



CAYMAN ISLANDS
GOVERNMENT



THE CAYMAN ISLANDS' FIRST QUARTER ECONOMIC REPORT 2019



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Overview*

- Several advanced economies showed growth coupled with higher inflation in the first quarter of 2019 relative to the corresponding period of 2018.
- Gross domestic product (GDP) in real terms was estimated to have expanded at an annualised rate of 3.0% for the first three months of 2019. The forecasted GDP growth for the year is maintained at 2.6%.
- The Consumer Price Index increased by 4.5% mainly due to a sharp increase in rents.
- Total merchandise imports increased by 11.2% to \$271.3 million with both oil and non-oil imports increasing.
- Work permits increased by 12.8% to 27,374. While, civil service employment rose by 137 persons, with Caymanian staff increasing by 54 and non-Caymanian staff by 83.
- Money supply (M2) expanded by 1.9% due to higher CI dollar-denominated deposits as foreign currency deposit holdings by residents declined.
- Domestic credit declined by 7.3% as credit to the private and public sector fell by 6.9% and 12.9%, respectively.
- The number and value of foreclosed properties continued to decline in the first quarter of 2019.
- The weighted average lending rate fell to 7.52% from 7.69%, while the prime lending rate increased to 5.50% from 4.67%.
- Bank and trust company licences decreased by 10.7% and insurance licences fell by 3.8%.
- Mutual funds, including “master funds” recorded an increase of 4.0%.
- The number of listings on the Stock Exchange increased by 35.4% and market capitalization increased by 36.3%.
- New company registrations fell to 3,405 or by 23.9%, while new partnership registrations declined by 5.7% to 1,116.
- Air arrivals increased by 8.7%, while cruise passenger arrivals fell by 4.6%.
- The value of building permits rose by 117.3% while project approvals increased by 81.4%.
- The value of property transfers fell by 22.3% to CI\$200.6 million.
- Electricity and water consumption rose by 4.3% and 0.6%, respectively.
- The central government’s overall fiscal surplus increased to \$205.0 million compared with \$187.0 million a year ago.
- The total outstanding debt of the central government declined to \$417.4 million from \$447.2 million a year ago.

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



1. International Economy

1.1 Economic Growth¹

The world's major economies continued to grow in the first quarter of 2019. The United States' economy recorded annualised growth of 3.2%, while the Canadian economy expanded by 0.4%. Growth in the US was reflected in all expenditure categories, while Canada's economy was mainly driven by increased household spending and business investment in machinery and equipment.

The United Kingdom (UK) and the Euro Area recorded year-over-year growth of 1.8% and 1.2%, respectively. UK's economic growth was driven by increased output in the manufacturing and services industries.

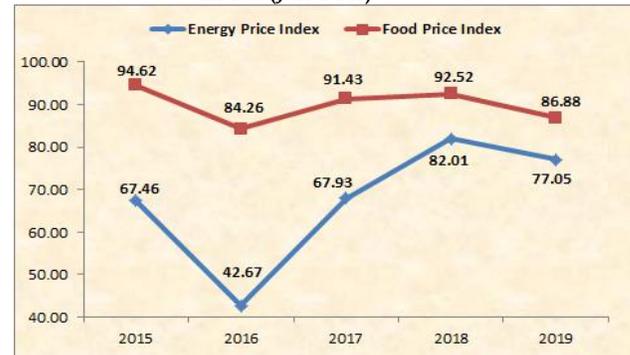
1.2 Inflation

Advanced economies recorded higher consumer prices for the first three months of 2019 relative to the comparable period in 2018. The USA and Canada both recorded inflation of 1.6%. The UK and the Euro Area registered inflation of 1.8% and 1.4%, respectively.

Despite the general rise in price levels for these economies, energy and food price indices decreased during the review period (see Figure 1). The decline in energy prices was mainly reflected in lower crude oil prices on the international market, which averaged US\$60.50 per barrel in January-

March 2019 compared with US\$64.62 per barrel in January-March 2018².

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



Source: World Bank commodity prices (The Pink Sheet)

1.3 Interest Rates and Exchange Rates³

The Federal Reserve maintained the target range for its federal funds rate at 2.25% to 2.50% during the first quarter of 2019. This occurred within the context of a strong labour market, sustained expansion in economic activity and inflation being near its target. The Bank of Canada maintained its policy interest rate at 1.75%. This position was based on a greater than expected slowdown in global economic growth and its impact on domestic economic activity. The Bank of England preserved its policy interest rate at 0.75% as inflation projections remain on track. The European Central Bank (ECB) retained its policy interest rates on the main refinancing operations, marginal lending facility and deposit facility at 0.00%, 0.25% and -0.40%, respectively. This policy stance by the ECB

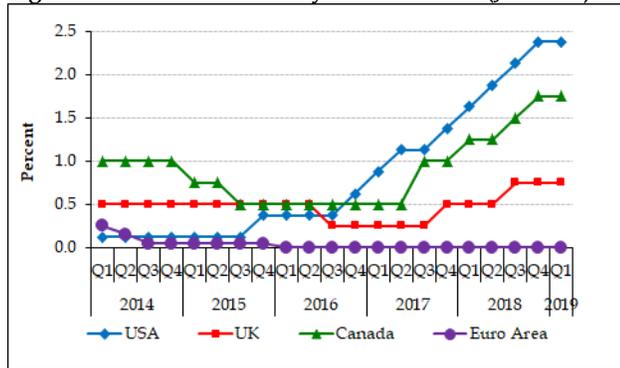
¹ Data sourced from the US Bureau of Economic Analysis, Statistics Canada, Office for National Statistics in the UK and the National Bureau of Statistics of China.

² Data sourced from The World Bank's Commodity Price Data and represent the average of Brent, Dubai and West Texas Intermediate prices.

³ Data sourced from the US Federal Reserve, Bank of England, Bank of Canada and European Central Bank.

is expected to remain at least through the end of 2019 to ensure inflation converges to its medium-term target.

Figure 2: Central Bank Policy Interest Rates (Jan-Mar)



*The mid-point of the federal funds rate is used.

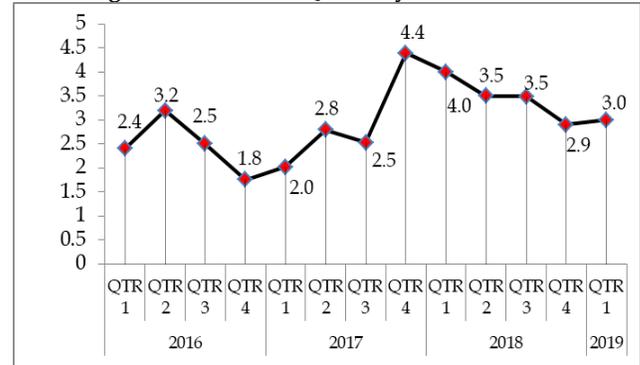
The US Dollar, on average, strengthened nominally against three of the world's major traded currencies during the quarter when compared with the corresponding period in 2018. Notably, the US Dollar strengthened by 6.4% against the Great Britain Sterling Pound, 7.6% against the Euro and 5.1% against the Canadian Dollar.

2. GDP Growth

The Cayman Islands' real GDP is estimated to have grown at an annualised rate of 3.0% in the first quarter of 2019. This represents a deceleration in economic activity relative to the GDP growth of 4.0% in the first quarter of 2018 (Figure 3).

Economic expansion during the quarter occurred across all sectors with growth in hotels and restaurants (7.9%); wholesale and retail trade, repair and installation of machinery (5.9%); construction (5.8%); and other services (7.1%) being the major contributors (see Figure 4).

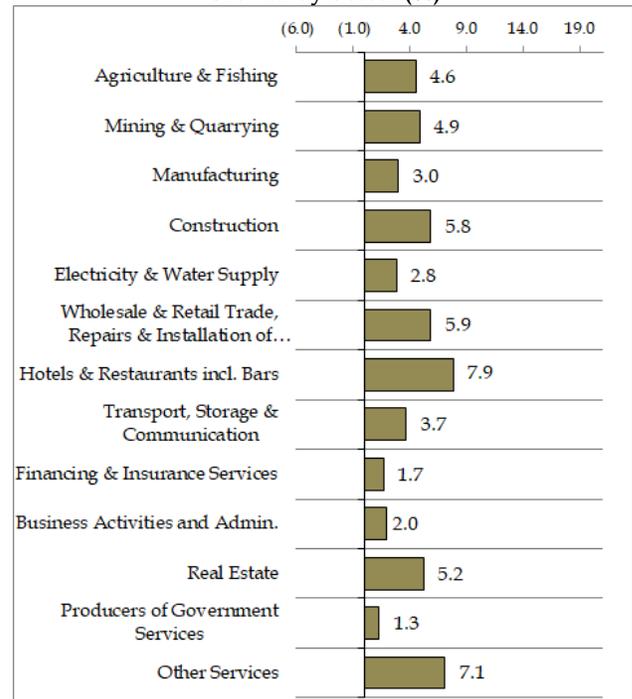
Figure 3: Estimated Quarterly GDP Growth



Source: Economics and Statistics Office

The financial services sector, which remains the largest contributor to GDP, had an estimated growth of 1.7%.

