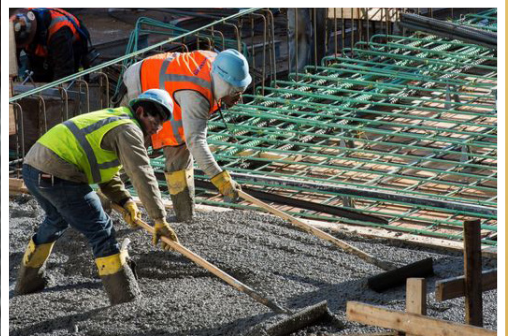




CAYMAN ISLANDS
GOVERNMENT



THE CAYMAN ISLANDS' FIRST QUARTER ECONOMIC REPORT 2026



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Overview*

- In real terms, gross domestic product (GDP) is estimated to have expanded at an annualised rate of 2.4% for the first three months of 2026. GDP is forecasted to expand by 2.7% for the year.
- The Consumer Price Index rose 2.8%, mainly due to cost increases for communication as well as restaurant & hotels.
- Total merchandise imports declined by 8.6% to \$436.5 million, driven by contraction in non-oil imports.
- Work permits declined by 3.1% to 35,787. While civil service employment rose by 3.0%.
- Money supply (M2) expanded by 10.9%, due to increases in both foreign currency and CI dollar-denominated money.
- Domestic credit expanded by 5.6%, as private borrowings rose by 3.6%, while credit to the public sector increased by 26.4%.
- The number of properties under foreclosure increased by 18.2% to 91 while the total value of the properties in the inventory rose by 2.8%.
- The weighted average lending rate rose to 9.46% from 8.5%, in contrast the prime lending rate fell to 6.75% from 7.67%.
- Bank and trust licences fell by 2.5%, while insurance licences rose by 2.8%.
- The total number funds listed increased by 2.1% to 30,918. Private funds rose by 3.1%, while mutual funds rose by 0.7%.
- The number of listings on the Stock Exchange increased by 0.3%, while market capitalisation fell by 11.7%.
- New company registrations rose by 12.9% to 3,864, while new partnership registrations increased by 24.1% to 1,363.
- Air arrivals rose by 11.0% to 160,335 in the first quarter of 2026, while cruise arrivals increased by 2.3% to 463,142.
- The value of building permits rose by 44.4%, while project approvals fell by 74.0%.
- The value of property transfers increased by 59.8% to CI\$411.7 million. Similarly, the residential property price index rose by 6.3% for the quarter.
- Electricity and water consumption fell by 3.9% and 5.6%, respectively.
- The central government's overall fiscal surplus rose to \$317.3 million, a 29.6% increase compared to the same period of 2025.
- The total outstanding debt of the central government increased to \$497.5 million from \$396.9 million a year ago.

*Comparative data over the first quarter of 2025, except when otherwise indicated. Percentage calculations may not be exact due to rounding.

1. International Economy

1.1 Economic Growth¹

Economic performance among the major advanced economies was mixed during the first quarter of 2026. The United States economy expanded at an annualised rate of 2.1%, supported by stronger investment, exports, consumer and government spending. Similarly, the United Kingdom recorded quarterly growth of 0.6%, driven primarily by the services sector, with additional support from gains in production and construction activity.

In contrast, Canada's economy contracted at an annualised rate of 0.1%, marking a second consecutive quarterly decline. The contraction reflected weaker business and government capital investment, together with higher imports, particularly of gold, which more than offset continued growth in household consumption. The euro area also recorded a contraction of 0.2%, as declines in investment and net exports outweighed increases in household and government spending.

These mixed outcomes highlight the uneven pace of economic activity across advanced economies amid ongoing geopolitical tensions, elevated energy prices, and persistent inflationary pressures. While domestic demand and investment remained resilient in some jurisdictions, external uncertainties and weakening trade conditions weighed on growth prospects.

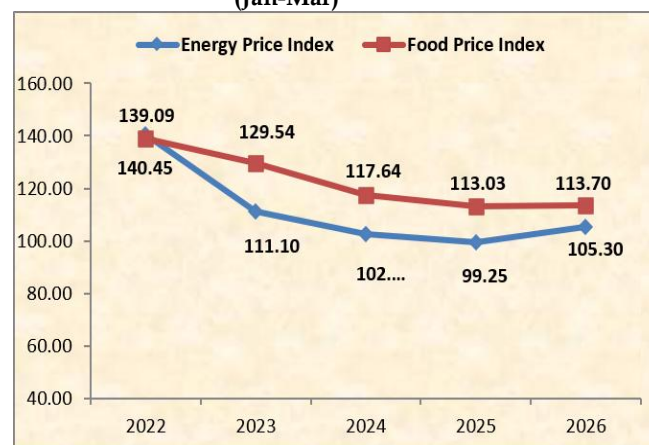
¹ Data sourced from the US Bureau of Economic Analysis, Statistics Canada, Office for National Statistics in the UK and Eurostat.

1.2 Inflation

Average inflation, as measured by the Consumer Price Index (CPI), remained broadly stable across the major advanced economies during the first quarter of 2026 compared with the corresponding period of 2025. Inflation in both the United States and the United Kingdom was unchanged at 2.7% and 3.7%, respectively. In contrast, inflation eased marginally in Canada, declining to 2.2% from 2.3%, while inflation in the euro area moderated more noticeably to 2.0% from 2.4% a year earlier.

Global commodity prices trended upward during the quarter, with the World Bank's energy and food price indices rising to 105.3 and 113.7, respectively (see Figure 1). Relative to the first quarter of 2025, the energy price index increased by 6.0%, while the food price index rose by 0.6%.

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



Source: World Bank commodity prices (The Pink Sheet)

The increase in energy prices reflected higher average prices for crude oil, coal, and natural gas. In particular, the average price of crude oil rose by 2.1% to US\$75.77 per barrel, compared with US\$74.23 per barrel in the corresponding quarter of 2025. The increase in food prices was driven primarily by a 7.5% rise in oils and meals, which more than offset declines in grain prices (down 3.7%) and other food commodities (down 3.5%).

1.3 Interest Rates and Exchange Rates²

Monetary policy remained largely unchanged during the first quarter of 2026, as major central banks continued to assess inflation developments alongside evolving economic conditions.

The US Federal Reserve maintained the federal funds target range at 3.50% to 3.75%, while the Bank of Canada kept its overnight policy rate unchanged at 2.25%. Similarly, the Bank of England left its Bank Rate unchanged at 3.75%, and the European Central Bank maintained its main refinancing operations rate at 2.15%.

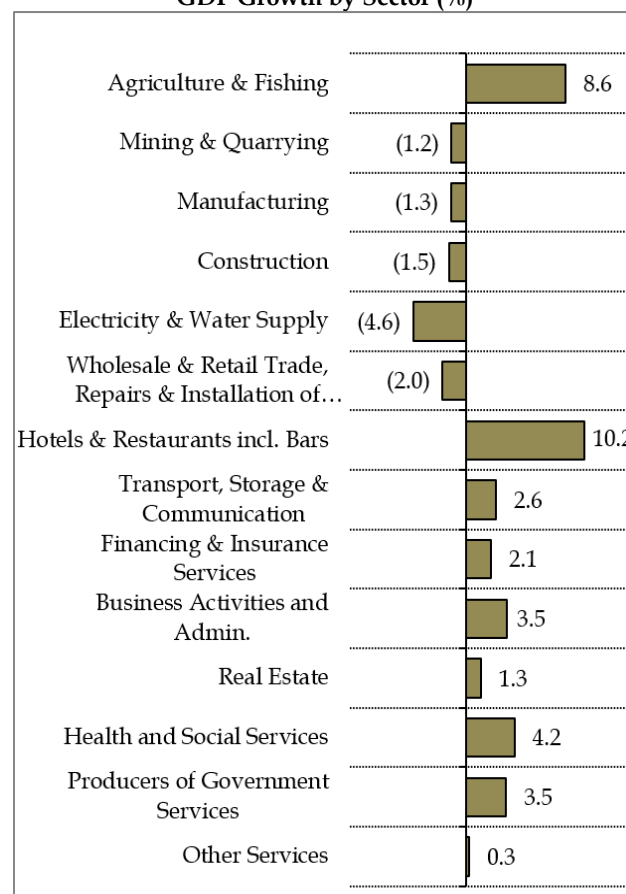
The US dollar depreciated against all three major currencies compared with the corresponding period of 2025. The dollar weakened by 11.2% against the Euro, 7.0% against the British pound sterling, and 4.4% against the Canadian dollar. As the Cayman Islands dollar is pegged to the US dollar, it experienced the same movements relative to these currencies.

² Data sourced from the US Federal Reserve, Bank of England, Bank of Canada and European Central Bank.

2. Real GDP Growth

Preliminary estimates indicate that the Cayman Islands economy continued to expand during the first quarter of 2026, with real Gross Domestic Product (GDP) growing at an annualised rate of 2.4%. While below the estimated 2.9% growth recorded in the corresponding quarter of 2025, the performance reflects continued economic resilience and sustained activity across several key sectors.

