



CAYMAN ISLANDS  
GOVERNMENT



# THE CAYMAN ISLANDS' ANNUAL ECONOMIC REPORT 2018



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**1. Executive Summary**

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1.1 In 2018, the world economy recorded weaker growth due mainly to heightened trade tensions between the US and China and higher inflation supported by increased crude oil prices on the international market.

1.2 The Cayman Islands' gross domestic product (GDP) expanded anew in 2018 at an estimated rate of 3.3 percent, higher than the 3.0 percent growth recorded in 2017.

1.3 Growth was indicated in all sectors led by hotels and restaurants, construction, wholesale and retail trade, and renting and business activities (mainly legal and accounting services).

1.4 Nominal GDP per capita income was estimated at \$70,956, higher relative to the \$67,887 recorded for 2017.

1.5 The average inflation rate in 2018 was 3.3 percent, compared to 2.0 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 9.9 percent to 44,887 in 2018. The growth in employment outweighed the increase in the labour force, which resulted in unemployment falling to 2.8 percent. The unemployment rate among Caymanians was estimated at 4.6 percent.

1.7 In 2018, merchandise imports grew by 15.7 percent to reach \$1,058.6 million, supported by increases of 21.5 percent and 14.9 percent in oil-related and non-oil imports, respectively.

1.8 Money supply (M2) expanded by 1.2 percent to register at \$7.4 billion in 2018. This monetary expansion was due to a 5.3 percent increase in local currency deposits, while foreign currency-denominated deposits remained unchanged.

1.9 Domestic credit from commercial banks contracted by 3.8 percent to settle at \$3,066.3 million. Credit to the private sector declined by 3.1 percent while that to the public sector fell by 13.1 percent.

1.10 The Financial Services industry generally improved, as shown by most indicators. Insurance licences, mutual funds (including master funds), stock exchange listings, stock market capitalization, the number of new company and new partnership registrations grew while bank and trust licences and trust companies were the only indicators that declined

1.11 In 2018, total visitors to the Cayman Islands surged to total 2.4 million. Growth of 10.7 percent and 11.1 percent in stay-over visitors and cruise passengers, respectively, spurred arrivals during the year.

1.12 Building intention indicators were mixed in 2018. The value of building permits in Grand Cayman rose by 5.6 percent to \$247.9 million, mainly due to several government projects. On the other hand, the value of planning approvals in Grand Cayman declined by 5.8 percent to \$752.3 million.

1.13 Real estate activity heightened during the year as the total value of property transfers rose by 37.8 percent to \$1,143.7 million, as both freehold and leasehold transfers increased.

1.14 The central government's overall surplus in 2018 improved to a record \$138.1 million from \$130.2 million in 2017. The total outstanding debt of the government contracted by \$30.5 million to \$418.7 million (9.2 percent of GDP) at the end of 2018.

1.15 GDP is projected to grow in 2019 by 2.6 percent, primarily due to expected growth in the construction of private and public sector projects, and continued growth in tourism-related services. Stable growth is projected for the financing and insurance sector. The inflation rate is expected at 2.9 percent arising principally from external pressures. The overall unemployment rate is projected at 3.5 percent.

**The Cayman Islands Economic Performance: Summary Indicators**

Indicators	2016	2017	2018
Real GDP (\$million)*	4,044.9	4,167.9	4,304.4
GDP growth in real terms (%)*	3.1	3.0	3.3
Real GDP per capita (\$)*	65,953	66,036	66,817
Nominal GDP per capita (\$)*	66,561	67,887	70,956
Nominal GDP (\$million)*	4,082.3	4,284.7	4,571.0
Population (year-end)	61,361	63,415	65,813
<i>Of which</i> Caymanians	34,113	35,878	36,705
Population (mid-year)	61,331	63,115	64,420
Average inflation rate (%)	(0.7)	2.0	3.3
Employment	40,411	40,856	44,887
Unemployment rate (% of labour force)	4.2	4.9	2.8
Total imports (in \$million)	852.6	914.8	1,058.6
Total imports (% of GDP)	20.9	21.3	23.2
Total money supply (M2, in \$million)	6,155.3	7,285.9	7,374.5
Domestic credit (in \$million)	3,083.9	3,188.5	3,066.3
Mutual funds (including master funds)	10,586	10,559	10,992
Insurance licenses	741	724	730
Banking and trust licenses	159	148	133
Trust companies	117	118	117
Stock exchange listings	1,022	1,238	1,699
New company registrations	11,174	13,046	16,326
New partnership registrations	3,356	3,872	5,007
Stay-over tourists (in thousands)	385.5	418.4	463.0
Cruise ship passengers (in thousands)	1,711.8	1,728.4	1,921.1
Grand Cayman building permits (\$million)	247.0	234.7	247.9
Cayman Islands planning approvals (\$million)	406.7	798.7	752.3
Cayman Islands property transfers (\$million)	860.3	830.2	1,143.7
Net lending of the central government (\$million)	102.3	130.2	138.1
Net lending of the central government (% of GDP)	2.5	3.0	3.0
Outstanding debt of the central government (\$million)	483.9	449.1	418.7
Outstanding debt of the central government (% of GDP)	11.9	10.5	9.2

\*Preliminary estimate for 2018 based on indicators.

## 2. Global and Regional Macroeconomic Environment

*Global economic growth tempered during 2018 due partly to increased trade and political tensions and lower business confidence, which led to less accommodative financial markets and increased policy uncertainty across several economies.*

### 2.1 Economic Growth<sup>1</sup>

Global economic growth softened to 3.6 percent in 2018, relative to 3.8 percent in 2017. This slowdown was in the context of increased trade tensions between the United States (US) and China. Business confidence in the Euro Area also weakened, which resulted in more restrictive financial conditions and greater policy uncertainty among some countries. Economic activities during the year were also hampered by Brexit negotiations in the UK and a federal government shutdown in the US. Advanced economies recorded growth of 2.2 percent compared with 2.4 percent in 2017 while the emerging market and developing economies grew by 4.5 percent compared with 4.8 percent in the preceding year (see Table 2.1). Among the major advanced economies (G7), all countries registered lower growth rates except the US.

**Table 2.1: Global Economic Growth**

	2015	2016	2017	2018
	<b>% Change in GDP</b>			
World	3.4	3.4	3.8	3.6
Advanced Economies	2.3	1.7	2.4	2.2
United States	2.9	1.6	2.2	2.9
Euro Area	2.1	2.0	2.4	1.8
Japan	1.2	0.6	1.9	0.8
United Kingdom	2.3	1.8	1.8	1.4
Canada	0.7	1.1	3.0	1.8
Emerging Market and Developing Economies	4.3	4.6	4.8	4.5
China	6.9	6.7	6.8	6.6
India	8.0	8.2	7.2	7.1

Source: International Monetary Fund (World Economic Outlook (WEO), April 2019)

The US economy grew by 2.9 percent in the review period relative to 2.2 percent in 2017, emanating from higher levels of personal consumption spending, non-

<sup>1</sup> This review is culled from reports of the International Monetary Fund and other international organizations.

residential fixed investment, private inventory investment, exports and government spending. A decline in residential fixed investment and an increase in imports partly offset the expansion in economic activity.

The Euro Area recorded weaker growth of 1.8 percent relative to 2.4 percent in 2017, partly as a result of reduced consumer and business sentiment; fiscal policy uncertainty and investment and consumption disruptions in some key economies. Economic activity in the UK moderated to 1.4 percent compared with 1.8 percent in the preceding year, mainly attributed to increasing concerns surrounding a no-Brexit agreement.

Economic growth in Japan weakened to 0.8 percent from 1.9 percent in 2017 due to the negative impact of natural disasters in the third quarter of 2018. There was a slowdown in Canada's economic growth to 1.8 percent from 3.0 percent in 2017. This outturn reflected smaller increases in household final consumption expenditure and business investment relative to the previous year. In contrast, the growth in exports accelerated during the year.

Growth in emerging markets and developing economies declined to 4.5 percent from 4.8 percent in the previous year. Within this group, China's economic growth declined to 6.6 percent from 6.8 percent in the preceding year, while India registered growth of 7.1 percent relative to 7.2 percent in 2017.

**Table 2.2: Caribbean Region Economic Growth<sup>2</sup>**

	2015	2016	2017	2018
	<b>% Change in GDP</b>			
Caribbean	4.0	3.4	2.7	4.7
Antigua & Barbuda	4.0	4.8	3.6	5.3
The Bahamas	1.0	-1.7	1.4	2.3
Barbados	2.2	2.3	-0.2	-0.5
Dominican Republic	7.0	6.6	4.6	7.0
Grenada	6.4	3.7	5.1	4.8
Jamaica	0.9	1.5	0.7	1.4
Trinidad & Tobago	1.9	-6.5	-2.0	0.3
Dominica	-3.7	2.6	-5.4	-12.0
St. Lucia	0.3	3.9	3.7	1.0

Source: International Monetary Fund (WEO, April 2019)

In contrast to the general slowdown in global growth, the Caribbean recorded growth of 4.7 percent compared with 2.7 percent in 2017 (see Table 2.2). Higher growth rates were observed in most of the Caribbean economies. The Barbados and Dominican economy contracted by 0.5 percent and 12.0 percent respectively, while economic activity in Grenada and St. Lucia moderated to respective growth of 4.8 percent and 1.0 percent. The overall surge in growth was supported by robust economic activity in the US and modest economic recovery in countries impacted by Hurricanes Irma and Maria during 2017. The Dominican Republic had the highest growth rate of the region, increasing by 7.0 percent relative to 4.6 percent in 2017.

## 2.2 Inflation

The world economy recorded inflation of 3.6 percent in 2018 relative to 3.2 percent in 2017 (see Table 2.3). Inflation in advanced economies increased to 2.0 percent from 1.7 percent the previous year (see Figure 2.1). Inflation in the US rose to 2.4 percent in the review period relative to 2.1 percent in 2017. Similarly, the inflation rate in emerging markets and developing economies rose to 4.8 percent from 4.3 percent in 2017.

<sup>2</sup> 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.

**Table 2.3: Global Inflation**

	2015	2016	2017	2018
	<b>% Change in Consumer Prices</b>			
World	2.8	2.8	3.2	3.6
Advanced Economies	0.3	0.8	1.7	2.0
United States	0.1	1.3	2.1	2.4
Euro Area	0.2	0.2	1.5	1.8
Japan	0.8	-0.1	0.5	1.0
United Kingdom	0.0	0.7	2.7	2.5
Canada	1.1	1.4	1.6	2.2
Emerging Market and Developing Economies	4.7	4.2	4.3	4.8
China	1.4	2.0	1.6	2.1
India	4.9	4.5	3.6	3.5

Source: International Monetary Fund (WEO, April 2019)

Global commodity prices increased in 2018, according to the IMF's Primary Commodities Price Index. There were higher prices for crude oil, metals and agricultural raw materials. The increase in crude oil prices was due mainly to lower inventories in the US and other major oil-producing countries. Additionally, the reinstatement of US sanctions on Iran, political turmoil in Venezuela, and unplanned outages in Canada and Libya affected market supply. Metal prices rose as a result of new tariffs implemented on some products, particularly steel and aluminium, by the US due to its ongoing trade tension with China. The increase in prices for agricultural raw materials was influenced by decreased planting acreage in North America and weather-related supply disruptions in South America.

Despite the faster pace of economic growth, the Caribbean's inflation rate moderated to 3.7 percent relative to 3.8 percent in 2017 (see Table 2.4). The moderation in inflation for the year was against the background of higher global commodity prices and strong external demand. The highest inflation rate of 13.5 percent in the review period was registered by Haiti, while prices in St. Kitts and Nevis declined by 0.6 percent. This was the only Caribbean economy to record deflation in the year.

**Table 2.4: Inflation Rates: Caribbean Region**

	2015	2016	2017	2018
	<b>% Change in Consumer Prices</b>			
Caribbean	2.3	2.6	3.8	3.7
Antigua & Barbuda	1.0	-0.5	2.4	1.3
The Bahamas	1.9	-0.3	1.4	2.2
Barbados	-1.1	1.5	4.4	3.6
Dominican Republic	0.8	1.6	3.3	3.6
Grenada	-0.6	1.7	0.9	1.1
Jamaica	3.7	2.3	4.4	3.7
Trinidad & Tobago	4.7	3.1	1.9	1.1
Dominica	-0.9	0.0	0.6	1.4
St. Lucia	-1.0	-3.1	0.1	1.9

Source: International Monetary Fund (WEO, April 2019)

### 2.3 International Finance<sup>3</sup>

Net borrowing<sup>4</sup> (fiscal deficit) as a percentage of GDP among Advanced Economies remained unchanged at 2.1 percent in 2018. The fiscal deficit of the Euro Area and the UK as a percentage of GDP decreased to 0.6 percent and 1.4 percent in 2018 from 1.0 percent and 1.8 percent in 2017, respectively. In contrast, net borrowing as a percentage of GDP for the US and Canada increased to 4.3 percent and 0.4 percent in 2018 relative to 3.8 percent and 0.3 percent, respectively. Net borrowing for Emerging Market and Developing Economies declined to 3.9 percent of GDP in 2018 from 4.2 percent of GDP in 2017. Within this group, net borrowing as a percentage of GDP among Latin America and Caribbean economies fell to 4.7 percent in the review period from 5.4 percent in 2017.

Policy interest rates were raised in most major economies, notably in the US, UK and Canada during the review year (see Table 2.5). In the US, the Federal Reserve Bank increased the target range for its federal funds rate twice (effective September 26 and December 19) during the review period. On the last occasion, the rate was increased from a range of 2.00 percent to 2.25 percent to a range of 2.25 percent to 2.50 percent. This monetary stance was taken against the

<sup>3</sup> Source: International Monetary Fund (WEO, April 2019).

<sup>4</sup> Net lending/net borrowing is equal to total revenue less total expenditure. It is viewed as an indicator of the financial impact of 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.

background of continued strengthening of the labour market and strong growth in economic activity.

**Table 2.5: Key Interest Rates (% , at the end of Quarter)**

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

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

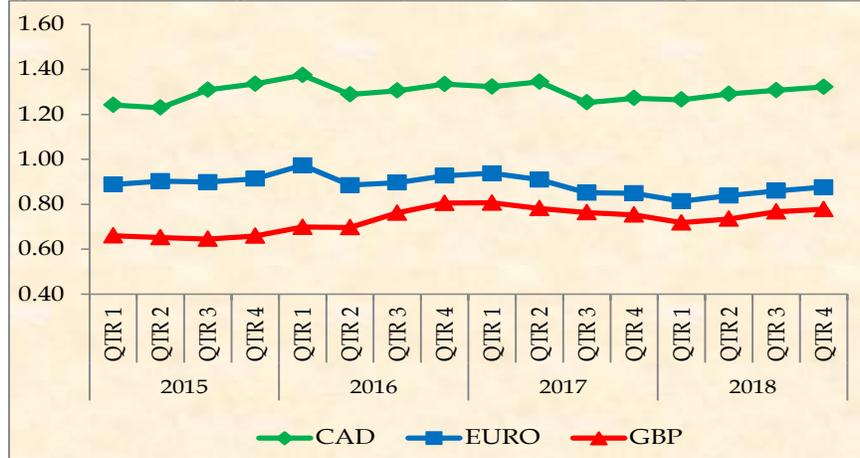
The Bank of England raised its official rate from 0.50 percent to 0.75 percent in August 2018. This policy action was based on inflation being above target, a low unemployment rate with projections of a decline and solid economic growth. The Bank of Canada increased its overnight target rate from 1.50 percent to 1.75 percent effective October 2018. The increase in the overnight target rate was aimed at achieving the inflation target and was predicated on the economy performing close to potential, particularly in consumer spending, business investment and exports. The European Central Bank 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.

The US Dollar strengthened in value against three of the world's major trading currencies. The US Dollar gained 3.2 percent in nominal terms against the Great Britain Pound Sterling (GBP) due primarily to the continued negative impact of Brexit<sup>5</sup> on the UK economy as well as higher interest rates in the US. The US Dollar increased in value nominally against the Canadian Dollar by 3.9 percent and against the Euro by 3.2 percent. This resulted mainly from higher interest rates in the US relative to Canada and the Euro Area. The Cayman Islands

<sup>5</sup> 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.

Dollar, by being pegged to the US Dollar, moved in tandem with the greenback relative to the major trading currencies.

Figure 2.1: Average Quarterly Foreign Currency per U.S Dollar



Source: United States Federal Reserve Bank

## 2.4 Regional and International Tourism<sup>6</sup>

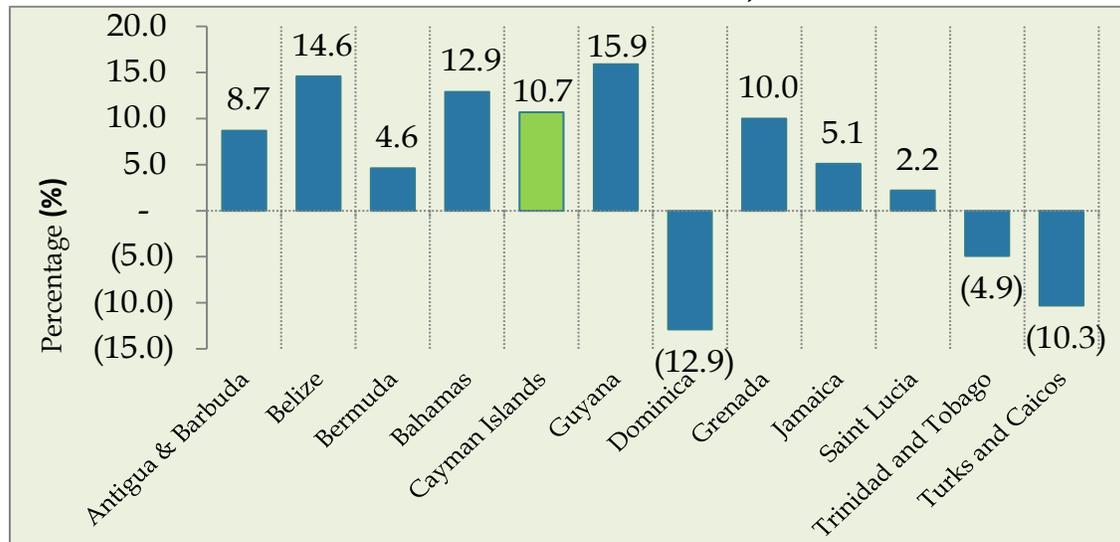
International tourist arrivals grew by 6.0 percent in 2018 to reach 1.4 billion. The solid growth in arrivals consolidated the robust growth of 7.0 percent observed in 2017.

