



CAYMAN ISLANDS
GOVERNMENT



THE CAYMAN ISLANDS' ANNUAL ECONOMIC REPORT 2017



CONTENTS

1. Executive Summary	3
2. Global and Regional Macroeconomic Environment.....	6
2.1 Economic Growth.....	6
2.2 Inflation.....	8
2.3 International Finance	9
2.4 Regional and International Tourism	11
3. Macroeconomic Performance.....	14
3.1 Economic Growth.....	14
3.2 Inflation.....	16
3.3 Labour Force and Employment.....	19
3.4 External Sector	20
3.5 Money and Credit	24
4. Key Sector Developments	31
4.1 Financial Services	31
4.2 Tourism.....	38
4.3 Construction	40
4.4 Real Estate	43
4.5 Utilities and Telecommunications	44
5. Fiscal Operations of the Central Government	46
5.1 Overview	46
5.2 Revenue	47
5.3 Expenditure.....	51
5.4 Primary Balance.....	53
5.5 Net Financing and Debt Service Indicators.....	54
6. Macroeconomic Outlook for 2018	56
6.1 Global Outlook	56
6.2 Domestic Growth	57
6.3 Domestic Inflation.....	59
6.4 Domestic Labour Market.....	60
7. Acknowledgement.....	61
8. Statistical Appendix	62

1. Executive Summary

1.1 The international economy recorded robust growth in 2017 and higher inflation in 2017, driven by increased investment and trade.

1.2 The Cayman Islands' gross domestic product (GDP) expanded anew in 2017 at an estimated rate of 2.9 percent, marginally lower than the 3.1 percent growth recorded in 2016.

1.3 Growth was indicated in all sectors led by hotels and restaurants, construction, real estate, renting and business activities including legal and accounting services, and electricity and water supply.

1.4 Nominal GDP per capita income was estimated at \$49,228, higher relative to the \$48,314 recorded for 2016. A faster pace of growth in nominal GDP drove the increase for the year.

1.5 The average inflation rate in 2017 was 2.0 percent, compared to -0.7 percent a year ago. Inflationary pressures emanated mainly from increased domestic demand coupled with a rise in international crude oil prices.

1.6 Total employment increased by 1.1 percent to 40,856 from a year ago. The growth in employment was, however, outweighed by a stronger growth in the labour force which resulted in a rise in the unemployment rate to 4.9 percent in 2017. The unemployment rate among Caymanians was estimated at 7.3 percent.

1.7 In 2017, merchandise imports grew by 2.7 percent to reach \$876.0 million, supported by increases of 17.0 percent and 1.0 percent in oil-related and non-oil imports, respectively.

1.8 Money supply (M2) expanded by 18.4 percent to register at \$7.3 billion in 2017. This monetary expansion was due mainly to a 22.0 percent increase in foreign currency-denominated deposits, augmented by a 7.9 percent growth in local currency deposits.

1.9 Domestic credit from commercial banks grew by \$104.7 million (or 3.4%) to settle at \$3,188.5 million. Credit to the private sector increased by 5.0 percent while that to the public sector contracted by 13.3 percent. The increase in private

sector credit was due mainly to higher credit for households' domestic property and motor vehicles.

1.10 Indicators for the financial services industry showed a mix overall performance with trust companies, stock exchange listings and market capitalization, new company registration and new partnership registrations growing, while bank and trust licences, insurance licences and mutual funds (including master funds) declined.

1.11 In 2017, total visitors to the Cayman Islands increased to total 2.1 million. Growth of 8.5 percent and 1.0 percent in stay-over arrivals and cruise passengers, respectively, spurred arrivals during the year.

1.12 Building intention indicators were mixed in 2017. The value of planning approvals in Grand Cayman rose by 96.4 percent to \$798.7 million, mainly due to a large hotel project. On the other hand, the value of building permits in Grand Cayman declined by 5.0 percent to \$234.7 million.

1.13 Real estate activity declined during the year as the total value of property transfers fell by 3.5 percent to \$830.2 million, due solely to freehold transfers as leasehold transfers increased in value.

1.14 The central government's overall surplus in 2017 reached \$140.6 million (4.5% of GDP) compared with \$99.6 million (3.4% of GDP) in 2016. The larger surplus resulted from a higher increase in revenue (6.7%) relative to the rise in expenditure (0.8%).

1.15 The central government's total outstanding debt continued to decline, settling at \$449.1 million (14.5 percent of GDP) at the end of 2017, lower by \$34.8 million compared to the level at end 2016.

1.16 GDP is projected to grow in 2018 by 3.0 percent, due largely to expected growth in the construction of private and public sector projects, and continued growth in tourism-related services. Stable growth is projected in the financing and insurance sector. The inflation rate is expected at 2.7 percent arising principally from external pressures. The overall unemployment rate is projected to fall to 4.4 percent.

The Cayman Islands Economic Performance: Summary Indicators

Indicators	2015	2016	2017
Real GDP (\$million)*	2,627.8	2,708.1	2,786.8
GDP growth in real terms (%)*	3.0	3.1	2.9
Real GDP per capita (\$)*	44,498	44,155	44,154
Nominal GDP per capita (\$)*	48,440	48,314	49,228
Nominal GDP (\$million)*	2,860.6	2,963.2	3,107.0
Population (year-end)	60,414	61,361	63,415
<i>Of which</i> Caymanians	34,237	34,113	35,878
Population (mid-year)	59,054	61,331	63,115
Average inflation rate (%)	(2.3)	(0.7)	2.0
Employment	39,138	40,411	40,856
Unemployment rate (% of labour force)	4.2	4.2	4.9
Total imports (in \$million)	821.9	852.6	876.0
Total imports (% of GDP)	28.7	28.8	28.2
Total money supply (M2, in \$million)	5,898.0	6,155.3	7,285.9
Domestic credit (in \$million)	2,981.2	3,083.9	3,188.5
Mutual funds (including master funds)	10,940	10,586	10,559
Insurance licenses	739	740	724
Banking and trust licenses	184	159	150
Trust companies	118	117	118
Stock exchange listings	1,048	1,022	1,238
New company registrations	11,875	11,174	13,046
New partnership registrations	3,377	3,356	3,872
Stay-over tourists (in thousands)	385.4	385.5	418.4
Cruise ship passengers (in thousands)	1,716.8	1,711.8	1,728.4
Grand Cayman building permits (\$million)	186.9	247.0	234.7
Cayman Islands planning approvals (\$million)	458.8	406.7	798.7
Cayman Islands property transfers (\$million)	612.2	860.3	830.2
Overall fiscal balance of the central government (\$million)	116.1	99.6	140.6
Overall fiscal balance of the central government (% of GDP)	4.1	3.4	4.5
Outstanding debt of the central government (\$million)	511.0	483.9	449.1
Outstanding debt of the central government (% of GDP)	17.9	16.3	14.5

*Preliminary estimate for 2017 based on indicators.

2. Global and Regional Macroeconomic Environment

Global economic growth strengthened during 2017, as investment spending regained momentum in advanced economies. International trade also rebounded as conditions improved for several commodity-exporting countries. This review is culled from reports of the International Monetary Fund and other international organizations.

2.1 Economic Growth

Global economic growth was bolstered to 3.8 percent in 2017, relative to 3.2 percent in 2016. The acceleration in growth was the highest since 2011 and reflected increased investments and international trade. Global investment spending accelerated in advanced economies as well as some emerging market and developing economies. Consistent with the increase in global investment, world trade recovered firmly in 2017 after two years of weakness. The improvement in world trade was more prominent in emerging market and developing economies, notably China.

Advanced economies grew by 2.3 percent, an improvement from the 1.7 percent growth in 2016 (see Table 2.1). All major economies within this category recorded higher growth rates in 2017 with the exception of the United Kingdom (UK) which registered a slower pace of growth rate relative to 2016. Greater levels of investment spending, facilitated by enhanced gross fixed capital formation and stock accumulation, resulted in the improved performance of advanced economies.

Table 2.1: Global Economic Growth

	2014	2015	2016	2017
	% Change in GDP			
World	3.6	3.5	3.2	3.8
Advanced Economies	2.1	2.3	1.7	2.3
United States	2.6	2.9	1.5	2.3
Euro Area	1.3	2.1	1.8	2.3
Japan	0.4	1.4	0.9	1.7
United Kingdom	3.1	2.3	1.9	1.8
Canada	2.9	1.0	1.4	3.0
Emerging Market and Developing Economies	4.7	4.3	4.4	4.8
China	7.3	6.9	6.7	6.9
India	7.4	8.2	7.1	6.7

Source: International Monetary Fund (World Economic Outlook (WEO), April 2018)

The US economy expanded by 2.3 percent in 2017, stronger than the 1.5 percent growth in 2016. This growth was facilitated by higher levels of personal consumption expenditure, non-residential fixed investment and exports. Growth in investment may have benefited from the persistent low levels of interest within the US economy.

Economic growth in the UK moderated marginally to 1.8 percent in 2017 compared with 1.9 percent in the prior year, owing to a decline in the services industries. The Euro Area, however, recorded stronger growth of 2.3 percent relative to 1.8 percent in 2016 by means of increased exports, personal and government consumption, and business investment.

Canada's growth rate accelerated to 3.0 percent from 1.4 percent in the past year due to increased household final consumption expenditure, business investment and exports. Economic growth in Japan strengthened to 1.7 percent in comparison to 0.9 percent in 2016 as business spending and private consumption expanded.

Table 2.2: Caribbean Region Economic Growth¹

	2014	2015	2016	2017
	% Change in GDP			
Caribbean	4.7	4.0	3.4	2.7
Antigua & Barbuda	5.1	4.1	5.3	2.8
The Bahamas	-1.2	-3.1	0.2	1.3
Barbados	0.1	1.0	1.6	0.9
Dominican Republic	7.6	7.0	6.6	4.6
Grenada	7.3	6.4	3.7	3.5
Jamaica	0.6	0.8	1.5	1.0
St. Kitts & Nevis	5.1	4.9	3.1	2.6
St. Lucia	3.6	-0.9	3.4	3.0
St. Vincent & the Grenadines	0.3	0.9	0.8	1.0
Trinidad & Tobago	-0.3	1.5	-6.0	-2.6

Source: International Monetary Fund (WEO, April 2018)

Emerging market and developing economies grew by 4.8 percent in 2017 compared with 4.4 percent in the previous year. Growth in net exports and

¹ The Caribbean comprises Antigua and Barbuda, The Bahamas, Barbados, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago.

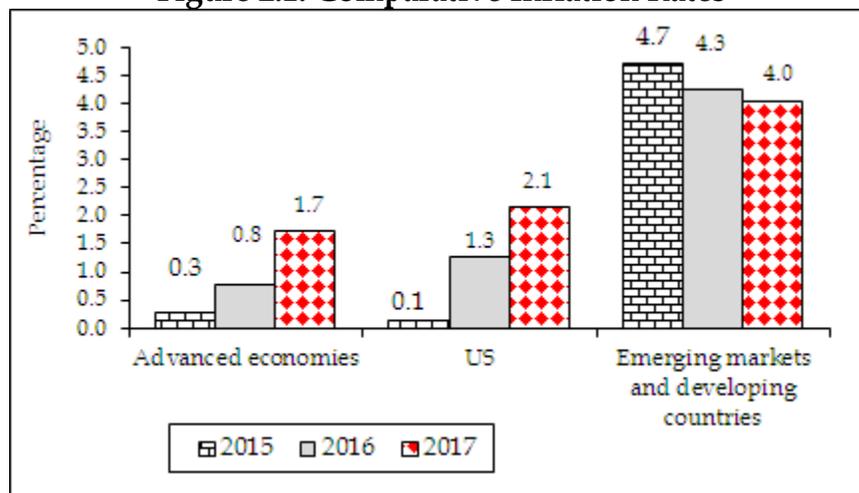
private consumption, particularly in China and India, were the main contributors to the improved outcome for emerging market and developing economies. Higher levels of fixed investment also supported growth in this group.

The Caribbean recorded growth of 2.7 percent in 2017 compared with 3.4 percent in the preceding year (see Table 2.2). This lower growth rate was reflected in all Caribbean economies except The Bahamas and St. Vincent & the Grenadines. The weakening in the growth rate for the Caribbean was due to the effects of higher international commodity prices and adverse weather conditions, mainly the negative impact from hurricanes Irma and Maria. The Dominican Republic continued to dominate the region with the highest growth rate, advancing by 4.6 percent, albeit weaker compared to 6.6 percent in 2016.

2.2 Inflation

The world economy recorded an overall inflation of 3.0 percent in 2017, higher than the 2.8 percent in 2016. Similarly, inflation in advanced economies accelerated to 1.7 percent from 0.8 percent in the preceding year (see Figure 2.1). Inflation in the US rose to 2.1 percent in the review period relative to 1.3 percent in 2016. However, the inflation rate in emerging markets and developing economies moderated to 4.0 percent in 2017 from 4.3 percent in 2016. Notably, Russia and India registered inflation of 3.7 percent and 3.6 percent compared with 7.1 percent and 4.5 percent in 2016, respectively.

Figure 2.1: Comparative Inflation Rates



Source: International Monetary Fund (WEO, April 2018)

Inflationary pressures during the year were heavily influenced by global commodity prices which increased relative to the previous year according to the IMF's Primary Commodities Price Index. There were higher prices for crude oil, natural gas, metals and agricultural products. The increase in crude oil prices was attributed to unplanned production stoppages on the US Gulf Coast and in Libya, the North Sea and Venezuela. Additionally, an extension of the OPEC agreement on production targets coupled with robust world economic growth also added upward pressure on oil prices. The higher natural gas price index resulted from strong demand for liquefied natural gas in China and increased crude oil prices. Metal prices rose due to strong demand for base metals, particularly aluminium, and limited supply in China partly influenced by reductions in production capacity. The increase in agricultural prices was associated with unfavourable weather conditions during the year.

Inflation in the Caribbean followed the trend of inflation in advanced economies during the review period as the region was impacted by higher global commodity prices, stronger global demand and adverse weather events. The Caribbean recorded inflation of 3.8 percent relative to 2.6 percent in 2016 (see Table 2.3). All countries registered higher inflation with the exception of Trinidad & Tobago. The highest price increases were observed in Antigua & Barbuda, Barbados and Jamaica.

Table 2.3: Inflation Rates: Caribbean Region

	2014	2015	2016	2017
	% Change in Consumer Prices			
Caribbean	4.0	2.3	2.6	3.8
Antigua & Barbuda	1.1	1.0	-0.5	2.5
The Bahamas	1.2	1.9	-0.3	1.4
Barbados	1.8	-1.1	1.5	4.4
Dominican Republic	3.0	0.8	1.6	3.3
Jamaica	8.3	3.7	2.3	4.4
Trinidad & Tobago	5.7	4.7	3.1	1.9

Source: International Monetary Fund (WEO, April 2018)

2.3 International Finance

Overall net borrowing² (fiscal deficit) as a percentage of GDP among advanced economies remained relatively unchanged at 2.6 percent in 2017. The US fiscal

² Net lending/net borrowing is equal to total revenue less total expenditure less net acquisition of nonfinancial assets and liabilities. It is viewed as an indicator of the financial impact of

deficit or net borrowing increased to 4.6 percent of GDP in 2017 from 4.2 percent in 2016. In contrast, the overall fiscal deficit of the Euro Area improved to 0.9 percent of GDP in 2017 from 1.5 percent in 2016. The UK's fiscal deficit to GDP ratio fell to 2.3 percent in 2017 relative to 3.0 percent in 2016. Canada's fiscal deficit decreased to 1.0 percent of GDP in 2017 from 1.1 percent of GDP in 2016.

Policy interest rates were increased in some of the major world economies during 2017, notably in the USA, UK and Canada. In the USA, the Federal Reserve Bank increased the target range for its federal funds rate three times (March, June and December) during the review period. This monetary stance was taken against the background of continued strengthening of the labour market, a gradual uptick in inflation and consistent gains in economic activity. On the last occasion, the Federal Reserve Bank raised the rate from a range of 1.00 percent to 1.25 percent to a range of 1.25 percent to 1.50 percent effective December 13, 2017.

Table 2.4: Key Interest Rates (% , at the end of Quarter)

		US ¹	UK	Canada	Euro Area
Rates in %					
2016	Q1	0.38	0.50	0.50	0.00
	Q2	0.38	0.50	0.50	0.00
	Q3	0.38	0.25	0.50	0.00
	Q4	0.63	0.25	0.50	0.00
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

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

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

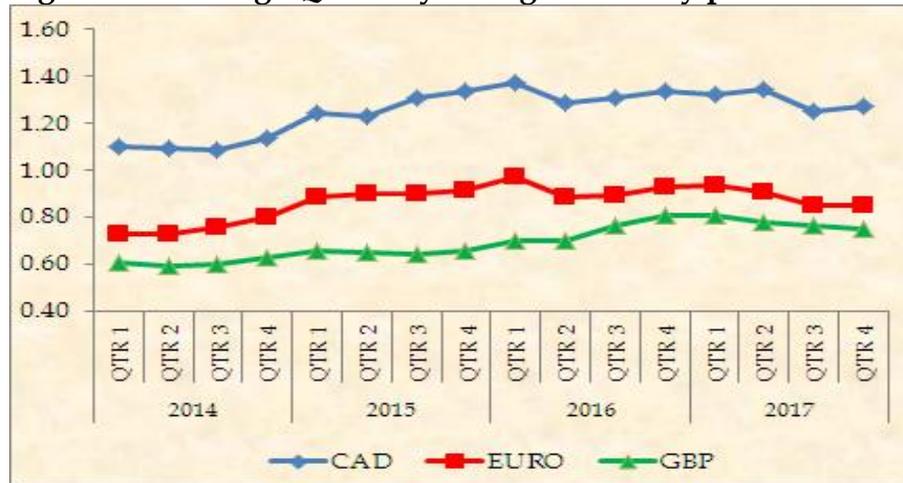
The Bank of England raised its official rate from 0.25 percent to 0.50 percent with effect on November 1, 2017. This policy action was implemented to return inflation to its target rate while at the same time sustaining economic growth and employment. The Bank of Canada increased its overnight target rate from 0.50 percent to 1.00 percent effective September 6, 2017. This increase was predicated on a stronger than expected economic performance, particularly in consumer spending, business investment and exports. The European Central Bank

governments' activities on the rest of the economy. A positive balance is referred to as net lending while a negative balance is referred to as net borrowing.

maintained the interest rate on its main refinancing operations at 0.00 percent. The Governing Council noted that key interest rates are to remain at present levels for an extended period of time.

The US Dollar depreciated in value against most of its major trading partners. Specifically, the US Dollar depreciated against the Canadian Dollar by 2.1 percent on average, as higher crude oil prices positively impacted export revenue for Canada. There was an average depreciation of 3.7 percent against the Euro, emanating in part from Europe’s drive to expand and strengthen trade deals with major players in the world economy, while the US weakened and exited various trade agreements. In contrast, the US Dollar appreciated by 4.8 percent against the Great Britain Pound Sterling (GBP) due primarily to the continued impact of Brexit³ on the UK economy as well as higher interest rates in the US. The Cayman Islands Dollar, by being pegged to the US Dollar, moved in tandem with the currency relative to the major trading currencies.

Figure 2.2: Average Quarterly Foreign Currency per U.S Dollar



Source: United States Federal Reserve Bank

2.4 Regional and International Tourism⁴

International tourist arrivals grew by 7.0 percent to reach 1,322.0 million in 2017, representing the strongest increase since 2010.

