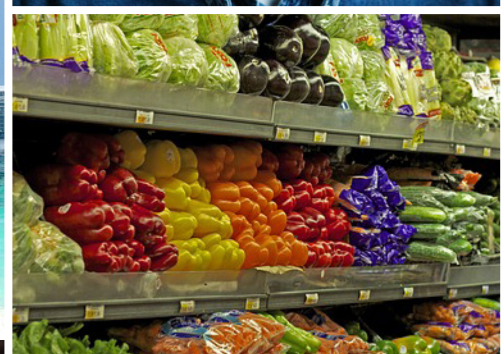
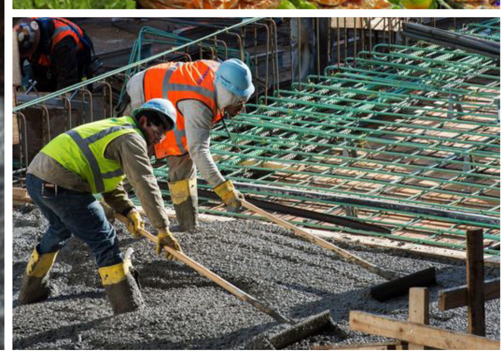
CAYMAN ISLANDS
GOVERNMENT







THE CAYMAN ISLANDS' SEMI-ANNUAL ECONOMIC REPORT 2023

ESO
The Economics and Statistics Office

November 2023

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Overview*

- Advanced economies mostly expanded in the second half of 2023, except for Canada. The US economy expanded by 2.1%.
- Cayman's gross domestic product is estimated to have grown in real terms at an annualised rate of 3.6% in the first half of 2023.
- The Consumer Price Index increased on average by 5.3%, driven by higher costs for food and household items.
- The value of merchandise imports rose 1.3% to $731.8 million.
- Civil service employment rose by 2.9%, while work permits increased by 12.4%.
- Broad liquidity or money supply contracted by 4.4% to reach $8.5 billion.
- Domestic credit expanded by 0.1% as credit to the private sector rose by 0.8%; in contrast, public sector borrowings fell by 5.7%.
- The weighted average lending rate rose to 9.04% from 6.53%, while the prime lending rate increased to 8.13% from 4.88%.
- Bank and trust licences decreased by 3.0% to 96, while insurance licences rose by 1.9% to 702.
- Total mutual funds, including the category "master funds", increased by 0.5% to 12,995.
- Stock exchange listings rose by 3.7% to a record 2,765, while market capitalisation increased 11.6% to US$880.0 billion.
- New company registrations declined by 28.2% to 5,090, while new partnership registrations fell by 28.8% to 1,920.
- Stayover arrivals rose to 235,370 from 113,594, while cruise arrivals rose to 738,462 from 213,401.
- The value of building permits declined by 8.0% to $394.8 million, while project approvals fell by 59.1% to $149.7 million.
- The total value of property transfers declined by 5.3% to $636.1million.
- Electricity consumption increased by 7.3%, while water consumption rose by 10.6%.
- The central government's overall fiscal surplus increased to $145.4 million compared with $144.7 million a year ago.
- The total outstanding debt of the central government fell to $477.2 million from $534.7 million a year ago.

*Comparative data over the first six months of 2022, except when otherwise indicated. Percentage calculations may not be exact due to rounding off.

1. International Economy

1.1 Economic Growth[1]

For the review quarter, persistent inflation and higher interest rates tempered economic activity in advanced economies. The United Kingdom (UK) and the Euro Area grew by 0.2% and 0.1%, respectively. Growth in the UK was fuelled by household and government consumption. Meanwhile, the Euro Area was boosted by inventory accumulation and domestic demand.

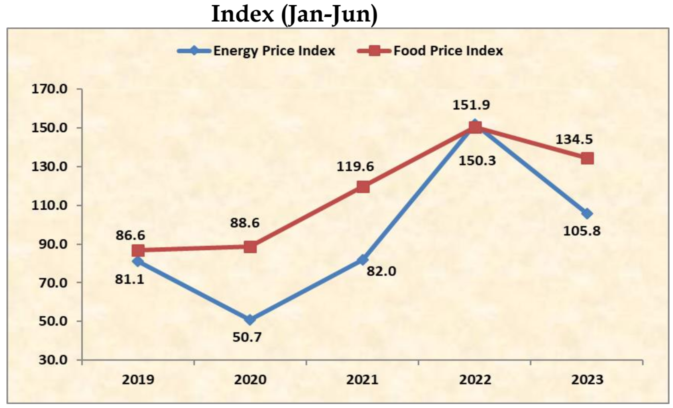
The United States (US) economy grew at an annualised rate of 2.1%, driven by consumer spending, non-residential fixed investment, and government spending. In contrast, the Canadian economy contracted at an annualised rate of 0.2% for the quarter. This contraction was attributed to slower inventory accumulations, lower exports, and household spending.

1.2 Inflation[2]

Lower energy prices, improvements in global supply chains and higher interest rates contributed to a moderation of inflation among advanced economies for the review period. The US and Canada recorded average annual inflation rates of 4.9% and 4.5%, respectively. Inflation in the UK was 8.3%, while the Euro Area registered inflation of 7.1%.

The World Bank energy price index declined by 25.4%, reflecting contractions in coal, natural gas and crude oil. The price of crude oil averaged US$77.83 per barrel for the January-June 2023 compared to US$103.36 per barrel in January–June 2022[3]. The food price index fell by 10.5%, driven by oils and meat (down 23.1%) and grains (down 8.5%) (see Figure 1).

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



Source: World Bank commodity prices (The Pink Sheet)

1.3 Interest Rates and Exchange Rates[4]

During the review period, central banks continued to increase borrowing costs amidst persistent inflation that remained above target levels. The Federal Reserve Bank raised the Federal Fund Rate to a target range of 5.0%-5.25%, 350 basis points (bps) above the same period of 2022. Similarly, the Bank of Canada increased its policy rate to 4.75%, the highest level in 22 years.

[1] Data sourced from the US Bureau of Economic Analysis, Statistics Canada, UK Office for National Statistics and Eurostat.

[2] Data obtained from the US' Bureau of Labour Statistics, Bank of Canada, Office for National Statistics and Eurostat..

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

[4] Data obtained from the Federal Reserve Bank, Bank of England, Bank of Canada, European Central Bank

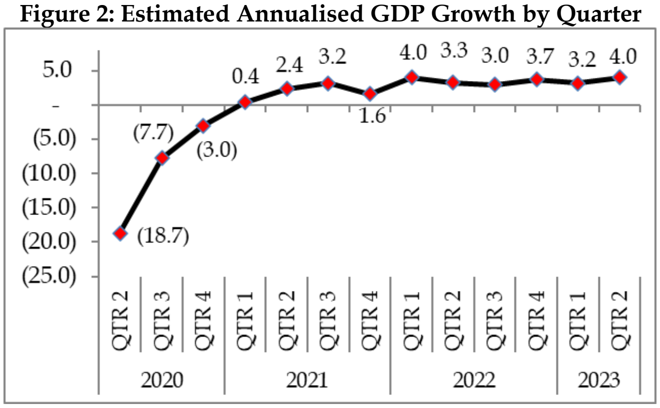
The Bank of England and the European Central Bank (ECB) increased their respective policy interest rate by 375 bps to 5.0% and 300 bps to 4.0%. The ECB also increased its marginal lending facility rate (rate banks pay when they borrow from the central bank) to 4.25% and the deposit facility (rate for depositing money with the central bank overnight) to 3.50%; both increases reflected a similar magnitude to the change in the main policy rate.

The US Dollar, on average, appreciated nominally against three of the world's major traded currencies in the first half of 2023 relative to the corresponding period in 2022. Specifically, the US dollar strengthened against the Great Britain Sterling Pound, the Euro and the Canadian Dollar by 5.2%, 1.4% and 6.1%, respectively.

2. Cayman Islands' Estimated GDP

Available indicators suggest that the Cayman Islands' gross domestic product (GDP) increased by an estimated 4.0% in real terms for the second quarter of 2023. This reflects an acceleration from the estimated growth of 3.2% in the first quarter.

