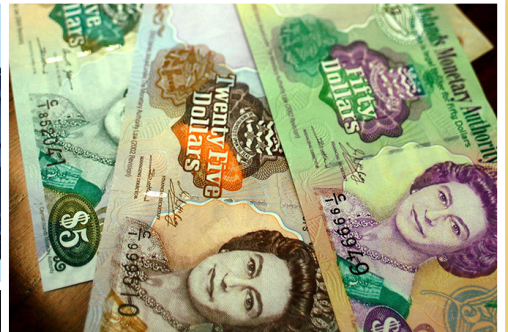
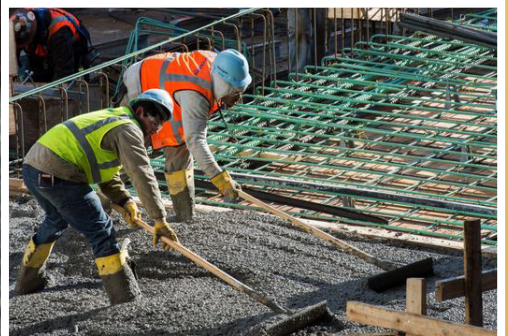
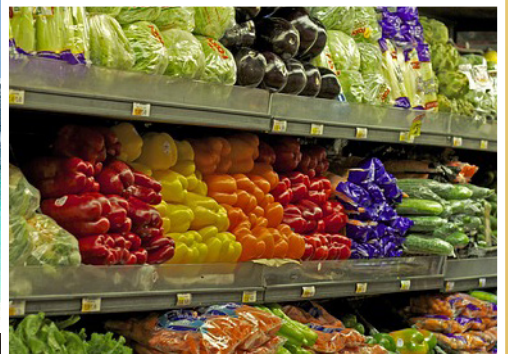




CAYMAN ISLANDS
GOVERNMENT



THE CAYMAN ISLANDS' FIRST QUARTER ECONOMIC REPORT 2020





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Overview*

- Gross domestic product (GDP) in real terms was estimated to have expanded at an annualised rate of 1.9% for the first three months of 2020. GDP is forecasted to contract by 7.8% for the year.
- The Consumer Price Index increased by 3.0% mainly due to increases in transport, education and clothing and footwear.
- Total merchandise imports increased by 6.8% to \$288.2 million with both oil and non-oil imports increasing.
- Work permits declined by 0.2% to 27,323. While, civil service employment rose by 176 persons, with Caymanian staff increasing by 92 and non-Caymanian staff by 84.
- Money supply (M2) expanded by 1.4% due to higher CI dollar-denominated deposits as foreign currency deposit holdings by residents declined.
- Domestic credit expanded by 8.9% as credit to the private and public sector increased by 7.0% and 38.2%, respectively.
- The number and value of foreclosed properties continued to decline in the first quarter of 2020.
- The weighted average lending rate fell to 6.02% from 7.52%, while the prime lending rate fell to 3.25% from 5.5%.
- Bank and trust company licences decreased by 6.8% and insurance licences fell by 0.9%.
- Mutual funds, including “master funds” recorded a decline of 3.8%.
- The number of listings on the Stock Exchange increased by 21.4% and market capitalization increased by 18.4%.
- New company registrations fell to 3,172 or by 7.8%, while new partnership registrations increased by 11.9% to 1,249.
- Air arrivals declined by 35.8%, while cruise passenger arrivals fell by 16.1%.
- The value of building permits rose by 226.5% while project approvals increased by 388.7%.
- The value of property transfers increased by 14.8% to CI\$230.3 million.
- Electricity and water consumption rose by 4.0% and 9.6%, respectively.
- The central government’s overall fiscal surplus moderated to \$176.3 million compared with \$205.0 million a year ago.
- The total outstanding debt of the central government declined to \$279.3 million from \$417.4 million a year ago.

*Comparative data over the first quarter of 2019, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off.

1. International Economy

1.1 Economic Growth¹

The world's major economies contracted in the first quarter of the year owing to the negative impact of the coronavirus (Covid-19). The United States' economy declined by an annualised rate of 5.0% for the period reflecting lower levels of consumer spending and exports.

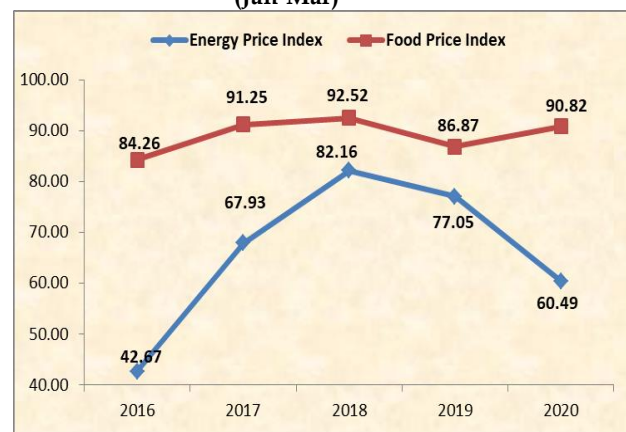
Canada's economy contracted by an annualised rate of 8.2% due to reduced household spending and widespread lockdown of non-essential businesses in March 2020. The United Kingdom (UK) recorded a decline in GDP of 2.2% due mainly to reduced output in the production, construction and services sectors. The Euro Area contracted by 3.7% in the first quarter of 2020 as a result of lower household and investment spending along with fewer exports.

1.2 Inflation

The world's major economies recorded relatively low inflation levels for the first quarter of 2020. The USA and Canada recorded inflation of 2.1% and 1.8%, respectively. In comparison, the UK and the Euro Area registered respective inflation of 1.7% and 1.1%. The increase in consumer prices was mainly due to higher cost of agricultural products, namely food and beverages. In contrast, the energy price

index declined during the quarter (see Figure 1). The decline in energy prices was attributed to lower prices of crude oil, coal and natural gas on the world market. Crude oil averaged US\$49.06 per barrel in January–March 2020 compared with US\$60.50 per barrel in January–March 2019.²

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



Source: World Bank commodity prices (The Pink Sheet)

1.3 Interest Rates and Exchange Rates³

Adverse socio-economic conditions forced central banks in major economies to implement accommodative measures, among them lower interest rates. The Federal Reserve lowered the target range for its federal funds rate twice during the quarter ending the period between 0.00% and 0.25%.

The Bank of Canada's policy interest rate was also lowered in three tranches from 1.75% at the start of the year 0.25% at the end

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

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

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

of the quarter. The Bank of England preserved its policy interest rate at 0.75% as inflation projections remain on track. In contrast, the European Central Bank (ECB) retained its policy interest rates on the main refinancing operations, marginal lending facility and deposit facility at 0.00%, 0.25% and -0.40%, respectively.

The US Dollar, on average, strengthened nominally against three of the world's major traded currencies during January–March 2020 compared with the corresponding period in 2019. Notably, the US Dollar strengthened by 1.8% against the Great Britain Pound Sterling, 3.0% against the Euro and 1.1% against the Canadian Dollar.

2. GDP Growth

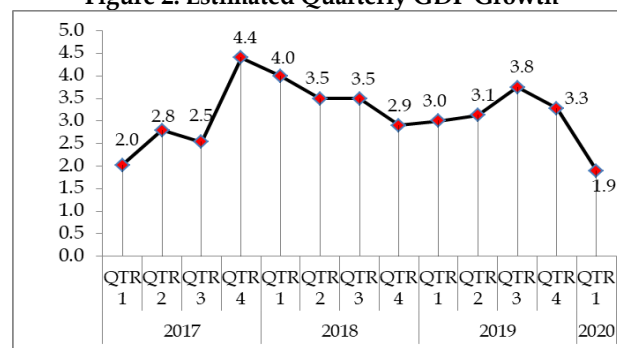
Real GDP is estimated to have expanded at an annualised rate of 1.9% in the first quarter of 2020. The expansion in the quarter is relative to an estimated growth of 3.0% in the first quarter of 2019 (Figure 2).