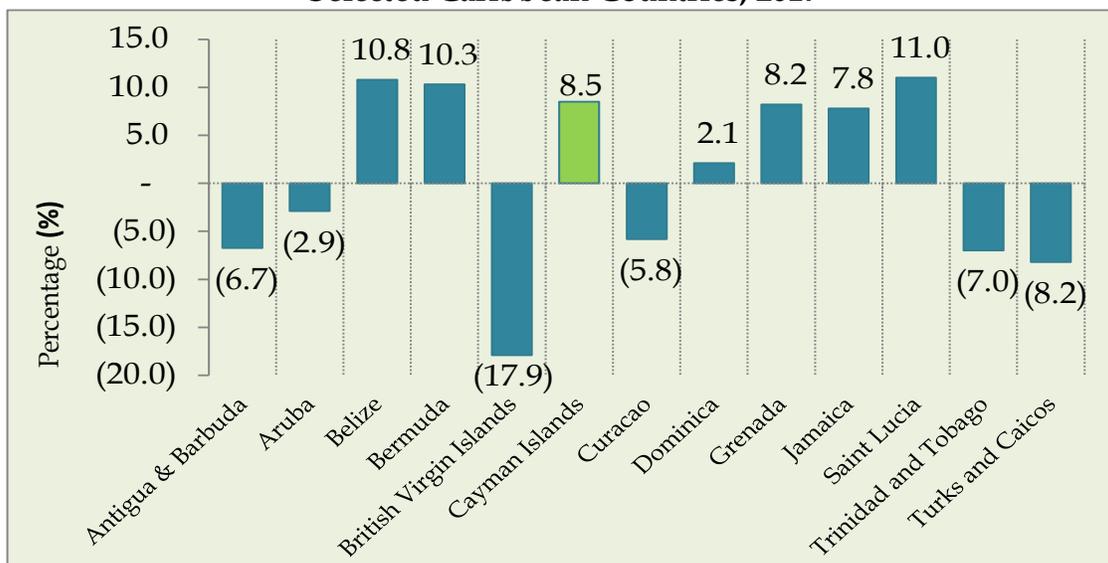
³ The UK officially commenced negotiations with the European Union (EU) on Brexit in June 2017. The UK is due to leave the EU on March 29, 2019 after Article 50 of the Treaty on the European Union was invoked by the UK government on March 29, 2017.

⁴ Source: World Tourism Organization and Caribbean Tourism Organization..

The African and European regions displayed the strongest growth in international arrivals, growing by 8.0 percent each. The Asia and Pacific region followed with growth of 6.0 percent while the Americas recorded growth of 3.0 percent. Global arrivals to the Middle East region grew by 5.0 percent in 2017, reversing the 4.0 percent contraction recorded in 2016. This growth was attributed to the global economic upswing and the robust outbound demand from many traditional and emerging source markets. Particularly, tourism spending from Brazil and Russia rebounded after years of declines.

Amidst two major hurricanes during the year, Caribbean tourism achieved yet another landmark in 2017 by surpassing 30.0 million stay-over arrivals for the year. The robust performance was largely linked to sustained economic growth in major source markets.

**Figure 2.3: Stay-Over Arrivals Growth (%)
Selected Caribbean Countries, 2017**



Source: World Tourism Organization, Caribbean Tourism Organization and other official sources.

The European source market remained strong, improving by 6.2 percent to 5.8 million arrivals, despite uncertainties surrounding Brexit and national security issues. The US source market also maintained growth traced in part to increased growth and lower unemployment levels.

As shown in figure 2.3, the highest stay-over growth rates were recorded for Saint Lucia 11.0 percent, Belize 10.8 percent, and Bermuda 10.3 percent. Strong

stay-over rates were also recorded in Grenada and Jamaica which grew by 8.2 percent and 7.8 percent, respectively. In contrast to the previous year's performance, stay-over arrivals to the hurricane-hit territories fell, with visitors to the British Virgin Islands decreasing by 17.9 percent. Declines were also recorded for Antigua & Barbuda, Aruba, Curacao, Trinidad & Tobago and the Turks & Caicos Islands.

Consistent with the growth in stay-over visitors, cruise tourism continued to grow, totaling 27 million visits to the region in 2017. This represented a growth of 2.4 percent for the period.

Coupled with the increases in stay-over and cruise arrivals, the region also benefited from higher visitor expenditure, with total expenditure reaching US\$37.0 billion in 2017. This reflected growth of 2.6 percent over the period and represented the eighth consecutive year of growth. Stay-over visitors were estimated to have spent US\$34.2 billion or US\$1,230 per trip in 2017 relative to US\$1,129 per trip in 2016.

3. Macroeconomic Performance

The year in review was marked by robust GDP growth, a higher unemployment rate and a general increase in average price levels.

3.1 Economic Growth

The Cayman Islands' real Gross Domestic Product (GDP) is estimated to have grown by 2.9 percent in 2017, marginally lower than the 3.1 percent recorded in 2016. In real terms, gross domestic product is estimated at \$2,786.8 million, relative to \$2,708.1 million in 2016 (see Table 3.1). The economic expansion brings the average growth over the last five years to 2.6 percent.

Table 3.1: Cayman Islands' Gross Domestic Product

	2013	2014	2015	2016	2017E
GDP at Current Prices (\$M)	2,649.1	2,756.7	2,860.6	2,963.2	3,107.0
<i>Current GDP growth (%)</i>	2.9	4.1	3.8	3.6	4.9
Per Capita GDP at current prices (CI\$)	47,079	48,370	48,440	48,314	49,228
GDP at constant 2007 prices (\$M)	2,494.6	2,551.2	2,627.8	2,708.1	2,786.8
<i>Real GDP growth (%)</i>	1.5	2.3	3.0	3.1	2.9
Per Capita GDP at constant 2007 prices (CI\$)	44,334	44,764	44,498	44,155	44,154

¹ Using mid- year population figures.

E Preliminary based on sector economic indicators

Source: Economics and Statistics Office

The average income of residents in these Islands as measured by per capita GDP⁵ at constant prices was relatively unchanged at \$44,154 as growth in income was matched by the mid-year population growth. In nominal terms, the estimated average income was \$49,228, approximately 1.9 percent higher than in 2016.

Actual indicators for the year point to expansions across all sectors of the economy in 2017. The services sector, which accounted for 94.3 percent of GDP in 2017, led the economic performance with a 2.7 percent growth rate (see Table 3.2).

⁵ GDP per Capita is defined as GDP at constant 2007 prices and current prices divided by the mid-year population.

Table 3.2: Real GDP (at 2007 Prices) by Sector (\$ million)

	2014	2015	2016	2017E	% Change
Millions of Cayman Islands Dollars					
Primary Sectors	28.1	29.9	31.4	32.8	4.5
Agriculture & Fishing	10.1	10.3	10.7	10.8	1.8
Mining & Quarrying	18.0	19.6	20.8	22.0	5.9
Secondary Sectors	104.1	110.7	118.6	125.9	6.2
Manufacturing	23.9	24.4	25.4	26.0	2.3
Construction	80.3	86.3	93.2	99.9	7.2
Services Sectors	2,418.9	2,487.2	2,558.0	2,628.0	2.7
Electricity & Water Supply	95.9	98.7	103.2	105.9	2.6
Wholesale & Retail Trade, Repairs & Installation of Machinery	212.5	216.4	222.0	225.9	1.8
Hotels & Restaurants incl. Bars	149.2	150.4	151.7	164.7	8.5
Transport, Storage & Communication	217.0	221.8	226.8	232.4	2.5
Financing & Insurance Services	1,052.6	1,077.1	1,096.9	1,111.9	1.4
Real Estate, Renting & Business Activities	641.2	663.3	687.9	707.9	2.9
Producers of Government Services	342.2	353.2	370.0	383.7	3.7
Other Services	83.6	85.3	87.9	89.7	2.1
Financial Services Indirectly Measured (FISIM)*	375.2	379.0	388.4	394.1	1.5
GDP constant at basic prices	2,551.2	2,627.8	2,708.1	2,786.8	2.9
Growth (%)	2.3	3.0	3.1	2.9	

E- Preliminary estimates based on sector economic indicators

*Financial Intermediation Services Indirectly Measured (FISIM) is the difference between the interest rates charged to borrowers and the interest rates paid to lenders. It is an implicit charge to customers for the service provided by financial intermediaries.

The construction industry's performance, measured by the market value of goods and services produced in the sector, was the most robust with an estimated expansion of 7.2 percent in 2017. Key indicators such as the volume of building materials including imported aggregates was higher during the period, sustaining the growth trend observed since 2012. However, growth in the sector was weaker than the recorded growth of 7.9 percent in 2016 due to the completion of some projects in 2016 and the late start of some major development projects in 2017.

The hotels and restaurants sector's activity is estimated to have soared in 2017. The sector was impacted by a sharp uptick in arrivals of 8.5 percent for the year, with a notable increase in the fourth quarter. During the latter period, arrivals from air and cruise segments jumped by 19.4 percent and 26.4 percent relative to the corresponding quarter of the previous year.

The financing and insurance services sector which accounted for approximately 40.0 percent of GDP was estimated to have expanded by 1.4 percent. Growth in the sector occurred in the context of a marginal turnaround in demand from external markets, evidenced by increased registrations across some financial segments. Growth in the banking sector was also boosted by continued expansion in domestic credit. The domestic banking sector is estimated to have grown by 1.5 percent in 2017, due plausibly to higher interest income as domestic credit grew. Insurance services, included under this rubric, grew at a slower pace by 1.0 percent relative to 3.8 percent in 2016, as health insurance claims increased amidst a fall in premiums.

The real estate, renting and business activities sector was estimated to have increased by 2.9 percent with business services (mainly legal and accounting services) dominating the growth, supported by a rise in both new company and new partnership registration. Real estate activities are estimated to have also expanded, albeit at a slower pace as the value of traded transfers declined.

Electricity and water supply, other services and transport, storage and communication recorded robust growth of 2.6 percent, 2.1 percent and 2.5 percent, respectively. These performances may be partly associated with the higher level of population on the Islands, as well as the increase in economic activity across most sectors. Growth in the transport sector also benefitted from the higher volume of tourist and cargo transportation. Government services expanded anew in 2017 by 3.7 percent, mainly indicated by higher staff levels.

The wholesale and retail trade sector had an estimated growth of 1.8 percent, bolstered by non-oil merchandise imports which grew by 1.0 percent (see Section 3.4). This sector also benefitted from the multiplier effects of the performance of the construction sector as well as other sectors which altogether generated higher employment in 2017 compared to 2016.

3.2 Inflation

The Cayman Islands recorded an average inflation of 2.0 percent for 2017, a sharp contrast when compared to the general reduction in the price levels of 0.7

percent a year ago. Consumer prices rose largely on account of an increase in the price of crude oil in the global market. Inflationary pressures also emanated from a rise in demand associated with the increasing domestic population and higher employment levels. The increased demand also resulted in higher imported inflation as economic growth drove higher prices in the US, Cayman's major import market.

Table 3.3: Average Inflation Rates

Categories	Avg. Inflation Rates	
	2016	2017
Food & Non-alcoholic Beverages	0.1	0.9
Alcohol and Tobacco	0.6	2.8
Clothing and Footwear	0.7	2.2
Housing and Utilities	-2.7	2.3
Household Equipment	-0.3	3.4
Health	-0.1	2.4
Transport	-1.7	4.9
Communication	0.8	1.2
Recreation and Culture	1.3	0.4
Education	1.5	1.7
Restaurants and Hotels	1.5	2.2
Misc. Goods and Services	0.7	-0.5
Overall CPI Inflation	-0.7	2.0

Source: Economics and Statistics Office

Price increases were seen across most divisional indices with only miscellaneous goods and services recording declines during the year. Transport, household equipment and housing and utilities were the main divisions driving the increase for the period. The price index for transport rose by 4.9 percent as the average cost of fuels and lubricants, and passenger transport by air increased by 5.0 percent and 10.8 percent, respectively. Higher cost of transport was propelled by a recovery in oil prices in the world market. Specifically, the average spot price of crude oil⁶ rose by 23.3

percent in 2017 relative to a decline of 15.7 percent in 2016. The household equipment index increased by 3.4 percent, potentially due to rising demand from a larger population and higher import prices. Similarly, the housing and utilities index inched up by 2.3 percent as the average cost for rental and maintenance and repair of dwelling rose by 4.1 percent and 2.4 percent, respectively. The impact of higher import prices and increased demand was also reflected in the price indices for alcoholic beverages and tobacco which increased by 2.8 percent, and clothing and footwear which increased by 2.2 percent.

The decline in the index for miscellaneous goods and services of 0.5 percent was mainly attributed to reductions in the cost of personal effects and insurance during the first quarter of the year.

⁶ Source: International Monetary Fund (WEO, April 2018), simple average of prices of U.K. Brent, Dubai Fateh, and West Texas Intermediate crude oil

Table 3.4: Selected Quarterly Inflation Rates (%)

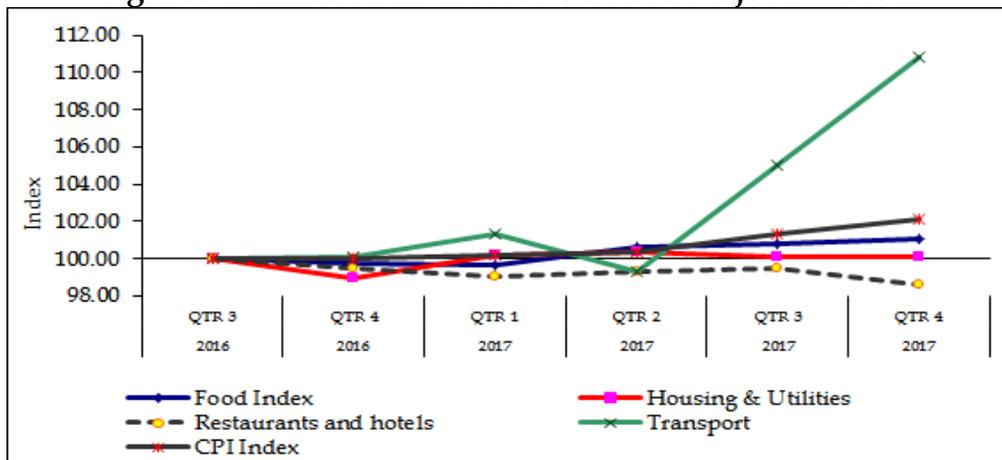
		CPI Inflation	Non Food Inflation	Core Inflation*	CPI Excluding Housing & Utilities	Food Inflation	Housing & Utilities Inflation	Electricity and Fuel Inflation
% Change over the same Quarter a Year Ago								
2016	QTR 1	-2.8	-3.9	-2.8	-0.8	0.3	-8.8	-14.0
	QTR 2	-0.8	-0.9	0.1	0.2	-0.1	-3.0	-12.8
	QTR 3	0.5	0.8	2.4	0.9	0.3	0.5	-15.5
	QTR 4	0.4	0.7	2.0	0.5	-0.2	1.1	-12.8
Annual Average 2016		-0.7	-0.8	0.4	0.2	0.1	-2.6	-13.8
2017	QTR 1	1.4	2.2	2.6	1.1	-0.5	3.8	5.2
	QTR 2	2.8	3.2	3.1	2.0	1.9	5.5	0.3
	QTR 3	1.4	1.4	1.6	2.0	0.8	0.1	2.0
	QTR 4	2.4	2.5	2.5	3.7	1.3	0.0	0.0
Annual Average 2017		2.0	2.3	2.5	2.2	0.9	2.3	1.9

* CPI Inflation excluding food and non-alcoholic beverages, electricity and fuels.

Source: Economics and Statistics Office

Core inflation, the overall inflation without food and non-alcoholic beverages, electricity and fuel, reflected an increase of 2.5 percent in 2017 compared to 0.4 percent a year ago (see Table 3.4). The average cost of electricity and fuels was higher by 1.9 percent for the year. While the index for food and non-alcoholic beverages recorded an average increase of 0.9 percent compared to a year ago when it went up by 0.1 percent.

Figure 3.1: Inflation Indices for Selected Major Divisions



Source: Economics and Statistics Office

3.3 Labour Force and Employment

The labour force expanded during the review period, increasing by 1.8 percent to 42,941. This growth was attributed to Caymanian labour which increased by 4.2 percent and Non-Caymanian labour which increased by 0.7 percent. The number of Permanent Residents with the rights to work (WRW) in the labour force declined by 5.0 percent during the year.

Table 3.5: Summary of Labour Force Indicators

Labour Force Indicators	2016	2017
Population	61,361	63,415
Working Age Population	50,613	52,772
Labour Force	42,196	42,941
Total Employed	40,411	40,856
Total Unemployed	1,785	2,085
Unemployed Rate (%)	4.2	4.9
Caymanian Population	34,113	35,878
Working Age Population	26,365	28,395
Labour Force	19,931	20,774
Total Employed	18,525	19,259
Total Unemployed	1,406	1,515
Unemployed Rate (%)	7.1	7.3
Permanent Residents Population	5,467	5,488
Working Age Population	5,420	5,251
Labour Force	4,577	4,348
Total Employed	4,404	4,158
Total Unemployed	173	190
Unemployed Rate (%)	3.8	4.4
Non -Caymanian Population	21,781	22,049
Working Age Population	18,837	19,126
Labour Force	17,687	17,819
Total Employed	17,482	17,439
Total Unemployed	206	380
Unemployed Rate (%)	1.2	2.1

* With rights to work (WRW) only

Source: ESO Fall Labour Force Surveys (2016, 2017)

Despite the increase in the labour force, the overall Labour Force Participation Rate (LFPR) declined to 81.4 percent relative to 83.4 percent in the previous year. This decline was due to a larger increase in the working age population than the labour force. There were reductions in the LFPR for all status groups during the review period.

Total employment increased marginally by 1.1 percent (or 445) to 40,856. The increase in employment was concentrated among Caymanians, where employment increased by 734 to 19,259. Employment among Non-Caymanians declined by 43 to 17,439 while employment of Permanent residents WRW fell by 246 to 4,158.

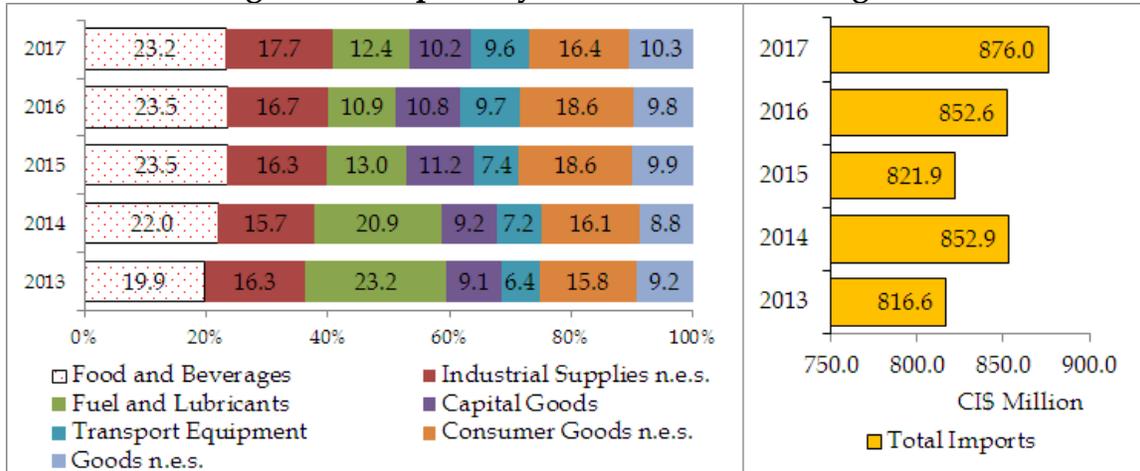
The unemployment rate rose by 0.6 percentage point to 4.9 percent in 2017. This increase was attributed to a general rise in unemployment across all status groups. The Non-Caymanian group recorded the highest increase of unemployment, rising by 181 to 380. The number of unemployed Caymanians rose by 3.9 percent (or 57) to 1,515, while unemployment among the Permanent Resident WRW status group increased by 9.8 percent to 190.

3.4 External Sector

Merchandise Imports. Total merchandise imports rose by 2.7 percent to \$876.0 million in 2017, due to higher purchase value of both fuel and non-fuel products. The imported value of fuel products rose by 17.0 percent to \$109.0 million, reflecting increases in both volume and price. Given the rapid growth in the value of fuel imports, its share of total imports rose to 12.4 percent in 2017 from 10.9 percent in 2016 (see Figure 3.2).

Imports of non-fuel products rose by 1.0 percent to \$767.0 million during the year, driven largely by *miscellaneous manufactured* and *manufactured goods* which increased by 10.1 percent and 9.0 percent, respectively. Of the categories recording declines, *commodities and transactions not classified elsewhere*, specifically gold and machinery and transport equipment registered the largest reductions in imports.