Growth was led by the Middle East, which received 10.0 percent more tourists in the year. Arrivals in the African region increased by 7.0 percent, continuing the rebound observed in 2017. Asia, the Pacific, and Europe displayed similar growth of 6.0 percent. Visitor numbers to the Americas trailed the global average with growth of 3.0 percent. The growth in tourist arrivals in recent years has exceeded global economic performance and is indicative of the growing importance of the sector to destination economies.

For the first time in nine years, Caribbean tourism declined, reaching 29.9 million relative to the record 30.6 million observed in 2017. The reduction was against the background of some destinations recovering from two major hurricanes during 2017. The robust performance was largely linked to sustained economic growth in major source markets evidenced by the increase in global tourism.

<sup>6</sup> Source: World Tourism Organization and Caribbean Tourism Organization.

**Figure 2.2: Stay-Over Arrivals Growth (%)  
Selected Caribbean Countries, 2018**



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

Arrivals from Canada led the boost in tourist to the region, increasing by 5.7 percent or 3.9 million arrivals. The US market maintained its status as the largest source market, despite a 6.3 percent reduction in arrivals.

As shown in figure 2.3, the highest stay-over growth rates were recorded for Guyana 15.9 percent, Belize 14.6 percent, and Bahamas 12.9 percent. Strong stay-over rates were also recorded in Grenada and Antigua & Barbuda, which grew by 10.0 percent and 8.7 percent, respectively. Stay-over arrivals to the hurricane-hit territories fell, with visitors to Dominica and Turks and Caicos Islands decreasing by 12.9 percent and 10.3 percent respectively.

Despite the slowdown in stay-over arrivals, cruise tourism expanded by 6.7 percent to total 28.9 million visits to the region in 2018.

Consistent with the decline in overnight visitors, total visitor expenditure fell by approximately 1.0 percent to US\$38.3 billion. Notwithstanding, the average spend of visitors per trip increased to US\$1,177 from US\$1,171 in 2017.

### 3. Macroeconomic Performance

*Accelerated GDP growth spurred a reduction in the unemployment rate amidst 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 3.3 percent in 2018, higher than the 3.0 percent recorded in 2017. In real terms, gross domestic product is estimated at \$4,304.4 million, relative to \$4,167.9 million in 2017 (see Table 3.1). The economic expansion in 2018 brings the average growth over the last five years to 3.0 percent.

**Table 3.1: Cayman Islands' Gross Domestic Product**

	2014	2015	2016	2017	2018E
GDP at Current Prices (CI\$M)	3,802.4	3,923.5	4,082.3	4,284.7	4,571.0
<i>Current GDP growth (%)</i>	3.6	3.2	4.0	5.0	6.7
Per Capita GDP at current prices (CI\$)	66,717	66,438	66,561	67,887	70,956
GDP at constant 2015 prices (CI\$M)	3,815.4	3,923.5	4,044.9	4,167.9	4,304.4
<i>Real GDP growth (%)</i>	2.7	2.8	3.1	3.0	3.3
Per Capita GDP at constant 2015 prices (CI\$)	66,945	66,438	65,953	66,036	66,817

<sup>1</sup> Using mid-year population figures.

E Preliminary based on sector economic indicators

Source: Economics and Statistics Office

The per capita income of residents in these Islands as measured by per capita GDP<sup>7</sup> at constant prices increased by 1.2 percent to \$66,817 as growth in real income outpaced the mid-year population growth. In nominal terms, the estimated per capita income was \$70,956, approximately 4.5 percent higher than in 2017.

Actual indicators point to expansions across all sectors of the economy in 2018. The services sector, which accounted for 89 percent of GDP in 2018, led the economic performance with a 3.2 percent growth rate (see Table 3.2).

<sup>7</sup> Per Capita is defined as GDP at constant 2015 purchasers' prices and current prices divided by the mid-year population.

**Table 3.2: Real GDP (at 2015 Prices) by Sector**

	2015	2016	2017	2018E	% Change
Millions of Cayman Islands Dollars					
<b>Primary Sectors</b>	<b>23.5</b>	<b>24.4</b>	<b>24.9</b>	<b>25.8</b>	<b>3.8</b>
Agriculture & Fishing	14.9	15.3	15.6	16.2	3.5
Mining & Quarrying	8.6	9.1	9.2	9.6	4.4
<b>Secondary Sectors</b>	<b>174.7</b>	<b>184.1</b>	<b>191.4</b>	<b>206.8</b>	<b>8.0</b>
Manufacturing	32.6	35.5	36.6	39.2	6.9
Construction	142.1	148.6	154.8	167.6	8.3
<b>Services Sectors</b>	<b>3,522.1</b>	<b>3,611.3</b>	<b>3,725.7</b>	<b>3,844.6</b>	<b>3.2</b>
Electricity & Water Supply	91.5	95.9	99.3	101.5	2.2
Wholesale & Retail Trade, Repairs & Installation of Machinery	239.4	250.2	258.1	275.9	6.9
Hotels & Restaurants incl. Bars	202.3	204.4	213.1	224.0	5.1
Transport, Storage & Communication	247.1	253.2	258.1	265.1	2.7
Financing & Insurance Services	1,263.9	1,273.4	1,304.6	1,331.3	2.0
Business Activities and Admin	605.7	628.6	655.9	685.1	4.4
Real Estate	342.4	354.1	361.6	365.0	0.9
Health and Social Work	130.5	139.7	148.6	154.5	4.0
Producers of Government Services	291.2	300.0	308.3	320.6	4.0
Other Services	108.2	112.0	118.2	121.8	3.0
Taxes less Subsidies on Products	203.2	225.1	226.0	227.1	0.5
<b>GDP constant at purchasers' prices</b>	<b>3,923.5</b>	<b>4,044.9</b>	<b>4,167.9</b>	<b>4,304.4</b>	<b>3.3</b>
Growth (%)	2.8	3.1	3.0	3.3	

E- Preliminary estimates based on sector economic indicators

The hotel and restaurant sector recorded robust growth, as gross value added increased by an estimated 5.1 per cent, following an increase of 4.3 per cent in 2017. The expansion in the sector was driven by a sharp uptick in both stay-over and cruise arrivals by 10.7 percent and 11.1 percent for the year. The strong performance of the sector benefitted from a rise in global income, improvements in local capacity and additional air passenger routes from major airlines.

The construction industry's performance, measured by the market value of goods and services produced in the sector, continued to be a major contributor of growth in 2018 with its estimated value added increasing by 8.3 percent. Growth in the sector reflected the infrastructural capacity of the Islands keeping pace

with the demand for residential, commercial and public facilities. Key indicators such as the volume of building materials, including imported cement and aggregates, were higher during the period, sustaining the growth trend observed since 2012.

The financing and insurance services sector, which accounted for approximately 31 percent of GDP was estimated to have expanded by 2.0 percent. The domestic banking sector is estimated to have grown by 1.5 percent in 2018, due plausibly to higher interest income as household credit grew in tandem with average lending rates. Insurance services, included under this rubric, grew by an estimated 3.1 percent as premiums across most segments increased.

The business services sector comprising mainly of legal and accounting services grew by 4.4 percent in 2018. This industry directly contributes approximately 16 percent to total GDP, the second largest sectoral contribution. The industry's performance is mostly associated with increases in new company registration, new partnership registration, stock exchange listings, mutual funds and insurance registrations.

The wholesale and retail trade sector had an estimated growth of 6.9 percent, bolstered by non-oil merchandise imports, which grew by 14.9 percent (see Section 3.4). This sector largely benefitted from increased demand associated with higher employment in the year.

Electricity and water supply, other services and transport, storage and communication recorded robust growth of 2.2 percent, 3.0 percent and 2.7 percent, respectively. These performances may be partly associated with the higher 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 2018 by 4.0 percent, mainly due to higher staff levels.

### **3.2 Inflation**

Consumer prices in the Cayman Islands increased sharply in 2018 by 3.3 percent relative to 2.0 percent for 2017. Inflation during the year was influenced by a rise in the price of crude oil in the global market as well as a rise in demand associated with the increasing domestic population and higher employment levels. Higher world income also spurred imported inflation as economic growth in the US, Cayman's primary source market for imports, drove higher prices.

**Table 3.3: Average Inflation Rates**

Categories	Avg. Inflation Rates	
	2017	2018
Food & Non-alcoholic Beverages	0.9	4.4
Alcohol and Tobacco	2.8	-0.1
Clothing and Footwear	2.2	-0.1
Housing and Utilities	2.3	3.8
Household Equipment	3.4	2.3
Health	2.4	3.2
Transport	4.9	7.8
Communication	1.2	2.1
Recreation and Culture	0.6	0.8
Education	1.7	3.0
Restaurants and Hotels	2.2	-0.2
Misc. Goods and Services	-0.5	0.7
<b>Overall CPI Inflation</b>	<b>2.0</b>	<b>3.3</b>

Source: Economics and Statistics Office

Price increases were seen across most divisional indices with declines recorded in only three categories for the year. Transport, food and Non-alcoholic beverages and housing and utilities were the main divisions driving the increase for the period. The price index for transport rose by 7.8 percent as the average cost of fuels and lubricants, and passenger transport by air increased by 7.8 percent and 18.6 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 oil<sup>8</sup> rose by 29.4 percent in 2018 relative to the growth of 23.3 percent in 2017. The food and non-alcoholic beverages index increased by 4.4 percent, reflecting annual increases of 9.3 percent in bread and cereal, 7.1 percent in fruits, 6.8 percent in vegetables, among others. Similarly, the housing and utilities index inched up by 3.8 percent largely due to a 20.7 percent increase in the cost of electricity. The impact of higher import prices and increased demand was also reflected in the price indices for education, which increased by 3.0 percent, and health, which increased by 3.2 percent.

The index for restaurants and hotels declined by 0.2 percent, while, alcoholic beverages and tobacco, and clothing and footwear indices fell by 0.1 percent each.

<sup>8</sup> Source: International Monetary Fund (WEO, April 2019), simple average of prices of U.K. Brent, Dubai Fateh, and West Texas Intermediate crude oil

**Table 3.4: Selected Quarterly Inflation Rates (%)**

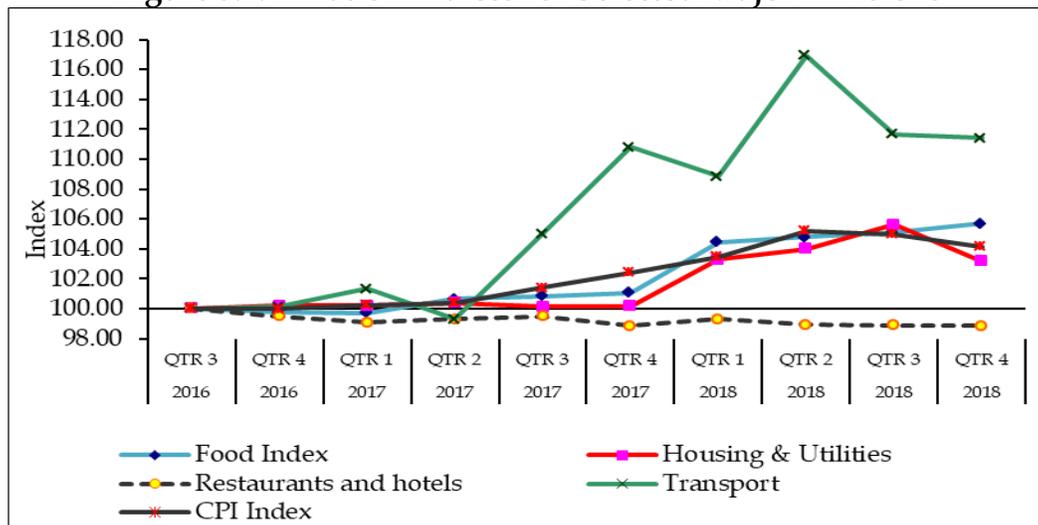
		CPI Inflation	Non Food Inflation	Core Inflation*	CPI Excluding Housing & Utilities	Food Inflation	Housing & Utilities Inflation	Electricity and Fuel Inflation
% Change over the same Quarter a Year Ago								
2017	QTR 1	1.4	2.2	2.6	1.1	-0.5	3.8	-2.8
	QTR 2	2.8	3.2	3.1	2.0	1.9	5.5	5.2
	QTR 3	1.4	1.4	1.6	2.0	0.8	0.1	0.3
	QTR 4	2.4	2.5	2.5	3.7	1.3	0.0	2.0
<b>Annual Average 2017</b>		<b>2.0</b>	<b>2.3</b>	<b>2.5</b>	<b>2.2</b>	<b>0.9</b>	<b>2.3</b>	<b>1.2</b>
2018	QTR 1	3.2	3.1	2.1	3.3	4.8	3.1	15.2
	QTR 2	4.8	4.8	3.6	5.4	4.1	3.6	22.2
	QTR 3	3.5	3.5	1.3	2.6	4.2	5.5	11.2
	QTR 4	1.7	1.5	0.4	1.1	4.6	3.0	0.0
<b>Annual Average 2018</b>		<b>3.3</b>	<b>3.2</b>	<b>1.8</b>	<b>3.1</b>	<b>4.4</b>	<b>3.8</b>	<b>12.1</b>

\* 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 1.8 percent in 2018 compared to 2.5 percent a year ago (see Table 3.4). The average cost of electricity and fuels was higher by 12.1 percent for the year. While the index for food and non-alcoholic beverages recorded an average increase of 4.4 percent compared to a year ago when it went up by 0.9 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 by 7.5 percent during the review period to 46,178. This expansion was attributed to growth in both the Caymanian and Non-Caymanian labour force, which rose by 4.7 percent to 21,747 and 14.5 percent to 20,400, respectively. In contrast, the labour force of Permanent Residents with Rights to Work (WRW) decreased by 7.3 percent to 4,032.

**Table 3.5: Summary of Labour Force Indicators**

FALL			
Labour Force Indicators	2017	2018	% Change
<b>Population</b>	<b>63,415</b>	<b>65,813</b>	<b>3.8</b>
Working Age Population	52,772	54,150	2.6
Labour Force	42,941	46,178	7.5
Employed	40,856	44,887	9.9
Unemployed	2,085	1,291	-38.1
Unemployment Rate	4.9	2.8	-42.4
Labour Force Participation Rate	81.4	85.3	4.8
<b>Caymanian Population</b>	<b>35,878</b>	<b>36,705</b>	<b>2.3</b>
Working Age Population	28,395	28,106	-1.0
Labour Force	20,774	21,747	4.7
Employed	19,259	20,751	7.7
Unemployed	1,515	996	-34.3
Unemployment Rate	7.3	4.6	-37.2
Labour Force Participation Rate	73.2	77.4	5.8
<b>Permanent Residents WRW* Population</b>	<b>5,488</b>	<b>5,940</b>	<b>8.2</b>
Working Age Population	5,251	4,381	-16.6
Labour Force	4,348	4,032	-7.3
Employed	4,158	3,843	-7.6
Unemployed	190	188	-1.1
Unemployment Rate	4.4	4.7	6.7
Labour Force Participation Rate	82.8	92.0	11.1
<b>Non-Caymanian Population</b>	<b>22,049</b>	<b>23,168</b>	<b>5.1</b>
Working Age Population	19,126	21,663	13.3
Labour Force	17,819	20,400	14.5
Employed	17,439	20,292	16.4
Unemployed	380	108	-71.6
Unemployment Rate	2.1	0.5	-75.2
Labour Force Participation Rate	93.2	94.2	1.1

\* With rights to work (WRW) only

Source: ESO Fall Labour Force Surveys (2017, 2018)

The rise in the labour force was in the context of a higher participation rate with the labour force Participation Rate (LFPR) rising to 85.1 percent relative to 81.4 percent in 2017. The increase in the LFPR was due to a larger expansion in the labour force than the working age population as more discouraged workers joined the labour force. The LFPR for Caymanians and Non-Caymanians increased while Permanent Residents WRW LFPR declined.

Growth in the LFPR occurred in tandem with a rise in employment, which increased by 9.9 percent (or 4,031) to 44,887. The increase in employment was observed among Caymanians and Non-Caymanians, which rose by 7.7 percent and 16.4 percent, respectively. In contrast, employment among Permanent Residents WRW decreased by 7.6 percent to 3,843.