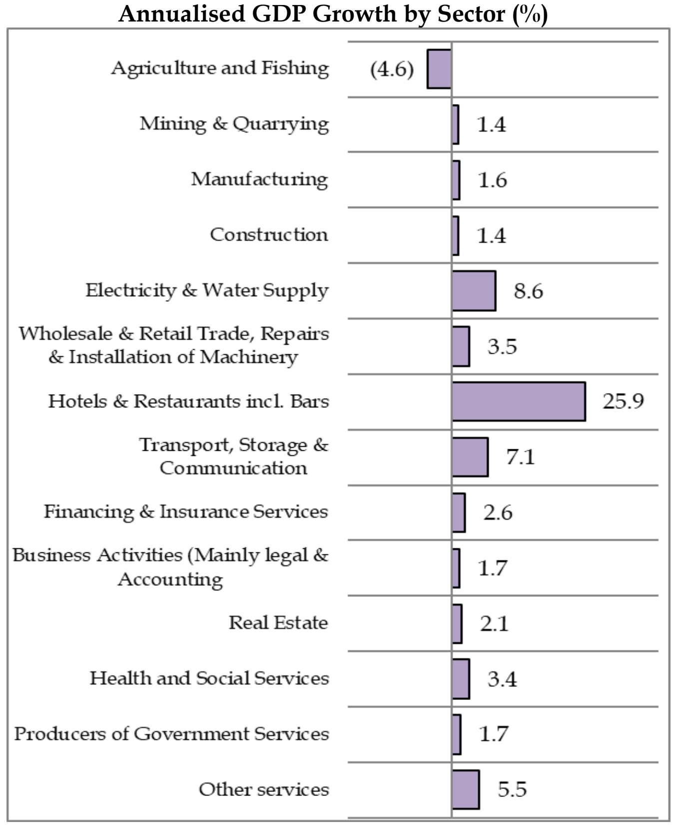
Figure 2: Estimated Annualised GDP Growth by Quarter



Source: Economics and Statistics Office

Indicators for the first two quarters of the year suggest that the economy expanded by 3.6% in the first six months compared to the growth of 3.5% estimated for the corresponding period a year ago. The economic expansion in the first half of the year largely reflected increased activities in the tourism sector, which supported growth in transport, utilities and other sectors.

Figure 3: Estimated First Half of 2023 Annualised GDP Growth by Sector (%)



Source: Economics and Statistics Office

The sectors with the sharpest estimated growth were hotels and restaurants (up by 25.9%), transport, storage & communication (up by 7.1%), and electricity and water supply (up by 8.6%). Financing and insurance services, which continue to be the largest contributor to GDP, expanded by 2.6% during the review period (see Figure 3). Strong demand for the islands' tourism services continues to support thepost-pandemic recovery. While higher interest rates and sustained borrowings support activities in financial services.

The economic performance for the first half of the year supports the macroeconomic outlook for the calendar year 2023, with economic activity measured by real GDP projected to expand by 3.1%. Growth in the year is premised on continued demand for financial and tourism-related services. Despite robust economic demand in the first half of the year, it is anticipated that sustained inflationary and interest rate pressures will dampen demand over the near to medium term.

Table 1: Macroeconomic Performance and Outlook

	2020	2021	2022*	Projection 2023
	Percent (%)			
Real GDP	-5.1	4.0	3.8	3.1
CPI Inflation	1.0	3.3	9.5	5.2
Unemployment Rate	5.2	5.7	2.1	2.5

* Real GDP is estimated for 2022
Source: Economics and Statistics Office

The average consumer price index (CPI) inflation forecast has been maintained at 5.2% for the year. The general stabilisation of inflation in the US is expected to temper local inflationary pressures in the last two quarters of the year. Notwithstanding, the intensification of conflicts in the Middle East could result in higher inflationary pressures if conditions deteriorate.

The projected unemployment rate is also maintained at 2.5% for the year, which is in line with the projection for output growth. The expectation for growth in labour-intensive sectors is anticipated to drive continued demand for labour and keep unemployment levels low during the year.

3. Inflation[5]

Inflation moderated to 5.3% in the first half of 2023 following the price surge of 11.6% in the same period of 2022. The rise in prices for the period reflected increases of 6.6% and 4.1% in the first and second quarters, respectively (see Table 2 and Figure 4).

Table 2: Inflation Rates (%, Jan-June)

	Avg. Inflation Rates (%)	
Categories	Half year 2022	Half year 2023
Food & Non-alcoholic Beverages	6.4	9.6
Alcohol and Tobacco	1.6	3.7
Clothing and Footwear	9.2	5.8
Housing and Utilities	19.6	6.8
Household Equipment	7.3	10.9
Health	0.4	1.6
Transport	16.4	2.4
Communication	5.1	(0.7)
Recreation and Culture	5.2	4.0
Education	0.3	2.7
Restaurants and Hotels	5.6	6.1
Misc. Goods and Services	2.7	4.3
Overall CPI Inflation	11.6	5.3

Source: Economics and Statistics Office

While energy-related inflation moderated for the period, the cost of food and other household items increased at a faster pace than in the corresponding period of 2022. The food and non-alcoholic beverages index increased by 9.6%, owing mainly to higher costs for

[5] A detailed inflation report is posted at www.eso.ky

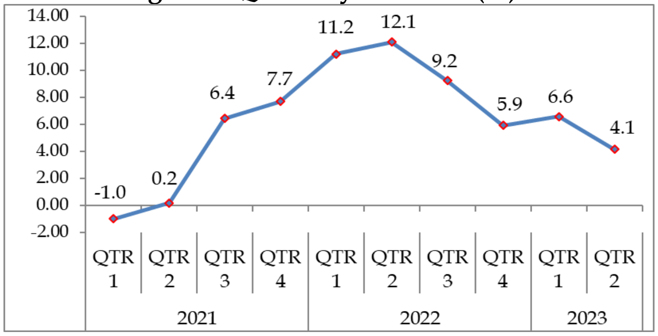
imported processed food items. This contributed partly to a 6.1% increase in the index for restaurants and hotels.

Similarly, the index for furnishings, household equipment and maintenance rose by 10.9% as the cost of most household items increased. Additionally, the index for education rose by 2.7%, while the miscellaneous goods and services index grew by 4.3%.

The housing and utilities index rose by 6.8%, owing to increases in all sub-divisions. Notably, electricity, gas and other fuels jumped by 18.8%, while water supply & miscellaneous services increased by 23.6%. This was largely due to the energy component of water rates. The average cost of transport increased by 2.4%, while clothing and footwear rose by 5.8%.

In the second quarter, the inflation of 4.1% was driven by price increases of 7.0%, 6.0% and 10.7% in food and non-alcoholic beverages, housing and utilities, and household items, respectively. Notable price increases were also recorded in the index for clothing and footwear, which rose by 4.7%, and restaurants and hotels which increased by 4.2%. The transportation and communication indices declined for the quarter, falling by 0.1% and 2.6%, respectively.

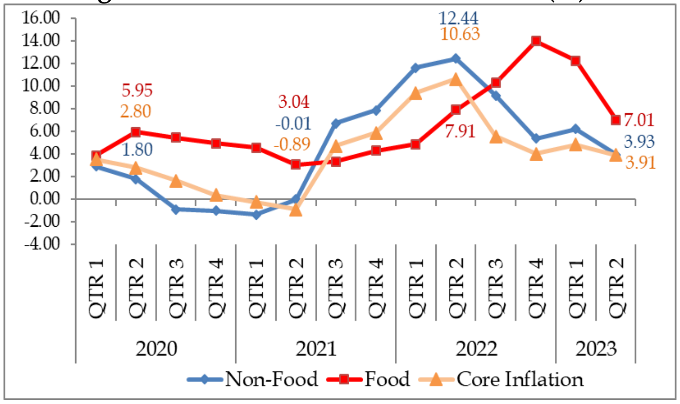
Figure 4: Quarterly Inflation (%) *



*Inflation of current quarter CPI over the same quarter a year ago.
Source: Economics and Statistics Office

Core inflation (CPI excluding food, electricity, and fuels) averaged 3.9% for the second quarter and 4.4% for the first half of the year. Non-food prices rose by 3.9% for the quarter and 5.1% for the first half of the year. The CPI, excluding food, housing and transport, rose by 3.9% for the quarter and 4.6% for the first half of the year.

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



Source: Economics and Statistics Office

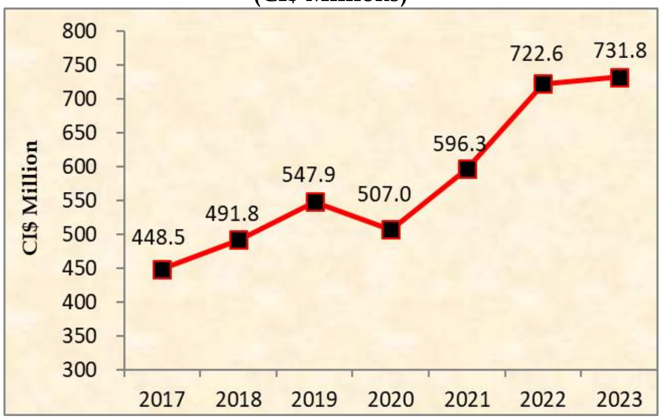
4. Trade[6]

Merchandise imports totalled $731.8 million, an increase of 1.3% (or $9.2 million) over the corresponding period in 2022 (see Figure 6). This increase reflects a slowdown relative to

[6] A detailed trade report is posted at www.eso.ky

growth of 21.2% and 17.6% in the corresponding period of 2022 and 2021, respectively.