Figure 3.2: Imports by Broad Economic Categories



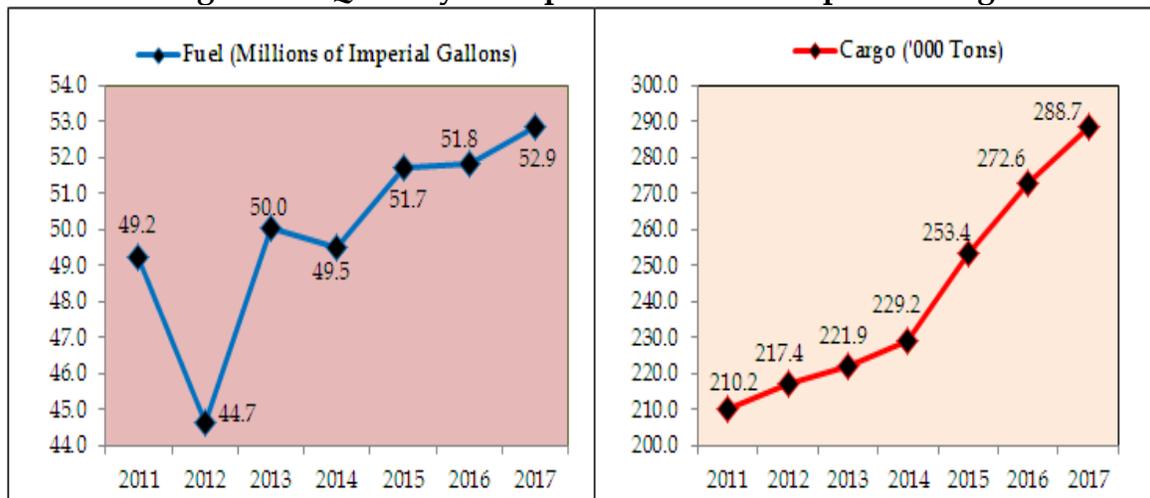
Source: Economics and Statistics Office

With regards to the Broad Economic Categories (BEC), all categories increased with the exception of *capital goods (excluding transport equipment)* and *consumer goods not elsewhere specified*. *Food and beverages*, which accounted for the largest share of imports (23.2 percent), increased by 1.7 percent to \$203.6 million. *Industrial supplies not elsewhere specified* rose by 9.1 percent to \$155.3 million and *fuels and lubricants* increased by 17.0 percent to \$109.0 million. There were respective increases of 1.8 percent to \$84.3 million and 8.9 percent to \$90.7 million in *transport equipment* and *goods not elsewhere specified*.

The volume of fuel imported into the Cayman Islands grew by 2.0 percent to 52.9 million imperial gallons. Of this, diesel increased by 6.1 percent to 35.4 million imperial gallons, while propane rose 0.6 percent to 2.1 million imperial gallons. However, the volume of imported gas declined by 1.3 percent to 11.3 imperial million gallons, while the volume of aviation fuel fell by 17.9 percent to 4.1 million imperial gallons.

The volume of imported cargo increased by 5.9 percent to 288.7 thousand tonnes, its highest level since 2008 when the volume reached 316.2 thousand tonnes. There were notable increases in construction material with imported aggregates rising by 16.2 percent to 221.5 thousand tonnes. In contrast, imports of cement declined by 0.6 percent to 39.5 thousand tonnes.

Figure 3.3: Quantity of Imported Fuel and Imported Cargo



Source: Customs Department and Port Authority of the Cayman Islands

Exports: Total merchandise exports, which mainly comprise re-exports, declined by 34.8 percent to \$27.7 million in 2017. This decline was due primarily to a reduction of 78.9 percent to \$6.2 million in the *commodities and transactions not elsewhere classified*, specifically the export of gold.

Current account⁷: The current account deficit of the balance of payments was estimated to have deteriorated in 2017 to \$997.2 million or 32.1 percent of GDP (see Table 3.6). Higher deficits are estimated for the goods, primary and secondary income sub-accounts. The goods sub-account is estimated to have deteriorated in line with the rise in imports and supported by the fall-off in exports.

Within the services sub-account, the surplus improved relative to 2016 largely due higher net receipts for travel, financial and other business services and lower net outflows (payments) for telecommunications and other services. In contrast, net receipts for insurance and pension services declined while net payments for transportation increased.

⁷ The current account of the balance of payments measures the total value of the country's transaction against the rest of the world in terms of trade in goods and services, income and transfers. A deficit in the current account means that the Cayman Islands made more payments to the rest of the world compared to its receipts from these transactions.

Table 3.6: Balance of Payments (in CI\$ million)

	2014R	2015R	2016	2017E
Current Account Balances				
Trade balance	(393.5)	(394.9)	(307.8)	(308.6)
Exports	377.7	385.7	502.4	512.2
Imports, f.o.b.	(771.2)	(780.6)	(810.1)	(820.8)
Services, net	1077.9	981.5	921.7	991.0
Receipts	2,042.8	1,951.1	1,969.7	2,093.1
o/w tourism visitor expenditure	569.4	557.1	588.1	659.4
o/w financial services	720.0	655.9	587.0	627.7
Payments	(965.0)	(969.6)	(1,048.0)	(1,102.1)
Net income	(1,528.34)	(1,291.92)	(1,138.56)	(1,429.19)
Transfers, net	(226.5)	(215.2)	(233.0)	(250.4)
Current Account Balance⁷	(1070.5)	(920.5)	(757.6)	(997.2)
<i>Percent of GDP (%)</i>	<i>(38.8)</i>	<i>(32.2)</i>	<i>(25.6)</i>	<i>(32.1)</i>
Financial and Capital Account, net*	1068.9	933.7	737.8	992.9
Balance of Payments	(1.6)	13.2	(19.9)	(4.3)
Change in Reserves**	1.6	(13.2)	19.9	4.3

^E Estimated based on key economic indicators

*Merchandise good exports plus goods procured in ports plus net export of goods under merchanting. Estimate for 2017 only includes merchandise goods.

**Financial and capital account includes overall errors and omissions

***Changes in foreign currency reserves of the Cayman Islands Monetary Authority's Currency Board

Source: Economics and Statistics Office

The primary income and secondary income sub-accounts recorded higher deficits compared with 2016. With regard to the secondary income account, net outflows of workers' remittances were estimated to have increased by \$17.1 million to \$210.0 million. This outturn represented a sharper increase in outflows relative to inflows. Other current transfers registered higher net outflows of \$0.4 million to \$39.7 million for the year.

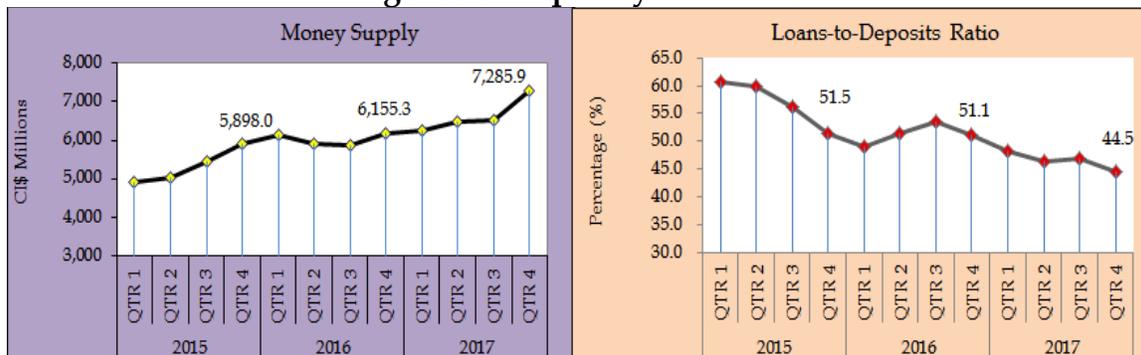
3.5 Money and Credit⁸

Broad liquidity: Liquidity was buoyant in 2017, expanding by 18.4 percent (\$1.1 billion) over the period (see Figure 3.5 and Table 3.7). This occurred as households and businesses continued to rely on the commercial banking system for financing, saving and facilitating transactions. This heavy reliance on the financial system is evidenced by an increase in the ratio of broad liquidity to nominal GDP (a measure of financial deepening) from 207.7 percent in 2016 to 234.8 percent in 2017.

During the period local currency denominated broad money increased by 7.5 percent, owing to increases of 7.9 percent and 3.4 percent in KYD deposits and currency in circulation, respectively. Additionally, there was a 22.0 percent increase in foreign currency deposits, largely observed within savings and fixed deposit accounts. Consequent on the growth in foreign currency deposits, the share of foreign currency deposits relative to the total money stock increased to 77.4 percent relative to 75.1 percent in 2016. KYD deposits accounted for 21.0 percent while KYD currency in circulation accounted for 1.6 percent.

Despite the notable increase in deposits during the review period, the overall loans-to-deposits ratio of commercial banks moderated, as higher deposits outweighed the increase in domestic credit. As at end 2017, domestic credit reflected 44.5 percent of total deposits relative to 51.1 percent at the end of 2016, indicating that commercial banks could be more liquid than a year ago. The fall in the loan-to-deposit resulted in its lowest annual level since December 2007 when it was 41.7 percent.

Figure 3.5: Liquidity Indicators



Source: Cayman Islands Monetary Authority and ESO

⁸ Some additions and percentage changes may not be exact due to rounding to one decimal place.

The expansion in broad liquidity largely facilitated a 29.0 percent increase in net foreign assets. This was in contrast to a marginal decline in net domestic assets of 1.6 percent.

Table 3.7: Monetary and Banking Summary, in CI\$ million

	Dec-15	Dec-16	Dec-17	% Change
Total Assets	5,898.0	6,155.3	7,285.9	18.4
Net Foreign Assets	3,795.4	4,018.6	5,182.4	29.0
Monetary Authority	110.8	122.2	126.6	3.6
Commercial Banks	3,684.6	3,896.4	5,055.8	29.8
Net Domestic Assets	2,102.5	2,136.7	2,103.4	(1.6)
Domestic credit	2,981.2	3,083.9	3,188.5	3.4
Claims on central government	226.5	211.0	182.8	(13.3)
Claims on other public sector	70.0	64.0	55.5	(13.2)
Claims on private sector	2,684.7	2,809.0	2,950.2	5.0
Other items net	(878.7)	(947.2)	(1,085.1)	14.6
Broad Liquidity	5,898.0	6,155.3	7,285.9	18.4
Broad money (KYD) M2	1,394.5	1,534.3	1,649.8	7.5
Currency in circulation	107.7	115.6	119.5	3.4
KYD Deposits	1,286.8	1,418.7	1,530.3	7.9
Demand deposits	505.3	595.9	648.0	8.7
Time and savings deposits	781.6	822.8	882.3	7.2
FOREX deposits	4,503.4	4,621.0	5,636.0	22.0
of which: US dollars	4,158.6	4,216.6	5,235.4	24.2
<i>US dollars share (%)</i>	<i>92.3</i>	<i>91.2</i>	<i>92.9</i>	

Source: Cayman Islands Monetary Authority and ESQ

Net foreign assets: Net foreign assets (NFA) of the Cayman Islands Monetary Authority (CIMA) and commercial banks expanded by 29.8 percent and 3.6 percent, respectively (see Table 3.8). CIMA's NFA rose by \$4.4 million during the review period, a deceleration from the increase of \$11.4 million seen a year earlier. The improvement in commercial banks' NFA reflected a 6.9 percent increase in foreign assets coupled with a 12.6 percent reduction in foreign liabilities. The increase in foreign assets resulted as banks increased their foreign currency balance held with banks and branches by 40.3 percent. This was partly financed by reductions in non-resident loans and total investments of 3.0 percent and 24.0 percent respectively. The reduction in foreign liabilities was due to a

13.2 percent decline in non-resident deposits and a 2.0 percent fall in other liabilities.

The ratio of foreign currency-denominated liabilities to total liabilities (a financial soundness indicator which measures the relative importance of foreign currency funding within the banking system) stood at 85.7 percent in 2017 which was lower than the 86.2 percent recorded in 2016. The reduction was largely influenced by declines in both non-resident foreign currency deposits and other foreign currency liabilities. Notwithstanding, foreign currency liabilities continued to be a primary source of funding in the Cayman Islands which can be considered a “pseudo dollarized economy.” The large ratio of foreign currency deposits provides strong support for the fixed exchange rate under the currency board system.

Table 3.8: Net Foreign Assets, CI\$ million

	Dec-15	Dec-16	Dec-17	% Change
Net Foreign Assets	3,795.4	4,018.6	5,182.4	29.0
Monetary Authority	110.8	122.2	126.6	3.6
Commercial Banks	3,684.6	3,896.4	5,055.8	29.8
Foreign Assets	8,416.4	8,445.1	9,030.1	6.9
Bal. with Banks & Branches	3,260.8	3,226.0	4,525.1	40.3
Total Investment	2,208.6	2,566.8	2,489.0	(3.0)
Total Non-Resident Loans	2,947.0	2,652.3	2,015.9	(24.0)
Foreign Liabilities	4,731.7	4,548.7	3,974.2	(12.6)
Total Non-Resident Deposits	4,549.1	4,322.7	3,752.7	(13.2)
Other Liabilities	182.7	226.0	221.5	(2.0)

Source: Cayman Islands Monetary Authority and ESO

Net domestic credit: Domestic credit increased by 3.4 percent to \$3,188.5 million in 2017, driven by increased lending to the private sector. Credit to the private sector rose by 5.0 percent as household loans expanded by 5.8 percent, the impact of which was partly tempered by a reduction of 2.6 percent in loans to businesses. In contrast, the total level of outstanding debt by the public sector declined by 13.3 percent as the central government continued a policy of debt amortization in adherence with the requirements of the Framework of Fiscal Responsibility (FFR) (see Table 3.9).

Table 3.9: Net Domestic Credit, CI\$ million

	Dec-15	Dec-16	Dec-17	% Change
Domestic Credit	2,981.2	3,083.9	3,188.5	3.4
Credit to Central Government	226.5	211.0	182.8	(13.3)
Credit to Other Public Sector	70.0	64.0	55.5	(13.2)
Credit to Private Sector	2,684.7	2,809.0	2,950.2	5.0

Source: Cayman Islands Monetary Authority and ESO

Credit to households, which accounted for approximately two-thirds of the banking sector's domestic credit portfolio, increased by 5.8 percent (or \$109.8 million) to \$1,992.5 million in 2017. Growth in consumer loans was driven by expansions in credit for domestic property (7.4%), motor vehicles (10.1%) and education and technology (7.3%) (see Table 3.10). These increases were partly offset by a contraction in credit for miscellaneous activities of 6.2 percent.

In line with the increased demand for household credit the weighted average rate on KYD loans increased during the period. The increase in rates was partly impacted by an increase in the prime lending rate for the period and occurred despite the expansion in money supply.

Commercial loans, which accounts for approximately one third of total domestic credit, declined by 2.6 percent (or \$23.5 million) for the year to close at \$884.1 million (see Table 3.10). Other financial corporations reflected the largest reduction in credit, declining by \$76.9 million (or 55.9%), followed by production and manufacturing sector, which accessed \$12.7 million (or 7.4%) less credit.

Notwithstanding the general reduction in business credit, there were notable increases in loans to the trade and commerce sector and the service sector of \$52.9 million (or 10.1%) and \$13.2 million (or 18.2%), respectively.

Table 3.10: Net Credit to the Private Sector, CI\$ million

	Dec-15	Dec-16	Dec-17	% Change
Total Private Sector Credit	2,684.7	2,809.0	2,950.2	5.0
Credit to Businesses	827.3	907.6	884.1	(2.6)
Production & Manufacturing	165.5	172.2	159.5	(7.4)
Mining	8.3	4.3	4.7	7.7
Manufacturing	18.7	19.6	14.1	(28.0)
Utilities	12.9	36.9	23.0	(37.7)
Construction	125.6	111.3	117.7	5.7
Services	65.6	72.2	85.4	18.2
Accommodation, Food, Bar & Entertainment Services	15.4	13.6	26.4	94.1
Transportation, Storage & Communications	17.4	19.4	24.1	24.3
Education, Recreational & Other Professional Services	32.8	39.2	34.9	(11.1)
Trade and Commerce	483.9	525.6	578.6	10.1
Wholesale & Retail Sales Trade	68.5	53.4	53.2	(0.5)
Real Estate Agents, Rental and Leasing Companies	211.7	194.6	132.0	(32.2)
Other Business Activities (General Business Activity)	203.7	277.6	393.4	41.7
Other Financial Corporations	112.2	137.6	60.7	(55.9)
Credit to Households	1,843.1	1,882.7	1,992.5	5.8
Domestic Property	1,553.6	1,600.9	1,719.8	7.4
Motor Vehicles	41.2	45.8	50.5	10.1
Education and Technology	6.3	5.9	6.4	7.3
Miscellaneous*	242.0	230.0	215.9	(6.2)
NonProfit Organizations	14.3	18.7	73.6	294.5

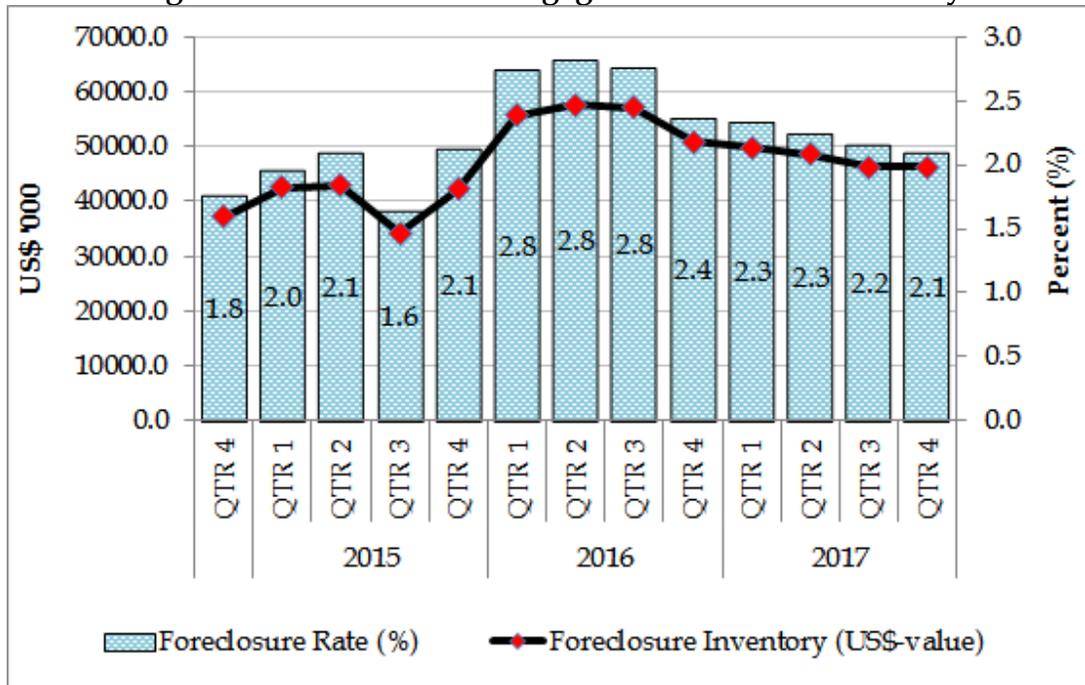
*Miscellaneous include consolidated debt, insurance, medical & travel

Source: Cayman Islands Monetary Authority and ESO

Residential mortgage foreclosures: Data from CIMA showed that the average foreclosure inventory in 2017 reached 160 properties valued at US\$46.2 million. This represented a reduction from the 171 properties valued at US\$50.8 million in 2016 (see Figure 3.6).

Similarly, the average quarterly foreclosure rate (the value of foreclosure inventory over the total value of residential mortgages) inched downwards to 2.1 percent in 2017 from 2.4 percent in 2016.

Figure 3.6: Residential Mortgages Foreclosures Inventory



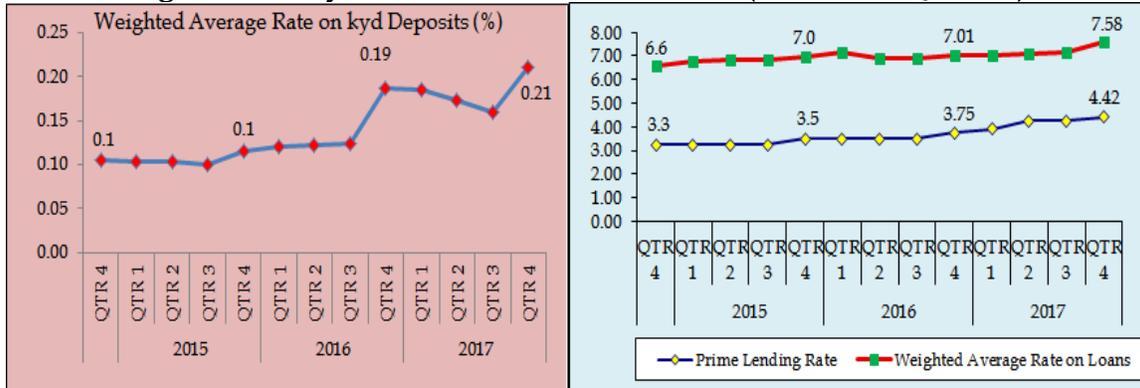
Source: Cayman Islands Monetary Authority and Economics and Statistics Office

Interest rates: Given the increases in the Federal Funds Target Rate (FFTR) during 2017, the Cayman Islands prime lending rate increased for the third consecutive year, rising by 67 basis points to 4.42 percent from 3.75 percent a year ago.

