



CAYMAN ISLANDS  
GOVERNMENT



# THE CAYMAN ISLANDS' FIRST QUARTER ECONOMIC REPORT 2021





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## Overview\*

- In real terms, gross domestic product (GDP) was estimated to have expanded at an annualised rate of 0.4% for the first three months of 2021. GDP is forecasted to expand by 1.2% for the year.
- The Consumer Price Index declined by 1.0%, mainly due to decreases in related sectors such as electricity, gas, other fuels, and transport.
- Total merchandise imports increased by 2.4% to \$288.6 million, driven by a fall in the value of oil-related imports.
- Work permits declined by 8.9% to 24,878. While, civil service employment rose by 252 persons, with Caymanian staff increasing by 210 and non-Caymanian staff by 42.
- Money supply (M2) expanded by 12.5% due to higher foreign currency and CI dollar-denominated deposits.
- Domestic credit expanded by 1.7% as a 3.5% rise in credit to the private outweighed an 18.3% fall in public sector borrowings.
- The number and value of foreclosed properties continued to decline in the first quarter of 2021.
- The weighted average lending rate increased to 6.09% from 6.02%, while the prime lending rate remained unchanged at 3.25%.
- Bank and trust company licences decreased by 10.5%, and insurance licences fell by 0.7%.
- Mutual funds, including “master funds” increased by 16.4% to a record 12,225.
- The number of listings on the Stock Exchange increased by 7.1%, and market scapitalisation increased by 49.8%.
- New company registrations rose to 4,650 or by 45.9%, while new partnership registrations increased by 12.3% to 1,411.
- Air arrivals declined by 98.2%, while there were no cruise passenger arrivals.
- The value of building permits fell by 25.6%, while project approvals decreased by 44.0%.
- The value of property transfers increased by 23.2% to CI\$256.9 million.
- Electricity and water consumption rose by 5.6% and 13.4%, respectively.
- The central government’s overall fiscal surplus improved to \$188.5 million compared with \$176.3 million a year ago.
- The total outstanding debt of the central government declined to \$243.9 – million from \$279.3 million a year ago.

\*Comparative data over the first quarter of 2020, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off.



## 1. International Economy

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

Economic activity was mixed for the world's major economies in the first quarter as governments navigated the Covid-19 recovery path. The United States' economy expanded by an annualised rate of 6.3% for the period reflecting higher levels of consumer and government spending as well as fixed investment.

Canada's economy grew by an annualised rate of 5.6% due to favourable mortgage rates, the government's continued support to households and businesses, and an improved labour market. The United Kingdom (UK) recorded an economic decline of 1.6% due to reduced manufacturing and education services. The Euro Area's economy declined by 0.4% due to lower consumer spending and higher imports.

### 1.2 Inflation

The world's major economies recorded higher price levels for the first quarter of 2021. The USA and Canada recorded inflation of 1.9% and 1.4%, respectively. The UK and the Euro Area registered respective inflation of 0.6% and 1.1%. The increase in consumer prices was due to the higher cost of commodities in the energy, non-energy and precious metal groups. Notably, the energy and food price indices rose by 25.9%

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

and 25.7% during the quarter, respectively (see Figure 1). The increase in energy prices was attributed to the higher crude oil, coal, and natural gas prices on the world market. Crude oil prices averaged US\$59.30 per barrel for the period January–March 2021 compared with US\$49.06 per barrel for January–March 2020.<sup>2</sup>

Figure 1: Global Energy and Food Price Indices (Jan-Mar)



Source: World Bank commodity prices (The Pink Sheet)

### 1.3 Interest Rates and Exchange Rates<sup>3</sup>

During the review quarter, central banks preserved their accommodative monetary policy stance by maintaining policy interest rates at existing levels. The objective of this monetary policy stance is to support the continued flow of credit to households and businesses during the pandemic, even as economic indicators showed signs of improvements. The Federal Reserve Bank retained its policy rate within the target range of 0.00% to 0.25%. The Bank of Canada kept its policy rate at 0.25%. The Bank of England maintained its policy rate at 0.10%

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

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



to support economic growth and employment. The European Central Bank (ECB) retained its policy rates on the main refinancing operations, marginal lending facility and deposit facility at 0.00%, 0.25% and -0.50%, respectively.

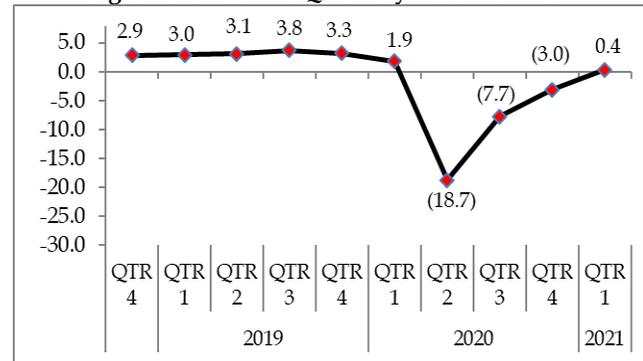
The US Dollar, on average, weakened nominally against three of the world's major traded currencies during the review quarter compared with the corresponding quarter of 2020. Notably, the US Dollar depreciated 7.7% against the Great Britain Sterling Pound, 9.4% against the Euro and 5.8% against the Canadian Dollar. In real terms, the US dollar depreciated 6.4% against the Great Britain Sterling Pound, 8.5% against the Euro and 5.4% against the Canadian Dollar. A real depreciation suggests the US can buy fewer goods and services overseas while foreigners can buy more US' goods and services.

## 2. GDP Growth

Real GDP is estimated to have expanded at an annualised rate of 0.4% in the first quarter of 2021. The expansion in the quarter is relative to an estimated growth of 1.9% in the first quarter of 2020 (see Figure 2).

The economic expansion for the quarter was largely driven by growth in financial services, business activities and construction for the period. The financial services sector, which remains the largest contributor to GDP, had an estimated growth of 4.3%. Business activities increased by 5.2%, while construction is estimated to have grown by 12.8%.

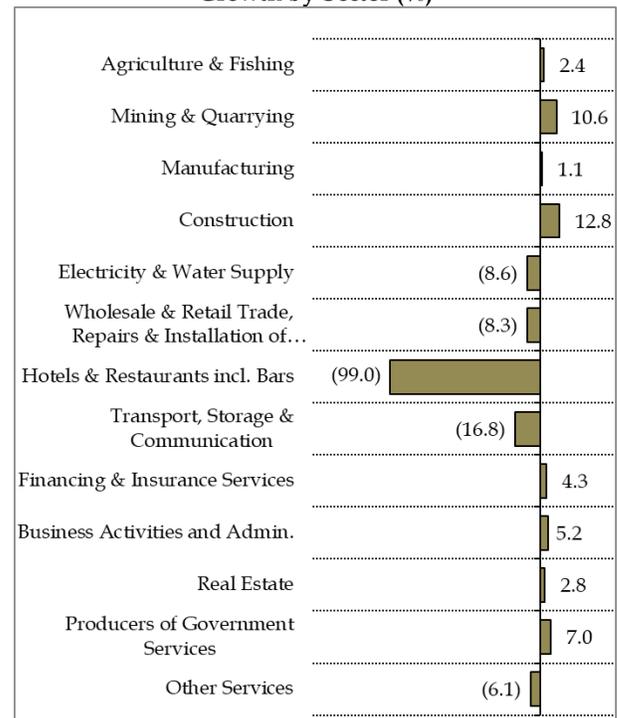
Figure 2: Estimated Quarterly GDP Growth



Source: Economics and Statistics Office

The economic expansion in the quarter was partially offset by declines in some key sectors. Hotels and restaurants declined by 99.0%. Notable contractions also occurred in electricity and water supply (down 8.6%); wholesale and retail trade (8.3%), transport storage & communication (16.8%) and 'other' services (6.1%) (see Figure 3).

Figure 3: Estimated First Quarter 2021 Annualised GDP Growth by Sector (%)



Source: Economics and Statistics Office

The economic performance in the first quarter supports the macroeconomic outlook for the calendar year 2021, with economic activity measured by real GDP projected to expand by 1.2% (see Table 1). It is expected that growth in financial services and construction will continue to outweigh contractions in tourism and transportation for the year.