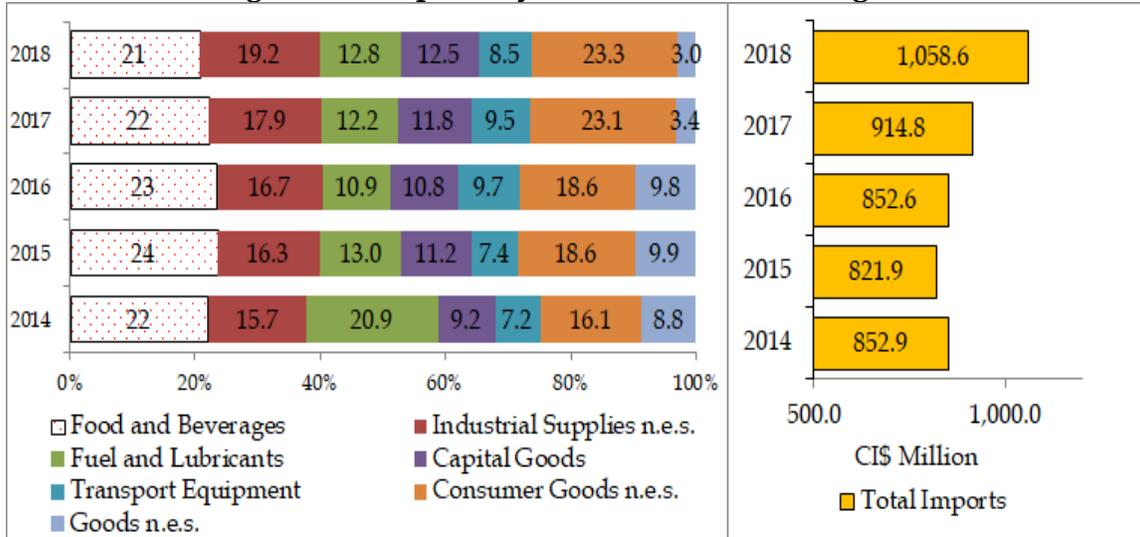
The unemployment rate declined to 2.8 percent from 4.9 percent in 2017. This decline stemmed from reductions in unemployment across all status groups. The Caymanian group recorded the highest reduction in unemployment, decreasing by 505 to 1,010. The number of unemployed Non-Caymanians fell by 275 to 105 while the number of unemployed Permanent Residents WRW decreased by 5 to 185.

### **3.4 External Sector**

**Merchandise Imports.** The value of merchandise imports rose by 15.7 percent to \$1,058.6 million, reflecting an increase in the values of both fuel and non-fuel imports. The imports of fuel products rose by 21.5 percent to \$136.3 million, reflecting increases in both volume and price with higher prices emanating from a rise in world crude oil prices in 2018 relative to 2017. Consequent on the sharp rise in fuel imports, the share of fuel imports to total imports rose to 12.8 percent in 2018 from 12.2 percent in 2017 (see Figure 3.2).

Non-fuel products rose by 14.9 percent to \$922.3 million for the year. The major contributors to this increase were *miscellaneous manufactured articles* (up 20.7 percent to \$223.3 million), *machinery and transport equipment* (up 10.7 percent to \$213.7 million), *chemicals and related products not elsewhere specified n.e.s.* (up 35.3 percent to \$74.1 million) and *food and live animals* (up 7.4 percent to \$188.0 million). There were no declines recorded in any of the categories.

Figure 3.2: Imports by Broad Economic Categories



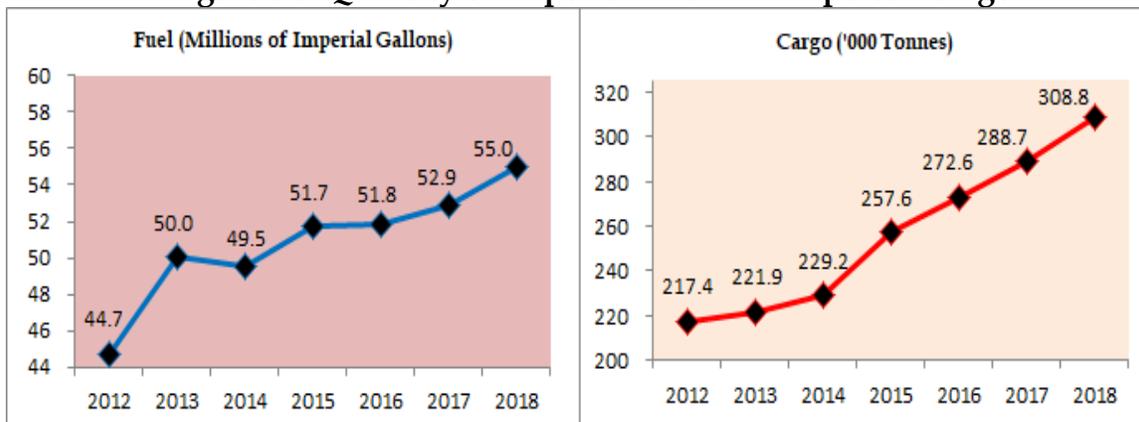
Source: Economics and Statistics Office

With respect to imports by Broad Economic Category (BEC), all categories also registered increases. *Consumer Goods n.e.s.*, which accounted for the largest share of imports (23.3 percent), increased by 16.7 percent to \$246.7 million. *Food and Beverages* rose by 8.4 percent to \$219.0 million and *Industrial Supplies n.e.s.* rose by 24.1 percent to \$202.9 million. *Fuel sand Lubricants* and *Capital Goods* increased by 21.1 percent to \$135.6 million and 22.9 percent to \$132.8 million, respectively.

The demand for fuel in Cayman increased by 4.0 percent to 55.0 million imperial gallons for the year. The rise in usage was reflected in gasolene and aviation fuel, which increased by 25.1 percent to 14.1 million imperial gallons and 28.3 percent to 5.2 million imperial gallons, respectively. These increases were partly offset by declines in the importation of diesel by 5.0 percent to 33.7 million imperial gallons and propane by 4.8 percent to 2.0 million imperial gallons.

The imported volume of cargo increased by 7.0 percent to 308.8 thousand tonnes, the highest level since 2008 when the volume reached 316.2 thousand tonnes. The contributors to this increase were containerized cargo, which grew by 6.7 percent to 255.7 thousand tonnes and bulk cement rose by 18.8 percent to 46.9 thousand tonnes. Additionally, imported aggregates increased by 13.7 percent to 252.0 thousand tonnes.

Figure 3.3: Quantity of Imported Fuel and Imported Cargo



Source: Customs Department and Port Authority of the Cayman Islands

**Exports:** The value of merchandise exports, which consists mainly of re-exports, increased by 0.1 percent to \$32.3 million in 2018. This increase was due primarily to an increase of 25.0 percent to \$9.7 million in *Mineral Fuels, Lubricants and Related Materials*.

**Current account<sup>9</sup>:** The current account deficit of the balance of payments was estimated to have improved in 2018 to \$706.3 million or 15.5 percent of GDP (see Table 3.6). Higher deficits are estimated for the goods and the secondary income sub-accounts, while the deficit on primary income sub-account improved slightly. The goods sub-account is estimated to have deteriorated in line with the rise in imports, the impact of which was partly offset by an increase in exports.

Within the services sub-account, the surplus improved relative to 2017 largely due to higher net receipts for travel, financial and other business services and lower net outflows (payments) for telecommunications and financial services. In contrast, net receipts for insurance and pension services declined while net payments for transportation increased.

<sup>9</sup> 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)**

	2015R	2016R	2017R	2018E
<b>Current Account Balances</b>				
Trade balance	(322.3)	(236.5)	(314.3)	(450.1)
Exports	413.7	528.8	490.0	523.8
Imports, f.o.b.	(736.0)	(765.3)	(804.3)	(973.9)
Services, net	1581.2	1627.4	1765.4	1852.5
Receipts	2,468.7	2,563.6	2,790.6	3,047.1
o/w tourism visitor expenditure	557.1	588.1	659.4	904.5
o/w financial services	1,028.1	1,070.3	1,119.0	1,204.2
Payments	(887.4)	(936.2)	(1,025.2)	(1,194.6)
Net income	(1,595.96)	(1,632.16)	(1,714.73)	(1,505.27)
Transfers, net	(202.6)	(368.6)	(568.0)	(603.5)
<b>Current Account Balance<sup>7</sup></b>	<b>(539.6)</b>	<b>(609.9)</b>	<b>(831.6)</b>	<b>(706.3)</b>
<i>Percent of GDP (%)</i>	(13.8)	(14.9)	(19.4)	(15.5)

<sup>E</sup> Estimated based on key economic indicators

\*Merchandise good exports plus goods procured in ports plus net export of goods under merchandising. Estimate for 2018 only includes merchandise goods and goods procured in port.

Source: Economics and Statistics Office

The secondary income sub-account recorded higher deficit compared with 2017 as net outflows of workers' remittances were estimated to have increased by \$25.79 million to \$329.5 million. This outturn represented a sharper increase in outflows relative to inflows. Other current transfers also registered higher net outflows.

### 3.5 Money and Credit<sup>10</sup>

**Broad liquidity:** Higher levels of CI dollar-denominated deposits boosted liquidity conditions in 2018. Broad liquidity (M2) expanded by 1.2 percent (\$88.6 million) over the period, as households and businesses continued to rely on the

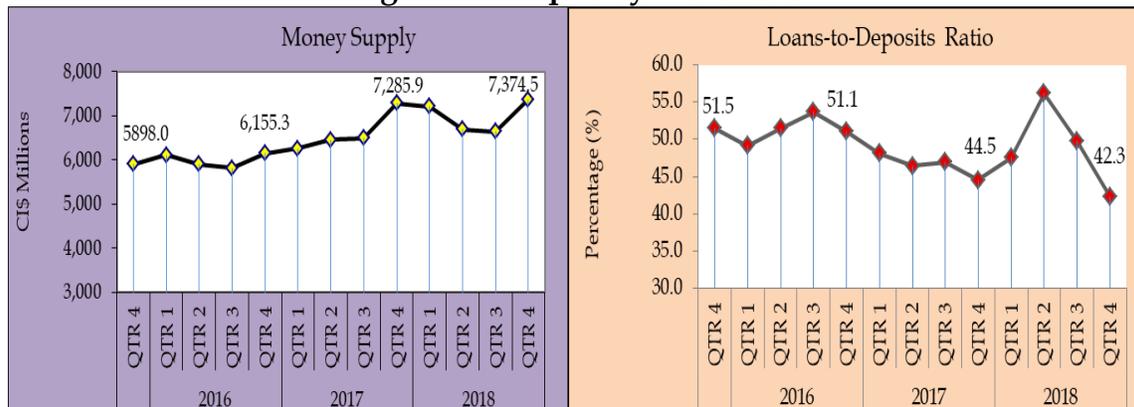
<sup>10</sup> Some additions and percentage changes may not be exact due to rounding to one decimal place.

commercial banking system for financing, saving and facilitating transactions (see Figure 3.4 and Table 3.7). The reliance on the banking system is also evidenced by the ratio of broad liquidity to nominal GDP (a measure of financial deepening) which stood at 161.3 percent at end 2018 relative to 170.0 percent at end 2017.

The expansion in money supply was due to a 5.3 percent rise in local currency-denominated money, which reflected increases of 5.3 percent and 5.9 percent in KYD deposits and currency in circulation, respectively. Foreign currency deposits remained relatively unchanged for the year at \$5.6 billion. The growth KYD deposits meant that its share of the total money stock increased to 21.8 percent, while the share of foreign currency deposits fell to 76.4 percent. Currency in circulation accounted for the remaining 1.7 percent of total money.

Consistent with the notable increase in deposits during the review period, the overall loans-to-deposits ratio of commercial banks moderated, as domestic credit declined. As at end 2017, domestic credit reflected 42.3 percent of total deposits relative to 44.5 percent at the end of 2017, 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 3.4: Liquidity Indicators**



Source: Cayman Islands Monetary Authority and ESO

The reduction in domestic credit amidst increasing deposits facilitated a 7.1 percent increase in net foreign assets. This was in contrast to a decline in net domestic assets of 11.2 percent.

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

	Dec-16	Dec-17	Dec-18	% Change
<b>Total Assets</b>	<b>6,155.3</b>	<b>7,285.9</b>	<b>7,374.5</b>	1.2
<b>Net Foreign Assets</b>	<b>3,883.0</b>	<b>4,954.5</b>	<b>5,305.1</b>	7.1
Monetary Authority	122.2	126.6	135.8	7.3
Commercial Banks	3,760.8	4,827.9	5,169.3	7.1
<b>Net Domestic Assets</b>	<b>2,272.3</b>	<b>2,331.3</b>	<b>2,069.4</b>	(11.2)
Domestic credit	3,083.9	3,188.5	3,066.3	(3.8)
Claims on central government	211.0	182.8	157.2	(14.0)
Claims on other public sector	64.0	55.5	50.1	(9.8)
Claims on private sector	2,809.0	2,950.2	2,859.1	(3.1)
Other items net	(811.6)	(857.2)	(996.9)	16.3
<b>Broad Liquidity</b>	<b>6,155.3</b>	<b>7,285.9</b>	<b>7,374.5</b>	1.2
Broad money (KYD) M2	<b>1,534.3</b>	<b>1,649.8</b>	<b>1,737.6</b>	5.3
Currency in circulation	115.6	119.5	126.6	5.9
<b>KYD Deposits</b>	<b>1,418.7</b>	<b>1,530.3</b>	<b>1,611.0</b>	5.3
Demand deposits	595.9	648.0	643.4	(0.7)
Time and savings deposits	822.8	882.3	967.6	9.7
FOREX deposits	4,621.0	5,636.0	5,636.9	0.0
<i>of which: US dollars</i>	4,216.6	5,235.4	5,262.0	0.5
<i>US dollars share (%)</i>	91.2	92.9	93.3	

Source: Cayman Islands Monetary Authority and ESO

**Net foreign assets:** Net foreign assets (NFA) of the Cayman Islands Monetary Authority (CIMA) and commercial banks expanded by 7.3 percent and 7.1 percent, respectively (see Table 3.8). CIMA's NFA rose by \$9.2 million during the review period, higher than the increase of \$3.6 million seen a year earlier. The build-up in commercial banks' NFA occurred in the context of a reduction in foreign liabilities by 12.1 percent, which outweighed a 1.6 percent contraction in foreign assets.

The reduction in foreign liabilities was due to non-residents reducing their deposit holdings with local commercial banks by 13.9 percent. This was partly offset by a 19.6 percent increase in other liabilities. The fall in foreign assets resulted as banks reduced their foreign currency balance held with banks and branches and non-resident loans by 3.2 percent and 13.2 percent, respectively. These were partly offset by an increase in foreign investment of 10.7 percent.

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 84.2 percent in 2018 which was lower than the 85.7 percent recorded in 2017. The reduction was influenced by a decline in non-resident foreign currency deposits. 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-16	Dec-17	Dec-18	% Change
<b>Net Foreign Assets</b>	<b>3,883.0</b>	<b>4,954.5</b>	<b>5,305.1</b>	7.1
Monetary Authority	122.2	126.6	135.8	7.3
Commercial Banks	3,760.8	4,827.9	5,169.3	7.1
<b>Foreign Assets</b>	<b>8,309.5</b>	<b>8,802.2</b>	<b>8,664.5</b>	(1.6)
Bal. with Banks & Branches	3,104.6	4,310.3	4,172.8	(3.2)
Total Investment	2,552.6	2,475.9	2,741.9	10.7
Total Non-Resident Loans	2,652.3	2,015.9	1,749.8	(13.2)
<b>Foreign Liabilities</b>	<b>4,548.7</b>	<b>3,974.2</b>	<b>3,495.2</b>	(12.1)
Total Non-Resident Deposits	4,322.7	3,752.7	3,230.3	(13.9)
Other Liabilities	226.0	221.5	264.9	19.6

Source: Cayman Islands Monetary Authority and ESQ

**Net domestic credit:** Domestic credit fell by 3.8 percent to \$3,066.3 million in 2018, driven by declines in lending to both the private and public sector. Credit to the private sector contracted by 3.1 percent, reflecting an 18.8 percent reduction in loans to businesses, the effect of which was partly offset by a 3.5 percent increase in household lending. The total level of outstanding debt by the public sector declined by 13.1 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-16	Dec-17	Dec-18	% Change
<b>Domestic Credit</b>	<b>3,083.9</b>	<b>3,188.5</b>	<b>3,066.3</b>	<b>(3.8)</b>
Credit to Central Government	211.0	182.8	157.2	(14.0)
Credit to Other Public Sector	64.0	55.5	50.1	(9.8)
Credit to Private Sector	2,809.0	2,950.2	2,859.1	(3.1)

Source: Cayman Islands Monetary Authority and ESO

Business loans declined by 18.8 percent (or \$166.6 million) for the year to close at \$717.4 million (see Table 3.10). The trade and commerce sector reflected the largest reduction in credit, declining by \$215.3 million (or 37.2%). The other financial corporations sector credit also fell by \$17.3 million (or 28.5%) .

Notwithstanding the general reduction in business credit, there were notable increases in loans to the production and manufacturing and services sector of \$56.1 million (or 35.2%) and \$9.8 million (or 11.5%), respectively.

Credit to households, which accounted for approximately two-thirds of the banking sector's domestic credit portfolio, increased by 3.5 percent (or \$70.5 million) to \$2,063.1 million in 2018. Growth in consumer loans was driven by expansions in credit for domestic property by 3.6 percent and motor vehicles by 21.1 percent. These increases were partly offset by contractions in education and technology by 8.6 percent and miscellaneous activities by 0.3 percent (see Table 3.10).

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 the money supply.

