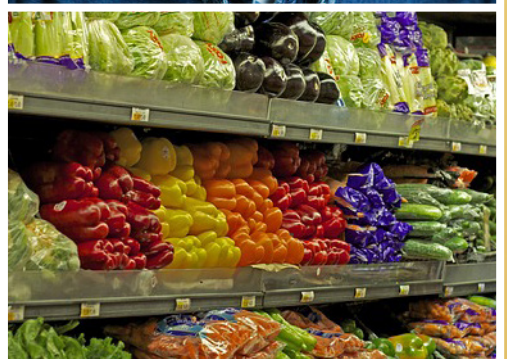




CAYMAN ISLANDS  
GOVERNMENT



# THE CAYMAN ISLANDS' THIRD QUARTER ECONOMIC REPORT 2018



## Table of Contents

Overview* .....	1
1. International Economy .....	2
2. GDP Growth and Macroeconomic Forecasts .....	3
3. Inflation .....	4
4. Trade .....	5
5. Employment .....	6
6. Money & Banking .....	7
6.1. Net Foreign Assets (NFA) .....	7
6.2. Net Domestic Assets/Domestic Credit .....	8
6.3. Residential Mortgage Foreclosures. ....	9
7. Financial Services .....	10
7.1 Banks & Trust .....	10
7.2 Insurance .....	11
7.3 Mutual Funds .....	11
7.4 Stock Exchange .....	12
7.5 New Company Registration .....	12
7.6. Partnerships .....	13
8. Tourism .....	13
8.1 Air Arrivals .....	13
8.2 Cruise Arrivals .....	13
9. Construction .....	14
9.1. Building Permits .....	14
9.2. Project Approvals .....	14
10. Real Estate .....	15
11. Utilities .....	16
11.1 Electricity .....	16
11.2. Water .....	16
12. Fiscal Operations of the Central Government .....	17
12.1 Revenue .....	17
12.2. Expenditure .....	19
12.3 Investment in Non-financial Assets .....	20
12.4. Net Financing and Debt .....	20

### Overview\*

- The international economy recorded higher growth and inflation in the first nine months of 2018 relative to 2017.
- Cayman's gross domestic product (GDP) continued to expand in the third quarter, resulting in an estimated annualized growth rate of 3.6% for the first three quarters.
- The average Consumer Price Index increased by 3.8%, as higher prices were recorded in all divisions except two.
- Merchandise imports increased by 16.6% to \$758.1 million, due to higher oil and non-oil imports.
- Work permits rose by 7.9% to 25,598.
- Broad liquidity or money supply expanded by 2.2% as both local and foreign currency deposits held by residents expanded.
- The weighted average lending rate for KYD increased by 77 basis points to 7.95% while the prime lending rate increased by 83 basis points to 5.08%.
- Domestic credit expanded by 8.3% as a 10% increase in credit to the private sector outweighed a 14% decline in credit to the central government.
- Bank and trust company licences decreased by 5.8% to 146 and insurance licences fell by 0.8% to 727.
- Mutual funds including the category "master funds" grew by 2.4% to 10,889.
- The number of listings on the Stock Exchange rose by 39.9% to 1,579 while market capitalization increased by 28.4% to a record US\$299.8 billion.
- New company registrations rose by 34.5% to 12,941 while new partnership registrations increased by 35.0% to 3,809.
- Air arrivals grew by 12.2% while cruise passengers increased by 19.7%.
- The value of building permits increased by 6.1% as the total number of permits rose by 3.7%.
- Property transfers declined by 8.3% in value and by 3.3% in volume.
- Electricity consumption declined by 0.1% while water consumption increased by 3.4%.
- The central government's overall fiscal surplus improved to \$151.2 million compared to \$114.6 million a year ago.
- The total outstanding debt of the central government declined to \$428.9 million from \$464.0 million a year ago.

\*Comparative data over the first nine months of 2017, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off.

## 1. International Economy

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

Real GDP was estimated to have grown in the major international economies during the third quarter of 2018. The United States and Canada grew at an annualised rate of 3.4% and 2.0%, respectively. Growth in the US reflected increased personal consumption expenditure; non-residential fixed investment; and government spending. Canada's growth was attributed mainly to an increase in exports, particularly in the mining and petroleum refineries industries, and a reduction in imports.

The United Kingdom (UK) recorded annualised growth of 1.5% while the Euro Area registered growth of 1.7%. UK's growth stemmed from expansion in the services, construction and manufacturing industries.

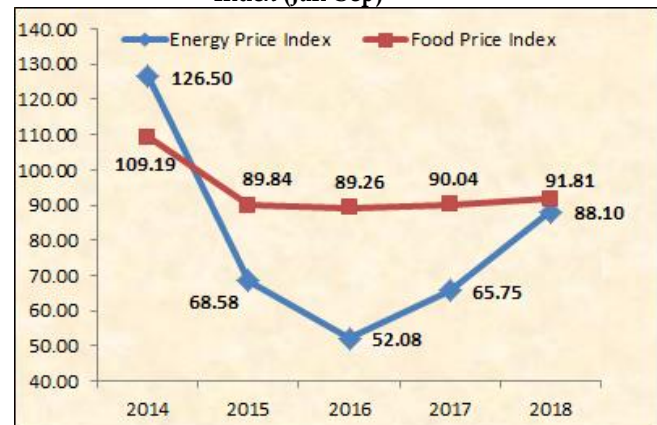
### 1.2 Inflation

The world's major economies recorded higher consumer prices for the first nine months of 2018 relative to the comparable period in 2017. The USA and Canada recorded inflation of 2.5% and 2.3%, respectively. The UK and the Euro Area recorded respective inflation of 2.5% and 1.7%. In particular, the prices of energy and food commodities rose during the review period (see Figure 1). Notably, the price of crude oil averaged US\$69.69 per barrel during January–September 2018 compared

with US\$50.85 per barrel in January–September 2017<sup>2</sup>.

The increase in crude oil prices in the world market was due to reductions in production and exports from Iran as the US plans to restore economic sanctions, and a decline in global inventories associated with higher international demand. The increase in food prices resulted partly from the higher cost of energy.

**Figure 1: Global Crude Oil Prices and Food Prices Index (Jan-Sep)**



Source: World Bank commodity prices (The Pink Sheet)

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

The US Federal Reserve raised the target range for its federal funds rate to 2.00% to 2.25% in September 2018. This occurred against the background of a sustained expansion in economic activity, strong labour market conditions and inflation being near its medium-term target. The Bank of Canada increased its policy interest rate to 1.50% in July 2018. This action was based on strong global economic growth with Canada's

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

<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.

economy operating near capacity and inflation approaching its objective. The Bank of England raised its policy interest rate to 0.75% in August 2018 to meet the 2% inflation target. This decision was aimed at maintaining economic growth and employment. 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. This policy stance by the ECB is expected to remain at least through the summer of 2019 as long as inflation continues to be aligned with current expectations.

The US Dollar, on average, depreciated nominally against three of the world's major traded currencies during January–September 2018 compared with the comparable period in 2017. Notably, the US Dollar weakened 5.9% against the Great Britain Sterling Pound; 7.3% against the Euro; and 1.5% against the Canadian Dollar.

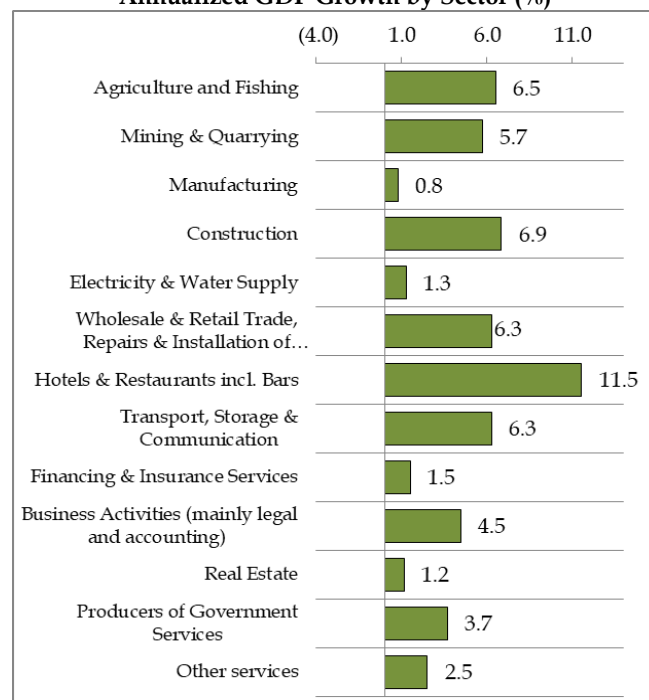
## 2. GDP Growth and Macroeconomic Forecasts

Available indicators suggest that the Cayman Islands' real gross domestic product (GDP) grew by an estimated annualised rate of 3.6% in the first nine months of 2018 compared to a year ago.