Figure 6: Merchandise Imports (Jan-June) (CI$ Millions)



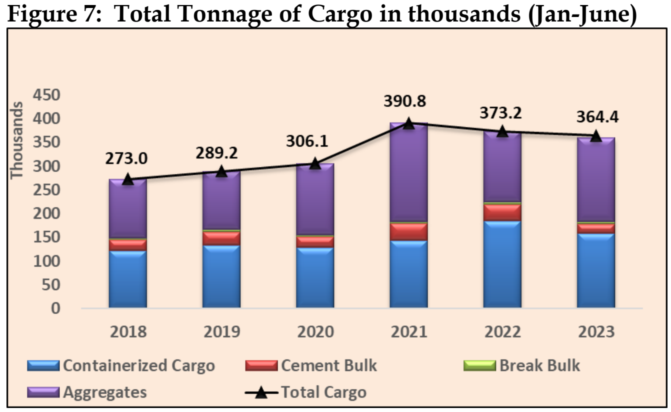
Source: Cayman Islands Customs & Border Control and ESO

The rise in imports was reflected in non-petroleum products (up by $18.5 million), which outweighed a fall in petroleum products (down by $9.2 million). The growth in non-petroleum imports to the Islands was largely due to higher prices from Cayman's major trading partners, particularly the US. Food & live animals (up by 16%), chemical and related products n.e.s (up by 15.3%) and miscellaneous manufactured articles (up by 9.7%) recorded the largest increases for the period.

Fuel imports declined by 8.4% to $102.4 million, reflecting a reduction in the cost of crude in the international market. The reduction was in contrast to a rise in the volume of imported fuels for the period.

Despite the rise in merchandise imports, total cargo imports declined by 2.4% to 365.4 thousand tonnes for the first half of 2023 (see Figure 7). This was due to declines in the quantity of containerised cargo (down by 14.1%), cement bulk (down by 43.6%) and break-bulk cargo (down by 18.1%). In contrast, imports of aggregates increased by 19.0% to 176.6 thousand tonnes. Similarly, imports of cement bags rose from nil to 5.1 thousand tonnes for the period. As a proportion of total cargo, aggregates (48.5% or 176,568 tonnes) and containerised cargo (43.6% or 158.970 tonnes) accounted for 92.1% of the imports.

Figure 7: Total Tonnage of Cargo in thousands (Jan-June)



Source: Cayman Islands Port Authority

The quantity of imported fuel increased by 4.5 million imperial gallons (or 18.3%) for the review period (see Table 3). The rise in quantity was due to increased gas imports (up by 42.5%) and propane (up by 23.3%). In contrast, diesel imports contracted by 3.4% to $15.9 million imperial gallons. Notwithstanding, diesel continues to account for the highest proportion of fuel imports to the Islands (54.4%).

Table 3: Oil Imports (Jan-June)

	2021	2022	2023	% Change
	Millions of Imperial Gallons			
Total Fuel	**25.5**	**24.8**	**29.3**	**18.3**
Diesel	17.8	16.5	15.9	(3.4)
Gas	6.4	6.2	8.8	42.5
Aviation Fuel	0.5	0.9	3.1	-
Propane	0.7	1.2	1.4	23.3

Source: Cayman Islands Port Authority

5. Employment

5.1. Labour Force[7]

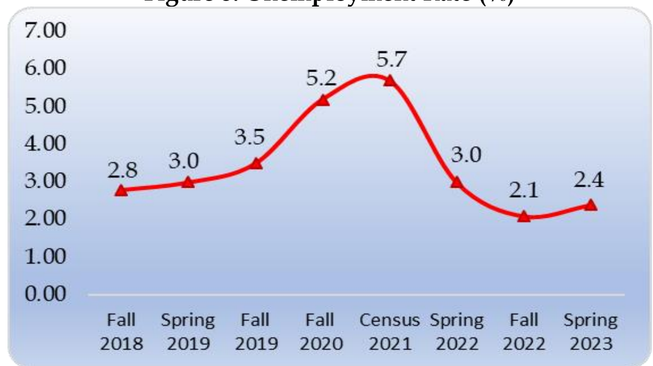
The Spring 2023 Labour Force Survey (LFS) estimated that the Cayman Islands' population grew by 6.5% to a total of 83,671, compared to 78,554 in the Spring 2022 Survey. This growth was attributed to a 1.3% (or 501) increase in Caymanian and a 14.8% (or 4,939) increase in non-Caymanian. The number of Permanent Residents was the only category to see a decline of 4.8% (or 323).

The working-age population (age 15+) expanded by 6.5% to 70,358. The increase in the working-age population positively contributed to an expansion in the labour force to a total of 58,669 (up by 7.9%). Caymanian labour force participation rate[8] increased to 73.0% from 72.2%, Permanent Residents with Right to Work (WRW) participation rate increased to 91.3%, while the non-Caymanian rate was unchanged at 91.5%.

The employed labour force increased to 57,266 persons (up by 8.5%) and comprised 21,615 Caymanians (up by 1.5%), 3,902 Permanent Residents WRW (down by 1.3) and 31,749 non-Caymanians (up by 15.4%).

Consistent with the improvement in employment, the number of unemployed persons fell to 1,404 from 1,634 in the same period of 2022. This represents an unemployment rate of 2.4%, down from 3.0% in 2022. The number of unemployed Caymanians and Permanent Residents WRW decreased by 26.1% (or 298) and 13.7% (or 28), respectively. The number of unemployed non-Caymanians increased by 32.4 to 388 in the Spring of 2023 from 293 in the same period of 2022.

Figure 8: Unemployment Rate (%)

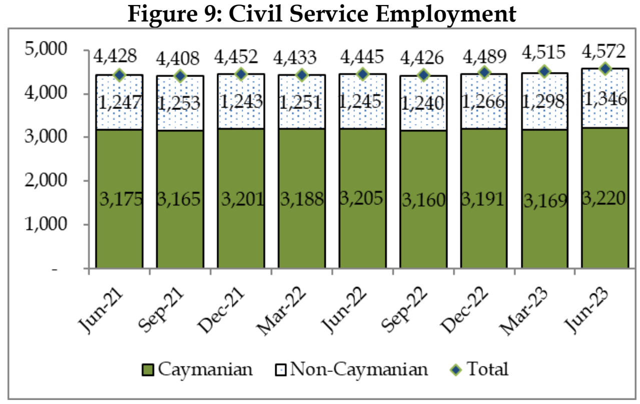


Source: Economics and Statistics Office

5.1 Central Government Employment

The Cayman Islands' government employed 4,572 civil servants at the end of the review period (see Figure 8). This corresponds to an increase of 127 (or 2.9%) more persons compared to the end of June 2022. Caymanian employment increased by 0.5% to 3,220, while non-Caymanian employment rose by 9.0% to 1,352. Employment of Caymanians accounted for 70.4% of the civil service, while non-Caymanians represented 29.6%.

Figure 9: Civil Service Employment



Source: Portfolio of the Civil Service

[7] See also "The Cayman Islands' Labour Force Survey Report Spring 2023," www.eso.ky

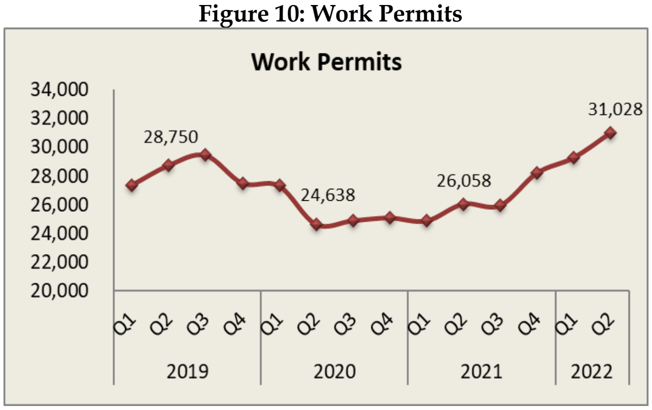
[8] calculated as the labour force divided by the total working-age population

5.2. Work Permits

At the end of June 2023, the Cayman Islands' government issued 34,864 work permits, an increase of 12.4% (or 3,836) compared to June 2022 (see Figure 10). The main sectors benefitting were accommodation and food services (up by 1,321 or 29.4%), wholesale and retail (up by 530 or 13.7%) and construction (up by 450 or 7.9%).

When compared to the March 2023 quarter, the number of work permits fell by 1.1% or 392. Household employers (183), construction (183) and administrative and support services (143) recorded the largest nominal declines over the period.

