table 8: Net Credit to the Private Sector (\$ Millions)

	Jun-18	Jun-19	% Change
Total Private Sector Credit	3,469.9	2,931.1	(15.5)
Credit to Businesses	1,419.0	920.8	(35.1)
Production & Manufacturing	179.8	311.4	73.1
Mining	4.4	5.1	15.9
Manufacturing	14.1	12.2	(13.5)
Utilities	33.9	37.0	9.1
Construction	127.5	257.1	101.7
Services	105.4	113.9	8.1
Accommodation, Food, Bar & Entertainment Services	45.9	58.9	28.3
Transportation, Storage & Communications	23.7	29.2	23.2
Education, Recreational & Other Professional Services	35.8	25.8	(27.9)
Trade and Commerce	1,068.3	487.1	(54.4)
Wholesale & Retail Sales Trade	60.5	64.5	6.6
Real Estate Agents, Rental and Leasing Companies	173.6	184.6	6.3
Other Business Activities (General Business Activity)	834.1	238.0	(71.5)
Other Financial Corporations	65.5	8.5	(87.0)
Credit to Households	1,973.3	1,993.8	1.0
Domestic Property	1,678.9	1,795.2	6.9
Motor Vehicles	62.8	69.0	9.9
Education and Technology	7.2	7.3	4.4
Miscellaneous*	224.3	122.2	(78.7)
NonProfit Organizations	77.5	16.5	(78.8)

Source: Cayman Islands Monetary Authority & Economics and Statistics Office



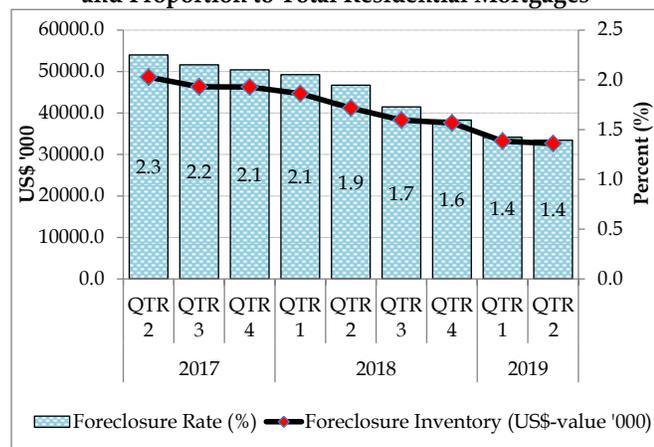
Credit advanced to business enterprises fell sharply by \$498.2 million to \$920.8 million during the review period, driven by a reduction in loans to the trade and commerce sector, particularly other business activities (down by 71.5% or \$596.2 million). Additionally, loans to other financial corporations fell by 87.0% (or \$57.0 million) while credit to the professional services declined by 27.9% (or \$10.0 million).

Credit to households increased by \$20.5 million as a \$116.3 million increase in household borrowings for domestic property outweighed a \$102.1 million decline in miscellaneous borrowings (see Table 8).

6.3. Residential Mortgage Foreclosures

At end-June 2019, data from CIMA shows that there were 108 properties in the local commercial banks' foreclosure inventory valued at US\$32.6 million. This represented a decrease compared to the 145 properties valued at US\$41.1 million in the comparative period in 2018.

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



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

The foreclosure rate (foreclosure inventory over total residential mortgages) as at June 2019 declined to 1.4% in 2019 from 1.9% in 2018.

The total number of completed foreclosures declined to 8 (or 7.4% of all foreclosures) in 2019 from 15 (or 10.3% of all foreclosures) in 2018.

6.4. Broad Liquidity. Broad liquidity (M2) in the Cayman Islands expanded by 10.6% in the first half of 2019 to settle at \$7,396.4 million, relative to \$6,688.3 million for the same period last year.

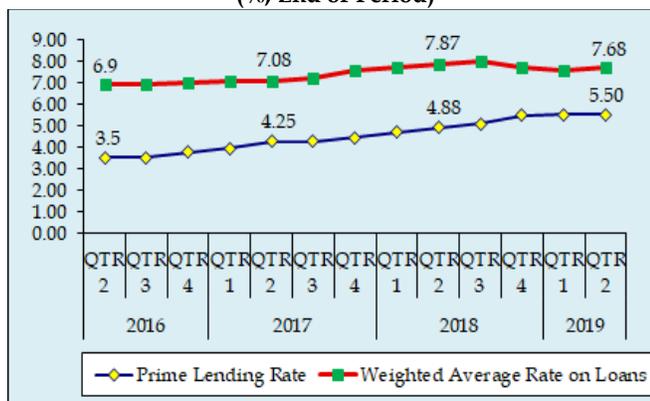
The additional liquidity in the system was fostered by higher levels of both foreign deposits and local currency-denominated money.