Figure 4: Estimated First Quarter 2019 Annualised GDP Growth by Sector (%)



Source: Economics and Statistics Office

The economic performance in the first quarter affirms the macroeconomic outlook for calendar year 2019 with GDP growth



projected at 2.6% (see Table 1). It is expected that growth in tourism, construction and auxiliary services will remain robust for the year. Demand for construction services is also likely to stay strong as major projects continue over the medium term.

Table 1: Macroeconomic Performance and Outlook as at March 2019

| | 2016 | 2017 | 2018 | Projection 2019 |
|-------------------|-------------|------|------|--------------------|
| | Percent (%) | | | |
| Real GDP* | 3.1 | 3.0 | 3.3 | 2.6 |
| CPI Inflation | -0.7 | 2.0 | 3.3 | 2.9 |
| Unemployment Rate | 4.2 | 4.9 | 2.8 | 3.5 |

* Real GDP is estimated for 2018
Source: Economics and Statistics Office

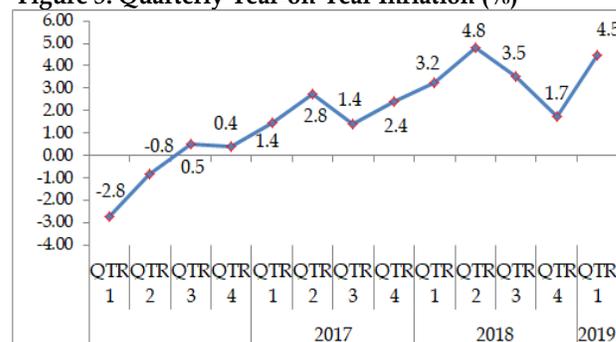
The annual forecast for the average consumer price index (CPI) inflation rate is maintained at 2.9% in 2019. Notably, the forecast carries some amount of upside risk against the background of the spike in rental rates during the first quarter of the year. Notwithstanding, continued uncertainty and tensions in the international market could have a negative impact on demand and by extension prices. Further, the IMF's⁴ projection for a fall in commodity prices is also expected to weigh negatively on price increases.

3. Inflation⁵

Average prices spiked in the first quarter of 2019, continuing on the sharp upturn observed in 2018. The Consumer Price

Index (CPI) as at March 2019 stood at 108.1, 4.5% higher when compared to March 2018. The accelerated inflation was due to a surge in non-food prices by 4.7%. Higher prices were observed in most divisions of the CPI except for transport and miscellaneous goods and services.

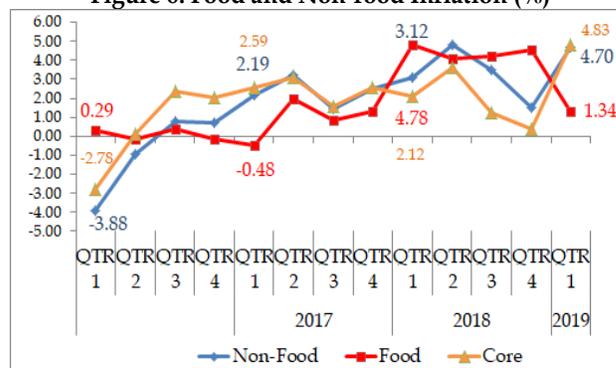
Figure 5: Quarterly Year-on-Year Inflation (%)



Source: Economics and Statistics Office

Within the non-food category, the housing and utilities index spiked by 11.1% during the quarter owing largely to a 19.7% rise in rents. Additionally, the average cost of electricity rose by 8.2% while maintenance cost increased by 4.0% when compared to the corresponding quarter of the previous year.

Figure 6: Food and Non-food Inflation (%)



Source: Economics and Statistics Office

⁴ International Monetary Fund (WEO, April 2019)

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



The communication price index rose by 7.7%, mainly on account of an increase in the cost of telephone and telex services. Similarly, the price index for recreation and culture increased by 4.1% as the cost of related equipment and holidays abroad rose.

On average, prices for food and non-alcoholic beverages increased by 1.3%, lower than the increase of 4.8% recorded in the corresponding period of 2018. Notable price increases were also observed for the education index, which increased by 3.4% on account of higher fees for pre-primary and primary education.

Table 2: Inflation Rates by Categories

| Categories | Avg. Inflation Rates in (%) | |
|--------------------------------|-----------------------------|---------|
| | Q1 2018 | Q1 2019 |
| Food & Non-alcoholic Beverages | 4.8 | 1.3 |
| Alcohol and Tobacco | 1.0 | 0.9 |
| Clothing and Footwear | 0.7 | 1.0 |
| Housing and Utilities | 3.1 | 11.1 |
| Household Equipment | 3.7 | 2.0 |
| Health | 5.5 | 0.9 |
| Transport | 7.5 | -1.5 |
| Communication | 1.2 | 7.7 |
| Recreation and Culture | 0.4 | 4.1 |
| Education | 4.1 | 3.4 |
| Restaurants and Hotels | 0.2 | 1.9 |
| Misc. Goods and Services | 1.0 | -0.3 |
| Overall CPI Inflation | 3.2 | 4.5 |

Source: Economics and Statistics Office

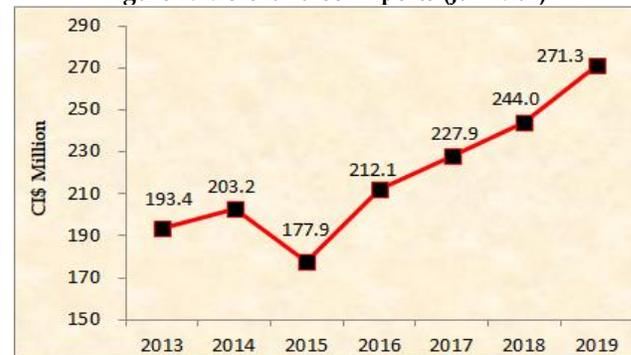
Other divisions with price increases include restaurants and hotels (up by 1.9%), clothing and footwear (up by 1.0%), household equipment (up by 2.0%), health (up by 0.9%) and alcoholic beverage and tobacco (up by 0.9%).

In contrast, the indices for transport and miscellaneous goods and services declined by 1.5% and 0.3%, respectively.

4. Trade⁶

The demand for merchandise imports continued to rise in the first quarter of the year, increasing by 11.2% to \$271.3 million (see Figure 7). Higher imports were observed in all categories, except commodities & transactions not classified elsewhere and beverages and tobacco.

Figure 7: Merchandise Imports (Jan-Mar)



Source: Customs Department and ESO

The categories recording the largest increases were machinery and transport equipment (up \$16.8 million to \$62.7 million); manufactured goods classified chiefly by material (up \$6.2 million to \$32.3 million); and miscellaneous manufactured articles (up \$3.8 million to \$56.7 million). The rise in machinery and equipment imports were supported by growth in the construction industry.

The importation of non-petroleum products rose by 12.7% to \$239.6 million in the first

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



quarter of 2019. Similarly, the value of petroleum imports rose as the total quantity of fuel imports increased by 0.4%. The increase in value was partly offset by a decline in crude oil prices on the world market.

Table 3: Quantity of Fuel Imports (Jan-Mar)

| | 2017 | 2018 | 2019 | % Change |
|------------------------------|------|------|------|----------|
| Millions of Imperial Gallons | | | | |
| Total Fuel | 12.6 | 13.5 | 13.5 | 0.4 |
| Diesel | 8.3 | 7.8 | 7.8 | (0.5) |
| Gas | 2.9 | 3.4 | 3.2 | (5.7) |
| Aviation Fuel | 1.0 | 1.5 | 2.0 | 30.3 |
| Propane | 0.4 | 0.8 | 0.6 | (22.9) |

Source: Cayman Islands Port Authority

The total tonnage of landed cargo increased by 7.7% to 149,153 tonnes (see Figure 8). Of this amount, containerized cargo accounted for 45.7% (68,144 tonnes) and aggregates, which have been included as of 2019, representing 43.6% (65,045 tonnes). Cement bulk and breakbulk cargo accounted for 9.3% (13,881 tonnes) and 1.4% (2,083 tonnes) of the total landed cargo, respectively. The growth in total landed cargo was reflected in all categories except aggregates.