Figure 10: Work Permits

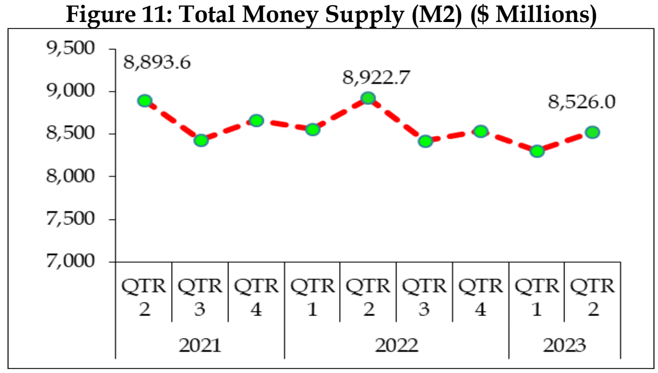


Source: Workforce Opportunities & Residency Cayman

6. Money & Banking

There was a reduction in the total deposits of residents in the domestic banking system for the first half of the year. This was driven by foreign currency-denominated deposits, with local currency-denominated money increasing for the period. Foreign currency (FOREX) deposits declined by 6.4%, while KYD-denominated deposits rose by 0.9%. The fall in forex deposits could partly be attributed to a drawdown in funds to capitalise on high interest rate investments or to pay down variable-rate debts.

Figure 11: Total Money Supply (M2) ($ Millions)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office.

Table 4: Monetary and Banking Indicators ($ Millions)

	Jun-22	Jun-23	% Change
Total Assets	**8,922.7**	**8,526.0**	(4.4)
Net Foreign Assets	**5,880.7**	**5,553.3**	(5.6)
Monetary Authority	182.7	179.5	(1.7)
Commercial Banks	5,698.0	5,373.8	(5.7)
Net Domestic Assets	**3,042.1**	**2,972.6**	(2.3)
Domestic credit	4,077.0	4,081.8	0.1
Claims on central government	432.2	412.0	(4.7)
Claims on other public sector	23.6	17.7	(24.9)
Claims on private sector	3,621.3	3,652.0	0.8
Other items net	(1,035.0)	(1,109.1)	7.2
Broad Liquidity	**8,922.7**	**8,526.0**	(4.4)
Broad money (KYD) M2	**2,478.1**	**2,491.2**	0.5
Currency in circulation	166.5	158.5	(4.8)
KYD Deposits	**2,311.5**	**2,332.7**	0.9
Demand deposits	1,033.8	980.6	(5.1)
Time and savings deposits	1,277.7	1,352.1	5.8
FOREX deposits	6,444.7	6,034.7	(6.4)
of which: US dollars	6,026.7	5,699.3	(5.4)
US dollars share (%)	*93.5*	*94.4*	

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Notably, the growth in local currency deposits was due to a 5.8% increase in savings deposits, which outweighed a 5.1% fall in demand deposits. The counteractive movement in the two deposit classes may indicate that depositors are moving funds from short-term low interest deposits to the higher interestbearing savings deposits. Consistent with the contraction in total deposits and a 4.8% reduction in currency circulation, broad liquidity (M2) fell by 4.4% to $8,526.0 million (see Figure 10 and Table 4).

The contraction in broad liquidity (M2), which represents the liabilities of the monetary and banking sector, induced a drawdown in both domestic and net foreign assets.

6.1. Net Foreign Assets (NFA). Commercial banks foreign liabilities increased during the review period which allowed them to increase foreign assets. In contrast, the foreign assets of the Cayman Islands Monetary Authority (CIMA) contracted for the period. Due to the higher liabilities commercial bank's NFA declined by 5.7% while the NFA for CIMA fell by 1.7% (see Table 5).

Table 5: Net Foreign Assets ($ Millions)

	Jun-22	Jun-23	% Change
Net Foreign Assets	**5,880.7**	**5,553.3**	(5.6)
Monetary Authority	182.7	179.5	(1.7)
Commercial Banks	5,698.0	5,373.8	(5.7)
Foreign Assets	**8,521.8**	**8,666.1**	1.7
Bal. with Banks & Branches	3,660.6	3,494.3	(4.5)
Total Investment	3,915.0	4,386.1	12.0
Total Non-Resident Loans	946.3	785.7	(17.0)
Foreign Liabilities	**2,823.8**	**3,292.3**	16.6
Total Non-Resident Deposits	2,512.8	2,935.8	16.8
Other Liabilities	311.0	356.5	14.6

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Non-resident deposits was the largest contributor to the rise in foreign liabilities, increasing by 16.8% (or $423.0 million). Other liabilities also expanded by 14.6% (or $45.5 million). The rise in foreign assets was reflected in foreign investments, which increased by 12.0% (or $471.2 million). The overall increase was partly moderated by reductions in foreign currency holdings in other banks by 4.5% (or $166.3 million) and non-resident loans by 17.0% (or $160.6 million).

6.2. Net Domestic Assets/Domestic Credit. Domestic borrowings increased marginally by 0.1% due to an increase in credit to the private sector, while credit to the public sector declined (see Table 6). Public sector borrowings contracted by 5.7%, driven by reductions in credit to the central government of 4.7% and parastatals of 24.9%.

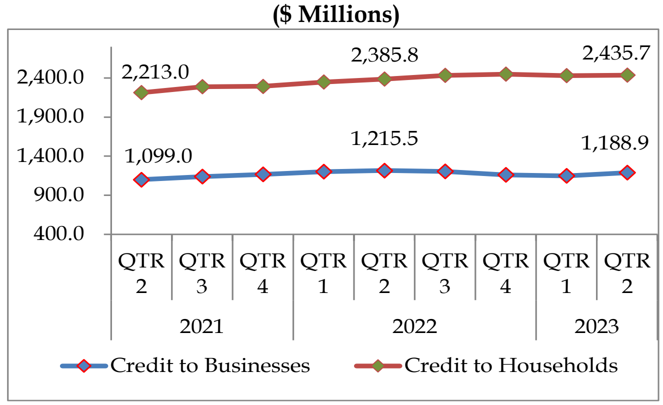
Table 6: Net Domestic Assets ($ Millions)

	Jun-22	Jun-23	% Change
Domestic Credit	**4,077.0**	**4,081.8**	**0.1**
Credit to Public Sector	455.8	429.7	(5.7)
Credit to Central Government	432.2	412.0	(4.7)
Credit to Other Public Sector	23.6	17.7	(24.9)
Credit to Private Sector	3,621.3	3,652.0	0.8

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Private sector credit expanded by 0.8% in the first half of 2023, driven by an increase in household lending of 2.1%. In contrast, credit to businesses fell by 2.2% (Figure 12 and Table 7).

Figure 12: Credit to Business and Households ($ Millions)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Credit advances to businesses fell by $26.6 million to $1,188.9 million during the review period. Loans to trade, and commerce companies, particularly other business activities and wholesale & retail trade were the main drivers of the decline. Credit to other business activities fell by $43.8 million, while credit to wholesale and retail trade contracted by $35.8 million. Overall, loans to the trade and commerce sector declined by 6.3% (or $53.3 million). In contrast, credit to the production and manufacturing sector increased by 15.3% (or $30.5 million), while loans to the services sector rose by 3.1% (or $4.5 million).

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

	Jun-22	Jun-23	% Change
Total Private Sector Credit	**3,621.2**	**3,652.0**	**0.8**
Credit to Businesses	**1,215.5**	**1,188.9**	**(2.2)**
Production & Manufacturing	**199.8**	**230.3**	**15.3**
Mining	4.5	4.5	0.7
Manufacturing	8.5	7.7	(9.8)
Utilities	8.0	43.7	447.0
Construction	178.8	174.4	(2.4)
Services	**144.8**	**149.3**	**3.1**
Accommodation, Food, Bar & Entertainment Services	82.4	72.6	(11.8)
Transportation, Storage & Communications	28.8	19.9	(30.8)
Education, Recreational & Other Professional Services	33.6	56.8	68.9
Trade and Commerce	**850.8**	**797.5**	**(6.3)**
Wholesale & Retail Sales Trade	112.0	76.2	(32.0)
Real Estate Agents, Rental and Leasing Companies	323.4	349.8	8.2
Other Business Activities (General Business Activity)	415.3	371.5	(10.6)
Other Financial Corporations	**20.1**	**11.8**	**(41.4)**
Credit to Households	**2,385.8**	**2,435.7**	**2.1**
Domestic Property	2,126.4	2,175.9	2.3
Motor Vehicles	59.0	54.9	(7.0)
Education and Technology	2.8	2.6	(7.9)
Miscellaneous*	197.6	202.3	2.4
NonProfit Organizations	**19.9**	**27.4**	**37.6**

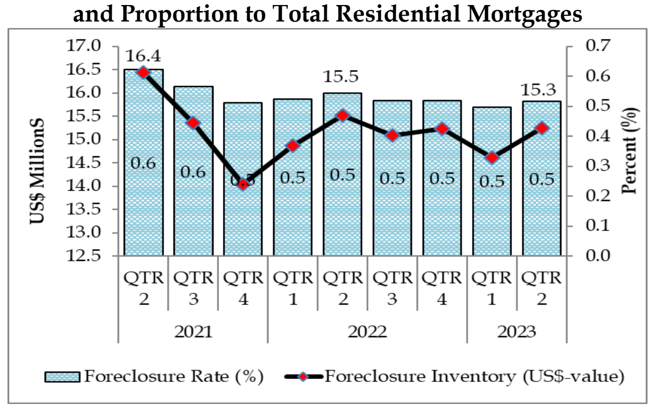
Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Credit to households increased by $49.8 million to $2,435.7 million for the period. The expansion was traced to increased credit for domestic properties and miscellaneous activities of $49.5 million and $4.7 million, respectively. In contrast, loans for motor vehicles and education and technology fell by $4.2 million and $0.2 million, respectively.