**Table 1: Macroeconomic Performance and Outlook**

|                   | 2018        | 2019 | 2020 | Projection<br>2021 |
|-------------------|-------------|------|------|--------------------|
|                   | Percent (%) |      |      |                    |
| Real GDP          | 4.2         | 3.8  | -6.7 | 1.2                |
| CPI Inflation     | 3.0         | 6.0  | 1.0  | 2.1                |
| Unemployment Rate | 2.8         | 3.5  | 5.2  | 5.0                |

\* Real GDP is estimated for 2020

Source: Economics and Statistics Office

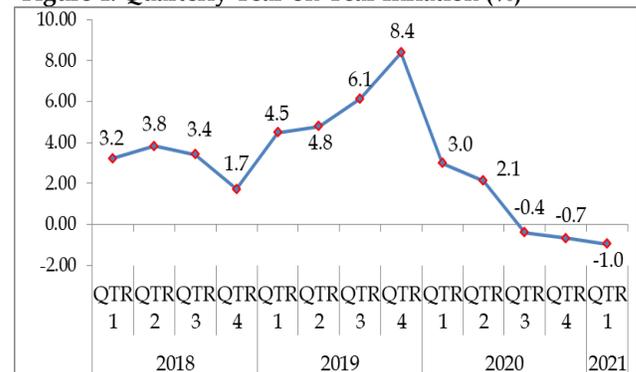
The average consumer price index (CPI) inflation rate is forecast at 2.1% in 2021. Continued increases in international food and energy prices are expected to add upward pressure on inflation in the latter half of the year. Notwithstanding, the risk to this forecast is on the downside, given lower than expected inflation in the review quarter. The unemployment rate for the year is expected at 5.0% relative to 5.2% in 2020 as expansions in construction and government services continue to absorb some of the fall-off in employment emanating from contractions in the tourism sector. Additionally, efforts by the government to prioritise the employment of displaced Caymanians should also support the forecast.

### 3. Inflation<sup>4</sup>

Average prices declined in the first quarter of 2021, continuing the repressed price trend seen in the last two quarters of 2020.

The Consumer Price Index (CPI) as at March 2021 stood at 110.27, lower by 1.0% when compared to the value in March 2020. The fall in prices was heavily concentrated in the energy related divisions.

**Figure 4: Quarterly Year-on-Year Inflation (%)**



Source: Economics and Statistics Office

The housing and utilities index declined by 5.1%, owing to declines in all sub-divisions except the maintenance and repair of dwellings sub-index. Notably, electricity, gas and other fuels fell by 8.4%.

The average cost of transport decreased by 1.7% as declines in the cost of fuel (down by 13.3%) and road transportation (down by 10.1%) outweighed a rise in the cost of air transport (up by 14.2%).

Additionally, the price index for recreation and culture declined by 0.9%, reflecting a

<sup>4</sup> A detailed CPI report is posted at [www.eso.ky](http://www.eso.ky)

lower cost for recreation equipment and package holidays. On average, non-food prices fell by 1.3% relative to a rise of 2.9% for the corresponding period of 2020.

**Table 2: Inflation Rates by Categories**

| Categories                     | Avg. Inflation Rates (%) |              |
|--------------------------------|--------------------------|--------------|
|                                | Q1 2020                  | Q1 2021      |
| Food & Non-alcoholic Beverages | 3.9                      | 4.6          |
| Alcohol and Tobacco            | 1.5                      | 0.8          |
| Clothing and Footwear          | 6.2                      | 2.0          |
| Housing and Utilities          | 2.1                      | (5.1)        |
| Household Equipment            | 1.0                      | 0.8          |
| Health                         | 1.5                      | 4.5          |
| Transport                      | 6.0                      | (1.7)        |
| Communication                  | 5.4                      | 2.6          |
| Recreation and Culture         | 3.6                      | (0.9)        |
| Education                      | 4.7                      | 1.1          |
| Restaurants and Hotels         | 0.3                      | 1.0          |
| Misc. Goods and Services       | 1.0                      | 5.0          |
| <b>Overall CPI Inflation</b>   | <b>3.0</b>               | <b>(1.0)</b> |

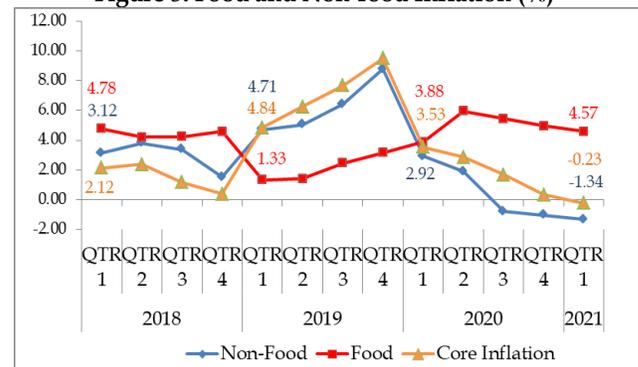
Source: Economics and Statistics Office

Despite the general decline in the overall index, the food and non-alcoholic beverages index rose by 4.6%. The rise in food prices was relatively broad-based and emanated largely from international food prices. The price index for miscellaneous goods and services rose by 5.0%. This index was primarily influenced by annual price adjustments for some core services such as other financial services (up by 30.3%) and vehicle insurance (up by 16.9%).

The price index for health rose by 4.5%, mainly because of an increase in the cost of pharmaceutical products.

The other divisions which showed increases were; restaurants and hotels (up by 1.0%), household equipment (up by 0.8%), clothing and footwear (up by 2.0%), alcoholic beverage and tobacco (up by 0.8%), communication (up by 2.6%) and education (up by 1.1%).

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



Source: Economics and Statistics Office

Consistent with the price changes outlined, core inflation, which is headline inflation excluding food, electricity, and fuel, declined by 0.2% for the quarter relative to the same period of 2020 (see Figure 5).

#### 4. Trade<sup>5</sup>

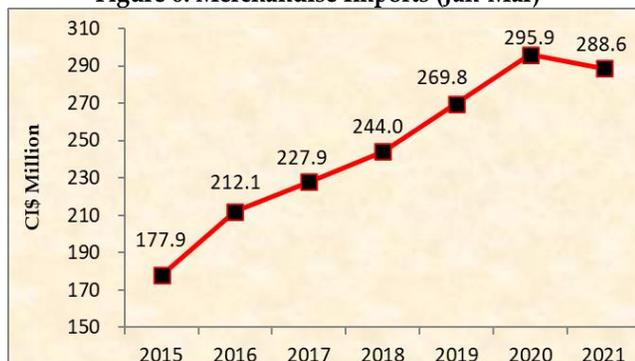
Merchandise imports declined by 2.4% to \$288.6 million in the first quarter of 2021 relative to the corresponding quarter in 2020 (see Figure 6). This decline in imports was reflected in five of the ten categories.

The categories recording the largest reductions in imports were mineral fuels, lubricants and related materials (down \$8.9

<sup>5</sup> A detailed trade report is posted at [www.eso.ky](http://www.eso.ky)

million to \$24.1 million) and food and live animals (down \$8.1 million to \$44.9 million).

Figure 6: Merchandise Imports (Jan-Mar)



Source: Customs Department and ESO

The fall in the value of fuel imports was due to reductions in the quantity of all fuel categories except for diesel. Notably, the rise in the amount of diesel imports was sufficient to outweigh the decline in the other categories. The quantity of fuel imports rose by 8.9% to 11.3 million imperial gallons (see Table 3).

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

|               | 2019                         | 2020 | 2021 | % Change |
|---------------|------------------------------|------|------|----------|
|               | Millions of Imperial Gallons |      |      |          |
| Total Fuel    | 12.9                         | 10.4 | 11.3 | 8.9      |
| Diesel        | 7.6                          | 5.0  | 8.0  | 59.5     |
| Gas           | 2.9                          | 2.9  | 2.7  | (5.3)    |
| Aviation Fuel | 2.0                          | 1.7  | 0.2  | (90.1)   |
| Propane       | 0.5                          | 0.9  | 0.5  | (45.3)   |

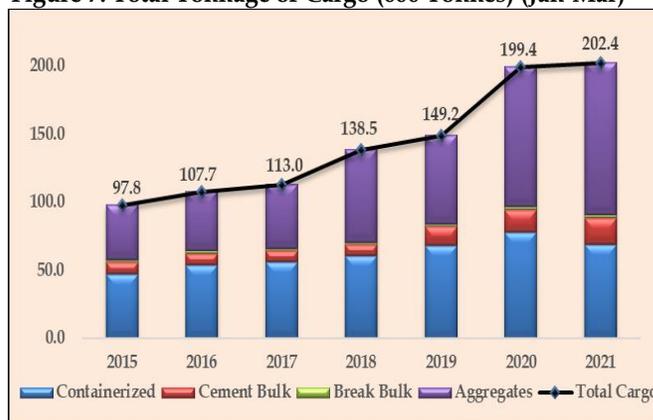
Source: Cayman Islands Port Authority

Contrary to the movement in the value of total imports, non-fuel imports rose by 0.7% to \$264.6 million.

The total tonnage of landed cargo increased by 1.5% to 202,352 tonnes (see Figure 7). This increase was due to higher imports of aggregates and bulk cement. As a

proportion of total cargo, containerized cargo accounted for 34.0% (68,700 tonnes) and aggregates represented 55.4% (112,028 tonnes). Cement bulk and break-bulk cargo accounted for 9.7% (19,703 tonnes) and 0.9% (1,922 tonnes) of the total, respectively.