The economic expansion for the quarter was broad-based with only the hotels and restaurants sector declining for the period. The fall in the hotels and restaurants sector reflected the closure of Cayman's borders in the latter half of March 2020. The "sudden stop" in the sector impacted the growth in some auxiliary sectors but was not sufficient to outweigh their growth in the first two and a half months of the quarter.

Notable expansions occurred in construction (11.9%); electricity and water

supply (6.1%) and real estate (5.3%) (see Figure 3).

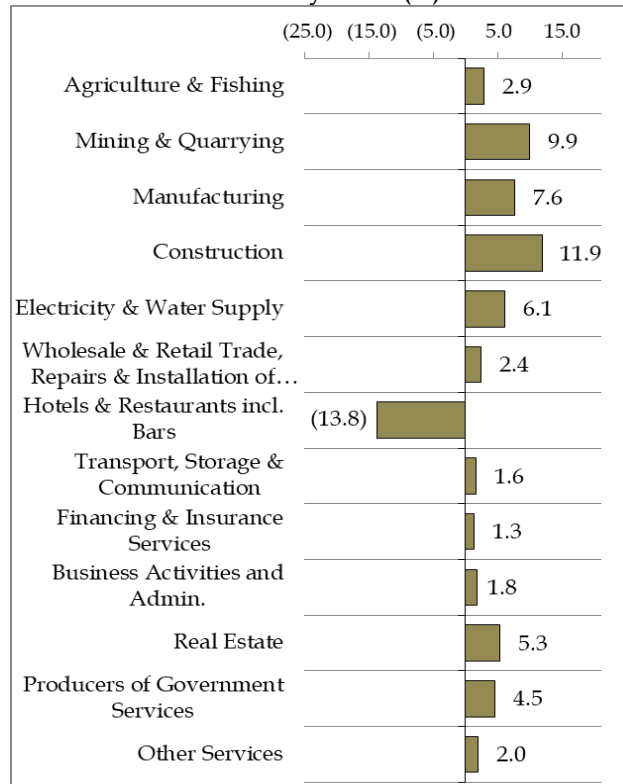
Figure 2: Estimated Quarterly GDP Growth



Source: Economics and Statistics Office

The financial services sector, which remains the largest contributor to GDP, had estimated growth of 1.3%.

Figure 3: Estimated First Quarter 2020 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 2020 with economic activity measured by real GDP projected to contract by 7.8% (see Table 1). It is expected that tourism, transportation and some auxiliary services will be adversely affected by restrictions and demand conditions associated with COVID-19. Despite the general contraction in most sectors, construction is expected to rise as demand for construction services remains robust.

Table 1: Macroeconomic Performance and Outlook

	2017	2018	2019	Projection 2020
	Percent (%)			
Real GDP	3.1	4.1	3.2	-7.8
CPI Inflation	2.0	3.3	5.7	0.4
Unemployment Rate	4.9	2.8	3.5	7.1

* Real GDP is estimated for 2019

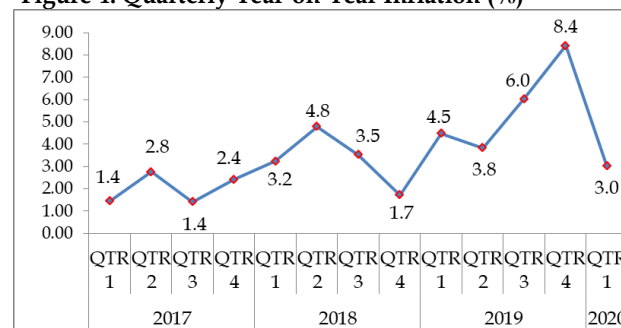
Source: Economics and Statistics Office

The average consumer price index (CPI) inflation rate is forecasted at 0.4% in 2020. Lower demand, coupled with global restrictions during the year, is expected to suppress price levels. Additionally, international commodity prices are expected to remain low amidst stymied demand associated with lower economic activities and income levels. The unemployment rate for the year is expected at 7.1% relative to 3.5% in 2019 as contractions in labour-intensive sectors drive down employment levels.

3. Inflation⁴

Average prices increased moderately in the first quarter of 2020, continuing on the sharp upturn observed in 2019. The Consumer Price Index (CPI) as at March 2020 stood at 111.41, 3.0% higher when compared to March 2019. Higher prices were observed in all divisions of the CPI.

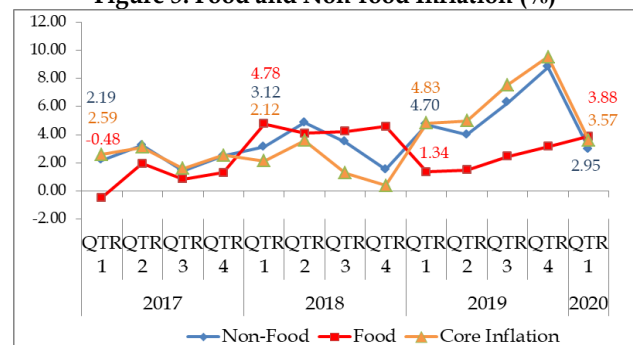
Figure 4: Quarterly Year-on-Year Inflation (%)



Source: Economics and Statistics Office

Within the non-food category, the clothing and footwear index rose by 6.2% during the quarter. Additionally, the average cost of transport rose by 6.0% as the cost vehicles, fuel and services increased. The education price index increased by 5.7%, largely reflecting a rise in fees for tertiary education.

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



Source: Economics and Statistics Office

⁴ A detailed CPI report is posted at www.eso.ky

The communication price index rose by 5.4%, mainly on account of an increase in the cost of telephone and telex services. Similarly, the price index for recreation and culture increased by 3.5% as the cost of related services and the cost of information sources and equipment rose.

On average, prices for food and non-alcoholic beverages increased by 3.9%, higher than the increase of 1.3% recorded in the corresponding period of 2019.

The other divisions increasing were; housing and utility (up by 2.1%), restaurants and hotels (up by 0.3%), household equipment (up by 1.0%), health (up by 1.5%), alcoholic beverage and tobacco (up by 1.5%) and miscellaneous goods and services (up by 1.0%).

Table 2: Inflation Rates by Categories

Categories	Avg. Inflation Rates (%)	
	Q1 2019	Q1 2020
Food & Non-alcoholic Beverages	1.3	3.9
Alcohol and Tobacco	0.9	1.5
Clothing and Footwear	1.0	6.2
Housing and Utilities	11.1	2.1
Household Equipment	2.0	1.0
Health	0.9	1.5
Transport	-1.5	6.0
Communication	7.7	5.4
Recreation and Culture	4.1	3.5
Education	3.4	5.7
Restaurants and Hotels	1.9	0.3
Misc. Goods and Services	-0.3	1.0
Overall CPI Inflation	4.5	3.0

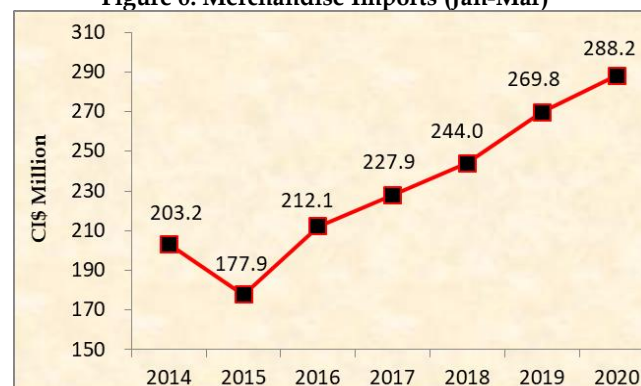
Source: Economics and Statistics Office

Consistent with the price changes outlined, core inflation, which is inflation excluding food, electricity, and fuel, increased by 3.6% for the quarter relative to the same period of 2019 (see Figure 5).

4. Trade⁵

Merchandise imports rose by 6.8% to \$288.2 million in the first quarter of 2020, relative to the corresponding quarter in 2019 (see Figure 6). This increase in imports was reflected in all categories except commodities & transactions not classified elsewhere.