6.3. Residential Mortgage Foreclosures

At the of end-June 2023, data from CIMA shows that there were 55 properties in the foreclosure inventory of local commercial banks, valued at US$15.3 million. This represented a decrease compared to the 58 properties valued at US$15.5 million in the comparative period of 2022.

Figure 13: Residential Mortgages Foreclosures Inventory and Proportion to Total Residential Mortgages

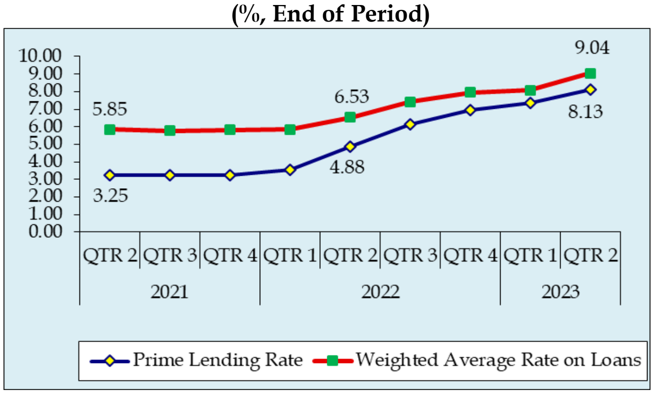


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

The foreclosure rate (foreclosure inventory over total residential mortgages) as of June 2023 was unchanged at 0.5% for the period. There was one completed foreclosure in the quarter relative to none in 2022.

6.4. Interest Rates. The Cayman Islands' prime lending rate increased by 325 bps to 8.13% in the quarter. Consistent with the rise in the prime rate, the **KYD**-weighted average lending rate rose to 9.04% relative to 6.53% in the same period in 2022 (see Figure 13).

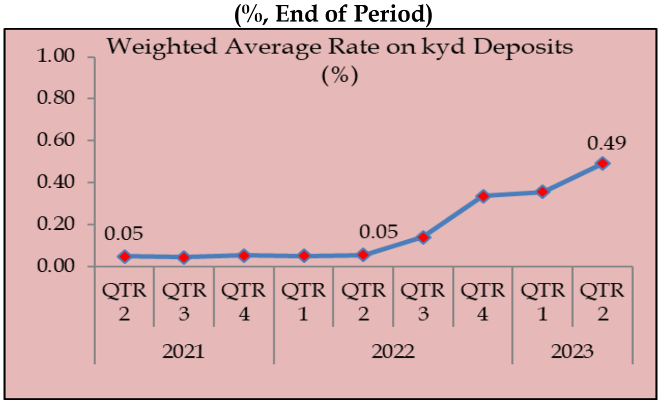
Figure 14: KYD Lending Rates (%, End of Period)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

The weighted average savings rate on KYD deposits increased to 0.49% relative to 0.05% a year ago.

Figure 15: Weighted Average KYD Deposit Rates (%, End of Period)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

7. Financial Services

Insurance license, mutual fund registrations, stock exchange listings and stock market capitalisation improved during the first half of the year. In contrast, bank and trust license, new company registrations and new partnership registrations declined.

7.1 Banks & Trusts

At the end of June 2023, there were 96 bank and trust licensees registered in the Cayman Islands, a decrease of 3.0% compared to the same period in 2022 (see Table 8). This decline was reflected in the number of Class 'B' licensees, which fell by 3.4% to 85. The number of Class 'A' licensees remained unchanged at 11.

The number of trust company licensees fell by 1.7% to 113 due to the number of restricted and unrestricted licensees falling from 57 to 56 and 58 to 57, respectively.

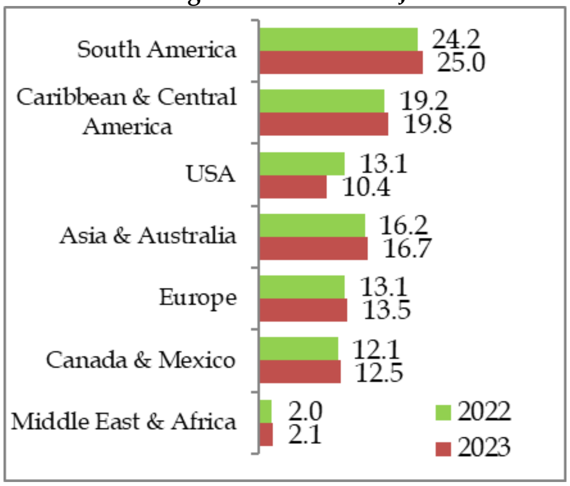
Table 8: Bank & Trust Companies

	Jun 2021	Jun 2022	Jun 2023	% Change
Banks and Trusts	**110**	**99**	**96**	**(3.0)**
Class A	10	11	11	-
Class B	100	88	85	(3.4)
Trust Companies	**117**	**115**	**113**	**(1.7)**
Restricted	59	57	56	(1.8)
Unrestricted	58	58	57	(1.7)

Source: Cayman Islands Monetary Authority

South America, the Caribbean & Central America and Asia & Australia continue to be the leading source markets for banking licensees in the Cayman Islands, accounting for 25.0%, 19.8% and 16.7% of the total, respectively.

Figure 16: Percentage Proportion of Registered Banks by Regional Source as at June 2023



Source: Cayman Islands Monetary Authority

7.2 Insurance

The number of insurance licenses on record for the first six months of 2023 was 702, an increase of 1.9% compared to 689 in the corresponding period of 2022. Class 'A' licensees, which represent domestic insurers, increased by 2 to a total of 27, while the number of captive licensees rose to 675 from 664. Within captives, the number of Class 'B' licensees rose to 649 from 637 (up by 1.9%), Class 'D' licensees increased to 8 from 6 (up by 33.3%), while Class 'C' licensees declined to 18 from 21 (down by 4.3%).

Table 9: Insurance Companies

	Jun 2021	Jun 2022	Jun 2023	% Change
Domestic - Class 'A'	25	25	27	8.0
Captives	657	664	675	1.7
Class 'B'	629	637	649	1.9
Class 'C'	22	21	18	(14.3)
Class 'D'	6	6	8	33.3
Total	**682**	**689**	**702**	1.9

Class B: Captives and Segregated Portfolio Companies;
Class C: Special Purpose Vehicles
Source: Cayman Islands Monetary Authority

Within captives, general liability licensees rose to 92 (up by 13.6%) and was the main contributor to the increase in the total number of insurance licences. Healthcare, which accounts for 28.1% of the market, was the only class of insurance business to decline for the review period (see Table 10).

Table 10: Captive Insurance Licences by Primary Class of Business, June 2023

	Jun-22	Jun-23	% Change	% Proportion
Healthcare	205	190	(7.3)	28.1
Workers' Compensation	147	150	2.0	22.2
Property	72	72	0.0	10.7
General Liability	81	92	13.6	13.6
Professional Liability	58	58	0.0	8.6
Other	101	113	11.9	16.7
Total	**664**	**675**	**1.7**	**100.0**

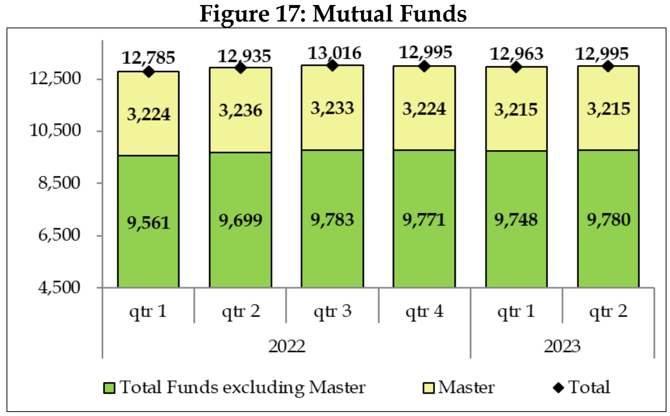
Source: Cayman Islands Monetary Authority

North America was the primary source market for the Cayman Islands' captive insurance business over the review period, with 89.5% or 604 insurance companies.

7.3 Mutual Funds

At the end of June 2023, there were 12,995 mutual funds, reflecting an increase of 0.5% (see Figure 17). This uptick in mutual funds was due to a 1.4% (or 119) increase in registered funds. In contrast, master, administered and limited mutual funds declined by 0.6% (or 21), 1.4% (or 4) and 5.1% (or 34), respectively. Private Funds increased 11.0% to a total of 16,391 for the period.