Figure 7: Total Tonnage of Cargo (000 Tonnes) (Jan-Mar)



Source: Cayman Islands Port Authority

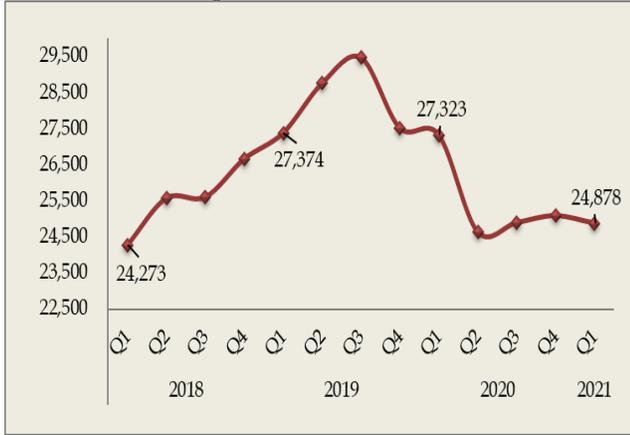
## 5. Labour Market Indicators

Labour demand in the public sector increased while demand for expatriate workers fell in the first quarter of 2021.

### 5.1. Work Permits

As of the end of March 2021, there were 24,878 work permits issued, a reduction of 8.9% relative to 27,323 in the same period of 2020. The number of work permits declined by 0.8% relative to the December 2020 quarter when 25,086 work permits were issued. The sectors employing the most work permit holders for the quarter were construction (4,657), households (3,941) and accommodation and food services (3,384).

Figure 8: Work Permits

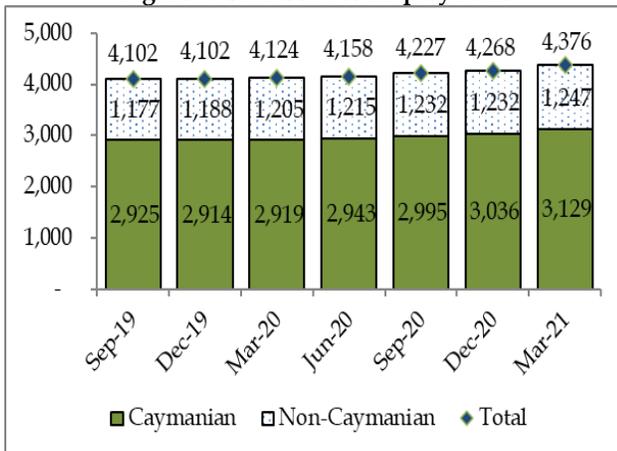


Sources: Immigration Department & ESO

### 5.2. Public Sector Employment

The number of civil servants employed by the Cayman Islands' government increased to 4,376 in the review period relative to 4,124 persons in the previous year. The number of Caymanian civil servants increased by 210 to 3,129, while non-Caymanian civil servants increased by 42 to 1,247.

Figure 9: Civil Service Employment

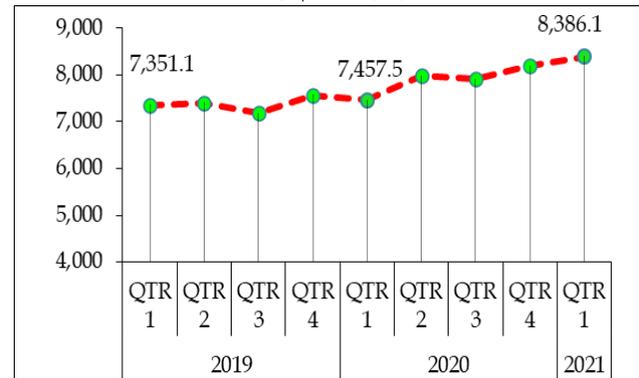


Source: Portfolio of the Civil Service

## 6. Money & Banking

Broad liquidity (M2) increased by 12.5% to \$8,386.1 million for the first quarter of 2021. The growth in liquidity was supported by increases in both local and foreign currency-denominated deposits (see Figure 10 and Table 4).

Figure 10: Total Money Supply (M2) in CI\$ millions



Source: Cayman Islands Monetary Authority & ESO

Total CI dollar-denominated deposits grew by 20.6%, or \$387.7 million, while currency in circulation increased by 4.4% or \$6.7 million compared to a year ago. Similarly, foreign currency deposits increased by 9.9% or \$534.2 million. Deposits denominated in US dollars rose by 7.3%, or \$367.6 million (see Table 4).

Liquidity in the quarter relative to the previous year continued to reflect liquidity injections from pension withdrawals allowed by the government after the first quarter of 2020. Stimulus measures implemented by the government to support the local economy may have also supported the liquidity conditions for the quarter.



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

|                               | Mar-20         | Mar-21         | % Change    |
|-------------------------------|----------------|----------------|-------------|
| <b>Total Assets</b>           | <b>7,457.5</b> | <b>8,386.1</b> | <b>12.5</b> |
| <b>Net Foreign Assets</b>     | <b>5,063.8</b> | <b>5,905.3</b> | <b>16.6</b> |
| Monetary Authority            | 165.3          | 174.9          | 5.8         |
| Commercial Banks              | 4,898.5        | 5,730.3        | 17.0        |
| <b>Net Domestic Assets</b>    | <b>2,393.7</b> | <b>2,480.9</b> | <b>3.6</b>  |
| Domestic credit               | 3,405.4        | 3,463.7        | 1.7         |
| Claims on central government  | 219.0          | 187.0          | (14.6)      |
| Claims on other public sector | 55.9           | 37.5           | (33.0)      |
| Claims on private sector      | 3,130.5        | 3,239.2        | 3.5         |
| Other items net               | (1,011.7)      | (982.8)        | (2.9)       |
| <b>Broad Liquidity</b>        | <b>7,457.5</b> | <b>8,386.1</b> | <b>12.5</b> |
| Broad money (KYD) M2          | <b>2,036.4</b> | <b>2,430.8</b> | <b>19.4</b> |
| Currency in circulation       | 150.8          | 157.6          | 4.4         |
| <b>KYD Deposits</b>           | <b>1,885.6</b> | <b>2,273.3</b> | <b>20.6</b> |
| Demand deposits               | 812.1          | 963.5          | 18.6        |
| Time and savings deposits     | 1,073.5        | 1,309.8        | 22.0        |
| FOREX deposits                | 5,421.1        | 5,955.3        | 9.9         |
| of which: US dollars          | 5,042.0        | 5,409.6        | 7.3         |
| US dollars share (%)          | 93.0           | 90.8           |             |

Source: Cayman Islands Monetary Authority & ESO

The increase in M2, which also represent the liabilities of monetary and banking system, was supported by expansions in both net domestic assets and net foreign assets.

**6.1 Net Foreign Assets.** Net foreign assets (NFA) of commercial banks rose by 17.0% during the quarter, while Cayman Islands Monetary Authority (CIMA) NFA expanded by 5.8%. The higher NFA among commercial banks reflected a build-up in foreign assets in tandem with a reduction in foreign liabilities. Foreign assets increased by 8.4% reflecting expansions of 15.9% and 15.6% in balances with banks and branches and foreign investment, respectively. The impact of these increases was partially offset by a 24.8% decline in non-resident loans.

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

|                             | Mar-20         | Mar-21         | % Change     |
|-----------------------------|----------------|----------------|--------------|
| <b>Net Foreign Assets</b>   | <b>5,063.8</b> | <b>5,905.3</b> | <b>16.6</b>  |
| Monetary Authority          | 165.3          | 174.9          | 5.8          |
| Commercial Banks            | 4,898.5        | 5,730.3        | 17.0         |
| <b>Foreign Assets</b>       | <b>8,091.2</b> | <b>8,774.2</b> | <b>8.4</b>   |
| Bal. with Banks & Branches  | 3,308.4        | 3,835.7        | 15.9         |
| Total Investment            | 3,320.8        | 3,839.0        | 15.6         |
| Total Non-Resident Loans    | 1,462.0        | 1,099.4        | (24.8)       |
| <b>Foreign Liabilities</b>  | <b>3,192.6</b> | <b>3,043.8</b> | <b>(4.7)</b> |
| Total Non-Resident Deposits | 2,825.9        | 2,731.9        | (3.3)        |
| Other Liabilities           | 366.8          | 312.0          | (14.9)       |

Source: Cayman Islands Monetary Authority & ESO

Foreign liabilities fell by 4.7%, reflecting reductions in other liabilities and non-resident deposits of 14.9% and 3.3%, respectively.

**6.2. Net Domestic Assets.** Total domestic credit within the financial system expanded by 1.7% in the first quarter of the year as a rise in credit extended to the private sector outweighed lower borrowings from the public sector.