Local currency-denominated money supply, which is comprised of currency in circulation and deposits, increased by 10.1%. While, foreign currency deposits rose by 10.7%, with holdings of US dollar-denominated deposits rising by 9.9%.

6.5. Interest Rates. The Cayman Islands' prime lending rate increased by 63 basis points to 5.5% as at June 2019. Despite the rise in the prime lending rate, the KYD weighted average lending rate fell to 7.68% relative to 7.87% in the same period of 2018 (see Figure 13).



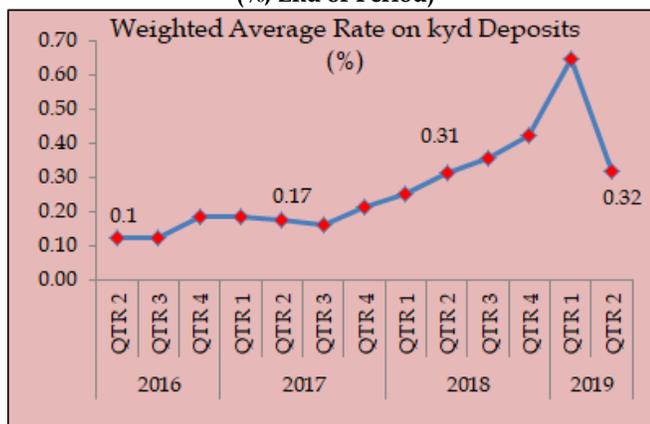
Figure 13: KYD Lending Rates
(%, End of Period)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

As indicated in Figure 14, the weighted average savings rate on KYD deposits increased by one basis point during the first six months of 2019 to 0.32% relative to a year ago.

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



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

7. Financial Services

Indicators of financial service mostly fell in the first six months of the year. Mutual funds and stock market indicators improved while all other categories declined.

7.1 Banks & Trust

The thrust towards enhanced efficiency, through consolidation, persisted among bank and trust companies during the review period. As at June 2019, the number of licenced Bank and Trust companies declined by 9.5% to 133.

The number of Class ‘A’ Bank & Trust licences fell by one to 10, while the number of foreign banks or Class ‘B’ licences decreased to 123 from 136.

The number of trust company licences decreased to 116 from 118 at the end of June 2018. This was due to a decline in the number of ‘Restricted’ licences to 58 from 61. ‘Unrestricted’ licences, on the other hand, licences rose to 58 from 57.

Table 9: Bank & Trust Companies

	Jun 2017	Jun 2018	Jun 2019	% Change
Bank and Trust	158	147	133	(9.5)
Class A	11	11	10	(9.1)
Class B	147	136	123	(9.6)
Trust Companies	118	118	116	(1.7)
Restricted	61	61	58	(4.9)
Unrestricted	57	57	58	1.8

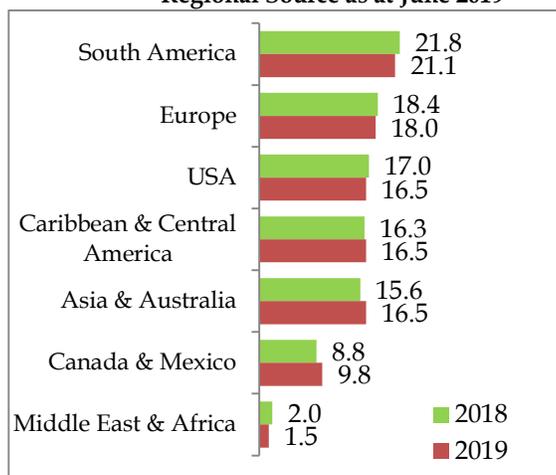
Source: Cayman Islands Monetary Authority

South America, Europe and the USA continued to be the leading sources of Cayman’s banking licences, accounting for



21.1%, 18.0% and 16.5% of the total, respectively.

Figure 15: Percentage Proportion of Registered Banks by Regional Source as at June 2019



Source: Cayman Islands Monetary Authority

7.2 Insurance

Insurance licences on record fell to 684 at the end of June 2019 relative to 726 at the end of June 2018.