Figure 6: Merchandise Imports (Jan-Mar)



Source: Customs Department and ESO

The categories recording the largest increases were food and live animals (up \$3.8 million to \$52.6 million), inedible crude materials except for fuels (up \$3.6 million to \$7.7 million) and miscellaneous manufactured articles (up \$3.3 million to \$60.1 million). The total importation of non-petroleum products rose by 6.9% to \$255.7 million in the first quarter of 2020.

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

The importation of petroleum products increased by \$1.9 million to \$32.5 million for the period.

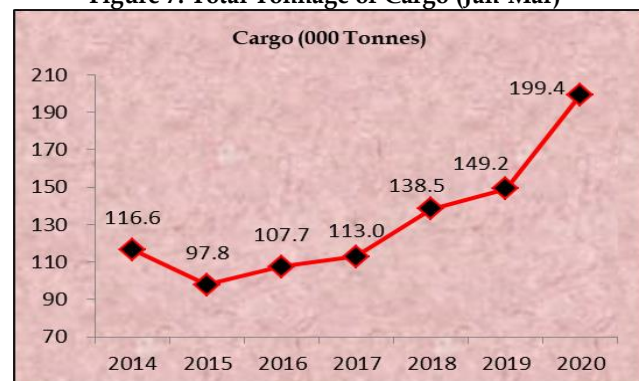
Table 3: Quantity of Fuel Imports (Jan-Mar)

	2018	2019	2020	% Change
Millions of Imperial Gallons				
Total Fuel	13.2	12.9	10.4	(19.2)
Diesel	7.7	7.6	5.0	(34.1)
Gas	3.3	2.9	2.9	0.2
Aviation Fuel	1.5	2.0	1.7	(14.4)
Propane	0.7	0.5	0.9	82.2

Source: Cayman Islands Port Authority

The total tonnage of landed cargo increased by 33.7% to 199,410 tonnes (see Figure 7). Of this amount, containerised cargo accounted for 39.0% (77,797 tonnes) and aggregates, which have been included as of 2019, representing 51.6% (102,989 tonnes). Cement bulk and breakbulk cargo accounted for 8.3% (16,596 tonnes) and 1.0% (2,028 tonnes) of the total landed cargo, respectively. The growth in total landed cargo reflected increases in all categories except breakbulk cargo.

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



Source: Cayman Islands Port Authority

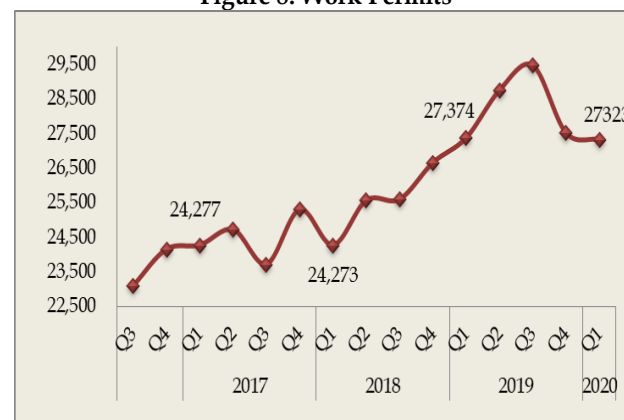
5. Labour Market Indicators

Labour demand in both the public and private sector increased in the first quarter of 2020.

5.1. Work Permits

As of the end of March 2020, there were 27,323 work permits issued, a reduction of 0.2% relative to 27,374 in the same period of 2019. The number of work permits declined by 0.7% relative to the December 2019 quarter when 27,514 work permits were issued. The sectors employing the most work permit holders for the quarter were accommodation and food services, households and construction.

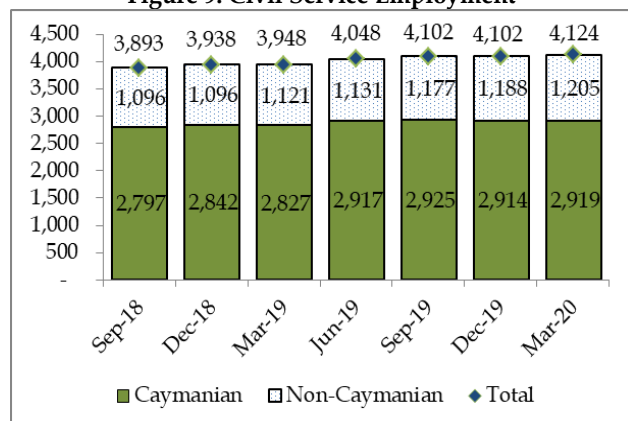
Figure 8: Work Permits



Sources: Immigration Department & ESO

5.2. Public Sector Employment

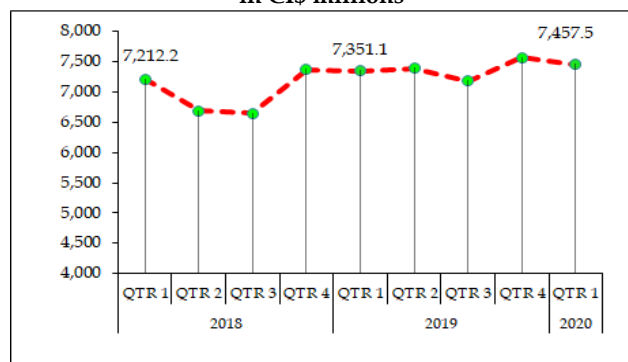
The number of civil servants employed by the Cayman Islands' government increased to 4,124 in the review period relative to 3,948 persons in the previous year. The number of Caymanian civil servants increased by 92 to 2,919, while non-Caymanian civil servants increased by 84 to 1,205.

Figure 9: Civil Service Employment


Source: Portfolio of the Civil Service

6. Money & Banking

For the first quarter of 2020, growth in local currency-denominated money supported an increase in broad liquidity (M2) of 1.4% to \$7,457.5 million. The increase occurred despite a marginal reduction in foreign currency deposits for the period (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 5.0% or \$90.2 million, while currency in circulation increased by 22.9% or \$28.1 million compared to a year ago. In contrast, foreign currency deposits fell by 0.2%,

despite US dollar-denominated deposits increasing by 0.3% (or \$14.2 million) (see Table 4).

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

	Mar-19	Mar-20	% Change
Total Assets	7,351.1	7,457.5	1.4
Net Foreign Assets	5,466.1	5,063.8	(7.4)
Monetary Authority	133.4	165.3	23.9
Commercial Banks	5,332.7	4,898.5	(8.1)
Net Domestic Assets	1,885.1	2,393.7	27.0
Domestic credit	3,125.9	3,405.4	8.9
Claims on central government	146.9	219.0	49.1
Claims on other public sector	52.0	55.9	7.4
Claims on private sector	2,927.0	3,130.5	7.0
Other items net	(1,240.8)	(1,011.7)	(18.5)
Broad Liquidity	7,351.1	7,457.5	1.4
Broad money (KYD) M2	1,918.2	2,036.4	6.2
Currency in circulation	122.7	150.8	22.9
KYD Deposits	1,795.4	1,885.6	5.0
Demand deposits	617.4	812.1	31.5
Time and savings deposits	1,178.0	1,073.5	(8.9)
FOREX deposits	5,433.0	5,421.1	(0.2)
of which: US dollars	5,027.8	5,042.0	0.3
US dollars share (%)	92.5	93.0	

Source: Cayman Islands Monetary Authority & ESO

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

6.1 Net Foreign Assets. The net foreign assets (NFA) of commercial banks fell by 8.1% during the quarter, outweighing an increase in the Cayman Islands Monetary Authority (CIMA) NFA which expanded by 23.9%. The lower NFA among commercial banks reflected a decline in foreign assets, which outweighed a reduction in foreign liabilities. Foreign assets fell by 8.2% reflecting declines of 23.1% and 10.5% in balances with banks and branches and non-

resident loans, respectively. The impact of these declines was partially offset by a 15.5% increase in foreign investment.