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

	Dec-16	Dec-17	Dec-18	% Change
<b>Total Private Sector Credit</b>	<b>2,809.0</b>	<b>2,950.2</b>	<b>2,859.1</b>	<b>(3.1)</b>
<b>Credit to Businesses</b>	<b>907.6</b>	<b>884.1</b>	<b>717.4</b>	<b>(18.8)</b>
<b>Production &amp; Manufacturing</b>	<b>172.2</b>	<b>159.5</b>	<b>215.6</b>	<b>35.2</b>
Mining	4.3	4.7	4.9	5.3
Manufacturing	19.6	14.1	13.8	(2.5)
Utilities	36.9	23.0	58.5	154.9
Construction	111.3	117.7	138.4	17.5
<b>Services</b>	<b>72.2</b>	<b>85.4</b>	<b>95.2</b>	<b>11.5</b>
Accommodation, Food, Bar & Entertainment Services	13.6	26.4	42.9	62.6
Transportation, Storage & Communications	19.4	24.1	23.4	(3.2)
Education, Recreational & Other Professional Services	39.2	34.9	28.9	(17.0)
<b>Trade and Commerce</b>	<b>525.6</b>	<b>578.6</b>	<b>363.3</b>	<b>(37.2)</b>
Wholesale & Retail Sales Trade	53.4	53.2	35.0	(34.2)
Real Estate Agents, Rental and Leasing Companies	194.6	132.0	145.2	10.1
Other Business Activities (General Business Activity)	277.6	393.4	183.1	(53.5)
<b>Other Financial Corporations</b>	<b>137.6</b>	<b>60.7</b>	<b>43.4</b>	<b>(28.5)</b>
<b>Credit to Households</b>	<b>1,882.7</b>	<b>1,992.5</b>	<b>2,063.1</b>	<b>3.5</b>
Domestic Property	1,600.9	1,719.8	1,780.9	3.6
Motor Vehicles	45.8	50.5	61.1	21.1
Education and Technology	5.9	6.4	5.8	(8.6)
Miscellaneous*	230.0	215.9	215.3	(0.3)
<b>NonProfit Organizations</b>	<b>18.7</b>	<b>73.6</b>	<b>78.6</b>	<b>6.8</b>

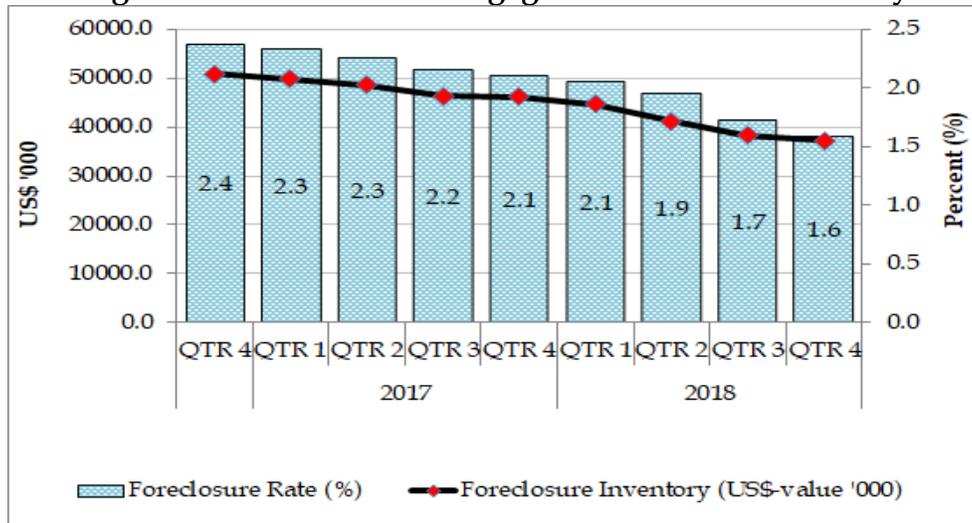
\*Miscellaneous include consolidated debt, insurance, medical & travel

Source: Cayman Islands Monetary Authority and ESO

**Residential mortgage foreclosures:** Data from CIMA showed that the average foreclosure inventory in 2018 reached 136 properties valued at US\$37.3 million. This represented a reduction from the 160 properties valued at US\$46.2 million in 2017 (see Figure 3.5).

Similarly, the average quarterly foreclosure rate (the value of foreclosure inventory over the total value of residential mortgages) inched downwards to 1.6 percent in 2018 from 2.1 percent in 2017.

Figure 3.5: Residential Mortgages Foreclosures Inventory



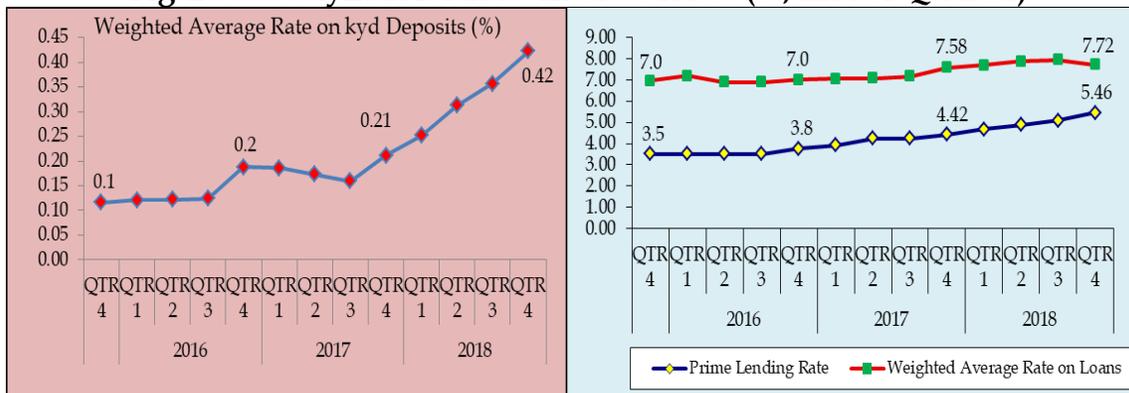
Source: Cayman Islands Monetary Authority and Economics and Statistics Office

**Interest rates:** Given the increases in the Federal Funds Target Rate (FFTR) during 2018, the Cayman Islands prime lending rate increased for the third consecutive year, rising by 104 basis points to 5.46 percent from 4.42 percent a year ago.

As depicted in Figure 3.7, the KYD weighted average interest rate on outstanding loans also increased, rising by 14 basis points to 7.72 percent over the review period.

The weighted average rate on KYD deposits increased to 0.42 percent at the end of 2018 from 0.21 percent the previous year (see Figure 3.6).

Figure 3.6: Cayman Islands' Interest Rates (% , End of Quarter)



Source: Cayman Islands Monetary Authority and ESO

## 4. Key Sector Developments

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*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 increases. The utilities sector comprising electricity and water grew during the year.*

### 4.1 Financial Services

Indicators of financial services generally improved in 2018. Improvements were seen in insurance licences, mutual funds (including master funds), stock exchange listings, market capitalization, new company registrations, and new partnership registrations. Bank and trust licences and trust companies licences were the only indicators that declined.

**Banks & Trusts:** The Cayman Islands was ranked twelfth in the world based on both the values of the banking sector's positions on assets and liabilities. Despite the lower ranking relative to 2017 when the Islands was ranked ninth, the country continues to be a significant player in the world financial market. The value of international assets located in the Cayman Islands declined by 28.1 percent to US\$670.1 billion despite an increase in global assets. Consistent with a reduction in global liabilities, the value of international liabilities located in the Cayman Islands fell by 28.0 percent to US\$671.5 billion.

The decline in international assets and liabilities was observed for both banking and non-banking financial institutions, and could be due to continued bank consolidation and increased regulation in the sector. Notwithstanding the decline in international assets and liabilities, both the local foreign currency and domestic currency positions increased over the period. Foreign currency assets stood at US\$17.7 billion, while foreign currency liabilities stood at US\$49.3 billion. These assets and liabilities were registered in the domestic economy with other legally domiciled licenced entities considered as resident entities<sup>11</sup>. On the other hand, assets denominated in domestic currency (KYD) increased to US\$2.3 billion from US\$2.2 billion in the previous year, while liabilities increased to US\$2.1 billion from US\$2.0 billion at the end of 2017.

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<sup>11</sup> 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.).

Bank and trust licenses maintained a downward trend during the year, decreasing by 15 (or 10.1 percent) to 133 licensees. As shown in Table 4.1, 'Class A' banks remained unchanged at 11 while 'Class B' banks fell by 15 (or 10.9 %) to 122. The total number of banks represented 81 branches, 37 subsidiaries, and 15 privates & affiliates of international banks from across the world.

**Table 4.1: Bank & Trust Companies, 2015-2018**

	2015	2016	2017	2018	% Change
<b>Bank and Trust Licences</b>	<b>184</b>	<b>159</b>	<b>148</b>	<b>133</b>	<b>(10.1)</b>
<i>Of which:</i> Class 'A'	12	11	11	11	-
Class 'B'	172	148	137	122	(10.9)
<b>Trust Companies</b>	<b>118</b>	<b>117</b>	<b>118</b>	<b>117</b>	<b>(0.8)</b>
Trust Companies (Unrestricted)	57	57	57	57	-
Trust Companies (Restricted)	61	60	61	60	(1.6)
<b>Assets and Liabilities</b>	<b>US\$ Billion</b>				
Total Position					
Assets	1,175.3	1,033.4	931.9	670.1	(28.1)
Liabilities	1,221.8	1,040.2	932.1	671.5	(28.0)
Cross-Border Position (Foreign and Domestic Currency)					
Assets	1,148.0	1,015.6	914.7	652.5	(28.7)
Liabilities	1,158.8	985.5	874.4	622.2	(28.8)
Domestic Position (Foreign Currency)					
Assets	27.3	17.8	17.2	17.7	3.0
Liabilities	63.0	54.8	57.7	49.3	(14.6)

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

The contraction in the number of 'Class B' banks, which are legally restricted to conduct business offshore with non-residents, partly reflected the impact of regulatory changes and global restructuring within the sector. The reduction in the number of bank and trust licences was associated mainly with declines from South America and Europe, the two largest source markets. South America's market share fell from 22.3 percent (33) to 18.8 percent (25) in 2018. Europe's market share declined from 21.6 percent (32) to 20.3 percent (27). The USA, Asia

& Australia, Canada & Mexico, and the Middle East & Africa markets also recorded reductions in the number of licences while the Caribbean & Central America market increased.

**Table 4.2: Number of Banks by Region, 2015–2018**

	2015	2016	2017	2018	% Change
<b>Number of Banks</b>					
Europe	44	36	32	27	-15.6
USA	35	25	24	22	-8.3
Caribbean & Central America	23	21	20	24	20.0
Asia & Australia	23	21	21	20	-4.8
Canada & Mexico	18	16	15	13	-13.3
South America	36	35	33	25	-24.2
Middle East & Africa	5	5	3	2	-33.3
<b>Total</b>	<b>184</b>	<b>159</b>	<b>148</b>	<b>133</b>	<b>-10.1</b>

Source: Cayman Islands Monetary Authority

**Insurance:** Activity in the insurance sector improved in 2018, with the total number of insurers increasing by 6 (or 0.8%) to 730 (see Table 4.3). This improvement was due to an increase in ‘captive’ insurance licences during the review period as the number of domestic insurers fell.

Class A (domestic) insurers: Domestic insurers declined by 1 (or 3.6%) during the year, leaving 27 entities on record at end 2018 (see Table 4.3): This decline was due to a reduction in ‘Class A’ external insurers from 19 to 18 while ‘Class A’ local insurers remained unchanged at 9.

Based on the unaudited consolidated financial statement for the year, the gross premium of domestic insurance companies amounted to \$502.0 million. Health insurance accounted for the largest share of total premiums with \$239.3 million (or 47.9%), followed by property with \$93.1 million (or 18.6%) and liability with \$41.0 million (or 8.2%).

Ceded premiums<sup>12</sup> amounted to \$119.3 million, representing a cost/loss to the domestic insurance companies. Net earned premium for domestic insurers was \$456.5 million after accounting for ceded losses. The largest share of ceded

<sup>12</sup> Ceded premiums are premiums paid or payable by the insurance company to another insurer for reinsurance protection.

premiums was for property insurance with -\$71.8 million (or 60.2%) followed by health with -\$32.3 million (or 27.1 percent). Net claims and adjustment expenses amounted to \$310.0 million with the majority of payments being health-related claims (58.1%).

**Table 4.3: Insurance Companies, 2015 - 2018**

	2015	2016	2017	2018	% Change
<b>Total Insurance Licences</b>	<b>739</b>	<b>741</b>	<b>724</b>	<b>730</b>	<b>0.8</b>
Class 'A' Licences (Domestic)	31	29	28	27	(3.6)
Class 'B' Licences (Captives)	679	684	669	674	0.7
Class 'C' Licences (Captives)	28	25	24	25	4.2
Class 'D' Licences (Captives)	1	3	3	4	33.3
<b>Total Captives</b>	<b>708</b>	<b>712</b>	<b>696</b>	<b>703</b>	<b>1.0</b>
<b>Financial Position of Captives</b>	<b>US\$ Billion</b>				
Premiums	12.8	14.6	12.4	15.4	24.6
Total Assets	59.1	59.8	61.1	68.7	12.5

Source: Cayman Islands Monetary Authority

Class B, C, and D or captives (international) insurers: Total captive insurers reached 703 at the end of 2018, an increase of 7 (or 1.0 percent). This reflected increases in licences for all categories. Class B {includes segregated portfolio companies (SPC)} rose by 0.7 percent to 674, Class C (special purpose vehicles) licences increased by 4.2 percent to 25, and Class D licences rose by 33.3 percent to 4.

The financial performance of captives improved during the review period as measured by key indicators. Total premiums increased by 24.6 percent to US\$15.4 billion, while total assets increased by 12.5 percent to US\$68.7 billion.

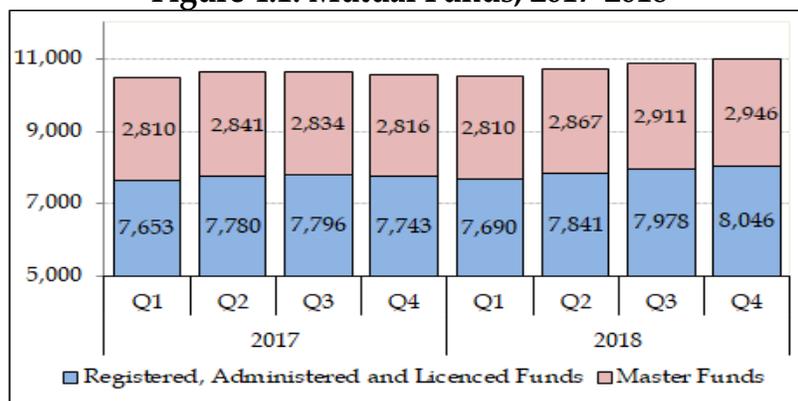
As shown in Table 4.4, the composition of the captive industry was similar to previous years. North America maintained its position as the dominant risk location, accounting for 89.9 percent of insurance captives registered. The shares of captives from other regions were as follows: Africa, Asia & Middle East (0.9%); Caribbean & Latin America (2.7%); Europe (1.6%); Pacific Rim (0.3%); and other (4.7%).

**Table 4.4: Captive Insurance Licences by Risk Location and Primary Class of Business, 2015-2018**

	2015	2016	2017	2018
Number of Companies				
Africa, Asia & Middle East	7	6	7	6
Caribbean & Latin America	22	20	19	19
Europe	14	14	12	11
North America	636	639	625	632
Pacific Rim	2	2	2	2
Other	27	30	31	33
	<b>708</b>	<b>711</b>	<b>696</b>	<b>703</b>
Number of Companies				
Healthcare	239	232	223	227
Workers' Compensation	149	150	152	152
Property	76	68	66	69
General Liability	76	79	79	80
Professional Liability	61	64	62	59
Other	107	118	114	116
	<b>708</b>	<b>711</b>	<b>696</b>	<b>703</b>

Source: Cayman Islands Monetary Authority

**Mutual Funds:** An additional 433 mutual funds were registered during the review year, bringing the total number of registered funds to 10,992 at the end of 2018. The expansion reflected increases in the registered and master fund categories, which increased by 4.4 percent to 7,654 and 4.6 percent to 2,946, respectively. The impact of those increases was partially offset by declines in the administered and licenced funds by 4.2 percent to 317 and 7.4 percent to 75, respectively.

**Figure 4.1: Mutual Funds, 2017-2018**


Source: Cayman Islands Monetary Authority

**Stock Exchange.** The number of stock listings on the Cayman Islands Stock Exchange (CSX) rose by 461 to settle at 1,699. This is the highest level since 2007, when the number of stock listings was 1,748. The increase in 2018 was due mainly to higher listings for specialist debt securities<sup>13</sup> (up by 426 to 1,128). There were also higher listings for sovereign debt securities<sup>14</sup> (up by 21 to 293), mutual funds (up by 8 to 224), insurance-linked securities (up by 5 to 47) and retail debt securities (up by 1 to 2). Primary and secondary equities were unchanged during the year.

**Table 4.5: Stock Listings, 2015-2018.**

<b>Instruments</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Total</b>	<b>1,048</b>	<b>1,022</b>	<b>1,238</b>	<b>1,699</b>
Mutual Funds	246	260	216	224
Specialist Debt Security	564	489	702	1,128
Insurance Linked Security	43	34	42	47
Sovereign Debt Security	186	234	272	293
Primary Equity	6	3	4	4
Secondary Equity	1	1	1	1
Retail Debt Security	2	1	1	2

Source: Cayman Islands Stock Exchange

Consistent with the increase in the number of stock listings, stock market capitalization rose by 28.5 percent to a record US\$310.2 billion. This surge resulted mainly from an increase in specialist debt securities, which rose by US\$58.3 billion to US\$190.4 billion and accounted for 61.4 percent of the total market value of traded securities. Increased market capitalization was also recorded for sovereign debt securities (up by \$8.6 billion to \$100.9 billion), insurance-linked securities (up by \$0.7 billion to \$6.1 billion), mutual funds (up by \$0.5 billion to \$11.5 billion), retail debt securities (up by \$0.4 billion to \$0.8 billion) and primary equities (up by \$0.2 billion to \$0.4 billion).

<sup>13</sup> Specialist Debt Securities include debentures, debenture stock, loan stock, bonds, certificates of deposit and any other instrument creating or acknowledging indebtedness.