Growth for the period was broad-based with all sectors of the economy improving. The largest increases were estimated for hotels and restaurants (11.5%), construction (6.9%), transport, storage and communication (6.3%), and business activities mainly legal and accounting (4.5%). The financing and

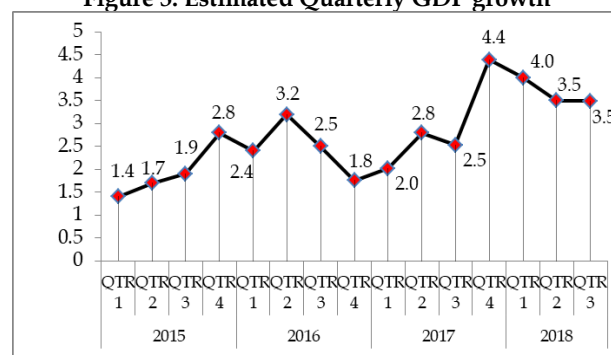
insurance services sector, which continues to be the largest contributor to GDP, grew by 1.5% during the review period (see Figure 2).

**Figure 2: Estimated First Nine Months of 2018 Annualized GDP Growth by Sector (%)**



Source: Economics and Statistics Office

**Figure 3: Estimated Quarterly GDP growth**



Source: Economics and Statistics Office

Against the relatively stable growth in the second and third quarter of the year, the forecasted GDP for 2018 is maintained at 3.4% (see Table 1). The forecast was also in the context of relatively stable growth

projections for the US and a less optimistic global growth projection.

Despite continued increase in international crude oil prices, domestic inflation slowed in the third quarter of the year. Additionally, average inflation in the US slowed to 2.4% for the year. These movements in prices support the current inflation forecast of 3.5% for the year.

The forecast for year-end unemployment rate is also maintained at 4.0%, conditional on the stability in projected GDP growth as well as stable local labour market conditions.

**Table 1: Macroeconomic Performance**

	2015	2016	2017	Projection 2018
	Percent (%)			
Real GDP*	2.8	3.1	3.0	3.4
CPI Inflation	-2.3	(0.7)	2.0	3.5
Unemployment Rate	4.6	4.2	4.2	4.0

Source: Economics and Statistics Office

### 3. Inflation

The Cayman Islands recorded average inflation of 3.8% for the first nine months of 2018 (see Table 2). Inflation for the period reflected growth of 3.2%, 4.8% and 3.5% in the first three quarters of the year relative to the corresponding quarters of the previous year (see Figure 4)<sup>4</sup>. Higher prices for the first nine months of the year were recorded in all divisions except clothing and footwear and restaurants and accommodation, which went down by 0.4% and 0.2%, respectively.

<sup>4</sup> See also 'The Cayman Islands Consumer Price Index Report: September 2017,' [www.eso.ky](http://www.eso.ky)

The highest absolute increase in prices were seen in transport (10.5%), food and non-alcoholic beverages (4.4)% and housing and utilities (4.1%).

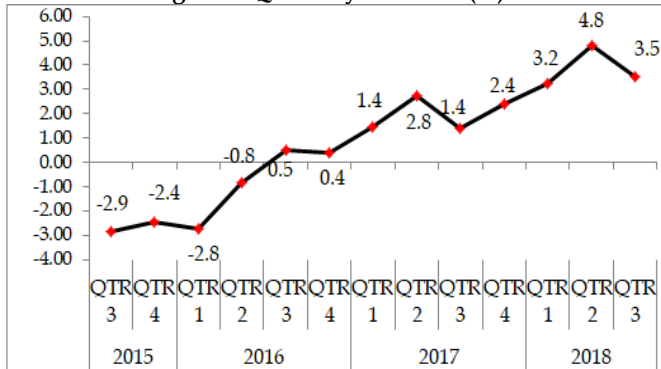
**Table 2: Average Inflation (%)**

Categories	Avg. Inflation Rates	
	9-Months 2017	9-Months 2018
Food & Non-alcoholic Beverages	0.8	4.4
Alcohol and Tobacco	3.0	0.1
Clothing and Footwear	2.8	-0.4
Housing and Utilities	3.1	4.1
Household Equipment	2.7	3.0
Health	1.5	3.6
Transport	3.0	10.5
Communication	1.2	2.1
Recreation and Culture	0.8	0.2
Education	1.1	3.8
Restaurants and Accommodations	3.3	-0.2
Misc. Goods and Services	-0.9	0.9
Overall CPI Inflation	1.9	3.8

Source: Economics and Statistics Office

Inflationary pressures during the September 2018 quarter alone largely reflected the influence of higher costs of food and utilities. The index for food and non-alcoholic beverages increased by 4.2% relative to the corresponding quarter of 2017, while, the index for housing and utilities, transport and communication increased by 5.5%, 6.3% and 3.5% respectively.

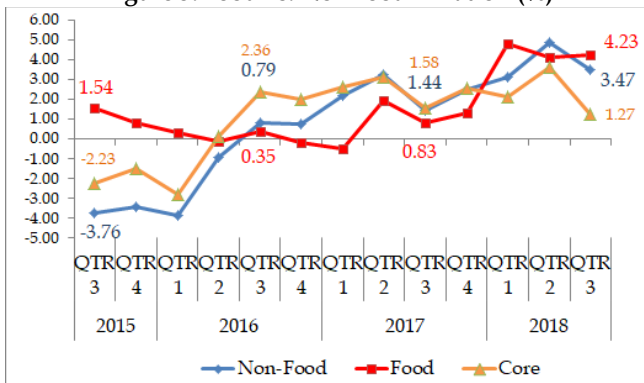
Increases in food prices partly reflected higher imported inflation coupled with rising demand with large movements seen in fruits (up by 11.8%), milk, cheese and eggs (up by 8.1%) and bread and cereals (up by 8.0%).

**Figure 4: Quarterly Inflation (%)**


Source: Economics and Statistics Office

The rise in transportation prices was due mainly to higher costs of maintenance of vehicles, air transport and fuel costs. Similarly, the rise in housing and utility prices was due to higher electricity cost which increased by 32.3%.

Non-food prices for the quarter increased by 3.5% relative to the corresponding quarter of 2017, while inflation excluding food electricity and fuel increased by 1.3% (see Figure 5).

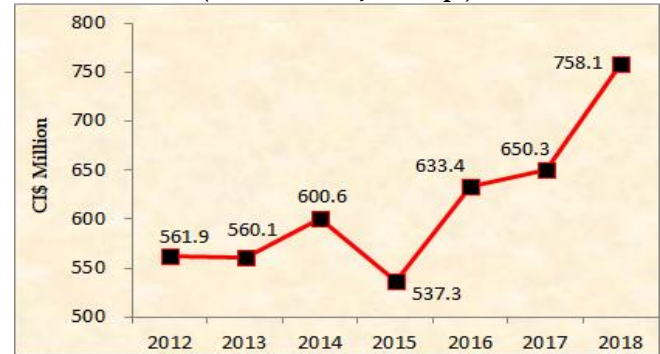
**Figure 5: Food vs. Non-food Inflation (%)**


\*Core inflation is measured as inflation excluding food, electricity and fuel

Source: Economics and Statistics Office

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

Merchandise imports increased by 16.6% to \$758.1 million in the first nine months of 2018 reflecting increased demand associated with the growth in economic activities (see Figure 6). All categories of imports expanded led by miscellaneous manufactured articles (up 25.8% to \$149.7 million) and mineral fuels, lubricants and related materials (up 23.9% to \$104.1 million).

**Figure 6: Merchandise Imports (CIS\$ Millions, Jan - Sept)**


Source: Customs Department and ESO

The value of imported non-petroleum products rose by 15.5% to \$654.0 million in the first nine months of 2018.

Petroleum and related products rose by 23.9% to \$104.1 million for January-September 2018. This reflected an increase in the price of imports for the period as quantity remained relatively unchanged. Higher fuel prices resulted from an increase in crude oil prices in the global market.