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

	Mar-19	Mar-20	% Change
Net Foreign Assets	5,466.1	5,063.8	(7.4)
Monetary Authority	133.4	165.3	23.9
Commercial Banks	5,332.7	4,898.5	(8.1)
Foreign Assets	8,811.8	8,091.2	(8.2)
Bal. with Banks & Branches	4,302.8	3,308.4	(23.1)
Total Investment	2,875.0	3,320.8	15.5
Total Non-Resident Loans	1,634.0	1,462.0	(10.5)
Foreign Liabilities	3,479.1	3,192.6	(8.2)
Total Non-Resident Deposits	3,251.7	2,825.9	(13.1)
Other Liabilities	227.4	366.8	61.3

Source: Cayman Islands Monetary Authority & ESO

Foreign liabilities declined by 8.2%, reflecting a 13.1% reduction in non-resident deposits. The impact of which was partly offset by an increase in other liabilities.

6.2. Net Domestic Assets. Total domestic credit within the financial system expanded by 8.9% in the first quarter of the year as credit to the public and private sector increased. Loans to the private sector rose by 7.0% while public sector indebtedness increased by 38.2%. The increase in public sector debt was largely on account of the central government using domestic credit to refinance roughly half of an international bullet bond which matured in the last quarter of 2019.

The increase credit Credit extended to parastatal and public authorities increased by 7.4% for the period.

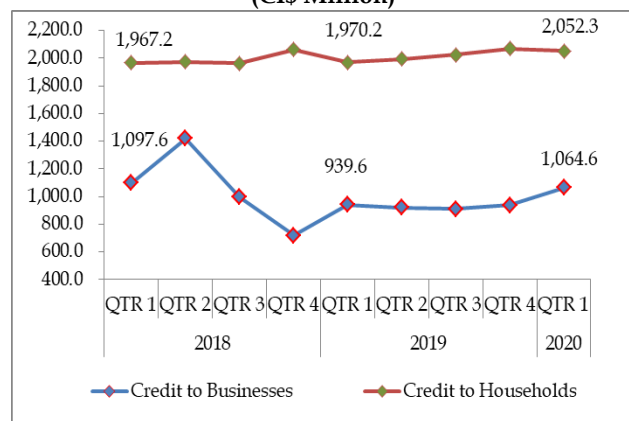
Table 6: Net Domestic Credit (CI\$ millions)

	Mar-19	Mar-20	% Change
Domestic Credit	3,125.9	3,405.4	8.9
Credit to Public Sector	198.9	274.9	38.2
Credit to Central Government	146.9	219.0	49.1
Credit to Other Public Sector	52.0	55.9	7.4
Credit to Private Sector	2,927.0	3,130.5	7.0

Source: Cayman Islands Monetary Authority & ESO

Credit extended to businesses was the largest contributor to the rise in borrowings for the review period, rising by \$125.0 million (13.3%) to \$1,064.6 million. Real estate agents, rental and leasing companies accounted for the largest absolute increase, rising by \$116.4 million.

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



Source: Cayman Islands Monetary Authority & ESO

Credit to households increased by 4.2% to CI\$2,052.3 million during the quarter (see Figure 11). The growth in household loans is traced to increased borrowings for domestic properties, which rose by 5.3% (see Table 7). There were declines in all other household loan categories for the period.

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

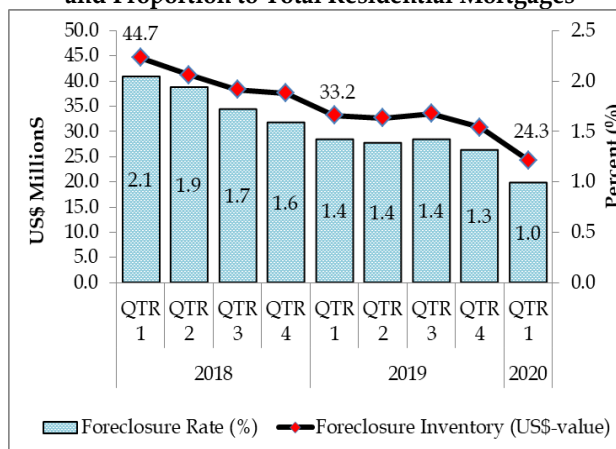
	Mar-19	Mar-20	% Change
Total Private Sector Credit	2,927.0	3,130.5	7.0
Credit to Businesses	939.6	1,064.6	13.3
Production & Manufacturing	314.1	318.4	1.4
Mining	5.1	4.7	(8.1)
Manufacturing	13.6	91.1	570.7
Utilities	46.6	17.1	(63.3)
Construction	248.9	205.6	(17.4)
Services	120.4	113.9	(5.4)
Accommodation, Food, Bar & Entertainment Services	64.3	61.2	(4.8)
Transportation, Storage & Communications	22.0	28.5	29.6
Education, Recreational & Other Professional Services	34.1	24.2	(29.1)
Trade and Commerce	497.2	599.7	20.6
Wholesale & Retail Sales Trade	92.6	55.4	(40.2)
Real Estate Agents, Rental and Leasing Companies	159.7	276.1	72.9
Other Business Activities (General Business Activity)	244.9	268.2	9.5
Other Financial Corporations	7.9	32.6	311.6
Credit to Households	1,970.2	2,052.3	4.2
Domestic Property	1,695.4	1,786.0	5.3
Motor Vehicles	61.0	57.2	(6.2)
Education and Technology	5.7	4.6	(19.3)
Miscellaneous*	208.1	204.5	(1.7)
NonProfit Organizations	17.1	13.5	(21.0)

Source: Cayman Islands Monetary Authority & ESO

6.3. Residential Mortgage Foreclosures

At end-March 2020, data from CIMA shows that there were 82 properties in the local commercial banks' foreclosure inventory valued at US\$24.3 million. This represented a decrease compared to the 114 properties valued at US\$33.2 million in the comparative period in 2019.

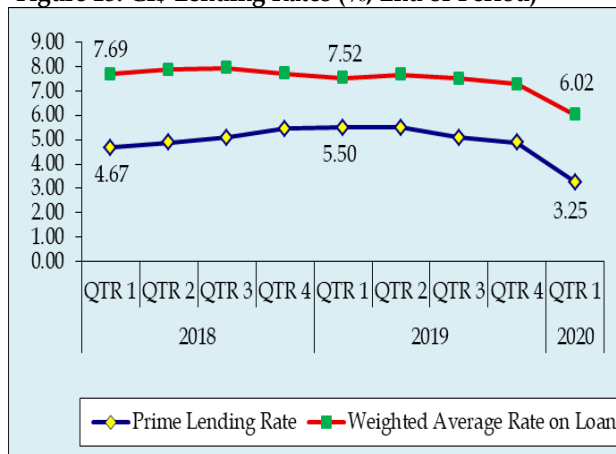
The foreclosure rate (foreclosure inventory over total residential mortgages) as at March 2020 declined to 1.0% from 1.4% in 2019 and 2.1% in 2018.

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 4 (or 4.9% of all foreclosures), relative to 9 in 2019.

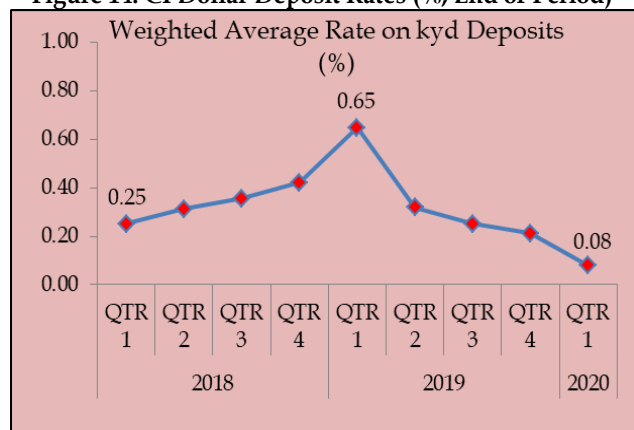
6.4. Interest Rates. The Cayman Islands' prime lending rate declined by 225 basis points to 3.25% as at March 2020. Similarly, the KYD weighted average lending rate fell to 6.02% from 7.52% a year earlier (see Figure 13).