Class 'A' licences, which represents the domestic insurers, declined by 1 to 27. Captive licences fell by 41 to 657. Within captives, Class 'B' and Class 'C' licences declined by 41 to 628 and 1 to 24, respectively. In contrast, Class 'D' licences rose by 1 to 5.

Table 10: Insurance Companies

	Jun 2017	Jun 2018	Jun 2019	% Change
Domestic - Class 'A'	29	28	27	(3.6)
Captives	701	698	657	(5.9)
Class 'B'	673	669	628	(6.1)
Class 'C'	25	25	24	(4.0)
Class 'D'	3	4	5	25.0
Total	730	726	684	(5.8)

Class B: captives and segregated portfolio companies;
Class C: special purpose vehicles

Source: Cayman Islands Monetary Authority

Cayman's captive insurance continued to be dominated by Healthcare and Workers' Compensation, which accounted for 33.2% and 21.3% of the market, respectively.

North America continued to be the major source market for captive insurance business with 90.7% (596) of the total captives.

Table 11: Captive Insurance Licences by Primary Class of Business, June 2019

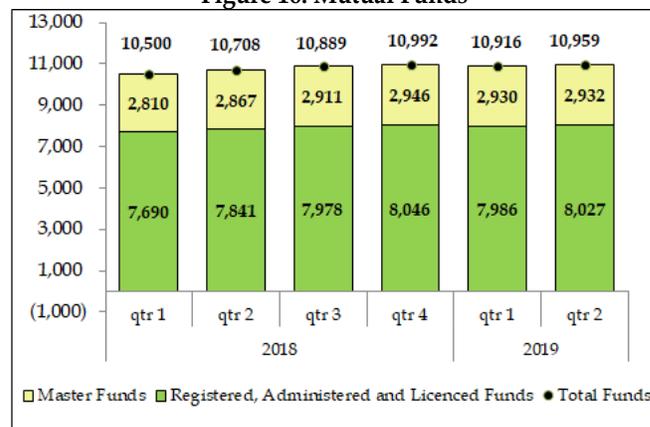
	Jun-18	Jun-19	Change	% Proportion
Healthcare	225	218	(3.1)	33.2
Workers' Compensation	152	140	(7.9)	21.3
Property	68	66	(2.9)	10.0
General Liability	78	74	(5.1)	11.3
Professional Liability	60	55	(8.3)	8.4
Other	115	104	(9.6)	15.8
Total	698	657	(5.9)	100.0

Source: Cayman Islands Monetary Authority

7.3 Mutual Funds

The number of mutual funds increased by 2.3% to 10,959 at the end of June 2019 relative to the end of the corresponding period in 2018. This was due to increases of 2.3% in Master Funds and 2.4% in Registered, Administered & Licenced Funds.

Figure 16: Mutual Funds



Source: Cayman Islands Monetary Authority



7.4 Stock Exchange

The number of stocks listed on the Cayman Islands Stock Exchange rose by 399 (or 27.3%) to 1,863 at the end of June 2019. Three of the seven instruments recorded increases while two declined and two remained unchanged. Specialist debt instruments recorded the largest absolute increase, rising by 402 listings to 1,317. Corporate and sovereign debt instruments grew by 28 to 309 while retail debt doubled to two instruments.

In contrast Investment fund instruments fell by 28 to 187, while insurance linked instruments declined by 4 to 43.

Table 12: Number of Stock Listings by Instruments, end June

Instrument	2017	2018	2019	% Change
Investment Fund Security	236	215	187	(13.0)
Specialist Debt Security	529	915	1,317	43.9
Corporate & Sovereign Debt Security	254	281	309	10.0
Primary Equity Security	3	4	4	0.0
Secondary Equity Security	1	1	1	0.0
Insurance Linked Security	39	47	43	(8.5)
Retail Debt Security	1	1	2	100.0
Total	1,063	1,464	1,863	27.3

Source: Cayman Islands Stock Exchange

Market capitalisation increased by US\$87.9 billion to US\$373.3 billion as at June 30, 2019, the highest on record. The growth in market capitalisation reflected increases in four categories, while three declined. Specialist debt instrument accounted for most of the increase in market capitalisation, rising by \$76.8 billion.