Figure 2: Estimated First Quarter 2026 Annualised Real GDP Growth by Sector (%)



Source: Economics and Statistics Office

The services sector remained the principal driver of economic growth. Hotels and restaurants recorded the strongest expansion, increasing by an estimated 10.2%, supported by higher visitor arrivals and tourism-related expenditure. Growth was also supported by business activities and administrative services, which expanded by 3.5%, while health and social services rose by 4.2%. Finance and insurance services, the largest contributor to GDP, increased by an estimated 2.1% during the quarter. The expansion was underpinned by strong activity within the insurance industry, complemented by steady growth in financial services.

Additional gains were recorded in producers of government services, which grew by 3.5%, while real estate activities and 'other' services expanded by 1.3% and 0.3%, respectively. Together, these sectors reinforced the positive momentum observed across the wider economy. Despite the general increase, construction output is estimated to have declined by 1.5%. Electricity and water supply contracted by 4.6%, while wholesale and retail decreased by 2.0% (see Figure 2).

Looking ahead, the first-quarter performance is consistent with expectations of continued economic growth in 2026. Real GDP is projected to increase by 2.7% over the year, supported by sustained demand across the Islands' key service industries (see Table 1). Tourism-related industries are expected to remain the primary source of growth, supported by continued expansion in business services and financial activities. Growth is also anticipated in transport,

auxiliary services, and domestic trade, while health and government services are projected to provide additional support to overall economic activity.

Table 1: Macroeconomic Performance and Outlook

	2023	2024	2025	Projection 2026
	Percent (%)			
Real GDP	5.8	3.8	3.2	2.7
CPI Inflation	3.8	2.6	1.3	4.7
Unemployment Rate	3.3	2.4	2.6	2.8

* Real GDP is estimated for 2025

Source: Economics and Statistics Office

Consumer price inflation accelerated to 2.8% in the first quarter of 2026, driven by stronger domestic demand and price adjustments in some services, particularly communication and education. The higher inflation was also supported by higher prices associated with sustained tourism demand.

Inflationary pressures are expected to intensify during the second and third quarters of 2026. In particular, the closure of the Strait of Hormuz has exerted upward pressure on global energy prices and, by extension, transportation and food-related costs. Given the Cayman Islands' dependence on imported fuel and consumer goods, these external pressures are likely to be transmitted to domestic prices. Consequently, the annual inflation forecast remains at 4.7%.

Risks to the outlook remain skewed to the upside, reflecting the potential for further increases in energy and commodity prices,

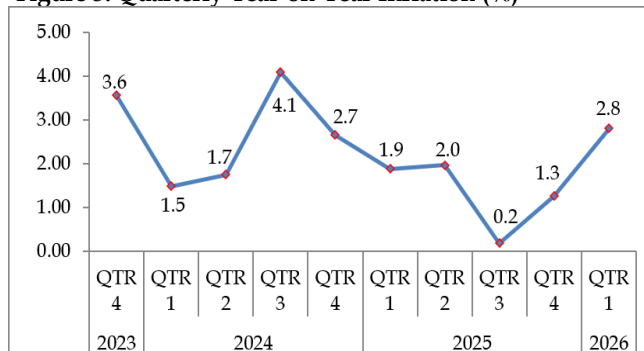
as well as ongoing uncertainty regarding the U.S. monetary policy outlook.

Labour market conditions are nevertheless expected to remain broadly favourable throughout 2026. The unemployment rate is projected to increase modestly to 2.8%, reflecting some softening in labour demand in sectors such as construction. However, this moderation is expected to be partly offset by continued hiring activity in tourism-related industries and other service sectors, supporting overall employment conditions during the year.

3. Inflation³

The Consumer Price Index (CPI) reached 138.8 at the end of March 2026, representing a 2.8% increase in consumer prices compared with the corresponding period in 2025 (see Figure 3).

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



Source: Economics and Statistics Office

Inflationary pressures during the quarter were relatively broad-based, with most CPI divisions increasing compared with the corresponding period of 2025.

Communication recorded the largest increase, rising by 17.0%. This was driven by a 29.9% increase in the price of *telephone and telefax equipment* and a 15.6% rise in *telephone and telefax services*.

Household equipment recorded the second-highest increase, rising by 6.7% compared with growth of just 0.2% in the first quarter of 2025. The acceleration largely reflected a 45.8% increase in the cost of *employed staff* (privately employed), following the implementation of the minimum wage adjustment on 1 January 2026.

Restaurants and hotels, as well as education, also recorded notable increases of 5.1% and 4.0%, respectively. Inflation within the restaurants and hotels division was driven by higher costs for *accommodation services* (local and abroad), *canteens at educational establishments or workplaces*, and *restaurants, cafés*, and similar establishments. The increase in education costs reflected higher charges for *pre-primary* and *primary education*, as well as *secondary education*, which more than offset declines in *tertiary education* and *education not definable by level*.

Housing and utilities increased by 3.6%, reversing the 2.2% decline recorded in the corresponding quarter of 2025. The rise was mainly attributable to higher costs for *services related to the maintenance and repair of dwellings* (up 10.8%) and *actual rentals paid by tenants* (up 8.9%).

Miscellaneous goods and services rose by 2.6%, compared with 1.6% in the first

³ The CPI Quarter 1 2026 Report is posted at www.eso.ky

quarter of 2025, while clothing and footwear increased by 2.0%, reversing the 2.8% decline recorded a year earlier. Inflation in miscellaneous goods and services was led by increases in the prices of *jewellery, clocks and watches* (up 16.8%), *other appliances, articles and products for personal care* (up 8.8%), and *services provided by hairdressing salons and personal grooming establishments* (up 7.9%). Within the clothing and footwear division, footwear purchased abroad was the principal contributor to the increase.

Table 2: Inflation Rates by Categories

Categories	Avg. Inflation Rates (%)	
	Q1 2025	Q1 2026
Food & Non-alcoholic Beverages	3.0	1.8
Alcohol and Tobacco	1.8	1.3
Clothing and Footwear	(2.8)	2.0
Housing and Utilities	(2.2)	3.6
Household Equipment	0.2	6.7
Health	3.8	0.2
Transport	7.3	(2.2)
Communication	5.0	17.0
Recreation and Culture	1.4	(1.1)
Education	9.7	4.0
Restaurants and Hotels	7.2	5.1
Misc. Goods and Services	1.6	2.6
Overall CPI Inflation	1.9	2.8

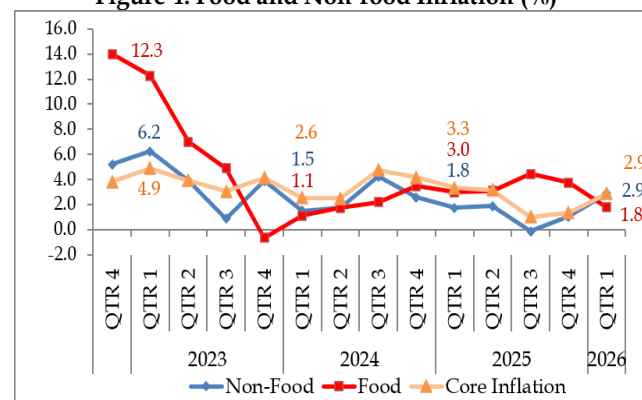
Source: Economics and Statistics Office

Food and non-alcoholic beverages recorded a more moderate increase of 1.8%, down from 3.0% in the first quarter of 2025. The rise was primarily driven by higher average prices for meat and meat products (up 7.8%) and mineral waters, soft drinks, fruit and vegetable juices (up 7.8%).

More moderate price increases were recorded for alcoholic beverages and tobacco (1.3%) and health (0.2%), both of which rose at slower rates than in the corresponding quarter of 2025. In contrast, transport, recreation, and culture were the only divisions to record declines, falling by 2.2% and 1.1%, respectively, compared with increases of 7.3% and 1.4% during the same period in 2025.

Non-food prices increased by 2.9% in the first quarter of 2026, compared with an increase of 1.8% in the corresponding quarter of 2025. The acceleration reflected the stronger inflationary pressures across several service-oriented categories, including communication, household equipment, restaurants and hotels, and education.

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



Source: Economics and Statistics Office

In contrast, core inflation, which excludes food, electricity, and fuel prices, eased to 2.9% from 3.3% a year earlier. The divergence between headline and core inflation primarily reflects higher energy and food-related costs, which exerted

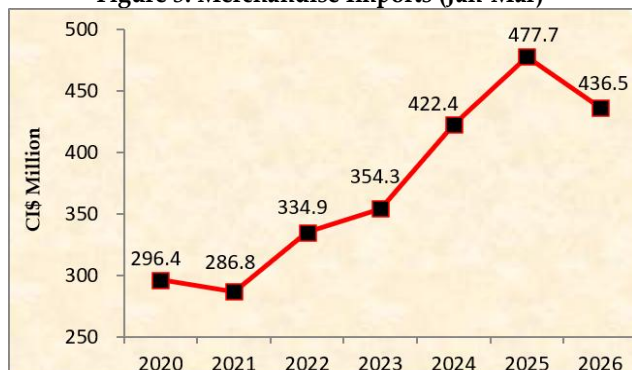
upward pressure on overall consumer prices during the quarter (see Figure 4).