Despite the lack of overall movement in quantity, there were notable contrasts among the type of fuel imports. Specifically, propane and diesel imports declined by 50.3% and

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

4.5%, respectively, while the imports of gas and aviation fuel increased by 18.8% and 25.9%, respectively (see Table 3).

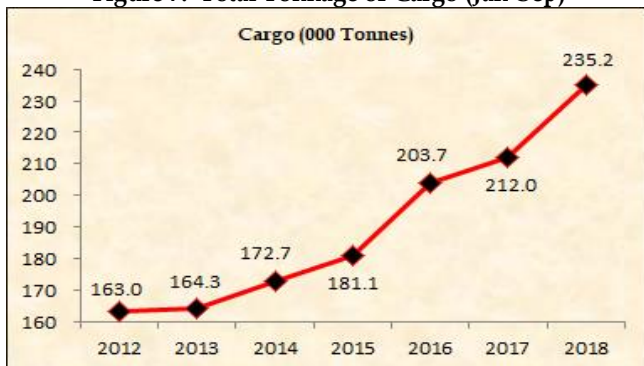
**Table 3: Quantity of Fuel Imports (Jan-Sep)**

	2016	2017	2018	% Change
Millions of Imperial Gallons				
<b>Total Fuel</b>	<b>42.7</b>	<b>43.5</b>	<b>43.5</b>	<b>(0.1)</b>
Diesel	26.1	28.0	26.8	(4.5)
Gas	8.5	9.1	10.8	18.8
Aviation Fuel	3.9	3.6	4.5	25.9
Propane	4.2	2.8	1.4	(50.3)

Source: Cayman Islands Port Authority

Cargo landed on the Islands increased by 10.9% to 235,169 tonnes in the first 9 months of 2018 (see Figure 7). Of this amount, containerized cargo accounted for 81.8% (192,392 tonnes), while cement bulk and break bulk cargo accounted for 16.3% (38,253 tonnes) and 1.9% (4,523 tonnes), respectively.

**Figure 7: Total Tonnage of Cargo (Jan-Sep)**



Source: Cayman Islands Port Authority

## 5. Employment

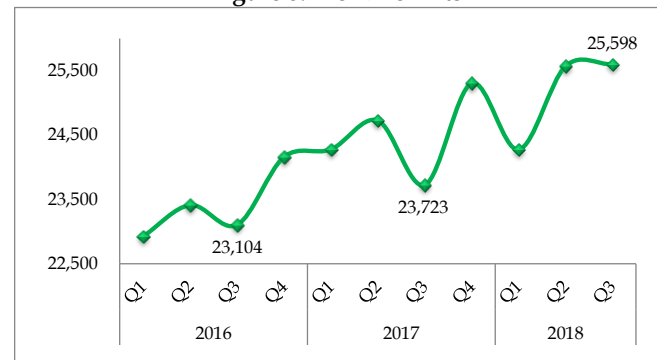
### 5.1. Work Permits

During the review period, 1,875 additional permits were issued reflecting a 7.9% increase over the corresponding period of last year. This reflected an acceleration

relative to the 619 (2.7%) additional permits that were issued for the same period of 2017.

Relative to June 2018, work permits increased by a marginal 0.1% for the September quarter.

**Figure 8: Work Permits**

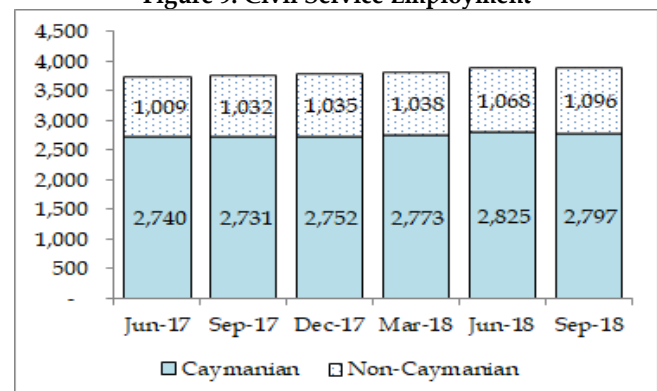


Sources: Immigration Department, Economics & Statistics Office

### 5.2. Public Sector Employment

At end-September 2018, there were 3,893 civil servants employed by the government, an increase of 130 relative to the corresponding period of 2017. Employed Non-Caymanians increased by 64 to 1,096 while Caymanian employment rose by 66 to 2,797.

**Figure 9: Civil Service Employment**

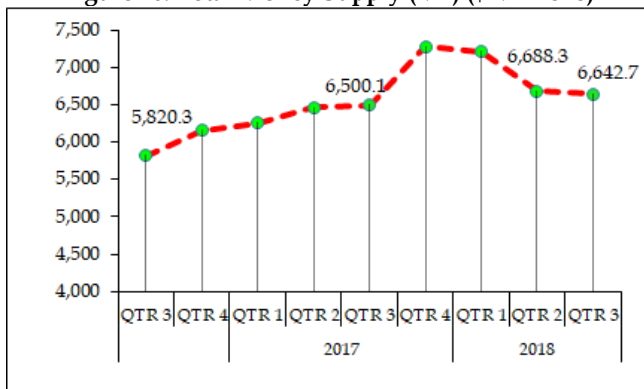


Source: Portfolio of the Civil Service

## 6. Money & Banking

Monetary conditions within the Islands was more liquid in the first three quarters of the year as broad liquidity (M2) which comprises CI dollar-denominated money and foreign currency deposits expanded by 2.2% to settle at \$6,642.7 million. The expansion was largely driven by growth in local currency denominated money and a marginal increase in foreign currency denominated money.

**Figure 10: Total Money Supply (M2) (\$ Millions)**



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Foreign currency deposits increased by 0.6%, as US dollar denominated deposits rose by 1.1% (or \$51.8 million). Similarly, total CI dollar denominated deposits grew by 7.6% or \$107.5 million while currency in circulation increased by 4.8% or \$2.1 million compared to a year ago (see Figure 10 and Table 4).

The growth in broad money liquidity represents an increase in the liabilities of the monetary and banking sector. The corresponding asset side reflected increases in both net foreign assets and net domestic assets.

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

	Sep-17	Sep-18	% Change
<b>Total Assets</b>	6,500.1	6,642.7	2.2
<b>Net Foreign Assets</b>	4,477.8	4,575.3	2.2
Monetary Authority	118.9	124.5	4.8
Commercial Banks	4,358.9	4,450.7	2.1
<b>Net Domestic Assets</b>	2,022.3	2,067.4	2.2
Domestic credit	2,998.7	3,248.0	8.3
Claims on central government	185.8	159.7	(14.0)
Claims on other public sector	53.4	53.3	(0.1)
Claims on private sector	2,759.6	3,034.9	10.0
Other items net	(976.4)	(1,180.5)	20.9
<b>Broad Liquidity</b>	6,500.1	6,642.7	2.2
Broad money (KYD) M2	1,526.5	1,639.4	7.4
Currency in circulation	111.4	116.7	4.8
<b>KYD Deposits</b>	1,415.1	1,522.7	7.6
Demand deposits	610.3	588.4	(3.6)
Time and savings deposits	804.8	934.3	16.1
FOREX deposits	4,973.6	5,003.3	0.6
of which: US dollars	4,616.3	4,668.1	1.1
<b>US dollars share (%)</b>	92.8	93.3	

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

**6.1. Net Foreign Assets (NFA).** During the first nine months of 2018 there was a 2.2% build up in NFA, bringing the total in the monetary system to \$4.6 billion at end-September 2018. The build-up occurred in the context of a reduction in the foreign liabilities of commercial banks by 19.5%, which outweighed a 9.0% contraction in their foreign assets. Additionally, foreign assets of the monetary authority increased by 4.8%.

Foreign liabilities of the commercial banking system declined for the review period as non-residents reduced their holdings of deposit with local institutions by 21.0% (see Tables 4 and 5).

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

	Sep-17	Sep-18	% Change
<b>Net Foreign Assets</b>	<b>4,477.8</b>	<b>4,575.3</b>	<b>2.2</b>
Monetary Authority	118.9	124.5	4.8
Commercial Banks	4,358.9	4,450.7	2.1
<b>Foreign Assets</b>	<b>8,954.3</b>	<b>8,151.8</b>	<b>(9.0)</b>
Bal. with Banks & Branches	4,065.4	3,613.2	(11.1)
Total Investment	2,494.2	2,701.2	8.3
Total Non-Resident Loans	2,394.7	1,837.5	(23.3)
<b>Foreign Liabilities</b>	<b>4,595.3</b>	<b>3,701.1</b>	<b>(19.5)</b>
Total Non-Resident Deposits	4,347.2	3,433.3	(21.0)
Other Liabilities	248.1	267.8	7.9

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Reductions of 11.1% in deposits with non-resident banks and branches and 23.3% in non-resident loans were the major contributors to the decline in foreign assets. In contrast, there was an 8.3% increase in foreign investments.