Loans to the private sector rose by 3.5%, while public sector indebtedness declined by 18.3%. The central government's borrowing fell by 14.6%, while credit extended to parastatal and public authorities declined by 33.0%.

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

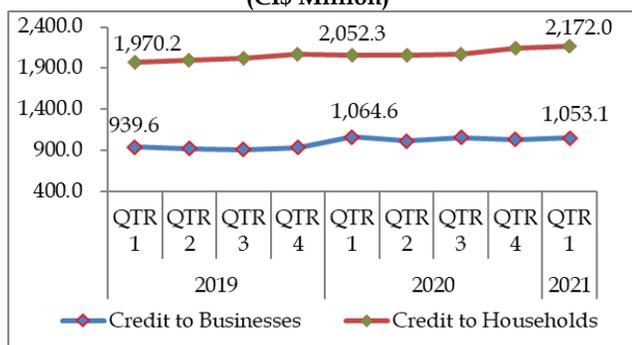
|                               | Mar-20         | Mar-21         | % Change   |
|-------------------------------|----------------|----------------|------------|
| <b>Domestic Credit</b>        | <b>3,405.4</b> | <b>3,463.7</b> | <b>1.7</b> |
| Credit to Public Sector       | 274.9          | 224.5          | (18.3)     |
| Credit to Central Government  | 219.0          | 187.0          | (14.6)     |
| Credit to Other Public Sector | 55.9           | 37.5           | (33.0)     |
| Credit to Private Sector      | 3,130.5        | 3,239.2        | 3.5        |

Source: Cayman Islands Monetary Authority & ESO



The rise in private sector credit was due to an increase in household borrowings as business credit fell for the review period. Credit to households increased by 5.8% to CI\$2,172.0 million during the quarter (see Figure 11). The growth in household loans is traced to increased borrowings for domestic properties and motor vehicles, which rose by 7.2% and 0.7%, respectively (see Table 7). Loans for education, technology and miscellaneous credit declined for the period.

**Figure 11: Credit to Business and Households (CI\$ Million)**



Source: Cayman Islands Monetary Authority & ESO

Credit extended to businesses fell by 1.1% to \$1,053.1 million. Reduced borrowings in manufacturing and other financial corporations were the main contributors to the reduction in business credit. Increased borrowings by the general business activity sector partially offset the impact of these declines.

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

|                                                       | Mar-20         | Mar-21         | % Change      |
|-------------------------------------------------------|----------------|----------------|---------------|
| <b>Total Private Sector Credit</b>                    | <b>3,130.5</b> | <b>3,239.2</b> | <b>3.5</b>    |
| <b>Credit to Businesses</b>                           | <b>1,064.6</b> | <b>1,053.1</b> | <b>(1.1)</b>  |
| <b>Production &amp; Manufacturing</b>                 | <b>318.4</b>   | <b>236.3</b>   | <b>(25.8)</b> |
| Agriculture, Fishing and Mining                       | 4.7            | 5.0            | 7.2           |
| Manufacturing                                         | 91.1           | 8.7            | (90.5)        |
| Utilities                                             | 17.1           | 15.9           | (7.0)         |
| Construction                                          | 205.6          | 206.8          | 0.6           |
| <b>Services</b>                                       | <b>113.9</b>   | <b>115.8</b>   | <b>1.7</b>    |
| Accommodation, Food, Bar & Entertainment Services     | 61.2           | 63.7           | 4.0           |
| Transportation, Storage & Communications              | 28.5           | 28.5           | (0.0)         |
| Education, Recreational & Other Professional Services | 24.2           | 23.7           | (2.2)         |
| <b>Trade and Commerce</b>                             | <b>599.7</b>   | <b>685.1</b>   | <b>14.2</b>   |
| Wholesale & Retail Sales Trade                        | 55.4           | 69.3           | 25.2          |
| Real Estate Agents, Rental and Leasing Companies      | 276.1          | 284.3          | 3.0           |
| Other Business Activities (General Business Activity) | 268.2          | 331.5          | 23.6          |
| <b>Other Financial Corporations</b>                   | <b>32.6</b>    | <b>15.8</b>    | <b>(51.4)</b> |
| <b>Credit to Households</b>                           | <b>2,052.3</b> | <b>2,172.0</b> | <b>5.8</b>    |
| Domestic Property                                     | 1,786.0        | 1,914.4        | 7.2           |
| Motor Vehicles                                        | 57.2           | 57.6           | 0.7           |
| Education and Technology                              | 4.6            | 4.0            | (13.5)        |
| Miscellaneous*                                        | 204.5          | 196.0          | (4.2)         |
| <b>NonProfit Organizations</b>                        | <b>13.5</b>    | <b>14.1</b>    | <b>3.8</b>    |

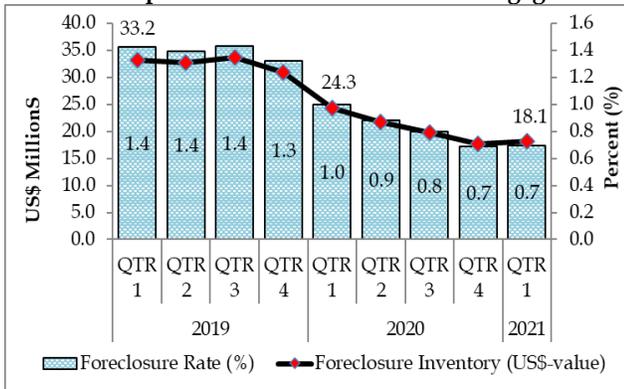
Source: Cayman Islands Monetary Authority & ESO

### 6.3. Residential Mortgage Foreclosures

At end-March 2021, data from CIMA shows that there were 60 properties in the local commercial banks' foreclosure inventory valued at US\$18.1 million. This represented a decrease compared to the 82 properties valued at US\$24.3 million in the comparative period in 2020.

The foreclosure rate (foreclosure inventory over total residential mortgages) as at March 2021 declined to 0.7% from 1.0% in 2020 and 1.4% in 2019.

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

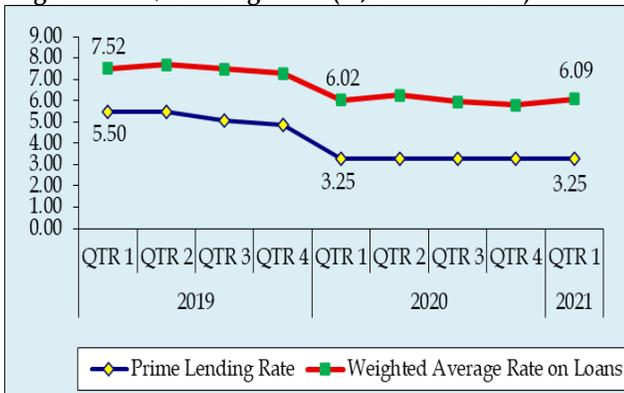


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

The total number of completed foreclosures declined to 3 (or 5.0% of the foreclosure inventory), relative to 4 in 2020.

**6.4. Interest Rates.** The Cayman Islands' prime lending rate remained unchanged at 3.25% as at March 2021. In contrast, the KYD weighted average lending rate rose to 6.09% from 6.02% a year earlier (see Figure 13).

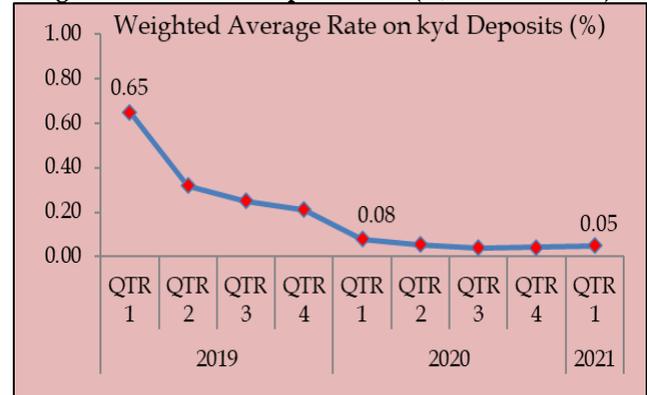
**Figure 13: CI\$ Lending Rates (% , End of Period)**



Source: Cayman Islands Monetary Authority & ESO

The weighted average rate on KYD deposits declined by 3 basis points to 0.05% for the first quarter of 2021 (see Figure 14).

**Figure 14: CI Dollar Deposit Rates (% , End of Period)**



Source: Cayman Islands Monetary Authority & ESO

## 7. Financial Services

Financial services indicators generally improved during the first quarter of 2021. There were improvements in all indicators except bank & trust and insurance licensees.

### 7.1 Banks & Trust

Bank and trust licences continued to decline in the first quarter of the year. As at March 2021, the number of licenced Bank and Trust companies fell by 10.5% to 111 (see Table 8). The number of Class 'A' licensees increased by 11.1% to 10 while the number of foreign banks or Class 'B' licensees declined by 1.2% to 101.