As depicted in Figure 3.7, KYD weighted average interest rate on outstanding loans also increased, rising by 56 basis points to 7.58 percent over the review period.

The weighted average rate on KYD deposits increased to 0.21 percent at the end of 2017 from 0.19 percent the previous year (see Figure 3.7).

Figure 3.7: Cayman Islands' Interest Rates (% , End of Quarter)



Source: Cayman Islands Monetary Authority and ESO

4. Key Sector Developments

Cayman's financial services industry posted mixed performance while tourist arrivals soared. The construction sector indicators posted mixed trends while the total value of real estate transfers declined. The utilities sector comprising electricity and water grew during the year.

4.1 Financial Services

In 2017, the financial sector reflected growth in trust companies, stock exchange listings, market capitalization, new company registration and new partnership registrations, while bank and trust licences, insurance licences and mutual funds (including master funds) declined.

Banks & Trusts: The Cayman Islands continued to be a major player in the global financial market, ranking ninth in the world based both on the value of the banking sector's assets and liabilities. Despite an increase in global asset and liability positions, the value of cross border assets domiciled in the Cayman Island's declined by 9.8 percent to US\$931.9 billion and the value of international liabilities decreased by 10.4 percent to US\$932.1 billion.

The decline in international assets and liabilities was observed for both banking and non-banking financial institutions, and could possibly be due continued bank consolidation and increased regulation in the sector. Notwithstanding, both the local foreign currency and domestic currency positions increased over the period. Foreign currency assets stood at \$17.2 billion while foreign currency liabilities stood at \$57.7 billion. These assets and liabilities were registered in the domestic economy with other legally domiciled licenced entities considered as resident entities⁹. On the other hand, assets denominated in domestic currency (KYD) stood at US\$2.2 billion while liabilities amounted to US\$2.0 billion at the end of 2017.

The number of bank and trust licenses exhibited a downtrend from 308 at the end of 2005 to 150 at the end of 2017. As shown in Table 4.1, 'Class A' banks remained unchanged relative to end 2016 at 11 while 'Class B' banks fell by 9 to 139.

⁹ Inclusive of domestic positions in foreign currency of non-banks which are all entities that are non-deposit taking institutions (General Government, Non-Financial Corporations, Households, Non-Bank Financial Corporations, etc.).

Table 4.1: Bank & Trust Companies, 2014-2017

	2014	2015	2016	2017	% Change
Bank and Trust Licences	198	184	159	150	(5.7)
<i>Of which:</i> Class 'A'	13	12	11	11	-
Class 'B'	185	172	148	139	(6.1)
Trust Companies	110	118	117	118	0.9
Trust Companies (Unrestricted)	47	57	57	57	-
Trust Companies (Restricted)	63	61	60	61	1.7
Assets and Liabilities	US\$ Billion				
Total Position					
Assets	1,439.8	1,175.3	1,033.4	931.9	(9.8)
Liabilities	1,493.6	1,221.8	1,040.2	932.1	(10.4)
Cross-Border Position (Foreign and Domestic Currency)					
Assets	1,415.0	1,148.0	1,015.6	914.7	(9.9)
Liabilities	1,443.3	1,158.8	985.5	874.4	(11.3)
Domestic Position (Foreign Currency)					
Assets	24.8	27.3	17.8	17.2	(3.4)
Liabilities	50.3	63.0	54.8	57.7	5.4

Source: Cayman Islands Monetary Authority, Bank of International Settlements (BIS)

The number of 'Class B' banks, which are legally restricted to conduct business offshore with non-residents, continued to decline in 2017, partly due to restructuring and consolidation in the global banking sector. The number of institutions also reflected the challenge faced by Caribbean banks in maintaining correspondent banking relationships with global banks engaging in 'de-risking' activities as they strive to remain compliant with regulations¹⁰.

European banks accounted for the largest reduction in the segment with four European banks exiting the territory. Despite the reduction, Europe remained the second largest source market (21.3 percent) behind South America (22.7 percent). The USA, South America, Caribbean & Central America, Canada & Mexico and the Middle East & Africa markets each had one bank exiting the territory during

¹⁰ The regulatory requirements include the requirements of the Securities and Exchange Commission (SEC), Financial Action Task Force (FATF), anti-money laundering and counterterrorism financing (AML/CTF) standards and the supplementing guidelines issued by the Bank for International Settlements (BIS).

the year while the number of banks from the Asia & Australia region remained at 21.

Table 4.2: Total Number of Banks by Region, 2014- 2017

	2014	2015	2016	2017
	Number of Banks			
Europe	48	44	36	32
USA	42	35	25	24
Caribbean & Central America	23	23	21	20
Asia & Australia	22	23	21	21
Canada & Mexico	18	18	16	15
South America	37	36	35	34
Middle East & Africa	8	5	5	4
Total	198	184	159	150

Source: Cayman Islands Monetary Authority

Insurance: The size of the insurance sector contracted in 2017, with the total number of insurers decreasing by 16 (or 2.2%) to 724 (see Table 4.3). This decrease was due to reductions in both ‘domestic’ and ‘captive’ insurance licenses. The decline stemmed from commutations between reinsurance companies and reinsured parties as well as mergers and acquisitions of healthcare systems in the US, and their captives.

Class A (domestic) insurers: Domestic insurers declined by 1 (or 3.4%) during the year, leaving 28 entities on record at end 2017 (see Table 4.3): 19 ‘Class A’ external insurers and 9 ‘Class A’ local insurers.

Based on unaudited consolidated financial statements at the end of 2017, the gross premium of domestic insurance companies amounted to \$449.3 million. Health insurance accounted for the largest share of total premiums with 53.7 percent followed by property (16.4%) and liability (7.5%). Domestic insurance companies recorded net earned premium of \$407.6 million.

Ceded premiums amounted to \$103.2 million, or 23.0 percent of the gross premium with ceded premiums for property insurance and health contributing the largest share. Net claims and adjustment expenses amounted to \$297.0 million with the majority of payments being health-related claims (61.4%).

Table 4.3: Insurance Companies, 2014-2017

	2014	2015	2016	2017	% Change
Total Insurance Licences	788	739	740	724	(2.2)
Class 'A' Licences (Domestic)	28	31	29	28	(3.4)
Class 'B' Licences (Captives)	725	679	683	669	(2.0)
Class 'C' Licences (Captives)	34	28	25	24	(4.0)
Class 'D' Licences (Captives)	1	1	3	3	-
Total Captives	760	708	711	696	(2.1)
Financial Position of Captives	US\$ Billion				
Premiums	12.1	12.8	14.6	12.4	(15.6)
Total Assets	51.5	59.1	59.8	61.1	2.2

Source: Cayman Islands Monetary Authority

Class B, C and D or captives (international) insurers: The total number of captive insurance license was 696 at the end of 2017, a decline of 15 (or 2.1 percent). Class B {captives and segregated portfolio companies (SPC)} and Class C (special purpose vehicles) licences fell by 2.0 percent and 4.0 percent to 669 and 24, respectively. Class D licences remained at 3.

Table 4.4: Captive Insurance Licences by Risk Location and Primary Class of Business, 2014-2017

	2014	2015	2016	2017
Number of Companies				
Africa, Asia & Middle East	6	7	6	7
Caribbean & Latin America	23	22	20	19
Europe	15	14	14	12
North America	685	636	639	625
Pacific Rim	2	2	2	2
Other	29	27	30	31
	760	708	711	696
Number of Companies				
Healthcare	270	239	232	223
Workers' Compensation	167	149	150	152
Property	84	76	68	66
General Liability	78	76	79	79
Professional Liability	68	61	64	62
Other	93	107	118	114
	760	708	711	696

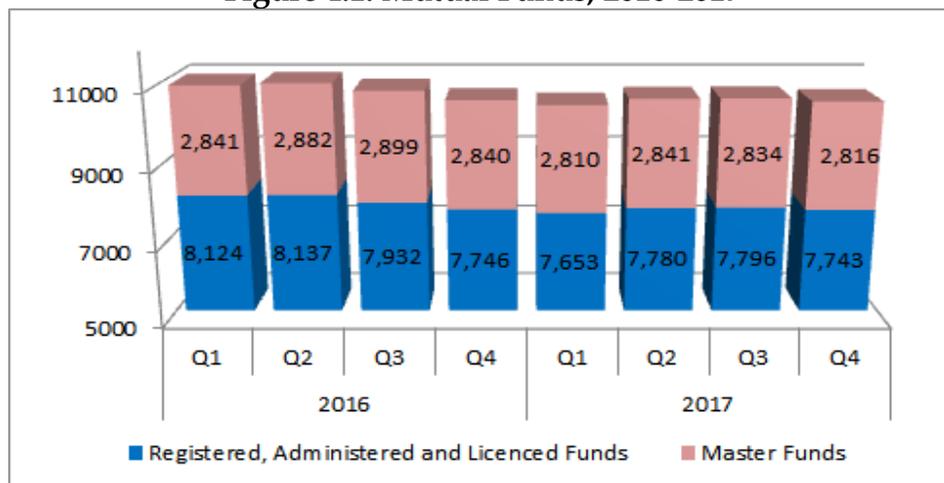
Source: Cayman Islands Monetary Authority

The financial performance of captives as measured by key indicators was mixed in 2017. Net premiums totalled US\$12.4 billion, 15.6 percent lower than in 2016 while total assets increased by 2.2 percent to US\$61.1 billion.

The composition of the captive industry was similar to previous years with North America remaining the dominant risk location, accounting for 89.8 percent of the registered insurers.

Mutual Funds: During the review period the license of 1,243 mutual funds were terminated, with only 1,169 new funds registered. Consequently, the stock mutual fund registration declined by 0.3 percent relative to 2016 to finish the year with 10,559 registered funds. All categories reflected declines except registered funds, which increased by 0.5 percent to 7,331. Master funds decreased by 0.8 percent to 2,816 while the number of administered and licenced funds fell by 8.8 percent and 10.0 percent to 331 and 81, respectively.

Figure 4.1: Mutual Funds, 2016-2017



Source: Cayman Islands Monetary Authority

Stock Exchange. The number of stock listings on the Cayman Islands Stock Exchange (CSX) rose by 216 to settle at 1,238 for the period ending December 2017. This increase was due to higher listings for specialist debt securities¹¹ (up 213 to 702), sovereign debt securities¹² (up by 38 to 272), insurance linked securities (up by 8 to 42) and primary equities (up by 1 to 4). In contrast, there

¹¹ Specialist Debt Securities include debentures, debenture stock, loan stock, bonds, certificates of deposit and any other instrument creating or acknowledging indebtedness.

¹² Sovereign debt securities issued by a national government within a given country and denominated in a foreign currency.

was a reduction in the listings of mutual funds. There were no changes in the listings for secondary equities and retail debt securities for the year.

Table 4.5: Stock Listings, 2014-2017.

Instruments	2014	2015	2016	2017
Total	1,066	1,048	1,022	1,238
Mutual Funds	279	246	260	216
Specialist Debt Security	562	564	489	702
Insurance Linked Security	67	43	34	42
Sovereign Debt Security	150	186	234	272
Primary Equity	6	6	3	4
Secondary Equity	2	1	1	1
Retail Debt Security	-	2	1	1

Source: Cayman Islands Stock Exchange

Consistent with the increase in the number of stock listings, market capitalization rose by 23.4 percent to US\$241.4 billion, the highest value attained since the inception of the CSX. This improvement resulted mainly from an increase in specialist debt securities, which rose by US\$38.5 billion to US\$132.1 billion. Consequently, the share of specialist debt securities to total market capitalization increased to 54.7 percent. Increased market capitalization was also recorded for sovereign debt securities, mutual funds, insurance linked securities and retail debt securities. Primary equities registered a marginal decline while secondary equities were unchanged.

Table 4.6: Market Capitalization (US\$ Billions), 2014-2017¹³

Instruments	2014	2015	2016	2017
Total	169.3	195.3	195.6	241.4
Mutual Funds	9.4	10.0	9.1	11.0
Specialist Debt Security	79.2	83.9	93.6	132.1
Insurance Linked Security	8.1	5.9	5.0	5.4
Sovereign Debt Security	72.2	95.3	87.3	92.3
Primary Equity	0.3	0.2	0.2	0.2
Secondary Equity	0.1	0.1	0.1	0.1
Retail Debt Security	-	0.0	0.4	0.4

Source: Cayman Islands Stock Exchange

Companies Registration: The addition of 13,046 companies outweighed the termination of 10,203 companies from the registry for 2017 (Table 4.7). As a result

¹³ The figures for mutual funds and domestic equity refer to market capitalization. Figures for specialist debt, Eurobond and secondary equity is based on par values.

the total number of registered companies increased by 3.2 percent to 99,327 during the year (see Table 4.7). The exempt category continued to be the preferred vehicle for the conduct of business, accounting for 84.2 percent of all incorporated companies. The number of exempt companies in the registry rose by 3.7 percent to 83,675. The number of foreign companies, which are companies registered in Cayman but incorporated elsewhere, increased by 3.8 percent to 4,601. There were 889 active limited liability companies at the end of 2017 relative to 192 at the end of 2016. In contrast, the number of non-resident and resident companies recorded declines of 15.2 percent and 1.7 percent to 3,871 and 6,291, respectively.

The rise in new company registrations reflected an increase of 16.8 percent, reversing the slight contraction recorded the previous year. Exempt companies, which represented 85.4 percent of all new registrations, rose by 13.5 percent to 11,138. Resident companies also improved, increasing by 12.5 percent to 583. There were 711 new limited liability companies in 2017 compared with 205 in 2016. However, there were decreases in new registrations for non-resident companies (down 13.8% to 25) and foreign companies (down 3.4% to 589).

Table 4.7: Company Registrations, 2014-2017

	2014	2015	2016	2017	% Change
Total Company Registrations	99,459	98,838	96,248	99,327	3.2
Exempt	82,413	83,045	80,658	83,675	3.7
Non-Resident	6,213	5,462	4,566	3,871	-15.2
Resident	7,037	6,186	6,399	6,291	-1.7
Foreign	3,796	4,145	4,433	4,601	3.8
Limited Liability Companies	-	-	192	889	-
New Company Registrations	11,010	11,875	11,174	13,046	16.8
Exempt	9,981	10,672	9,812	11,138	13.5
Non-Resident	29	40	29	25	-13.8
Resident	408	506	518	583	12.5
Foreign	592	657	610	589	-3.4
Limited Liability Companies	-	-	205	711	246.8

Source: Cayman Islands General Registry

Companies terminated from the register in 2017 declined by 3,898 or 27.6 percent. Of the terminations in 2017, 63.4 percent was removed by the Registrar,

which originated mainly from the exempt category, 30.5 percent was voluntary dissolutions primarily from the exempt category, and 3.0 percent represented voluntary cessation of foreign companies. Termination of exempt companies registered the largest decline, decreasing from 12,211 terminated in 2016 to 8,022 terminated in 2017.

Partnerships Registration: The total number of registered partnerships increased by 12.5 percent to 22,655 at the end of 2017 as the number of new partnerships surpassed the number of terminated partnerships. Exempt limited partnerships recorded an increase of 24.9 percent to 22,346, while foreign partnerships rose by 58.9 percent to 286. The number of limited partnerships remained at 23 at the end of the review period.

Registration of new partnerships in 2017 totalled 3,872 relative to 3,356 in the previous year. This improvement was due to increases in all categories.

Figure 4.2: New Partnership Registrations, 2007-2017



Source: Cayman Islands General Registry

4.2 Tourism

There was an influx of additional visitors to the Cayman Islands during 2017. Total visitor arrivals increased by 2.4 percent to just over 2.1 million for the review period driven largely by a significant increase in stay-over arrivals. Increased demand for the Islands' shores was also seen among cruise visitors.

Figure 4.3: Tourist Arrivals, 2014-2017


Source: Department of Tourism

Stay-over arrivals: Stay-over arrivals rose to 418,403 in 2017 reflecting a growth of 8.5 percent. The increase was the first time in two years that the growth in arrivals has exceeded both international and regional average growth rates. This surge of tourists to the Islands mainly originated from the USA market, which supplied 13.4 percent more visitors during the year. The Canadian market also showed a notable recovery of 6.4 percent, the highest growth rate from that market since 2014. In contrast, the European and other regional markets declined by 17.0 percent and 12.2 percent, respectively.

Table 4.8: Stay-over Arrivals by Country of Origin, 2014-2017

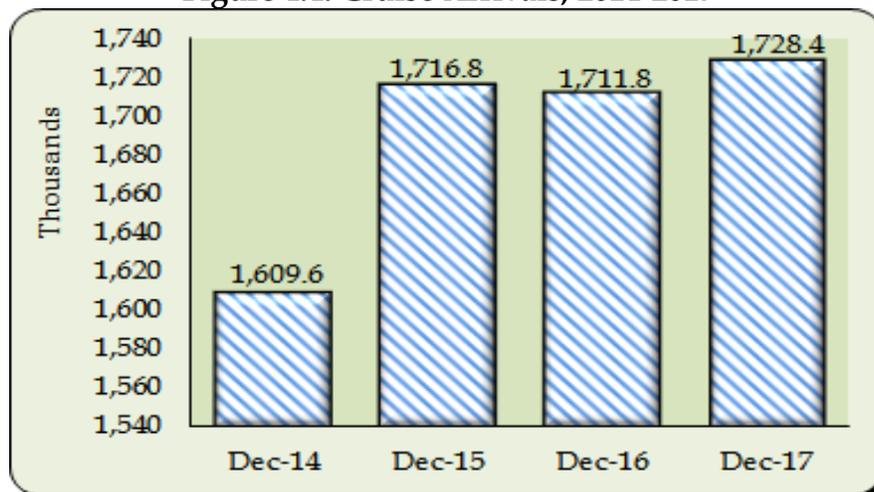
	2014	2015	2016	2017	% Change
	In Thousands				
USA	288.0	291.8	300.6	341.0	13.4
Europe	36.5	34.3	29.2	24.3	(17.0)
Canada	24.9	24.3	23.3	24.8	6.4
Others	33.4	35.0	32.4	28.4	(12.2)
Total	382.8	385.4	385.5	418.4	8.5
USA (% share)	75.2	75.7	78.0	81.5	

Source: Department of Tourism

Growth in total arrivals was partly due to the Islands benefiting from the temporary closure of some markets in the region due to hurricanes Irma and Maria during the year.

Cruise market. Favorable supply conditions in the tourism market boosted cruise arrivals to the Cayman Islands during the year. Consequently, the number of cruise visitors rose to 1,728,444 in 2017, marking a new record for the segment. The rise in cruise arrivals was concentrated in the last quarter of the year which recorded growth of 26.4 percent relative to the corresponding quarter of 2016. This was in contrast to year-on-year declines in the each of the first three quarters of the year.

Figure 4.4: Cruise Arrivals, 2014-2017



Source: Department of Tourism

4.3 Construction

Indicators for building intentions, as measured by planning permits, project approvals and certificates of occupancy were mixed for 2017.

Building Permits: Building permits totaled \$234.7 million in the review period, falling by 5.0 percent relative to a year ago. Contractions were recorded across all but two categories (see Table 4.9).

The ‘other’ category accounted for the largest decline of \$14.3 million or 46.3 percent for the period. Similarly, there was a sharp decline in the government category of \$11.5 million or 98.5 percent. The decline in planned government expenditure relative to the previous year largely reflected the non-recurrence of the John Gray high school expansion valued at approximately \$9.0 million.