4. Trade⁴

For the period January to March 2026, the value of merchandise imports declined by 8.6% to \$436.5 million, marking the first quarter-on-quarter decline since 2021 (see Figure 5). Based on the Standard International Trade Classification (SITC), all commodity categories recorded lower import values except *mineral fuels, lubricants and related materials*.

Miscellaneous manufactured articles, machinery & transport equipment and food & live animals remained the leading import categories. Together, these categories totalled \$252.3 million and represented 66.2% of non-fuel imports.

Figure 5: Merchandise Imports (Jan-Mar)



Source: Customs Department and ESO

Mineral fuels, lubricants and related materials, the fourth largest SITC category, increased by 6.9% to \$55.5 million. The rise in fuel import values reflected a combination of strong import demand and higher

international energy prices. Data from the U.S. Energy Information Administration indicated that both diesel and jet fuel prices increased by approximately 22.0%, while the average price of crude rose by 3.6%.

The total volume of fuel imports reached a record 20.2 million imperial gallons at the end of the first quarter, representing a 71.1% increase from 11.8 million imperial gallons in 2025 (see Table 3). Growth was recorded across all fuel categories, led by gasoline, which totalled 7.0 million imperial gallons (up 154.4%). Diesel, accounting for 49.2% of total fuel imports, rose by 48.4% to 9.9 million imperial gallons. Imports of aviation fuel and propane also increased, rising by 47.7% and 16.9% to 2.4 million and 0.9 million imperial gallons, respectively.

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

	2024	2025	2026	% Change
	Millions of Imperial Gallons			
Total Fuel	15.4	11.8	20.2	71.1
Diesel	9.2	6.7	9.9	48.4
Gas	3.8	2.8	7.0	154.1
Aviation Fuel	1.7	1.6	2.4	47.7
Propane	0.7	0.7	0.9	16.9

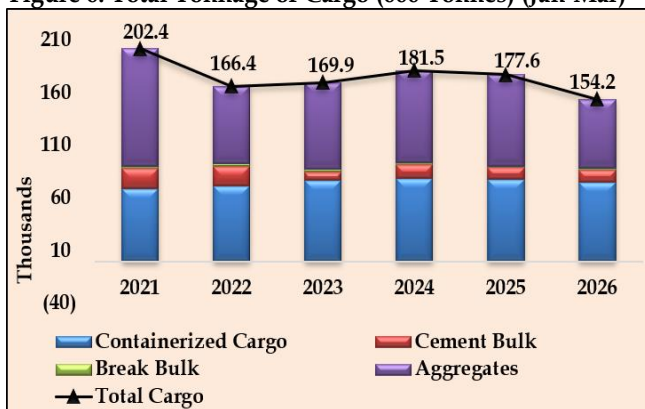
Source: Cayman Islands Port Authority

The total volume of imported cargo declined by 13.2% to 154.2 thousand tonnes (see Figure 6). Lower volumes of containerised cargo and aggregates were the primary contributors to the overall decline, falling to 74,755 tonnes (down 3.8%) and 65,414 tonnes (down 24.9%), respectively. Conversely, cement bulk increased by 5.7%

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

to 12,343 tonnes and break bulk rose by 46.9% to 1,666 tonnes.

Figure 6: Total Tonnage of Cargo (000 Tonnes) (Jan-Mar)



Source: Cayman Islands Port Authority

5. Labour Market Indicators

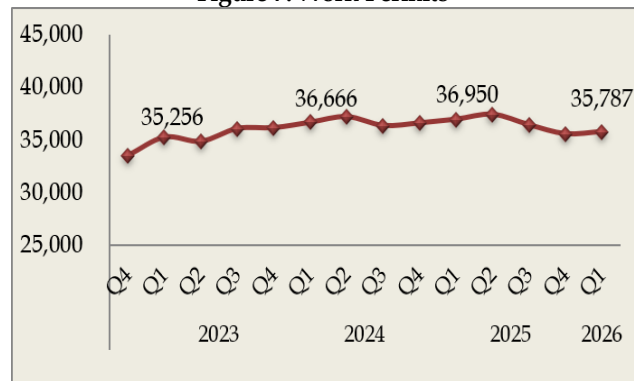
Labour market conditions were mixed during the first quarter of 2026, as a decline in active work permits more than offset a modest increase in public sector employment.

5.1. Work Permits

At the end of March 2026, the number of active work permits declined by 1,163, or 3.1%, to 35,787 (see Figure 7). The reduction was concentrated in construction (down 440 permits, or 7.1%), wholesale and retail trade (down 298 permits, or 6.2%), and administrative and support service activities (down 254 permits, or 6.4%). Collectively, these sectors accounted for 85.3% of the overall decline in active work permits.

Despite the year-on-year decline, active work permits increased marginally by 0.6% compared with the fourth quarter of 2025.

Figure 7: Work Permits

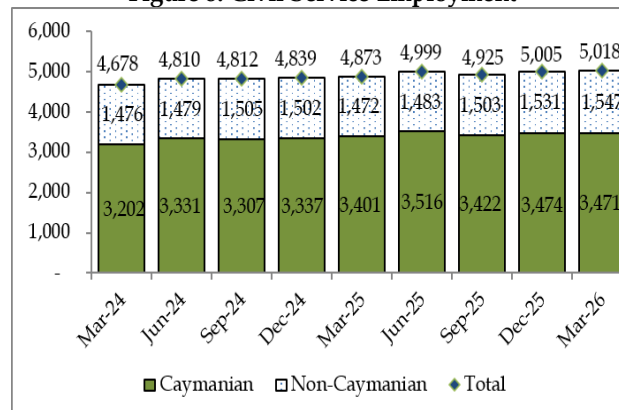


Sources: Immigration Department & ESO

5.2. Public Sector Employment

The number of persons employed by the Cayman Islands Government increased by 3.0%, or 145 employees, to a record 5,018 at the end of March 2026. Caymanians continued to account for most of the public sector workforce, representing 69.2% of total employment. The number of Caymanians increased by 2.1% to 3,471 persons, while non-Caymanian employment rose to 1,547 persons (see Figure 8).

Figure 8: Civil Service Employment



Source: Portfolio of the Civil Service

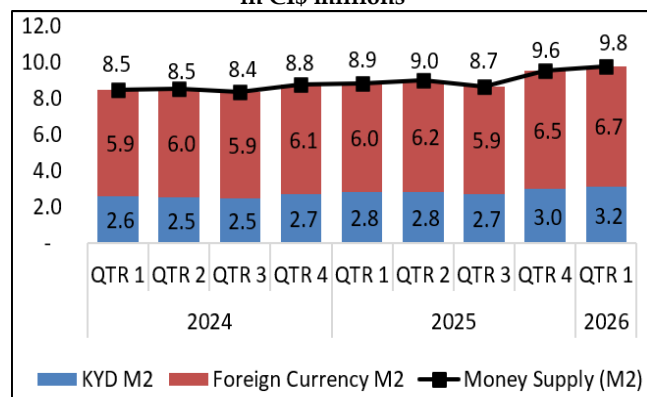
Compared with the fourth quarter of 2025, total public sector employment increased modestly by 0.3%, or 13 employees. The continued growth in government

employment coincided with ongoing population growth and increased demand for public services.

6. Money & Banking

Higher deposits, particularly fixed and savings deposits, supported a strong expansion in domestic liquidity during the first quarter of 2026. Broad money (M2) increased by 10.9% to \$9,826.3 million, reflecting a substantial rise in the liquidity available within the banking system. The growth in liquidity was driven by increases in both local- and foreign-currency-denominated deposits, which rose by 11.0% and 10.9%, respectively.

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



Source: Cayman Islands Monetary Authority & ESO

By deposit type, time and savings deposits increased by 12.0%, while demand deposits and currency in circulation rose by 9.3% and 8.4%, respectively. The strong growth in time and savings deposits continued to be supported by elevated interest rates, which encouraged depositors to place funds in interest-bearing accounts. Meanwhile, the increase in demand deposits reflected higher

transactional activity amid robust economic conditions (see Figure 9 and Table 4).

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

	Mar-25	Mar-26	% Change
Total Assets	8,859.7	9,826.3	10.9
Net Foreign Assets	5,960.3	5,926.1	(0.6)
Monetary Authority	206.9	224.2	8.4
Commercial Banks	5,753.5	5,701.9	(0.9)
Net Domestic Assets	2,899.3	3,900.2	34.5
Domestic credit	4,328.3	4,571.1	5.6
Claims on central government	358.8	460.4	28.3
Claims on other public sector	17.3	14.9	(13.9)
Claims on private sector	3,952.1	4,095.8	3.6
Other items net	(1,429.0)	(670.9)	(53.0)
Broad Liquidity	8,859.7	9,826.3	10.9
Broad money (KYD) M2	2,847.0	3,155.5	10.8
Currency in circulation	165.9	179.8	8.4
KYD Deposits	2,681.1	2,975.7	11.0
Demand deposits	987.8	1,079.8	9.3
Time and savings deposits	1,693.4	1,896.0	12.0
FOREX deposits	6,012.6	6,670.8	10.9
of which: US dollars	5,693.3	6,187.6	8.7
US dollars share (%)	94.7	92.8	

Source: Cayman Islands Monetary Authority & ESO

The expansion in M2, which represents the liabilities of the banking system, was accompanied by growth in financial institutions' asset holdings. Increased liquidity supported an expansion in both domestic and foreign assets. Additionally, a rise in foreign liabilities contributed to the growth in the banking sector's overall asset base during the quarter.

