



CAYMAN ISLANDS  
GOVERNMENT



THE CAYMAN ISLANDS'  
**FIRST**  
**QUARTER**  
**ECONOMIC**  
**REPORT**  
**2017**



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## Overview\*

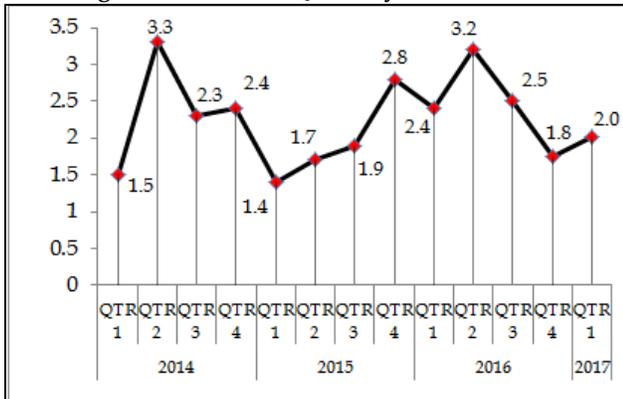
- Gross domestic product (GDP) in real terms was estimated to have expanded at an annualised rate of 2.0% for the first three months of 2017. The forecast GDP growth for the year is placed at 2.1%.
- The Consumer Price Index increased by 1.7% mainly due to higher price indices for housing rentals, and hotels.
- Total merchandise imports fell by 2.0% to \$207.8 million as non-oil related imports decreased.
- Current work permits increased by 5.9% to total 24,227. Civil service employment rose by 66 persons, with Caymanian staff increasing by 29 and non-Caymanian staff by 37.
- Money supply (M2) expanded by 2.3% due to higher CI dollar-denominated deposits. Foreign currency deposit holdings by residents declined during the period.
- Domestic credit expanded anew by 0.1% as credit to the private sector increased by 1.2% while public sector borrowings contracted by 10.4%.
- The weighted average lending rate fell to 7.05% from 7.18%, and the prime lending rate increased to 3.92% from 3.5%.
- Bank and trust company licences decreased by 11.7% and insurance licences fell by 1.3%.
- Mutual funds, including “master funds”, recorded a decline of 4.6%.
- The number of listings in the Stock Exchange declined by 4.1% while market capitalization increased by 6.4% to US\$210.1 billion.
- New company registrations rose by 7.9% to 3,145 and new partnership registrations increased by 2.4% to 914.
- Cruise passengers fell by 6.4% while air arrivals fell by 1.4%.
- The value of building permits fell by 18.8% while project approvals rose by 101.1%.
- The value of property transfers declined to CI\$248.9 million from the record high of CI\$308.7 million in 2016.
- Electricity and water consumption rose by 0.8% and 14.1% respectively.
- The central government’s overall fiscal surplus decreased to \$178.1 million compared with \$180.8 million a year ago.
- The total outstanding debt of the central government declined to \$481.3 million from \$508.4 million a year ago.

\*Comparative data over the first quarter of 2016, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off.

## 1. GDP Growth

The Cayman Islands’ real GDP is estimated to have grown at an annualised rate of 2.0% in the first quarter of 2017 compared to a year ago. This represents a deceleration in economic activity relative to the 2.4% GDP growth in the first quarter of 2016 (Figure 1).

Figure 1: Estimated Quarterly GDP Growth

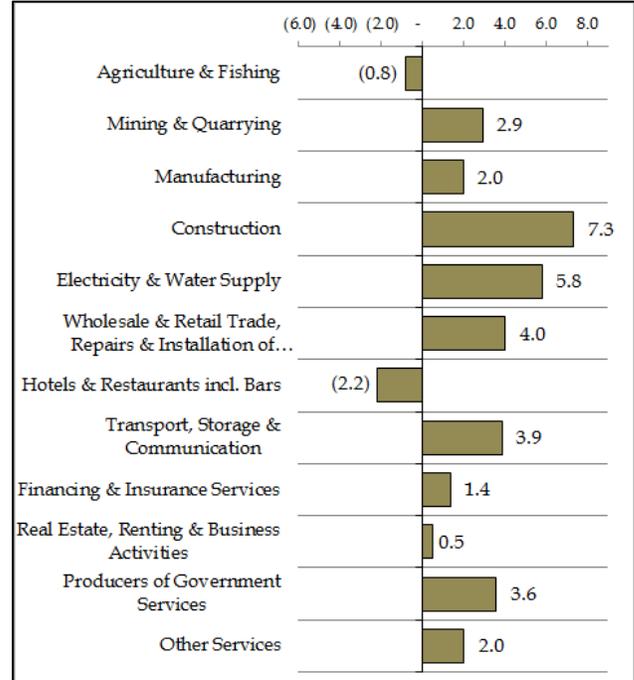


Source: Economics and Statistics Office

Economic expansion during the quarter, was led by growth in construction (7.3%); electricity and water supply (5.8%) and wholesale and retail trade, repair and installation of machinery (4.0%) (see Figure 2). The impact of these increases were partly offset by declines in economic activities of the hotels and restaurants sector (2.2%) and agriculture and fishing (0.8%).

The financial services sector, which remains the largest contributor to GDP, has an estimated growth of 1.4%.

Figure 2: Estimated First Quarter 2017 Annualised GDP Growth by Sector (%)



Source: Economics and Statistics Office

The economic performance in the first quarter is consistent with the macroeconomic outlook for the calendar year 2017 (see Table 1). Economic output is projected to expand by 2.1% in 2017 with growth expected in most sectors led by construction, business and other services, and financing and insurance.

Table 1: Macroeconomic Performance and Outlook as at March 2017

	2015	2016	Projection 2017
	Percent (%)		
Real GDP Growth*	2.8	2.7	2.1
CPI Inflation	(2.3)	(0.6)	1.8
Unemployment Rate	4.2	4.2	4.3

\* Real GDP for 2016 is a preliminary estimate

Source: Economics and Statistics Office

Demand for construction services is expected to be boosted further by the initiation of certain projects in the latter half of the year such as the Ironwood development project and the Stone Island housing project among others. These initiatives are expected to be complimented by on-going projects such as the expansion of the Esterley Tibbetts Highway, the Owen Roberts International Airport and the completion of private sector development projects.

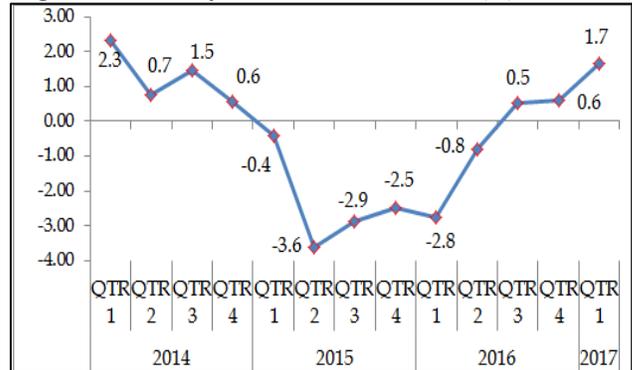
The consumer price index (CPI) inflation rate is forecasted to be higher at 1.8% in 2017. This is expected to be driven by rising crude oil prices in the international market. Inflationary pressure is also expected from higher demand for goods and services associated with the recent increase in population.

## 2. Inflation<sup>1</sup>

Average prices continued to recover in the first quarter of 2017, a continuation of the increases observed in the last two quarters. The Consumer Price Index (CPI) as at March 2017 stood at 103.1, 1.7% higher when compared to March 2016. The general rise in prices resulted from both food and non-food price movements, albeit with stronger pressures from non-food prices.