## 6.2. Net Domestic Assets/Domestic Credit.

Total domestic asset within the financial system increased by 8.3% in the first nine months of the year as credit extended to the private sector continued to increase during the period while public sector borrowings declined.

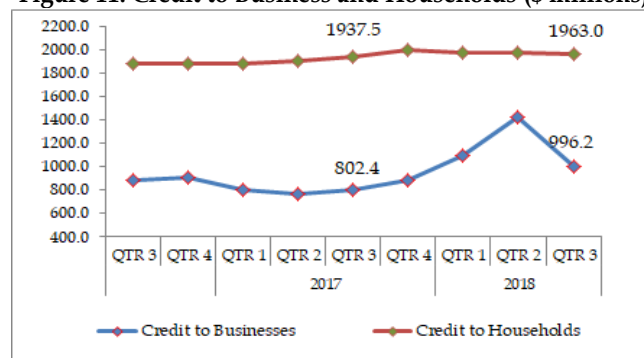
Specifically, private sector credit increased by 10.0%, while credit to the central government and other parastatals declined by 14.0% and 0.1%, respectively.

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

	Sep-17	Sep-18	% Change
<b>Domestic Credit</b>	<b>2,998.7</b>	<b>3,248.0</b>	<b>8.3</b>
Credit to Central Government	185.8	159.7	(14.0)
Credit to Other Public Sector	53.4	53.3	(0.1)
Credit to Private Sector	2,759.6	3,034.9	10.0

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Lending to all three groups of the private sector (businesses, households and non-profit organizations) increased relative to the corresponding period of 2017 (Figure 11 and Table 7).

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


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Credit extended to businesses was the largest contributor to the increase in borrowings for the review period, increasing by \$193.7 million (24.1%) to \$996.2 million. General business activities and construction recorded the largest increase in borrowings, growing by \$111.9 million and \$38.6 million, respectively.

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

	Sep-17	Sep-18	% Change
<b>Total Private Sector Credit</b>	<b>2,759.6</b>	<b>3,034.9</b>	<b>10.0</b>
<b>Credit to Businesses</b>	<b>802.4</b>	<b>996.2</b>	<b>24.1</b>
<b>Production &amp; Manufacturing</b>	<b>153.6</b>	<b>206.5</b>	<b>34.5</b>
Mining	4.8	4.7	(1.0)
Manufacturing	14.2	14.1	(1.2)
Utilities	19.3	33.7	75.2
Construction	115.3	154.0	33.5
<b>Services</b>	<b>87.9</b>	<b>98.9</b>	<b>12.5</b>
Accommodation, Food, Bar & Entertainment Services	27.7	42.7	54.3
Transportation, Storage & Communications	23.0	21.7	(5.7)
Education, Recreational & Other Professional Services	37.2	34.4	(7.5)
<b>Trade and Commerce</b>	<b>482.8</b>	<b>610.5</b>	<b>26.5</b>
Wholesale & Retail Sales Trade	68.8	89.6	30.3
Real Estate Agents, Rental and Leasing Companies	159.5	154.5	(3.2)
Other Business Activities (General Business Activity)	254.4	366.3	44.0
<b>Other Financial Corporations</b>	<b>78.2</b>	<b>80.3</b>	<b>2.7</b>
<b>Credit to Households</b>	<b>1,937.5</b>	<b>1,963.0</b>	<b>1.3</b>
Domestic Property	1,665.6	1,679.0	0.8
Motor Vehicles	51.6	60.5	17.3
Education and Technology	6.5	6.1	(6.0)
Miscellaneous*	213.8	217.4	1.7
<b>NonProfit Organizations</b>	<b>19.7</b>	<b>75.7</b>	<b>285.4</b>

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

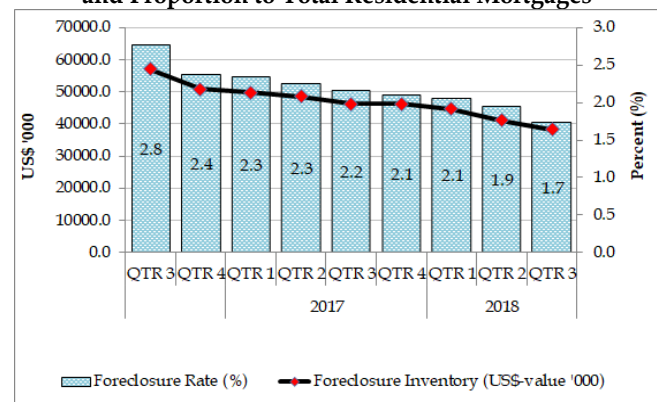
Household loans, the largest component of domestic credit, rose by 1.3% for the period driven by increases in credit for domestic property and motor vehicles by 0.8% and 17.3%, respectively. Notably, loans for miscellaneous purposes also increased while loans for education and technology fell over the period.

### 6.3. Residential Mortgage Foreclosures.

Residential mortgage foreclosure data from CIMA show that foreclosures of residential mortgages continued on a downward trajectory in terms of both value and quantity as of the third quarter of 2018. The decline in foreclosures was relative to both the

corresponding period of the previous year as well as the preceding quarter (see Figure 12).

As at end-September 2018, there were 139 foreclosures in inventory, valued at US\$38.3 million. This reflected a 17.3% decline from the US\$46.3 million recorded a year ago. The value of foreclosure inventory accounted for 1.7% of the total value of residential mortgages, which amounted to \$2.2 billion as at September 2018.

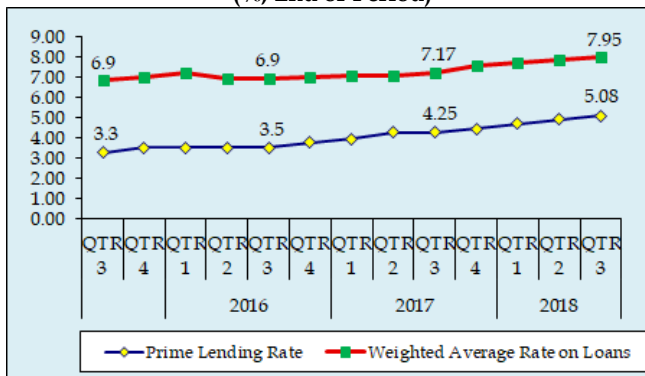
**Figure 12: Residential Mortgages Foreclosures Inventory and Proportion to Total Residential Mortgages**


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

There were 16 completed mortgage foreclosures during the review period, higher than the 13 recorded in the same quarter of 2017.

**6.4. Interest Rates.** Following the increase in the US federal funds rate, the Cayman Islands' prime lending rate increased by 83 basis points to 5.08% as at September 2018 relative to the corresponding period of 2017. This increase added upward pressure on the KYD weighted average lending rate which rose by 77 basis points to 7.95% in September 2018 from 7.17% in the same period of 2017 (see Figure 13).

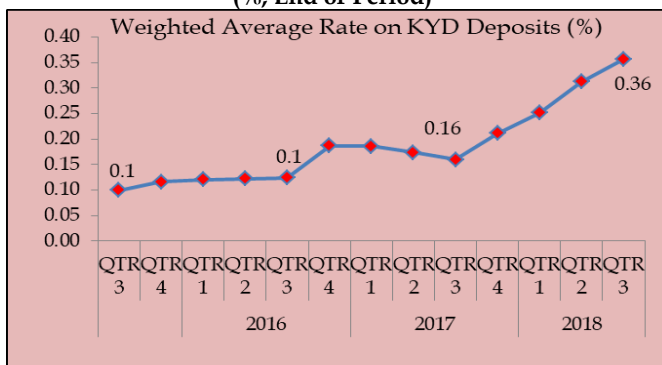
**Figure 13: KYD Lending Rates  
(%, End of Period)**



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

As depicted in Figure 14, the weighted average savings rate in KYD deposits increased to 0.36% from 0.16% a year ago.