6.1 Net Foreign Assets. The increase in foreign liabilities more than offset the growth in foreign assets, resulting in a 0.9% decline in the net foreign assets (NFA) of commercial banks during the quarter. In contrast, the NFA of the Cayman Islands Monetary Authority (CIMA) increased by 8.4%. Foreign liabilities rose by 12.6%,

driven primarily by a 46.9% (or \$281.1 million) increase in other liabilities. In contrast, non-resident loans declined by 1.4% to \$20.0 million.

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

	Mar-25	Mar-26	% Change
Net Foreign Assets	5,960.3	5,926.1	(0.6)
Monetary Authority	206.9	224.2	8.4
Commercial Banks	5,753.5	5,701.9	(0.9)
Foreign Assets	7,830.7	8,041.0	2.7
Bal. with Banks & Branches	3,174.8	2,846.0	(10.4)
Total Investment	3,936.9	4,538.6	15.3
Total Non-Resident Loans	719.1	656.5	(8.7)
Foreign Liabilities	2,077.3	2,339.1	12.6
Total Non-Resident Deposits	1,476.9	1,456.9	(1.4)
Other Liabilities	600.4	882.2	46.9

Source: Cayman Islands Monetary Authority & ESO

Foreign assets expanded by 2.7%, owing mainly to a 15.3% (or \$601.7 million) increase in foreign investments. This growth more than offset declines in balances with banks and branches and loans to non-residents, which fell by 10.4% (or \$328.9 million) and 8.7% (or \$62.6 million), respectively.

6.2. Net Domestic Assets. Increased loan demand from both private and public sector entities resulted in total domestic credit rising by 5.6% to \$4,571.1 million during the first quarter of 2026.

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

	Mar-25	Mar-26	% Change
Domestic Credit	4,328.3	4,571.1	5.6
Credit to Public Sector	376.2	475.4	26.4
Credit to Central Government	358.8	460.4	28.3
Credit to Other Public Sector	17.3	14.9	(13.9)
Credit to Private Sector	3,952.1	4,095.8	3.6

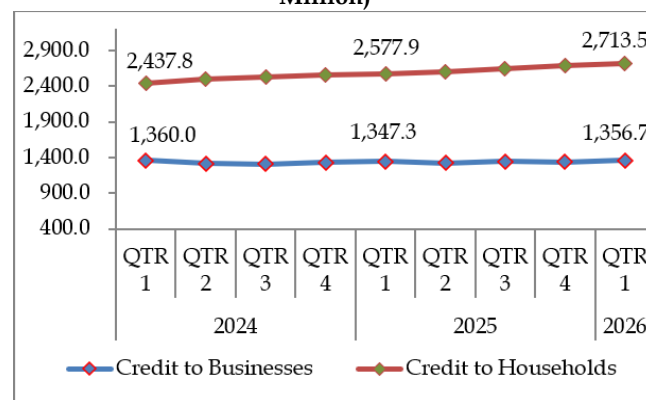
Source: Cayman Islands Monetary Authority & ESO

Credit to the private sector increased by 3.6%, reflecting growth in both household

and commercial lending. Public sector indebtedness also expanded, rising by 26.4% as a 28.3% increase in central government borrowing more than offset a 13.9% reduction in credit extended to statutory authorities, government-owned companies, and other public sector entities.

The growth in private sector credit was driven primarily by increased household borrowing, while lending to businesses expanded at a more moderate pace. Household loans rose by 5.3% to \$2,713.5 million (see Figure 10), with most of the additional borrowing directed towards domestic property purchases, motor vehicles, and miscellaneous purposes. These categories increased by 4.8% (or \$108.3 million), 16.5% (or \$11.8 million), and 6.7% (or \$15.6 million), respectively (see Table 7). In contrast, lending for education and technology declined by 10.4% (or \$0.2 million).

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



Source: Cayman Islands Monetary Authority & ESO

Business credit increased by 0.7% to \$1,356.7 million. The strongest growth was recorded in the utilities and construction sectors, where lending rose by 675.7% (\$40.8 million)

and 12.1% (\$34.5 million), respectively. Credit extended to real estate, rental, and leasing companies also increased, rising by 4.9% (or \$14.0 million). These gains were partially offset by declines in wholesale and retail trade, which fell by 24.2% (or \$36.0 million), and general business activities, which decreased by 7.4% (or \$33.1 million).

Overall, the expansion in domestic credit reflected continued household demand for financing, particularly for property-related purchases, as well as increased borrowing by the central government and selected business sectors during the quarter.

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

	Mar-25	Mar-26	Change %
Total Private Sector Credit	3,951.9	4,095.2	3.6
Credit to Businesses	1,347.3	1,356.7	0.7
Production & Manufacturing	307.9	383.0	24.4
Mining	6.1	5.5	(10.2)
Manufacturing	9.4	9.8	4.0
Utilities	6.0	46.8	675.7
Construction	286.3	320.9	12.1
Services	151.1	137.6	(8.9)
Accommodation, Food, Bar & Entertainment Services	61.5	71.3	16.0
Transportation, Storage & Communications	14.0	12.7	(9.3)
Education, Recreational & Other Professional Services	75.6	53.6	(29.1)
Trade and Commerce	876.0	820.9	(6.3)
Wholesale & Retail Sales Trade	148.8	112.9	(24.2)
Real Estate Agents, Rental and Leasing Companies	282.9	296.9	4.9
Other Business Activities (General Business Activity)	444.3	411.2	(7.4)
Other Financial Corporations	12.3	15.1	23.5
Credit to Households	2,577.9	2,713.5	5.3
Domestic Property	2,269.0	2,377.3	4.8
Motor Vehicles	71.8	83.7	16.5
Education and Technology	2.4	2.1	(10.4)
Miscellaneous*	234.7	250.3	6.7
NonProfit Organizations	26.6	25.1	(5.9)

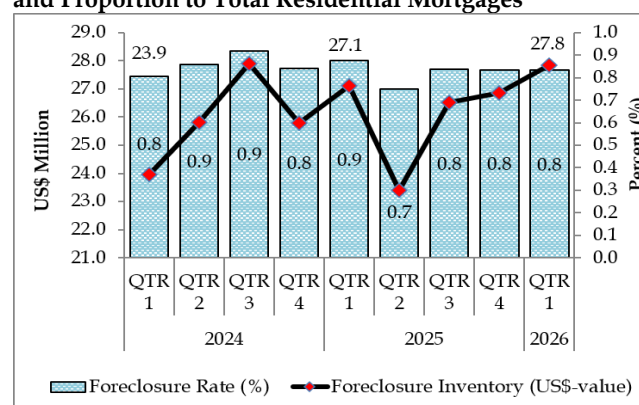
Source: Cayman Islands Monetary Authority & ESO

6.3. Residential Mortgage Foreclosures

As of March 2026, data from the Cayman Islands Monetary Authority (CIMA) indicated that 91 properties, valued at US\$27.8 million, were listed in the local foreclosure inventory. This represents a continued increase from the recent low of 52 properties valued at US\$14.9 million recorded in March 2023, suggesting a gradual buildup in the stock of properties in foreclosure over the past three years.

Despite the increase in foreclosure inventory, the foreclosure rate, defined as the ratio of properties in foreclosure to total residential mortgages, declined to 0.8% in March 2026 from 0.9% a year earlier. The lower foreclosure rate reflects continued growth in the residential mortgage portfolio, which outpaced the increase in the number of properties held in foreclosure.

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



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

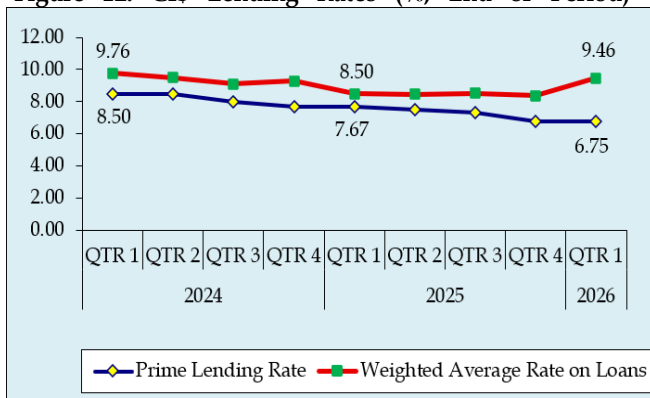
At the same time, completed foreclosures remained limited. Only two properties were foreclosed in the first quarter of 2026, representing 2.2% of the foreclosure inventory, compared with five in the

corresponding period of 2025. The decline in completed foreclosures suggests that, despite the gradual increase in foreclosure inventory, distress within the residential mortgage market remained relatively contained during the review period.

6.4. Interest Rates. The Cayman Islands' prime lending rate declined by 92 basis points to 6.75% as at March 2026. Despite the reduction in the prime rate, the KYD weighted average lending rate increased to 9.46% from 8.5% in the corresponding period of 2025 (see Figure 12).