Figure 17: Mutual Funds



Source: Cayman Islands Monetary Authority

7.4 Stock Exchange

Listings on the Cayman Islands Stock Exchange increased from 2,667 at the end of June 2022 to 2,765 at the end of June 2023. This increase was attributed to expansions in specialist debt securities of 108 (or 4.8%) and corporate & sovereign instruments of 4 (or 1.6%). Three categories declined, while two remained unchanged (see Table 11).

Table 11: Number of Stock Listings by Instruments, end June

Instrument	2021	2022	2023	% Change
Investment Fund Security	117	110	101	(8.2)
Specialist Debt Security	2,020	2,259	2,367	4.8
Corporate & Sovereign Debt Security	271	253	257	1.6
Primary Equity Security	4	3	3	0.0
Secondary Equity Security	1	1	0	(100.0)
Insurance Linked Security	38	40	36	(10.0)
Retail Debt Security	1	1	1	0.0
Total	**2,452**	**2,667**	**2,765**	**3.7**

Source: Cayman Islands Stock Exchange

Market capitalisation, at the end of June 2023, reached a total of US$880.0 billion, an increase of 11.6% from the corresponding period of 2022. The growth in market capitalisation stemmed from increases of 12.9% (or US$2.2 billion) in investment funds, 13.3% (or US$82.4 billion) in specialist debt securities and 5.0% (or US$7.4 billion) in corporate & sovereign securities. The market capitalisation of the four other categories of traded instruments declined for the period when compared to the previous year (see Table 12).

Table 12: Market Capitalisation by Instruments (US$ Billions), end June

Instrument	2021	2022	2023	% Change
Investment Fund	13.9	17.2	19.4	12.9
Specialist Debt	566.8	618.4	700.8	13.3
Corporate & Sovereign Debt Security	144.0	147.0	154.4	5.0
Primary Equity	0.4	0.6	0.4	(21.7)
Secondary Equity	0.2	0.1	0.0	(100.0)
Insurance Linked Security	4.9	4.6	4.6	(1.2)
Retail Debt	0.5	0.4	0.4	(6.0)
Total	**730.7**	**788.3**	**880.0**	**11.6**

Source: Cayman Islands Stock Exchange

7.5 New Company Registrations

All categories of new company registration declined for the first half of 2023 relative to 2022 (see Table 13). Total new company registrations fell by 28.2% to 5,090, with 'Exempt' companies, which account for 76.8% of total new registrations falling by 1,555 (or 28.5%). Registration of new 'exempt' companies has also been at its lowest level since 2010.

Table 13: New Company Registrations, end June

	2020	2021	2022	2023
Total	**5,597**	**8,899**	**7,085**	**5,090**
Exempt	4,457	7,156	5,462	3,907
Non-Resident	3	9	11	3
Resident	288	442	406	397
Foreign	425	400	514	331
FDN	15	70	161	115
LLC	409	822	531	337
	Percentage Change (%)			
Total	**(18.7)**	**59.0**	**(20.4)**	**(28.2)**
Exempt	(20.5)	60.6	(23.7)	(28.5)
Non-Resident	(83.3)	200.0	22.2	(72.7)
Resident	(29.6)	53.5	(8.1)	(2.2)
Foreign	16.8	(5.9)	28.5	(35.6)
FDN*	(42.3)	366.7	130.0	(28.6)
LLC	(11.3)	101.0	(35.4)	(36.5)

Source: Registrar of Companies
* Started in February 2018

7.6 New Partnership Registrations

All categories of new partnership registrations declined relative to the corresponding period of 2022 (see Table 14). At the end of June 2023, total new partnership registrations of 1,923 was 28.8% lower than in 2022. The reduction was due to 'exempt' partnerships registration falling to 1,834 (down by 29.5%), 'foreign' partnerships decreasing to 87 (down by 10.3%) and 'limited liability partnerships' (LLP) declining to 2 (down by 33.3).

Table 14: New Partnership Registrations, end June

	2020	2021	2022	2023
Total	**2,295**	**2,915**	**2,696**	**1,920**
Exempt	2,223	2,836	2,596	1,831
Foreign	72	72	97	87
LLP*	0	7	3	2
	Percentage Change (%)			
Total	**(2.0)**	**27.0**	**(7.5)**	**(28.8)**
Exempt	(2.7)	27.6	(8.5)	(29.5)
Foreign	22.0	0.0	34.7	(10.3)
LLP*	-	-	(57.1)	(33.3)

Source: Registrar of Companies

8. Tourism

The tourism sector recorded sustained growth during the first half of the year. This growth was traced to stronger performances in both air and cruise arrivals.

8.1 Air Arrivals

Stay-over arrivals more than doubled for the first half of 2023, with visitors from all regional markets increasing. Air arrivals expanded by 107.2% from a year ago to 235,370 visitors. The USA market generated the largest increase in arrivals, increasing by 113.3% to 196,883. The Canadian market recorded the second-largest absolute increase, rising by 112.0% to 17,723. The European market also expanded over the period, rising by 39.2%.

Table 15: Air Arrivals by Regional Market (Jan – June)

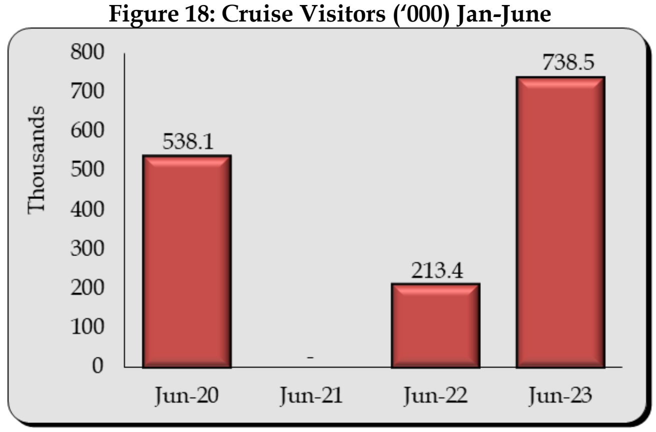
	2021	2022	2023	% Change
	In Thousands			
USA	2.4	92.3	196.9	113.3
Europe	0.6	7.5	10.5	39.2
Canada	0.4	8.4	17.7	112.0
Others	1.0	5.4	10.3	90.7
Total	4.3	113.6	235.4	107.2
USA (% share)	55.4	81.3	83.6	

Source: Tourism Department

8.2 Cruise Arrivals

Consistent with the demand for stay-over tourism, cruise arrivals spiked by 246.0% to 738,462 in the first half of 2023. This increase was supported by an additional 171 port calls in the quarter, bringing the total for the first half of the year to 248.

Figure 18: Cruise Visitors ('000) Jan-June



Source: Tourism Department

9. Construction

Indicators of construction intention declined in the first six months of 2023. Both the value and volume of building permits and project approvals declined for the review period.

9.1 Building Permits

The total value of building permits contracted by 8.0% to $394.8 million. The contraction was attributed to declines in most categories (see Table 16).

Table 16: Value of Building Permits (Jan- Jun)

	Building Permits (CI$ Mil)			%
	2021	2022	2023	Change
Residential	196.8	203.3	118.8	(41.6)
Houses	*69.6*	*115.0*	*49.6*	*(56.9)*
Apartments	*127.2*	*88.3*	*69.2*	*(21.6)*
Commercial	22.6	55.6	123.5	121.9
Industrial	4.9	8.1	2.0	(74.7)
Hotel	80.0	116.9	100.0	(14.4)
Government	1.9	1.5	-	(100.0)
Other	50.7	44.0	50.5	14.8
Total	**356.9**	**429.4**	**394.8**	**(8.0)**

Source: Planning Department

The value of residential permits (houses and apartments) declined by 41.6% to $118.8 million, reversing the growth seen in the corresponding period a year earlier. The contraction in the value of residential permits for the year was due to the non-recurrence of high-valued permits granted for houses and complexes in the previous period. The hotel category declined by 14.4% to $100.0 million, while the industrial sector fell by 74.7% percent to $2.0 million.

Commercial and 'other' approvals were the only categories to increase in the period, rising by 121.9% and 14.8% to $123.5 million and $50.5 million, respectively. The improvement in the commercial category mainly reflected approvals for three buildings valued at $99.3 million.

Consistent with the fall in value, the number of building permits declined by 38.4% to 347, relative to the same period last year. Permits for apartments was the only category to increase for the period.

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

	Number of Permits			%
	2021	2022	2023	Change
Residential	326	273	158	(42.1)
Houses	*204*	*241*	*112*	*(53.5)*
Apartments	*122*	*32*	*46*	*43.8*
Commercial	48	51	38	(25.5)
Industrial	9	6	6	-
Hotel	1	1	1	-
Government	6	8	4	(50.0)
Other	252	224	140	(37.5)
Total	**642**	**563**	**347**	**(38.4)**

Source: Planning Department

9.2 Project Approvals

Project approval values declined anew by 59.1% in the first half of 2023, as all categories contracted. The value of residential approvals fell by 63.3% to $89.3 million relative to the same period last year. Other notable declines were seen in the commercial and hotel categories, which fell by 51.8% and 64.7% to $19.5 million and $12.0 million, respectively.