Table 13: Market Capitalization by Instruments, (US\$ Billions), end June

Instrument	2017	2018	2019	% Change
Investment Fund	10.0	11.3	10.8	(4.4)
Specialist Debt	108.1	165.8	242.6	46.3
Corporate & Sovereign Debt Security	93.8	101.4	112.9	11.3
Primary Equity	0.3	0.2	0.4	100.0
Secondary Equity	0.1	0.1	0.0	(100.0)
Insurance Linked Security	5.1	6.1	5.7	(6.6)
Retail Debt	0.4	0.4	0.8	100.0
Total	217.7	285.4	373.3	30.8

Source: Cayman Islands Stock Exchange

7.5 New Company Registrations

New company registrations for January–June 2019 declined by 23.1% to 6,819. This reflected a reduction from the record number of registrations in 2018 but an increase relative to the comparable period in 2017 (see Table 14).

The reduction in registrations was due to declines in the ‘Exempt’ and ‘Foreign’ categories. The number of ‘Exempt’ companies fell by 26.4% to 5,578 while the number of ‘Foreign’ companies decreased by 17.5% to 362. The number of ‘Non-Resident’, ‘Resident’ and ‘Limited Liability’ companies grew by 112.5%, 4.2% and 0.9%, respectively.



Table 14: New Company Registrations, end June

	2017	2018	2019
Total	6,372	8,863	6,819
Exempt	5,421	7,574	5,578
Non-Resident	8	8	17
Resident	315	385	401
Foreign	315	439	362
LLC	313	457	461
Percentage Change (%)			
Total	9.9	52.9	(23.1)
Exempt	4.9	39.7	(26.4)
Non-Resident	(55.6)	-	112.5
Resident	16.2	22.2	4.2
Foreign	(7.1)	39.4	(17.5)
LLC		46.0	0.9

Source: Registrar of Companies

7.6 New Partnership Registrations

New partnership registrations fell by 11.2% to 2,343 during the review period. Despite falling relative to the record level observed in 2018, there was an increase when compared to January-June 2017.

Table 15: New Partnership Registrations, end June

	2017	2018	2019
Total	1,884	2,639	2,343
Exempt	1,839	2,595	2,284
Foreign*	45	44	59
Percentage Change (%)			
Total	10.2	40.1	(11.2)
Exempt	10.1	41.1	(12.0)
Foreign*	15.4	(2.2)	34.1

Source: Registrar of Companies

8. Tourism

The tourism sector benefitted from a rise in air arrivals during the first half of the year, despite a decline in cruise arrivals which weighed on the total arrivals for the period. Total arrivals to the Islands' fell by 2.0% to 1,289,159.

Table 16: Air Arrivals by Regional Market (Jan - June)

	2017	2018	2019	% Change
USA	180.0	213.1	236.7	11.1
Europe	12.0	11.8	12.4	5.1
Canada	14.3	15.8	18.6	17.7
Others	11.9	12.3	13.0	5.7
Total	218.2	252.9	280.7	11.0
USA (% share)	82.5	84.3	84.3	

Source: Tourism Department

8.1 Air Arrivals

Stay-over arrivals remained strong for the first half of 2019, with visitors from all regional markets increasing. Air arrivals rose by 11.0% from a year ago to 280,704. The USA market generated the largest increase in arrivals, increasing by 11.1% to 236,737. The Canadian market recorded the second-largest absolute increase, rising by 17.7% to 18,637.

Tourist arrivals during the quarter benefitted from sustained economic growth in the major source countries (see Section 1.1) and improved marketing of the Islands' services.

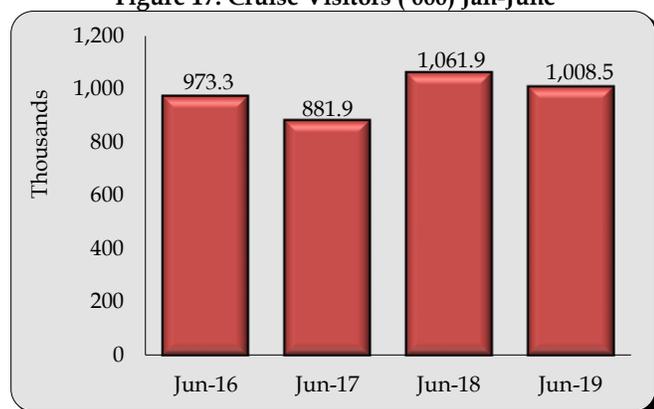
8.2 Cruise Arrivals

As of June 2019, a total of 334 cruise vessels visited Cayman's ports, a decline of 7.0% relative to the period of 2018. The fall in vessels corresponded with the number of



cruise visitors to the Islands which fell by 5.0% to 1,008,455.

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



Source: Tourism Department

9. Construction

Indicators of construction intention showed signs of increasing activity for the first six months of the year.