<sup>1</sup> A detailed CPI report is posted at [www.eso.ky](http://www.eso.ky)

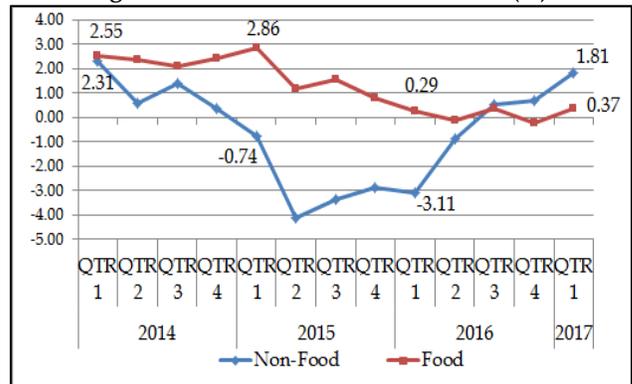
**Figure 3: Quarterly Year-on-Year Inflation (%)**



Source: Economics and Statistics Office

On average, prices for food and non-alcoholic beverages increased by 0.4%, marginally higher than the 0.3% recorded in the corresponding period of 2016. The overall food price index was partly driven by price increases for fish and seafood (up by 10.0%); milk, cheese and egg (up by 5.5%); and mineral water, soft drinks, fruit and vegetable juices (up by 3.9%).

**Figure 4: Food and Non-food Inflation (%)**



Source: Economics and Statistics Office

Non-food inflation continued to expand, led by the housing and utilities price index which rose by 2.8%, mainly on account of increases in actual rent by 5.0% and imputed rentals of owner-occupied housing by 3.9%. The impact of these increases was partly offset by reductions in the cost of

water supply, and electricity, gas, and other fuels which declined by 7.2% and 1.7%, respectively. However, there was a slowdown in the pace of decline in both categories as the cost of fuel in the international market increased when compared to the same period a year ago.

**Table 2: Inflation Rates by Categories**

Categories	Avg. Inflation Rates	
	2016	2017
Food & Non-alcoholic Beverages	0.3	0.4
Alcohol and Tobacco	0.6	1.6
Clothing and Footwear	2.0	4.7
Housing and Utilities	-8.8	2.8
Household Equipment	-0.4	0.3
Health	0.0	-0.3
Transport	-6.7	1.8
Communication	2.3	2.8
Recreation and Culture	-0.6	2.9
Education	2.6	1.2
Restaurants and Hotels	0.0	9.0
Misc. Goods and Services	3.8	-2.8
<b>Overall CPI Inflation</b>	<b>-2.8</b>	<b>1.7</b>

Source: Economics and Statistics Office

The transport index expanded by 1.8% during the quarter as increases in crude oil prices were transmitted into the price of fuels and lubricants. Average prices of transport services and passenger transport by air also increased during the quarter as compared to the same quarter in 2016.

Price increases was also observed for restaurants and hotels (up by 9.0%), recreation and culture (up by 2.9%), and communication (up by 2.8%).

Miscellaneous goods and services and health were the only divisions to reflect

price declines in the quarter when compared to same period of 2016.

### 3. Trade<sup>2</sup>

Merchandise imports decreased by 2.0% (or \$4.3 million) to \$207.8 million in the first quarter of 2017 compared with the first quarter of 2016 (see Figure 5). The fall in imports is traced to non-oil imports as oil-related imports recovered sharply.

**Figure 5: Merchandise Imports (Jan-Mar)**



Source: Customs Department and ESO

The importation of non-petroleum products decreased by 6.1% (or \$12 million) in the first quarter of 2017 to \$184.9 million. The single commodity that contributed to this decline is gold bullion, which dropped in total value by \$13.1 million. Machinery and transport equipment also declined by 4.9% (or \$2.3 million).

In contrast, importation of food and live animals which makes up the largest category of imports, rose in the first quarter

<sup>2</sup> A detailed trade report is posted at [www.eso.ky](http://www.eso.ky)

of 2016 by 4.0% (or \$1.7 million) compared to a year ago.

The value of petroleum and related products rose by 50.4% (or \$7.7 million) to \$23.0 million for January–March 2017. This expansion reflected increases in both the price and quantity of imports. The increase in fuel price resulted from higher crude oil prices on the global market while the rise in quantity may have stemmed from higher local demand. The quantity of fuel imports increased by 6.6% to 12.6 million imperial gallons.

The total tonnage of landed cargo increased by 2.9% to 66,118 tonnes as depicted in Figure 6.

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

	2015	2016	2017	% Change
Millions of Imperial Gallons				
<b>Total Fuel</b>	<b>12.2</b>	<b>11.8</b>	<b>12.6</b>	6.6
Diesel	7.2	7.1	8.3	17.2
Gas	2.9	2.2	2.9	29.5
Aviation Fuel	1.7	1.8	1.0	(42.9)
Propane	0.4	0.7	0.4	(46.5)

Source: Cayman Islands Port Authority

**Figure 6: Total Tonnage of Cargo (Jan-Mar)**



Source: Cayman Islands Port Authority

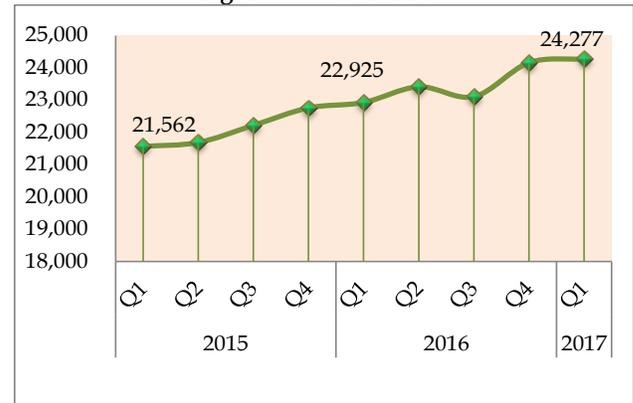
## 4. Labour Market Indicators

The first three months of the year showed a marginally higher demand for expatriate labour relative to the same period of 2016. There was also a rise in civil service employment for the period.

### 4.1. Work Permits

The local demand for foreign labour maintained an upward trend in the first quarter of 2017, as work permits increased by 5.9% to 24,227 in the review period. This increase translated into an additional 1,352 work permits compared to the same quarter in 2016.

**Figure 7: Work Permits**



Sources: Immigration Department & ESO

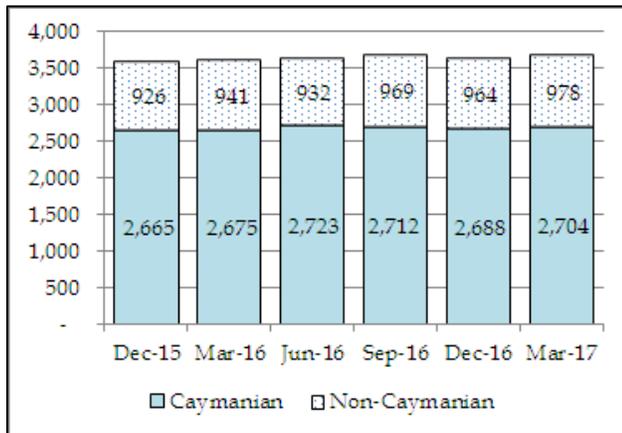
On a quarterly basis, work permits increased by 0.5% compared to the December 2016 quarter.