<sup>14</sup> Sovereign debt securities issued by a national government within a given country and denominated in a foreign currency.

**Table 4.6: Market Capitalization (US\$ Billions), 2015-2018<sup>15</sup>**

Instruments	2015	2016	2017	2018
<b>Total</b>	<b>195.3</b>	<b>195.6</b>	<b>241.4</b>	<b>310.2</b>
Mutual Funds	10.0	9.1	11.0	11.5
Specialist Debt Security	83.9	93.6	132.1	190.4
Insurance Linked Security	5.9	5.0	5.4	6.1
Sovereign Debt Security	95.3	87.3	92.3	100.9
Primary Equity	0.2	0.2	0.2	0.4
Secondary Equity	0.1	0.1	0.1	0.0
Retail Debt Security	0.0	0.4	0.4	0.8

Source: Cayman Islands Stock Exchange

**Companies Registration:** The total number of registered companies increased by 8.0 percent to a record 107,309 at the end of 2018 (see Table 4.7). This improvement emanated from the addition of 16,326 new companies to the registry, which offset the termination of 8,340 companies. The Exempt category continued to be the preferred vehicle for the conduct of business, accounting for 84.1 percent of all incorporated companies. The number of exempt and resident companies in the registry rose by 7.9 percent and 8.7 percent to 90,265 and 6,840, respectively. The number of foreign companies, which are companies registered in Cayman but incorporated elsewhere, increased by 9.3 percent to 5,029. There were 1,710 active limited liability companies at the end of 2018 relative to 889 at the end of 2017. In contrast, the number of non-resident companies recorded a decline of 10.5 percent to 3,465.

New company registrations, which increased by 25.1 percent was largely influenced by exempt companies, which represented 85.1 percent of all new registrations and rose by 24.7 percent relative to 2017. Resident and foreign companies also improved, increasing by 25.0 percent to 729 and 29.2 percent to 761, respectively. There were 928 limited liability companies in 2018 compared with 711 in 2017. New registration of non-resident companies declines by 40.0 percent to 15.

<sup>15</sup> 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.

**Table 4.7: Company Registrations, 2015-2018**

	2015	2016	2017	2018	% Change
<b>Total Company Registrations</b>	<b>98,838</b>	<b>96,248</b>	<b>99,327</b>	<b>107,309</b>	<b>8.0</b>
Exempt	83,045	80,658	83,675	90,265	7.9
Non-Resident	5,462	4,566	3,871	3,465	-10.5
Resident	6,186	6,399	6,291	6,840	8.7
Foreign	4,145	4,433	4,601	5,029	9.3
Limited Liability Companies	-	192	889	1,710	92.4
<b>New Company Registrations</b>	<b>11,875</b>	<b>11,174</b>	<b>13,046</b>	<b>16,326</b>	<b>25.1</b>
Exempt	10,672	9,812	11,138	13,893	24.7
Non-Resident	40	29	25	15	-40.0
Resident	506	518	583	729	25.0
Foreign	657	610	589	761	29.2
Limited Liability Companies	-	205	711	928	30.5

Source: Cayman Islands General Registry

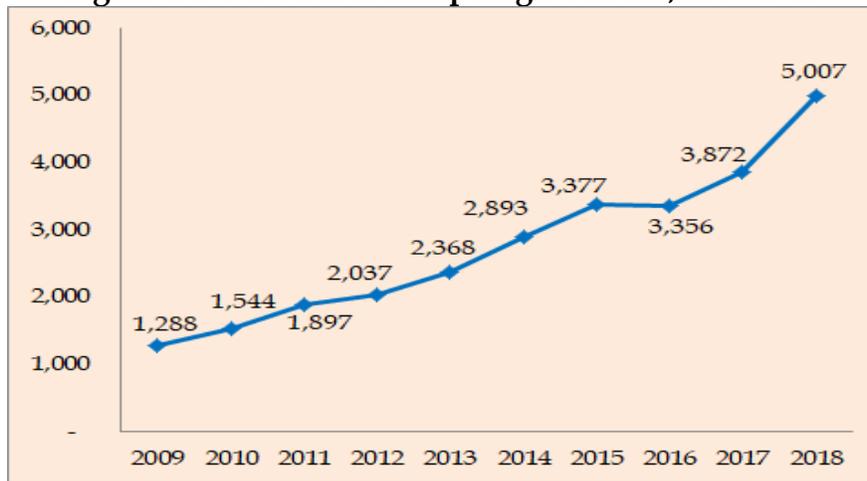
Companies terminated decreased to 8,340 in 2018 from 10,203 in 2017. Of the terminations in 2018, 56.7 percent were removed by the Registrar, which originated mainly from the exempt category, 34.9 percent were voluntary dissolutions primarily from the exempt category, and 3.6 percent represented voluntary cessation of foreign companies. There were reductions in the number of terminations for seven of the fourteen categories. Exempt companies registered the largest decline, decreasing from 8,358 in 2017 to 7,642 in 2018.

**Partnerships Registration:** The total number of registered partnerships increased by 16.4 percent to a record 26,381 at the end of 2018 as new partnership registrations of 5,007 exceeded terminated partnerships of 1,192. Exempt limited partnerships increased by 16.4 percent to 26,011, while the number of foreign partnerships rose by 22.0 percent to 349. In contrast, limited partnerships declined by 8.7 percent to 21.

The improvement in new partnership registration was due to an increase in the exempt category with exempt limited partnerships rising by 50.0 percent to 4,917. In contrast, foreign partnerships, which were introduced in July 2014, fell by 22.8 percent to 97.

The number of terminated partnerships decreased to 1,208 in 2018 from 1,342 in 2017. This reduction represented a reduction in the termination of exempted limited partnerships category to 1,197 in 2018 from 1,335 in 2017.

**Figure 4.2: New Partnership Registrations, 2009-2018**

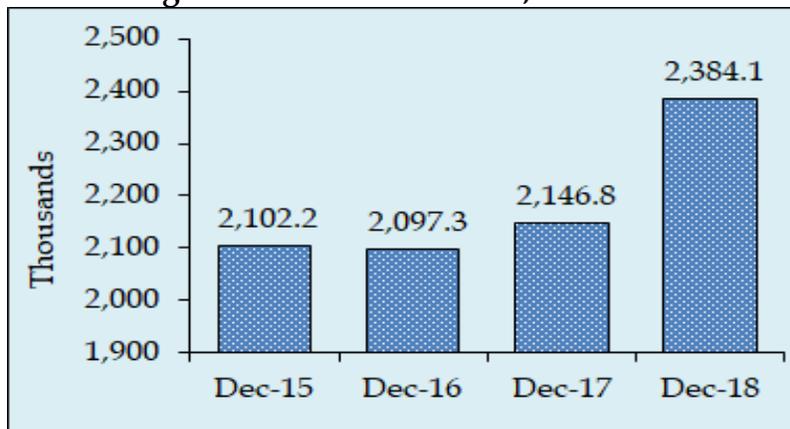


Source: Cayman Islands General Registry

## 4.2 Tourism

Visitor arrivals to the Cayman Islands continued to expand during 2018, increasing by 11.0 percent to a record 2,384,058 visitors. The rise in arrivals was observed in both stay-over and cruise visitors, as the island benefited from higher international demand coupled with strategic marketing and increased capacity.

**Figure 4.3: Tourist Arrivals, 2015-2018**



Source: Department of Tourism

**Stay-over arrivals:** Stay-over arrivals rose to a record 463,001 in 2018 reflecting a growth of 10.7 percent relative to 2017. Higher arrivals during the year were supported by increased global demand and continued improvements in the islands accommodative capacity. Visitors from the USA and Canada accounted for the increase, rising by 13.0 percent and 7.5 percent, respectively. The rise in visitors from the US was in the context of JetBlue Airways announcing an additional flight to the Island as well as Cayman Airways upgrading one of its aeroplanes to a higher capacity aircraft. In contrast, arrivals from Europe and ‘other’ regions declined by 5.8 percent and 0.7 percent, respectively.

**Table 4.8: Stay-over Arrivals by Country of Origin, 2015-2018**

	2015	2016	2017	2018	% Change
	In Thousands				
<b>USA</b>	291.8	300.6	341.0	385.3	13.0
<b>Europe</b>	34.3	29.2	24.3	22.8	(5.8)
<b>Canada</b>	24.3	23.3	24.8	26.6	7.5
<b>Others</b>	35.0	32.4	28.4	28.2	(0.7)
<b>Total</b>	385.4	385.5	418.4	463.0	10.7
<b>USA (% share)</b>	75.7	78.0	81.5	83.2	

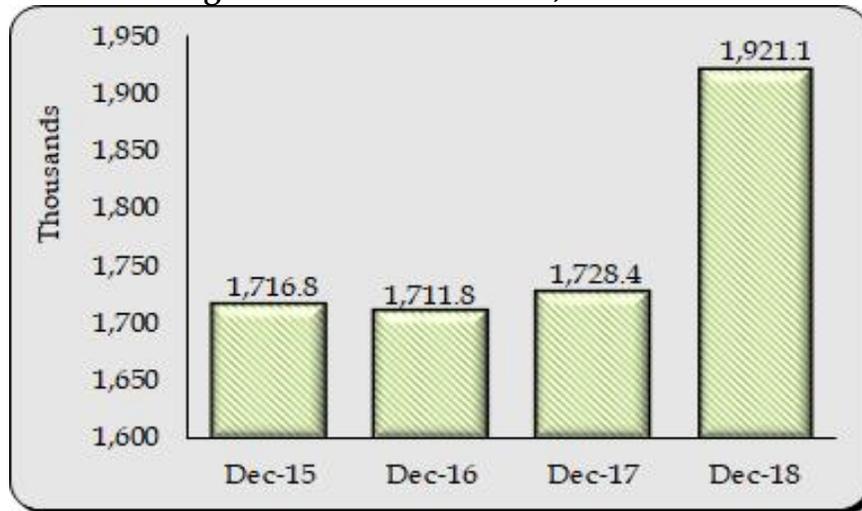
Source: Department of Tourism

The rise in stay-over visitors also facilitated increased spending for the year. Data from the department of tourism show that spending by stay-over visitors increased by 13.9 percent to \$680.2 million for the year with the average visitor spending \$236.9 per night.

**Cruise market.** Favourable supply conditions in the tourism market boosted cruise arrivals to the Cayman Islands during the year. Consequently, the number of cruise visitors rose by 11.1 percent to 1,921,057 in 2018. The sharp increase in cruise arrivals resulted in the highest number of visitors in a year since 2006 when arrivals totalled 1,923,597. Consistent with the increase in cruise visitor arrivals the number of passenger vessels visiting the Islands increased 636 from 569 in the previous year.

During the period, expenditure by cruise visitors rose by 8.1 percent to \$199.9 million with the average person spending \$115.6.

Figure 4.4: Cruise Arrivals, 2015-2018



Source: Department of Tourism

### 4.3 Construction

Indicators for building intentions posted another year of mixed performance in 2018 with the total value of building permits and certificate of occupancy increasing, while project approvals declined.

**Building Permits:** Following a contraction in the previous year, building permits rebounded by 5.6 percent to \$247.9 million in the current year. This increase was due to higher activity in some non-residential categories (see Table 4.9).

The 'other' category accounted for the most substantial increase of \$21.9 million or 132.6 percent due to an application from NCB investments relating to a hotel project. Similarly, there was an increase in the government category of \$13.8 million, partly relating to a mental health facility valued at \$5.9 million and several cottages valued at \$7.7 million. The commercial category also improved for the period rising by \$0.8 million or 1.9 percent for the period.

In contrast to the overall increase, the value of permits issued in the residential sector fell by \$16.9 million or 9.9 percent during the period. The decline was observed in both the houses and apartment categories, which fell by 13.3 percent and 4.2 percent, respectively.

Consistent with the rise in the value of permits, the total value of building permits rose by 9.1 percent to 959 for the year. Despite a reduction in value, the apartment category showed the strongest absolute increase in numbers.

**Table 4.9: Grand Cayman Building Permits 2015-2018**

	Building Permits (CI\$ Million)				%	Number of Permits				%
	2015	2016	2017	2018	Change	2015	2016	2017	2018	Change
Residential	138.0	156.0	170.3	153.4	(9.9)	288	285	336	379	12.8
Houses	96.5	84.9	107.8	93.5	(13.3)	223	236	255	260	2.0
Apartments	41.6	71.1	62.5	59.8	(4.2)	65	49	81	119	46.9
Commercial	26.3	40.2	41.4	42.1	1.9	75	79	89	93	4.5
Industrial	1.4	3.9	3.6	-	(100.0)	7	6	5	2	(60.0)
Hotel	4.6	4.4	2.8	-	(100.0)	5	13	2	0	(100.0)
Government	6.3	11.6	0.2	14.0	8,117.1	7	16	8	16	100.0
Other	10.3	30.8	16.5	38.4	132.6	354	405	439	469	6.8
<b>Total</b>	<b>186.9</b>	<b>247.0</b>	<b>234.7</b>	<b>247.9</b>	<b>5.6</b>	<b>736</b>	<b>804</b>	<b>879</b>	<b>959</b>	<b>9.1</b>

Source: Cayman Islands Planning Department

**Project Approvals:** The total value of project approvals in Grand Cayman fell by 5.8 percent to \$752.3 million for the year. The decline reflected a reduction in all categories except “other” which expanded noticeably.

Within the residential sector, the non-recurrence of some large scale apartment projects led to a 24.7 percent decline in value. The fall was due to reductions in the houses and apartments sectors by 11.6 percent and 31.7 percent, respectively. Similar declines were recorded for most categories in the non-residential sector with the hotel's sector showing the largest reduction. The second largest decline was reflected in the industrial category, which fell by \$72.6 million or 97.9 percent for the year.

The magnitude of the reduction in approvals was partly offset by a spike in value for the “other” category to \$456.9 million from \$84.5 million a year ago. The largest absolute increase was due to a design modification to the Hyatt (Pageant beach) hotel valued at \$200 million.

The number of project approvals also declined with all categories falling over the period. The largest contractions were seen in the ‘other’ and residential categories.

**Table 4.10: Grand Cayman Planning Approvals, 2015-2018**

	Project Approvals (CIS Million)				%	Number of approvals				%
	2015	2016	2017	2018	Change	2015	2016	2017	2018	Change
Residential	268.2	177.9	338.6	255.1	(24.7)	277	295	359	245	(31.8)
Houses	115.6	106.4	118.4	104.6	(11.6)	235	238	276	191	(30.8)
Apartments	152.7	71.5	220.3	150.5	(31.7)	42	57	83	54	(34.9)
Hotels	0.1	1.9	246.8	-	(100.0)	1	5	3	0	(100.0)
Commercial	39.7	152.8	50.1	37.4	(25.3)	40	39	34	17	(50.0)
Government	50.1	14.2	4.5	1.3	(71.2)	15	6	14	4	(71.4)
Industrial	48.5	20.2	74.2	1.6	(97.9)	14	13	19	5	(73.7)
Other	52.2	39.8	84.5	456.9	440.8	643	614	727	451	(38.0)
<b>Total</b>	<b>458.8</b>	<b>406.7</b>	<b>798.7</b>	<b>752.3</b>	<b>(5.8)</b>	<b>990</b>	<b>972</b>	<b>1,156</b>	<b>722</b>	<b>(37.5)</b>

Source: Cayman Islands Planning Department

**Certificates of Occupancy:** The value of certificates of occupancy (CO) increased by 47.4 percent, to \$173.1 million for 2018, its highest level since 2009 when the value was \$279.6 million. Certificates for apartments showed the strongest growth of 262.9 percent followed by commercial with growth of 80.5 percent.

The total number of occupancy certificates issued improved by 7.9 percent to 368, with increases shown in the apartments, industrial and 'other' categories.

**Table 4.11: Certificates of Occupancy Grand Cayman, 2015-2018**

Sectors	Value of Certificates (CIS Million)				%	Number of Certificates				%
	2015	2016	2017	2018	Change	2015	2016	2017	2018	Change
Residential	94.5	98.6	88.9	138.3	55.6	216	225	246	269	9.3
Houses	71.5	64.7	72.5	78.8	8.7	171	174	207	194	(6.3)
Apartments	22.9	33.9	16.4	59.5	262.9	45	51	39	75	92.3
Hotel	10.0	5.4	2.3	3.7	61.5	1	11	8	2	(75.0)
Government	0.8	0.5	9.5	0.5	(94.8)	3	2	5	5	0.0
Commercial	23.1	14.2	13.5	24.3	80.5	62	58	68	66	(2.9)
Industrial	-	4.60	-	2.48	-	-	8	1	7	600.0
Other	4.7	0.5	3.2	3.8	19.0	16	20	13	19	46.2
<b>Total</b>	<b>132.9</b>	<b>123.7</b>	<b>117.4</b>	<b>173.1</b>	<b>47.4</b>	<b>298</b>	<b>324</b>	<b>341</b>	<b>368</b>	<b>7.9</b>

Source: Cayman Islands Planning Department

#### 4.4 Real Estate

The real estate sector remained buoyant in 2018 with both the volume and value of property transfers increasing.

**Table 4.12: Property Transfers, 2015-2018**

	2015	2016	2017	2018	% Change
<b>Freehold</b>					
number	1,787	1,792	1,875	2,070	10.4
value (CIS\$M)	592.4	844.3	798.0	855.8	7.3
<b>Leasehold</b>					
number	131	183	194	220	13.4
value (CIS\$M)	19.8	16.0	32.2	287.9	792.8
<b>Total</b>					
number	1,918	1,975	2,069	2,290	10.7
value (CIS\$M)	612.2	860.3	830.2	1,143.7	37.8

Source: Lands and Survey Department

The value of property transfers totalled \$1,143.7 million, an increase of 37.8 percent in the review period. The increase was traced to improvements in freehold and leasehold properties transfers by 10.4 percent and 792.8 percent, respectively. Consistently, the total number of property transfers increased by 10.7 percent to reach 2,290, the highest volume in the past four years.