The divergence between the prime lending rate and the weighted average lending rate reflected changes in borrowing composition and in the rates charged across loan categories. Higher average interest rates on loans for domestic property purchases, and, to a lesser extent, on government borrowing, contributed to the increase in the overall lending rate. The rise in rates on domestic property loans coincided with stronger demand for mortgage financing during the quarter, thereby supporting increased real estate transaction activity.

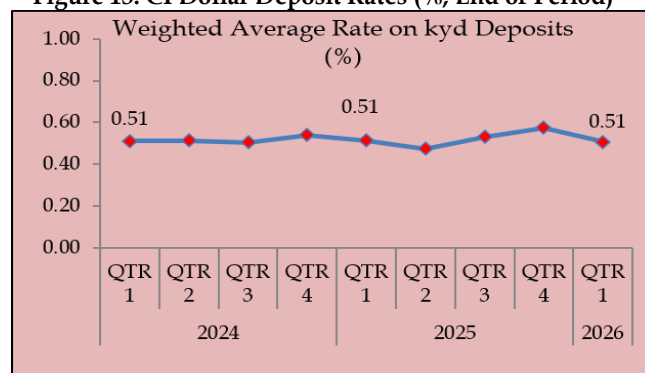
Figure 12: CI\$ Lending Rates (% , End of Period)



Source: Cayman Islands Monetary Authority & ESO

The weighted average rate on KYD deposits was unchanged at 0.51% when compared to the same period in 2025 (see Figure 13).

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



Source: Cayman Islands Monetary Authority & ESO

7. Financial Services

Financial services indicators were generally positive at the end of the first quarter, with growth recorded across most key measures. Increases were observed in insurance licences, fund registrations, stock exchange listings, new company registration and new partnership registrations. In contrast, the number of bank and trust licences and stock market capitalisation contracted.

7.1 Banks & Trust

The total number of bank and trust licences declined by 2.5% to 77 at the end of March 2026 (see Table 8). The decrease was driven by a 2.9% reduction in Class B licences, which fell to 66, the lowest level on record. In contrast, the number of Class A licences remained unchanged at 11 for the fourth consecutive year.

The number of trust companies increased to 114, up from 111 at the end of March 2025. This represented growth of 2.7%, or three companies, reflecting increases in both restricted and unrestricted trust licences. Restricted trust licences rose by 1.9% to 55, while unrestricted trust licences increased by 3.5% to 59.

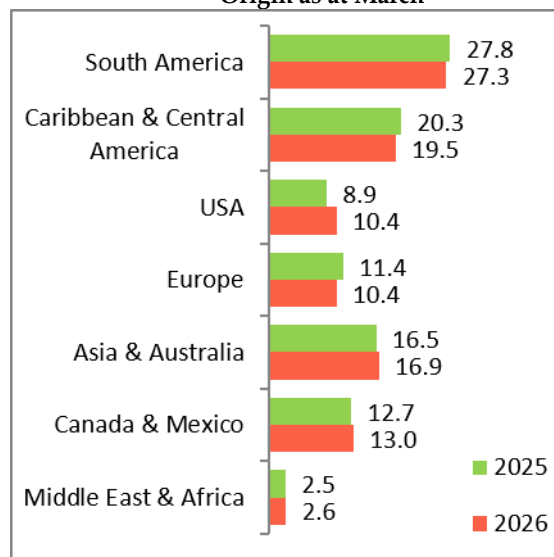
Table 8: Bank and Trust Companies

	Mar 2024	Mar 2025	Mar 2026	% Change
Banks & Trusts	86	79	77	(2.5)
Class A	11	11	11	0.0
Class B	75	68	66	(2.9)
Trust Companies	111	111	114	2.7
Restricted	55	54	55	1.9
Unrestricted	56	57	59	3.5

Source: Cayman Islands Monetary Authority

South America continued to account for the largest share of bank and trust licences, with 21 licences, representing 27.3% of the total. The Caribbean and Central America followed with 15 licences (19.5%), while Asia and Australia accounted for 13 licences (16.9%). Canada and Mexico represented 10 licences (13.0%), and Europe and the United States each accounted for 8 licences (10.4%). The Middle East and Africa ended with 2 licences, representing 2.6% of the total.

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



Source: Cayman Islands Monetary Authority

7.2 Insurance

A total of 745 insurance licences were registered in the Cayman Islands at the end of the first quarter of 2026, representing a year-on-year increase of 2.8% (see Table 9). Growth was driven by the captive insurance segment, which expanded by 3.0%, or 21 licences, to 722.

Within the captive sector, Class 'B' licences increased by 3.0%, or 20 licences, to 694, while Class 'D' licences rose by 22.2%, or 2 licences, to 11. In contrast, the number of Class 'C' licences issued to special purpose insurers declined by 5.6%, or 1 licence, to 17. Class 'A' licences, which relate to domestic insurers, fell by 4.2% to 23 licences, compared with 24 licences in the corresponding quarter of 2025.

Table 9: Insurance Companies*

	Mar 2024	Mar 2025	Mar 2026	% Change
Domestic - Class 'A'	24	24	23	(4.2)
Captives	691	701	722	3.0
Class 'B'	666	674	694	3.0
Class 'C'	17	18	17	(5.6)
Class 'D'	8	9	11	22.2
Total	715	725	745	2.8

Source: Cayman Islands Monetary Authority

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

Healthcare and workers' compensation remained the dominant classes of captive insurance business, accounting for 25.8% and 20.6%, respectively. Notwithstanding, general liability recorded the largest absolute increase, rising by 6 licences, or 6.0%, to 106. Property insurance and professional liability insurance also registered notable growth, increasing by 5 licences (6.8%) to 79 and by 4 licences (7.1%) to 60, respectively.

Table 10: Captive Insurance Licences by Primary Class of Business

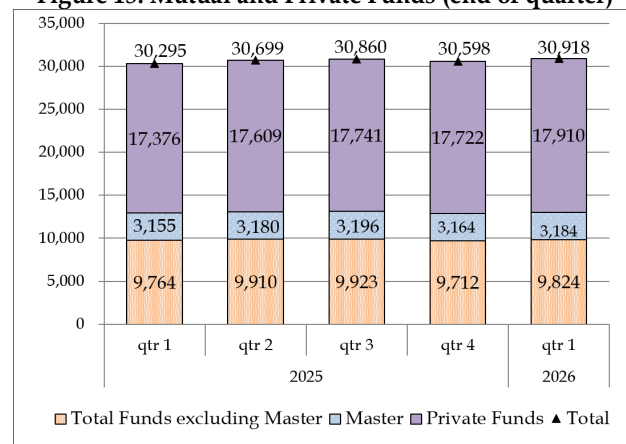
	Mar 2025	Mar 2026	% Change	% Proportion
Healthcare	189	186	-1.6	25.8
Workers' Compensation	151	149	-1.3	20.6
Property	74	79	6.8	10.9
General Liability	100	106	6.0	14.7
Professional Liability	56	60	7.1	8.3
Other	131	142	8.4	19.7
Total	701	722	3.0	100.0

Source: Cayman Islands Monetary Authority

North America remained the leading risk location for insurance companies in the Cayman Islands, accounting for 88.4% (638 companies).

7.3 Mutual and Private Funds

At the end of March 2026, there were 30,918 funds registered in the Cayman Islands, up from 30,295 in the corresponding period of 2025. This represented an increase of 2.1%, driven by growth in both mutual funds and private funds.

Figure 15: Mutual and Private Funds (end of quarter)


Source: Cayman Islands Monetary Authority

The number of mutual funds increased by 0.7%, or 89 funds, to 13,008. This growth reflected increases in registered mutual funds, which rose by 1.2% to 8,959, and master funds, which increased by 0.9% to 3,184. In contrast, limited investor funds declined by 5.7% to 577, while administered funds and licensed funds decreased by 2.4% and 9.1% to 248 and 40, respectively.

Meanwhile, private funds expanded by 3.1% to 17,910, reaching a new record high. The continued growth in private funds underscores the sustained attractiveness of the Cayman Islands as a leading jurisdiction for alternative investment structures and private capital formation.

7.4 Stock Exchange

The number of securities listed on the Cayman Islands Stock Exchange (CSX) increased marginally by 0.3% to 2,776 at the end of March 2026, compared with 2,767 in the corresponding period of 2025 (see Table 11). The modest increase was driven by growth in investment funds, insurance-linked securities, and specialist debt securities. Investment fund listings rose by 22.4% to 142, while insurance-linked securities increased by 6.1% to 35. Specialist debt securities, which continued to account for most listings, recorded a slight 0.1% increase to 2,419.

In contrast, sovereign debt securities and primary equity listings declined by 10.6% and 33.3%, respectively, to 178 and 2 instruments, respectively.