### 4.2. Public Sector Employment

The civil service employment totalled 3,682 persons in the review period, which translated to 66 additional persons relative to the first quarter of the previous year.

The number of Caymanian civil servants increased by 29 to 2,704, while non-Caymanian civil servants increased by 37 to 978.

**Figure 8: Civil Service Employment**



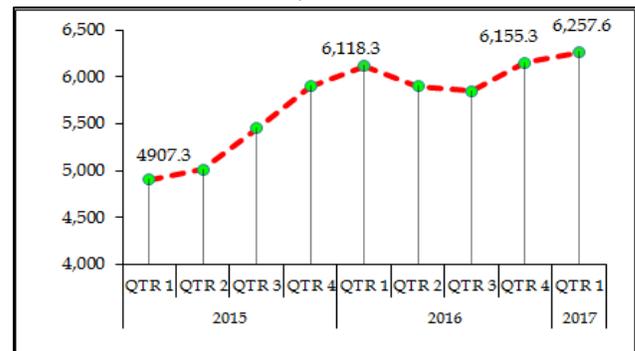
Source: Portfolio of the Civil Service

## 5. Money & Banking

For the first quarter of 2017, local currency (KYD) deposits increased by 11.7% leading to an expansion in broad liquidity (M2) of 2.3% to settle at \$6,257.6 million (see Figure 9 and Table 4). In contrast, there was a 0.4% decline in foreign currency deposits for the period.

The increase in M2, which also represents the liabilities of the monetary and banking sector, was matched by an increase in net foreign assets and a decline in net domestic assets.

**Figure 9: Total Money Supply (M2) in CI\$ millions**



Source: Cayman Islands Monetary Authority & ESO

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

	Mar-16	Mar-17	% Change
<b>Total Assets</b>	6,118.3	6,257.6	2.3
<b>Net Foreign Assets</b>	4,114.5	4,293.2	4.3
Monetary Authority	108.2	116.4	7.6
Commercial Banks	4,006.3	4,176.8	4.3
<b>Net Domestic Assets</b>	2,003.8	1,964.4	(2.0)
Domestic credit	2,954.6	2,957.4	0.1
Claims on central government	224.3	207.3	(7.6)
Claims on other public sector	69.0	55.5	(19.5)
Claims on private sector	2,661.4	2,694.5	1.2
Other items net	(950.8)	(993.0)	4.4
<b>Broad Liquidity</b>	6,118.3	6,257.6	2.3
Broad money (KYD) M2	1,432.2	1,592.2	11.2
Currency in circulation	104.7	109.5	4.6
<b>KYD Deposits</b>	1,327.5	1,482.7	11.7
Demand deposits	533.9	589.7	10.4
Time and savings deposits	793.6	893.0	12.5
FOREX deposits	4,686.1	4,665.4	(0.4)
of which: US dollars	4,284.4	4,231.1	(1.2)
<i>US dollars share (%)</i>	91.4	90.7	

Source: Cayman Islands Monetary Authority & ESO

**5.1. Net Foreign Assets (NFA).** As at the end of March 2017, net foreign assets of the Cayman Islands Monetary Authority and domestic commercial banks were higher by 7.6% and 4.3%, respectively (see Table 5).

The higher NFA among commercial banks reflected stronger growth in foreign assets relative to the growth in foreign liabilities. Foreign assets expanded by 2.6% while foreign liabilities rose by 1.1%. Among the assets, balances with banks and branches increased by 16.5% while non-resident loans and total investment declined by 6.4% and 2.5%, respectively.

With regards to foreign liabilities, a 1.3% increase in non-resident deposits outweighed a 2.3% fall in other liabilities.

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

	Mar-16	Mar-17	% Change
<b>Net Foreign Assets</b>	<b>4,114.5</b>	<b>4,293.2</b>	<b>4.3</b>
Monetary Authority	108.2	116.4	7.6
Commercial Banks	4,006.3	4,176.8	4.3
<b>Foreign Assets</b>	<b>8,516.3</b>	<b>8,736.5</b>	<b>2.6</b>
Bal. with Banks & Branches	2,903.9	3,383.2	16.5
Total Investment	2,603.3	2,537.9	(2.5)
Total Non-Resident Loans	3,009.0	2,815.5	(6.4)
<b>Foreign Liabilities</b>	<b>4,510.0</b>	<b>4,559.7</b>	<b>1.1</b>
Total Non-Resident Deposits	4,296.3	4,351.1	1.3
Other Liabilities	213.6	208.6	(2.3)

Source: Cayman Islands Monetary Authority & ESO

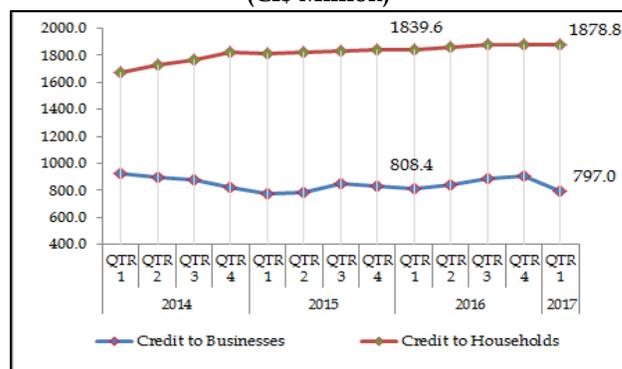
**5.2. Net Domestic Credit.** Domestic credit continued to be driven by expansions in private sector credit during the review period. Net domestic credit increased by 0.1% as loans to the private sector rose by 1.2% while public sector indebtedness in the local market continued on its downward trajectory, this time falling by 10.4%.

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

	Mar-16	Mar-17	% Change
<b>Domestic Credit</b>	<b>2,954.6</b>	<b>2,957.4</b>	<b>0.1</b>
Credit to Central Government	224.3	207.3	(7.6)
Credit to Other Public Sector	69.0	55.5	(19.5)
Credit to Private Sector	2,661.4	2,694.5	1.2

Source: Cayman Islands Monetary Authority & ESO

An expansion in credit to households of 2.1% to CI\$1,878.8 million was the main driver of private sector credit during the period (see Figure 10). Of these, loans for domestic properties and motor vehicles obtained the largest share of new loans (see Table 7).

**Figure 10: Credit to Business and Households (CI\$ Million)**


Source: Cayman Islands Monetary Authority & ESO

Credit to the business sector declined by 1.4% in the review quarter after three consecutive quarters of growth. A reduction in lending to other financial corporations by CI\$43.0 million (39.1%) was the main source of the decline in business lending.