Figure 13: CIS\$ Lending Rates (% End of Period)


Source: Cayman Islands Monetary Authority & ESO

The weighted average rate on KYD deposits declined by 57 basis point to 0.08% for the first quarter of 2020 (see Figure 14). The increase in the weighted average interest rate on deposits was partly due to a change in the composition of deposits held in domestic banks. Specifically, demand deposits, which usually carry a lower rate of interest, rose. In comparison, savings and time deposits which typically have a higher rate of interest declined for the quarter (see Table 4).

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



Source: Cayman Islands Monetary Authority & ESO

7. Financial Services

Financial services indicators reflected a downward trend in the first quarter of the year. There were declines in most indicators except partnership registrations, stock exchange listings and market capitalisation.

7.1 Banks & Trust

Bank and trust licences continued to decrease in an international financial system focused on maximising profitability through enhanced efficiency and consolidation.

As at March 2020, the number of licenced Bank and Trust companies fell by 6.8% to 124. The number of Class 'A' Bank & Trust licences decreased by 10.0% to 9 while the number of foreign banks or Class 'B' licences declined by 6.5% to 115.

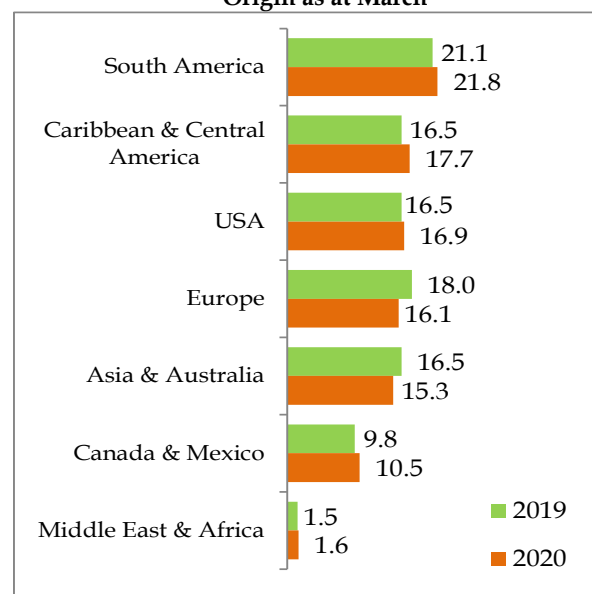
Table 8: Bank and Trust Companies

	Mar 2018	Mar 2019	Mar 2020	% Change
Banks & Trusts	149	133	124	(6.8)
Class A	11	10	9	(10.0)
Class B	138	123	115	(6.5)
Trust Companies	118	114	116	1.8
Restricted	61	57	59	3.5
Unrestricted	57	57	57	0.0

Source: Cayman Islands Monetary Authority

The number of trust company licences rose by 1.8% to 116 at the end of March 2020. This was due to an increase in the number of restricted licences from 57 to 59 as the number of unrestricted licences remained unchanged at 57.

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



Source: Cayman Islands Monetary Authority

The regions of South America, Caribbean and Central America and the USA were the main sources of Cayman's banking licences, accounting for 21.8%, 17.7% and 16.9% of the total, respectively.

7.2 Insurance

The number of insurance licences issued by the Cayman Islands fell to 687 at the end of March 2020 relative to 693 at the end of March 2019.

Table 9: Insurance Companies*

	Mar 2018	Mar 2019	Mar 2020	% Change
Domestic - Class 'A'	28	27	27	0.0
Captives	692	666	660	(0.9)
Class 'B'	664	639	629	(1.6)
Class 'C'	25	23	25	8.7
Class 'D'	3	4	6	50.0
Total	720	693	687	(0.9)

Source: Cayman Islands Monetary Authority

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

Class 'A' licences, which represents the domestic insurers, remained unchanged at 27 while captive licences fell by 6 to 660. Within captives, a reduction in Class 'B' licences outweighed increases in Class 'C' and Class 'D' licences. Class 'B' licences fell by 10 to 629 while Class 'C' and Class 'D' licences both rose by 2 to 25 and 6, respectively.

The primary classes of business within the captive insurance market continued to be Healthcare and Workers' Compensation, which represented 27.9% and 22.1% of the market, respectively. By risk location, North America remained the primary source of

insurance licences with 90.3% (596) of the captive insurance business.

Table 10: Captive Insurance Licences by Primary Class of Business

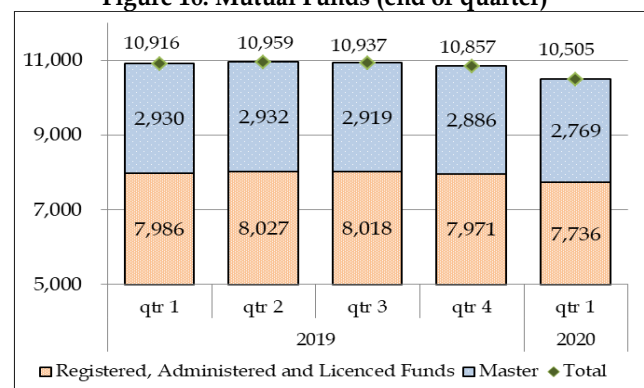
	Mar 2019	Mar 2020	% Change	% Poportion
Healthcare	217	184	(15.2)	27.9
Workers' Compensation	148	146	(1.4)	22.1
Property	65	64	(1.5)	9.7
General Liability	74	74	0.0	11.2
Professional Liability	56	55	(1.8)	8.3
Other	106	137	29.2	20.8
Total	666	660	(0.9)	100.0

Source: Cayman Islands Monetary Authority

7.3 Mutual Funds

Mutual funds registered in the Cayman Islands declined for the first quarter by 3.8% to 10,505. This was attributed to contractions of 3.1% in registered, administered & licenced funds to 7,736 and 5.5% in master funds to 2,769.

Figure 16: Mutual Funds (end of quarter)



Source: Cayman Islands Monetary Authority

7.4 Stock Exchange

The Cayman Islands Stock Exchange continued to exhibit robust registration and growth in the first quarter of the year. The number of stocks listed on the exchange rose by 387 to a record 2,195 at the end of March 2020. Three of the seven instruments increased, three remained unchanged, and

one declined. Specialist debt instruments registered the largest increase, rising by 409 listings to 1,656.

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

	Mar	Mar	Mar	%
Instrument	2018	2019	2020	Change
Investment Fund	215	193	198	2.6
Specialist Debt	786	1,247	1,656	32.8
Corporate & Sovereign	286	318	288	(9.4)
Debt Security				
Primary Equity	4	4	4	0.0
Secondary Equity	1	1	1	0.0
Insurance Linked Security	42	43	46	7.0
Retail Debt	1	2	2	0.0
Total	1,335	1,808	2,195	21.4

Source: Cayman Islands Stock Exchange

The stock market capitalisation increased by US\$66.9 billion to US\$430.7 billion as at March 2020, its highest level on record. The growth reflected increases in all instruments except secondary equities, retail debt and insurance-linked securities.

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

	Mar	Mar	Mar	%
Instrument	2018	2019	2020	Change
Investment Fund	11.3	11.3	11.9	5.2
Specialist Debt	149.7	230.3	271.3	17.8
Corporate & Sovereign	100.1	115.3	140.6	21.9
Debt Security				
Primary Equity	0.2	0.3	0.4	31.9
Secondary Equity	0.1	0.1	0.0	(23.4)
Insurance Linked Security	5.2	5.8	5.7	(1.4)
Retail Debt	0.4	0.8	0.8	(1.4)
Total	267.0	363.8	430.7	18.4

Source: Cayman Islands Stock Exchange

7.5. Company Registrations

New company registrations decreased by 7.8% to 3,172 in the first quarter of 2020. This

was due to declines in all categories except the 'Foreign' and 'Limited Liability Companies' categories. 'Exempt' (the largest category) and 'Resident' companies recorded the largest declines, decreasing by 9.3% and 14.1% to 2,520 and 183, respectively. In contrast, 'Foreign' companies rose by 20.0% to 216 while 'Limited Liability Companies' increased by 0.4% to 243.