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

Instrument	Mar 2024	Mar 2025	Mar 2026	% Change
Investment Fund	116	116	142	22.4
Specialist Debt	2,371	2,416	2,419	0.1
Sovereign Debt Security	226	199	178	(10.6)
Primary Equity	3	3	2	(33.3)
Secondary Equity	0	0	0	-
Insurance Linked Security	35	33	35	6.1
Retail Debt	0	0	0	-
Total	2,751	2,767	2,776	0.3

Source: Cayman Islands Stock Exchange

Despite the modest increase in the number of listed instruments, overall market capitalisation declined, reflecting weaker valuations. The total value of listed instruments declined by 11.7% to US\$848.7 billion (see Table 12). The decrease was driven primarily by lower valuations for specialist debt securities (down 14.3%),

corporate and sovereign debt securities (down 6.1%), and primary equity listings (down 65.4%). In contrast, the value of investment funds and insurance-linked securities increased by 24.8% and 4.2%, respectively.

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

Instrument	Mar 2024	Mar 2025	Mar 2026	% Change
Investment Fund	7.0	11.1	24.8	123.2
Specialist Debt	729.6	835.0	716.0	(14.3)
Corporate & Sovereign				
Debt Security	138.7	110.3	103.5	(6.1)
Primary Equity	0.5	0.6	0.2	(65.4)
Secondary Equity	0.0	0.0	0.0	-
Insurance Linked Security	3.9	3.7	4.2	11.4
Retail Debt	0.0	0.0	0.0	-
Total	879.7	960.7	848.7	(11.7)

Source: Cayman Islands Stock Exchange

7.5. Company Registrations

New company registrations increased for the third consecutive March quarter, rising by 12.9% to 3,864 entities (see Table 13). Growth was driven by increases in three of the six company categories. Exempt companies, which accounted for 79.0% of all new registrations, increased by 15.5% to 3,053 entities. Foreign companies and limited liability companies rose by 26.9% to 245 and by 15.0% to 253, respectively.

During the same period, 2,176 companies were terminated, including 1,784 exempt companies. Companies struck off by the Registrar and voluntary dissolutions remained the principal forms of termination, accounting for approximately 90.0% of all closures.

Table 13: New Company Registrations (Jan-Mar)

	2023	2024	2025	2026
Total	2,615	2,854	3,423	3,864
Exempt	2,014	2,194	2,643	3,053
Non-Resident	1	1	9	2
Resident	227	177	195	177
Foreign	169	168	193	245
FDN	44	124	163	134
LLC	160	190	220	253
Percentage Change (%)				
Total	(34.2)	9.1	19.9	12.9
Exempt	(35.1)	8.9	20.5	15.5
Non-Resident	(80.0)	-	800.0	(77.8)
Resident	(2.6)	(22.0)	10.2	(9.2)
Foreign	(36.7)	(0.6)	14.9	26.9
FDN	(45.7)	181.8	31.5	(17.8)
LLC	(43.7)	18.8	15.8	15.0

Source: Registrar of Companies

*Foundation companies began operations in February 2018.

7.6. Partnerships

The number of new partnership registrations increased by 24.1% to 1,363 entities at the end of March 2026, compared with 1,098 in the corresponding period of 2025 (see Table 14). The growth was driven entirely by exempted limited partnerships, which increased by 26.1% to 1,317 registrations. In contrast, new registrations of foreign partnerships declined by 10.0% to 45, while no new limited liability partnerships (LLPs) were registered during the period, compared with three registrations in the first quarter of 2025. The number of new limited partnerships remained unchanged at one entity for the third consecutive year.

Table 14: New Partnership Registrations (Jan-Mar)

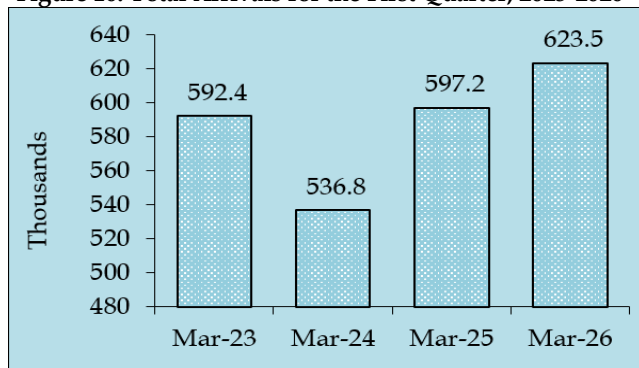
	2023	2024	2025	2026
Total	963	935	1,098	1,363
Exempt	908	901	1,044	1,317
Foreign	53	33	50	45
Limited Partnerships	0	1	1	1
LLP	2	0	3	0
Percentage Change (%)				
Total	(30.9)	(2.9)	17.4	24.1
Exempt	(32.1)	(0.8)	15.9	26.1
Foreign	-	(37.7)	51.5	(10.0)
Limited	-	-	-	-
LLP	-	(100.0)	-	(100.0)

Source: Registrar of Companies

A total of 646 partnerships were terminated during the review period, comprising 631 exempted limited partnerships and 15 foreign partnerships. Voluntary dissolutions and partnerships struck off by the Registrar continued to account for most closures, collectively representing 96.7% of all partnership terminations.

8. Tourism

Total visitor arrivals increased by 4.4% to 623,477 during the first quarter of 2026, reflecting growth in both air and cruise passenger arrivals. The expansion was led by a strong increase in stay-over tourism, alongside continued growth in the cruise segment.

Figure 16: Total Arrivals for the First Quarter, 2023-2026


Source: Department of Tourism

8.1. Air Arrivals

Air arrivals rose by 11.0% to 160,335 during the quarter, with all major source markets recording growth. Arrivals from the United States, the Islands' largest source market, increased by 7.3% to 129,602 visitors. Canadian arrivals recorded the strongest growth, rising by 45.2% to 17,964 visitors. Arrivals from Europe and other international markets grew by 17.3% and 9.1%, respectively.

This strong performance was supported by expanded air connectivity, boosted by targeted destination marketing initiatives. Several major carriers increased service to the Cayman Islands, including United Airlines, Delta Air Lines, JetBlue, Porter Airlines, and American Airlines. Similarly, Cayman Airways expanded connectivity across key markets in the United States, the Caribbean, and Latin America. Collectively, these developments contributed to an 18% increase in airline seat capacity compared with the corresponding period of 2025.

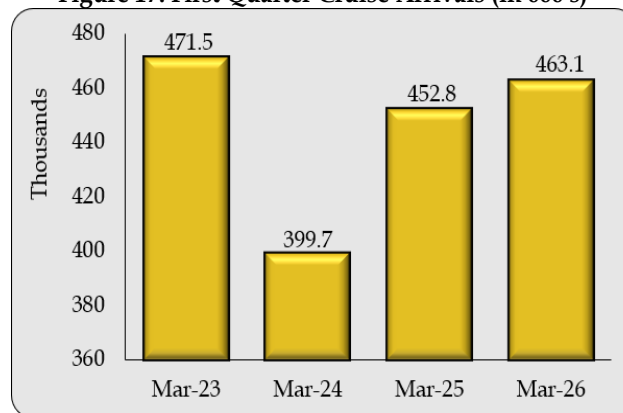
Table 15: First Quarter Air Arrivals by Origin

	2024	2025	2026	% Change
In Thousands				
USA	113.6	120.8	129.6	7.3
Europe	6.7	6.0	7.1	17.3
Canada	11.4	12.4	18.0	45.2
Others	5.4	5.2	5.7	9.1
Total	137.1	144.4	160.3	11.0
USA (% share)	82.9	83.6	80.8	

Source: Cayman Islands Department of Tourism

8.2. Cruise Arrivals

Cruise passenger arrivals increased to 463,142 during the quarter, representing an increase of 10,368 passengers, or 2.3%, compared with the corresponding period of 2025. The growth in cruise arrivals was supported by a modest increase in cruise ship calls, which rose by 0.6%, or one additional vessel, bringing the total number of calls to 165 during the quarter.

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


Source: Department of Tourism

9. Construction

The first quarter of 2026 presented mixed signals for intended developments in the construction sector. While building permit activity strengthened significantly in both

value and volume, project approvals declined sharply, pointing to solid near-term construction activity but a potentially weaker pipeline of future development.

9.1. Building Permits

The total value of building permits increased by 44.4%, or \$54.6 million, to \$177.5 million during the quarter, reflecting broad-based growth across most categories (see Table 16).

Table 16: Building Permits (Jan-Mar)

	Building Permits (CI\$ Mil)			% Change
	2024	2025	2026	
Residential	44.7	94.7	100.7	6.3
Houses	23.9	35.7	32.8	(8.2)
Apartments	20.8	59.0	67.9	15.1
Commercial	9.7	4.4	21.8	401.3
Industrial	-	-	-	-
Hotel	-	11.0	-	(100.0)
Government	0.8	0.0	0.6	2,915.7
Other	2.5	12.8	54.4	323.8
Total	57.8	122.9	177.5	44.4

Source: Planning Department

Residential permits remained the primary driver of construction intentions, rising by 6.3% to \$100.7 million. Growth within this category was led by the apartment segment, which increased by 15.1% to \$67.9 million, supported by permits issued for several multi-unit projects. The continued strength in apartment construction suggests sustained demand for higher-density housing and investment-oriented developments. In contrast, the value of house permits declined by 8.2% to \$32.8 million.