Table 18: Value of Project Approvals (Jan-Jun)

	Project Approvals (CI$ Mil)			%
	2021	2022	2023	Change
Residential	142.5	243.5	89.3	(63.3)
Houses	*45.6*	*136.5*	*43.2*	*(68.3)*
Apartments	*96.9*	*107.0*	*46.1*	*(56.9)*
Commercial	28.0	40.5	19.5	(51.8)
Industrial	4.7	11.6	6.9	(40.3)
Hotel	160.0	34.0	12.0	(64.7)
Government	1.3	7.8	0.6	(92.3)
Other	401.9	28.9	21.4	(26.1)
Total	**738.3**	**366.2**	**149.7**	**(59.1)**

Source: Planning Department

Consistent with the general fall in approvals the total number of project approvals contracted by 48.3% to settle at 254.

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

	Number of Approvals			%
	2021	2022	2023	Change
Residential	178	244	94	(61.5)
Houses	*117*	*216*	*78*	*(63.9)*
Apartments	*61*	*28*	*16*	*(42.9)*
Commercial	13	15	16	6.7
Industrial	3	8	3	(62.5)
Hotel	2	1	2	100.0
Government	2	2	4	100.0
Other	197	221	135	(38.9)
Total	**395**	**491**	**254**	**(48.3)**

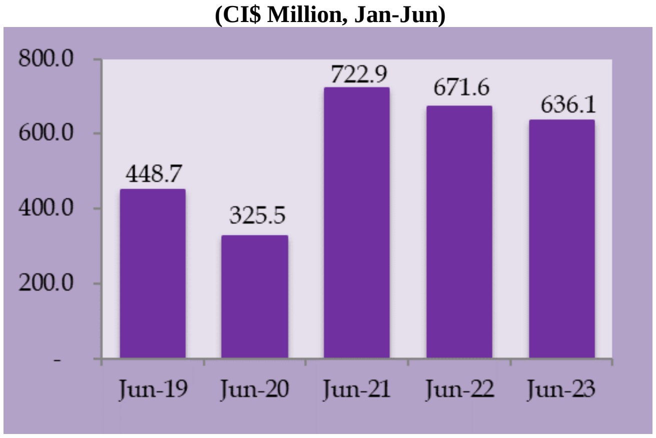
Source: Planning Department

10. Real Estate

Real estate activity, as measured by the value and volume of traded properties, declined in the first half of 2023 relative to the same period of 2022.

The value of traded properties declined by 5.3% to $636.1 million in the review period. The reduction reflected a decline in the value of freehold transfers, which fell by 8.7% to $594.0. In contrast, leasehold transfers increased by 102.3% to $20.8 million.

Figure 19: Value of Property Transfers (CI$ Million, Jan-Jun)

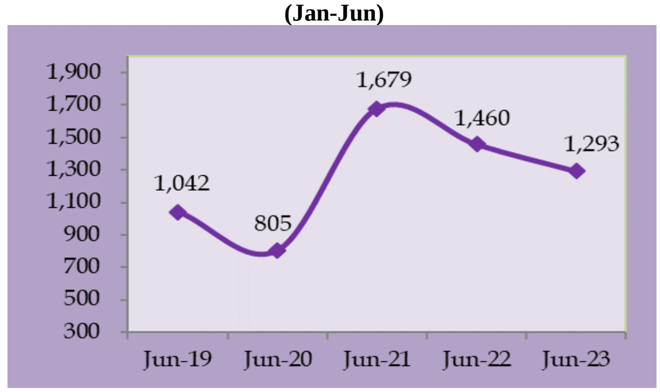


Source: Lands & Survey Department

The number of transferred properties also declined for the period, falling by 11.4% to 1,293. The volume of freehold property transfers contracted by 14.1% to 1,185, while leasehold transfers rose by 33.3% to 108.

Despite the fall in both the value and volume of property transfers, the level of transactions remains above pre-pandemic levels.

Figure 20: Number of Property Transfers (Jan-Jun)



Source: Lands & Survey Department

11. Utilities

11.1 Electricity

Demand for electricity increased by 7.3% to 344.1 megawatts hours (Mwh) in the first half of 2023. Commercial consumption rose by 6.9%, while residential and public consumption increased by 7.7% and 1.9%, respectively. The rise in electricity consumption was matched by an increase in net production, which rose by a similar 7.3% to 347.0 thousand MWh.

The higher electricity consumption for the period is traced to increases in the number of customers and the average consumption per customer simultaneously. The total number of residential and commercial customers increased by 2.7% and 1.2%, respectively.

Similarly, the average consumption per customer rose by 4.71%. Specifically, the average consumption of residential customers increased by 4.9%, while average commercial consumption rose by 5.6%.

Table 20: Utilities Production/Consumption

	Jun-22	Jun-23	% Change
Millions of US Gallons			
Water Production	1,299.0	1,443.1	11.1
Water Consumption	1,073.2	1,187.4	10.6
'000 of megawatt hrs			
Electricity Production (Net)	322.8	347.0	7.5
Electricity Consumption	320.7	344.1	7.3
Residential	171.6	184.9	7.7
Commercial	146.6	156.7	6.9
Public	2.4	2.5	1.9
Total Customers	32,553	33,356	2.5
Residential	27,902	28,650	2.7
Commercial	4,651	4,706	1.2

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

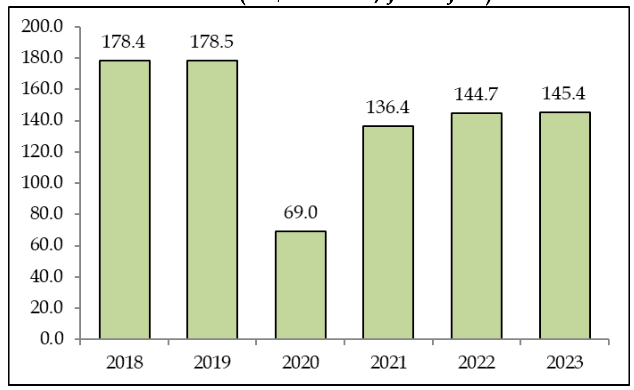
11.2 Water

Similar to the trend in electricity, domestic water production and consumption rose by 11.1% and 10.6%, respectively. The increased demand for both utility services was in the context of a hot summer, higher population levels and an expansion in economic activities, particularly in the accommodations industry.

12. Fiscal Operations of the Central Government

Net lending (overall surplus) for the first half of 2023 totalled $145.4 million, a slight increase compared to the $14144.7 million registered in 2022 (see Figure 21 & Table 21).

Figure 21: Central Government Overall Fiscal Balance (CI$ Million, Jan – Jun)



Source: Treasury Department

The rise in the overall surplus was attributable to growth in revenue surpassing a corresponding rise in expenditure. The increased revenue was attributed to higher taxes and other revenues, while the rise in expenditure reflected higher expenses (current expenditure) and net investment in non-financial assets (net capital expenditure).

Table 21: Summary of Fiscal Operations (Jan-Jun)

	Jun-22	Jun-23	% Change
	CI$ Million		
Revenue	**636.6**	**656.1**	**3.1**
Expense	**476.8**	**493.1**	**3.4**
Net Operating Balance	**159.8**	**163.1**	**2.0**
Net Investment in Nonfinancial Assets[1]	15.1	17.7	17.1
Expenditure	**491.9**	**510.8**	**3.8**
Net Lending (Overall Surplus)	**144.7**	**145.4**	**0.5**
Financing:			
Net Acquisition of Financial Assets	456.7	116.1	282.7
Net Incurrence of Liabilities	312.0	(29.2)	(1923.2)

Source: Treasury Department & Economics and Statistics Office

The **net operating balance (current balance)**, which is revenue minus expense, increased to $163.1 million during the first six months of 2023, up from $159.8 million in 2022.

12.1 Revenue

Central government's revenue from January to June 2023 totalled $656.1 million, increasing by 3.1% relative to the previous year (see Table 22). Taxes continue to make up most of the revenue collected, representing 94.2%, while other revenue accounts for 5.8%. Total revenue collected for the half-year period, represents the third consecutive year of increase since 2020.

Taxes collected for the period amounted to $617.9 million, up from $611.6 million at the end of June 2022. This increase was due to higher collections from all categories except taxes on property and other taxes.