Figure 8: Total Tonnage of Cargo (Jan-Mar)



Source: Cayman Islands Port Authority

5. Labour Market Indicators

Labour demand in both the public and private sector increased in the first quarter of 2019.

5.1. Work Permits

For the first three months of 2019, there were 27,374 work permits issued, an increase of 12.8% relative to the same period of 2018. Work permits number also reflected growth of 2.7% relative to the December 2018 quarter when 26,657 permits were issued. The sectors employing the most work permit holders for the quarter were accommodation and food services, households and construction.

Figure 9: Work Permits

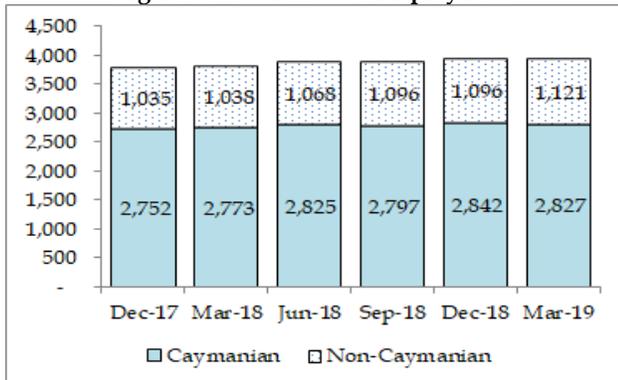


Sources: Immigration Department & ESO

5.2. Public Sector Employment

The number of civil servants employed by the Cayman Islands' government increased to 3,948 in the review period relative to 3,811 persons in the previous year. The number of Caymanian civil servants increased by 54 to 2,827, while non-Caymanian civil servants increased by 83 to 1,121.

Figure 10: Civil Service Employment

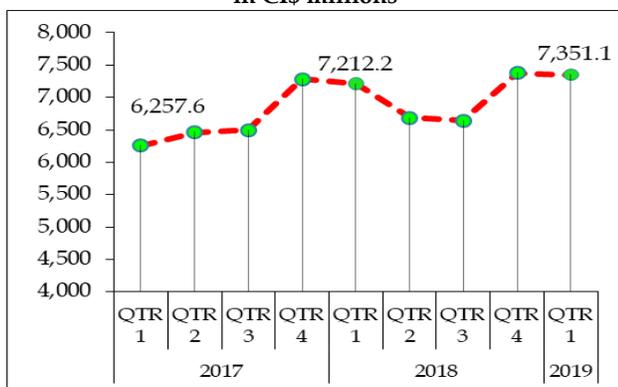


Source: Portfolio of the Civil Service

6. Money & Banking

For the first quarter of 2019, growth in local currency-denominated money supported an increase in broad liquidity (M2) of 1.9% to \$7,351.1 million. The increase occurred despite a marginal reduction in foreign currency deposits for the period (see Figure 11 and Table 4).

Figure 11: Total Money Supply (M2) in CI\$ millions



Source: Cayman Islands Monetary Authority & ESO

Total CI dollar-denominated deposits grew by 8.9% or \$146.3 million while currency in circulation increased by 5.2% or \$6.1 million compared to a year ago. In contrast, foreign currency deposits fell by 0.2%, as US dollar-

denominated deposits contracted by 1.5% (or \$74.4 million) (see Table 4).

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

| | Mar-18 | Mar-19 | % Change |
|-------------------------------|-----------|-----------|----------|
| Total Assets | 7,212.2 | 7,351.1 | 1.9 |
| Net Foreign Assets | 4,856.0 | 5,466.1 | 12.6 |
| Monetary Authority | 124.1 | 133.4 | 7.5 |
| Commercial Banks | 4,731.9 | 5,332.7 | 12.7 |
| Net Domestic Assets | 2,356.2 | 1,885.1 | (20.0) |
| Domestic credit | 3,373.3 | 3,125.9 | (7.3) |
| Claims on central government | 172.6 | 146.9 | (14.9) |
| Claims on other public sector | 55.9 | 52.0 | (6.9) |
| Claims on private sector | 3,144.8 | 2,927.0 | (6.9) |
| Other items net | (1,017.0) | (1,240.8) | 22.0 |
| Broad Liquidity | 7,212.2 | 7,351.1 | 1.9 |
| Broad money (KYD) M2 | 1,765.8 | 1,918.2 | 8.6 |
| Currency in circulation | 116.6 | 122.7 | 5.2 |
| KYD Deposits | 1,649.2 | 1,795.4 | 8.9 |
| Demand deposits | 635.5 | 617.4 | (2.8) |
| Time and savings deposits | 1,013.7 | 1,178.0 | 16.2 |
| FOREX deposits | 5,446.4 | 5,433.0 | (0.2) |
| of which: US dollars | 5,102.1 | 5,027.8 | (1.5) |
| US dollars share (%) | 93.7 | 92.5 | |

Source: Cayman Islands Monetary Authority & ESO

The increase in M2, which also represents the liabilities of the monetary and banking sector, was supported by an expansion in net foreign assets, which was sufficient to outweigh a reduction in net domestic assets.

6.1 Net Foreign Assets. The net foreign assets (NFA) of the Cayman Islands Monetary Authority (CIMA) and commercial banks expanded by 7.5% and 12.7%, respectively. The higher NFA among commercial banks reflected a decline in foreign liabilities, which outweighed a marginal reduction in foreign assets. Foreign liabilities fell by 15.8% due to a 17.2% reduction in non-resident deposits.



Foreign assets declined by 0.6% reflecting a reduction of 6.3% in balances with banks and branches coupled with a contraction of 12.1% in non-resident loans.

Table 5: Net Foreign Assets (CI\$ millions)

| | Mar-18 | Mar-19 | % Change |
|-----------------------------|----------------|----------------|---------------|
| Net Foreign Assets | 4,856.0 | 5,466.1 | 12.6 |
| Monetary Authority | 124.1 | 133.4 | 7.5 |
| Commercial Banks | 4,731.9 | 5,332.7 | 12.7 |
| Foreign Assets | 8,861.6 | 8,811.8 | (0.6) |
| Bal. with Banks & Branches | 4,591.2 | 4,302.8 | (6.3) |
| Total Investment | 2,411.5 | 2,875.0 | 19.2 |
| Total Non-Resident Loans | 1,858.9 | 1,634.0 | (12.1) |
| Foreign Liabilities | 4,129.8 | 3,479.1 | (15.8) |
| Total Non-Resident Deposits | 3,926.6 | 3,251.7 | (17.2) |
| Other Liabilities | 203.2 | 227.4 | 11.9 |

Source: Cayman Islands Monetary Authority & ESO

6.2. Net Domestic Credit. Total domestic credit within the financial system declined by 7.3% in the first quarter of the year as credit to both the public and private sector contracted. Loans to the private sector decreased by 6.9% while public sector indebtedness continued on its downward trajectory, this time falling by 12.9%. The latter resulted from a fall in the amount of credit extended to the central government as well as parastatal and public authorities.

Table 6: Net Domestic Credit (CI\$ millions)

| | Mar-18 | Mar-19 | % Change |
|-------------------------------|----------------|----------------|--------------|
| Domestic Credit | 3,373.3 | 3,125.9 | (7.3) |
| Credit to Central Government | 172.6 | 146.9 | (14.9) |
| Credit to Other Public Sector | 55.9 | 52.0 | (6.9) |
| Credit to Private Sector | 3,144.8 | 2,927.0 | (6.9) |

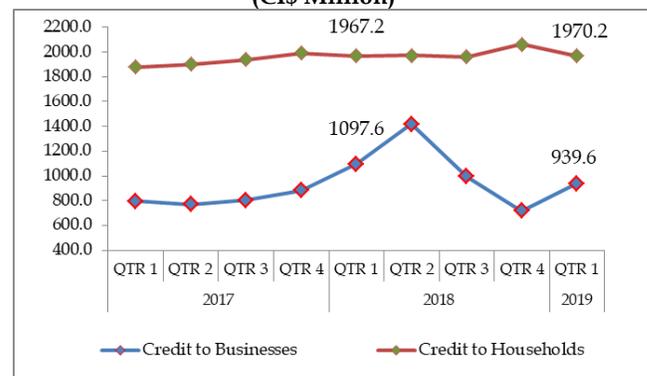
Source: Cayman Islands Monetary Authority & ESO

Credit extended to businesses was the largest contributor to the fall in borrowings for the review period, declining by \$158.0 million (14.4%) to \$939.6 million. General

business activities and wholesale and retail recorded the largest reduction in commercial borrowings, falling by \$200.7 million and \$75.4 million, respectively.