Commercial construction rebounded sharply during the quarter, increasing by 401.3% to \$21.8 million following subdued

activity in the same period of 2025. The "other" category also recorded substantial growth, rising by \$41.5 million, or 323.8%, largely driven by a single swimming pool project valued at \$50 million. Government-related construction activity increased to \$0.6 million, compared with a negligible value in the same quarter of 2025. Conversely, no hotel-related permits were issued during the quarter, following elevated levels of activity in the 2025 period.

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

	Number of Permits			% Change
	2024	2025	2026	
Residential	71	105	106	1.0
Houses	49	69	52	(24.6)
Apartments	22	36	54	50.0
Commercial	23	15	20	33.3
Industrial	2	4	-	(100.0)
Hotel	-	1	-	(100.0)
Government	3	12	6	(50.0)
Other	75	78	115	47.4
Total	174	215	247	14.9

Source: Planning Department

In volume terms, the number of building permits issued increased by 14.9% to 247, indicating that the expansion in construction activity was supported by both higher permit values and a higher number of projects.

9.2. Project Approvals

Project approvals weakened considerably during the first quarter of 2026, contracting by 74.0% to CI\$74.4 million. The decline reflected the absence of hotel-related projects and weaker approval activity across most development categories, following an exceptionally strong comparative period in 2025.



Table 18: Project Approvals (Jan-Mar)

	Project Approvals (CI\$ Mil)			%
	2024	2025	2026	
Residential	59.0	81.1	59.6	(26.5)
Houses	43.4	41.1	30.0	(26.9)
Apartments	15.6	40.1	29.6	(26.1)
Commercial	7.1	26.1	9.2	(64.8)
Industrial	5.3	4.1	2.9	(29.3)
Hotel	18.0	153.2	-	(100.0)
Government	0.4	18.8	0.1	(99.6)
Other	9.8	2.5	2.7	5.8
Total	99.6	285.8	74.4	(74.0)

Source: Planning Department

No hotel approvals were recorded during the quarter, compared with CI\$153.2 million in the corresponding period of 2025. Given that hotel developments accounted for more than half of total approval value, their absence was the primary contributor to the sharp decline in overall approvals.

Residential approvals decreased by 26.5% to CI\$59.6 million, reflecting weaker activity across both housing and apartment developments. House approvals fell by 26.9% to CI\$30.0 million, while apartment approvals declined by 26.1% to CI\$29.6 million, indicating a broad-based slowdown in proposed residential construction.

Non-residential approvals also weakened significantly, contracting by 92.8% to CI\$14.8 million. The decline was driven by substantial reductions in commercial, industrial, and government projects, pointing to softer investment intentions across much of the non-residential sector. The only category to record growth was the “other” category, which increased by 5.8% to CI\$2.7 million.

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

	Number of Approvals			%
	2024	2025	2026	
Residential	124	79	42	(46.8)
Houses	87	51	26	(49.0)
Apartments	37	28	16	(42.9)
Commercial	7	8	4	(50.0)
Industrial	3	2	3	50.0
Hotel	1	1	-	(100.0)
Government	3	5	1	(80.0)
Other	138	105	59	(43.8)
Total	276	200	109	(45.5)

Source: Planning Department

In volume terms, the number of project approvals fell by 45.5% to 109. The decline was widespread across most categories, with the industrial sector the only segment to record an increase in approved projects.

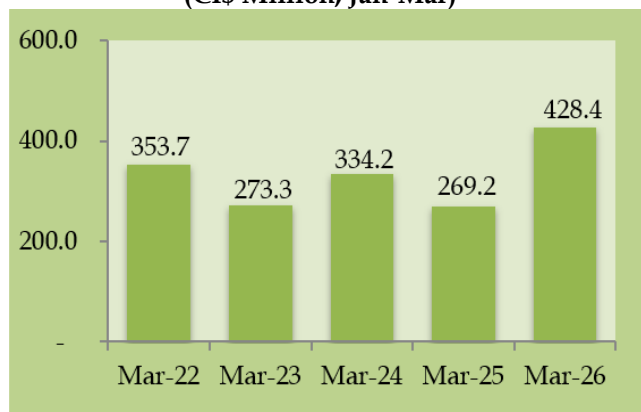
10. Real Estate

10.1. Property Transfers

Real estate activity accelerated during the first quarter of 2026, with both the value and volume of property transactions increasing. The total value of traded properties rose by 59.1% to \$428.4 million, reflecting stronger market activity and investment demand across both freehold and leasehold segments.

Freehold transfers, which continued to account for most of the market activity, increased by 59.8% to \$411.7 million. Leasehold transfers also recorded strong growth, rising by 43.8% to \$16.7 million.

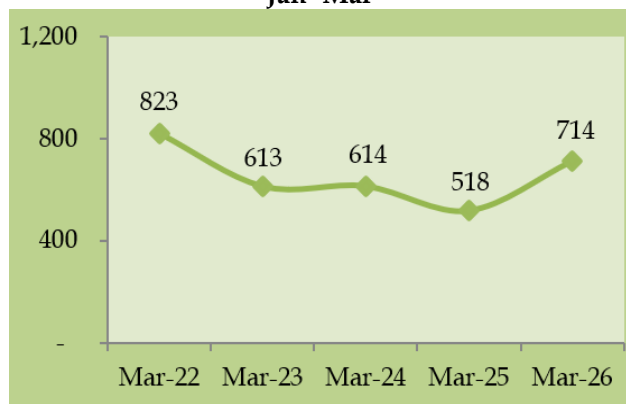
Figure 18: Value of Property Transfers:
(CI\$ Million, Jan-Mar)



Source: Lands & Survey Department

The increase in the value of traded properties was supported by a higher transaction volume, with the total number of property transfers rising by 37.8% to 714. This growth was driven by an increase of 206 freehold transfers, or 46.0%, which more than offset a decline of 10 leasehold transfers, or 14.3%.

Figure 19: Number of Property Transfers:
Jan- Mar



Source: Lands & Survey Department

10.2. Property Price Index

Consistent with the increase in property transfer values, the George Town Residential Property Price Index rose by 6.3% to 259.8 during the first quarter of 2026.

The increase indicates continued appreciation in residential property values and aligns with the higher transactions observed in the real estate market during the quarter.

Figure 20: George Town Residential Property Price Index



Source: Lands & Survey Department

Compared with the more moderate growth recorded in 2025, the first quarter of 2026 reflected stronger market conditions, supported by heightened demand and sustained upward pressure on residential property prices.

11. Utilities

11.1 Electricity

Electricity demand contracted by 4.8% during the first three months of 2026, with declines recorded across all major consumption categories. Residential consumption fell by 7.3%, while commercial and public sector consumption decreased by 0.1% and 3.2%, respectively.

The reduction in electricity consumption occurred despite growth in the overall

customer base, as average monthly usage per customer declined during the period. Average consumption per customer fell by 5.9%, reflecting lower electricity usage across customer groups. Residential customers recorded the largest decline, with average consumption down 9.5%, while average commercial consumption edged down 0.1%.

In contrast, the number of residential customers increased by 2.5%, indicating continued growth in the customer base despite lower consumption levels. The number of commercial customers, however, declined marginally by 0.1%.

Table 20: Utilities Production and Consumption

	Mar-25	Mar-26	% Change
Millions of US Gallons			
Water Production	888.2	854.3	(3.8)
Water Consumption	713.2	673.6	(5.6)
'000 of megawatt hrs			
Electricity Production (Net)	174.3	166.0	(4.8)
Electricity Consumption	170.8	164.2	(3.9)
Residential	89.2	82.7	(7.3)
Commercial	80.5	80.4	(0.1)
Public	1.1	1.1	(3.2)
Total Customers	34,461	35,185	2.1
Residential	29,639	30,367	2.5
Commercial	4,822	4,818	(0.1)

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

11.2. Water

Water consumption fell by 5.6% during the review period, mirroring the trend observed in electricity usage. As consumption declined, water production also contracted by 3.8%.

11.3 Telecommunications

Telephone usage, as measured by domestic and international call minutes, contracted by 4.6% during the first quarter of 2026 compared with the corresponding period of the previous year. The decline reflected reduced calling across both segments, with domestic call minutes falling by 4.5% and international call minutes decreasing by 6.8% (see Table 21).

Similarly, the number of fixed and mobile handsets in operation declined by 10.7% to 142,728. In contrast, broadband subscriptions increased by 3.7%, indicating continued growth in demand for internet connectivity. The divergence suggests an ongoing shift in consumer preferences toward internet-based communication and data services.