Table 4.9: Grand Cayman Building Permits 2014-2017

	Building Permits (CIS\$ Million)				%	Number of Permits				%	
	2014	2015	2016	2017	Change	2014	2015	2016	2017	Change	
Residential	171.9	138.0	156.0	170.3	9.1	Residential	297	288	285	336	17.9
Houses	99.6	96.5	84.9	107.8	27.0	Houses	252	223	236	255	8.1
Apartments	72.3	41.6	71.1	62.5	(12.1)	Apartments	45	65	49	81	65.3
Commercial	25.7	26.3	40.2	41.4	2.9	Commercial	73	75	79	89	12.7
Industrial	0.2	1.4	3.9	3.6	(8.3)	Industrial	3	7	6	5	(16.7)
Hotel	142.1	4.6	4.4	2.8	(37.5)	Hotel	4	5	13	2	(84.6)
Government	5.9	6.3	11.6	0.2	(98.5)	Government	9	7	16	8	(50.0)
Other	10.4	10.3	30.8	16.5	(46.3)	Other	153	354	405	439	8.4
Total	356.1	186.9	247.0	234.7	(5.0)	Total	539	736	804	879	9.3

Source: Cayman Islands Planning Department

Declines were also seen in the hotel category which fell by \$1.7 million or 37.5 percent and the industrial category which fell by \$0.33 million or 8.3 percent.

In contrast to the general trend, the value of permits issued in the residential sector rose by \$14.3 million or 9.1 percent during the period. The growth was due to an increase in the housing category of 27.0 percent, which offset a decline in the apartment category of 12.1 percent. Major projects within the housing category included several multi-million-dollar homes.

Notwithstanding the fall in total value, the number of building permits issued during the year increased by 9.3 percent to reach 879 with the apartment category showing the greatest increase.

Project Approvals: In contrast to a decline in the previous year, the value of project approvals nearly doubled in 2017, reaching \$798.7 million at the end of the year. This increase was largely attributed to robust growth in all except two categories.

The value of residential project approvals spiked to \$338.6 million or by 90.4 percent, largely reflecting a rebound in the apartment category, which rose by \$148.8 million. Higher approvals in this category were boosted by a number of luxury complexes which received approvals in the first quarter of the year. The housing category also climbed by 11.3 percent to \$118.4 million.

Table 4.10: Grand Cayman Planning Approvals, 2014-2017

	Project Approvals (CIS Million)				%	Number of approvals				%	
	2014	2015	2016	2017	Change	2014	2015	2016	2017	Change	
Residential	258.4	268.2	177.9	338.6	90.4	Residential	303	277	295	359	21.7
Houses	125.9	115.6	106.4	118.4	11.3	Houses	247	235	238	276	16.0
Apartments	132.5	152.7	71.5	220.3	208.2	Apartments	56	42	57	83	45.6
Hotels	4.6	0.1	1.9	246.8	-	Hotels	2	1	5	3	(40.0)
Commercial	9.2	39.7	152.8	50.1	(67.2)	Commercial	30	40	39	34	(12.8)
Government	3.4	50.1	14.2	4.5	(68.1)	Government	15	15	6	14	133.3
Industrial	17.0	48.5	20.2	74.2	267.7	Industrial	6	14	13	19	46.2
Other	119.0	52.2	39.8	84.5	112.1	Other	673	643	614	727	18.4
Total	411.6	458.8	406.7	798.7	96.4	Total	1,029	990	972	1,156	18.9

Source: Cayman Islands Planning Department

Within the non-residential category, project approvals were boosted by increases of \$244.9 million and \$54.0 million in the hotel and industrial categories, respectively. The total value of approvals in the hotel category increased by \$244.9 million, mainly due to the Pageant Beach Hotel project valued at approximately \$200 million. A significant increase in value was also recorded in the other category which increased by \$44.7 million to \$84.5 million.

Despite the positive trend in approvals, the government and commercial categories weakened to \$4.5 million (or 68.1%) and \$50.1 million (or 67.2%), respectively.

The number of project approvals also expanded over the period, largely due to a significant growth in the 'other' and residential categories. Declines in the commercial and hotel categories partially offset the general increase.

Certificates of Occupancy: Certificates of occupancy (CO) trended downward for the third consecutive year, registering a value \$117.4 million for the year. This downturn was traced to declines in most categories. Within the residential sector, a contraction in apartment certificates by 51.6 percent to \$16.4 million offset an increase in housing certificates by 12.2 percent to \$72.5 million.

Despite the fall in value, the total number of certificates issued for occupancy improved by 5.2 percent to 341, with increases shown in the houses, government and commercial categories.

Table 4.11: Certificates of Occupancy Grand Cayman, 2014-2017

Sectors	Millions of CI\$					%	Sectors	Number of Certificates					%
	2014	2015	2016	2017	Change			2014	2015	2016	2017	Change	
Residential	129.4	94.5	98.6	88.9	(9.8)		Residential	244	216	225	246	9.3	
Houses	85.8	71.5	64.7	72.5	12.2		Houses	218	171	174	207	19.0	
Apartments	43.6	22.9	33.9	16.4	(51.6)		Apartments	26	45	51	39	(23.5)	
Hotel	1.0	10.0	5.4	2.3	(58.0)		Hotel	1	1	11	8	(27.3)	
Government	1.7	0.8	0.5	9.5	-		Government	2	3	2	5	150.0	
Commercial	29.7	23.1	14.2	13.5	(5.4)		Commercial	65	62	58	68	17.2	
Industrial	0.6	-	4.60	-	-		Industrial	3	-	8	1	(87.5)	
Other	9.3	4.7	0.5	3.2	-		Other	23	16	20	13	(35.0)	
Total	171.7	132.9	123.7	117.4	(5.1)		Total	338	298	324	341	5.2	

Source: Cayman Islands Planning Department

4.4 Real Estate

The real estate sector displayed a mixed performance in 2017 with the total value of property transfers declining, despite a rise in volume.

Table 4.12: Property Transfers, 2014-2017

	2014	2015	2016	2017	% Change
Freehold					
number	1,718	1,787	1,792	1,875	4.6
value (CI\$M)	533.7	592.4	844.3	798.0	(5.5)
Leasehold					
number	159	131	183	194	6.0
value (CI\$M)	29.1	19.8	16.0	32.2	101.9
Total					
number	1,877	1,918	1,975	2,069	4.8
value (CI\$M)	562.8	612.2	860.3	830.2	(3.5)

Source: Lands and Survey Department

The value of property transfers totaled \$830.2 million, decreasing by 3.5 percent in the review period. This decline was mainly traced to a reduction in freehold transfers by 5.5 percent, as leasehold properties increased notably. Meanwhile, the total number of property transfers increased by 4.8 percent to reach 2,069, the highest volume in the past four years.

4.5 Utilities and Telecommunications

Utilities: Consistent with the general improvement in economic conditions and the growth in the resident population, demand for utilities increased in 2017 relative to 2016.

Water consumption increased by 2.8 percent to 1,907 million gallons. This was matched by a corresponding 3.9 percent increase in water production as major distributors ensured adequate supply.

Table 4.13 Utilities Production/Consumption, 2014-2017

	Dec-14	Dec-15	Dec-16	Dec-17	% Change
%					
Millions of US Gallons					
Water Production	2,053.1	1,925.2	2,192.6	2,279.1	3.9
Water Consumption	1,710.8	1,718.1	1,854.4	1,907.2	2.8
'000 of megawatt hrs					
Electricity Production (Net)	604.7	623.7	650.3	654.3	0.6
Electricity Consumption	564.1	581.9	606.7	621.8	2.5
Residential	266.7	276.9	299.1	312.8	4.6
Commercial	290.7	298.3	300.8	302.1	0.4
Public	6.7	6.7	6.8	6.9	1.2
Total Customers	27,784	28,204	28,678	29,160	1.7
Residential	23,685	24,007	24,429	24,853	1.7
Commercial	4,099	4,197	4,249	4,307	1.4

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

Electricity consumption increased by 2.5 to 621.8 thousand megawatt hours for 2017. The higher consumption level resulted from both a rise in the customer base as well as a higher average rate of consumption per customer. Residential consumption levels increased by 4.6 percent to 312.8 thousand megawatt hours while commercial consumption increased by 0.4 percent. Public consumption also increased by 1.2 percent to settle at 6.9 thousand megawatt hours.

Telecommunications¹⁴: Consistent with the growing use of the internet, the number of broadband connections at end-September 2017 increased by 28.5 percent relative to the corresponding period of 2016.

¹⁴ Data for telecommunications reflect the total for the first three quarters of 2017, due to missing data for the last quarter of the year.

In contrast, usage of fixed and mobile call minutes declined by 2.6 percent during the review period. Despite the fall in total minutes, the number of fixed and mobile handsets in operation increased by 3.7 percent, possibly due to the higher demand for mobile data as well as the continuous introduction of new phone models.

Table 4.14: Telecommunication Sector Indicators, 2014-2017

	Sep-14	Sep-15	Sep-16	Sep-17	% Change
Fixed and Mobile handsets in operation	122,521	125,799	125,758	130,438	3.7
Total fixed & mobile domestic & int'l minutes ('000)	187,931	167,585	159,741	151,157	(5.4)
Fixed and mobile domestic minutes	135,535	121,077	117,735	114,726	(2.6)
Fixed and mobile int'l retail minutes	52,396	46,508	42,006	36,431	(13.3)
Broadband connections	22,034	24,699	23,730	30,482	28.5

Source: The Utility Regulation and Competition Office (OfReg)

5. Fiscal Operations of the Central Government

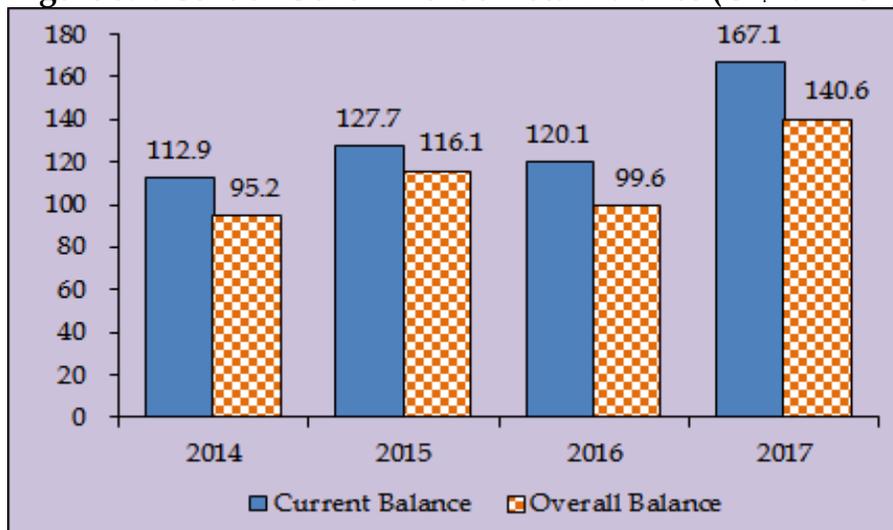
The central government’s surplus reached its highest level in 2017, as government revenue exceeded expenditure for the fifth consecutive year. This performance was generated from increased revenue which outpaced a rise in expenditure.

5.1 Overview

Continuing on its promise of prudent fiscal management, the central government recorded its highest overall fiscal surplus on record of \$140.6 million. The record fiscal balance was in comparison to a surplus of \$99.6 million in 2016 (see Figure 5.1).

Total revenue increased 6.7 percent to \$753.2 million, outweighing a 0.8 percent increase in total expenditure to \$645.4 million. The rise in total revenue emanated from increases in both coercive and non-coercive revenue, while the higher expenditure emanated from increases in both current and capital spending.

Figure 5.1: Central Government’s Fiscal Balance (CI\$ Million)



Source: Cayman Islands Treasury Department and ESO

Consistent with the higher overall balance, there was a 39.1 percent increase in the central government’s current surplus to \$167.1 million for the review period. This was due to the overall increase in revenue, the impact of which was partly offset by an increase in current expenditure of \$0.2 million to \$586.0 million.

Table 5.1: Summary of Fiscal Operations, 2014-2017

	2014	2015	2016	2017	% Change
Millions of Cayman Islands Dollars					
Total Revenue	664.2	672.7	705.9	753.2	6.7
Total Expenditure	595.4	588.6	640.5	645.4	0.8
Current Expenditure	551.2	545.0	585.8	586.0	0.0
<i>of which :</i>					
Other Operating Expenses	3.5	4.5	6.2	4.4	(28.8)
Gross Capital Expenditure & Net Lending	44.1	43.7	54.7	59.4	8.5
Net Capital Expenditure & Net Lending (Gross less Depreciation)	17.8	11.6	20.6	26.5	29.1
Current Balance	112.9	127.7	120.1	167.1	39.1
Overall Balance	95.2	116.1	99.6	140.6	41.2
Financing	(95.2)	(116.1)	(99.6)	(140.6)	41.2
Net Borrowing	(33.9)	(22.8)	(27.1)	(34.8)	28.4
Change in Cash	61.3	93.3	72.4	105.8	46.0

Source: Cayman Islands Treasury Department

5.2 Revenue

The central government's total revenue grew by 6.7 percent to reach \$753.2 million in 2017. This growth was greater than the increase in the overall revenue base (nominal GDP) and as a result the revenue-to-GDP ratio increased to 24.2 percent relative to 23.8 percent in 2016.

Table 5.2: Revenue Collection of Central Government

	2014	2015	2016	2017	% Change
Millions of Cayman Islands Dollars					
Total Revenue	664.2	672.7	705.9	753.2	6.7
Coercive Revenue	630.1	636.6	666.0	705.0	5.9
Taxes on Int'l Trade & Transactions	177.9	172.0	174.3	178.0	2.1
Domestic Taxes on Goods & Services	408.6	407.6	425.2	451.0	6.1
Taxes on Property	41.6	41.1	58.7	69.7	18.9
Fines	1.6	2.1	3.2	2.6	(19.8)
Other Taxes	0.3	13.8	4.6	3.7	(19.0)
Non-Coercive Revenue	34.1	36.1	39.9	48.1	20.6
Sale of Goods & Services	33.0	34.7	36.0	40.0	11.1
Investment Revenue	0.8	1.0	3.5	7.1	100.5
Other Operating Revenue	0.4	0.3	0.4	1.0	165.1

Source: Cayman Islands Treasury Department

Growth in total revenue was due to increases in both coercive revenue, which increased by 5.9 percent to \$705.0 million, and non-coercive revenue, which increased by 20.6 percent to \$48.1 million. The increase in coercive revenue was seen in most categories with only two declining while all categories of non-coercive revenue increased (see Table 5.2).

Revenue from domestic taxes on goods and services: Domestic tax collection increased by 6.1 percent to \$451.0 million in 2017 (see Table 5.3), with its contribution to total coercive revenue increasing to 64.0 percent from 63.8 percent in 2016. Higher collections were seen among all categories with the exception of traders' licences. Work permit and residency fees, financial services licences and tourist accommodation charges registered the largest increases in revenue in absolute dollar terms.

Table 5.3: Domestic Taxes on Goods and Services

	2014	2015	2016	2017	% Change
Millions of Cayman Islands Dollars					
Financial Services Licences	239.9	234.9	246.4	251.8	2.2
ICTA Licences & Royalties	5.4	7.7	8.2	8.9	8.5
Work Permit and Residency Fees	77.0	78.2	79.7	88.9	11.6
Other Stamp Duties	7.8	7.6	9.4	10.6	12.2
Traders' Licences	5.9	5.3	6.1	5.8	(4.8)
Other Domestic Taxes	72.7	73.7	75.5	85.1	12.6
<i>Of which:</i>					
Tourist Accommodation Charges	19.5	21.5	20.2	24.6	21.5
Motor Vehicle Charges	11.6	10.1	10.1	11.1	10.3
Domestic Taxes on Goods & Services	408.6	407.6	425.2	451.0	6.1

Source: Cayman Islands Treasury Department

Licensing fees collected from financial services increased by 2.2 percent to \$251.8 million with partnership fees (up by 15.9% to \$47.1 million) and other company fees - exempt (up by 7.1% to \$95.6 million) registering the largest increases (see Table 5.4).

Table 5.4: Domestic Taxes on Goods and Services

	2014	2015	2016	2017	Absolute Change	% Change
Millions of Cayman Islands Dollars						
Financial Services Licences	239.9	234.9	246.4	251.8	5.4	2.2
Bank and Trust Licences	34.4	31.6	31.9	29.2	(2.7)	(8.3)
Insurance Licences	9.3	8.7	9.3	8.8	(0.5)	(5.7)
Other Company Fees - Resident	3.0	2.5	2.4	2.5	0.1	6.1
Other Company Fees - Non-Resident	4.0	3.7	3.3	2.9	(0.4)	(11.2)
Other Company Fees - Exempt	89.4	88.1	89.3	95.6	6.3	7.1
Other Company Fees - Foreign	5.8	6.0	6.7	6.7	(0.0)	(0.2)
Partnership Fees	33.1	36.1	40.7	47.1	6.4	15.9
Mutual Fund Administrators	45.3	42.7	45.8	41.9	(4.0)	(8.6)
Money Services Licences	2.4	2.5	2.8	2.8	0.1	1.8
Security Investment Business Licences	13.2	13.1	14.3	14.3	-	-

Source: Cayman Islands Treasury Department

Revenue collected from work permit and residency fees rose by 11.6 percent to \$88.9 million. This outturn benefitted from a 4.7 percent increase in the number of work permits.

Other domestic taxes recorded an increase of 12.6 percent to \$85.1 million. Within this category, tourist accommodation charges rose by 21.5 percent to \$24.6 million due to the strong growth in stay over arrivals. Similarly, within 'other' taxes, revenue generated from motor vehicle charges increased by 10.3 percent to \$11.1 million.

Other stamp duties rose by 12.2 percent to \$10.6 million despite a reduction in the total value of traded properties. Similarly, there were increased collections by Information and Communication Technology Authority (ICTA) of licence fees which grew by 8.5 percent to \$8.9 million.

There was a 4.8 percent reduction in revenue sourced from traders' licences, the only domestic tax category to record a decline for the period.

Revenue from international trade and transactions: During 2017, taxes on international trade and transactions rose by 2.1 percent to \$178.0 million. Despite the increase, receipts from international trade and transactions as a share of coercive revenue decreased from 26.2 percent in 2016 to 25.2 percent in 2017.

Within the category, revenue collected from alcoholic beverages increased by 4.3 percent to \$20.8 million due predominantly to higher imports of liquor and

champagne. Other import duties also rose by 4.2 percent to \$103.4 million due to increases in several non-oil import categories. Additionally, revenue collected from cruise ship departure charges increased by \$0.1 million to \$10.4 million as the number of cruise passengers rose during the year.

In contrast, motor vehicle import duties declined by 1.3 percent to \$16.6 million as the value of motor vehicle imports decreased. The environmental protection fund fees remained at \$5.7 million.

Table 5.5: Revenue from Import Duties

	2014	2015	2016	2017	Absolute Change	% Change
Millions of Cayman Islands Dollars						
Import Duties	162.6	156.0	158.4	161.9	3.5	2.2
Gasoline/Diesel	33.2	20.5	14.4	14.2	(0.2)	(1.2)
Alcoholic Beverages	17.8	18.8	19.9	20.8	0.9	4.3
Motor Vehicles	12.3	13.2	16.8	16.6	(0.2)	(1.3)
Tobacco Products	8.4	7.2	8.1	7.0	(1.2)	(14.6)
Other Import Duties	90.9	96.3	99.2	103.4	4.2	4.2
Cruise Ship Departure Charges	9.7	10.3	10.3	10.4	0.1	1.0
Environmental Protection Fund Fees	5.6	5.7	5.7	5.7	0.0	0.8
Taxes on International Trade and Transactions	177.9	172.0	174.3	178.0	3.6	2.1

Source: Cayman Islands Treasury Department

Other coercive revenue: Revenue collected from taxes on property rose by 18.9 percent to \$69.7 million largely due to a rise in land transfer charges of \$15.9 million to \$17.5 million.

For the year, both fines and ‘other taxes’ declined by 19.8 and 19.0 percent, respectively. The reduction in fines reflected lower court and immigration fines, while the fall in ‘other taxes’ emanated from a decrease of \$1.1 million to \$0.2 million in miscellaneous income.

Non-coercive revenue: For 2017, non-coercive revenue which accounts for 6.4 percent of total revenue increased by 20.6 percent to \$48.1 million. This improvement stemmed from increases in all three categories. Sales of goods and services rose by 11.1 percent to \$40.0 million largely due to an increase from service fees. Investment revenue grew from \$3.5 million to \$7.1 million while other operating revenue increased from \$0.4 million to \$1.0 million.

5.3 Expenditure

The central government's total expenditure for 2017 amounted to \$645.4 million, 0.8 percent higher than in 2016 (see Table 5.1). As a proportion of GDP, total expenditure decreased to 20.8 percent in 2017 from 21.6 percent in 2016. The higher level of expenditure was due primarily to an increase of 8.5 percent in gross capital expenditure and net lending.