Table 13: New Company Registrations (Jan-Mar)

	2018	2019	2020
Total	4,478	3,440	3,172
Exempt	3,855	2,779	2,520
Non-Resident	3	10	1
Resident	199	213	183
Foreign	190	180	216
FDN*	12	16	9
LLC	219	242	243
Percentage Change (%)			
Total	41.8	(23.2)	(7.8)
Exempt	44.3	(27.9)	(9.3)
Non-Resident	(40.0)	233.3	(90.0)
Resident	8.7	7.0	(14.1)
Foreign	18.0	(5.3)	20.0
FDN*	-	33.3	(43.8)
LLC	59.9	10.5	0.4

Source: Registrar of Companies

*Foundation companies began operations in February 2018.

7.6. Partnerships

There were 1,249 new partnerships registered during the first quarter of 2020, the highest level ever recorded. The rise in partnership registration represented an increase of 11.9% relative to the first quarter of 2019.

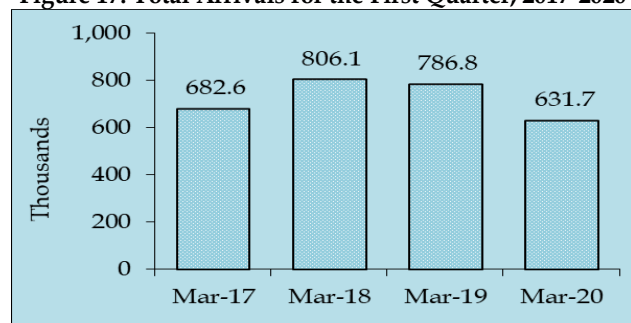
Table 14: New Partnership Registrations (Jan-Mar)

	2018	2019	2020
Total	1,183	1,116	1,249
Exempt	1,161	1,093	1,204
Foreign	22	23	45
Percentage Change (%)			
Total	28.7	(5.7)	11.9
Exempt	29.0	(5.9)	10.2
Foreign	15.8	4.5	95.7

Source: Registrar of Companies

8. Tourism

Total arrivals in the first quarter of the year declined, as the closure of the island's ports in March reversed the record arrivals seen in the first two months of the quarter.

Figure 17: Total Arrivals for the First Quarter, 2017-2020


Source: Department of Tourism

8.1. Air Arrivals⁶

Air arrivals fell to 93.6 thousand in the first quarter of 2020, 35.8% lower than the corresponding period of 2019. The contraction in arrivals was reflected across all markets and occurred despite annual

increases of 3.6% and 13.0% in January and February, respectively.

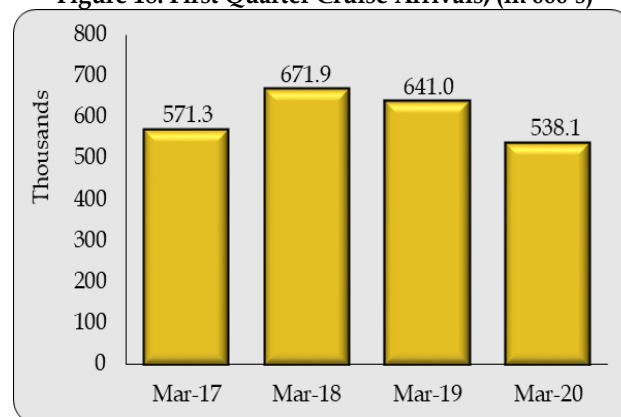
Table 15: First Quarter Air Arrivals by Origin

	2018	2019	2020	% Change
In Thousands				
USA	111.0	122.0	76.4	(37.4)
Europe	6.7	6.5	4.7	(27.4)
Canada	10.8	12.4	9.0	(27.9)
Others	5.6	4.9	3.5	(29.0)
Total	134.2	145.8	93.6	(35.8)
USA (% share)	82.7	83.7	81.7	

Source: Cayman Islands Department of Tourism

8.2. Cruise Arrivals

During the March 2020 quarter, cruise arrivals declined by 16.1% to 538,140. This decline corresponded to a fall in the number of cruise ship calls to 192 from 223.

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


Source: Department of Tourism

9. Construction

Indicators of construction intentions showed a positive trend during the first quarter of

⁶ Figures for the March 2020 quarter does not include arrivals for the first 2 weeks of March 2020 which has not been published.

2020, with both building permits and planning approvals increasing.

9.1. Building Permits

The total value of building permits increased sharply to \$297.5 million in the first quarter, reflecting growth in all categories (see table 16).

The commercial category recorded the largest absolute increase, rising by \$99.3 million relative to the same period of the previous year. Growth in the category was influenced by 3 high-value buildings approved during the period.

The value of residential permits (houses and apartments) increased by \$83.3 million for the quarter. This was driven by growth in both the houses and the apartment category. The houses segment rose by \$46.8 million while the apartment segment increased by \$36.4 million. Growth in the residential category was driven by approvals for a number of apartment complexes and some high-value homes.

Table 16: Building Permits (Jan-Mar)

	Building Permits (CI\$ Mil)			% Change
	2018	2019	2020	
Residential	23.7	64.3	147.6	129.5
Houses	13.3	21.5	68.3	217.6
Apartments	10.4	42.8	79.2	85.2
Commercial	17.2	9.8	109.1	1,015.6
Industrial	-	0.2	1.5	656.8
Hotel	-	-	-	-
Government	0.0	0.2	1.2	374.23
Other	1.0	16.6	38.2	130.1
Total	41.9	91.1	297.5	226.5

Source: Planning Department

The other category increased by \$21.6 million, which was dominated by a pavilion building, valued \$30.0 million.

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

	Number of Permits			% Change
	2018	2019	2020	
Residential	62	119	146	22.7
Houses	44	76	98	28.9
Apartments	18	43	48	11.6
Commercial	25	28	21	(25.0)
Industrial	-	1	1	-
Hotel	-	-	-	-
Government	1	12	3	(75.0)
Other	90	143	126	(11.9)
Total	178	303	297	(2.0)

Source: Planning Department

Despite the growth in value, the total number of building permits declined by 2.0% to 297.

9.2. Project Approvals

The total value of project approvals soared to \$253.8 million for the quarter, driven by increases in all categories except the government category.

Table 18: Project Approvals (Jan-Mar)

	Project Approvals (CI\$ Mil)			% Change
	2018	2019	2020	
Residential	22.7	44.3	230.6	420.0
Houses	16.7	18.9	23.5	24.0
Apartments	6.0	25.4	207.1	715.4
Commercial	0.0	1.3	10.6	737.9
Industrial	0.1	-	0.7	-
Hotel	-	-	-	-
Government	-	0.1	-	(100.0)
Other	5.8	6.2	12.0	92.0
Total	28.6	51.9	253.8	388.7

Source: Planning Department

Approvals in the residential sector rose by \$186.3 million, led by growth in the apartment segment. An approved 10 story project valued \$180.2 million was the major driver in this segment.

The commercial category rose by \$9.4 million for the period, while the 'other' category increased by \$5.7 million to \$12.0 million.

The number of project approvals increased by 28.7% to 229 for the period.

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

	Number of Approvals			% Change
	2018	2019	2020	
Residential	49	100	87	(13.0)
Houses	46	89	60	(32.6)
Apartments	3	11	27	145.5
Commercial	2	8	8	-
Industrial	2	-	2	-
Hotel	-	-	-	-
Government	-	2	1	(50.0)
Other	81	68	131	92.6
Total	134	178	229	28.7

Source: Planning Department

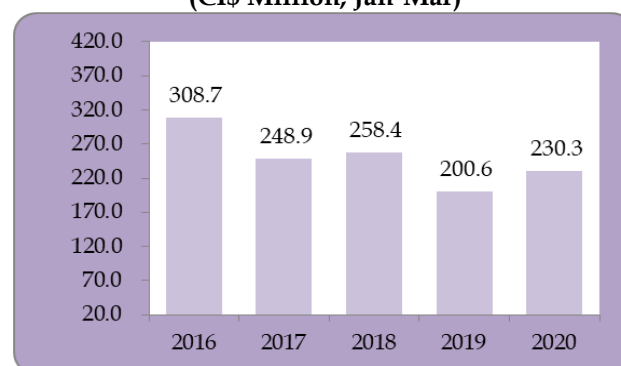
10. Real Estate

Real estate activity, as measured by traded properties, accelerated in the first quarter of 2020 relative to 2019.