Credit to households increased by 0.2% to CI\$1,970.2 million during the quarter (see Figure 12). The growth in household loans is traced to increased borrowings for domestic properties and motor vehicles, which rose by 0.7% and 7.3%, respectively (see Table 7). There was a notable decline of \$62.9 million or 78.6% in credit to non-profit organizations for the period.

Figure 12: Credit to Business and Households (CI\$ Million)



Source: Cayman Islands Monetary Authority & ESO



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

| | Mar-18 | Mar-19 | % Change |
|---|----------------|----------------|---------------|
| Total Private Sector Credit | 3,144.8 | 2,927.0 | (6.9) |
| Credit to Businesses | 1,097.6 | 939.6 | (14.4) |
| Production & Manufacturing | 155.2 | 314.1 | 102.5 |
| Mining | 4.6 | 5.1 | 11.6 |
| Manufacturing | 14.0 | 13.6 | (3.1) |
| Utilities | 17.7 | 46.6 | 162.6 |
| Construction | 118.8 | 248.9 | 109.4 |
| Services | 115.2 | 120.4 | 4.5 |
| Accommodation, Food, Bar & Entertainment Services | 47.2 | 64.3 | 36.3 |
| Transportation, Storage & Communications | 23.3 | 22.0 | (5.7) |
| Education, Recreational & Other Professional Services | 44.7 | 34.1 | (23.7) |
| Trade and Commerce | 764.3 | 497.2 | (35.0) |
| Wholesale & Retail Sales Trade | 168.0 | 92.6 | (44.9) |
| Real Estate Agents, Rental and Leasing Companies | 150.8 | 159.7 | 5.9 |
| Other Business Activities (General Business Activity) | 445.5 | 244.9 | (45.0) |
| Other Financial Corporations | 62.9 | 7.9 | (87.4) |
| Credit to Households | 1,967.2 | 1,970.2 | 0.2 |
| Domestic Property | 1,683.3 | 1,695.4 | 0.7 |
| Motor Vehicles | 56.9 | 61.0 | 7.3 |
| Education and Technology | 6.2 | 5.7 | (8.6) |
| Miscellaneous* | 220.8 | 208.1 | (5.8) |
| NonProfit Organizations | 80.0 | 17.1 | (78.6) |

Source: Cayman Islands Monetary Authority & ESO

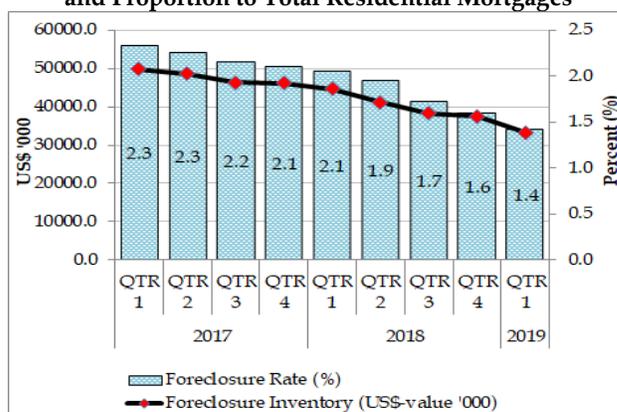
6.3. Residential Mortgage Foreclosures

At end-March 2019, data from CIMA shows that there were 114 properties in the local commercial banks' foreclosure inventory valued at US\$33.2 million. This represented a decrease compared to the 157 properties valued at US\$44.7 million in the comparative period in 2018.

The foreclosure rate (foreclosure inventory over total residential mortgages) as at March 2019 declined to 1.4% in 2019 from 2.1% in 2018 and 2.3% in 2017.

The total number of completed foreclosures was unchanged at 9 (or 7.9% of all foreclosures) in 2019.

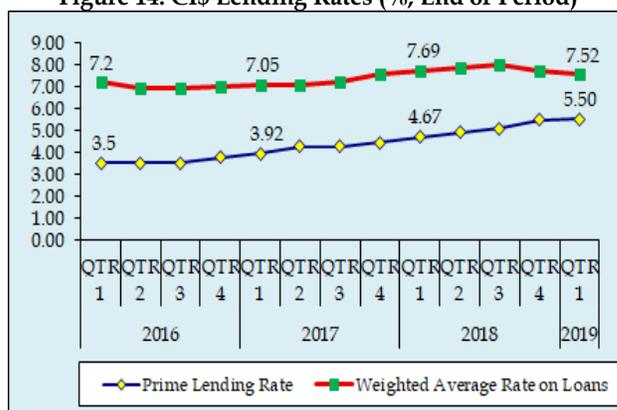
Figure 13: Residential Mortgages Foreclosures Inventory and Proportion to Total Residential Mortgages



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

6.4. Interest Rates. The Cayman Islands' prime lending rate increased by 83 basis points to 5.50% as at March 2019. Despite the increase in the prime rate, the KYD weighted average lending rate fell to 7.52% from 7.69% a year earlier (see Figure 13).

Figure 14: CI\$ Lending Rates (% , End of Period)



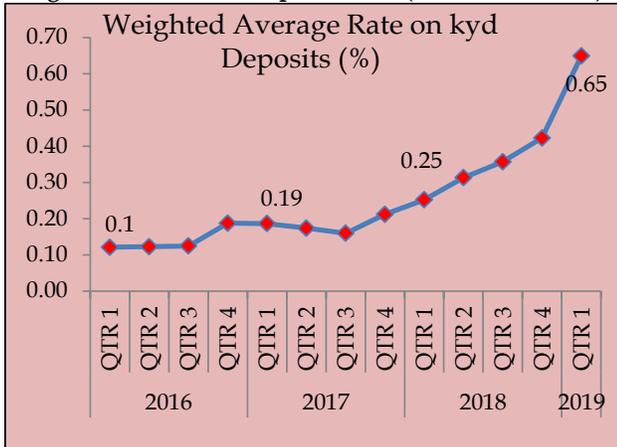
Source: Cayman Islands Monetary Authority & ESO

The weighted average KYD deposit savings rate increased at 0.65% for the first quarter of 2019, significantly higher than the 0.25%



recorded a year ago (see Figure 14). The increase in the weighted average interest rate on deposits was partly due to a change in the composition of deposits held in domestic banks. Specifically, demand deposits, which usually carry a lower rate of interest, fell while savings and time deposits which usually carry a higher rate of interest increased for the quarter (see Table 4).

Figure 15: CI Dollar Deposit Rates (% End of Period)



Source: Cayman Islands Monetary Authority & ESO

7. Financial Services

Financial services indicators reflected a downward trend in the first quarter of 2019. There were declines in all indicators except the number of mutual funds, stock exchange listings and market capitalization.

7.1 Banks & Trust

Persistent efforts to maximize profit, enhance efficiency and comply with changing regulations resulted in continued consolidation in the offshore banking space. As at March 2019, the number of licenced Bank and Trust companies fell by 10.7% relative to the corresponding quarter of 2018.

The number of Class 'A' Bank & Trust licences fell by one to 10 while the number of foreign banks or Class 'B' licences decreased by 10.9% (or 15) to 123.

Table 8: Bank and Trust Companies

| | Mar 2017 | Mar 2018 | Mar 2019 | % Change |
|---------------------------|-------------|-------------|-------------|---------------|
| Banks & Trusts | 158 | 149 | 133 | (10.7) |
| Class A | 11 | 11 | 10 | (9.1) |
| Class B | 147 | 138 | 123 | (10.9) |
| Trust Companies | 118 | 118 | 114 | (3.4) |
| Restricted | 61 | 61 | 57 | (6.6) |
| Unrestricted | 57 | 57 | 57 | - |

Source: Cayman Islands Monetary Authority

The number of trust company licences fell by 3.4% (or 4) to 114 at the end of March 2019. This decline was concentrated in the number of 'Restricted' licences.

Figure 16: Percentage Proportion of Banks by Region of Origin as at March 2019



Source: Cayman Islands Monetary Authority

Despite declining relative to 2018, South America and Europe continued to be the leading source markets for Cayman's banking licenses.