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

	Jun-22	Jun-23	% Change
	CI$ Million		
Revenue	**636.6**	**656.1**	**3.1**
Taxes	**611.6**	**617.9**	**1.0**
Taxes on International Trade & Transactions	111.5	123.6	10.9
Taxes on Goods & Services	440.0	454.3	3.3
Taxes on Property	56.4	39.5	(30.0)
Other Taxes	3.6	0.4	(87.8)
Other Revenue	**25.0**	**38.3**	52.9
Sale of Goods & Services	21.0	21.2	1.0
Investment Revenue	1.2	13.3	989.4
Fines, Penalties and Forfeits	2.5	3.3	32.0
Transfers n.e.c.	0.3	0.4	49.3

Source: Treasury Department & Economics and Statistics Office

Tax receipts from international trade and transactions increased to $123.6 million, reflecting a 10.9% increase relative to the same period in 2022 (see Table 22). The main contributors to the higher receipts were cruise ship departure charges (up by $$3.2 million or 248.8%), environmental protection fund fees (up by $2.1 million or 254.7%) and import duties (up by $6.8 million or 6.2%). The growth in import duties resulted from increased duties from alcoholic beverages, 'other' imports and 'gasoline & diesel' duties. At the same time, cruise ship departure charges and environmental protection fees reflect the gradual rebound of cruise tourism.

Taxes on goods and services increased to $454.3 million from $440.0 million in 2022. The increase was due to other domestic taxes (up by $15.3 million or 27.8%); work permit and residency fees (up by $5.5 or 10.1%); Traders' Licences (up by $0.2 million or 3.7%); and information and communications technology authority (ICTA) licences (up by 0.9 million or 25.1%).

Table 23: Domestic Tax Collection of the Central Government (Jan-Jun)

	Jun-22	Jun-23	% Change
	CI$ Million		
Financial Services Licences	315.0	307.8	(2.3)
ICTA Licences & Royalties	3.8	4.7	25.1
Work Permit and Residency Fees	54.7	60.2	10.1
Other Stamp Duties	7.3	7.0	(4.5)
Traders' Licences	4.2	4.4	3.7
Other Domestic Taxes	55.0	70.2	27.8
Of which:			
Tourist Accommodation Charges	9.3	28.9	211.2
Motor Vehicle Charges	6.5	6.6	1.1
Taxes on Goods & Services	**440.0**	**454.3**	**3.3**

Source: Treasury Department & Economics and Statistics Office

The uptick in the 'other domestic' taxes was driven by tourism accommodations charges increasing to $28.9 million from $9.3 million (up by 211.2%) and motor vehicle charges rising by 1.1% to $6.6 million. The increase in tourist accommodation charges reflect the trend recovery in stay-over visitor arrivals to the Islands.

Taxes on property totalled $39.5 million at the end of June 2023, decreasing by $17.0 million relative to the corresponding period in 2022 (see Table 22). Stamp duty on land transfer reflected the largest contraction, falling by $15.3 million. Land holding companies share transfer charges declined by $1.3 million, while infrastructure fund fees fell by $0.5 million. **Other taxes** declined to $0.4 million from $3.6 million at the end of June 2022. No entities were liquidated for the period, relative to revenue from liquidated entities totalling $3.5 million in 2022.

Other revenue totalled $38.3 million, up by 52.9% when compared to the same period of 2022 (see Table 22). Investment revenue, was the main contributor to the increase, rising by $12.1 million (or 989.4%). The increase in investment revenue largely emanated from interest income generated from marketable securities.

12.2. Expenditure

Central government's expenditure totalled $510.8 million for the first half of the year, an increase of 3.8% from the corresponding period of 2022. The increase was due to growth in expenses and net investment in non-financial assets[9].

Expenses (current expenditure) rose by 3.4% to $493.1 million due to higher spending in five of the seven categories (see Table 24).
Compensation of employees (personnel costs), which accounts for 43.8% of overall expenses, increased by 8.7% to $216.0 million. Higher spending in the category was mainly due to an increase of 8.6% in salaries and wages (including employee pension contributions).

Use of goods and services (supplies and consumables), which accounts for 14.5% of expenses, increased by 13.4% to $71.5 million. The purchase of services (up by 13.9%) and utilities (up by 15.0%) was the main contributor.

Consumption of fixed capital (depreciation), which is a decline in the value of fixed assets due to physical deterioration, normal obsolescence or normal accidental damage, rose to $26.5 million from $26.1 million (up by 1.4%). Depreciation of building (up 4.1%) and computer hardware (up 6.3%) reflected the highest depreciated value.

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

	Jun-22	Jun-23	% Change
	CI$ Million		
Expense	**476.8**	**493.1**	**3.4**
Compensation of Employees	198.6	216.0	8.7
Use of Goods and Services	63.1	71.5	13.4
Consumption of Fixed Capital	26.1	26.5	1.4
Subsidies	122.2	134.6	10.1
Social Benefits	47.3	31.9	(32.5)
Interest	5.6	9.0	60.9
Other Expense	13.9	3.6	(74.1)

Source: Treasury Department & Economics and Statistics Office

Subsidy payments increased by 10.1% to $134.6 million, accounting for 27.3% of overall expenses. The higher funding was allocated to the Cayman Islands National Insurance Company, the Health Services Authority and

[9] Net investment in nonfinancial assets is gross investment in nonfinancial assets less consumption of fixed capital.

Medical Care through Various Overseas Providers.

Social benefits (transfer payments) of $31.9 million for the period was 32.5% lower than in the previous year. The decline was mainly due to the suspension of ex-gratia stipend payments in the latter part of 2022. Despite the overall reduction, the government increased scholarships and bursary payments to $10.2 million.

Interest expense increased by 60.9% to $9.0 million, driven by the higher debt level. Other expenses fell to $3.6 million from $13.9 million (down by 74.1%). This was due to lower expenditures on supplies and other items to combat COVID-19. A fraction of these costs is now included in the increased subsidy payments to the Health Services Authority.

12.3. Investment in Non-financial Assets

Gross investment in non-financial assets (gross capital expenditure and net lending) increased by 7.1% to $44.2 million (see Table 26). This increase was reflected in both fixed assets[10] ($43.1 million, up 3.2%) and inventories ($1.1 million, up by 343.6%). Additionally, net investment in non-financial assets rose by 17.1% to $17.7 million.

Table 25: Investment in Non-Financial assets (Jan-Jun)

	Jun-22	Jun-23	% Change
	CI$ Million		
Gross Investment in Non-Financial Assets	**41.3**	**44.2**	**7.1**
Fixed Assets	41.7	43.1	3.2
Capital Investment in Ministries and Portfolios	22.8	11.7	(48.5)
Capital Investment in Statutory Authorities and Government Owned Companies	8.7	14.6	67.0
Executive Assets	10.2	16.7	64.4
Inventories	(0.5)	1.1	(343.6)
Net Investment in Non-Financial Assets	**15.1**	**17.7**	**17.1**

Source: Treasury Department & Economics and Statistics Office

Within fixed assets, capital investment in statutory authorities and government-owned companies increased by 67.0% to $14.6 million. This was due mainly to a $5.1 million decline in capital expenditure on the National Housing Development Trust.

Capital investment in ministries and portfolios decreased by 48.5% to $11.7 million. This resulted largely from reduced investments in the Ministry of Education, Youth, Sports, Agriculture and Lands. Expenditure on executive assets rose by 64.4% to $16.7 million. This was attributed primarily to higher spending of $10.6 million on road expansion and surface upgrades.

12.4. Financing and Debt

Net acquisition of financial assets, including the assumed cash balance from the surplus, fell to $116.1 million from January to June (see Table 26). This was due to the non-recurrence of the loan drawdown in the previous period.

[10] Includes expenditure on buildings and structures as well as machinery and equipment.

Table 26: Net Financing (Jan-Jun)

	Jun-22	Jun-23	% Change
	CI$ Million		
Financing:			
Net Acquisition of Financial Assets	456.7	116.1	(74.6)
Net Incurrence of Liabilities	312.0	(29.2)	(109.4)
Incurrence (Disbursement)	329.2	0.0	(100.0)
Reduction (Loan Repayment)	17.2	29.2	69.9

Source: Treasury Department & Economics and Statistics Office

Net incurrence of liabilities, which includes net borrowing, amounted to -$29.2 million relative to $312.0 million for the same period in 2022. The net reduction in liabilities during the period was due to a higher loan payment of $29.2 million relative to the $17.2 in 2022 (up by 69.9%). There was no loan disbursed during the period.

At the end of June 2023, central government's outstanding debt totalled $477.2 million (see Figure 22). The debt stock was $57.5 million (or 10.8%) lower than the stock at the end of June 2022. Relative to the previous quarter, the total public debt stock declined by 3.8%.

Figure 22: Central Government Outstanding Debt (CI$ Millions)

Source: Treasury Department

The debt service-to-revenue ratio for central government was 5.8% for the period, relative to 3.6% in the corresponding period of 2022. The share of interest expense to total expense increased to 1.8% in 2023, compared to 1.2% in 2022. Interest expenses as a proportion of revenue rose to 1.4% from 0.9% in the comparable period of 2022.

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