The total value of traded properties rose to \$230.3 million, an increase of 14.8% relative to the same period of 2019. The expansion in traded properties was driven by a 31.6% increase in freehold transfers, which rose to a value of \$226.9 million. The rise in freehold transfer outweighed an 88.0% decline in the

value of leasehold transfers, which fell to \$3.4 million.

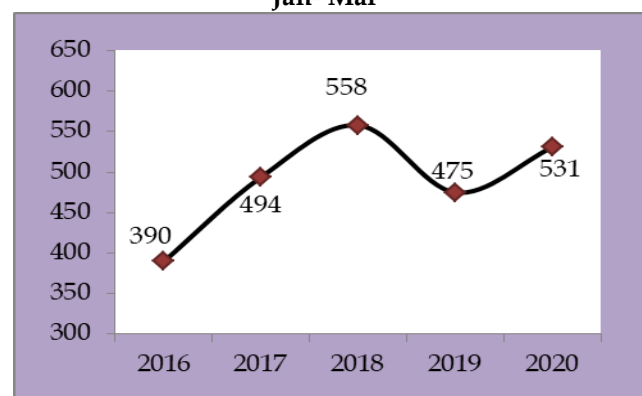
Figure 19: Value of Property Transfers: (CIS\$ Million, Jan-Mar)



Source: Lands & Survey Department

Similarly, the total number of property transfers rose by 56 to 531. Freehold properties transferred increased by 66 to 466, while leaseholds fell by 10 to 45.

Figure 20: Number of Property Transfers: Jan- Mar



Source: Lands & Survey Department

11. Utilities

11.1 Electricity

Electricity demand increased by 4.0% in the first three months of 2020. The higher demand was concentrated in the residential

customer base, as both commercial and public consumption declined. Specifically, residential consumption rose by 8.7%, while commercial and public consumption fell by 0.3% and 9.2%, respectively.

The electricity customers increased for the period by 2.6%, comprising of a 2.8% increase in residential customers and a 1.6% increase in commercial customers. Notably, the average consumption of residential customers also increased while the average usage by commercial customers declined.

Table 20: Utilities Production and Consumption

	Mar-19	Mar-20	% Change
Millions of US Gallons			
Water Production	622.0	675.8	8.6
Water Consumption	537.9	589.3	9.6
'000 of megawatt hrs			
Electricity Production (Net)	149.1	154.3	3.5
Electricity Consumption	146.4	152.3	4.0
Residential	70.9	77.1	8.7
Commercial	74.1	73.9	(0.3)
Public	1.4	1.3	(9.2)
Total Customers	29,945	30,734	2.6
Residential	25,508	26,225	2.8
Commercial	4,437	4,509	1.6

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

11.2. Water

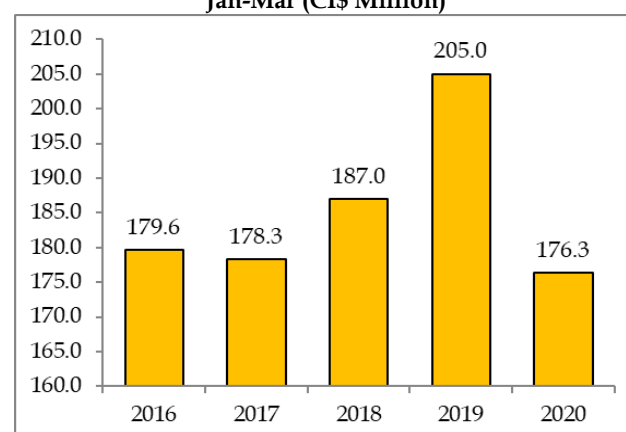
Similar to the consumption of electricity, water consumption was boosted by the trend increase in economic activity; accordingly, the consumption and production of water increased by 9.6% and 8.6%, respectively.

⁷ The tables, graphs and information presented in this section has been adjusted to conform with the 2014

12. Fiscal Operations of the Central Government⁷

Net lending (fiscal surplus), which is revenue less expenditure, fell to \$176.3 million in the first quarter of 2020 from the record \$205.0 million during the corresponding quarter of 2019. (see Figure 21 and Table 21).

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



Source: Cayman Islands Treasury Department & Economics and Statistics

The moderation in the surplus was due to a reduction in revenue, coupled with an increase in expenditure. The reduction in revenue occurred across both the tax and non-tax base, while the higher expenditure was due to higher expenses (current expenditure). Net investment in non-financial assets (net capital expenditure and net lending) decreased during the quarter.

Government Finance Statistics Manual 2014 published by the IMF.

Table 21: Summary of Fiscal Operations

	Mar-19	Mar-20	% Change
CI\$ Million			
Revenue	373.7	353.2	(5.5)
Expense	159.3	180.8	13.5
Net Operating Balance	214.4	172.4	(19.6)
Net Investment in Nonfinancial Assets	9.4	(3.9)	(142.1)
Expenditure	168.7	176.9	4.9
Net Lending	205.0	176.3	(14.0)
Financing:			
Net Acquisition of Financial Assets	202.4	171.2	(15.4)
Net Incurrence of Liabilities	(2.6)	(5.1)	99.0

Source: Cayman Islands Treasury Department & Economics and Statistics Office

The **net operating balance (current balance)**, which is revenue minus expense, fell to \$172.4 million from \$214.4 million in the first quarter of 2019.

12.1. Revenue

Revenue contracted by 5.5% to \$353.2 million for the first quarter with taxes and other revenue contributing 96.0% and 4.0%, respectively (see Table 22). Revenue intake for the period was impacted by lower inflows in March, the month in which the lockdown of economic activities commenced, due to the threat of Covid-19.

Taxes: Revenue collected from taxes totalled \$339.2 million, a decline of 5.1% relative to the comparable quarter in 2019. This was due to lower revenue from taxes on international trade and transactions and taxes on goods and services. The impact of these declines was partially offset by higher revenue collection from taxes on property and other taxes.

Table 22: Revenue of the Central Government

	Mar-19	Mar-20	% Change
CI\$ Million			
Revenue	373.7	353.2	(5.5)
Taxes	357.4	339.2	(5.1)
Taxes on International Trade & Transactions	57.9	55.7	(3.7)
Taxes on Goods & Services	283.2	266.7	(5.8)
Taxes on Property	16.3	16.6	1.9
Other Taxes	0.1	0.2	127.7
Other Revenue	16.2	14.0	(13.9)
Sale of Goods & Services	9.7	9.8	1.4
Investment Revenue	4.7	3.0	(34.8)
Fines, Penalties and Forfeits	0.7	0.9	35.1
Revenue n.e.c.	1.2	0.2	(81.5)

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Revenue collected from taxes on goods & services decreased by 5.8% to \$266.7 million (see Table 23). Lower revenue from financial service licences accounted for most of the reduction in this category, declining by 5.8% to \$209.5 million. There was also lower revenue from work permit and residency fees, down 6.6% to \$21.0 million, and other domestic taxes, down 4.4% to \$30.0 million.

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

	Mar-19	Mar-20	% Change
CI\$ Million			
Financial Services Licences	222.3	209.5	(5.8)
ICTA Licences & Royalties	1.9	1.9	0.1
Work Permit and Residency Fees	22.5	21.0	(6.6)
Other Stamp Duties	2.8	2.6	(7.3)
Traders' Licences	2.3	1.8	(23.9)
Other Domestic Taxes	31.4	30.0	(4.4)
Of which:			
Tourist Accommodation Charges	11.4	8.3	(27.1)
Motor Vehicle Charges	3.0	2.9	(2.0)
Taxes on Goods & Services	283.2	266.7	(5.8)

Source: Cayman Islands Treasury Department & Economics and Statistics Office

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.