**Figure 14: KYD Weighted Average Savings Rates  
(%, End of Period)**



Source: Cayman Islands Monetary Authority & ESO

## 7. Financial Services

The financial services sector was generally characterized by positive trends during the first nine months of 2018. During the review period, there were improvements in all categories with the exception of banks & trusts and insurance companies. Notably, there were record increases in stock market, listings, new company registrations and new partnership registrations.

### 7.1 Banks & Trust

Global market pressure and changing market dynamics continued to impact the local banking environment. Consequently, the number of licenced Bank and Trust companies declined by 5.8% to 146 at end September 2018.

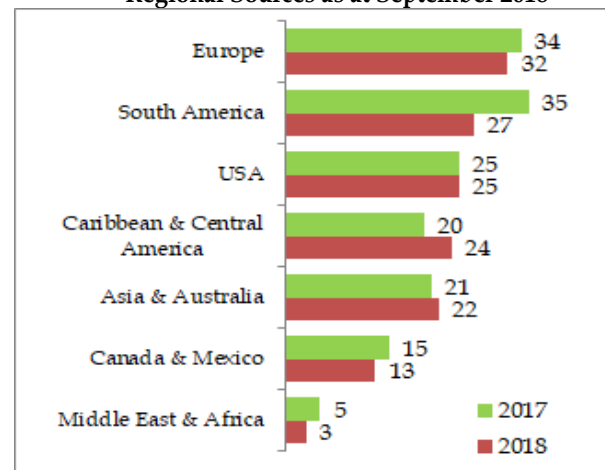
The number of Class 'A' Bank & Trust licences remained at 11, while the number of foreign banks or Class 'B' licences fell by 9 to 135. The number of trust company licences declined by 2 to 118, reflecting respective declines of 1 in the number of 'Restricted' and 'Unrestricted' licences.

**Table 8: Bank & Trust Companies**

	Sep 2016	Sep 2017	Sep 2018	% Change
<b>Bank and Trust</b>	<b>175</b>	<b>155</b>	<b>146</b>	<b>(5.8)</b>
Class A	11	11	11	-
Class B	164	144	135	(6.3)
<b>Trust Companies</b>	<b>122</b>	<b>120</b>	<b>118</b>	<b>(1.7)</b>
Restricted	62	61	60	(1.6)
Unrestricted	60	59	58	(1.7)

Source: Cayman Islands Monetary Authority

**Figure 15: Percentage Proportion of Bank Licensees by Regional Sources as at September 2018**



Source: Cayman Islands Monetary Authority

Europe, South America and the USA continued to be the leading sources of Cayman's banking licensees, accounting for 32.0%, 27.0% and 25.0% of the total, respectively. Of note, however, the number of licensees from Europe and South America both declined relative to the same period of 2017.

## 7.2 Insurance

The size of the insurance industry contracted in the first three quarters of 2018, evidenced by a decline in the number of licences to 727 relative to 733 at the end of September 2017.

Class 'A' licences, which represents the domestic insurers, remained unchanged at 28, while captive licences fell by 6 to 699. Within captives, Class 'B' licences declined by 7 to 670 while Class 'C' licences remained unchanged at 25 and Class 'D' licences rose by 1 to 4.

**Table 9: Insurance Companies**

	Sep 2016	Sep 2017	Sep 2018	% Change
Domestic - Class 'A'	29	28	28	-
Captives	<u>711</u>	<u>705</u>	<u>699</u>	(0.9)
Class 'B'	685	677	670	(1.0)
Class 'C'	24	25	25	0.0
Class 'D'	2	3	4	33.3
<b>Total</b>	<b>740</b>	<b>733</b>	<b>727</b>	<b>(0.8)</b>

Class B: captives and segregated portfolio companies;

Class C: special purpose vehicles

Class D: other insurance vehicles

Source: Cayman Islands Monetary Authority

The primary classes of business within the captive insurance market continued to be Healthcare and Workers' Compensation, which accounted for 32.2% and 21.9% of the

market, respectively. The 'Other' category<sup>6</sup> was the next largest, representing 16.5% of the market. North America remained the main source market of the captive insurance business accounting for 89.8% (628 licences).

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

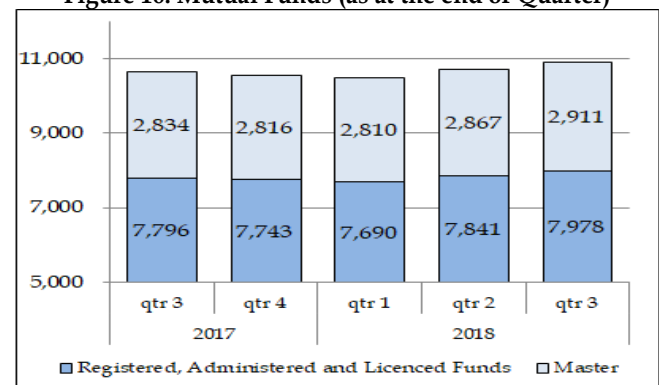
	Sep-17	Sep-18	% Change	% Proportion
Healthcare	226	225	-0.4	32.2
Workers' Compensation	152	153	0.7	21.9
Property	67	67	0.0	9.6
General Liability	81	79	-2.5	11.3
Professional Liability	64	60	-6.3	8.6
Other	115	115	0.0	16.5
<b>Total</b>	<b>705</b>	<b>699</b>	<b>-0.9</b>	<b>100.0</b>

Source: Cayman Islands Monetary Authority

## 7.3 Mutual Funds

The number of mutual funds increased by 259 (2.4%) to 10,889 at the end of September 2018 relative to the end of September 2017. This was due to 77 more Master Funds which closed at 2,911 and 182 more Registered, Administered & Licenced Funds which closed at 7,978.

**Figure 16: Mutual Funds (as at the end of Quarter)**



Source: Cayman Islands Monetary Authority

<sup>6</sup> This category includes life, automobile p.d. and liability, accident and health, products liability, credit life, marine and aviation and surety bonds.

## 7.4 Stock Exchange

The number of stocks listed on the Cayman Islands Stock Exchange rose by 450 to 1,579 at the end of September 2018, the highest level since the end of September 2008 when the listings were 1,657. Four of the seven instruments recorded increases while one declined and two remained unchanged. Specialist debt instruments registered the largest absolute increase, rising by 422 listings to 1,015. The next largest increase was recorded by corporate and sovereign debt instruments, which grew by 31 to 290.

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

Instrument	2016	2017	2018
Investment Fund Security	253	233	223
Specialist Debt Security	497	593	1,015
Corporate & Sovereign Debt Security	226	259	290
Primary Equity Security	4	3	4
Secondary Equity Security	1	1	1
Insurance Linked Security	36	39	45
Retail Debt Security	2	1	1
<b>Total</b>	<b>1,019</b>	<b>1,129</b>	<b>1,579</b>

Source: Cayman Islands Stock Exchange

Market capitalization increased by US\$66.3 billion to US\$299.8 billion as at end-September 2018, the highest on record. The growth in market capitalization reflected increases in all instruments except investment fund security.

**Table 12: Market Capitalization by Instruments**  
(US\$ Billion, as at end September)

Instruments	2016	2017	2018
Investment Fund Security	9.4	11.8	11.7
Specialist Debt Security	81.7	117.8	178.2
Corporate & Sovereign Debt Security	96.2	98.1	102.7
Primary Equity Security	0.3	0.3	0.4
Secondary Equity Security	0.1	0.1	0.1
Insurance Linked Security	5.1	5.1	5.9
Retail Debt Security	0.0	0.4	0.8
<b>Total</b>	<b>192.7</b>	<b>233.5</b>	<b>299.8</b>

Source: Cayman Islands Stock Exchange

## 7.5 New Company Registration

New company registrations for January–September 2018 surged to a record 12,941, an increase of 34.5% compared with the similar period in 2017 (see Table 13).

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

	2016	2017	2018
<b>Total</b>	<b>8,429</b>	<b>9,625</b>	<b>12,941</b>
Exempt	7,434	8,229	11,050
Non-Resident	24	22	13
Resident	407	466	575
Foreign	485	438	591
LLC	79	470	712
<b>Percentage Change (%)</b>			
<b>Total</b>	<b>(9.1)</b>	<b>14.2</b>	<b>34.5</b>
Exempt	(11.2)	10.7	34.3
Non-Resident	(27.3)	(8.3)	(40.9)
Resident	0.7	14.5	23.4
Foreign	4.1	(9.7)	34.9
LLC	-	494.9	51.5

Source: Registrar of Companies

The surge in registrations was due to increases in all categories except 'Non-Resident' companies. The number of 'Exempt' (the largest category) and 'Resident'

companies grew by 34.3% and 23.4% to 11,050 and 575, respectively. 'Foreign' and Limited Liability' companies registered respective increases of 34.9% and 51.5% to 591 and 712. 'Non-Resident' companies fell by 9 (40.9%) to close the period at 13.