7.2 Insurance

There were 693 insurance licences on record at the end of the first quarter of 2019, relative to 720 at the end of March 2018.

Table 9: Insurance Companies*

| | Mar 2017 | Mar 2018 | Mar 2019 | % Change |
|----------------------|-------------|-------------|-------------|--------------|
| Domestic - Class 'A' | 29 | 28 | 27 | (3.4) |
| Captives | 703 | 692 | 666 | (3.8) |
| Class 'B' | 675 | 664 | 639 | (3.8) |
| Class 'C' | 25 | 25 | 23 | (8.0) |
| Class 'D' | 3 | 3 | 4 | 33.3 |
| Total | 732 | 720 | 693 | (3.8) |

Source: Cayman Islands Monetary Authority

*Class B: captives and segregated portfolio companies (SPC); Class C: special purpose vehicles; Class D: other captives.



Class 'A' licences, which represents domestic insurers, declined by 1 to 27, while captive licences fell by 26 to 666. The reduction in captives' licences occurred in Class 'B' and Class 'C' which declined by 25 and 2 respectively, to 639 and 23. The overall decline in captives was partly offset by 1 additional Class 'D' licence which increased to 4.

The primary classes of business within the captive insurance market continued to be Healthcare and Workers' Compensation, which represented 32.6% and 22.2% of the market, respectively. By risk location, North America remained the primary choice with 90.4% (602) of the captive insurance business.

Table 10: Captive Insurance Licences by Primary Class of Business

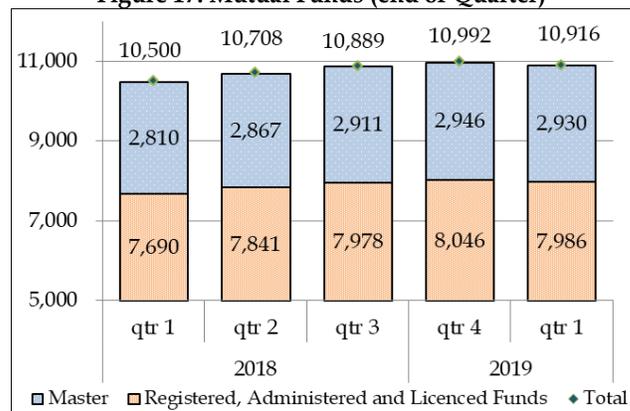
| | Mar-18 | Mar-19 | % Change | % Proportion |
|------------------------|------------|------------|--------------|--------------|
| Healthcare | 224 | 217 | (3.1) | 32.6 |
| Workers' Compensation | 151 | 148 | (2.0) | 22.2 |
| Property | 67 | 65 | (3.0) | 9.8 |
| General Liability | 78 | 74 | (5.1) | 11.1 |
| Professional Liability | 61 | 56 | (8.2) | 8.4 |
| Other | 112 | 106 | (5.4) | 15.9 |
| Total | 693 | 666 | (3.9) | 100.0 |

Source: Cayman Islands Monetary Authority

7.3 Mutual Funds

The number of mutual funds increased by 4.0% to 10,916 at the end of March 2019 relative to the end of March 2018. This was attributed to increases of 3.8% and 4.3% in registered, administered & licenced funds and master funds, respectively.

Figure 17: Mutual Funds (end of Quarter)



Source: Cayman Islands Monetary Authority

7.4 Stock Exchange

The Cayman Islands Stock Exchange continued to be a preferred conduit for raising capital during the first quarter of the year. The number of stocks listed on the Cayman Islands Stock Exchange rose by 473 to 1,808 at the end of March 2019. Four of the seven instruments recorded increases while two remained unchanged and one declined. Specialist debt instruments registered the largest absolute increase, rising by 461 listings to 1,247. The number of sovereign debt instruments grew by 32 to 318.

Table 11: Number of Stock Listings by Instrument (as at end-March)

| Instrument | Mar 2017 | Mar 2018 | Mar 2019 | % Change |
|---------------------------|--------------|--------------|--------------|-------------|
| Investment Fund | 233 | 215 | 193 | (10.2) |
| Specialist Debt | 502 | 786 | 1,247 | 58.7 |
| Sovereign Debt Security | 247 | 286 | 318 | 11.2 |
| Primary Equity | 3 | 4 | 4 | 0.0 |
| Secondary Equity | 1 | 1 | 1 | 0.0 |
| Insurance Linked Security | 33 | 42 | 43 | 2.4 |
| Retail Debt | 1 | 1 | 2 | 100.0 |
| Total | 1,020 | 1,335 | 1,808 | 35.4 |

Source: Cayman Islands Stock Exchange



The stock market capitalization increased by US\$96.9 billion to US\$363.8 billion as at March 2019. The growth in market capitalization reflected increases in all instruments except secondary equity which had a marginal decline.

Table 12: Market Capitalization by Instrument
(US\$ Billion, as at end-March)

| Instrument | Mar | | | % |
|---------------------------|--------------|--------------|--------------|-------------|
| | 2017 | 2018 | 2019 | |
| Investment Fund | 9.8 | 11.3 | 11.3 | 0.7 |
| Specialist Debt | 99.2 | 149.7 | 230.3 | 53.8 |
| Corporate & Sovereign | | | | |
| Debt Security | 95.5 | 100.1 | 115.3 | 15.2 |
| Primary Equity | 0.3 | 0.2 | 0.3 | 18.0 |
| Secondary Equity | 0.1 | 0.1 | 0.1 | (6.6) |
| Insurance Linked Security | 4.9 | 5.2 | 5.8 | 11.5 |
| Retail Debt | 0.4 | 0.4 | 0.8 | 93.6 |
| Total | 210.1 | 267.0 | 363.8 | 36.3 |

Source: Cayman Islands Stock Exchange

7.5. Company Registrations

New company registrations declined by 23.9% in the review period to 3,405 when compared with the corresponding period in 2018. Despite the fall, new company registrations remained elevated at its second-highest level on record.

The reduction in registrations was due to declines in the 'Exempt' and 'Foreign' categories which fell by 28.3% and 5.8% to 2,770 and 179, respectively. 'Non-Resident' and 'Resident' companies registered respective increases of 200.0% and 2.5% to 9 and 205. 'Limited Liability Companies' increased by 10.5% to 242.

Table 13: New Company Registrations (Jan-Mar)

| | 2017 | 2018 | 2019 |
|------------------------------|--------------|--------------|---------------|
| Total | 3,158 | 4,474 | 3,405 |
| Exempt | 2,672 | 3,862 | 2,770 |
| Non-Resident | 5 | 3 | 9 |
| Resident | 183 | 200 | 205 |
| Foreign | 161 | 190 | 179 |
| LLC | 137 | 219 | 242 |
| Percentage Change (%) | | | |
| Total | 8.3 | 41.7 | (23.9) |
| Exempt | 3.0 | 44.5 | (28.3) |
| Non-Resident | (64.3) | (40.0) | 200.0 |
| Resident | 36.6 | 9.3 | 2.5 |
| Foreign | (6.9) | 18.0 | (5.8) |
| LLC | - | 59.9 | 10.5 |

Source: Registrar of Companies

7.6. Partnerships

During the first quarter of 2019, there were 1,116 new partnership registrations, a decline of 5.7% relative to January-March 2018. Despite the reduction in new partnerships, the level remained at the second-highest on record. The previous year recorded the highest total of 1,183.

Table 14: New Partnership Registrations (Jan-Mar)

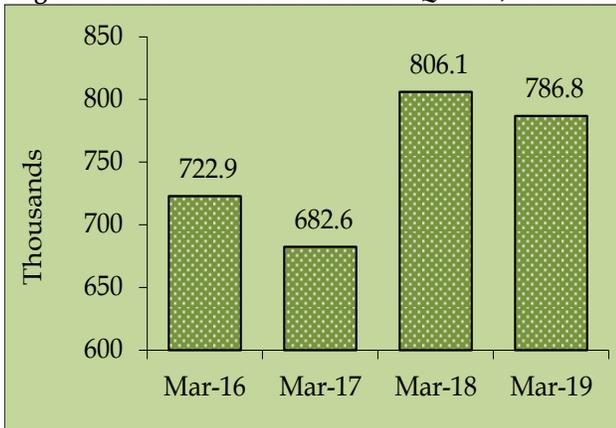
| | 2017 | 2018 | 2019 |
|------------------------------|------------|--------------|--------------|
| Total | 914 | 1,183 | 1,116 |
| Exempt | 896 | 1,161 | 1,093 |
| Foreign* | 18 | 22 | 23 |
| Percentage Change (%) | | | |
| Total | 2.4 | 29.4 | (5.7) |
| Exempt | 2.5 | 29.6 | (5.9) |
| Foreign* | (5.3) | 22.2 | 4.5 |

Source: Registrar of Companies

8. Tourism

Air arrivals continued to rise in the first quarter of 2019. However, a decline in cruise arrivals tempered growth in total arrivals for the quarter.