Current expenditure: Current expenditure rose by \$0.2 million to \$586.0 million in 2017 (see Table 5.6), continuing on the increase of \$40.8 million observed in the previous year. The rise in expenditure for the review period reflected higher spending on personnel as all other current expenditures declined.

Table 5.6: Current Expenditure of the Central Government

	2014	2015	2016	2017	% Change
	Millions of Cayman Islands Dollars				
Current Expenditure	551.2	545.0	585.8	586.0	0.0
Personnel Costs	244.8	243.8	254.5	273.6	7.5
Supplies & Consumables	93.1	83.8	93.6	86.7	(7.4)
Subsidies	126.7	125.2	137.8	133.1	(3.4)
Transfer Payments	27.6	27.5	32.4	29.9	(7.8)
Depreciation	26.3	32.1	34.2	32.8	(3.9)
Interest Payments	29.2	28.0	27.1	25.6	(5.7)
Other Operating Expenses	3.5	4.5	6.2	4.4	(28.8)

Source: Cayman Islands Treasury Department

Personnel costs rose by 7.5 percent to \$273.6 million, largely attributed to an increase in the number of employees in the central government. Consequently, payments for wages and salaries rose by \$17.0 million to \$214.8 million while other personnel costs increased by \$1.2 million to \$2.2 million. Additionally, there was increased spending on health care of \$0.5 million to \$34.5 million.

During 2017, the central government spent \$6.9 million less on supplies and consumables with the total spending amounting total \$86.7 million relative to \$93.6 million in 2016. Lower purchases could be seen in 'other supplies and consumables' which declined by 60.0 percent to \$2.9 million and general insurance, which fell by 24.3 percent to \$4.3 million, among others. There was, however, lower spending on services by 4.6 percent to \$45.8 million.

Payment of subsidies to public entities (statutory authorities and government owned companies) and non-governmental organizations declined by \$4.7 million

to \$133.1 million. The total subsidy was reduced by 1.3 percent to \$99.8 million while the subvention to non-governmental organizations was lowered by 9.4 percent to \$33.2 million. Among public entities, the largest declines in subsidies were registered for Cayman Airways Limited (down by \$1.7 million to \$15.1 million), Cayman National Museum (down by \$0.6 million to \$0.4 million) and Cayman Islands National Insurance Company (down by \$0.4 million to \$29.2 million). In relation to non-governmental organizations, medical care for overseas providers (down by \$2.1 million to \$18.8 million) received the largest reduction in subsidies.

Transfer payments, which are benefits aimed at protecting a section of the population against certain social risks, decreased by 7.8 percent to \$29.9 million. Scholarships and bursaries registered the largest decline, decreasing by \$2.5 million to \$10.4 million. Transfer payments on financial assistance vouchers fell by \$0.6 million to \$1.7 million.

Interest payments for the year fell by 5.7 percent to \$25.6 million in 2017 as the level of outstanding debt fell relative to 2016.

Other executive expenses, which comprise expenditures mainly for social intervention projects and other government measures not classified as transfer payments or subsidies to public authorities, decreased by 28.8 percent to \$4.4 million in 2017. Significant declines were seen among settlement of claims (down by \$0.5 million to no payments) and other executive expenses (down by \$0.5 million to \$0.2 million).

Capital expenditure and net lending: Spending on gross capital expenditure and net lending amounted to \$59.4 million (1.9% of GDP) relative to \$54.7 million (1.8% of GDP) in 2016. The increase in capital expenditure was more than sufficient to cover the 'wear and tear' (depreciation) of old assets and as such net capital expenditure and net lending, which is gross capital expenditure and net lending less depreciation, increased by 29.1 percent to \$26.5 million.

Table 5.7: Capital Expenditure and Net Lending of Central Government

	2014	2015	2016	2017	% Change
Millions of Cayman Islands Dollars					
Gross Capital Expenditure and Net Lending	44.1	43.7	54.7	59.4	8.5
Equity Investments	10.9	14.8	18.9	9.1	(51.5)
Equity Injections and Working Capital support to Public Entities	26.8	19.6	22.3	35.3	58.2
Executive Assets	5.8	8.9	12.1	15.4	26.8
Net Lending	0.6	0.4	1.4	(0.5)	(133.6)
Net Capital Expenditure and Net Lending	17.8	11.6	20.6	26.5	29.1
Depreciation	26.3	32.1	34.2	32.8	(3.9)

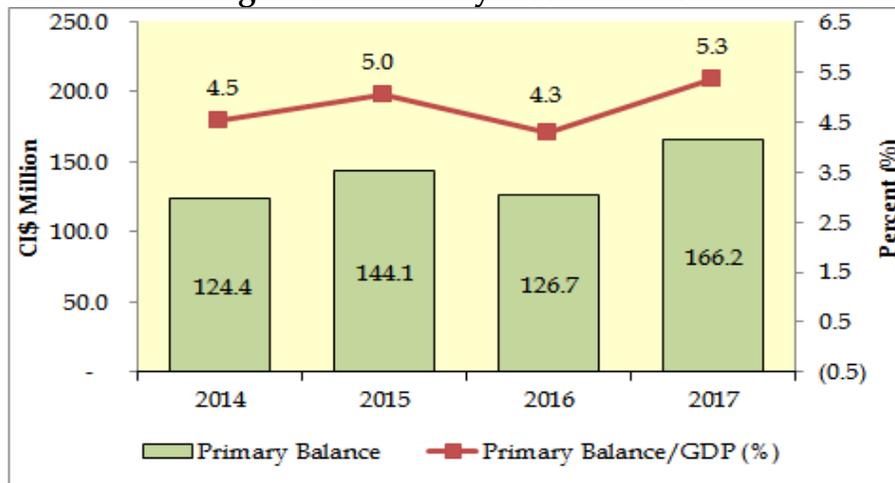
Source: Cayman Islands Treasury Department

Equity injections and working capital support to public entities was the largest contributor to the increase, rising by 58.2 percent to \$35.3 million. The growth in equity injections and working capital support to public entities was due mainly to increased funding provided to the Cayman Islands Development Bank (up by \$7.4 million to \$8.3 million) and Cayman Airways Limited (up by \$7.0 million to \$13.6 million). Capital expenditure on executive assets increased by 26.8 percent to \$15.4 million. This was largely due to higher spending on land purchases (up by \$5.0 million to \$5.4 million) and the George Town Revitalization project (up by \$2.3 million to \$4.4 million). In contrast, there was a reduction in the amount of equity investments for ministries and portfolios which fell by 51.5 percent to \$9.1 million.

5.4 Primary Balance

Given the increase in the overall surplus and the continued reduction in interest payments, the primary balance which is the overall fiscal balance excluding interest payments increased to a surplus of \$166.2 million or 5.3 percent of GDP in 2017 from a surplus of \$126.7 million or 4.3 percent of GDP in 2016. The primary balance is a standard indicator of the central government's capacity to service debt obligations.

Figure 5.2: Primary Fiscal Balance



Sources: Cayman Islands Treasury Department and ESO

5.5 Net Financing and Debt Service Indicators

With the increased surplus for 2017, the government had more cash at its disposal, specifically, the net cash balance increased by \$105.8 million during 2017 compared with an increase of \$72.4 million in the previous year after loan repayments and disbursements (see Table 5.8).

Table 5.8: Financing of Central Government

	2014	2015	2016	2017	% Change
Millions of Cayman Islands Dollars					
Financing	(95.2)	(116.1)	(99.6)	(140.6)	41.2
Net Borrowing	(33.9)	(22.8)	(27.1)	(34.8)	28.4
Disbursements	0.0	0.0	0.0	0.0	-
Loan Repayment	(33.9)	(22.8)	(27.1)	(34.8)	28.4
Change in Cash	61.3	93.3	72.4	105.8	46.0

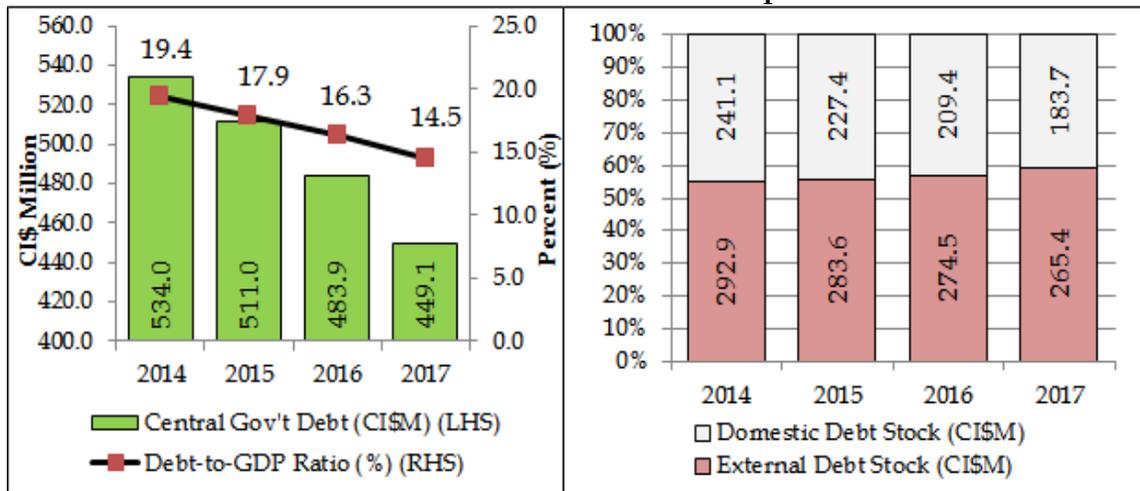
Source: Cayman Islands Treasury Department

With no new borrowings and loan repayments of \$34.8 million, the central government's outstanding debt fell to \$449.1 million at the end of 2017 from \$483.9 million at the end of 2016¹⁵ (see Figure 5.3). The reduction in debt coupled with the increase in GDP for the year placed the debt-to-GDP ratio at 14.5 percent, lower than the 16.3 percent recorded at the end of 2016. At the end of

¹⁵ Central government's outstanding debt is comprised of debt managed directly by the Treasury Department and excludes government-guaranteed debt and other contingent liabilities.

2017, the outstanding debt comprised 59.1 percent from external sources and 40.9 percent from domestic commercial banks.

Figure 5.3: Central Government’s Outstanding Debt, Debt-to-GDP Ratios and Debt Composition



Source: Cayman Islands Treasury Department, ESO

The central government’s interest payments-to-current revenue ratio declined from 3.8 percent in 2016 to 3.4 percent in 2017 while the debt service-to-GDP and debt service-to-current revenue ratios rose to 1.9 percent and 8.0 percent from 1.8 percent and 7.7 percent in 2016, respectively (see Table 5.9).

Table 5.9: Central Government Debt Service Indicators

Debt Service Indicators	2014	2015	2016	2017
	Percentage (%)			
Interest Payments - to - Current Revenue Ratio	4.4	4.2	3.8	3.4
Debt Service - to - GDP Ratio	2.3	1.8	1.8	1.9
Debt Service - to - Current Revenue Ratio	9.5	7.6	7.7	8.0

Source: Cayman Islands Treasury Department, Economics and Statistics Office

6. Macroeconomic Outlook for 2018

The Islands' economic growth in 2018 is projected at 3.0 percent, conditional on the timing of some investment projects, upbeat growth in tourism and stable demand for financial services. Domestic inflation is expected to accelerate relative to 2017 due to increased commodity prices and increased global demand.

6.1 Global Outlook¹⁶

Global growth is forecasted at 3.9 percent in 2018, marginally higher than the 3.8 percent recorded in 2017 (see Table 6.1). Output in advanced economies is anticipated to expand by 2.5 percent, 2.2 percent and 1.7 percent in 2018, 2019 and 2020, respectively. The U.S. economy is projected to generate an improving output growth of 2.9 percent in 2018, before decelerating to 2.7 percent and 1.9 percent in 2019 and 2020, respectively. Economic growth in the U.S. is anticipated to remain strong as the multiplier effect of the fiscal expansion permeates the economy. Notwithstanding, a foreseen continued tightening of interest rates could dampen the growth momentum, despite the Federal Reserve's commitment to maintain some symmetry around the inflation target.

Table 6.1: Macroeconomic Indicators 2015-2020

	2015	2016	2017	2018	2019	2020
Real GDP growth (%)						
Cayman Islands	3.0	3.1	2.9 ^P	3.0	2.7	2.2
United States	2.9	1.5	2.3	2.9	2.7	1.9
World	3.5	3.2	3.8	3.9	3.9	3.8
Advanced Economies	2.3	1.7	2.3	2.5	2.2	1.7
Consumer Prices Index (avg. %)						
Cayman Islands	(2.3)	(0.7)	2.0	2.7	2.6	2.4
United States	0.1	1.3	2.1	2.5	2.4	2.1
Advanced Economies	0.3	0.8	1.7	2.0	1.9	2.0
Unemployment (%)						
Cayman Islands	4.2	4.2	4.9	4.4	4.2	4.0
United States	5.3	4.9	4.4	3.9	3.5	3.4
Advanced Economies	6.7	6.2	5.7	5.3	5.1	4.9

Sources: International Monetary Fund (April 2018) for data on the US, World, and Advanced Economies, and the Economics and Statistics Office for Cayman Islands data.

¹⁶ This global outlook is based on information culled from the International Monetary Fund (April 2018) and other international organizations.

Growth in advanced economies is expected to slow down over the medium term once the cyclical upswing and fiscal stimulus has run its course. Global growth should, however, remain robust due to continued recovery and increasing commodity prices. The Euro area is expected to sustain its cyclical upswing in 2018 before tapering off in 2019 and 2020. Economic activity in the Canadian economy is expected to accelerate marginally as commodity prices recover over the medium term. Continued uncertainty is expected to weigh on the U.K., which is projected to expand at rates lower than the average growth among advanced economies.

Global headline inflation is projected to accelerate over the medium term mainly due to higher oil and commodity prices. Oil prices¹⁷ are projected to increase by 18.0 percent in 2018 while non-fuel commodity prices will also be higher by 5.6 percent for the year. In the United States, average inflation is projected at 2.5 percent, higher than the 2.1 percent in 2017. Average inflation among advanced economies is expected at 2.0 percent for 2018, 1.9 percent for 2019 and 2.0 percent for 2020.

6.2 Domestic Growth

Economic output in the Cayman Islands is projected to expand by 3.0 percent in 2018 before decelerating marginally to 2.7 percent and 2.2 percent in 2019 and 2020, respectively. For 2018, all sectors are expected to contribute to growth led by construction, hotels and restaurants, other services, financing and insurance and business services including legal and accounting services (see Tables 6.1 and 6.2).

The construction sector is expected to continue leading the economic expansion in 2018 and over the medium term. Construction is forecasted to grow by 8.4 percent, 10.5 percent and 6.8 percent in 2018, 2019 and 2020, respectively. Approved public sector projects such as the on-going expansion of the Owen Roberts International Airport and preliminary work on the George Town cruise berthing project are expected to continue impacting the sector.

Notwithstanding, growth in construction value added over the medium-term is expected to be driven in large part by private sector projects including those that will increase the accommodation capacity for tourist arrivals and other commercial activities. Some significant projects approved in 2017 and expected to contribute to construction growth over the medium term include: a new hotel

¹⁷ Simple average of prices of U.K. Brent, Dubai Fateh, and West Texas Intermediate Crude Oil.
Source: World Economic Outlook (WEO) by the International Monetary Funds (IMF).

at the old Pageant Beach location and the continued development of Camana Bay, including the expansion of the underpass as well as the construction of a new supermarket. The sector is also expected to be boosted by the construction of a new hotel by NCB Investments as well as an 81-unit apartment complex by Periwinkle Ltd.

Table 6.2: Real GDP at (2007 Prices) by Sector (\$ million)*

	2015	2016	2017E	2018P	% Change
Millions of C\$					
Primary Sectors	29.9	31.4	32.8	34.5	5.0
Agriculture & Fishing	10.3	10.7	10.8	11.0	1.3
Mining & Quarrying	19.6	20.8	22.0	23.5	6.9
Secondary Sectors	110.7	118.6	125.9	134.8	7.1
Manufacturing	24.4	25.4	26.0	26.5	2.0
Construction	86.3	93.2	99.9	108.3	8.4
Services Sectors	2,487.2	2,558.0	2,628.0	2,699.7	2.7
Electricity & Water Supply	98.7	103.2	105.9	110.8	4.6
Wholesale & Retail Trade, Repairs & Installation of Machinery	216.4	222.0	225.9	230.5	2.0
Hotels & Restaurants incl. Bars	150.4	151.7	164.7	179.5	9.0
Transport, Storage & Communication	221.8	226.8	232.4	238.2	2.5
Financing & Insurance Services	1,077.1	1,096.9	1,111.9	1,133.6	1.9
Real Estate, Renting & Business Activities	663.3	687.9	707.9	727.7	2.8
Producers of Government Services	353.2	370.0	383.7	388.7	1.3
Other Services	85.3	87.9	89.7	91.4	1.9
Financial Services Indirectly Measured (FISIM)*	379.0	388.4	394.1	400.7	1.7
GDP constant at basic prices	2,627.8	2,708.1	2,786.8	2,869.0	3.0
Growth (%)	3.0	3.1	2.9	3.0	

Source: Economics and Statistics Office

* 2017 figures are advance estimates based on key indicators; 2018 figures are projections.

The recently completed and forthcoming projects aimed at increasing the accommodation capacity for tourist arrivals are assumed to boost growth in hotels and restaurants, and recreation and culture. This forecast is also conditional on the improving markets, particularly the U.S. which remains the

dominant market for the Islands' tourist services. The forecast for tourism-related services further assumes continued product enhancements and diversification of source markets. Despite the increased capacity and expectations for permanently higher tourism capacity, growth in the sector is expected to slow gradually over the medium term as other regional markets improve their capacity post hurricanes Irma and Maria.

The 2017 UNWTO forecasts for world tourism arrivals are between 4.0 percent and 5.0 percent for 2018. Tourist arrivals within the Americas are expected to grow within the range of 3.5 percent and 4.5 percent, as higher income levels induce the demand for travel. In the Cayman Islands, for the first three months of 2018, stay-over visitors grew by 20.6 percent compared to the same period in 2017; overall stay-over visitors is expected to be higher by 9.0 percent by the end of December 2018. Cruise arrivals to the Cayman Islands in the first three months of 2018 totalled 671,935, 17.6 percent higher than the same period a year ago. Cruise arrivals is expected to remain strong in the remaining months and improve by 7.0 percent for 2018.

The above-cited sectors are expected to boost employment and stimulate growth in domestic demand for services in several sectors such as wholesale and retail trade; transport, storage and communication; real estate, and renting and business activities; and electricity and water supply.

The financial services sector is expected to continue its robust performance over the medium term, conditioned mainly on continuing growth in domestic lending and increase demand propelled by higher domestic and global growth. The potential for the Federal Reserve Bank to gradually increase interest rates will, however, continue to pose a risk to the demand for credit.

6.3 Domestic Inflation

The consumer price index (CPI) inflation rate is forecasted at 2.7 percent in 2018, continuing the acceleration observed in 2017. A gradual increase in the population level, increased demand and higher commodity prices are expected to push up the general price levels over the medium-term. The forecasted acceleration of consumer prices in the U.S. is also expected to induce inflationary pressure on local prices, given that majority of merchandise imports are sourced from U.S. markets.

In the first quarter of 2018, the inflation rate was estimated at 3.2 percent.

6.4 Domestic Labour Market

The demand for labour is expected to track the GDP growth forecasts with an increase in employment opportunities expected from planned development projects. Over the medium-term, new employment is also expected from the Islands' hotel industry with the addition of new facilities coupled with the increase in arrivals.

The supply of local labour is assumed to increase at the average historical growth rate of the working-age population. The forecasted increase in local labour supply (Caymanians and Permanent Residents with rights to work) stems mainly from the natural increase in the working age population. Given the projected rise in the labour force and employment, the unemployment rate is forecasted at 4.4 percent of the labour force in 2018. The rate is the expected to decline to 4.2 percent and 4.0 percent in 2019 and 2020, respectively.