## 7.6. Partnerships

During the first nine months of 2018, there were 3,809 new partnership registrations, an increase of 35.0% relative to January-September 2017. This represented the highest number of new partnerships registered during a nine-month period.

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

	2016	2017	2018
<b>Total</b>	<b>2,479</b>	<b>2,821</b>	<b>3,809</b>
Exempt	2,421	2,756	3,746
Foreign*	58	64	63
L.P.**	0	1	0
<b>Percentage Change (%)</b>			
<b>Total</b>	<b>(2.3)</b>	<b>13.8</b>	<b>35.0</b>
Exempt	(2.3)	13.8	35.9
Foreign*	(1.7)	10.3	(1.6)
L.P.**	-	-	-

Source: Registrar of Companies

## 8. Tourism

Total visitor arrivals recovered strongly for the first nine months of 2018, increasing by 18.1% to 1.8 million, relative to the corresponding period of 2017. This was due to a firm rebound in both air and cruise arrivals.

## 8.1 Air Arrivals

Air arrivals continued to benefit from higher global demand particularly from the North American market. A total of 350,311 tourists visited the Islands by air over the period, an increase of 12.2%. This increase largely reflected growth in arrivals from the USA, which grew by 14.8% to 294,857.

Consistent with the growth in arrivals, Department of Tourism data show a 15.1% improvement in expenditure by stay-over visitors which expanded to \$421.9 million. Increased spending by visitors was also boosted by a rise in the average spending per person per night to \$95.5 from \$93.6 in the same period last year.

**Table 15: Air Arrivals by Region (Jan-Sep)**

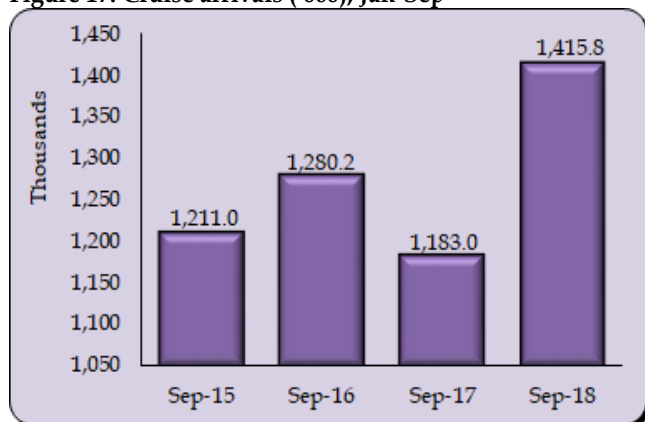
	2016	2017	2018	% Change
<b>In Thousands</b>				
<b>USA</b>	234.1	256.8	294.9	14.8
<b>Europe</b>	21.6	17.5	16.5	(5.7)
<b>Canada</b>	16.9	17.3	18.8	8.6
<b>Others</b>	23.8	20.5	20.2	(1.9)
<b>Total</b>	296.4	312.1	350.3	12.2
<b>USA (% share)</b>	79.0	82.3	84.2	

Source: Department of Tourism

## 8.2 Cruise Arrivals

The generally higher tourist demand was also seen among cruise passenger arrivals, which rose by 19.7% to 1,415,740 in the review period, reversing last year's decline of 7.6%. This sharp recovery was supported by an additional 78 port calls, bringing the total for the period to 464.

During the period, expenditure by cruise visitors rose to \$121.7 million relative to \$99.6 million in 2017.

**Figure 17: Cruise arrivals ('000), Jan-Sep**


Source: Department of Tourism

## 9. Construction

Indicators for construction intention showed mixed results for the first three quarters of 2018. Building permits increased in value while the value of project approvals declined.

### 9.1. Building Permits

The value of building permits rose by 6.1% in the first three quarters of 2018 relative to same period of 2017. The increase was mainly due to a recovery in permits for government buildings as well as apartments and 'other' projects (see Table 16).

**Table 16: Building Permits (Jan-Sep)**

	Building Permits (CIS Million)			%
	2016	2017	2018	
Residential	139.4	127.9	124.7	(2.5)
Houses	71.0	85.2	70.9	(16.8)
Apartments	68.5	42.6	53.8	26.2
Commercial	38.0	35.3	33.5	(5.0)
Industrial	3.4	3.5	-	-
Hotel	3.1	2.8	-	-
Government	10.9	0.2	7.8	4,508.1
Other	28.8	14.7	29.6	101.0
<b>Total</b>	<b>223.6</b>	<b>184.3</b>	<b>195.6</b>	<b>6.1</b>

Source: Cayman Islands Planning Department

Despite a 26.2% recovery in the value of building permits for apartments, the value of permits in the residential sector declined due to a 16.8% fall in the housing sector. The apartment sector benefited from the approval of a number of high value complexes during the period while the housing segment declined in the context of a number of high valued projects in 2017.

The increase in the non-residential sector occurred as the value of permits issued for government projects and "other" building intentions increased by \$7.6 million and \$14.9 million, respectively. In contrast the value of permits for commercial buildings declined while there were no permits issued for the hotel or industrial category.

The number of building permits rose to 670 from 646 in the same period of 2017 with the residential and government categories leading the rebound.

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

	Number of Permits			%
	2016	2017	2018	
Residential	238	238	274	15.1
Houses	190	175	192	9.7
Apartments	48	63	82	30.2
Commercial	67	68	54	(20.6)
Industrial	4	5	1	(80.0)
Hotel	11	2	2	-
Government	8	7	12	71.4
Other	327	326	327	0.3
<b>Total</b>	<b>655</b>	<b>646</b>	<b>670</b>	<b>3.7</b>

Source: Cayman Islands Planning Department

### 9.2. Project Approvals

The value of project approvals plummeted by 53.8% to \$314.3 million in the first nine months of 2018. This was in the context of a

non-recurrence of the record growth recorded in 2017.

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

	Project Approvals (CIS\$ Million)			
	2016	2017	2018	% Change
Residential	120.0	297.0	44.8	(84.9)
Houses	71.2	99.5	22.5	(77.4)
Apartments	48.8	197.5	22.4	(88.7)
Commercial	150.4	21.1	31.5	49.4
Industrial	18.5	73.8	0.1	(99.9)
Hotel	1.7	230.0	-	(100.0)
Government	13.0	4.4	-	(100.0)
Other	28.3	53.9	237.9	341.6
<b>Total</b>	<b>331.9</b>	<b>680.2</b>	<b>314.3</b>	<b>(53.8)</b>

Source: Cayman Islands Planning Department

The residential sector declined to \$44.8 million, falling by 84.9% relative to the same period of 2017. This contraction reflected reduction in approvals for both the apartment and houses categories which declined by 88.7% and 77.4%, respectively.

Within the non-residential segment, declines were seen in all categories except for the 'Commercial' and 'Other' categories. The largest reduction in this segment occurred in the hotels category which had no new projects relative to a number of projects in the previous year valued at \$230.0 million.

The 'Other' category increased by \$184 million for the period due to a project modification valued at \$200.0 million.

Project approvals fell in number by 48.2% to 510 as all categories contracted (See Table 19).

**Table 19: Project Approvals (Jan-Sep)**

	Number of Approvals			% Change
	2016	2017	2018	
Residential	214	311	183	(41.2)
Houses	177	241	148	(38.6)
Apartments	37	70	35	(50.0)
Commercial	29	31	9	(71.0)
Industrial	10	16	4	(75.0)
Hotel	4	2	-	(100.0)
Government	7	10	-	(100.0)
Other	443	615	314	(48.9)
<b>Total</b>	<b>707</b>	<b>985</b>	<b>510</b>	<b>(48.2)</b>

Source: Cayman Islands Planning Department.

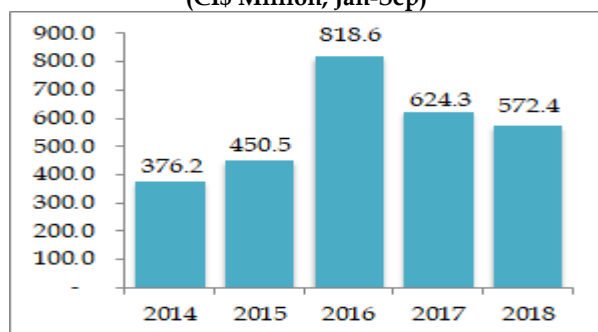
## 10. Real Estate

Real estate activity as measured by the value and number of traded properties contracted for the first three quarters of 2018.