**Table 8: Bank and Trust Companies**

|                           | Mar 2019   | Mar 2020   | Mar 2021   | % Change      |
|---------------------------|------------|------------|------------|---------------|
| <b>Banks &amp; Trusts</b> | <b>133</b> | <b>124</b> | <b>111</b> | <b>(10.5)</b> |
| Class A                   | 10         | 9          | 10         | 11.1          |
| Class B                   | 123        | 115        | 101        | (12.2)        |
| <b>Trust Companies</b>    | <b>114</b> | <b>116</b> | <b>116</b> | <b>0.0</b>    |
| Restricted                | 57         | 59         | 59         | 0.0           |
| Unrestricted              | 57         | 57         | 57         | 0.0           |

Source: Cayman Islands Monetary Authority

The number of trust companies remained unchanged at 116, with both restricted and unrestricted licensees holding remained stable (Table 8).

Figure 15: Percentage Proportion of Banks by Region of Origin as at March



Source: Cayman Islands Monetary Authority

The regions of South America, the Caribbean and Central America and the USA were the main sources of Cayman's banking licences, accounting for 23.4%, 18.9% and 16.2% of the total, respectively.

## 7.2 Insurance

The number of insurance licences fell by 0.7% to 682 at the end of March 2021 (see Table 9). Class 'A' licensees, which represents the domestic insurers, declined by 3.7% to 26, while captive licensees fell by 0.6% to 656. Among captives, Class 'B' and Class 'D' licensees decreased by 1 to 628 and 5, respectively, while Class 'C' licensees fell by 2 to 23.

Table 9: Insurance Companies\*

|                      | Mar 2019   | Mar 2020   | Mar 2021   | % Change     |
|----------------------|------------|------------|------------|--------------|
| Domestic - Class 'A' | 27         | 27         | 26         | (3.7)        |
| Captives             | 666        | 660        | 656        | (0.6)        |
| Class 'B'            | 639        | 629        | 628        | (0.2)        |
| Class 'C'            | 23         | 25         | 23         | (8.0)        |
| Class 'D'            | 4          | 6          | 5          | (16.7)       |
| <b>Total</b>         | <b>693</b> | <b>687</b> | <b>682</b> | <b>(0.7)</b> |

Source: Cayman Islands Monetary Authority

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

The primary business classes within the captive insurance market continued to be Healthcare and Workers' Compensation, which represented 30.2% and 22.7% of the market, respectively (see Table 10). The 'other' category was the next largest, accounting for 16.5% of the market.

Table 10: Captive Insurance Licences by Primary Class of Business

|                        | Mar 2020   | Mar 2021   | % Change    | % Proportion |
|------------------------|------------|------------|-------------|--------------|
| Healthcare             | 184        | 198        | 7.6         | 30.2         |
| Workers' Compensation  | 146        | 149        | 2.1         | 22.7         |
| Property               | 64         | 67         | 4.7         | 10.2         |
| General Liability      | 74         | 79         | 6.8         | 12.0         |
| Professional Liability | 55         | 55         | 0.0         | 8.4          |
| Other                  | 137        | 108        | -21.2       | 16.5         |
| <b>Total</b>           | <b>660</b> | <b>656</b> | <b>-0.6</b> | <b>100.0</b> |

Source: Cayman Islands Monetary Authority

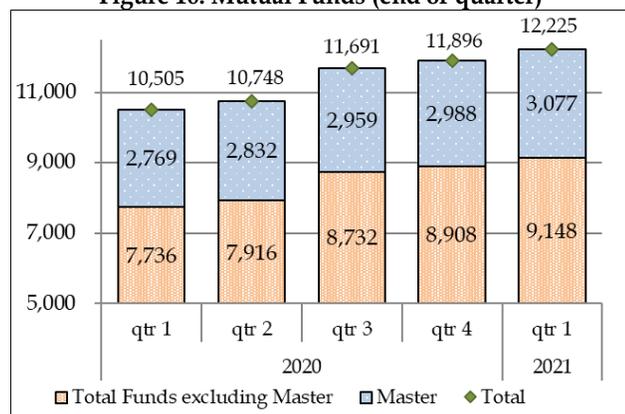
North America remained the preferred region by risk location with 90.1% (591) of the captive insurance business.

## 7.3 Mutual Funds

The number of mutual funds rose by 16.4% to a record 12,225 at the end of March 2021. This was attributed to increases of 18.3% and 11.1% in registered, administered, licenced and limited investor funds and master funds, respectively. Limited investor funds

were introduced in the second quarter of 2020.

**Figure 16: Mutual Funds (end of quarter)**



Source: Cayman Islands Monetary Authority

## 7.4 Stock Exchange

The number of stocks listed on the Cayman Islands Stock Exchange rose by 7.1% to a record 2,350 at the end of March 2021 (see Table 11). This was due to an increase in specialist debt instruments, which rose by 250 listings to 1,906. Among the other instruments, four declined while two remained unchanged.

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

| Instrument                | Mar 2019     | Mar 2020     | Mar 2021     | % Change   |
|---------------------------|--------------|--------------|--------------|------------|
| Investment Fund           | 193          | 198          | 122          | (38.4)     |
| Specialist Debt           | 1,247        | 1,656        | 1,906        | 15.1       |
| Sovereign Debt Security   | 318          | 288          | 280          | (2.8)      |
| Primary Equity            | 4            | 4            | 4            | 0.0        |
| Secondary Equity          | 1            | 1            | 1            | 0.0        |
| Insurance Linked Security | 43           | 46           | 36           | (21.7)     |
| Retail Debt               | 2            | 2            | 1            | (50.0)     |
| <b>Total</b>              | <b>1,808</b> | <b>2,195</b> | <b>2,350</b> | <b>7.1</b> |

Source: Cayman Islands Stock Exchange

Market capitalisation increased by 49.8% to US\$645.3 billion as at March 2021, the highest level on record (see Table 12). The

growth in market capitalisation reflected increases in four instruments while three declined. The largest increase was recorded by specialist debt instruments, which rose by US\$208.2 billion to US\$479.5 billion.

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

| Instrument                          | Mar 2019     | Mar 2020     | Mar 2021     | % Change    |
|-------------------------------------|--------------|--------------|--------------|-------------|
| Investment Fund                     | 11.3         | 11.9         | 13.0         | 9.2         |
| Specialist Debt                     | 230.3        | 271.3        | 479.5        | 76.7        |
| Corporate & Sovereign Debt Security | 115.3        | 140.6        | 146.8        | 4.4         |
| Primary Equity                      | 0.3          | 0.4          | 0.4          | (1.9)       |
| Secondary Equity                    | 0.1          | 0.0          | 0.2          | 460.3       |
| Insurance Linked Security           | 5.8          | 5.7          | 4.9          | (13.3)      |
| Retail Debt                         | 0.8          | 0.8          | 0.4          | (46.1)      |
| <b>Total</b>                        | <b>363.8</b> | <b>430.7</b> | <b>645.3</b> | <b>49.8</b> |

Source: Cayman Islands Stock Exchange

## 7.5. Company Registrations

New company registrations increased by 45.9% to a record 4,650 in the first quarter of 2021 (see Table 13). This was due to higher registrations in all categories. 'Exempt' (the largest category) and 'LLC' companies recorded the largest increases, rising by 45.0% and 88.9% to 3,669 and 459, respectively.



Table 13: New Company Registrations (Jan-Mar)

|                              | 2019          | 2020         | 2021         |
|------------------------------|---------------|--------------|--------------|
| <b>Total</b>                 | <b>3,440</b>  | <b>3,188</b> | <b>4,650</b> |
| Exempt                       | 2,779         | 2,530        | 3,669        |
| Non-Resident                 | 10            | 1            | 6            |
| Resident                     | 213           | 187          | 263          |
| Foreign                      | 180           | 216          | 227          |
| FDN                          | 16            | 11           | 26           |
| LLC                          | 242           | 243          | 459          |
| <b>Percentage Change (%)</b> |               |              |              |
| <b>Total</b>                 | <b>(23.2)</b> | <b>(7.3)</b> | <b>45.9</b>  |
| Exempt                       | (27.9)        | (9.0)        | 45.0         |
| Non-Resident                 | 233.3         | (90.0)       | 500.0        |
| Resident                     | 7.0           | (12.2)       | 40.6         |
| Foreign                      | (5.3)         | 20.0         | 5.1          |
| FDN                          | 33.3          | (31.3)       | 136.4        |
| LLC                          | 10.5          | 0.4          | 88.9         |

Source: Registrar of Companies

\*Foundation companies began operations in February 2018.