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

	Mar-16	Mar-17	% Change
<b>Total Private Sector Credit</b>	<b>2661.3</b>	<b>2694.5</b>	<b>1.2</b>
<b>Credit to Businesses</b>	<b>808.4</b>	<b>797.0</b>	<b>(1.4)</b>
<b>Production &amp; Manufacturing</b>	<b>146.8</b>	<b>145.5</b>	<b>(0.9)</b>
Mining	4.3	4.8	11.6
Manufacturing	18.0	19.3	7.2
Utilities	12.3	17.1	38.9
Construction	112.2	104.3	(7.0)
<b>Services</b>	<b>74.3</b>	<b>73.8</b>	<b>(0.7)</b>
Accommodation, Food, Bar & Entertainment Services	14.7	14.3	(2.9)
Transportation, Storage & Communications	18.4	20.5	11.2
Education, Recreational & Other Professional Services	41.2	39.0	(5.3)
<b>Trade and Commerce</b>	<b>477.2</b>	<b>510.7</b>	<b>7.0</b>
Wholesale & Retail Sales Trade	99.1	50.2	(49.3)
Real Estate Agents, Rental and Leasing Companies	163.6	194.0	18.6
Other Business Activities (General Business Activity)	214.5	266.5	24.2
<b>Other Financial Corporations</b>	<b>110.0</b>	<b>67.0</b>	<b>(39.1)</b>
<b>Credit to Households</b>	<b>1839.6</b>	<b>1878.8</b>	<b>2.1</b>
Domestic Property	1556.4	1606.1	3.2
Motor Vehicles	43.2	46.5	7.8
Education and Technology	5.8	5.8	1.1
Miscellaneous*	234.3	220.4	(5.9)
<b>NonProfit Organizations</b>	<b>13.4</b>	<b>18.7</b>	<b>39.6</b>

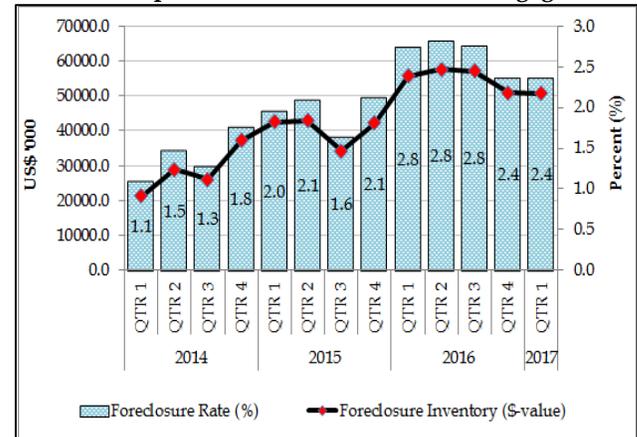
Source: Cayman Islands Monetary Authority & ESO

### 5.3. Residential Mortgage Foreclosures.

At end-March 2017, data from CIMA shows that there were 177 properties in the local commercial banks' foreclosures inventory amounting to US\$50.8 million. This represented a decrease compared to the 196 properties valued at US\$55.6 million in the comparative period in 2016.

The first quarter foreclosure rate (foreclosure inventory over total residential mortgages) also declined from 2.8% in 2016 to 2.4% in 2017.

Figure 11: Residential Mortgages Foreclosures Inventory and Proportion to Total Residential Mortgages



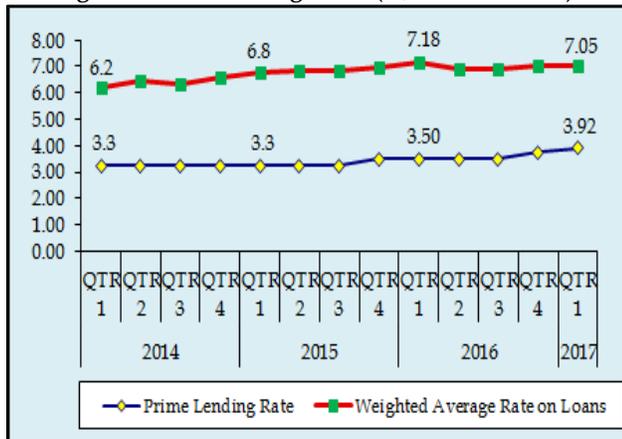
Source: Cayman Islands Monetary Authority & ESO

**5.4. Broad Liquidity/Money Supply.** As at the quarter ended March 2017, broad liquidity (M2) in the Cayman Islands reached \$6,257.6 million, 2.3% higher than the same period last year. This expansion directly emanated from higher local currency denominated money supply as foreign currency-denominated declined.

Local currency money supply increased by 11.2% for the review period, stemming from an increase in residents' deposits and currency in circulation.

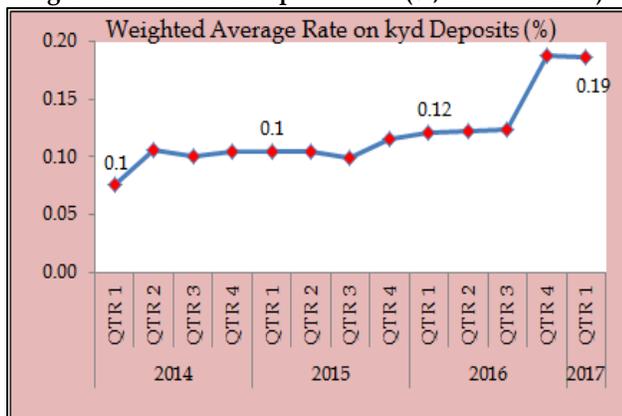
Foreign currency deposits fell marginally by 0.4% over the twelve-month period as residents' holding of US dollar-denominated deposits was lower by 1.2%.

**5.5. Interest Rates.** The Cayman Islands' prime lending rate increased to 3.92% while the weighted average lending rate on KYD fell by 14 basis points from 7.18% in the first quarter of 2016 to 7.05%.

**Figure 12: CI\$ Lending Rates (% , End of Period)**


Source: Cayman Islands Monetary Authority & ESO

The weighted average KYD deposit savings rate stood at 0.19% for the first quarter of 2017, slightly higher than a year ago, as depicted in Figure 13.

**Figure 13: CI Dollar Deposit Rates (% , End of Period)**


Source: Cayman Islands Monetary Authority & ESO

## 6.1 Banks & Trust

The Cayman Islands' banking and trust license environment continued to be impacted by efforts to improve efficiencies and operational risk management.

As at March 2017, the number of licenced bank and trust companies declined by 11.7%, moving from 179 to 158.

The number of Class 'A' bank & trust licences remained at 11 while the number of foreign banks or Class 'B' licences decreased by 21 to 147.

**Table 8: Bank and Trust Companies**

	Mar 2015	Mar 2016	Mar 2017	% Change
<b>Bank and Trust</b>	<b>195</b>	<b>179</b>	<b>158</b>	<b>(11.7)</b>
Class A	12	11	11	-
Class B	183	168	147	(12.5)
<b>Trust Companies</b>	<b>113</b>	<b>119</b>	<b>118</b>	<b>(0.8)</b>
Restricted	63	62	61	(1.6)
Unrestricted	50	57	57	-

Source: Cayman Islands Monetary Authority

The number of trust company licences decreased from 119 to 118 for the first quarter of 2017. This decline was attributable to a reduction in 'restricted' licences, while 'unrestricted' licences was unchanged for the period.

## 6. Financial Services

The financial services sector displayed mixed performance in the first quarter of the year. While registration of new companies and new partnerships expanded, all other services recorded declines.

**Figure 14: Percentage Proportion of Banks by Region of Origin as at March 2017**


Source: Cayman Islands Monetary Authority

Europe, South America and the USA continued to be the leading sources of Cayman's banking licences, accounting for 22.8%, 22.2% and 15.8% of the total, respectively. The remaining licences originated from the Caribbean & Central America (13.3%), Asia & Australia (12.7%), Canada & Mexico (10.1%), and the Middle East & Africa (3.2%).

## 6.2 Insurance

The number of insurance licences totalled 732 at the end of March 2017, a decline from 742 at the end of March 2016.

Class 'A' licences, which represents insurers operating in the domestic market, remained unchanged at 29. In contrast, captive licences fell by 1.4% to 703 from 713. Within captives, a 1.7% decline in Class 'B' licences accounted for the overall contraction in this category. Class 'C' licences remained unchanged at 25 while Class 'D' licences increased by 2 to 3.