The total value of traded properties declined to \$572.4 million as at end September 2018, an 8.3% fall relative to the same period of 2017. This was attributed to contractions in the value of both leasehold and freehold transfers which declined by 2.0% and 8.7%, respectively.

Despite the decline in traded property in the review period, the sector remains generally robust as the value of property trades have trended above the average for the last five years.

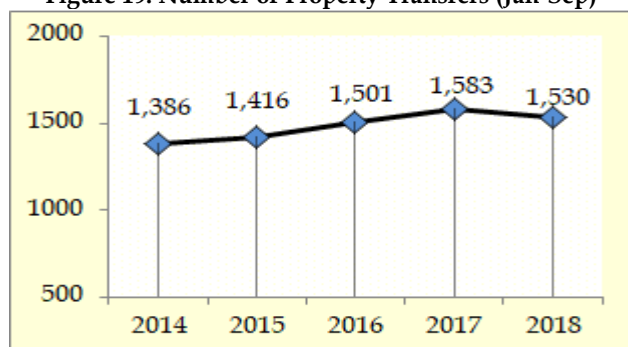
**Figure 18: Value of Property Transfers:**  
(CIS\$ Million, Jan-Sep)



Source: Lands & Survey Department

The number of property transfers declined by 53 or 3.3% to 1,530 as both leasehold and freehold volumes fell. Of note, the volume of transfers remained above the five-year average.

**Figure 19: Number of Property Transfers (Jan-Sep)**



Source: Lands & Survey Department

## 11. Utilities

### 11.1 Electricity

Electricity consumption declined by 0.1% to 471.0 megawatt hours (Mwh) in the first three quarters of 2018. The decline was largely attributed to residential customers as the average consumption per customer declined by 4.1%, which could be associated with the rise in electricity rates. The reduction in average consumption was

sufficient to offset an increase in the residential customer base which rose by 2.0% to 25,215.

In contrast, consumption by commercial customers increased by 1.9% as the customer base increased coupled with an increase in average consumption of customers. The commercial customer base increased by 1.7% to 4,369, with the average customer consuming 0.2% more electricity.

Consistent with the general reduction in demand, the production of electricity was reduced for the review period by 3.4% to 480.1 megawatt hours (Mwh).

**Table 20: Utilities Production and Consumption**

	Sep-17	Sep-18	% Change
<b>Millions of US Gallons</b>			
Water Production	1,693.9	1,813.7	7.1
Water Consumption	1,489.4	1,540.0	3.4
<b>'000 of megawatt hrs</b>			
Electricity Production (Net)	496.8	480.1	(3.4)
Electricity Consumption	471.3	471.0	(0.1)
Residential	239.3	234.9	(1.9)
Commercial	226.9	231.1	1.9
Public	5.1	5.0	(2.5)
<b>Total Customers</b>	<b>29,017</b>	<b>29,584</b>	<b>2.0</b>
Residential	24,721	25,215	2.0
Commercial	4,296	4,369	1.7

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

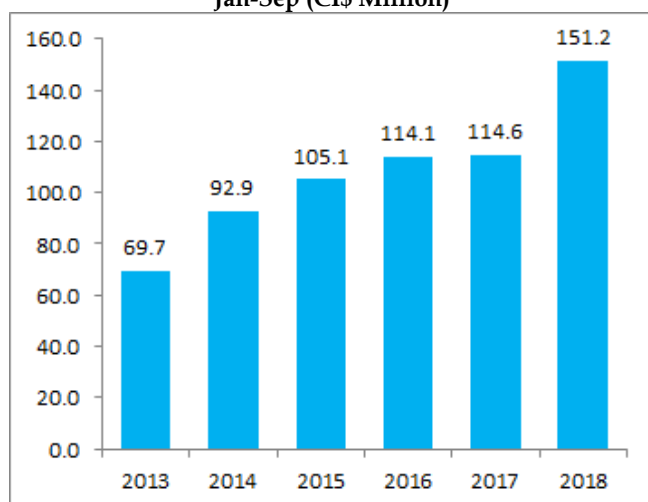
### 11.2. Water

Despite the marginal reduction in electricity consumption, the demand for water continued to increase during the first nine months of the year. Water consumption increased by 3.4%, while production rose by 7.1%.

## 12. Fiscal Operations of the Central Government<sup>7</sup>

For the period January–September 2018, the central government’s net lending (or fiscal surplus), which is revenue less expenditure, increased for the sixth consecutive year. Specifically, net lending rose to a record \$151.2 million from \$114.6 million (see Figure 20 and Table 21).

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



Source: Cayman Islands Treasury Department & Economics and Statistics Office

The 31.9% increase in net lending was due to an increase in revenue which outweighed a rise in expenditure. The growth in revenue was observed in both the taxes and other revenue categories while the increase in expenditure reflected higher expenses (formerly current expenditure). Net investment in nonfinancial assets (formerly net capital expenditure and net lending) declined during the review period.

The **net operating balance (formerly current balance)**, which is revenue minus expense, increased to \$170.5 million from \$142.7 million in the first nine months of 2017.

**Table 21: Summary of Fiscal Operations**

	Sep-17	Sep-18	% Change
CIS\$ Million			
Revenue	578.1	639.0	10.5
Expense	435.3	468.5	7.6
Net Operating Balance	142.7	170.5	19.5
Net Investment in Nonfinancial Assets <sup>1</sup>	28.1	19.3	(31.4)
Total Expenditure	463.4	487.7	5.2
Net Lending (Overall Balance)	114.6	151.2	31.9
Financing:			
Net Acquisition of Financial Assets	94.7	130.6	38.0
Net Incurrence of Liabilities	(20.0)	(20.6)	3.1

Source: Cayman Islands Treasury Department & Economics and Statistics Office

### 12.1 Revenue

Revenue rose by 10.5% to \$639.0 million in January–September 2018 (see Table 22) with taxes accounting for 93.7% and other revenue accounting for 6.3%.

**Taxes** amounted to \$598.4 million, an increase of 10.7% relative to the comparable period in 2017. All categories recorded increases with taxes on goods and services registering the largest absolute increase.

<sup>7</sup> The ESO follows the Government Finance Statistics Manual (2014 Edition) framework for presenting and analysing fiscal operations.

**Table 22: Revenue of the Central Government (Jan-Sep)**

	Sep-17	Sep-18	% Change
	CIS Million		
<b>Revenue</b>	<b>578.1</b>	<b>639.0</b>	<b>10.5</b>
<b>Taxes</b>	<b>540.8</b>	<b>598.4</b>	<b>10.7</b>
Taxes on International Trade & Transactions	129.2	143.7	11.2
Taxes on Goods & Services	369.8	401.6	8.6
Taxes on Property	41.6	51.3	23.2
Other Taxes	0.1	1.8	1,390.3
<b>Other Revenue</b>	<b>37.3</b>	<b>40.5</b>	<b>8.7</b>
Sale of Goods & Services	29.2	29.3	0.3
Property Income	5.3	8.4	58.0
Fines, Penalties and Forfeits	1.7	2.6	51.2
Transfers n.e.c.	1.0	0.2	(82.3)

Source: Cayman Islands Treasury Department & Economics and Statistics Office

**Revenue collected from taxes on goods & services** increased by 8.6% to \$401.6 million in the first nine months of 2018 (Table 22). Revenue from financial service licences accounted for majority of the increase in this category, rising by 6.9% to \$244.4 million. Partnership fees, which rose by 12.3% to \$47.8 million, was the major contributor to the increase in revenue from financial service licences.

A significant increase in revenue also stemmed from other domestic taxes, up 23.0% to \$77.0 million. This increase arose from the upsurge in stay-over arrivals which raised tax revenue from tourist accommodation.