### 7.6. Partnerships

There were 1,411 new partnership registrations during the first quarter of 2021, the highest level ever recorded (see Table 14). This record surpassed the previous record of 1,256 in the corresponding quarter of 2020. New partnership registrations increased by 12.3% relative to the last year.

Table 14: New Partnership Registrations (Jan-Mar)

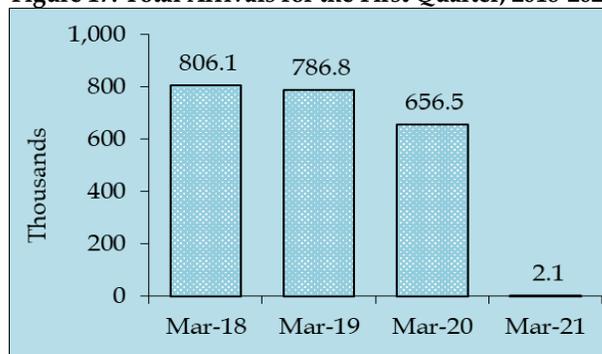
|                              | 2019         | 2020         | 2021         |
|------------------------------|--------------|--------------|--------------|
| <b>Total</b>                 | <b>1,116</b> | <b>1,256</b> | <b>1,411</b> |
| Exempt                       | 1,093        | 1,211        | 1,375        |
| Foreign                      | 23           | 45           | 35           |
| LLP*                         | -            | -            | 1            |
| <b>Percentage Change (%)</b> |              |              |              |
| <b>Total</b>                 | <b>(5.7)</b> | <b>12.5</b>  | <b>12.3</b>  |
| Exempt                       | (5.9)        | 10.8         | 13.5         |
| Foreign                      | 4.5          | 95.7         | (22.2)       |
| LLP*                         | -            | -            | 100.0        |

Source: Registrar of Companies

## 8. Tourism

Tourist arrivals declined sharply for the first quarter of 2021, reflecting ongoing restrictions on travel to the island during the period.

Figure 17: Total Arrivals for the First Quarter, 2018-2021



Source: Department of Tourism

### 8.1. Air Arrivals

Air arrivals fell by 98.2% in the first quarter with 2,085 tourists visiting Caymans shores. The contraction in arrivals was reflected across all markets.

Table 15: First Quarter Air Arrivals by Origin

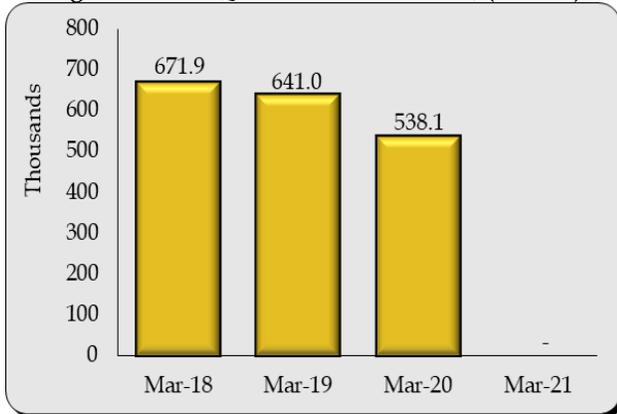
|               | In Thousands |       |      | % Change |
|---------------|--------------|-------|------|----------|
|               | 2019         | 2020  | 2021 |          |
| <b>USA</b>    | 122.0        | 97.1  | 1.2  | (98.8)   |
| <b>Europe</b> | 6.5          | 5.8   | 0.3  | (95.1)   |
| <b>Canada</b> | 12.4         | 11.1  | 0.2  | (98.0)   |
| <b>Others</b> | 4.9          | 4.3   | 0.4  | (91.1)   |
| <b>Total</b>  | 145.8        | 118.3 | 2.1  | (98.2)   |
| USA (% share) | 83.7         | 82.1  | 57.4 |          |

Source: Cayman Islands Department of Tourism

### 8.2. Cruise Arrivals

There were no cruise visitors in the March 2021 quarter as the Islands' cruise ports remained closed.

Figure 18: First Quarter Cruise Arrivals, (in 000's)



Source: Department of Tourism

## 9. Construction

Indicators of construction intentions showed declined during the first quarter of 2021, with the value of building permits and planning approvals dropping.

### 9.1. Building Permits

For the first three months of the year, the total value of building permits decreased by 25.6% to \$221.4 million. This decline was traced to reductions in all but one category (see table 16).

The largest decline was recorded in the commercial category, which led to an 88.9% fall in the value of non-residential permits to \$12.8 million. The contraction in the category was in the context of the non-recurrence of three high-value buildings approved in the previous quarter.

The value of residential permits (houses and apartments) declined by 26.8% to \$105.3 million for the quarter.

Table 16: Building Permits (Jan-Mar)

|              | Building Permits (CI\$ Mil) |              |              | % Change      |
|--------------|-----------------------------|--------------|--------------|---------------|
|              | 2019                        | 2020         | 2021         |               |
| Residential  | 64.3                        | 147.6        | 105.3        | (28.6)        |
| Houses       | 21.5                        | 68.3         | 32.6         | (52.3)        |
| Apartments   | 42.8                        | 79.2         | 72.7         | (8.2)         |
| Commercial   | 9.8                         | 109.1        | 9.1          | (91.7)        |
| Industrial   | 0.2                         | 1.5          | 3.7          | 146.5         |
| Hotel        | -                           | -            | 80.0         | -             |
| Government   | 0.2                         | 1.2          | -            | (100.00)      |
| Other        | 16.6                        | 38.2         | 23.3         | (39.1)        |
| <b>Total</b> | <b>91.1</b>                 | <b>297.5</b> | <b>221.4</b> | <b>(25.6)</b> |

Source: Planning Department

The 'other' category declined by 39.1% to \$23.3 million, while the hotel category increased to \$80.0 million from no permits in the previous year.

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

|              | Number of Permits |            |            | % Change    |
|--------------|-------------------|------------|------------|-------------|
|              | 2019              | 2020       | 2021       |             |
| Residential  | 119               | 146        | 179        | 22.6        |
| Houses       | 76                | 98         | 107        | 9.2         |
| Apartments   | 43                | 48         | 72         | 50.0        |
| Commercial   | 28                | 21         | 21         | -           |
| Industrial   | 1                 | 1          | 5          | 400.0       |
| Hotel        | -                 | -          | 1          | -           |
| Government   | 12                | 3          | 1          | (66.7)      |
| Other        | 143               | 126        | 133        | 5.6         |
| <b>Total</b> | <b>303</b>        | <b>297</b> | <b>340</b> | <b>14.5</b> |

Source: Planning Department

Despite the decline in value, the total number of building permits rose by 14.5% to 340.

### 9.2. Project Approvals

The total value of project approvals declined by just under half in the review period. Project approval value fell by 44.0% to \$142.2 million. This decline was traced to the



contractions in the value of residential approvals.

Table 18: Project Approvals (Jan-Mar)

|              | Project Approvals (CIS\$ Mil) |              |              | % Change      |
|--------------|-------------------------------|--------------|--------------|---------------|
|              | 2019                          | 2020         | 2021         |               |
| Residential  | 44.3                          | 230.6        | 43.2         | (81.3)        |
| Houses       | 18.9                          | 23.5         | 21.1         | (10.3)        |
| Apartments   | 25.4                          | 207.1        | 22.1         | (89.3)        |
| Commercial   | 1.3                           | 10.6         | 1.5          | (86.2)        |
| Industrial   | -                             | 0.7          | 2.5          | 275.9         |
| Hotel        | -                             | -            | 80.0         | -             |
| Government   | 0.1                           | -            | 1.3          | -             |
| Other        | 6.2                           | 12.0         | 13.9         | 15.9          |
| <b>Total</b> | <b>51.9</b>                   | <b>253.8</b> | <b>142.2</b> | <b>(44.0)</b> |

Source: Planning Department

Approvals in the residential sector decreased by 81.3% to \$43.2 million. Reductions in both the houses and apartment categories led this decline

The hotel category increased to \$80.0 million from no approval in the previous year.

The number of project approvals declined by 16.6% to 191 for the period.

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

|              | Number of Approvals |            |            | % Change      |
|--------------|---------------------|------------|------------|---------------|
|              | 2019                | 2020       | 2021       |               |
| Residential  | 100                 | 87         | 87         | -             |
| Houses       | 89                  | 60         | 59         | (1.7)         |
| Apartments   | 11                  | 27         | 28         | 3.7           |
| Commercial   | 8                   | 8          | 7          | (12.5)        |
| Industrial   | -                   | 2          | 2          | -             |
| Hotel        | -                   | -          | 1          | -             |
| Government   | 2                   | 1          | 2          | 100.0         |
| Other        | 68                  | 131        | 92         | (29.8)        |
| <b>Total</b> | <b>178</b>          | <b>229</b> | <b>191</b> | <b>(16.6)</b> |

Source: Planning Department

## 10. Real Estate

As measured by traded properties, real estate activity accelerated in the first quarter of 2021 relative to 2020.