#### 4.5 Utilities

**Utilities:** Rising population levels supported the growth in the demand for utilities in 2018 relative to 2017.

Water consumption increased by 5.4 percent to 2,009.4 million gallons. This was exceeded by a 6.4 percent increase in water production as major distributors ensured adequate supply.

Electricity consumption increased by 1.1 percent to 628.2 thousand megawatt hours for 2018. The higher consumption level resulted from higher customer base, the impact of which was partly offset by a decline in the average consumption per customer. Residential consumption levels increased by 0.4

percent to 314.0 thousand megawatt-hours, while commercial consumption increased by 2.1 percent. Public consumption declined by 6.0 percent to settle at 6.5 thousand megawatt hours. Residential customers consumed 21.1 thousand megawatt hours of electricity on average in 2018, down from 21.3 thousand megawatt hours in the previous year. Commercial customers consumed 12.4 thousand megawatt hours on average, down from the 12.6 thousand megawatt hours demanded in 2017.

**Table 4.13 Utilities Production/Consumption, 2015-2018**

	Dec-15	Dec-16	Dec-17	Dec-18	% Change
Millions of US Gallons					
Water Production	1,925.2	2,192.6	2,279.1	2,424.0	6.4
Water Consumption	1,718.1	1,854.4	1,907.2	2,009.4	5.4
'000 of megawatt hrs					
Electricity Production (Net)	623.7	650.3	654.4	641.8	(1.9)
Electricity Consumption	581.9	606.7	621.8	628.8	1.1
Residential	276.9	299.1	312.8	314.0	0.4
Commercial	298.3	300.8	302.1	308.4	2.1
Public	6.7	6.8	6.9	6.5	(6.0)
Total Customers	28,204	28,678	29,160	29,822	2.3
Residential	24,007	24,429	24,853	25,409	2.2
Commercial	4,197	4,249	4,307	4,413	2.5

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

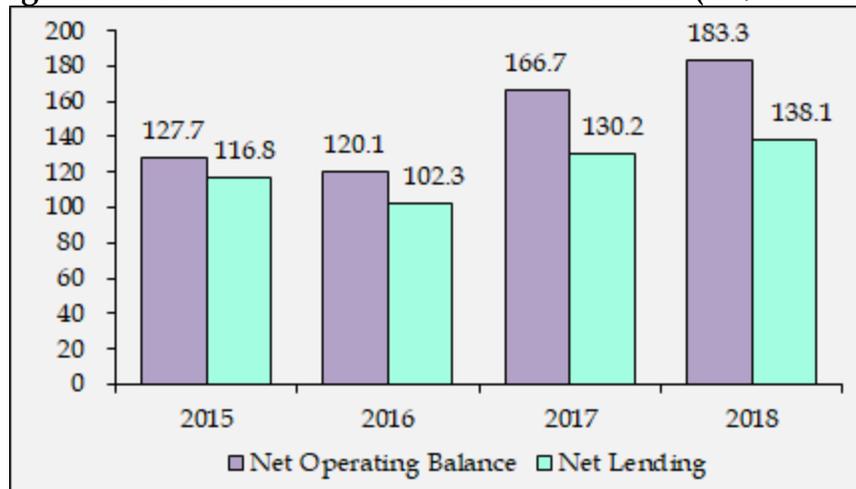
## 5. Fiscal Operations of the Central Government

The central government posted its sixth consecutive year of surplus in 2018, which was also the highest surplus on record. This performance was facilitated by increased revenue, which provided fiscal space for continued debt reduction.

### 5.1 Overview

Net lending (overall surplus) of the central government reached its highest annual level on record of \$138.1 million in 2018 (see Figure 5.1). The surplus eclipsed its previous record of \$130.2 million set during the last year.

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



Source: Cayman Islands Treasury Department and ESO

The increase in net lending resulted from an \$82.1 million expansion in revenue, which outweighed a \$74.2 million increase in expenditure (see Table 5.1). The expansion in revenue emanated from increases in both taxes (formerly coercive revenue) and other revenue (formerly non-coercive revenue) while the higher outturn for expenditure was due to increases in both expenses (formerly current expenditure) and net investment in non-financial assets (formerly net capital expenditure). There was also an increase in the government’s operating balance<sup>16</sup>, which rose by 10.0 percent to \$183.3 million.

<sup>16</sup> Net operating balance is revenue minus expense. A surplus occurs when revenue exceeds expense.

**Table 5.1: Summary of Fiscal Operations, 2015-2018**

	2015	2016	2017	2018	% Change
<b>Millions of Cayman Islands Dollars</b>					
<b>Revenue</b>	<b>672.7</b>	<b>705.9</b>	<b>753.2</b>	<b>835.2</b>	<b>10.9</b>
<b>Expense</b>	<b>545.0</b>	<b>585.8</b>	<b>586.4</b>	<b>651.9</b>	<b>11.2</b>
<b>Net Operating Balance</b>	<b>127.7</b>	<b>120.1</b>	<b>166.7</b>	<b>183.3</b>	<b>10.0</b>
Net Investment in Non-Financial Assets	10.9	17.8	36.5	45.3	23.9
<b>Expenditure</b>	<b>555.8</b>	<b>603.6</b>	<b>623.0</b>	<b>697.1</b>	<b>11.9</b>
<b>Net Lending</b>	<b>116.8</b>	<b>102.3</b>	<b>130.2</b>	<b>138.1</b>	<b>6.1</b>
<b>Financing:</b>					
Net Acquisition of Financial Assets	94.0	75.2	95.4	107.2	12.4
Net Incurrence of Liabilities	(22.8)	(27.1)	(34.8)	(30.9)	(11.4)

Source: Cayman Islands Treasury Department

## 5.2 Revenue

Total revenue increased by 10.9 percent to reach \$835.2 million due to growth in taxes, up 10.8 percent to \$778.3 million, and other revenue, up 12.2 percent to \$56.9 million. Notably, all tax sub-categories increased during the year with only one sub-category, other revenue declining (see Table 5.2). The increase in revenue exceeded growth in nominal GDP, which resulted in the revenue-to-GDP ratio increasing to 18.3 percent from 17.6 percent in 2017.

**Table 5.2: Revenue Collection of Central Government**

	2015	2016	2017	2018	% Change
<b>Millions of Cayman Islands Dollars</b>					
<b>Revenue</b>	<b>672.7</b>	<b>705.9</b>	<b>753.2</b>	<b>835.2</b>	<b>10.9</b>
<b>Taxes</b>	<b>634.4</b>	<b>662.8</b>	<b>702.4</b>	<b>778.3</b>	<b>10.8</b>
Taxes on Int'l Trade & Transactions	172.0	174.3	178.0	199.1	11.8
Taxes on Goods & Services	407.6	425.2	451.0	474.7	5.3
Taxes on Property	41.1	58.7	69.7	83.0	19.1
Other Taxes	13.8	4.6	3.7	21.5	478.8
<b>Other Revenue</b>	<b>38.2</b>	<b>43.2</b>	<b>50.7</b>	<b>56.9</b>	<b>12.2</b>
Sale of Goods & Services	34.7	36.0	40.0	39.9	(0.1)
Property Income	1.0	3.5	7.1	12.2	71.3
Fines, Penalties and Forfeits	2.1	3.2	2.6	2.7	3.8
Transfers n.e.c.	0.3	0.4	1.0	2.1	103.8

Source: Cayman Islands Treasury Department

**Taxes on goods and services:** Tax revenue from goods and services increased by 5.3 percent to \$474.7 million in 2018 relative to 2017 (see Table 5.3). Higher collections were raised from all categories except Information and Communication Technology Authority (ICTA) licences and royalties and work permit and residency fees. Within the category, 'other' domestic taxes recorded the largest increase of 17.2 percent for the period, due mainly to tourist accommodation charges, which rose by 33.0 percent to \$32.7 million.

**Table 5.3: Taxes on Domestic Goods and Services**

	2015	2016	2017	2018	% Change
<b>Millions of Cayman Islands Dollars</b>					
Financial Services Licences	234.9	246.4	251.8	263.8	4.8
ICTA Licences & Royalties	7.7	8.2	8.9	7.5	(15.5)
Work Permit and Residency Fees	78.2	79.7	88.9	87.3	(1.8)
Other Stamp Duties	7.6	9.4	10.6	10.6	0.2
Traders' Licences	5.3	6.1	5.8	5.9	1.3
Other Domestic Taxes	73.7	75.5	85.1	99.7	17.2
<i>Of which:</i>					
Tourist Accommodation Charges	21.5	20.2	24.6	32.7	33.0
Motor Vehicle Charges	10.1	10.1	11.1	11.5	3.5
<b>Taxes on Goods &amp; Services</b>	<b>407.6</b>	<b>425.2</b>	<b>451.0</b>	<b>474.7</b>	<b>5.3</b>

Source: Cayman Islands Treasury Department

Other stamp duties rose by 0.2 percent to \$10.6 million consistent with a rise in property transfers. Revenue sourced from traders' licences increased by 1.3 percent to \$5.9 million.

In contrast to the increases observed in other components, revenue collected from ICTA licences and royalties declined by 15.5 percent to \$7.5 million, while work permit and residency fees declined by 1.8 percent to \$87.3 million.

Revenue from financial services licences increased by 4.8 percent to \$263.8 million (see Table 5.). All components registered higher revenue except other company fees - non-resident. Partnership fees (up 10.0 percent to \$51.8 million) and other company fees - exempt (up 2.5 percent to \$98.0 million) recorded the largest increases.

**Table 5.4: Financial Services Licences**

	2015	2016	2017	2018	Absolute Change	% Change
<b>Millions of Cayman Islands Dollars</b>						
<b>Financial Services Licences</b>	<b>234.9</b>	<b>246.4</b>	<b>251.8</b>	<b>263.8</b>	<b>12.0</b>	<b>4.8</b>
Bank and Trust Licences	31.6	31.9	29.2	29.4	0.1	0.5
Insurance Licences	8.7	9.3	8.8	8.8	0.0	0.4
Other Company Fees - Resident	2.5	2.4	2.5	2.9	0.4	14.0
Other Company Fees - Non-Resident	3.7	3.3	2.9	2.5	(0.4)	(14.7)
Other Company Fees - Exempt	88.1	89.3	95.6	98.0	2.4	2.5
Other Company Fees - Foreign	6.0	6.7	6.7	7.1	0.4	6.3
Partnership Fees	36.1	40.7	47.1	51.8	4.7	10.0
Mutual Fund Administrators	42.7	45.8	41.9	44.0	2.2	5.1
Money Services Licences	2.5	2.8	2.8	3.1	0.2	8.3
Security Investment Business Licences	13.1	14.3	14.3	16.2	2.0	13.7

Source: Cayman Islands Treasury Department

**Taxes on international trade and transactions:** Revenue from this category rose by 11.8 percent to \$199.1 million (see Table 5.5). Similarly, receipts from international trade and transactions as a share of tax revenue increased to 25.6 percent relative to 25.3 percent in 2017.

**Table 5.5: Taxes on International Trade and transactions**

	2015	2016	2017	2018	Absolute Change	% Change
<b>Millions of Cayman Islands Dollars</b>						
<b>Import Duties</b>	<b>156.0</b>	<b>158.4</b>	<b>161.9</b>	<b>181.1</b>	<b>19.2</b>	<b>11.9</b>
Gasoline/Diesel	20.5	14.4	14.2	14.7	0.4	3.1
Alcoholic Beverages	18.8	19.9	20.8	22.3	1.5	7.1
Motor Vehicles	13.2	16.8	16.6	17.2	0.6	3.6
Tobacco Products	7.2	8.1	7.0	7.8	0.9	12.3
Other Import Duties	96.3	99.2	103.4	119.2	15.8	15.3
Cruise Ship Departure Charges	10.3	10.3	10.4	11.5	1.2	11.2
Environmental Protection Fund Fees	5.7	5.7	5.7	6.4	0.7	12.4
<b>Taxes on International Trade and Transactions</b>	<b>172.0</b>	<b>174.3</b>	<b>178.0</b>	<b>199.1</b>	<b>21.1</b>	<b>11.8</b>

Source: Cayman Islands Treasury Department

Higher revenue collection was attributed to increases in all components within the category. Duties on gasoline/diesel rose by 3.1 percent to \$14.7 million for the period as imported quantity increased. Alcoholic beverages rose 7.1 percent to \$22.3 million, while motor vehicle import duties increased by 3.6 percent to \$17.2 million. The duty collected from tobacco products rose by 15.3 percent to

\$119.2 million, owing to increases in both the prices and quantities of these imports. Other import duties rose by 15.3 percent to \$119.2 million due to increases in several non-oil import categories (see External Sector).

Revenue collected from cruise ship departures rose by 11.2 percent to \$11.5 million due to an increase in the number of cruise passengers, while environmental protection fund fees increased by 12.4 percent to \$6.4 million.

**Taxes on Property:** Property tax revenue rose by 19.1 percent to \$83.0 million in 2018 (Table 5.2). This increase was largely driven by an increase in stamp duty on land transfers, which rose by 57.5 percent to \$80.7 million.

**Other taxes:** Proceeds from liquidated entities increased by \$15.5 million to \$19.1 million during the year. This spurred an increase in 'other taxes' of \$17.8 million to \$21.5 million in 2018 (Table 5.2).

**Other revenue (formerly non-coercive revenue):** Non-tax revenue increased by 12.2 percent to \$56.9 million for the year stemming from increases in three of the four categories. Property income (formerly investment revenue) rose by 71.3 percent to \$12.2 million; fines, penalties and forfeits advanced by 3.8 percent to \$2.7 million; and transfers not elsewhere classified (formerly other operating revenue) increased by 103.8 percent to \$2.1 million. In contrast, revenue from the sale of goods and services declined by 0.1 percent to \$39.9 million.

### 5.3 Expenditure

The central government used \$697.1 million during 2018, compared with \$623.0 million in 2017 (Table 5.1). As a proportion of GDP, expenditure increased to 15.3 percent from 14.5 percent in 2017. The higher level of expenditure was due to increases of 11.2 percent in expense (see Table 5.6) and 23.9 percent in net investment in non-financial assets (see Table 5.7).

**Expense (formerly current expenditure):** The operational expenses of the government rose by 11.2 percent to \$651.9 million in 2018 (Table 5.6). Additional expenses were extended for payment of subsidies to public entities (statutory authorities and government-owned companies) and non-governmental organizations which rose by 25.9 percent to \$167.5 million.

**Table 5.6: Expense of the Central Government**

	2015	2016	2017	2018	% Change
	<b>Millions of Cayman Islands Dollars</b>				
<b>Expense</b>	<b>545.0</b>	<b>585.8</b>	<b>586.4</b>	<b>651.9</b>	<b>11.2</b>
Compensation of Employees	243.8	254.5	273.6	281.7	3.0
Use of Goods and Services	83.8	93.6	86.7	97.6	12.5
Subsidies	125.2	137.8	133.1	167.5	25.9
Social Benefits	27.5	32.4	29.9	36.2	21.1
Consumption of Fixed Capital	32.1	34.2	32.8	32.5	(1.1)
Interest	28.0	27.1	25.6	24.0	(6.0)
Other Expense	4.5	6.2	4.8	12.5	158.1

Source: Cayman Islands Treasury Department

Compensation of employees (formerly personnel costs) rose by 3.0 percent to \$281.7 million attributed to increases of \$5.0 million in health care costs and \$4.4 million in wages and salaries. An increase in the wage rate of 5.0 percent effected in July 2018, and an expansion in the number of civil service employees by 151 to 3,938 attributed the higher personnel costs.

Use of goods and services (formerly supplies and consumables) increased by 12.5 percent to \$97.6 million. This was due mainly to higher spending on services, up 21.5 percent to \$55.7 million, and spending on goods, up 8.2 percent to \$16.2 million. The increase in expense was partly offset by a reduction in spending on general insurance by 81.2 percent to \$0.8 million.

Subsidies by the central government recorded an increase of 25.9 percent to \$167.5 million. Public entities received 19.5 percent more in subsidies to total \$119.3 million while non-governmental organizations had a higher allocation of 45.0 percent to \$48.2 million. Within public entities, Health Services Authority (up \$5.1 million to \$34.6 million), Cayman Airways Limited (up \$4.6 million to \$19.7 million) and the Cayman Islands National Insurance Company (up \$3.7 million to \$32.9 million) accounted for the largest increases in subsidies. , non-governmental organizations, medical care for overseas providers (up \$15.3 million to \$34.0 million) received the largest increase.

Social benefits<sup>17</sup> (formerly transfer payments) rose by 21.1 percent to \$36.2 million. Scholarships and bursaries registered the largest increase, advancing by \$1.6 million to \$12.0 million. There were also increases in financial assistance for the poor (up \$1.6 million to \$7.3 million) and seamen ex-gratia payments (up \$1.1 million to \$6.6 million).

Consumption of fixed capital (formerly depreciation) declined by 1.1 percent to \$32.5 million, largely due to depreciation of roads and sidewalks which fell by 44.6 percent to \$4.9 million.

Interest payments fell by 6.0 percent to \$24.0 million, consistent with a reduction in debt for the period.

Other expense, which comprises mainly central government's non-capital spending, which is not classified as subsidies, social benefits or interest increased by 158.1 percent to \$12.5 million. Payment to the University of the West Indies (up 2.6 percent to \$2.6 million) and judiciary expenses (up 41.1 percent to \$1.9 million) accounted for most of the increase in this category.