7. Acknowledgement

The Economics and Statistics Office gratefully acknowledges the assistance of the following local companies and agencies in generating the data sets used in this edition of the Annual Economic Report:

**Caribbean Utilities Company
Cayman Islands Customs Department
Cayman Islands Department of Tourism
Cayman Islands General Registry
Cayman Islands Land and Surveys Department
Cayman Islands Monetary Authority
Cayman Islands Planning Department
Cayman Islands Stock Exchange
Cayman Islands Treasury Department
Cayman Islands Water Authority
Cayman Water Company
Department of Immigration
The Utility Regulation and Competition Office (OfReg)
Maritime Authority of the Cayman Islands
Port Authority of the Cayman Islands**

This document was produced by the Economics Unit of the Economics and Statistics Office (ESO). General support from the staff of the ESO is gratefully acknowledged.

8. Statistical Appendix

Table A1: Gross Domestic Product.....	63
Table A2: Consumer Price Index and Inflation	64
Table A3: Labour Force and Employment	65
Table A4: Composition of the Employed Labour Force.....	66
Table A5: Composition of the Unemployed Labour Force.....	67
Table A6: Work Permits	68
Table A7: Merchandise Trade	69
Table A8: Imports by Standard International Trade Classification.....	70
Table A9: Monetary Assets and Liabilities.....	71
Table A10: Domestic Credit to the Private Sector by Retail Banks.....	72
Table A11: Financial Services Indicators	73
Table A12: Banks & Trust Licences	74
Table A13: Insurance Licences	75
Table A14: Mutual Funds Domiciled in the Cayman Islands	76
Table A15: New Companies Registered in the Cayman Islands.....	77
Table A16: Visitor Arrivals ('000) and Cruise Ship Calls	78
Table A17: Occupancy Rates and Length of Stay.....	79
Table A18: Total Stay-Over Arrivals by Country of Origin.....	80
Table A19: Property Transfers: Number and Value	81
Table A20: Number of Project Approvals in Grand Cayman	82
Table A21: Value of Project Approvals in Grand Cayman.....	83
Table A22: Number of Project Approvals in the Sister Islands.....	84
Table A23: Value of Project Approvals in the Sister Islands	85
Table A24: Building Permits in Grand Cayman.....	85
Table A25: Water Production and Consumption.....	86
Table A26: Electricity Production and Consumption in Grand Cayman	87
Table A27: Summary of Central Government Operations	88
Table A28: Central Government Debt and Self- Financing Debt.....	89
Table A29: Fiscal Operations	90

Table A1: Gross Domestic Product

Year	Nominal GDP (CI\$M)	Real GDP 2007 Prices (CI\$M)	Mid-Year Population (000s)	Real GDP Per Capita (\$)	Real GDP Growth (%)
1998	1,534.7	2,065.0	38.1	54,200	5.8
1999	1,663.9	2,134.9	39.0	54,740	3.4
2000	1,739.0	2,155.8	40.2	53,628	1.0
2001	1,784.0	2,167.8	41.4	52,362	0.6
2002	1,860.6	2,205.2	42.5	51,888	1.7
2003	1,929.5	2,249.3	43.6	51,590	2.0
2004	2,032.5	2,269.5	44.2	51,300	0.9
2005	2,322.7	2,416.9	48.4	49,986	6.5
2006	2,448.9	2,528.1	52.0	48,627	4.6
2007	2,637.1	2,637.1	54.1	48,744	4.3
2008	2,657.9	2,630.5	56.0	46,975	(0.2)
2009	2,528.9	2,464.8	56.5	43,619	(6.3)
2010	2,472.7	2,399.0	55.5	43,209	(2.7)
2011	2,519.3	2,427.8	55.3	43,920	1.2
2012	2,575.4	2,458.2	56.1	43,799	1.3
2013	2,649.1	2,494.6	56.2	44,334	1.5
2014	2,756.7	2,551.2	56.9	44,764	2.3
2015	2,860.6	2,627.8	59.1	44,498	3.0
2016	2,963.2	2,708.1	61.3	44,155	3.1
2017	3,107.0 ^P	2,786.8 ^P	63.1	44,154 ^P	2.9 ^P

Source: Cayman Islands Government, Economics and Statistics Office

^P Preliminary

Table A2: Consumer Price Index and Inflation

(September 2016=100)

Year	Index Year-end	Index Average	Average Rate (%)	Inflation
1995	65.5	65.0		2.5
1996	67.5	66.6		2.5
1997	69.4	68.4		2.7
1998	71.1	70.5		3.0
1999	76.7	75.4		7.0
2000	77.8	77.3		2.6
2001	78.4	78.2		1.2
2002	80.7	80.2		2.5
2003	81.2	80.6		0.5
2004	90.3	84.2		4.5
2005	90.3	90.4		7.3
2006	91.8	91.0		0.7
2007	93.3	93.7		2.9
2008	97.0	97.6		4.1
2009	95.7	96.1		-1.5
2010	96.0	96.4		0.3
2011	97.8	97.6		1.3
2012	99.8	98.8		1.2
2013	101.5	100.9		2.2
2014	102.1	102.2		1.2
2015	99.6	99.8		-2.3
2016	100.0	99.1		-0.7
2017	102.4	101.1		2.0

Source: Cayman Islands Government, Economics and Statistics Office

Table A3: Labour Force and Employment

Year	Labour Force	Total Employed	Total Unemployed	Unemployment Rate (%)
1995	19,820	18,845	980	4.9
1996	20,410	19,370	1,040	5.1
1997	21,620	20,725	895	4.1
1998	22,725	21,820	905	4.0
2001	27,971	25,862	2,109	7.5
2002	28,905	27,355	1,550	5.4
2003	29,905	28,827	1,079	3.6
2004	30,257	28,946	1,311	4.3
2005	36,767	35,464	1,303	3.5
2006	35,959	35,016	943	2.6
2007	37,431	36,026	1,405	3.8
2008	38,999	37,450	1,549	4.0
2009	38,269	35,958	2,311	6.0
2010	37,313	34,983	2,330	6.2
2011	37,620	35,267	2,353	6.3
2012	38,811	36,401	2,410	6.2
2013	38,521	36,106	2,415	6.3
2014	39,467	37,643	1,824	4.6
2015	40,870	39,138	1,732	4.2
2016	42,196	40,411	1,785	4.2
2017	42,941	40,856	2,085	4.9

Source: Cayman Islands Government, Economics and Statistics Office

Note:

No Labour Force Surveys were conducted in 1999 and 2000. Data for 2004 are derived from Spring LFS and not Fall 2004 LFS on account of hurricane Ivan in September 2004. All other years reflect the results of Fall LFS.

Table A4: Composition of the Employed Labour Force

<i>Year</i>	Total	Caymanian	Non-Caymanian	Permanent Resident WRW
1995	18,845	10,490	8,355	-
1996	19,370	10,705	8,665	-
1997	20,725	10,390	10,335	-
1998	21,820	11,525	10,295	-
2001	25,862	12,479	13,383	-
2002	27,355	12,993	14,362	-
2003	28,827	13,973	14,854	-
2004	28,946	14,775	14,171	-
2005	35,464	18,025	17,439	-
2006	35,016	17,621	17,395	-
2007	36,026	16,520	19,506	-
2008	37,450	16,518	20,932	-
2009	35,958	16,048	19,910	-
2010	34,983	15,794	19,189	-
2011	35,267	15,969	19,298	-
2012	36,401	16,493	19,908	-
2013	36,106	17,518	18,588	-
2014	37,643	18,127	14,979	4,537
2015	39,138	18,366	16,783	3,990
2016	40,411	18,525	17,482	4,404
2017	40,856	19,259	17,439	4,158

Source: Cayman Islands Government, Economics and Statistics Office

Note:

No Labour Force Surveys were conducted in 1999 and 2000. 2004 results are derived from Spring LFS and not Fall 2004 LFS on account of hurricane Ivan in September 2004.

WRW: with rights to work. PR-WRW data for the years prior to 2014 are included as part of Non-Caymanian data.

Table A5: Composition of the Unemployed Labour Force

Year	Total Unemployed	Caymanian	Permanent Residents WRW	Non-Caymanian
1995	978	703	-	275
1996	1,049	692	-	357
1997	895	579	-	316
1998	907	609	-	298
2001	2,109	1,311	-	798
2002	1,550	1,058	-	492
2003	1,079	857	-	222
2004	1,311	887	-	424
2005	1,303	1,039	-	264
2006	943	682	-	261
2007	1,405	1,029	-	376
2008	1,549	1,169	-	380
2009	2,311	1,680	-	631
2010	2,330	1,713	-	617
2011	2,353	1,732	-	621
2012	2,410	1,925	-	485
2013	2,415	1,818	-	597
2014	1,824	1,562	129	134
2015	1,732	1,209	283	240
2016	1,785	1,406	173	206
2017	2,085	1,515	190	380

Source: Cayman Islands Government, Economics and Statistics Office

Note:

No Labour Force Surveys were conducted in 1999 and 2000. 2004 results are derived from Spring LFS and not Fall 2004 LFS on account of hurricane Ivan in September 2004.

WRW: with rights to work. PR-WRW data for the years prior to 2014 are included as part of Non-Caymanian data.

Table A6: Work Permits

Year	Total
1995	10,198
1996	9,951
1997	11,314
1998	12,885
1999	...
2000	14,284
2001	13,883
2002	15,779
2003	17,123
2004	20,508
2005	21,763
2006	22,393
2007	26,350
2008	26,516
2009	23,531
2010	20,452
2011	19,852
2012	20,789
2013	19,432
2014	21,076
2015	22,756
2016	24,158
2017	25,305

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

Table A7: Merchandise Trade (CI\$ Million)

Year	Imports	Exports	Trade Balance
1996	314.9	2.2	(312.7)
1997	423.7	1.8	(421.9)
1998	447.8	1.0	(446.8)
1999	452.2	1.2	(451.0)
2000	575.7	2.0	(573.7)
2001	514.5	2.4	(512.1)
2002	496.1	3.0	(493.1)
2003	546.2	19.5	(526.7)
2004	718.9	11.9	(707.0)
2005	976.4	42.8	(933.6)
2006	868.7	13.9	(854.8)
2007	867.8	17.9	(849.9)
2008	898.7	12.4	(886.3)
2009	744.5	16.0	(728.5)
2010	690.4	11.1	(679.3)
2011	759.5	18.1	(741.4)
2012	758.5	17.0	(741.6)
2013R	816.6	42.8	(773.8)
2014R	852.9	40.1	(812.8)
2015R	821.9	54.0	(767.9)
2016R	852.6	42.5	(810.2)
2017P	876.0	27.7	(848.3)

^R Revised

^P Preliminary

Source: Cayman Islands Customs Department and ESO

Table A8: Imports by Standard International Trade Classification
(CI\$ Million)

	2008	2009	2010	2011	2012	2013R	2014R	2015R	2016R	2017P
Total Imports	898.7	744.5	690.4	759.5	758.5	816.6	852.9	821.9	852.6	876.0
Food and Live Animals	95.1	90.8	113.2	119.0	127.4	138.9	162.5	166.8	171.5	176.9
Beverages and Tobacco	28.9	29.4	27.5	27.4	29.0	30.0	31.5	30.9	34.4	33.7
Inedible Crude Materials	12.6	9.3	8.9	9.3	8.9	9.9	11.2	12.5	14.5	16.4
Mineral Fuels, Lubricants and Related Materials	185.3	112.8	128.0	184.4	155.1	189.3	178.5	106.8	93.2	109.0
Animal and Vegetable Oils, Fats and Waxes	0.1	0.0	0.3	0.3	0.2	0.2	0.6	1.5	1.1	0.6
Chemicals and Related Products n.e.s.	31.2	26.6	31.5	32.3	36.9	38.4	39.8	39.3	43.5	43.0
Manufactured Goods (classified chiefly by material)	96.1	85.8	78.5	77.4	92.8	94.5	91.7	90.7	95.2	103.7
Machinery and Transport Equipment	119.7	92.6	97.9	108.3	116.1	117.3	126.9	147.1	171.2	169.2
Miscellaneous Manufactured Articles	268.9	226.2	134.5	131.2	131.0	120.9	131.9	114.2	116.4	128.2
Commodities and Transactions n.e.s.	60.9	70.9	70.2	69.9	61.3	77.2	78.2	112.0	111.6	95.5

^R Revised

^P Preliminary

n.e.s. - not elsewhere specified

Source: Cayman Islands Customs Department and ESO

Table A9: Monetary Assets and Liabilities, CI\$ Million

	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
Total Assets	5,248.7	5,888.4	4,932.4	5,898.0	6,155.3	7,285.9
Net Foreign Assets	2,801.9	3,249.3	2,281.7	3,795.4	4,018.6	5,182.4
Monetary Authority	99.1	101.5	100.2	110.8	122.2	126.6
Commercial Banks	2,702.7	3,147.8	2,181.5	3,684.6	3,896.4	5,055.8
Net Domestic Assets	2,446.8	2,639.1	2,650.6	2,102.5	2,136.7	2,103.4
Domestic credit	3,050.6	2,974.7	2,971.2	2,981.2	3,083.9	3,188.5
Claims on central government	278.3	262.7	243.6	226.5	211.0	182.8
Claims on other public sector	80.4	75.2	70.1	70.0	64.0	55.5
Claims on private sector	2,691.9	2,636.8	2,657.5	2,684.7	2,809.0	2,950.2
Other	(603.8)	(335.6)	(320.6)	(878.7)	(947.2)	(1,085.1)
Monetary Liabilities (M1 + M2)	5,248.7	5,888.4	4,932.4	5,898.0	6,155.3	7,285.9
Broad money (M2 + FOREX deposits)	5,248.7	5,888.4	4,932.4	5,898.0	6,155.3	7,285.9
Broad money (KYD M2)	1,110.4	1,106.6	1,209.1	1,394.5	1,534.3	1,649.8
Currency With the public	86.9	96.2	95.5	107.7	115.6	119.5
KYD Deposits	1,023.4	1,010.5	1,113.5	1,286.8	1,418.7	1,530.3
Demand deposits	337.0	403.1	460.6	505.3	595.9	648.0
Time and savings deposits	686.4	607.4	653.0	781.6	822.8	882.3
FOREX deposits	4,138.3	4,781.8	3,723.3	4,503.4	4,621.0	5,636.0

Source: Cayman Islands Monetary Authority and Economics & Statistics Office

**Table A10: Domestic Credit to the Private Sector by Retail Banks,
CI\$ Million as of Year-End**

	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17
Total	2,650.7	2,604.9	2,657.5	2,684.7	2,809.0	2,950.2
Credit to Businesses	797.0	807.0	819.6	827.3	907.6	884.1
Production & Manufacturing	324.1	301.3	169.2	165.5	172.2	159.5
Agriculture, Fishing and Mining	11.9	12.7	20.0	8.3	4.3	4.7
Manufacturing	27.2	20.5	14.1	18.7	19.6	14.1
Utilities	2.6	2.4	15.7	12.9	36.9	23.0
Construction	282.4	265.7	119.4	125.6	111.3	117.7
Services	129.4	95.5	82.1	65.6	72.2	85.4
Accommodation, Food, Bar & Entertainment Services	92.6	55.0	27.7	15.4	13.6	26.4
Transportation, Storage & Communications	14.9	18.5	17.4	17.4	19.4	24.1
Education, Recreational & Other Professional Services	21.8	22.0	37.1	32.8	39.2	34.9
Trade and Commerce	343.5	410.3	465.4	483.9	525.6	578.6
Wholesale & Retail Sales Trade	58.0	71.3	72.3	68.5	53.4	53.2
Real Estate Agents, Rental and Leasing Companies	128.6	140.7	211.9	211.7	194.6	132.0
Other Business Activities (General Business Activity)	156.9	198.2	181.3	203.7	277.6	393.4
Other Financial Corporations	-	-	102.9	112.2	137.6	60.7
Credit to Households	1,853.7	1,797.9	1,821.6	1,843.1	1,882.7	1,992.5
Domestic Property	1,540.9	1,537.6	1,524.9	1,553.6	1,600.9	1,719.8
Motor Vehicles	33.0	30.6	34.2	41.2	45.8	50.5
Education and Technology	4.3	5.2	6.0	6.3	5.9	6.4
Miscellaneous*	275.5	224.5	256.5	242.0	230.0	215.9
NonProfit Organizations	0.1	-	16.3	14.3	18.7	73.6

*Miscellaneous include consolidated debt, insurance, medical and travel

Source: Cayman Islands Monetary Authority

Table A11: Financial Services Indicators

Year	Bank & Trust Licences	Insurance Licences	Captive Insurance Premiums (US\$B)	Mutual Funds*	New Companies Registered	Stock Market Cap**. (US\$B)	Stock Listings
2005	301	759	6.7	7,106	10,210	75.56	1,015
2006	291	767	7.1	8,134	12,277	111.52	1,225
2007	281	793	7.5	9,413	14,232	168.33	1,748
2008	278	805	7.7	9,870	11,861	167.70	1,579
2009	266	808	7.5	9,523	7,863	162.92	1,312
2010	246	768	8.7	9,438	8,157	145.65	1,113
2011	234	766	11.8	9,258	9,064	143.84	1,156
2012	222	768	11.8	10,841	8,971	166.50	1,157
2013	213	788	12.6	11,379	9,433	172.60	1,116
2014	198	788	12.1	11,010	11,010	169.26	1,066
2015	184	739	12.8	10,940	11,875	195.32	1,048
2016	159	740	14.6	10,586	11,171	195.60	1,022
2017	150	724	12.4	10,559	13,046	241.42	1,238

Source: Cayman Islands Monetary Authority, Cayman Islands Stock Exchange, Cayman Islands General Registry

* Includes a new category called master funds starting in 2012

**Cap = Capitalization

Table A12: Banks & Trust Licences

Year	Class A Banks			Class B Banks			Total
	Bank & Trust	Bank	Total Bank & Trust	Bank & Trust	Bank	Total Bank & Trust	
2005	16	3	19	113	169	282	301
2006	16	3	19	112	160	272	291
2007	14	5	19	106	156	262	281
2008	13	5	18	96	164	260	278
2009	12	5	17	95	154	249	266
2010	12	5	17	87	142	229	246
2011	12	3	15	83	136	219	234
2012	12	3	15	78	129	207	222
2013	12	3	15	73	125	198	213
2014	10	3	13	66	119	185	198
2015	9	3	12	61	111	172	184
2016	7	4	11	53	95	148	159
2017	8	3	11	52	87	139	150

Source: Cayman Islands Monetary Authority

Table A13: Insurance Licences

	Total Class A (Domestic Insurers)	Class B Captives Excluding SPCs	Class B Captives- SPCs Only	Total Class B,C,D (International Insurers)	Total Insurers
2004	27	604	89	693	720
2005	26	632	101	733	759
2006	27	623	117	740	767
2007	28	641	124	765	793
2008	28	652	125	777	805
2009	28	650	130	780	808
2010	30	619	119	738	768
2011	27	615	124	739	766
2012	27	608	133	741	768
2013	27	571	148	761	788
2014	28	585	140	760	788
2015	31	539	140	708	739
2016	29	536	147	711	740
2017	28	521	148	696	724

Source: Cayman Islands Monetary Authority

Table A14: Mutual Funds Domiciled in the Cayman Islands

Year	Administered Funds	Licensed Funds	Registered Funds	Master Funds	Total
2004	616	67	5,249	-	5,932
2005	598	79	6,429	-	7,106
2006	548	105	7,481	-	8,134
2007	543	119	8,751	-	9,413
2008	510	129	9,231	-	9,870
2009	448	131	8,944	-	9,523
2010	435	133	8,870	-	9,438
2011	424	120	8,714	-	9,258
2012	408	121	8,421	1,891	10,841
2013	398	111	8,235	2,635	11,379
2014	386	104	7,835	2,685	11,010
2015	380	101	7,654	2,805	10,940
2016	363	90	7,293	2,840	10,586
2017	331	81	7,331	2,816	10,559

Source: Cayman Islands Monetary Authority

Table A15: New Companies Registered in the Cayman Islands

Year	Exempt	Non-Resident	Resident	Foreign	LLC	Total
2003	5,941	692	439	182	-	7,254
2004	7,480	674	530	208	-	8,892
2005	8,694	595	650	271	-	10,210
2006	10,735	569	588	385	-	12,277
2007	12,691	533	531	477	-	14,232
2008	10,536	293	510	522	-	11,861
2009	6,764	220	487	392	-	7,863
2010	7,104	230	432	391	-	8,157
2011	7,980	156	485	443	-	9,064
2012	7,940	69	506	456	-	8,971
2013	8,380	48	430	575	-	9,433
2014	9,981	29	408	592	-	11,010
2015	10,672	40	506	657	-	11,875
2016	9,812	29	518	610	205	11,174
2017	11,138	25	583	589	711	13,046