The total value of traded properties rose to \$256.9 million, an increase of 23.2% relative to the same period of 2020. The expansion in traded properties was driven by a 24.0% increase in freehold transfers, which rose to \$249.6 million. Similarly, leasehold transfers rose by 1.6% to \$7.3 million.

Figure 19: Value of Property Transfers: (CIS\$ Million, Jan-Mar)



Source: Lands & Survey Department

Similarly, the total number of property transfers rose by 222 to 808. Freehold properties transferred increased by 206 to 751, while leaseholds rose by 16 to 57.



**Figure 20: Number of Property Transfers:  
Jan- Mar**



Source: Lands & Survey Department

## 11. Utilities

### 11.1 Electricity

Electricity demand declined by 5.6% in the first three months of 2021. The fall in demand was distributed across both residential and commercial customers. Specifically, residential consumption fell by 2.3%, while commercial and public consumption declined by 9.1% and 2.5%, respectively.

Despite the fall in consumption, electricity customers increased for the period by 2.5%, driven by a 3.0% increase in residential customers. Notably, the average consumption of both residential and commercial customers declined.

### 11.2. Water

Similar to the consumption of electricity, water consumption contracted during the review period. The consumption and production of water declined by 13.4% and 9.0%, respectively.

**Table 20: Utilities Production and Consumption**

|                              | Mar-20 | Mar-21 | %<br>Change |
|------------------------------|--------|--------|-------------|
| Millions of US Gallons       |        |        |             |
| Water Production             | 675.8  | 615.2  | (9.0)       |
| Water Consumption            | 589.3  | 510.2  | (13.4)      |
| '000 of megawatt hrs         |        |        |             |
| Electricity Production (Net) | 154.3  | 148.7  | (3.6)       |
| Electricity Consumption      | 152.3  | 143.8  | (5.6)       |
| Residential                  | 77.1   | 75.3   | (2.3)       |
| Commercial                   | 73.9   | 67.2   | (9.1)       |
| Public                       | 1.3    | 1.3    | (2.5)       |
| Total Customers              | 30,734 | 31,496 | 2.5         |
| Residential                  | 26,225 | 27,011 | 3.0         |
| Commercial                   | 4,509  | 4,485  | (0.5)       |

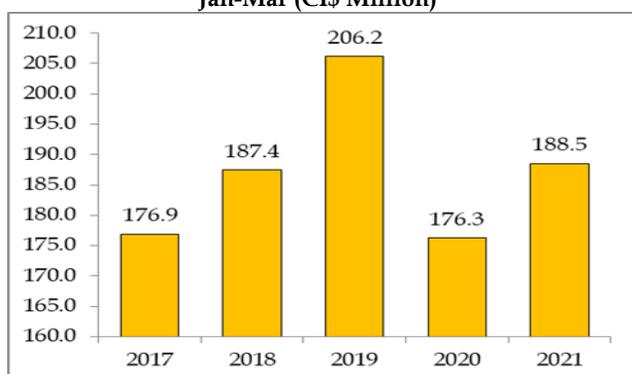
Source: Cayman Islands Water Authority, Cayman Water Company, Caribbean Utilities Company



## 12. Fiscal Operations of the Central Government<sup>6</sup>

**Net lending (overall surplus)**, which is revenue less expenditure, increased to \$188.5 million in the first quarter of 2021 from \$176.3 million during the corresponding quarter of 2020 (see Figure 20 and Table 22).

Figure 21: Central Government's Net Lending Jan-Mar (CI\$ Million)



Source: Cayman Islands Treasury Department & Economics and Statistics

The improvement in the overall surplus was due to a larger increase in revenue than in expenditure. The revenue growth resulted from an increase in the taxes category while the other revenue category declined. The rise in expenditure was attributable to increases in central government's expenses and net investment in non-financial assets (formerly net capital expenditure and net lending).

The **net operating balance (formerly current balance)**, which is revenue minus expense, rose to \$195.0 million from \$172.4 million in the first quarter of 2020.

Table 21: Summary of Fiscal Operations

|                                       | Mar-20       | Mar-21       | %<br>Change |
|---------------------------------------|--------------|--------------|-------------|
| CI\$ Million                          |              |              |             |
| Revenue                               | 353.2        | 404.2        | 14.5        |
| Expense                               | 180.8        | 209.2        | 15.7        |
| <b>Net Operating Balance</b>          | <b>172.4</b> | <b>195.0</b> | <b>13.1</b> |
| Net Investment in Nonfinancial Assets | (3.9)        | 6.5          | (267.5)     |
| <b>Expenditure</b>                    | <b>176.9</b> | <b>215.7</b> | <b>21.9</b> |
| <b>Net Lending</b>                    | <b>176.3</b> | <b>188.5</b> | <b>7.0</b>  |
| <b>Financing:</b>                     |              |              |             |
| Net Acquisition of Financial Assets   | 171.2        | 183.8        | 7.4         |
| Net Incurrence of Liabilities         | (5.1)        | (4.7)        | (7.8)       |

Source: Cayman Islands Treasury Department & Economics and Statistics Office

### 12.1. Revenue

The central government's revenue increased by 14.5% to \$404.2 million in January–March 2021 (see Table 23) and was comprised of taxes (97.1%) and other revenue (2.9%). This reflected some level of normalcy as the outturn for the same period last year was negatively impacted by the pandemic in March 2020.

**Taxes** totalled \$392.7 million, an increase of 15.8% relative to the comparable quarter in 2020. This was due to higher receipts from taxes on goods and services and taxes on property, which were partly offset by lower receipts from taxes on international trade and transactions, and other taxes.

<sup>6</sup> The tables, graphs and information presented in this section has been adjusted to conform with the 2014



Table 22: Revenue of the Central Government

|                                             | Mar-20       | Mar-21       | %<br>Change   |
|---------------------------------------------|--------------|--------------|---------------|
| CI\$ Million                                |              |              |               |
| <b>Revenue</b>                              | <b>353.2</b> | <b>404.2</b> | <b>14.5</b>   |
| <b>Taxes</b>                                | <b>339.2</b> | <b>392.7</b> | <b>15.8</b>   |
| Taxes on International Trade & Transactions | 55.7         | 45.2         | (18.8)        |
| Taxes on Goods & Services                   | 266.7        | 326.0        | 22.3          |
| Taxes on Property                           | 16.6         | 21.4         | 28.6          |
| Other Taxes                                 | 0.2          | 0.0          | (77.6)        |
| <b>Other Revenue</b>                        | <b>14.0</b>  | <b>11.5</b>  | <b>(17.4)</b> |
| Sale of Goods & Services                    | 9.8          | 9.9          | 0.8           |
| Investment Revenue                          | 3.0          | 0.7          | (76.9)        |
| Fines, Penalties and Forfeits               | 0.9          | 0.7          | (16.4)        |
| Revenue n.e.c.                              | 0.2          | 0.2          | (12.4)        |

Source: Cayman Islands Treasury Department & Economics and Statistics Office

**Revenue collected from international trade and transactions** fell by 18.8% to \$45.2 million (Table 23). This was due to declines in all categories except motor vehicle duty. The categories recording the largest revenue increases were cruise ship departure charges, down \$3.3 million to no receipts in the review quarter; gasoline and diesel duty, down \$2.1 million to \$3.4 million; other import duty, down \$2.1 million to \$30.1 million; and environmental protection fund fees, down \$1.8 million to \$0.1 million.

**Revenue collected from taxes on goods & services** increased by 22.3% to \$326.0 million (see Table 24). Receipts from financial services licences and other domestic taxes accounted for most of the increase in this category, rising by 29.0 percent to \$268.8 million. This was due mainly to the introduction of \$44.8 million in private fund fees collected during the review quarter. In contrast, revenue from work permit and residency fees decreased by 1.9% to \$20.6 million. Within other domestic taxes, tourist

accommodation charges fell by 97.9% to \$0.2 million due to no tourism in the review quarter, while motor vehicle charges rose by 35.6% to \$3.3 million.

Within other domestic taxes, tourist accommodation charges fell by 27.1% to \$8.3 million due to a decline in stayover passengers. Within the category, motor vehicle charges declined by 2.0% to \$2.9 million.