**Table 9: Insurance Companies**

	Mar 2015	Mar 2016	Mar 2017	% Change
Domestic - Class 'A'	28	29	29	-
Captives	761	713	703	(1.4)
Class 'B'	727	687	675	(1.7)
Class 'C'	33	25	25	0.0
Class 'D'	1	1	3	200.0
<b>Total</b>	<b>789</b>	<b>742</b>	<b>732</b>	<b>(1.3)</b>

Source: Cayman Islands Monetary Authority

The primary classes of business within the captive insurance market continued to be Healthcare and Workers' Compensation, which accounted for 32.6% and 21.2% of the market, respectively.

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

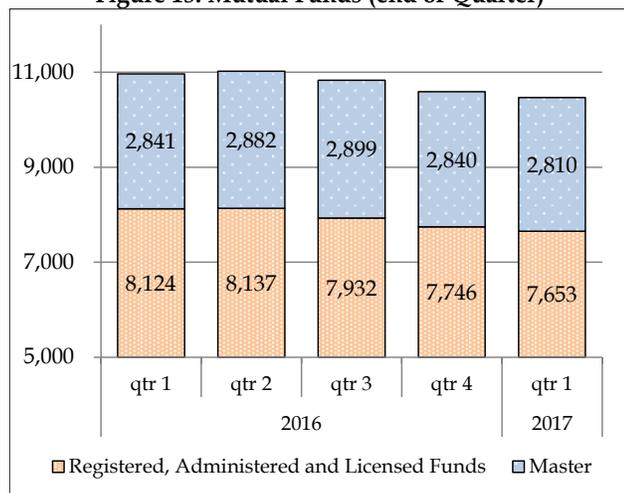
	Licences	%
Healthcare	229	32.6
Workers' Compensation	149	21.2
Property	68	9.7
General Liability	81	11.5
Professional Liability	61	8.7
Other	115	16.4
<b>Total</b>	<b>703</b>	<b>100.0</b>

Source: Cayman Islands Monetary Authority

By risk location, North America remained the dominant region with 89.8% (631) of the captive insurance business.

## 6.3 Mutual Funds

The number of mutual funds decreased by 4.6% to 10,463 at the end of March 2017 relative to the end of March 2016. This reflected declines of 5.8% to 7,653 in Registered, Administered & Licenced Funds and 1.1% to 2,810 in Master Funds.

**Figure 15: Mutual Funds (end of Quarter)**


Source: Cayman Islands Monetary Authority

## 6.4 Stock Exchange

The number of stocks listed on the Cayman Islands Stock Exchange decreased by 4.1% to 1,020 as at March 2017. Five of the seven instruments recorded declines while one declined and one remained unchanged. Specialist debt registered the largest absolute reduction, decreasing by 61 listings to 502. In contrast, sovereign debt security exhibited a sharp increase by 50 to reach 247.

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

Instrument	2015	2016	2017
Investment Fund	280	251	233
Specialist Debt	573	563	502
Sovereign Debt Security	157	197	247
Primary Equity	7	7	3
Secondary Equity	1	1	1
Insurance Linked Security	56	43	33
Retail Debt	2	2	1
<b>Total</b>	<b>1,076</b>	<b>1,064</b>	<b>1,020</b>

Source: Cayman Islands Stock Exchange

Market capitalization increased by US\$12.6 billion (or 6.4%) to US\$210.1 billion as at March 2017. The growth in market capitalization reflected increases in all instruments except corporate and sovereign debt securities and insurance linked securities.

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

Instruments	2015	2016	2017
Investment Fund	9.3	9.3	9.8
Specialist Debt	80.8	83.9	99.2
Corporate & Sovereign			
Debt Security	76.7	98.1	95.5
Primary Equity	0.3	0.2	0.3
Secondary Equity	0.1	0.1	0.1
Insurance Linked Security	7.2	5.9	4.9
Retail Debt	0.0	0.0	0.4
<b>Total</b>	<b>174.5</b>	<b>197.5</b>	<b>210.1</b>

Source: Cayman Islands Stock Exchange

## 6.5. Company Registrations

New company registrations for January–March 2017 totalled 3,145, an increase of 7.9% compared with the similar period in 2016. The increase for the period was in contrast to a decline of 7.9% in 2016.

The higher number of registrations was attributable to respective increases of 2.6% and 36.6% in ‘Exempt’ (the largest category) and ‘Resident’ companies. Conversely, there were declines of 64.3% and 8.1% in ‘Non-Resident’ and ‘Foreign’ new company registrations, respectively.

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

	2015	2016	2017
<b>Total</b>	<b>3,166</b>	<b>2,915</b>	<b>3,145</b>
Exempt	2,870	2,594	2,661
Non-Resident	14	14	5
Resident	130	134	183
Foreign	152	173	159
LLC	-	-	137
<b>Percentage Change (%)</b>			
<b>Total</b>	<b>16.5</b>	<b>(7.9)</b>	<b>7.9</b>
Exempt	17.3	(9.6)	2.6
Non-Resident	75.0	-	(64.3)
Resident	7.4	3.1	36.6
Foreign	6.3	13.8	(8.1)
LLC	-	-	-

Source: Registrar of Companies

## 6.6. Partnerships

During the review period, there were 914 new partnership registrations, an increase of 2.4% relative to the March 2016 quarter. This improvement sustained the uptrend observed in prior years, albeit it represents a slowdown compared to increases of 8.8% in 2016 and 27.1% in 2015.

**Table 14: New Partnership Registrations (Jan-Mar)**

	2015	2016	2017
<b>Total</b>	<b>821</b>	<b>893</b>	<b>914</b>
Exempt	804	874	896
Foreign*	17	19	18
<b>Percentage Change (%)</b>			
<b>Total</b>	<b>27.1</b>	<b>8.8</b>	<b>2.4</b>
Exempt	24.5	8.7	2.5
Foreign*	-	11.8	(5.3)

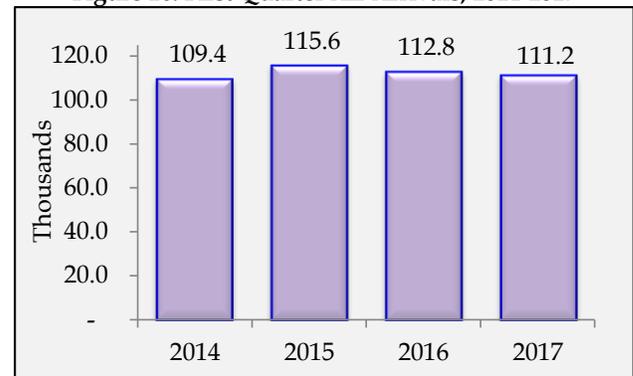
Source: Registrar of Companies

## 7. Tourism

Tourism services declined for the first three months of 2017, reflecting contractions in both stay-over and cruise arrivals.

### 7.1. Air Arrivals

Air arrivals contracted by 1.4% to 111,237 for the first quarter of 2017. The decline occurred on the backdrop of a similar reduction in the corresponding period of 2016.

**Figure 16: First Quarter Air Arrivals, 2014-2017**


Source: Department of Tourism

The contraction in arrivals is traced to the European and other global markets, which contracted by 24.5% and 5.2%, respectively. Notably, the currencies of these markets weakened against the US dollar (and hence against the CI dollar) which may have impacted the price competitiveness of the Cayman Islands.

In contrast, arrivals from Canada and the USA increased by 4.1% and 0.5%, respectively.