Figure 18: Total Arrivals for the First Quarter, 2016-2019



Source: Department of Tourism

8.1. Air Arrivals

Air arrivals rose to a record 145,804 in the review quarter, an 8.7% increase over the corresponding period of 2018. Growth in arrivals was contributed by the USA and Canadian markets, which recorded increases of 9.9% and 14.9%, respectively. Notably, the USA contributed 83.7% of visitors to the Islands in the quarter.

Tourist arrivals during the quarter benefited from sustained economic growth in source countries and improved marketing of the Islands' industry.

Table 15: First Quarter Air Arrivals by Origin

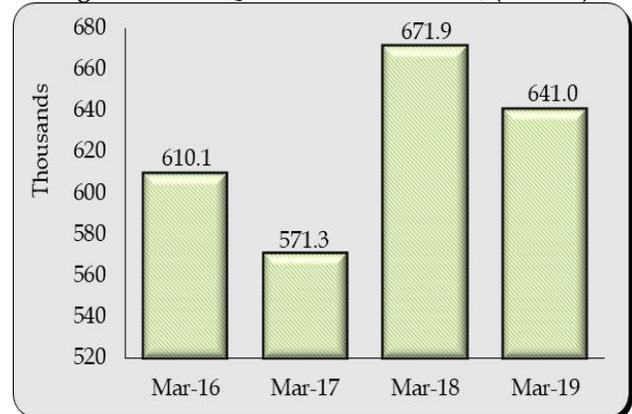
| | 2017 | 2018 | 2019 | % Change |
|---------------|--------------|--------------|--------------|------------|
| In Thousands | | | | |
| USA | 89.8 | 111.0 | 122.0 | 9.9 |
| Europe | 6.4 | 6.7 | 6.5 | (3.4) |
| Canada | 9.7 | 10.8 | 12.4 | 14.9 |
| Others | 5.3 | 5.6 | 4.9 | (13.0) |
| Total | 111.2 | 134.2 | 145.8 | 8.7 |
| USA (% share) | 80.7 | 82.7 | 83.7 | |

Source: Cayman Islands Department of Tourism

8.2. Cruise Arrivals

During January to March 2019, cruise arrivals declined by 4.6% to 641,045. This decline corresponded to a fall in the number of cruise ship calls to 223 from 241.

Figure 19: First Quarter Cruise Arrivals, (in 000's)



Source: Department of Tourism

9. Construction

Indicators of construction intentions showed a positive trend during the first quarter of 2019, with both building permits and planning approvals increasing.



9.1. Building Permits

Growth in most categories of building permit spurred an increase in the total value of permits for the quarter. Specifically, the value of building permits grew by 117.3% to \$91.1 million, relative to the same quarter of 2018 (see Tables 16).

Table 16: Building Permits (Jan-Mar)

| | Building Permits (CI\$ Mil) | | | % Change |
|--------------|-----------------------------|-------------|-------------|--------------|
| | 2017 | 2018 | 2019 | |
| Residential | 20.7 | 23.7 | 64.3 | 171.4 |
| Houses | 19.8 | 13.3 | 21.5 | 62.4 |
| Apartments | 0.9 | 10.4 | 42.8 | 309.8 |
| Commercial | 1.6 | 17.2 | 9.8 | (43.1) |
| Industrial | 2.0 | - | 0.2 | - |
| Hotel | 2.8 | - | - | - |
| Government | - | 0.0 | 0.2 | 4,563.5 |
| Other | 1.9 | 1.0 | 16.6 | 1,505.5 |
| Total | 29.0 | 41.9 | 91.1 | 117.3 |

Source: Planning Department

The value of residential permits (houses and apartments) increased by 171.4% to \$64.3 million. This was largely driven by a rise in the apartment segment, which jumped by 309.8% or \$32.3 million. Notable projects contributing to this segment include; phase three of Vela apartments among other high-value complexes.

Similarly, permits for several high-value homes boosted the houses category by 62.1% or \$8.3 million to \$ 21.5 million.

Within the non-residential category, permit values increased by 47.1% mainly due to a rise in the other category. A pool project at Solara housing complex valued at \$12.4 million was the main contributor to growth

in this category. Notably, the value of building permits issued within the commercial category declined by 43.1% or \$7.4 million for the review period.

Consistent with the rise in value, the number of building permits issued rose by 70.2% to 303 for the quarter.

Table 17: Number of Building Permits (Jan-Mar)

| | Number of Permits | | | % Change |
|--------------|-------------------|------------|------------|-------------|
| | 2017 | 2018 | 2019 | |
| Residential | 66 | 62 | 119 | 91.9 |
| Houses | 57 | 44 | 76 | 72.7 |
| Apartments | 9 | 18 | 43 | 138.9 |
| Commercial | 14 | 25 | 28 | 12.0 |
| Industrial | 1 | - | 1 | - |
| Hotel | 2 | - | - | - |
| Government | - | 1 | 12 | 1,100.0 |
| Other | 74 | 90 | 143 | 58.9 |
| Total | 157 | 178 | 303 | 70.2 |

Source: Planning Department

9.2. Project Approvals

The total value of project approvals recovered moderately following a sharp decline in the previous year. The improvement was driven by increases in most categories except the industrial category.

Approvals in the residential sector rose by 95.4% or \$21.6 million, led by growth in the apartment segment. An approved Seven Mile Beach project valued \$19.6 million was the major driver in this segment. Similarly, approvals for a number of high-value homes boosted the houses category by 13.5%.

10. Real Estate

Table 18: Project Approvals (Jan-Mar)

| | Project Approvals (CI\$ Mil) | | | % Change |
|--------------|------------------------------|-------------|-------------|-------------|
| | 2017 | 2018 | 2019 | |
| Residential | 132.3 | 22.7 | 44.3 | 95.4 |
| Houses | 37.6 | 16.7 | 18.9 | 13.5 |
| Apartments | 94.7 | 6.0 | 25.4 | 322.3 |
| Commercial | 12.1 | 0.0 | 1.3 | 4,681.8 |
| Industrial | 2.0 | 0.1 | - | (100.0) |
| Hotel | - | - | - | - |
| Government | 0.2 | - | 0.1 | - |
| Other | 68.3 | 5.8 | 6.2 | 6.5 |
| Total | 214.8 | 28.6 | 51.9 | 81.4 |

Source: Planning Department

The value of approved projects in the non-residential sector rose by 28% to \$7.6 million, driven mainly by the renovation of a commercial property valued at \$1.2 million.

Table 19: Number of Project Approvals (Jan-Mar)

| | Number of Approvals | | | % Change |
|--------------|---------------------|------------|------------|-------------|
| | 2017 | 2018 | 2019 | |
| Residential | 100 | 49 | 100 | 104.1 |
| Houses | 73 | 46 | 89 | 93.5 |
| Apartments | 27 | 3 | 11 | 266.7 |
| Commercial | 7 | 2 | 8 | 300.0 |
| Industrial | 5 | 2 | - | (100.0) |
| Hotel | - | - | - | - |
| Government | 2 | - | 2 | - |
| Other | 182 | 81 | 68 | (16.0) |
| Total | 296 | 134 | 178 | 32.8 |

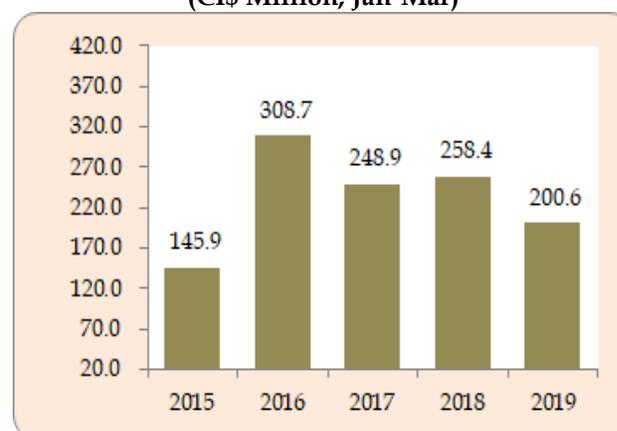
Source: Planning Department

The number of project approvals rose by 32.8% to 178 for the period.