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

|                                      | Mar-20       | Mar-21       | %<br>Change |
|--------------------------------------|--------------|--------------|-------------|
| CI\$ Million                         |              |              |             |
| Financial Services Licences          | 208.3        | 268.8        | 29.0        |
| ICTA Licences & Royalties            | 1.9          | 1.9          | (0.1)       |
| Work Permit and Residency Fees       | 21.0         | 20.6         | (1.9)       |
| Other Stamp Duties                   | 2.6          | 4.3          | 69.5        |
| Traders' Licences                    | 1.8          | 2.1          | 22.3        |
| Other Domestic Taxes                 | 31.1         | 28.3         | (9.2)       |
| Of which:                            |              |              |             |
| Tourist Accommodation Charges        | 8.3          | 0.2          | (97.9)      |
| Motor Vehicle Charges                | 2.4          | 3.3          | 35.6        |
| <b>Taxes on Goods &amp; Services</b> | <b>266.7</b> | <b>326.0</b> | <b>22.3</b> |

Source: Cayman Islands Treasury Department & Economics and Statistics Office

**Taxes on property** increased by 28.6% to \$21.4 million (Table 23). This was due to an increase in stamp duties collected from land transfers. **Other taxes** fell by 77.6% to \$48,000.

**Other revenue** declined to \$11.5 million, 17.4% below the outturn in January–March 2020 (Table 23). This was due to lower receipts in all categories except the sale of goods and services. Investment revenue fell by 76.9% to \$0.7 million and fines, penalties and forfeits decreased by 16.4% to \$0.7



million. On the contrary, receipts from the sale of goods and services rose by 0.8% to \$9.9 million.

## 12.2. Expenditure

Expenditure for January–March 2021 increased by 21.9% to \$215.7 million (Table 22). This was attributed to increases in central government's expenses and net investment in non-financial assets<sup>7</sup>.

**Central government's expenses (formerly current expenditure)** rose by 15.7% to \$209.2 million due to increased spending in five of the seven categories (see Table 25).

Table 24: Expenses of the Central Government

|                              | Mar-20        | Mar-21       | %<br>Change |
|------------------------------|---------------|--------------|-------------|
|                              | CIS\$ Million |              |             |
| <b>Expense</b>               | <b>180.8</b>  | <b>209.2</b> | <b>15.7</b> |
| Compensation of Employees    | 87.5          | 90.5         | 3.4         |
| Use of Goods and Services    | 23.8          | 23.7         | (0.5)       |
| Consumption of Fixed Capital | 9.5           | 10.6         | 11.2        |
| Subsidies                    | 45.1          | 43.7         | (3.1)       |
| Social Benefits              | 8.7           | 34.2         | 295.0       |
| Interest                     | 3.0           | 3.1          | 4.5         |
| Other Expense                | 3.2           | 3.3          | 4.9         |

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Compensation of employees (formerly personnel costs) increased by 3.4% to \$90.5 million. This was due mainly to increases in provisional leave expenses and healthcare costs of \$1.2 million and \$1.0 million, respectively. Salaries and wages (including employee pension contributions) rose by \$0.7 million to \$66.1 million.

Use of goods and services (formerly supplies and consumables) declined by 0.5% to \$23.7 million. This stemmed primarily from a reduction in travel and subsistence expenses.

Consumption of fixed capital (formerly depreciation); which is a decline in the value of fixed assets owned and used by the central government due to physical deterioration, normal obsolescence or normal accidental damage; rose by 11.2% to \$10.6 million (Table 25). The main contributors to this increase were the depreciation of roads and sidewalks and the depreciation of buildings.

Payment of subsidies to statutory authorities, government-owned companies and private entities decreased by 3.1% to \$43.7 million. Cayman Airways Limited (down \$2.5 million to \$4.2 million) and Health Services Authority (down \$1.7 million to \$7.4 million) were the entities receiving the largest reduction in subsidies.

Social benefits (formerly transfer payments) rose to \$34.2 million, an increase of 295.0%. The primary beneficiaries of this increased payment were sports and cultural tourism programmes, scholarships and bursaries, and business initiatives.

Interest payments rose by 4.5% to \$3.1 million and other central government expenses increased by 4.9% to \$3.3 million (Table 25). The increase in other expenses

<sup>7</sup> Net investment in nonfinancial assets is gross investment in nonfinancial assets less consumption of fixed capital.



was attributable mainly to spending on supplies and equipment to combat Covid-19.

### 11.3. Investment in Non-financial Assets

During the first quarter of 2021, gross investment in non-financial assets (formerly gross capital expenditure and net lending) increased by 202.1% to \$17.1 million (see Table 26). This was due to increased spending on fixed assets<sup>8</sup>. Net investment in non-financial assets grew by 267.5% to \$6.5 million.

Within fixed assets, capital investment in ministries and portfolios rose by 593.4% to \$10.0 million. This resulted from an increased expenditure of \$8.6 million by the Ministry of Education, Youth, Sports, Agriculture and Lands.

Capital investment in statutory authorities and government-owned companies declined by 7.6% to \$2.3 million. This was due mainly to a decline in capital expenditure of \$0.7 million on Cayman Airways Limited.

Capital investment on executive assets increased by 192.7% to \$4.6 million. This was the result of higher spending on road projects, inclusive of expansion work and surfacing upgrades.

### 12.4. Net Financing and Debt

Net acquisition of financial assets<sup>9</sup>, including the cash balance, increased by 7.4% to \$183.8 million in the review quarter (see Table 27). Net incurrence of liabilities, which comprises net borrowing, was -\$4.7 million relative to -\$5.1 million from January to March 2020 and was due to a reduction in loan repayment. There were no loan disbursements during the review quarter and the comparable quarter in 2020.

Table 25: Investment in Non-financial Assets

|                                                                            | Mar-20       | Mar-21 | %<br>Change |
|----------------------------------------------------------------------------|--------------|--------|-------------|
|                                                                            | CI\$ Million |        |             |
| Gross Investment in Nonfinancial Assets                                    | 5.7          | 17.1   | 202.1       |
| Fixed Assets                                                               | 5.5          | 16.9   | 209.1       |
| Capital Investment in Ministries and Portfolios                            | 1.4          | 10.0   | 593.4       |
| Capital Investment in Statutory Authorities and Government Owned Companies | 2.5          | 2.3    | (7.6)       |
| Executive Assets                                                           | 1.6          | 4.6    | 192.7       |
| Inventories                                                                | 0.2          | 0.2    | (1.8)       |
| Net Investment in Nonfinancial Assets <sup>1</sup>                         | (3.9)        | 6.5    | 267.5       |

Source: Cayman Islands Treasury Department and Economics and Statistics Office

<sup>8</sup> Includes expenditure on buildings and structures as well as machinery and equipment.

Table 26: Net Financing

|                                     | Mar-20       | Mar-21 | %<br>Change |
|-------------------------------------|--------------|--------|-------------|
|                                     | CI\$ Million |        |             |
| <b>Financing:</b>                   |              |        |             |
| Net Acquisition of Financial Assets | 171.2        | 183.8  | 7.4         |
| Net Incurrence of Liabilities       | (5.1)        | (4.7)  | (7.8)       |
| Incurrence (Disbursement)           | 0.0          | 0.0    | -           |
| Reduction (Loan Repayment)          | 5.1          | 4.7    | (7.8)       |

Source: Cayman Islands Treasury Department

<sup>9</sup> Calculated as the sum of net lending (overall balance) and net incurrence of liabilities. It originates from the fact that net lending can also be computed as net acquisition of financial assets minus net incurrence of liabilities.

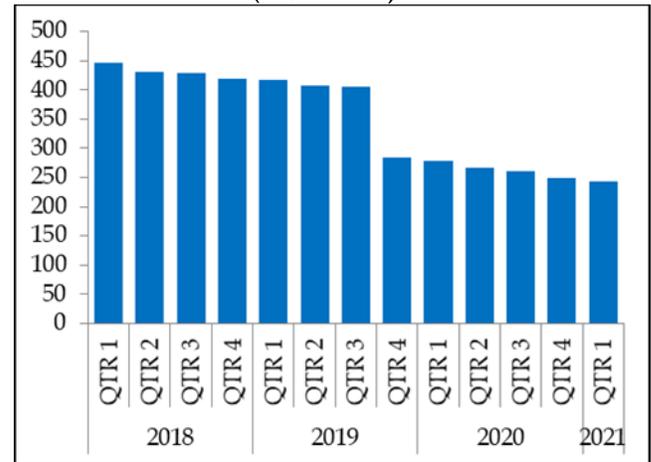


The central government's outstanding debt continued on its downward trajectory after peaking at the end of the second quarter of 2011. The debt stock stood at \$243.9 million at the end of March 2021, \$35.4 million lower than the stock at the end of March 2020 (see Figure 21). In comparison with the end of June 2011, the debt decreased by \$385.3 million.

The central government's debt service-to-revenue ratio fell to 1.9% from 2.3% in January–March 2020. Interest expenses accounted for 1.5% of total expenses in the review quarter compared with 1.6% in the corresponding quarter of 2020. Interest expenses as a proportion of revenue

remained unchanged at 0.8% in the first quarter of 2021.

Figure 22: Central Government Outstanding Debt (CI\$ Million)



Source: Cayman Islands Treasury Department



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