Source: Companies Registrar

Table A16: Visitor Arrivals ('000) and Cruise Ship Calls

Year	Stay-Over	Cruise	Total Arrivals	Cruise Ship Calls
1999	394.7	1,035.5	1,430.2	638
2000	354.1	1,030.9	1,385.0	612
2001	334.1	1,214.8	1,548.9	611
2002	302.8	1,574.8	1,877.6	732
2003	293.5	1,819.0	2,112.5	825
2004	259.9	1,693.3	1,953.2	732
2005	167.8	1,799.0	1,966.8	784
2006	267.3	1,930.1	2,197.4	802
2007	291.5	1,715.7	2,007.2	657
2008	302.9	1,553.1	1,855.9	570
2009	271.9	1,520.4	1,792.3	547
2010	288.3	1,597.8	1,886.1	570
2011	309.1	1,401.5	1,710.6	523
2012	321.6	1,507.4	1,829.0	525
2013	345.4	1,375.9	1,721.3	480
2014	382.8	1,609.6	1,992.4	562
2015	385.4	1,716.8	2,102.2	575
2016	385.5	1,711.8	2,097.3	577
2017	418.4	1,728.4	2,146.8	569

Source: Immigration Department, Port Authority and Department of Tourism

Table A17: Occupancy Rates and Length of Stay

Year	Hotel Occupancy Rates (%)	Apt/Condo Occupancy Rates (%)	Hotel Length of Stay (Days)	Apt/Condo Length of Stay (Days)
1999	71.8	46.9	4.7	5.8
2000	62.4	46.8	4.6	7.0
2001	55.3	43.1	4.5	7.3
2002	50.6	40.2	4.8	7.3
2003	51.2	37.7	4.7	7.4
2004	61.7	43.1	4.9	6.8
2005	55.8	46.0	4.9	6.7
2006	59.4	40.7	4.5	6.6
2007	61.7	42.5	4.7	6.7
2008	62.2	44.0	4.5	6.4
2009	59.0	43.9	4.4	6.9
2010	68.2	44.1	4.4	6.8
2011	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a

Source: Cayman Islands Department of Tourism

Table A18: Total Stay-Over Arrivals by Country of Origin ('000)

Year	USA	Europe	Canada	Others	Total Arrivals
1995	266.2	37.3	14.1	43.8	361.4
1996	274.7	33.5	16.2	48.8	373.2
1997	278.7	32.7	18.2	51.6	381.2
1998	295.2	34.7	18.4	55.9	404.2
1999	280.3	34.5	18.9	61.0	394.7
2000	281.6	22.6	15.0	34.3	354.1
2001	270.1	20.4	13.6	34.9	334.1
2002	244.9	17.9	13.6	26.2	302.8
2003	232.4	18.2	14.1	28.8	293.5
2004	205.2	15.3	12.1	27.3	259.9
2005	118.8	12.7	10.5	25.8	167.8
2006	217.4	16.7	14.9	18.3	267.3
2007	231.9	20.4	17.4	21.9	291.5
2008	240.5	21.3	18.5	22.6	302.9
2009	215.0	19.1	17.3	20.6	272.0
2010	228.5	19.9	19.5	20.5	288.3
2011	242.9	21.1	24.6	20.4	309.1
2012	253.2	21.4	24.1	23.0	321.7
2013	265.4	27.8	23.6	28.5	345.4
2014	288.0	36.4	24.9	33.5	382.8
2015	291.8	34.3	24.3	35.0	385.4
2016	300.6	29.2	23.3	32.4	385.5
2017	341.0	24.3	24.8	28.4	418.4

Source: Immigration Department and Department of Tourism

Table A19: Property Transfers: Number and Value, in CI\$ Million

Year	Freehold		Leasehold		Total Transfers	
	Number	Value	Number	Value	Number	Value
1995	1,729	191.2	127	3.6	1,856	194.8
1996	2,055	267.2	153	3.3	2,208	270.5
1997	2,151	281.8	125	6.1	2,279	287.9
1998	2,344	317.2	128	2.3	2,472	319.5
1999	2,293	222.5	201	7.4	2,494	229.9
2000	1,868	257.3	143	2.3	2,011	259.6
2001	1,846	172.8	181	0.8	2,027	173.6
2002	1,842	269.9	147	4.1	1,989	274.0
2003	2,357	324.3	205	1.7	2,562	326.0
2004	2,335	339.2	127	1.9	2,462	341.1
2005	2,640	450.8	245	1.4	2,885	452.2
2006 ^R	2,777	691.1	179	4.1	2,956	695.2
2007	2,190	544.7	360	23.3	2,512	551.0
2008	2,289	558.1	323	76.2	2,612	634.3
2009	2,045	397.0	242	19.5	2,287	416.5
2010	1,619	307.2	168	9.2	1,787	316.4
2011	1,708	632.1	178	25.8	1,886	657.9
2012	1,696	418.1	116	11.9	1,812	430.0
2013	1,569	538.8	197	38.7	1,766	577.5
2014	1,718	533.7	159	29.1	1,877	562.8
2015	1,787	592.4	131	19.8	1,918	612.2
2016	1,792	844.3	183	16.0	1,975	860.3
2017	1,875	798.0	194	32.2	2,069	830.2

Source: Cayman Islands Lands and Survey Department

^R = Revised

Leasehold transfers include lease transfers and subleases.

Table A20: Number of Project Approvals in Grand Cayman

Year	Apts/ Condos	Houses	Commercial	Government	Hotel	Industrial	Other	Total
2001	79	309	45	7	3	11	442	896
2002	88	327	83	4	5	17	424	948
2003	129	385	67	12	-	34	504	1,131
2004	111	359	52	6	1	17	427	973
2005	132	532	95	15	4	26	394	1,198
2006	222	336	70	15	1	30	574	1,248
2007	112	437	56	10	1	14	493	1,123
2008	103	424	43	7	-	11	580	1,168
2009	109	426	46	3	-	12	526	1,122
2010	73	327	43	9	-	5	505	962
2011	52	332	36	14	-	9	496	939
2012	38	313	46	7	-	16	570	990
2013	31	244	53	10	3	14	586	971
2014	56	225	30	15	2	6	673	1029
2015	42	225	40	15	1	14	643	990
2016	57	238	39	6	5	13	614	972
2017	83	276	34	14	3	19	727	1156

Source: Cayman Islands Planning Department

Table A21: Value of Project Approvals in Grand Cayman, CI\$ Million

Year	Apt/ Condos	Houses	Commercial	Government	Hotel	Industrial	Other	Total
2001	44.5	54.2	18.0	0.8	1.7	5.5	24.4	149.1
2002	82.0	60.6	48.9	0.8	9.7	9.9	24.4	236.3
2003	65.9	80.0	29.0	55.1	-	7.1	29.4	266.5
2004	153.7	67.5	133.2	3.9	45.0	7.3	45.7	456.3
2005	194.9	105.8	103.9	3.7	16.2	20.5	66.1	511.2
2006	294.3	74.8	119.8	7.5	6.0	44.4	74.2	620.9
2007	88.9	131.3	71.7	54.5	55.0	8.4	59.1	468.9
2008	141.5	110.3	125.4	18.5	-	11.1	74.0	480.9
2009	170.0	122.0	29.0	0.1	-	2.6	97.5	421.2
2010	35.9	93.9	92.5	3.6	-	1.0	84.8	311.7
2011	27.5	116.5	25.8	15.1	-	16.6	40.3	241.8
2012	17.3	81.9	11.7	5.2	-	8.1	28.1	152.3
2013	48.2	100.9	118.8	5.1	143.0	5.2	42.5	463.7
2014	132.5	129.9	9.2	3.4	4.6	17.0	119.0	411.6
2015	152.7	115.6	39.7	50.1	0.1	48.5	52.2	458.8
2016	71.5	106.4	152.8	14.2	1.9	20.2	39.8	406.7
2017	220.3	118.4	50.1	4.5	246.8	74.2	84.5	798.7

Source: Cayman Islands Planning Department

Table A22: Number of Project Approvals in the Sister Islands

Year	Houses	Apt/Condo	Hotel	Government	Commercial	Industrial	Other	Total
2000	49	3	-	7	6	7	53	125
2001	41	7	-	5	9	3	46	111
2002	21	2	-	5	2	9	74	113
2003	29	3	-	4	14	2	60	112
2004	36	1	-	11	13	4	75	140
2005	43	4	-	5	9	1	73	135
2006	39	-	1	10	5	10	67	132
2007	35	6	-	9	5	-	49	104
2008	40	5	2	3	5	1	53	109
2009	34	2	-	3	2	-	62	103
2010	27	2	-	8	5	1	71	114
2011	35	-	-	2	2	1	62	102
2012	21	-	-	7	5	1	56	90
2013	29	1	-	3	2	1	56	92
2014	22	-	-	1	6	-	30	59
2015	10	-	-	-	9	-	44	63
2016	12	1	-	2	11	1	35	62
2017	25	1	-	3	2	-	29	60

Source: Cayman Islands Planning Department

Table A23: Value of Project Approvals in the Sister Islands, CI\$ Million

Year	Houses	Apt/Condo	Hotel	Government	Commercial	Industrial	Other	Total
2000	5.2	3.2	-	1.0	0.5	1.6	1.0	12.4
2001	-	2.8	-	2.1	1.1	1.1	0.8	8.0
2002	3.2	0.2	-	0.3	0.3	1.2	2.3	7.6
2003	4.1	0.8	-	0.1	1.4	0.4	0.7	7.4
2004	6.6	0.1	-	0.3	1.9	4.0	0.7	13.7
2005	5.9	1.3	-	0.2	0.6	0.5	0.8	9.3
2006	6.7	-	5.5	2.7	0.7	1.6	0.8	17.9
2007	6.5	23.9	-	2.1	0.3	-	3.5	36.2
2008	7.8	8.2	6.9	0.1	1.0	-	3.9	27.9
2009	5.8	0.7	-	2.0	1.1	-	3.3	12.8
2010	6.0	0.4	-	9.1	1.3	0.4	1.8	19.0
2011	7.4	-	-	0.1	0.1	1.6	0.8	9.9
2012	4.2	-	-	7.1	1.0	1.5	4.9	18.7
2013	5.9	0.5	-	0.7	0.2	0.0	2.6	9.8
2014	3.8	-	-	0.08	0.6	-	0.93	5.4
2015	3.4	-	-	-	2.1	-	0.7	6.1
2016	3.8	0.3	-	1.3	0.3	2.7	1.7	10.1
2017	4.7	-	-	0.4	0.1	-	1.1	6.2

Source: Cayman Islands Planning Department

Table A24: Building Permits in Grand Cayman

Category	Number					Value, CI\$ Million				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Apartment/ Condo	46	45	65	49	81	26.9	72.3	41.6	71.1	62.5
Houses	290	252	223	236	255	86.2	99.6	96.5	84.9	107.8
Commercial	116	73	75	79	89	44.3	25.7	26.3	40.2	41.4
Government	3	9	7	16	8	0.4	5.9	6.3	11.6	0.2
Hotel	-	3	5	13	2	-	142.1	4.6	4.4	2.8
Industrial	3	3	7	6	5	3.6	0.2	1.4	3.9	3.6
Other	187	153	354	405	439	20.1	10.4	10.3	30.8	16.5
Total	645	539	736	804	879	181.5	356.1	186.9	247.0	234.7

Source: Cayman Islands Planning Department

**Table A25: Water Production and Consumption,
Millions of US Gallons**

Year	Production¹	Consumption
1995	592.9	637.6
1996	631.0	678.1
1997	730.7	779.8
1998	808.9	849.4
1999	874.3	908.8
2000	986.5	1,028.5
2001	1,097.4	1,069.2
2002	1,147.9	1,056.1
2003	1,197.9	1,173.7
2004	1,291.3	1,252.7
2005	1,371.6	1,301.7
2006	1,639.6	1,560.7
2007	1,720.8	1,657.7
2008	1,730.3	1,646.1
2009	1,959.1	1,741.8
2010	1,970.9	1,704.5
2011	1,977.6	1,697.8
2012	2,012.5	1,752.6
2013	1,888.9	1,630.9
2014	2,053.1	1,710.8
2015	1,925.0	1,718.1
2016	2,192.6	1,854.4
2017	2,279.1	1,907.2

Source: Cayman Islands Water Authority, Cayman Water Company

¹ Excludes Non-Potable Water

**Table A26: Electricity Production and Consumption in
Grand Cayman ('000 megawatt hours)**

Year	Production*	Consumption			
		Residential	Industrial/ Commercial	Public Lighting	Total
1995	297.4	118.1	147.5	3.3	268.9
1996	309.7	124.6	153.8	3.1	281.4
1997	347.8	140.3	168.7	3.3	312.3
1998	381.1	158.9	181.3	3.3	343.5
1999	390.4	168.2	191.5	3.3	363.0
2000	426.5	179.5	203.1	3.4	386.0
2001	449.3	189.7	213.9	3.5	407.0
2002	466.1	200.4	221.0	4.2	425.6
2003	489.7	211.2	228.5	4.5	444.2
2004	433.4	183.1	191.5	4.1	378.7
2005	463.2	200.3	222.4	5.0	427.8
2006	535.7	228.2	258.0	5.3	491.5
2007	546.1	249.4	279.4	5.4	534.2
2008	578.4	251.7	290.3	5.7	547.7
2009	597.4	263.1	290.7	6.0	559.8
2010	593.5	262.5	284.9	6.2	553.8
2011	594.0	258.8	289.0	6.2	554.0
2012	587.1	254.4	287.1	6.3	547.8
2013	595.6	261.0	288.1	6.6	555.7
2014	604.7	266.7	290.7	6.7	564.1
2015	623.7	276.9	298.3	6.7	582.0
2016	650.3	299.1	300.8	6.8	606.7
2017	654.3	312.8	302.1	6.9	621.8

Source: Caribbean Utilities Company

*Net generation/production is reported from 2007

Table A27: Summary of Central Government Operations, CI\$ Million

Year	Total Revenue	Current Expenditure	Gross Capital Expenditure and Net Lending	Total Expenditure	Current Balance	Overall Balance
2000	278.2	268.4	43.2	311.2	9.3	(33.0)
2001	285.4	290.6	26.1	316.6	(6.2)	(31.2)
2002	314.1	278	17.6	295.7	36.1	18.4
2003	326.2	283.7	21.2	305.2	42.5	21.0
2004	336.4	349.2	29.2	378.1	(13.2)	(41.7)
2005	428.6	381.8	48.5	430.3	87.5	(1.7)
2006	500.4	393.5	39.6	433.1	106.9	67.3
2007	513.0	446.1	105.9	552.0	66.9	(39.0)
2008	522.2	521.5*	150.6	672.0	0.8	(131.0)
2009	473.7	535.6	141.7	677.3	(61.8)	(181.9)
2010	517.7	517.2	76.3	593.5	0.5	(55.8)
2011	545.9	525.1	98.3	623.4	20.8	(56.8)
2012	564.6	547.1	68.5	615.6	17.5	(27.6)
2013	635.1	553.7	36.8	590.5	81.4	70.7
2014	664.2	551.2	44.1	595.4	112.9	95.2
2015	672.7	545.0	43.7	588.6	127.9	116.1
2016	705.9	585.8	54.7	640.5	120.1	99.6
2017	953.2	586.0	59.4	645.4	167.1	140.6

*Annual depreciation is added to current expenditure but deducted from total expenditure starting 2008

Source: Cayman Islands Treasury Department

Table A28: Central Government Debt and Self- Financing Debt, CI\$ Million a/

Year	Disbursed Outstanding Debt	Drawings	Exchange (Gain)/ Loss	Amortisation	Interest Payments
1997	82.9	25.5		8.7	4.5
1998	93.8	21.5		10.9	5.9
1999	98.3	18.2		13.1	5.6
2000	107.8	23.8		14.3	7.0
2001	143.5	49.7		14.0	6.8
2002	132.1	10.9	(0.3)	21.3	3.8
2003	143.9	136.9		124.5	5.1
2004	157.6	23.3		9.5	7.3
2005	180.9	39.0		11.4	9.5
2006	179.7	10.0		14.5	8.9
2007	210.5	52.3	(0.2)	16.4	9.6
2008	354.9	166.2	(0.5)	20.7	11.7
2009	513.5	184.3		25.9	19.4
2010	592.7	106.7	(0.2)	25.9	27.9
2011	613.4	154.2	0.3	133.9	32.9
2012	586.2	-	(0.2)	25.9	33.8
2013	559.9	10.0	0.1	26.5	31.8
2014	534.0	-	(0.05)	33.9	29.2
2015	511.0	-	(0.12)	22.8	28.0
2016	483.9	-	(0.03)	27.1	27.1
2017	449.1	-	0.11	34.8	25.6

Source: Cayman Islands Treasury Department

a/ Self-financing debt refers to the loans raised by the central government on behalf of agencies which are required to reimburse the servicing of these loans.

Table A29: Fiscal Operations, CI\$ Million

	2011	2012	2013	2014	2015	2016	2017
Total Revenue	545.9	564.6	635.1	664.2	672.7	705.9	753.2
Current Revenue	545.9	564.6	635.1	664.2	672.7	705.9	753.2
Coercive Revenue	489.3	504.9	584.7	630.1	636.6	666.0	705.0
Taxes on International Trade & Transactions	162.2	167.2	173.3	177.9	172.0	174.3	178.0
Domestic Taxes on Goods & Services	289.5	296.6	377.3	408.6	407.6	425.2	451.0
Taxes on Property	36.4	36.7	31.3	41.6	41.1	58.7	69.7
Fines	1.2	1.3	1.6	1.6	2.1	3.2	2.6
Other Taxes	0.0	3.1	1.2	0.3	13.8	4.6	3.7
Non-Coercive Revenue	56.6	59.7	50.5	34.1	36.1	39.9	48.1
Sale of Goods & Services	55.8	55.0	48.9	33.0	34.7	36.0	40.0
Investment Revenue	0.6	0.3	1.1	0.8	1.0	3.5	7.1
Other Operating Revenue	0.2	4.4	0.4	0.4	0.3	0.4	1.0
Total Expenditure	623.4	615.6	590.5	595.4	588.6	640.5	645.4
Current Expenditure	525.1	547.1	553.7	551.2	545.0	585.8	586.0
Personnel Costs	216.4	226.5	235.7	244.8	243.8	254.5	273.6
Supplies & Consumables	89.2	94.1	86.8	93.1	83.8	93.6	86.7
Subsidies	131.6	131.7	137.0	126.7	125.2	137.8	133.1
Transfer Payments	31.0	30.5	32.3	27.6	27.5	32.4	29.9
Depreciation	20.7	23.4	26.1	26.3	32.1	34.2	32.8
Interest Payments	32.9	33.8	31.8	29.2	28.0	27.1	25.6
Extraordinary Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Operating Expenses	3.3	7.1	4.0	3.5	4.5	6.2	4.4
Gross Capital Expenditure & Net Lending	98.3	68.5	36.8	44.1	43.7	54.7	59.4
Capital Acquisition (now Equity Injections)	62.2	37.6	9.5	10.9	14.8	18.9	9.1
Equity Injections and Working Capital support to Public Entities	20.0	20.8	19.2	26.8	19.6	22.3	35.3
Capital Development (now Executive Assets)	16.0	8.4	8.1	5.8	8.9	12.1	15.4
Net Lending	0.1	1.7	(0.1)	0.6	0.4	1.4	(0.5)
Net Capital Expenditure & Net Lending	77.6	45.1	10.7	17.8	11.6	20.6	26.5
Depreciation	20.7	23.4	26.1	26.3	32.1	34.2	32.8
Primary Balance (Overall Balance w/o Interest Payments)	(23.9)	6.2	102.5	124.4	144.1	126.7	166.2
Current Balance	20.8	17.5	81.4	112.9	127.7	120.1	167.1
Overall Balance	(56.8)	(27.6)	70.7	95.2	116.1	99.6	140.6
Financing	56.8	27.6	(70.7)	(95.2)	(116.1)	(99.6)	(140.6)
Net Borrowing	20.3	(25.9)	(16.5)	(33.9)	(22.8)	(27.1)	(34.8)
Disbursements	154.2	0.0	10.0	0.0	0.0	0.0	0.0
Loan Repayment	(133.9)	(25.9)	(26.5)	(33.9)	(22.8)	(27.1)	(34.8)
Change in Cash	(36.5)	(53.5)	54.2	61.3	93.3	72.4	105.8

Source: Economics & Statistics Office and Treasury Department