**Investment in non-financial assets (formerly capital expenditure):** Gross expenditure on non-financial assets was \$77.7 million (1.7 percent of GDP) in 2018 relative to \$69.4 million (1.6 percent of GDP) in 2017. Similarly, net investment in non-financial assets, which is gross investment less depreciation, increased by 23.9 percent to \$45.3 million.

**Table 5.7: Investment in Non-Financial Assets of the Central Government**

	2015	2016	2017	2018	% Change
<b>Millions of Cayman Islands Dollars</b>					
<b>Gross Investment in Non-Financial Assets</b>	<b>42.9</b>	<b>51.9</b>	<b>69.4</b>	<b>77.7</b>	<b>12.1</b>
Fixed Assets	42.9	51.9	69.4	77.7	12.1
Capital Investment in Ministries and Portfolios	14.8	18.9	9.6	20.2	109.7
Capital Investment in Statutory Authorities and Government Owned Companies	19.6	22.3	43.8	31.5	(28.1)
Executive Assets	8.9	12.1	15.5	24.8	60.1
Net Lending	(0.4)	(1.4)	0.5	1.2	165.1
<b>Net Investment in Non-Financial Assets</b>	<b>10.9</b>	<b>17.8</b>	<b>36.5</b>	<b>45.3</b>	<b>23.9</b>
Consumption of Fixed Capital	32.1	34.2	32.8	32.5	(1.1)

Source: Cayman Islands Treasury Department

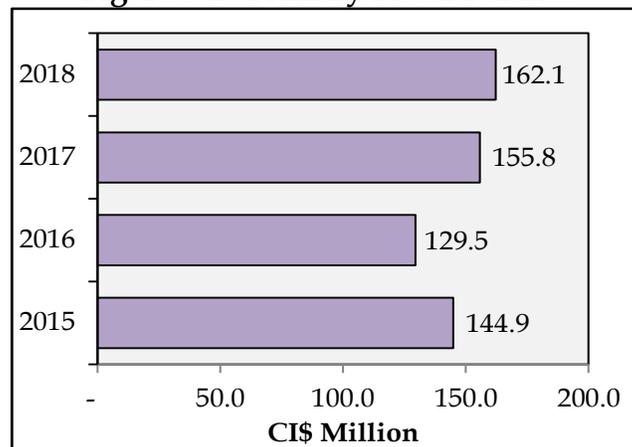
<sup>17</sup> These are current transfers receivable by households intended to provide for needs that arise from social risks associated with sickness, unemployment, retirement, housing, and education or family circumstances.

Within fixed assets, capital investment in ministries and portfolios rose by \$10.6 million to \$20.2 million. New expenditures of \$5.9 million and \$5.5 million by the Ministry of Commerce, Planning and Infrastructure and the Ministry of Financial Services and Home Affairs, respectively, were the primary contributors. In contrast, capital investment in statutory authorities and government-owned companies declined by 28.1 percent to \$31.5 million. This decline stemmed mainly from reduced investment of \$6.0 million to \$2.3 million in the Cayman Islands Development Bank. Capital expenditure on executive assets increased by 60.1 percent to \$24.8 million emanating, mainly from higher land purchases of \$6.6 million and increased spending on major road projects of \$3.3 million.

**5.4 Primary Balance**

The primary balance refers to the overall surplus excluding interest payments and is a standard indicator of the central government’s capacity to service debt obligations. The primary balance increased from a surplus of \$155.8 million in 2017 to a surplus of \$162.1 million in 2018, owing to the improvement in the overall surplus. As a percentage of GDP, the primary surplus stood at 3.5 percent in 2018 relative to 3.6 percent in the previous year.

**Figure 5.2: Primary Fiscal Balance**



Sources: Cayman Islands Treasury Department and ESO

**5.5 Financing and Debt Service Indicators**

Net acquisition of financial assets, which includes the assumed cash balance from the overall surplus, increased by 12.4 percent to \$107.2 million in 2018 (see Table 5.8). The government reduced its liabilities during the year by \$30.4 million relative to a reduction of \$34.8 million in 2017. This was reflected in the amount of loan repayment for the period as there were no new loan disbursements.

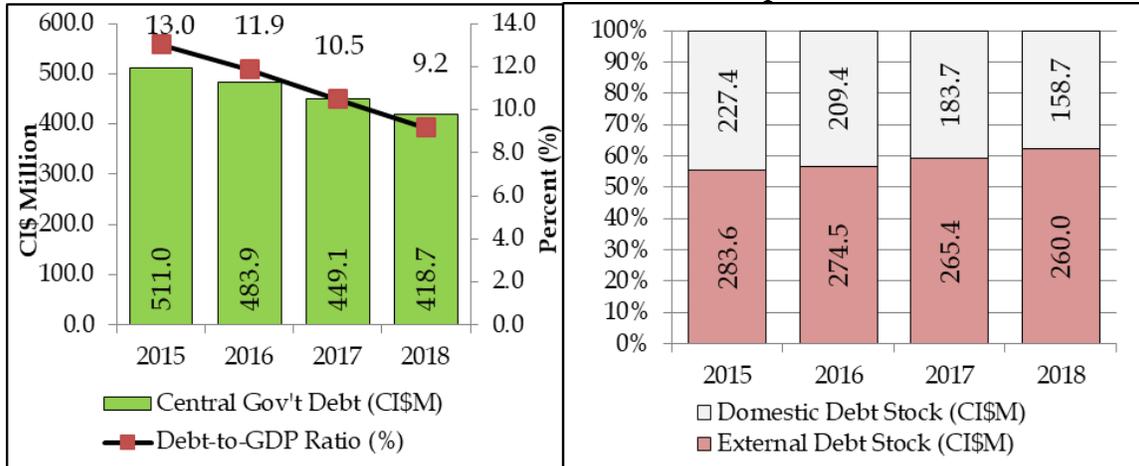
**Table 5.8: Financing of Central Government**

	2015	2016	2017	2018	% Change
<b>Millions of Cayman Islands Dollars</b>					
<b>Financing:</b>					
Net Acquisition of Financial Assets	94.0	75.2	95.4	107.2	12.4
Net Incurrence of Liabilities	(22.8)	(27.1)	(34.8)	(30.9)	(11.4)
Disbursements	0.0	0.0	0.0	0.0	
Loan Repayment	22.8	27.1	34.8	30.9	(11.4)

Source: Cayman Islands Treasury Department

The loan repayments for the review period resulted in a reduction in the central government’s outstanding debt to \$418.7 million at the end of 2018 from \$449.1 million at the end of 2017 (see Figure 5.3).<sup>18</sup> The reduction in debt placed the debt-to-GDP ratio at 9.2 percent, lower than 10.5 percent at the end of 2017. At the end of 2018, the outstanding debt comprised 62.1 percent from external sources and 37.9 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

There were declines in all debt service indicators for the review period; the central government’s interest payments-to-revenue ratio declined from 3.4 percent to 2.9 percent in 2018. While the debt service-to-GDP and debt service-to-revenue ratios fell to 1.2 percent and 6.6 percent from 1.4 percent and 8.0 percent in 2017, respectively (see Table 5.9).

<sup>18</sup> Central government’s outstanding debt comprises debt managed directly by the Treasury Department and excludes government-guaranteed debt and other contingent liabilities.

**Table 5.9: Central Government Debt Service Indicators**

Debt Service Indicators	2015	2016	2017	2018
Interest Payments-to-Revenue Ratio	4.2	3.8	3.4	2.9
Debt Service-to-GDP Ratio	1.3	1.3	1.4	1.2
Debt Service-to-Revenue Ratio	7.6	7.7	8.0	6.6

Source: Cayman Islands Treasury Department, Economics and Statistics Office

## 6. Macroeconomic Outlook for 2019

*The Islands' economic growth in 2019 is projected to be lower, conditional on the timing of some investment projects, upbeat growth in tourism and stable demand for financial services. Domestic inflation is expected to decelerate relative to 2018 as commodity prices stabilize.*

### 6.1 Global Outlook<sup>19</sup>

Amidst political tensions and uncertainties surrounding international trade, global growth is forecasted to decelerate to 3.3 percent in 2019, relative to the 3.6 percent recorded in 2018 (see Table 6.1). Output in advanced economies is anticipated to expand by 1.8 percent in 2019, 1.7 percent in 2020, and 1.7 percent in 2021. The U.S. economy is projected to generate slower output growth of 2.3 percent in 2019, before decelerating further to 1.9 percent and 1.8 percent in 2020 and 2021, respectively. Growth in the U.S. is expected to be hindered by tensions surrounding a potential trade war with China as well as tensions with Iran.

**Table 6.1: Macroeconomic Indicators 2016-2021**

	2016	2017	2018	Projections		
				2019	2020	2021
<b>Real GDP growth (%)</b>						
Cayman Islands	3.1	3.0	3.3 <sup>P</sup>	2.6	2.3	2.0
United States	1.6	2.2	2.9	2.3	1.9	1.8
World	3.4	3.8	3.6	3.3	3.6	3.6
Advanced Economies	1.7	2.4	2.2	1.8	1.7	1.7
<b>Consumer Prices Index (avg. %)</b>						
Cayman Islands	(0.7)	2.0	3.3	2.9	1.8	1.9
United States	1.3	2.1	2.4	2.0	2.7	2.3
Advanced Economies	0.8	1.7	2.0	1.6	2.1	1.9
<b>Unemployment (%)</b>						
Cayman Islands	4.2	4.9	2.8	3.5	3.5	3.6
United States	4.9	4.4	3.9	3.8	3.7	3.8
Advanced Economies	6.2	5.6	5.1	5.0	4.9	4.9

Sources: International Monetary Fund (April 2019) for data on the US, World, and Advanced Economies, and the Economics and Statistics Office for Cayman Islands data.

<sup>19</sup> This global outlook is based on information culled from the International Monetary Fund (April 2019) and other international organizations.

Growth in advanced economies is expected to slowdown over the medium term as tensions and uncertainties dampen the cyclical upswing and fiscal stimulus injected in 2017 and 2018. Global growth should, however, remain robust due to continued expansions in emerging and developing markets.

Global headline inflation is projected to decelerate over the medium term mainly due to receding oil and commodity prices<sup>20</sup>. Oil prices are projected to fall by 13.4 percent in 2019, while non-fuel commodity prices are expected to be lower by 0.2 percent for the year. In the United States, average inflation is projected at 2.0 percent, lower than the 2.4 percent recorded in 2018. Average inflation among advanced economies is expected at 1.6 percent for 2019, 2.1 percent for 2020 and 1.9 percent for 2021.

## **6.2 Domestic Growth**

The domestic economy is expected to sustain its expansion path from 2019 to 2021. However, given the latest outlook on the world economy, particularly the projected growth for the US and advanced economies, the pace of expansion is projected to moderate. This deceleration in economic growth is expected to weigh on the demand for Cayman's major services. Additionally, the completion of some major projects in the first half of 2019; such as the Owen Roberts International airport, Tides apartment complex and the Linford Pierson Highway are expected to dampen some economic growth. Economic output in the Cayman Islands is projected to expand by 2.6 percent in 2019 before decelerating to 2.3 percent and 2.0 percent in 2020 and 2021, respectively. For 2019, all sectors are expected to contribute to growth led by construction, hotels and restaurants, business services including legal and accounting services, wholesale and retail trade and financing and insurance (see Tables 6.1 and 6.2).

The hotels and restaurant sector is expected to show robust growth over the medium term, despite the external threat from slowing growth in developed markets. Ongoing improvements in local capacity and services such as the planned construction of the Grand Hyatt and Hilton/NCB Hotel is expected to support continued growth in the sector. The sector is projected to grow by 5.0 percent in 2019 before slowing to 4.5 percent and 4.2 percent in 2020 and 2021, respectively. Stay over visitor arrivals increased by 8.7 percent in the first quarter of 2019.

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<sup>20</sup> 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 Fund (IMF).

**Table 6.2: Real GDP at (2015 Prices) by Sector (\$ million)\***

	2016	2017	2018E	2019P	% Change
<b>Millions of CI\$</b>					
<b>Primary Sectors</b>	<b>24.4</b>	<b>24.9</b>	<b>25.8</b>	<b>26.8</b>	3.8
Agriculture & Fishing	15.3	15.6	16.2	16.4	1.4
Mining & Quarrying	9.1	9.2	9.6	10.4	7.8
<b>Secondary Sectors</b>	<b>184.1</b>	<b>191.4</b>	<b>206.8</b>	<b>221.7</b>	7.2
Manufacturing	35.5	36.6	39.2	40.6	3.7
Construction	148.6	154.8	167.6	181.1	8.0
<b>Services Sectors</b>	<b>3,611.3</b>	<b>3,725.7</b>	<b>3,844.6</b>	<b>3,940.0</b>	2.5
Electricity & Water Supply	95.9	99.3	101.5	105.1	3.6
Wholesale & Retail Trade, Repairs & Installation of Machinery	250.2	258.1	275.9	286.2	3.7
Hotels & Restaurants incl. Bars	204.4	213.1	224.0	235.1	5.0
Transport, Storage & Communication	253.2	258.1	265.1	271.1	2.3
Financing & Insurance Services	1,273.4	1,304.6	1,331.3	1,350.6	1.5
Business Activities and Admin	628.6	655.9	685.1	706.6	3.1
Real Estate	354.1	361.6	365.0	369.4	1.2
Health and Social Work	139.7	148.6	154.5	159.6	3.3
Producers of Government Services	300.0	308.3	320.6	331.1	3.3
Other Services	112.0	118.2	121.8	125.2	2.8
Taxes less Subsidies on Products	225.1	226.0	227.1	228.3	0.5
<b>GDP constant at purchasers prices</b>	<b>4,044.9</b>	<b>4,167.9</b>	<b>4,304.4</b>	<b>4,416.8</b>	2.6
Growth (%)	3.1	3.0	3.3	2.6	

Source: Economics and Statistics Office

\* 2018 figures are advance estimates based on key indicators; 2019 figures are projections.

The construction sector is projected to remain a key driver of growth in 2019 and over the medium term. Construction is forecasted to grow by 8.0 percent, 6.4 percent and 3.7 percent in 2019, 2020 and 2021. These projections assume the construction of three new hotel projects and proposed residential and commercial development projects, as well as the announced expansion of Health City, planned road works and the proposed construction of a waste-to-energy plant. Additionally, construction activities arising from other public sector projects such as the proposed George Town cruise berthing and cargo port project has the potential of bolstering the outlook for the sector. These projects will not only provide additional value to the construction sector; they are also

expected to facilitate the diversification of the service sectors in the economy over the long-term.

The financing and insurance sector is expected to continue its stable performance over the medium term, contingent mainly on growth in domestic lending associated with the projected pace of output. The sector, along with business services (mainly legal and accounting) could, however, be impacted by changes in regulation as the government seeks to adhere to international requirements, such as the economic substance requirement. The projected growth for the financing and insurance sector in 2019 is 1.5 percent, while business services are projected to grow by 3.1 percent.

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.

### **6.3 Domestic Inflation**

The consumer price index (CPI) inflation rate is forecasted at 2.9 percent in 2019, moderating slightly from the high observed in 2018. Gradual increases in the population level, coupled with increased demand are expected to drive the general price levels over the medium-term. Notwithstanding, stabilizing commodity prices and a slowdown in US inflation is expected to temper some inflationary pressures. Consequently, inflation is expected to slow to 1.8 percent and 1.9 percent in 2020 and 2021, respectively.

### **6.4 Domestic Labour Market**

The unemployment rate in 2019 is forecasted at 3.5 percent of the labour force, as the sharp rise in labour demand seen in 2018 is expected to be restrained by moderate growth in the labour-intensive sectors particularly accommodation and construction. The demand for labour is expected to track the GDP growth forecasts with increased 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 unemployment rate is expected to remain stable over the medium term at 3.5 percent and 3.6 percent in 2020 and 2021, respectively.