Real estate activity, as measured by traded properties, slowed in the first quarter of 2019 relative to 2018.

The total value of traded properties declined to \$200.6 million, a reduction of 22.3% relative to the same period of 2018. The moderation in the value of transfers in the quarter occurred against the background of the highest level in 2016 followed by the level in 2018.

Figure 20: Value of Property Transfers: (CI\$ Million, Jan-Mar)



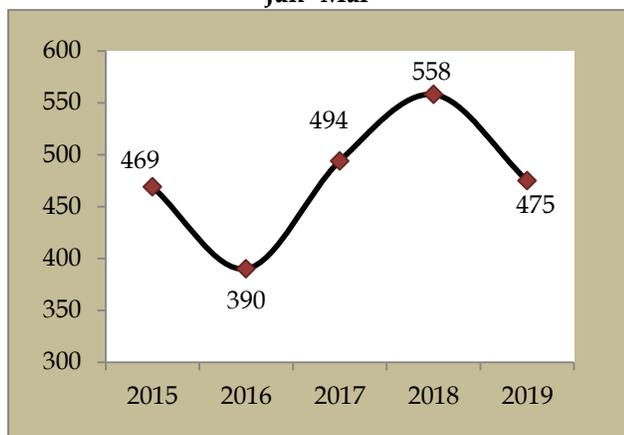
Source: Lands & Survey Department

The reduction in traded properties was reflected in a decline in freehold property transfers by \$79.4 million, the impact of which was partly offset by a rise in the value of leasehold properties by \$21.7 million.

Similarly, the total number of property transfers fell by 86 to reach 475. Freehold properties declined by 89 to 420, while leaseholds grew by 6 to 55.



Figure 21: Number of Property Transfers: Jan- Mar



Source: Lands & Survey Department

Table 20: Utilities Production and Consumption

| | Mar-18 | Mar-19 | % Change |
|------------------------------|--------|--------|----------|
| Millions of US Gallons | | | |
| Water Production | 614.3 | 622.0 | 1.3 |
| Water Consumption | 534.6 | 537.9 | 0.6 |
| '000 of megawatt hrs | | | |
| Electricity Production (Net) | 143.0 | 149.1 | 4.3 |
| Electricity Consumption | 140.4 | 146.4 | 4.3 |
| Residential | 66.0 | 70.9 | 7.4 |
| Commercial | 72.6 | 74.1 | 2.1 |
| Public | 1.8 | 1.4 | (22.0) |
| Total Customers | 29,273 | 29,945 | 2.3 |
| Residential | 24,952 | 25,508 | 2.2 |
| Commercial | 4,321 | 4,437 | 2.7 |

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

11. Utilities

11.1 Electricity

Demand for electricity increased by 4.3% in the first three months of 2019, driven by a rise in the level of economic activity. The higher demand was reflected across the residential and commercial customer base. Specifically, residential customers was higher by 7.4%, while commercial customers consumption increased by 2.1%.

Consistent with the increased population, the electricity customer base increased for the period by 2.3%, comprising of a 2.2% increase in residential customers and a 2.7% increase in commercial customers. Notably, the average consumption of residential customers increased while the average use of commercial customers declined.

11.2. Water

Similar to the consumption of electricity, water consumption was boosted by the rise in economic activity; accordingly, the consumption and production of water increased by 0.6% and 1.3%, respectively.

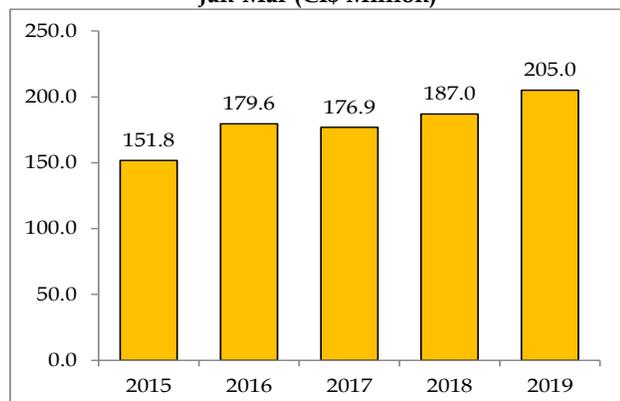
12. Fiscal Operations of the Central Government⁷

Net lending (fiscal surplus), which is revenue less expenditure, rose to a record \$205.0 million in the first quarter of 2019 from \$187.0 million for the first quarter of 2018 (see Figure 20 and Table 22).

⁷ The tables, graphs and information presented in this section has been adjusted to conform with the 2014 Government Finance Statistics Manual 2014 published by the IMF.



Figure 22: Central Government's Net Lending Jan-Mar (CI\$ Million)



Source: Cayman Islands Treasury Department & Economics and Statistics

Growth in the surplus emanated from an expansion in revenue which outweighed a rise in expenditure. Higher revenue was observed in both the taxes and other revenue categories while the increase in expenditure reflected higher outturns in both expense (formerly current expenditure) and net investment in nonfinancial assets (formerly net capital expenditure and net lending).

Table 21: Summary of Fiscal Operations

| | Mar-18 | Mar-19 | % Change |
|---------------------------------------|--------|--------|----------|
| CI\$ Million | | | |
| Revenue | 346.3 | 373.7 | 7.9 |
| Expense | 150.6 | 159.3 | 5.8 |
| Net Operating Balance | 195.7 | 214.4 | 9.5 |
| Net Investment in Nonfinancial Assets | 8.8 | 9.4 | 6.9 |
| Expenditure | 159.3 | 168.7 | 5.8 |
| Net Lending/Overall Surplus | 187.0 | 205.0 | 9.7 |
| Financing: | | | |
| Net Acquisition of Financial Assets | 184.4 | 202.4 | 9.8 |
| Net Incurrence of Liabilities | (2.6) | (2.6) | - |

Source: Cayman Islands Treasury Department & Economics and Statistics Office

The **net operating balance (formerly current balance)**, which is revenue minus expense, increased to \$214.4 million from \$195.7 million in the first quarter of 2018.

12.1. Revenue

Revenue rose by 7.9% to \$373.7 million for the first quarter with taxes and other revenue contributing 95.7% and 4.3%, respectively (see Table 22).

Table 22: Revenue Collection of the Central Government

| | Mar-18 | Mar-19 | % Change |
|---|--------|--------|----------|
| CI\$ Million | | | |
| Revenue | 346.3 | 373.7 | 7.9 |
| Taxes | 332.2 | 357.4 | 7.6 |
| Taxes on International Trade & Transactions | 47.7 | 57.9 | 21.4 |
| Taxes on Goods & Services | 266.0 | 283.2 | 6.5 |
| Taxes on Property | 18.5 | 16.3 | (11.9) |
| Other Taxes | 0.1 | 0.1 | 56.7 |
| Other Revenue | 14.1 | 16.2 | 15.3 |
| Sale of Goods & Services | 10.9 | 9.7 | (11.1) |
| Property Income | 2.5 | 4.7 | 84.7 |
| Fines, Penalties and Forfeits | 0.6 | 0.7 | 12.6 |
| Transfers n.e.c. | 0.1 | 1.2 | 1,409.9 |

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Taxes: Revenue collected from taxes totalled \$357.4 million, an increase of 7.6% relative to the comparable quarter in 2018. All categories recorded increases with the exception of taxes on property. Taxes on goods and services (up \$17.2 million) registered the most substantial increase. The other categories that increased were taxes on international trade & transactions and other taxes.

Revenue collected from taxes on goods & services increased by 6.5% to \$283.2 million



in the first three months of 2019 (see Table 23). Revenue from financial service licences accounted for the majority of the increase in this category, rising by 6.0% to \$222.0 million. Increases of \$8.2 million and \$5.7 million in partnership fees and other company fees – exempt, respectively, were the major contributors to the higher revenue from financial service licences. Another notable increase was recorded by other domestic taxes (up 4.0% to \$31.7 million) with an 8.1% increase in tourist accommodation charges being the major driver.