Table 15: First Quarter Air Arrivals by Origin

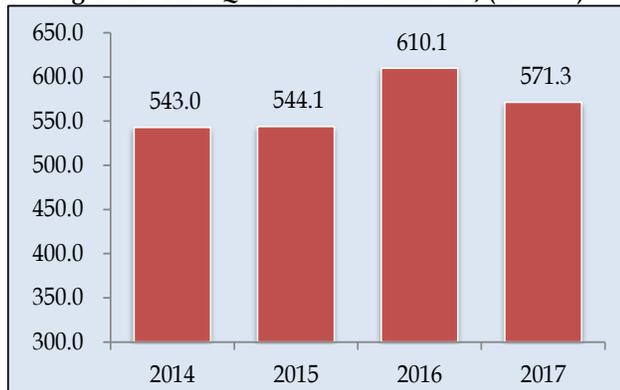
	2014	2015	2016	2017	% Change
In Thousands					
USA	84.0	88.9	89.4	89.8	0.5
Europe	9.0	9.6	8.5	6.4	(24.5)
Canada	10.3	10.1	9.3	9.7	4.1
Others	6.1	7.0	5.6	5.3	(5.2)
<b>Total</b>	<b>109.4</b>	<b>115.6</b>	<b>112.8</b>	<b>111.2</b>	<b>(1.4)</b>
of which:	76.7	76.9	79.3	79.0	

Source: Cayman Islands Department of Tourism

## 7.2. Cruise Arrivals

Cruise arrivals declined by 6.4% to 571,313, following a strong growth in the previous year. This decrease resulted from a fall-off in the number of cruise ship calls, which declined from 224 to 209. Similarly, total cruise passengers per day also contracted by 431 visitors to 6,347.

Figure 17: First Quarter Cruise Arrivals, (in 000's)



Source: Department of Tourism

## 8. Construction

Construction intention indicators remained mixed during the first quarter of 2017. Building permits declined in value while project approvals increased.

## 8.1. Building Permits

Building permit values declined further by 18.8% to \$29.0 million in the first quarter of 2017 when compared to a year ago, recording the lowest level in four years. This is traced to declines in both the total number of permits and the average value of buildings (see Tables 16 and 17).

Table 16: Building Permits (Jan-Mar)

	2015	2016	2017	% Change
Millions CI\$				
Houses	25.7	24.6	19.8	(19.8)
Apartments	6.3	2.7	0.9	(65.1)
Commercial	3.8	2.7	1.6	(39.6)
Government	0.4	-	-	-
Industrial	0.5	1.9	2.0	3.7
Hotel	6.8	-	2.8	-
Other	1.7	3.8	1.9	(48.9)
<b>Total</b>	<b>45.1</b>	<b>35.8</b>	<b>29.0</b>	<b>(18.8)</b>

Source: Planning Department

In the residential sector, the housing and apartment categories fell to a value of \$20.7 million. This was due to a sharp decline in the apartment category of 65.1% coupled with a 19.8% fall in the houses category.

Non-residential permit values were influenced by weaker building intentions in the commercial category (down by 39.6%) and continued absence of government permits.

Similar to the decline in value, the number of building permits issued fell by 17.8% for the review period. Given this reduction, the data suggests a slightly lower average

value of permits (\$184,713) compared to the first quarter of 2016 (\$187,435)

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

	%			
	2015	2016	2017	Change
Houses	56	58	57	(1.7)
Apartments	13	8	9	12.5
Hotels	3	-	2	-
Commercial	12	22	14	(36.4)
Government	2	0	0	-
Industrial	4	2	1	(50.0)
Other	46	101	74	(26.7)
<b>Total</b>	<b>136</b>	<b>191</b>	<b>157</b>	<b>(17.8)</b>

Source: Planning Department

## 8.2. Project Approvals

Project approvals, an indicator of future construction intention, increased in value during the review period by 101.1% to \$214.9 million. This stronger performance reflected greater construction intentions in the apartments and other categories.

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

	%			
	2015	2016	2017	Change
<b>Millions CI\$</b>				
Houses	25.1	25.7	37.6	46.3
Apartments	4.5	29.5	94.7	221.3
Hotel	-	0.4	-	-
Commercial	7.0	36.0	12.1	(66.3)
Government	0.0	6.3	0.2	(96.8)
Industrial	5.3	1.3	2.0	49.5
Other	5.7	7.7	68.3	781.1
<b>Total</b>	<b>47.6</b>	<b>106.9</b>	<b>214.9</b>	<b>101.1</b>

Source: Planning Department

The residential sector recorded a sharp growth of 139.7% to \$132.3 million, with the apartment segment being the major contributor increasing by 221.3%.

Notable project approvals in the quarter included an 81-unit apartment complex and the Solara apartments which were valued at \$60.0 million and \$12.0 million, respectively.

Similar to the increase in residential approvals the 'other' category rose sharply by \$60.6 million relative to a year ago. The construction of an underpass dominated this increase with a value of \$60.0 million.

The increase in the value of project approvals was supported by an increase in the number of projects, moving from 229 to 296.

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

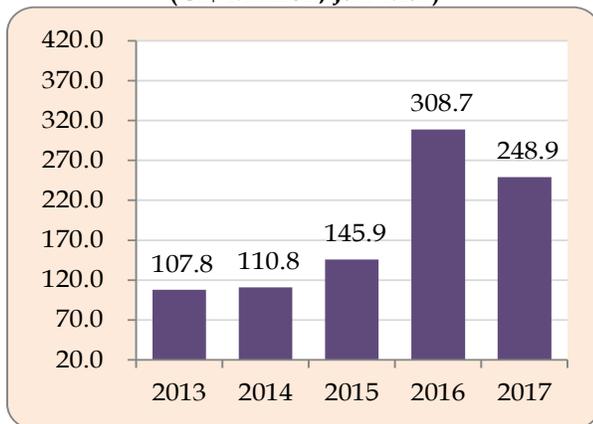
	%			
	2015	2016	2017	Change
Houses	54	56	73	30.4
Apartments	9	17	27	58.8
Hotels	0	1	0	(100.0)
Commercial	5	11	7	(36.4)
Government	0	2	2	-
Industrial	2	4	5	25.0
Other	115	138	182	31.9
<b>Total</b>	<b>185</b>	<b>229</b>	<b>296</b>	<b>29.3</b>

Source: Planning Department

## 9. Real Estate

Real estate activity, as measured by traded properties, weakened in the first quarter of 2017 relative to the record high observed in 2016.

**Figure 18: Value of Property Transfers: (CIS\$ Million, Jan-Mar)**



Source: Lands & Survey Department

Traded properties totalled \$248.9 million, contracting by 19.4% from the record high of \$308.7 million in 2016. Despite being lower than the previous year, the value of transfers was noticeably higher than the average value between 2012 and 2015.

The trading of leasehold properties largely accounted for the decline in the first quarter, with a 98.8% fall to \$1.7 million from \$146.2 million last year. In contrast, the value of freehold property transfers increased by 52.1% to \$247.2 million.

**Figure 19: Number of Property Transfers: Jan- Mar**



Source: Lands & Survey Department

Meanwhile, the total number of property transfers rose by 104 to reach 494, the highest first quarter activity since 2011.

## 10. Utilities

Higher demand for water and electricity propelled increased levels of production during the first quarter while usage of telecommunications services fell.

**10.1. Electricity and water.** During the first quarter of 2017, total water production increased by 11.0% to reach 598.1 million US gallons (see Table 19). The increased production was fuelled mainly by stronger consumption demand, which increased by 14.1% to 515.8 million US gallons.

Electricity generation rose by 0.8% to 146.4 million kWh as at March 2017, driven by a similar increase in consumption. The latter was due mainly to growth of 1.3% and 0.3% in residential and commercial consumption, respectively. The growth in demand can be partly explained by the 1.5% rise in the customer base.