Tax receipts from international trade and transactions fell by 3.7% to \$55.7 million (Table 22). This was due to a 2.5% fall in the collection of import duties, which fell to \$50.4 million. Similarly, the collection of other levies on international trade and transactions fell by 14.0% to \$5.3 million.

The reduction in import duties was due to lower revenue from other imports, which decreased by 8.6% to \$32.2 million. Concerning other levies on international trade and transactions, cruise ship departure charges fell by 14.6% to \$3.3 million, and environmental protection fund fees decreased by 12.9% to \$2.0 million. The decline in cruise ship departure charges was due to a reduction in the number of cruise passengers visiting the Islands.

Taxes on property increased by 1.9% to \$16.6 million due to an increase in infrastructure fund fees. This increase was partly offset by declines in the revenue collected from stamp duty and timeshare ownership charges.

Other revenue declined to \$14.0 million, 13.9% lower than in January–March 2019. This was due to a reduction in investment

revenue, which fell by 34.8% to \$3.0 million. Additionally, revenue not elsewhere classified (n.e.c.) declined by 81.5% to \$0.2 million. In contrast, the sale of goods and services rose by 1.4% to \$9.8 million.

12.2. Expenditure

Total expenditure for the first quarter of 2020 grew by 4.9% to \$176.9 million, reflecting an increase in expenses. Net investment in non-financial assets⁸ declined for the period (see Table 21).

Expense (current expenditure) increased by 13.5% to \$180.8 million as spending on all categories except interest increased (see Table 24).

Table 24: Expenses of the Central Government

	Mar-18	Mar-19	Mar-20	% Change
	CIS\$ Million			
Expense	150.6	159.3	180.8	13.5
Compensation of Employee	70.0	76.7	87.5	14.0
Use of Goods and Services	21.2	21.4	23.8	11.5
Consumption of Fixed Capi	8.0	7.0	9.5	36.5
Subsidies	33.8	39.2	45.1	15.2
Social Benefits	9.2	7.0	8.7	24.0
Interest	6.0	5.9	3.0	(49.7)
Other Expense	2.4	2.1	3.2	49.8

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Compensation of employees (personnel costs) rose by 14.0% to \$87.5 million, mainly due to an increase in salaries and wages (including employee pension contributions) of \$7.8 million. The rise in employee compensation was due to an increase in the number of civil servants as well as an

⁸ Net investment in nonfinancial assets is gross investment in nonfinancial assets less consumption of fixed capital.

increase in salaries (cost of living adjustment) during the quarter.

Use of goods and services (supplies and consumables) rose by 11.5% to \$23.8 million. This is attributed to increases in both the purchase of services and goods by \$1.7 million and \$0.8 million, respectively.

Consumption of fixed capital (depreciation); which is a decline in the value of fixed assets owned and used by the central government as a result of physical deterioration, normal obsolescence or normal accidental damage; rose by 36.5% to \$9.5 million. The main contributor to this increase was the depreciation of buildings.

Subsidies, which are payments to statutory authorities and corporations, increased by 15.2% to \$45.1 million. The Cayman Islands National Insurance Company (up 24.5% to \$10.4 million) and Cayman Airways Limited (up 36.0% to \$6.8 million) were the largest recipients of the increase in subsidies.

Social benefits (transfer payments) rose by 24.0% to \$8.7 million, largely attributed to a rise in temporary financial assistance, ex-gratia payments to seamen and financial assistance for the poor.

'Other' expense rose by 49.8% to \$3.2 million, due mainly to higher spending of \$0.3 million on the University of the West Indies and general insurance.

In contrast to the general increase in expenses, interest expense declined by 49.7% to \$3.0 million. This was in the context of the lower debt levels during the quarter (see Section 12.4).

12.3. Investment in Non-financial Assets

During the first quarter of 2020, gross investment in non-financial assets (gross capital expenditure and net lending) fell by 65.8% to \$5.6 million (see Table 25). This decline was reflected in all categories of fixed assets⁹. Net investment in non-financial assets declined by 142.1% to -\$3.9 million as depreciation was higher than gross investment.

Within fixed assets, capital investment in ministries and portfolios decreased by \$4.7 million to \$1.4 million. This resulted from no capital expenditure by the Ministry of Financial Services and Home Affairs in the first quarter of 2020 as opposed to capital expenditure of \$5.7 million in the corresponding quarter of 2019.

Table 25: Investment in Non-financial Assets

	Mar-19	Mar-20	% Change
CI\$ Million			
Gross Investment in Nonfinancial Assets	16.4	5.6	(65.8)
Fixed Assets	16.4	5.6	(65.8)
Capital Investment in Ministries and Portfolios	6.1	1.4	(76.4)
Statutory Authorities and Government Owned Companies	7.1	2.5	(65.4)
Executive Assets	1.9	1.6	(17.8)
Net Investment in Nonfinancial Assets¹	9.4	(3.9)	(142.1)

Source: Cayman Islands Treasury Department and Economics and Statistics Office

⁹ Includes expenditure on buildings and structures as well as machinery and equipment.

Capital investment in statutory authorities and government-owned companies fell by \$4.6 million to \$2.5 million, due to a decline in capital expenditure of \$5.2 on Cayman Turtle Farm Limited.

Capital investment on executive assets decreased by \$0.3 million to \$1.6 million. This decline was due mainly to reduced expenditure on road projects, including expansion work and surfacing upgrades.

12.4. Net Financing and Debt

Net acquisition of financial assets, which includes the assumed cash balance generated by the fiscal surplus, decreased by 15.4% to \$171.2 million in January–March 2020 (see Table 26). Net incurrence of liabilities, which comprises net borrowing, fell to -\$5.1 million from -\$2.6 million due to an increase in loan repayment. There were no loan disbursements during the review quarter.

The central government's outstanding debt continued on its downward trajectory during the review quarter. The debt stood at \$279.3 million at the end of March 2020, \$131.8 million lower than the stock at the end of March 2019 (see Figure 22).

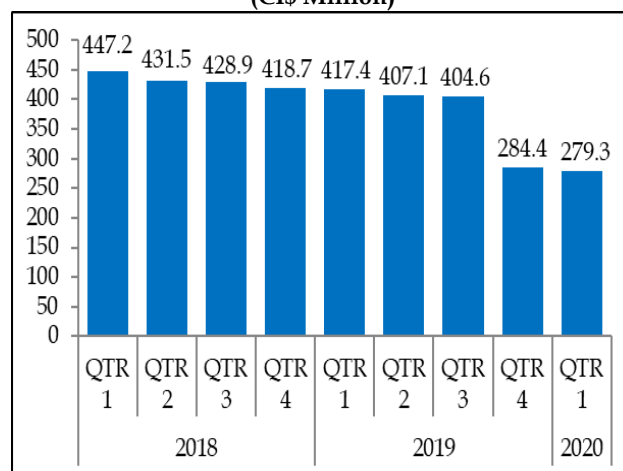
Table 26: Net Financing

	Mar-19	Mar-20	% Change
CI\$ Million			
Financing:			
Net Acquisition of Financial Assets	202.4	171.2	(15.4)
Net Incurrence of Liabilities	(2.6)	(5.1)	99.0
Incurrence (Disbursement)	0.0	0.0	-
Reduction (Loan Repayment)	2.6	5.1	99.0

Source: Cayman Islands Treasury Department

The central government's debt service-to-revenue ratio remained unchanged at 2.3% for January–March 2020 relative to the corresponding period in 2019. Interest expense in the first quarter of 2020 accounted for 1.6% of the total expense compared with 3.7% in the corresponding quarter of 2019. Interest expense as a proportion of revenue declined to 0.8% from 1.6% in the similar period of 2019.

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



Source: Cayman Islands Treasury Department



ACKNOWLEDGMENT

The Economics and Statistics Office (ESO) gratefully acknowledges the assistance of the following local companies, government offices and statutory authorities in generating the data sets used in this edition of the quarterly report:

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

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