**Table 23: Domestic Tax Collection of the Central Government (CIS Million)**

	Sep-17	Sep-18	% Change
Financial Service Licences	228.6	244.4	6.9
ICTA Licences & Royalties	4.2	5.6	32.7
Work Permit and Residency Fees	61.5	61.1	(0.6)
Other Stamp Duties	7.5	8.4	11.3
Traders' Licences	5.3	5.1	(2.8)
Other Domestic Taxes	62.6	77.0	23.0
Of which:			
Tourist Accommodation Charges	20.5	26.1	27.3
Motor Vehicle Charges	8.0	8.3	3.7
<b>Taxes on Goods &amp; Services</b>	<b>369.8</b>	<b>401.6</b>	<b>8.6</b>

Source: Cayman Islands Treasury Department & Economics and Statistics Office

During the review period, **tax receipts on international trade and transactions** rose by 11.2% to \$143.7 million. This was due to increases of 10.6% in import duties and 17.2% in other levies on international trade and transactions. The increase in import duties was due to higher revenues from alcoholic beverages, gasoline and diesel, tobacco products and other imports. In particular, other import duties recorded an increase of 13.6% to \$84.9 million.

Within other levies on international trade and transactions, cruise ship departure charges and environmental protection fund fees rose by 20.0% to \$8.5 million and 12.5% to \$4.7 million, respectively. The increase in cruise ship departure charges was attributed to a rise in cruise passenger arrivals.

The relatively buoyant real estate sector supported an increase in **taxes on property** by 23.2% to \$51.3 million (Table 22) due mainly to higher stamp duties on land transfers. Similarly, **other taxes**, which

include mainly miscellaneous income and income from the “proceeds of crime law”, rose by \$1.7 million to \$1.8 million.

**Other revenue** grew to \$40.5 million, 8.7% higher than the corresponding period in 2017. Of significance, property income (formerly investment revenue) increased by 58.0% to \$8.4 million and sale of goods & services rose by 0.3% to \$29.3 million. Property income includes interest income, distributed income of corporations, investment income and rent.

## 12.2. Expenditure

The increased government expenditure for the period was due to higher current expenses incurred by the government as its net investment in nonfinancial assets<sup>8</sup> (or net capital expenditure) declined.

**Current expense (formerly current expenditure)** increased by 7.6% to \$468.5 million owing to higher spending in six of the seven categories (see Table 24).

**Table 24: Expenses of the Central Government (Jan-Sep)**

	Sep-17	Sep-18	% Change
CIS Million			
<b>Expense</b>	<b>435.3</b>	<b>468.5</b>	<b>7.6</b>
Compensation of Employees	198.8	212.7	7.0
Use of Goods and Services	65.4	66.1	1.0
Consumption of Fixed Capital	23.3	24.1	3.7
Subsidies	101.6	114.8	13.0
Social Benefits	23.3	24.8	6.2
Interest	19.3	18.1	(6.5)
Other Expense	3.6	7.9	120.3

Source: Cayman Islands Treasury Department & Economics and Statistics Office

<sup>8</sup> Net investment in nonfinancial assets is gross investment in nonfinancial assets less consumption of fixed capital or depreciation.

As the civil service continued to expand to meet the demand of the growing economy, compensation of employees (formerly personnel costs) rose by 7.0% to \$212.7 million. This was attributed primarily to a 4.6% increase in salaries and wages (including employee pension contributions) effective July 2018 which closed at \$161.6 million. In addition to a higher number of employees, civil servants also received a 5.0% cost of living adjustment effective July 2018. Healthcare costs increased by 20.7% to \$31.6 million for the period.

Subsidies increased by 13.0% to total \$114.8 million for the period with medical care at various overseas providers (up 75.7% to \$22.2 million) and Cayman Islands Monetary Authority (up 28.0% to \$12.3 million) receiving the largest increases.

Use of goods and services (formerly supplies and consumables) increased by 1.0% to \$66.1 million. Social benefits (formerly transfer payments) totalled \$24.8 million, an increase of 6.2%. Financial assistance for the poor (up 29.5% to \$5.5 million) was the main recipient of the increase in transfer payments. Other expense rose by 120.3% to \$7.9 million due largely to increased general insurance payments.

Consumption of fixed capital (formerly depreciation) which is a decline in the value of fixed assets owned and used by central government as a result of physical deterioration, normal obsolescence or normal accidental damage rose by 3.7% to \$24.1 million (Table 25). The primary contributor to this increase was the depreciation of buildings, up 57.4% to \$12.6 million.

Consistent with a trend reduction in the overall debt stock, interest expense of the government fell by 6.5% for the period to \$18.1 million (see Section 12.4).

### 12.3 Investment in Non-financial Assets

Gross investment in non-financial assets (formerly gross capital expenditure and net lending) decreased by 15.5% during the review period to \$43.4 million (see Table 25). This decline was reflected in all categories within fixed assets<sup>9</sup>. The reduction in gross investment coupled with increased depreciation resulted in a 31.4% fall in net investments for the period.

Within fixed assets, capital investment in ministries and portfolios decreased by 42.0% to \$4.5 million as the government reduced its capital expenditure in some ministries.

Capital investment in statutory authorities and government owned companies decreased by 14.1% to \$26.1 million. Reduced investments in Cayman Islands Development Bank and Cayman Turtle Farm were the main contributors to this decline.

Expenditure on executive assets fell by 2.4% to \$12.6 million due mainly to a reduction in expenditure on the George Town Revitalization Project.

**Table 25: Investment in Non-Financial Assets (Jan-Sep)**

	Sep-17	Sep-18	% Change
	CIS\$ Million		
<b>Gross Investment in Non-financial Assets</b>	<b>51.4</b>	<b>43.4</b>	<b>(15.5)</b>
Fixed Assets	51.4	43.4	(15.5)
Capital Investment in Ministries and Portfolios	7.8	4.5	(42.0)
Capital Investment in Statutory Authorities and Government Owned Companies	30.4	26.1	(14.1)
Executive Assets	12.9	12.6	(2.4)
<b>Net Investment in Non-financial Assets</b>	<b>28.1</b>	<b>19.3</b>	<b>(31.4)</b>

Source: Cayman Islands Treasury Department & Economics and Statistics Office

### 12.4. Net Financing and Debt

There was a 38.0% increase in net acquisition of financial assets, which includes the additional cash balance associated with the overall fiscal surplus, to \$130.6 million at the end of the review period (see Table 26). Net incurrence of liabilities, which comprise net borrowing, amounted to -\$20.6 million relative to -\$20.0 million in January–September 2017. This was due exclusively to an increase in loan repayment as there were no loan disbursements during the nine month periods in 2017 and 2018.

**Table 26: Net Financing**

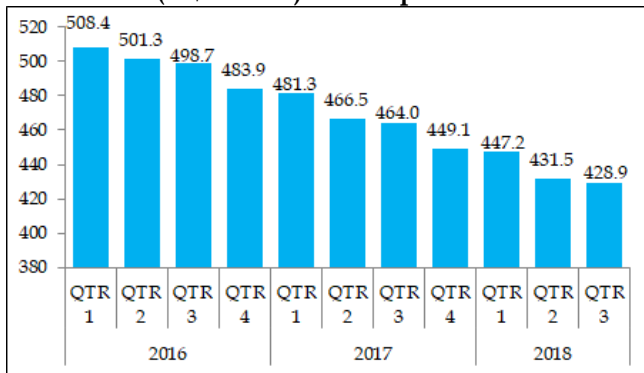
	Sep-17	Sep-18	% Change
	CIS\$ Million		
<b>Financing:</b>			
Net Acquisition of Financial Assets	94.7	130.6	38.0
Net Incurrence of Liabilities	(20.0)	(20.6)	3.1
Incurrence (Disbursement)	0.0	0.0	-
Reduction (Loan Repayment)	20.0	20.6	3.1

Source: Cayman Islands Treasury Department

<sup>9</sup> This category includes expenditure on buildings and structures as well as machinery and equipment.

The central government's outstanding debt continued to decline from its peak at the end of the second quarter of 2011. The debt stood at \$428.9 million at the end of September 2018, \$35.0 million lower than the stock at the end of September 2017 (see Figure 21).

**Figure 21: Central Government Outstanding Debt (CI\$ Million) as at September**



Source: Cayman Islands Treasury Department

The central government's debt service-to-revenue ratio was 6.1% for the first nine months of 2018 relative to 6.8% for January–September 2017. Interest expense for January–September 2018 accounted for 3.9% of total expense compared with 4.4% in the corresponding period of 2017. Interest expense as a proportion of revenue declined to 2.8% from 3.3% in the comparable period of 2017.

## ACKNOWLEDGMENT

This Report was produced by the Economics Unit of the ESO.

General support from the ESO staff and 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 is gratefully acknowledged:

**Caribbean Utilities Company  
Cayman Islands Customs Department  
Cayman Islands Department of Tourism  
Cayman Islands General Registry  
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**