## 11. Fiscal Operations of the Central Government

**Table 20: Utilities Production and Consumption**

			%
	Mar-16	Mar-17	Change
<b>Water</b>	<b>Millions of US Gallons</b>		
Production	538.9	598.1	11.0
Consumption	451.9	515.8	14.1
<b>Electricity</b>	<b>000 of Megawatt Hrs</b>		
Production	145.3	146.4	0.8
Consumption	135.6	136.6	0.8
Residential	64.2	65.0	1.3
Commercial	69.7	70.0	0.3
Public	1.7	1.7	0.1
	<b>Number of Customers</b>		
Total Customers	28,332	28,764	1.5
Residential	24,090	24,503	1.7
Commercial	4,242	4,261	0.4

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

**10.2. Telecommunications.** Telephone usage continued to decline for the fifth consecutive year, this time by 5.6%. This resulted from a decline of 13.2% and 2.7% in international minutes and domestic minutes, respectively (see Table 21).

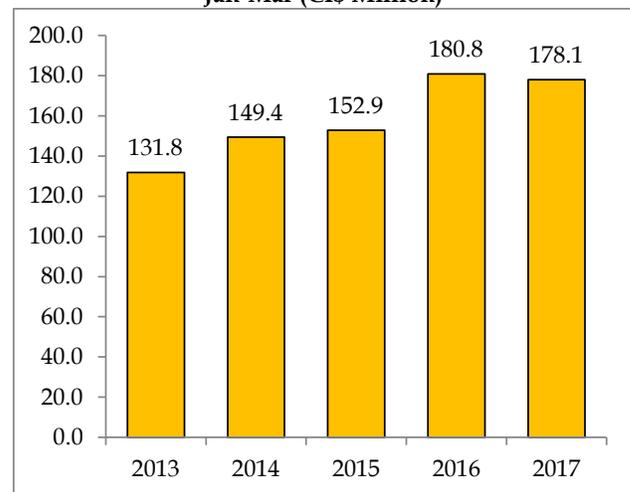
Fixed and mobile handsets in operation increased by 4.0% to 128,991 for the period while broadband connections fell by 0.4%.

**Table 21: Telecommunication Sector Indicators**

			%
	Mar-16	Mar-17	Change
Fixed and mobile handsets in operation	124,081	128,991	4.0
<b>Total fixed &amp; mobile domestic &amp; int'l minutes ('000)</b>	<b>54,611</b>	<b>51,569</b>	<b>(5.6)</b>
Fixed and mobile domestic minutes ('000)	39,607	38,539	(2.7)
Fixed and mobile int'l retail minutes ('000)	15,004	13,030	(13.2)
Broadband connections	24,857	24,748	(0.4)

Source: Utility Regulation and Competition Office

The central government's balance remained in surplus during the period January–March 2017, albeit it was lower by 1.5% at \$178.1 million compared to the \$180.8 million in the same period in 2016 (see Figure 20 and Table 22).

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


Source: Cayman Islands Treasury Department & Economics and Statistics Office

**Table 22: Summary of Fiscal Operations**

	Mar-16	Mar-17	%
			Change
	<b>CI\$ Million</b>		
<b>Total Revenue</b>	<b>318.6</b>	<b>327.2</b>	<b>2.7</b>
<b>Total Expenditure</b>	<b>137.8</b>	<b>149.1</b>	<b>8.2</b>
Current Expenditure	137.5	143.3	4.2
Net Capital Expenditure & Net Lending <sup>1</sup>	0.3	5.8	1,833.3
<b>Current Balance</b>	<b>181.1</b>	<b>183.8</b>	<b>1.5</b>
<b>Overall Balance</b>	<b>180.8</b>	<b>178.1</b>	<b>(1.5)</b>
<b>Financing</b>	<b>(180.8)</b>	<b>(178.1)</b>	<b>(1.5)</b>
Net Borrowing	(2.6)	(2.6)	(0.9)
Change in Cash	172.5	167.6	(2.8)

Source: Cayman Islands Treasury Department & Economics and Statistics Office

The 1.5% decline in the fiscal surplus was due to an increase in total expenditure which outweighed an expansion in total revenue. The increase in total expenditure reflected higher outturns for both current and capital expenditure while higher revenue was observed in both the coercive and non-coercive categories.

### 11.1. Revenue

For January–March 2017, the total revenue rose by 2.7% to \$327.2 million comprising increases in both coercive and non-coercive revenue (see Table 23).

**Coercive Revenue** which accounted for approximately 96.0% of total revenue, totalled \$314.1 million, an increase of 2.2% above receipts in the preceding year. Most categories recorded increases with domestic taxes on goods and services registering the largest absolute increase of \$7.9 million. Other increases were observed among taxes on international trade and transactions (by 6.3% to \$45.9 million) and fines (by 20% to \$0.6 million).

During the review period, **tax receipts from international trade and transactions** rose by 6.3% to \$45.9 million. This was due mainly to an increase of 8.9% in duties from other imports which totalled \$26.0 million. Higher revenue from duties on other imports partly reflected an increase in the importation of manufactured goods. Revenue received from duties on alcoholic beverages and petroleum products increased by 10.0% and 34.4%, to \$5.3 million and \$3.1 million, respectively.

Table 23: Revenue Collection of the Central Government

	Mar-16	Mar-17	% Change
	CI\$ Million		
<b>Total Revenue</b>	<b>318.6</b>	<b>327.2</b>	2.7
<b>Coercive Revenue</b>	<b>307.2</b>	<b>314.1</b>	2.2
Taxes on Int'l Trade & Transactions	43.2	45.9	6.3
Domestic Taxes on Goods & Services	246.2	254.1	3.2
Taxes on Property	17.3	13.4	(22.5)
Fines	0.5	0.6	20.0
Other Taxes	0.1	-	-
<b>Non-Coercive Revenue</b>	<b>11.4</b>	<b>13.1</b>	14.9
Sale of Goods & Services	9.5	10.1	6.3
Investment Revenue	1.9	2.9	52.6
Other Revenue	0.0	0.1	-

Source: Cayman Islands Treasury Department & Economics and Statistics Office

There was lower revenue from duties on motor vehicle (by 3.8% to \$4.6 million), tobacco products (by 11.8% to \$1.6 million), cruise ship departure charges (by 5.8% to \$3.4 million) and environmental protection fund fees (by 2.6% to \$2.0 million). The reduction in cruise ship departure charges can be traced to the fall in cruise ship arrivals (see **Section 7**).

**Revenue collected from domestic taxes on goods and services** increased by 3.2% to \$254.1 million in the first three months of 2017 (see Table 23). Financial service licences accounted for most of the increase in revenue, moving by 2.0% to \$199.5 million. An increase in partnership fees, which rose by 12.5% to \$38.4 million, was the major contributor to the increase in this category. Other notable increases were “other” domestic taxes (up 13.2% to \$27.5 million) and work permit and residency fees (up 5.3% to \$20.0 million), with the

latter partly triggered by higher work permits (see Section 4.1)

Table 24: Domestic Taxes on Goods & Services of the Central Government (CI\$ Million)

	Mar-16	Mar-17	% Change
<b>Various Financial Service</b>			
Licences	195.7	199.5	2.0
ICTA Licences & Royalties	2.0	1.9	(3.6)
Work Permit and Residency Fees	19.0	20.0	5.3
Other Stamp Duties	2.8	2.8	-
Traders' Licences	2.4	2.4	-
Other Domestic Taxes	24.3	27.5	13.2
Of which:			
Tourist Accommodation Charges	8.7	10.2	17.2
Motor Vehicle Charges	2.5	2.9	16.0
<b>Domestic Taxes on Goods &amp; Services</b>	<b>246.2</b>	<b>254.1</b>	<b>3.2</b>

Source: Cayman Islands Treasury Department & Economics and Statistics Office

**Taxes on property** decreased by 22.5% to \$13.4 million (see Table 23) due to lower stamp duty collections and transfer charges by land holding companies (see **Section 9**).