Table 23: Domestic Taxes on Goods & Services of the Central Government (CI\$ Million)

| | Mar-18 | Mar-19 | % Change |
|--------------------------------------|--------------|--------------|-------------|
| CI\$ Million | | | |
| Financial Services Licences | 209.4 | 222.0 | 6.0 |
| ICTA Licences & Royalties | 2.0 | 1.9 | (6.3) |
| Work Permit and Residency Fees | 19.3 | 22.5 | 17.0 |
| Other Stamp Duties | 2.5 | 2.8 | 9.7 |
| Traders' Licences | 2.4 | 2.3 | (2.5) |
| Other Domestic Taxes | 30.5 | 31.7 | 4.0 |
| Of which: | | | |
| Tourist Accommodation Charges | 10.6 | 11.4 | 8.1 |
| Motor Vehicle Charges | 3.0 | 3.0 | (0.7) |
| Taxes on Goods & Services | 266.0 | 283.2 | 6.5 |

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Tax receipts from international trade and transactions rose by 21.4% to \$57.9 million for the quarter, largely attributable to an increase of 24.9% in import duties. The increase in import duties was due to higher revenue from alcoholic beverages, gasoline and diesel, motor vehicle, tobacco products and other imports. Notably, duties on other imports and gasoline and diesel rose by

28.4% to \$35.2 million and 64.5% to \$4.3 million, respectively.

The increase in import duties was partly offset by a decline in other levies on international trade and transactions, which fell by 2.0% to \$6.1 million. Within other levies, cruise ship departure charges fell by 3.3% to \$3.9 million partly due to a reduction in the number of cruise passengers visiting the Islands.

Other revenue rose by 15.3% to \$16.2 million for the quarter, due mainly to an increase in property income⁸ (formerly investment revenue), which grew by 84.7% to \$4.7 million (see Table 23). Sale of goods and services fell by 11.1% to \$9.7 million for the period due to a reduction business with public entities.

Taxes on property, was the only category to decline for the period, falling by 11.9% to \$16.3 million due to a reduction in stamp duty revenue from \$18.1 million to \$15.9 million in the review period (see Table 23).

12.2. Expenditure

Total expenditure for the first quarter of 2019 grew by 5.8% to \$168.7 million as spending on both expenses and investment in non-financial assets⁹ rose (see Table 21).

Current expense (formerly current expenditure) increased by 5.8% to \$159.3

⁸ Includes interest income, distributed income of corporations, investment income and rent.

⁹ Net investment in nonfinancial assets is gross investment in nonfinancial assets less consumption of fixed capital.



million owing to higher spending in three of the seven categories (see Table 24).

Table 24: Current Expenditure of the Central Government

| | Mar-18 | Mar-19 | % Change |
|------------------------------|--------------|--------------|-------------|
| | CI\$ Million | | |
| Expense | 150.6 | 159.3 | 5.8 |
| Compensation of Employees | 70.0 | 76.7 | 9.7 |
| Use of Goods and Services | 21.2 | 21.4 | 1.1 |
| Consumption of Fixed Capital | 8.0 | 7.0 | (12.5) |
| Subsidies | 33.8 | 39.2 | 16.0 |
| Social Benefits | 9.2 | 7.0 | (24.5) |
| Interest | 6.0 | 5.9 | (1.8) |
| Other Expense | 2.4 | 2.1 | (12.8) |

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Compensation of employees (formerly personnel costs) rose by 9.7% to \$76.7 million, due primarily to increases in salaries and wages (including employee pension contributions). Wages and salaries grew by 8.1% to \$57.6 million, while government pension expenses rose by 46.7% to \$7.2 million.

Use of goods and services (formerly supplies and consumables) rose by 1.1% to \$21.4 million. Purchase of services registered the most substantial increase in this category.

Consumption of fixed capital (formerly depreciation); which is a decline in the value of fixed assets owned and used by the central government as a result of physical deterioration, normal obsolescence or normal accidental damage; fell by 12.5% to \$7.0 million (see Table 25). The primary

contributor to this decline was the depreciation of buildings.

Subsidies, which are payments to statutory authorities and corporations, increased by 16.0% to \$39.2 million during the period. Payments for medical care (up 103.6% to \$6.2 million) and to the Health Services Authority (up 17.2% to \$8.6 million) accounted for the higher outlay.

Social benefits (formerly transfer payments) fell by 24.5% as a result of a reduction in scholarships and bursaries, down \$2.9 million to \$0.6 million.

Interest expense declined by 1.8% to \$5.9 million as the debt stock declined over the period (see Section 11.4). Other expense fell by 12.8% to \$2.1 million (Table 25). This decrease was due mainly to lower spending of \$0.3 million to The University of the West Indies.

12.3. Investment in Non-financial Assets

During the first quarter of 2019, gross investment in non-financial assets (formerly gross capital expenditure and net lending) decreased by 2.3% to \$16.4 million (see Table 26). This decline was reflected in all categories within fixed assets¹⁰ except capital investment in ministries and portfolios.

Investment in statutory authorities and government-owned companies fell by 44.0% to \$7.1 million, while, expenditure on

¹⁰ Includes expenditure on buildings and structures as well as machinery and equipment.



executive assets decreased by 42.8% to \$1.9 million.

In contrast, capital investment in ministries and portfolios rose by \$5.8 million to \$6.1 million.

Despite the reduction in gross capital investments, net investment in non-financial assets increased due to a fall in depreciation.

Table 25: Investment in Non-financial Assets

| | Mar-18 | Mar-19 | % Change |
|--|--------------|-------------|--------------|
| | CI\$ Million | | |
| Gross Investment in Nonfinancial Assets | 16.8 | 16.4 | (2.3) |
| Fixed Assets | 16.8 | 16.4 | (2.3) |
| Capital Investment in Ministries and Portfolios | 0.3 | 6.1 | 1,854.8 |
| Capital Investment in Statutory Authorities and Government Owned Companies | 12.6 | 7.1 | (44.0) |
| Executive Assets | 3.4 | 1.9 | (42.8) |
| Net Investment in Nonfinancial Assets¹ | 8.8 | 9.4 | 6.9 |

Source: Cayman Islands Treasury Department and Economics and Statistics Office

12.4. Net Financing and Debt

The government’s net acquisition of financial assets, which includes the assumed cash balance generated by the fiscal surplus, increased by 9.8% to \$202.4 million (see Table 27). Net incurrence of liabilities, which comprises net borrowing, remained unchanged at -\$2.6 million, accounting for loan repayment as there were no new borrowings in the quarter.

The central government’s outstanding debt continued on its downward trajectory after peaking at the end of the second quarter of

2011. The outstanding debt stood at \$417.4 million at the end of March 2019, \$29.8 million lower than the \$447.2 million recorded at the end of March 2018 (see Figure 21).

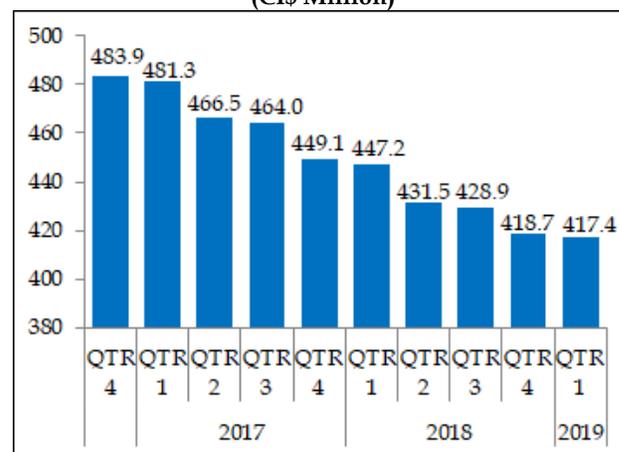
Table 26: Net Financing

| | Mar-18 | Mar-19 | % Change |
|-------------------------------------|--------------|--------|-------------|
| | CI\$ Million | | |
| Financing: | | | |
| Net Acquisition of Financial Assets | 184.4 | 202.4 | 9.8 |
| Net Incurrence of Liabilities | (2.6) | (2.6) | - |
| Incurrence (Disbursement) | 0.0 | 0.0 | |
| Reduction (Loan Repayment) | 2.6 | 2.6 | - |

Source: Cayman Islands Treasury Department

The central government’s debt service-to-revenue ratio was 2.3% for January–March 2019 relative to 2.5% for January–March 2018. Interest expense for the first quarter of 2019 accounted for 3.7% of total expense compared with 4.0% in the corresponding quarter of 2018. Interest expense as a proportion of revenue declined to 1.6% from 1.7% in the similar period of 2018.

Figure 23: Central Government Outstanding Debt (CI\$ Million)



Source: Cayman Islands Treasury Department

ACKNOWLEDGMENT

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Caribbean Utilities Company
Cayman Islands Customs Department
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Cayman Islands Monetary Authority
Cayman Islands Planning Department
Cayman Islands Stock Exchange
Cayman Islands Water Company
Department of Immigration
Lands and Survey Department
Port Authority of the Cayman Islands
Portfolio of the Civil Service
Utility Regulation and Competition Office

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