9.1 Building Permits

Following two periods of consecutive declines, the value of building permits recovered in the first half of 2018, growing by 88.0% to \$208.1 million. This was attributed mainly to an increase in the residential and 'other' category.

The value of residential permits increased by 88.9% for the period with the houses and apartment segments increasing. Permits issued for several high-end houses boosted the houses category by 63.1% to \$69.8 million. Similarly, permits for apartments increased by 118.4%, reflecting several large scale projects.

The "other" category rose by \$31.2 million, owing to permits for two large scale projects for a swimming pools and a large PVC solar installation.

The rise in value for the review period was partially offset by a 51.2% reduction in the commercial category.

Table 17: Value of Building Permits (Jan- Jun)

	Building Permits (CI\$ Mil)			% Change
	2017	2018	2019	
Residential	79.0	80.4	151.9	88.9
Houses	42.4	42.8	69.8	63.1
Apartments	36.5	37.6	82.1	118.4
Commercial	23.8	28.5	13.9	(51.2)
Industrial	3.5	-	1.5	-
Hotel	2.8	-	0.2	-
Government	0.1	0.0	7.6	-
Other	5.5	1.9	33.1	1,642.1
Total	114.7	110.7	208.1	88.0

Source: Planning Department

Consistent with the growth in value of building permits, the number of building permits increased to 659 compared to 416 for the same period last year. This was due to more permits being granted in all categories.

Table 18: Number of Building Permits (Jan-Jun)

	Number of Permits			% Change
	2017	2018	2019	
Residential	156	184	269	46.2
Houses	112	119	189	58.8
Apartments	44	65	80	23.1
Commercial	35	38	50	31.6
Industrial	5	-	3	-
Hotel	2	1	1	-
Government	2	1	18	1,700.0
Other	210	192	318	65.6
Total	410	416	659	58.4

Source: Planning Department



9.2 Project Approvals

Project approvals value spiked by \$435.9 million to \$523.2 million in the review period as all categories increased. The increase in value was sufficient to totally offset the decline in approvals for the corresponding period of 2018.

Table 19: Value of Project Approvals (Jan-Jun)

	Project Approvals (CI\$ Mil)			% Change
	2017	2018	2019	
Residential	216.4	38.2	204.8	436.1
Houses	68.9	19.4	54.8	182.5
Apartments	147.5	18.8	150.0	697.9
Commercial	24.9	31.2	39.2	25.6
Industrial	21.2	0.1	1.3	1,200.0
Hotel	-	-	20.1	-
Government	1.4	-	0.6	-
Other	85.3	17.8	257.2	1,344.9
Total	349.4	87.3	523.2	499.3

Source: Planning Department

The “other” category recorded the largest absolute increase, rising by \$239.4 million to \$257.2 million. This primarily reflected modifications to the “Olea” housing project as well as a major hotel project.

The apartment segment rose by \$131.2 million due to approvals for some large scale projects. Similarly, houses rose by \$35.4 million for the period.

Overall, the total number of project approvals increased by 27.9% to settle at 380, as all categories increased.

Table 20: Number of Project Approvals (Jan-Jun)

	Number of Approvals			% Change
	2017	2018	2019	
Residential	202	110	176	60.0
Houses	158	96	138	43.8
Apartments	44	14	38	171.4
Commercial	24	5	18	260.0
Industrial	13	3	3	-
Hotel	-	-	1	-
Government	7	-	2	-
Other	392	179	180	0.6
Total	638	297	380	27.9

Source: Planning Department

10. Real Estate

Real estate activity, as measured by the value and volume of traded properties, improved in the first half of 2019 relative to 2018.

The value of property transfers during the first half of the year rose by 11.9% to \$448.7 million. The increase reflected growth in the value of freehold and leasehold transfers by 6.2% and 176.3%, respectively.

Figure 18: Value of Property Transfers (CI\$ Million, Jan-Jun)



Source: Lands & Survey Department



The number of property transfers also increased in the first half of the year, rising by 11.7% to reach 1,042. The volume of freehold property transfers rose by 11.1% to 933 while leasehold transfers rose by 17.2% to 109.

Figure 19: Number of Property Transfers (Jan-Jun)



Source: Lands & Survey Department

11. Utilities

11.1 Electricity

Demand for electricity increased by 6.4% to 319.4 megawatts hours (Mwh) in the first half of 2019. There was a 3.6% increase in commercial consumption and a 9.9% increase in residential consumption. In contrast, public consumption of electricity declined by 20.0% during the period. As the consumption of electricity intensified, net production expanded by 6.2% to 325.2 Mwh over the period.