**Non-coercive revenue** amounted to \$13.1 million, 14.9% higher than the comparative period a year ago, mainly due to a rise in investment revenue.

## 11.2. Expenditure

Total expenditure for the first quarter of 2017 increased, reflecting higher spending in both current expenditure and net capital expenditure & net lending<sup>3</sup>.

<sup>3</sup> Net capital expenditure and net lending is gross capital expenditure and net lending after accounting for depreciation.

**Current expenditure** increased by 4.2% to \$143.3 million during January–March 2017 as a result of higher spending on all categories except transfer payments and interest payments (see Table 25).

Table 25: Current Expenditure of the Central Government

	Mar-16	Mar-17	% Change
	CI\$ Million		
<b>Current Expenditure</b>	<b>137.5</b>	<b>143.3</b>	<b>4.2</b>
Personnel Costs	61.5	64.7	5.2
Supplies & Consumables	20.4	22.1	8.3
Depreciation	6.9	8.4	21.7
Subsidies	33.3	35.2	5.7
Transfer Payments	7.6	5.3	(30.3)
Interest Payments	6.9	6.5	(5.8)
Other Operating Expenses	0.8	1.2	50.0

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Personnel costs rose by 5.2% to \$64.7 million, primarily reflecting an increase in salaries and wages (including pension contributions) of 6.2% to \$50.8 million.

Expenditure on supplies and consumables recorded an increase of 8.3% to \$22.1 million. Purchases of services, utilities and other supplies and consumables registered the largest increases in this category.

Depreciation, which is a non-cash provision for the decline in the value of fixed assets owned by central government, expanded by 21.7% to \$8.4 million. The primary contributors to this increase were the depreciation of roads and sidewalks, depreciation of buildings and depreciation of vehicles.

Subsidies, which are payments to statutory authorities and corporations, rose by 5.7% to total \$35.2 million. The entities receiving the largest increases in subsidies were the Cayman Islands Monetary Authority (up by \$1.8 million to \$4.5 million) and the Health Services Authority (up by \$1.3 million to \$8.4 million).

Transfer payments, which are payments to social welfare programmes, totalled \$5.3 million, a reduction of 30.3%. Scholarships and bursaries (down by \$3.0 million to \$0.2 million) and financial assistance vouchers (down by \$0.3 million to \$0.2 million) were the main programmes to receive reductions in transfer payments.

Interest payments declined by 5.8% to \$6.5 million, consistent with a lower stock of outstanding debt (see Section 11.4).

Other operating expenses rose by 50.0% to \$1.2 million (Table 25). This increase was due mainly to higher spending on the Caribbean Agricultural Research and Development Institute and other executive expenses.

### 11.3. Capital Expenditure and Net Lending

During the first three months of 2017, gross capital expenditure and net lending increased by 95.8% to \$14.1 million (see Table 26).

Capital investment in ministries and portfolios rose by \$1.5 million to \$1.9 million. This increase emanated from higher capital investments in the Ministry of Education, Employment and Gender Affairs (up by \$0.8 million to \$1.1 million)

and the Ministry of Home Affairs, Health and Culture (up by \$0.8 million to \$0.8 million).

Capital investment in statutory authorities and government owned companies declined by \$0.6 million to \$3.4 million, owing to a reduction in the investment made to Cayman Turtle Farm.

Expenditure on executive assets rose by \$7.2 million to \$8.9 million, largely reflecting land purchase (up \$5.0 million to \$5.1 million) and the George Town Revitalization Project (up \$1.6 million to \$2.2 million).

**Table 26: Capital Expenditure and Net Lending**

	Mar-16	Mar-17	% Change
	CIS Million		
<b>Gross Capital Expenditure and Net Lending</b>	<b>7.2</b>	<b>14.1</b>	<b>95.8</b>
Capital Investment in Ministries and Portfolios	0.4	1.9	375.0
Capital Investment in Statutory Authorities and Government Owned Companies	4.0	3.4	(15.0)
Executive Assets	1.6	8.9	456.3
Net Lending	1.1	0.0	-
<b>Net Capital Expenditure and Net Lending</b>	<b>0.3</b>	<b>5.8</b>	<b>1,833.3</b>

Source: Cayman Islands Treasury Department and Economics and Statistics Office

Net capital expenditure and net lending totalled \$5.8 million, up \$5.5 million relative to the comparative period in 2016.

### 11.4. Net Financing and Debt

The cash balance of the central government increased by \$167.6 million for the first three months of 2017, facilitated by the fiscal surplus recorded for the period (see Table 27). Total loan repayment was unchanged at \$2.6 million when compared with the corresponding period of 2016.

Table 27: Net Financing

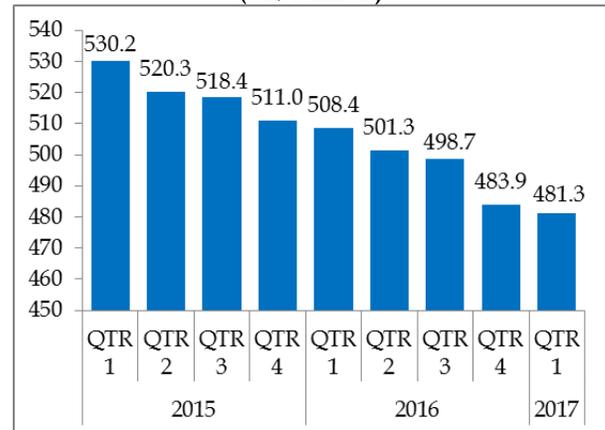
	Mar-16	Mar-17	% Change
	CIS\$ Million		
<b>Financing</b>	<b>(180.8)</b>	<b>(178.1)</b>	<b>(1.5)</b>
Net Borrowing	(2.6)	(2.6)	-
Disbursements	0.0	0.0	-
Loan Repayment	(2.6)	(2.6)	-
<b>Change in Cash</b>	<b>172.5</b>	<b>167.6</b>	<b>(2.8)</b>

Source: Cayman Islands Treasury Department

The central government's outstanding debt continued to decline after peaking at \$629.2 million in the end of the second quarter of 2011. As at March 2017, the debt stood at \$481.3 million, \$27.1 million lower than the stock at the end of March 2016 (see Figure 21). In comparison to the end of June 2011,

the debt decreased by 23.5% or \$147.8 million.

Figure 21: Central Government Outstanding Debt (CIS\$ Million)



Source: Cayman Islands Treasury Department

As of the end of the first quarter, the central government's debt service-to-revenue ratio improved to 2.8% relative to 3.0% as at the same period in 2016. Interest payments accounted for 4.6% of current expenditure as compared to 5.0% in the first quarter of 2016.

### **ACKNOWLEDGMENT**

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Cayman Islands Treasury Department  
Cayman Water Company  
Department of Immigration  
Department of Tourism  
General Registry  
Information and Communication Technology Authority  
Lands and Survey Department  
Port Authority of the Cayman Islands  
Portfolio of the Civil Service Planning Department  
Water Authority**

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