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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**

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**Table A1: Gross Domestic Product**

Year	Nominal GDP (CI\$M)	Real GDP 2015 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	3,523.0	3,861.2	52.0	73,104	4.6
2007	3,721.9	3,983.3	54.1	73,658	3.2
2008	3,821.7	3,969.1	56.0	70,880	-0.4
2009	3,568.0	3,683.3	56.5	65,183	-7.2
2010	3,464.0	3,583.3	55.5	64,540	-2.7
2011	3,488.4	3,625.2	55.3	65,846	1.2
2012	3,575.8	3,669.8	56.1	65,387	1.2
2013	3,671.5	3,716.7	56.2	66,088	1.3
2014	3,802.4	3,815.4	56.9	66,945	2.7
2015	3,923.5	3,923.5	59.1	66,438	2.8
2016	4,082.3	4,044.9	61.3	65,953	3.1
2017	4,284.7	4,167.9	63.1	66,036	3.0
2018	4,571.0	4,304.4	64.4	66,817	3.3

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
2018	104.2	104.5		3.3

Source: Cayman Islands Government, Economics and Statistics Office

**Table A3: Labour Force and Employment**

<b>Year</b>	<b>Labour Force</b>	<b>Total Employed</b>	<b>Total Unemployed</b>	<b>Unemployment Rate (%)</b>
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
2018	46,044	44,743	1,291	2.8

Source: Cayman Islands Government, Economics and Statistics Office

Note:

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

**Table A4: Composition of the Employed Labour Force**

<i>Year</i>	<b>Total</b>	<b>Caymanian</b>	<b>Permanent Resident WRW</b>	<b>Non-Caymanian</b>
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	4,537	14,979
2015	39,138	18,366	3,990	16,783
2016	40,411	18,525	4,404	17,482
2017	40,856	19,259	4,158	17,439
2018	44,887	20,751	3,843	20,292

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	Caymanian	Permanent Residents WRW	Non-Caymanian
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
2018	1,291	996	188	108

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**

<b>Year</b>	<b>Total</b>
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
2018	26,657

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

**Table A7: Merchandise Trade (CIS\$ Million)**

<b>Year</b>	<b>Imports</b>	<b>Exports</b>	<b>Trade Balance</b>
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)
2008R	898.7	27.1	(886.3)
2009R	744.5	23.0	(756.6)
2010R	690.4	20.3	(706.0)
2011R	759.5	30.6	(771.0)
2012R	758.5	32.4	(768.0)
2013R	816.6	42.8	(773.8)
2014R	852.9	40.1	(812.8)
2015R	821.9	54.0	(767.9)
2016R	852.6	48.1	(804.5)
2017R	914.8	32.2	(882.5)
2018P	1,058.6	32.3	(1,026.3)

<sup>R</sup> Revised

<sup>P</sup> Preliminary

Source: Cayman Islands Customs Department and ESO

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017R	2018
<b>Total Imports</b>	<b>744.5</b>	<b>690.4</b>	<b>759.5</b>	<b>758.5</b>	<b>816.6</b>	<b>852.9</b>	<b>821.9</b>	<b>852.6</b>	<b>914.8</b>	<b>1,058.6</b>
Food and Live Animals	90.8	113.2	119.0	127.4	138.9	162.5	166.8	171.5	175.0	188.0
Beverages and Tobacco	29.4	27.5	27.4	29.0	30.0	31.5	30.9	34.4	34.1	41.8
Inedible Crude Materials	9.3	8.9	9.3	8.9	9.9	11.2	12.5	14.5	16.4	17.3
Mineral Fuels, Lubricants and Related Materials	112.8	128.0	184.4	155.1	189.3	178.5	106.8	93.2	112.2	136.3
Animal and Vegetable Oils, Fats and Waxes	0.0	0.3	0.3	0.2	0.2	0.6	1.5	1.1	0.6	1.6
Chemicals and Related Products n.e.s.	26.6	31.5	32.3	36.9	38.4	39.8	39.3	43.5	54.8	74.1
Manufactured Goods (classified chiefly by material)	85.8	78.5	77.4	92.8	94.5	91.7	90.7	95.2	110.7	124.0
Machinery and Transport Equipment	92.6	97.9	108.3	116.1	117.3	126.9	147.1	171.2	193.1	213.7
Miscellaneous Manufactured Articles	226.2	134.5	131.2	131.0	120.9	131.9	114.2	116.4	185.0	223.3
Commodities and Transactions n.e.s.	70.9	70.2	69.9	61.3	77.2	78.2	112.0	111.6	33.1	38.4

<sup>R</sup> Revised

<sup>P</sup> Preliminary

n.e.s. - not elsewhere specified

Source: Cayman Islands Customs Department and ESO

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

	2013	2014	2015	2016	2017	2018
<b>Total Assets</b>	<b>5,888.4</b>	<b>4,932.4</b>	<b>5,898.0</b>	<b>6,155.3</b>	<b>7,285.9</b>	<b>7,374.5</b>
<b>Net Foreign Assets</b>	3,249.3	2,281.7	3,795.4	3,883.0	4,954.5	5,305.1
Monetary Authority	101.5	100.2	110.8	122.2	126.6	135.8
Commercial Banks	3,147.8	2,181.5	3,684.6	3,760.8	4,827.9	5,169.3
<b>Net Domestic Assets</b>	<b>2,639.1</b>	<b>2,650.7</b>	<b>2,102.5</b>	<b>2,272.3</b>	<b>2,331.3</b>	<b>2,069.4</b>
<b>Domestic Credit</b>	<b>2,974.7</b>	<b>2,971.2</b>	<b>2,981.2</b>	<b>3,083.9</b>	<b>3,188.5</b>	<b>3,066.3</b>
Claims on central Government	262.7	243.6	226.5	211.0	182.8	157.2
Claims on other public sector	75.2	70.1	70.0	64.0	55.5	50.1
Claims on private sector	2,636.8	2,657.5	2,684.7	2,809.0	2,950.2	2,859.1
<b>Other Items (net)</b>	(335.6)	(320.5)	(878.7)	(947.2)	(1,085.1)	(996.9)
<b>Broad Liquidity</b>	<b>5,888.4</b>	<b>4,932.4</b>	<b>5,898.0</b>	<b>6,155.3</b>	<b>7,285.9</b>	<b>7,374.5</b>
<b>Broad money (KYD) M2</b>	<b>1,106.6</b>	<b>1,209.1</b>	<b>1,394.5</b>	<b>1,534.3</b>	<b>1,649.8</b>	<b>1,737.6</b>
Currency in circulation	96.2	95.5	107.7	115.6	119.5	126.6
KYD Deposits	1,010.5	1,113.6	1,286.8	1,418.7	1,530.3	1,611.0
Demand Deposits	403.1	460.6	505.3	595.9	648.0	643.4
Time and savings deposits	607.4	653.0	781.6	822.8	882.3	967.6
<b>FOREX deposits</b>	<b>4,781.8</b>	<b>3,723.3</b>	<b>4,503.4</b>	<b>4,621.0</b>	<b>5,636.0</b>	<b>5,636.9</b>
Of which: US dollars	4,219.3	3,382.0	4,158.6	4,216.6	5,235.4	5,262.0

Source: Cayman Islands Monetary Authority and Economics &amp; Statistics Office

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

	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18
<b>Total</b>	<b>2,604.9</b>	<b>2,657.5</b>	<b>2,684.7</b>	<b>2,809.0</b>	<b>2,950.2</b>	<b>2,859.1</b>
<b>Credit to Businesses</b>	<b>807.0</b>	<b>819.6</b>	<b>827.3</b>	<b>907.6</b>	<b>884.1</b>	<b>717.4</b>
<b>Production &amp; Manufacturing</b>	<b>301.3</b>	<b>169.2</b>	<b>165.5</b>	<b>172.2</b>	<b>159.5</b>	<b>215.6</b>
Agriculture, Fishing and Mining	12.7	20.0	8.3	4.3	4.7	4.9
Manufacturing	20.5	14.1	18.7	19.6	14.1	13.8
Utilities	2.4	15.7	12.9	36.9	23.0	58.5
Construction	265.7	119.4	125.6	111.3	117.7	138.4
<b>Services</b>	<b>95.5</b>	<b>82.1</b>	<b>65.6</b>	<b>72.2</b>	<b>85.4</b>	<b>95.2</b>
Accommodation, Food, Bar & Entertainment Services	55.0	27.7	15.4	13.6	26.4	42.9
Transportation, Storage & Communications	18.5	17.4	17.4	19.4	24.1	23.4
Education, Recreational & Other Professional Services	22.0	37.1	32.8	39.2	34.9	28.9
<b>Trade and Commerce</b>	<b>410.3</b>	<b>465.4</b>	<b>483.9</b>	<b>525.6</b>	<b>578.6</b>	<b>363.3</b>
Wholesale & Retail Sales Trade	71.3	72.3	68.5	53.4	53.2	35.0
Real Estate Agents, Rental and Leasing Companies	140.7	211.9	211.7	194.6	132.0	145.2
Other Business Activities (General Business Activity)	198.2	181.3	203.7	277.6	393.4	183.1
<b>Other Financial Corporations</b>	<b>-</b>	<b>102.9</b>	<b>112.2</b>	<b>137.6</b>	<b>60.7</b>	<b>43.4</b>
<b>Credit to Households</b>	<b>1,797.9</b>	<b>1,821.6</b>	<b>1,843.1</b>	<b>1,882.7</b>	<b>1,992.5</b>	<b>2,063.1</b>
Domestic Property	1,537.6	1,524.9	1,553.6	1,600.9	1,719.8	1,780.9
Motor Vehicles	30.6	34.2	41.2	45.8	50.5	61.1
Education and Technology	5.2	6.0	6.3	5.9	6.4	5.8
Miscellaneous*	224.5	256.5	242.0	230.0	215.9	215.3
<b>NonProfit Organizations</b>	<b>-</b>	<b>16.3</b>	<b>14.3</b>	<b>18.7</b>	<b>73.6</b>	<b>78.6</b>

\*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
2006	291	767	7.1	8,134	12,277	111.5	1,225
2007	281	793	7.5	9,413	14,232	168.3	1,748
2008	278	805	7.7	9,870	11,861	167.7	1,579
2009	266	808	7.5	9,523	7,863	163.0	1,312
2010	246	768	8.7	9,438	8,157	145.7	1,113
2011	234	766	11.8	9,258	9,064	143.8	1,156
2012	222	768	11.8	10,841	8,971	166.5	1,157
2013	213	788	12.6	11,379	9,433	172.6	1,116
2014	198	788	12.1	11,010	11,010	169.3	1,066
2015	184	739	12.8	10,940	11,875	195.3	1,048
2016	159	741	14.6	10,586	11,174	195.6	1,022
2017	148	724	12.4	10,559	13,046	241.4	1,238
2018	133	730	15.4	10,992	16,326	310.2	1,699

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	
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	85	137	148
2018	8	3	11	46	76	122	133

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
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	586	139	760	788
2015	31	539	140	708	739
2016	29	536	147	711	740
2017	28	521	148	696	724
2018	27	525	149	703	730

Source: Cayman Islands Monetary Authority

**Table A14: Mutual Funds Domiciled in the Cayman Islands**

Year	Administered Funds	Licensed Funds	Registered Funds	Master Funds	Total
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
2018	317	75	7,654	2,946	10,992

Source: Cayman Islands Monetary Authority

**Table A15: New Companies Registered in the Cayman Islands**

<b>Year</b>	<b>Exempt</b>	<b>Non-Resident</b>	<b>Resident</b>	<b>Foreign</b>	<b>LLC</b>	<b>Total</b>
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
2018	13,893	15	729	761	928	16,326

Source: Companies Registrar

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

<b>Year</b>	<b>Stay-Over</b>	<b>Cruise</b>	<b>Total Arrivals</b>	<b>Cruise Ship Calls</b>
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
2018	463.0	1,921.1	2,384.1	636

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
2018	385.3	22.8	26.6	28.2	463.3

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 <sup>R</sup>	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
2018	2,070	855.8	220	287.9	2,290	1,143.7

Source: Cayman Islands Lands and Survey Department

<sup>R</sup> = 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
2018	54	191	17	4	0	5	451	722

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
2018	150.5	104.6	37.4	1.3	-	1.6	456.9	752.3

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
2018	15	2	-	2	1	-	38	57

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
2018	3.5	0.3	-	1.7	0.2	-	0.8	6.5

Source: Cayman Islands Planning Department

**Table A24: Building Permits in Grand Cayman**

Category	Number					Value, CI\$ Million				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Apartment/ Condo	45	65	49	81	119	72.3	41.6	71.1	62.5	59.8
Houses	252	223	236	255	260	99.6	96.5	84.9	107.8	92.5
Commercial	73	75	79	89	93	25.7	26.3	40.2	41.4	42.1
Government	9	7	16	8	16	5.9	6.3	11.6	0.2	14.0
Hotel	3	5	13	2	0	142.1	4.6	4.4	2.8	0
Industrial	3	7	6	5	2	0.2	1.4	3.9	3.6	0
Other	153	354	405	439	469	10.4	10.3	30.8	16.5	38.4
<b>Total</b>	<b>539</b>	<b>736</b>	<b>804</b>	<b>879</b>	<b>959</b>	<b>356.1</b>	<b>186.9</b>	<b>247.0</b>	<b>234.7</b>	<b>247.9</b>

Source: Cayman Islands Planning Department

**Table A25: Water Production and Consumption**

Millions of US Gallons

Year	Production <sup>1</sup>	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
2018	2,424.0	2,009.4

Source: Cayman Islands Water Authority, Cayman Water Company

<sup>1</sup> 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	654.4	312.8	302.1	6.9	621.8
2018	641.8	314.0	308.1	6.5	628.8

Source: Caribbean Utilities Company

\*Net generation/production is reported from 2007

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

Year	Total Revenue	Expense/ Current Expenditure	Investment in Non-Financial Assets	Total Expenditure	Current Balance	Overall Balance
2002	314.1	278.0	17.7	295.7	36.0	18.3
2003	326.2	283.7	21.5	305.2	42.5	21.0
2004	336.4	349.2	28.9	378.1	(13.2)	(42.1)
2005	428.6	381.8	48.5	430.3	41.2	(7.3)
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	521.4*	150.6	653.2	0.8	(131.0)
2009	473.7	535.6	141.7	655.7	(61.8)	(181.9)
2010	515.4	517.2	76.3	573.5	0.5	(55.8)
2011	545.8	525.1	98.3	602.7	20.8	(56.8)
2012	564.6	547.1	65.1	588.8	17.5	(24.2)
2013	635.1	553.7	37.0	564.6	81.4	70.5
2014	664.2	551.2	43.0	567.9	112.9	96.3
2015	672.7	545.0	42.9	555.8	127.7	116.8
2016	705.9	585.8	51.9	603.6	120.1	102.3
2017	753.2	586.4	69.4	623.0	166.7	130.2
2018	835.2	651.9	77.7	697.1	183.3	138.1

\*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**

Year	Disbursed Outstanding Debt	Drawings	Exchange (Gain)/ Loss	Amortisation	Interest Payments
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
2018	418.7	-	0.023	30.9	24.0

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**

	2012	2013	2014	2015	2016	2017	2018
<b>Revenue</b>	<b>564.6</b>	<b>635.1</b>	<b>664.2</b>	<b>672.7</b>	<b>705.9</b>	<b>753.2</b>	<b>835.2</b>
<b>Taxes</b>	<b>503.6</b>	<b>583.0</b>	<b>628.4</b>	<b>634.4</b>	<b>662.8</b>	<b>702.4</b>	<b>778.3</b>
Taxes on International Trade & Transactions	167.2	173.3	177.9	172.0	174.3	178.0	199.1
Taxes on Goods & Services	296.6	377.3	408.6	407.6	425.2	451.0	474.7
Taxes on Property	36.7	31.3	41.6	41.1	58.7	69.7	83.0
Other Taxes	3.1	1.2	0.3	13.8	4.6	3.7	21.5
<b>Other Revenue</b>	<b>61.0</b>	<b>52.1</b>	<b>35.8</b>	<b>38.2</b>	<b>43.2</b>	<b>50.7</b>	<b>56.9</b>
Sale of Goods & Services	55.0	48.9	33.0	34.7	36.0	40.0	39.9
Property Income	0.3	1.1	0.8	1.0	3.5	7.1	12.2
Fines, Penalties and Forfeits	1.3	1.6	1.6	2.1	3.2	2.6	2.7
Transfers n.e.c.	4.4	0.4	0.4	0.3	0.4	1.0	2.1
<b>Expenditure</b>	<b>588.8</b>	<b>564.6</b>	<b>567.9</b>	<b>555.8</b>	<b>603.6</b>	<b>623.0</b>	<b>697.1</b>
<b>Expense</b>	<b>547.1</b>	<b>553.7</b>	<b>551.2</b>	<b>545.0</b>	<b>585.8</b>	<b>586.4</b>	<b>651.9</b>
Compensation of Employees	226.5	235.7	244.8	243.8	254.5	273.6	281.7
Use of Goods and Services	94.1	86.8	93.1	83.8	93.6	86.7	97.6
Subsidies	131.7	137.0	126.7	125.2	137.8	133.1	167.5
Social Benefits	30.5	32.3	27.6	27.5	32.4	29.9	36.2
Consumption of Fixed Capital	23.4	26.1	26.3	32.1	34.2	32.8	32.5
Interest	33.8	31.8	29.2	28.0	27.1	25.6	24.0
Other Expense	7.1	4.0	3.5	4.5	6.2	4.8	12.5
<b>Gross Investment in Non-Financial Assets</b>	<b>65.1</b>	<b>37.0</b>	<b>43.0</b>	<b>42.9</b>	<b>51.9</b>	<b>69.4</b>	<b>77.7</b>
Capital Investment in Ministries and Portfolios	37.6	9.5	10.9	14.8	18.9	9.6	20.2
Capital Investment in Statutory Authorities and Government Owned Companies	20.8	19.2	26.8	19.6	22.3	43.8	31.5
Executive Assets	8.4	8.1	5.8	8.9	12.1	15.5	24.8
Net Lending	-1.7	0.1	-0.6	-0.4	-1.4	0.5	1.2
<b>Net Investment in Non-Financial Assets</b>	<b>41.7</b>	<b>10.9</b>	<b>16.6</b>	<b>10.9</b>	<b>17.8</b>	<b>36.5</b>	<b>45.3</b>
Consumption of Fixed Capital	23.4	26.1	26.3	32.1	34.2	32.8	32.5
<b>Primary Balance (Overall Balance w/o Interest Payments)</b>	<b>9.6</b>	<b>102.3</b>	<b>125.5</b>	<b>144.9</b>	<b>129.5</b>	<b>155.8</b>	<b>162.1</b>
<b>Net Operating Balance</b>	<b>17.5</b>	<b>81.4</b>	<b>112.9</b>	<b>127.7</b>	<b>120.1</b>	<b>166.7</b>	<b>183.3</b>
<b>Net Lending (+)/Net Borrowing (-)</b>	<b>(24.2)</b>	<b>70.5</b>	<b>96.3</b>	<b>116.8</b>	<b>102.3</b>	<b>130.2</b>	<b>138.1</b>
<b>Financing:</b>							
Net Acquisition of Financial Assets	-53.5	54.2	61.3	93.3	72.4	95.4	107.2
Net Incurrence of Liabilities	-25.9	-16.5	-33.9	-22.8	-27.1	-34.8	-30.9
Incurrence (Disbursement)	0.0	10.0	0.0	0.0	0.0	0.0	0.0
Reduction (Loan Repayment)	25.9	26.5	33.9	22.8	27.1	34.8	30.9

Source: Economics &amp; Statistics Office and Treasury Department