The growth in consumption was partly attributed to a larger customer base as the total number of residential and commercial customers increased by 2.4% and 2.8%, respectively. Notably, the average consumption of residential and commercial

customers increased for the first half of the year by 7.3% and 0.7%, respectively.

Table 21: Utilities Production/Consumption

	Jun-17	Jun-18	Jun-19	% Change
Millions of US Gallons				
Water Production	1,185.5	1,223.6	1,267.9	3.6
Water Consumption	1,025.0	1,060.9	1,080.5	1.8
'000 of megawatt hrs				
Electricity Production (Net)	314.6	306.1	325.2	6.2
Electricity Consumption	297.6	300.2	319.4	6.4
Residential	149.2	146.5	161.0	9.9
Commercial	144.9	150.2	155.6	3.6
Public	3.4	3.5	2.8	(20.0)
Total Customers	28,803	29,377	30,100	2.5
Residential	24,531	25,020	25,620	2.4
Commercial	4,272	4,357	4,480	2.8

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

11.2 Water

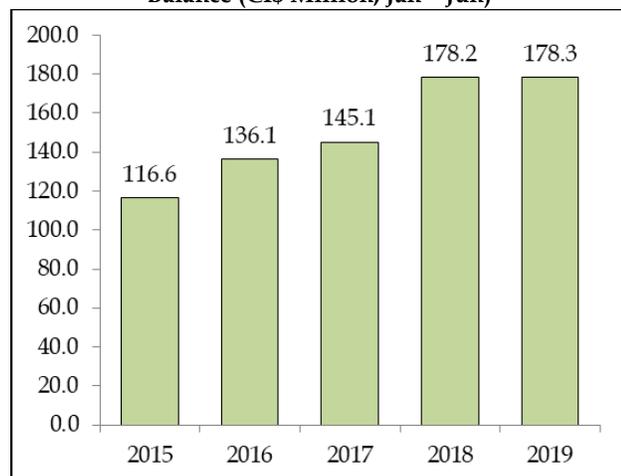
Domestic water production and consumption increased by 3.6% and 1.8%, respectively, for the first six months of 2019. The rise in water demand could partly be due to increased economic activity as well as growing population levels.

12. Fiscal Operations of the Central Government

Net lending (overall surplus), which is revenue less expenditure, increased for the seventh consecutive half-year period, rising to \$178.3 million from \$178.2 million during the corresponding period of 2018 (see Figure 20 and Table 22).



Figure 20: Central Government Overall Fiscal Balance (CI\$ Million, Jan - Jun)



Source: Treasury Department

Growth in the overall surplus was due to higher revenue which outweighed an expansion in expenditure. The increase in revenue was observed in both taxes and other revenue, while the expansion in expenditure reflected increases in expenses (formerly current expenditure) and net investment in nonfinancial assets (formerly net capital expenditure and net lending).

Table 22: Summary of Fiscal Operations (Jan-Jun)

	Jun-18	Jun-19	% Change
	CI\$ Million		
Revenue	498.4	535.7	7.5
Expense	309.9	342.5	10.5
Net Operating Balance	188.5	193.2	2.5
Net Investment in Nonfinancial Assets ¹	10.3	14.9	44.7
Expenditure	320.2	357.4	11.6
Net Lending (Overall Surplus)	178.2	178.3	0.1
Financing:			
Net Acquisition of Financial Assets	160.2	165.5	3.3
Net Incurrence of Liabilities	(18.0)	(12.8)	(28.9)

Source: Treasury Department & Economics and Statistics Office

The **net operating balance (formerly current balance)**, which is revenue minus expense, increased to \$193.2 million from \$188.5 million in the first six months of 2018.

12.1 Revenue

Revenue for the period rose by 7.5% to \$535.7 million with taxes contributing 92.8% and other revenue contributing 7.2% (see Table 23).

Taxes amounted to \$497.3 million, an increase of 5.5% relative to the comparable period in 2018. The increase was reflected in taxes on goods and services and taxes on international trade and transactions.

Table 23: Revenue of the Central Government (Jan-Jun)

	Jun-18	Jun-19	% Change
	CI\$ Million		
Revenue	498.4	535.7	7.5
Taxes	471.5	497.3	5.5
Taxes on International Trade & Transactions	96.7	105.8	9.4
Taxes on Goods & Services	334.7	357.3	6.8
Taxes on Property	38.8	34.1	(12.1)
Other Taxes	1.3	0.1	(92.3)
Other Revenue	27.0	38.4	42.2
Sale of Goods & Services	20.1	21.0	4.5
Property Income	5.3	14.6	175.5
Fines, Penalties and Forfeits	1.4	1.4	0.0
Transfers n.e.c.	0.1	1.2	1,100.0

Source: Treasury Department & Economics and Statistics Office

Taxes on goods and services rose by 6.8% to \$357.3 million in the first six months of 2019 (Table 24). Financial service licences accounted for the majority of the increase in this category, rising by 5.4% to \$240.7 million. Partnership fees (up 17.6% to \$53.2 million) and other company fees – exempt (up 7.6% to



\$84.6 million) were the major contributors to the increase in financial service licences.

The increase in domestic taxes was also boosted by an increase in work permit and residency fees, which rose by 17.7% to \$44.5 million.

Table 24: Domestic Tax Collection of the Central Government (Jan-Jun)

	Jun-18	Jun-19	% Change
Financial Service Licences	228.3	240.7	5.4
ICTA Licences & Royalties	4.0	3.9	(2.5)
Work Permit and Residency Fees	37.8	44.5	17.7
Other Stamp Duties	5.2	6.4	23.1
Traders' Licences	3.9	3.8	(2.6)
Other Domestic Taxes	55.5	58.1	4.7
Of which:			
Tourist Accommodation Charges	20.8	22.4	7.7
Motor Vehicle Charges	5.7	5.6	(1.8)
Taxes on Goods & Services	334.7	357.3	6.8

Source: Treasury Department & Economics and Statistics Office

Taxes on international trade and transactions rose by 9.4% to \$105.8 million. This was due to an increase in import duties of 10.7% to \$96.0 million. The increase in import duties resulted from higher revenue collected from alcoholic beverages, gasoline and diesel, motor vehicles, tobacco products and other imports. Similarly, other import duties recorded an increase of 13.2% to \$63.2 million, driven by a 1.7% growth in the environmental protection fund fees.

The impact of these increases was partially offset by a 4.3% reduction in cruise ship departure charges as the country recorded a falloff in cruise passengers. The category

'other levies' on international trade and transactions also declined for the period by 2.1%.

In contrast to the general increase in tax revenue, **taxes on property** fell by 12.1% to \$34.1 million (Table 23). This was due to lower stamp duties on land transfers which declined by \$4.6 million to \$33.0 million.

Other revenue increased to \$38.4 million, 42.2% higher than the corresponding period a year ago (Table 23). Notably, property income (formerly investment revenue) increased by \$9.3 million to \$14.6 million. Property income includes interest income, distributed income of corporations, investment income and rent. Similarly, sale of goods & services rose by 4.5% to \$21.0 million.

12.2. Expenditure

Expenditure increased in the review period due to increases in both expense and investments in non-financial assets⁸.

Expense (formerly current expenditure) increased by 10.5% to \$342.5 million owing to higher spending in most categories (see Table 25).

An increase in the number of civil servants by 4.0% led to an expansion in compensation of employees (formerly personnel costs) by 12.6% to \$158.0 million. In this regard, wages and salaries (including employee pension

⁸ Net investment in nonfinancial assets is gross investment in nonfinancial assets less consumption of fixed capital.



contributions) increased by 12.2% to \$118.1 million.

Use of goods and services (formerly supplies and consumables) rose by 16.0% to \$50.8 million. Purchase of services registered the largest increase in this category.

Table 25: Expenses of the Central Government (Jan-Jun)

Expense	Jun-18	Jun-19	%
	CI\$ Million		Change
	309.9	342.5	10.5
Compensation of Employees	140.3	158.0	12.6
Use of Goods and Services	43.8	50.8	16.0
Consumption of Fixed Capital	16.2	16.2	0.0
Subsidies	77.8	81.7	5.0
Social Benefits	14.8	19.3	30.4
Interest	12.1	11.7	(3.3)
Other Expense	5.1	4.8	(5.9)

Source: Treasury Department & Economics and Statistics Office

The amount of revenue that was transferred in the form of social benefits (formerly transfer payments) increased by 30.4% to \$19.3 million. This was mainly driven by a rise in scholarships and bursaries by 81.9% to \$6.5 million.

Subsidies, which are payments to statutory authorities and all corporations, increased by 5.0% for the first half of the year to \$81.7 million. The entity receiving the largest increase in subsidies was the Health Services Authority (up 7.4% to \$18.5 million).

Consumption of fixed capital (formerly depreciation); which is the decline in value of fixed assets as a result of physical deterioration, normal obsolescence or normal

accidental damage; remained relatively unchanged at \$16.2 million.

Consistent with a continued reduction in the debt stock, interest expense fell by 3.3% to \$11.7 million for the period (see Section 11.4).

Other expense decreased by 5.9% to \$4.8 million, due mainly to reduced spending on judiciary expenses by 46.0% to \$0.5 million.

12.3. Investment in Non-financial Assets

Gross investment in nonfinancial assets (formerly gross capital expenditure and net lending) increased by 17.0% to \$31.0 million (see Table 26). This increase was reflected in fixed assets⁹ as there were no non-produced assets¹⁰ during the first six months of 2019. Net investment in nonfinancial assets rose by 44.7% to \$14.9 million in the review period.

Within fixed assets, capital investment in ministries and portfolios increased by \$6.2 million to \$10.2 million. This increase resulted primarily from higher capital investment in the ministry of home affairs.

Capital investment in statutory authorities and government-owned companies decreased by \$1.1 million to \$16.0 million. Cayman Airways Limited was the main contributor to this decline. Expenditure on executive assets fell by \$0.7 million to \$4.5 million. This decline was due mainly to reduced

⁹ Includes expenditure on buildings and structures as well as machinery and equipment.

¹⁰ Comprises of investment in tangible, natural resources over which ownership rights are enforced and intangible non-produced assets.



expenditure on land purchases relative to the corresponding period of the previous year.

Table 26: Investment in Non-Financial assets (Jan-Jun)

	Jun-18	Jun-19	% Change
CI\$ Million			
Gross Investment in Non-Financial Assets	26.5	31.0	17.0
Fixed Assets	26.5	31.0	17.0
Capital Investment in Ministries and Portfolios	4.0	10.2	155.0
Capital Investment in Statutory Authorities and Government Owned Companies	17.1	16.0	(6.4)
Executive Assets	5.2	4.5	(13.5)
Net Investment in Non-Financial Assets	10.3	14.9	44.7

Source: Treasury Department & Economics and Statistics Office

12.4. Financing and Debt

The assumed cash balance from the overall surplus led to a rise in the net acquisition of financial assets (change in cash balance) by 3.3% to \$165.5 million (see Table 27). Net incurrence of liabilities, which comprises net borrowing, amounted to \$12.8 million, reflecting loan repayments as there were no loan disbursements for the period.

Table 27: Net Financing (Jan-Jun)

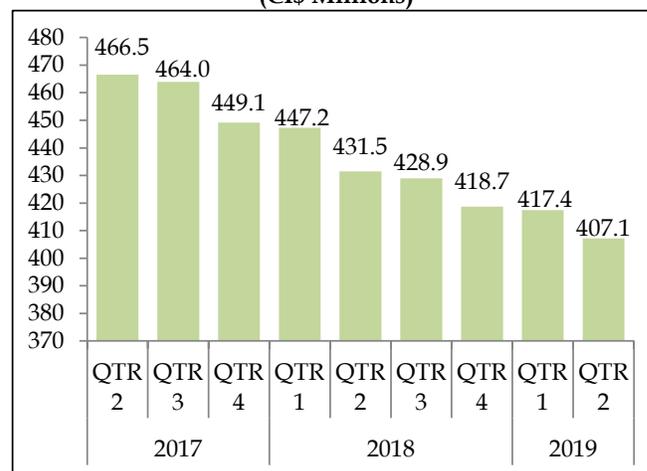
	Jun-18	Jun-19	% Change
CI\$ Million			
Financing:			
Net Acquisition of Financial Assets	160.2	165.5	3.3
Net Incurrence of Liabilities	(18.0)	(12.8)	(28.9)
Incurrence (Disbursement)	0.0	0.0	-
Reduction (Loan Repayment)	18.0	12.8	(28.9)

Source: Treasury Department & Economics and Statistics Office

The central government's outstanding debt continued to decline after peaking at the end

of the second quarter of 2011. The debt stood at \$407.1 million at the end of June 2019, lower than the \$431.5 million at the end of June 2018 (see Figure 22).

Figure 21: Central Government Outstanding Debt (CI\$ Millions)



Source: Treasury Department

The central government's debt service-to-revenue ratio was 4.6% for the first six months of 2019 relative to 6.0% for January-June 2018. Interest expense for the review period accounted for 3.4% of the total expense compared with 3.9% in the corresponding period of 2018. Interest expense as a proportion of revenue declined to 2.2% from 2.4% in the comparable period of 2018.



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

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