Table 21: Telecommunication Sector Indicators

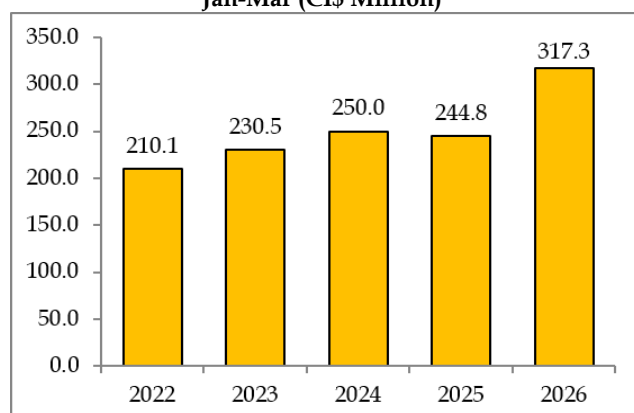
	Mar-25	Mar-26	% Change
Fixed and Mobile handsets in operation	159,832	142,728	(10.7)
Total fixed & mobile minutes ('000)	30,866	29,345	(4.9)
Fixed and mobile domestic minutes	24,924	23,808	(4.5)
Fixed and mobile int'l retail minutes	5,941	5,538	(6.8)
Broadband connections	32,258	33,452	3.7

Source: The Utility Regulation and Competition Office

12. Fiscal Operations of the Central Government⁵

Net lending (overall surplus), defined as revenue less expenditure, increased to \$317.3 million at the end of March 2026, up 29.6% from \$244.8 million in the corresponding period of 2025 (see Figure 21 and Table 22).

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



Source: Cayman Islands Treasury Department & Economics and Statistics

The larger surplus reflected higher revenue alongside marginally lower expenditure. Revenue growth was driven primarily by increased tax collections, while other revenue remained relatively stable compared with a year earlier. At the same time, total expenditure declined as lower net investment in non-financial assets more than offset an increase in operating expenses.

Net operating balance (formerly current balance), which is revenue minus expense, rose by 23.0% to \$320.2 million, up from the \$260.4 million in 2025.

⁵ The tables, graphs and information presented in this section has been adjusted to conform with the

Table 22: Summary of Fiscal Operations

	Mar-25	Mar-26	% Change
CI\$ Million			
Revenue	554.1	624.9	12.8
Expense	293.8	304.7	3.7
Net Operating Balance	260.4	320.2	23.0
Net Investment in Nonfinancial Assets	15.6	2.9	(81.2)
Expenditure	309.3	307.6	(0.6)
Net Lending	244.8	317.3	29.6
Financing:			
Net Acquisition of Financial Assets	236.6	303.9	28.4
Net Incurrence of Liabilities	(8.2)	(13.4)	64.3

Source: Cayman Islands Treasury Department & Economics and Statistics Office

12.1. Revenue

Central government revenue rose by 12.8% to \$624.9 million at the end of March 2026 (see Table 23). The increase was driven by a 13.3% rise in tax revenue, representing the strongest year-over-year growth recorded since March 2021. In contrast, other revenue declined marginally by 0.2% compared with the corresponding period in 2025.

Table 23: Revenue of the Central Government

	Mar-25	Mar-26	% Change
CI\$ Million			
Revenue	554.1	624.9	12.8
Taxes	531.8	602.6	13.3
Taxes on International Trade & Transactions	57.0	65.4	14.8
Taxes on Goods & Services	446.3	497.6	11.5
Taxes on Property	28.4	39.3	38.1
Other Taxes	0.1	0.3	362.9
Other Revenue	22.3	22.3	(0.2)
Sale of Goods & Services	11.8	12.8	8.8
Investment Revenue	6.1	6.3	2.7
Fines, Penalties and Forfeits	2.5	3.0	17.3
Revenue n.e.c.	1.9	0.3	(86.5)

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Government Finance Statistics Manual 2014 published by the IMF.

Growth in tax revenue was partly supported by increased fees in some categories and the front-loading of some transactional activities ahead of scheduled government fee increases and other policy measures to be implemented during the year. In addition, stronger economic activity and higher tourist arrivals led to improved revenue collections across several categories.

Taxes reached \$602.6 million at the end of the quarter, an increase of \$70.8 million compared with the corresponding period in 2025. Growth was recorded across all tax categories, led by taxes on goods and services, which rose by \$51.3 million, or 11.5%. Taxes on property increased by \$10.8 million, or 38.1%, while taxes on international trade and transactions grew by \$8.4 million, or 14.8%. Other taxes also increased, rising by \$0.2 million, or 362.9%. Taxes accounted for 96.4% of total receipts during the period.

Taxes on goods & services remained the largest source of tax revenue, generating \$497.6 million and accounting for 82.6% of total tax collections during the first quarter of 2026 (see Tables 23 and 24). The category increased by 11.5%, primarily driven by higher collections from financial services licence fees, work permit and residency fees, and other domestic taxes.

Financial services licence fees generated \$393.7 million, an increase of \$36.3 million, or 10.2%, compared with the corresponding period in 2025. The growth reflected stronger receipts from private fund fees, mutual fund administrators, and exempt companies, which rose by 15.5%, 19.6%, and

6.3%, respectively. Higher collections were partly attributable to fee increases that took effect at the beginning of the year.

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

	Mar-25	Mar-26	% Change
	CI\$ Million		
Financial Services Licences	357.5	393.7	10.2
ICTA Licences & Royalties	2.1	2.1	0.7
Work Permit and Residency Fees	30.1	36.6	21.4
Other Stamp Duties	4.6	4.7	2.8
Traders' Licences	3.4	2.7	(19.9)
Other Domestic Taxes	48.6	57.7	18.7
Of which:			
Tourist Accommodation Charges	18.2	21.8	20.2
Motor Vehicle Charges	2.6	2.8	11.3
Taxes on Goods & Services	446.3	497.6	11.5

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Revenue from work permit and residency fees totalled \$36.6 million, supported by growth in both work permit fees (6.5%) and permanent residence fees (3.2%). Meanwhile, other domestic taxes generated \$57.7 million, benefiting from increased receipts from tourist accommodation charges, which rose by 20.2%, and motor vehicle charges, which increased by 11.3%.

Taxes on property increased to \$39.3 million during the first quarter of 2026, up from \$28.4 million in the corresponding period of 2025 (see Table 23). The growth was driven primarily by higher receipts from stamp duty on land transfers and share transfer charges on land-holding companies, which generated \$33.8 million and \$4.4 million, respectively. Compared with the same period a year earlier, revenue from stamp duty on land transfers increased by \$7.1 million, while receipts from share transfer



charges on land-holding companies rose by \$4.3 million.

The higher property tax revenue partly reflected an increase in the stamp duty rate on high-value properties from 7.5% to 10.0%, effective 1st January 2026.

International trade and transactions increased to \$65.4 million during the quarter, up from \$57.0 million in the corresponding period of 2025 (see Table 23). The growth was driven by higher collections from import duties and other trade levies.

Import duties rose by 15.5% to \$60.5 million, with all major duty categories recording increases. Duties on other imports remained the largest source of import duty revenue, increasing by 12.1% to \$43.9 million. Motor vehicle duties grew by 33.9% to \$5.5 million, while gasoline and diesel duties rose by 55.1% to \$3.8 million. Receipts from alcoholic beverage duties increased by 11.5% to \$5.7 million, and tobacco duties edged up to \$1.5 million from \$1.4 million in the corresponding period of 2025.

Other levies generated \$4.9 million, representing a 6.8% increase over the same period in 2025. Growth in this category was supported by higher collections from environmental protection fund fees and cruise departure charges, which increased to \$2.1 million and \$2.8 million, respectively. The rise in cruise departure charges was

consistent with the higher number of cruise visitors recorded during the quarter.

Other taxes increased to \$0.3 million, compared with \$0.1 million a year earlier. **Other government revenue** remained largely unchanged, totalling \$22.3 million for the review period (Table 23). Inflows from the category comprised \$12.8 million from sales of goods and services, \$6.3 million from investment revenue, \$3.0 million from fines, penalties and forfeits and \$0.3 million from revenue not elsewhere classified.

12.2. Expenditure

Total expenditure declined by 0.6% to \$307.6 million during the first quarter of 2026, compared with \$309.3 million in the corresponding period of 2025 (see Table 22). The reduction in spending was primarily driven by lower net investment in non-financial assets⁶, which more than offset an increase in government expenses.

Central government expenses (formerly current expenditure) rose by 3.7% to \$304.7 million, with five of the seven expense categories increasing (see Table 25). Compensation of employees (formerly personnel costs), which accounted for 43.0% of total expenses, increased by 5.2% to \$131.0 million during the first quarter of 2026. The increase reflected the filling of vacant positions and continued expansion of government programmes and initiatives. Within this category, salaries and wages

⁶ Net investment in nonfinancial assets is gross investment in nonfinancial assets less consumption of fixed capital.

rose to \$95.6 million, healthcare costs increased to \$23.9 million, and pension expenses reached \$10.2 million.

Table 25: Expenses of the Central Government

	Mar-25	Mar-26	% Change
	CI\$ Million		
Expense	293.8	304.7	3.7
Compensation of Employees	124.5	131.0	5.2
Use of Goods and Services	36.1	37.9	4.9
Consumption of Fixed Capital	14.4	15.8	9.7
Subsidies	74.8	83.0	10.9
Social Benefits	35.4	28.6	(19.3)
Interest	3.9	6.3	61.7
Other Expense	4.8	2.2	(53.5)

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Use of goods and services increased by 4.9% to \$37.9 million. Purchased services rose by 14.3% to \$21.8 million, while supplies of goods increased by 18.5% to \$5.0 million. Consumption of fixed capital⁷ increased by \$1.4 million to \$15.8 million, largely reflecting higher depreciation of right-of-use assets. Depreciation of buildings remained the largest component, accounting for 44.5% of total consumption of fixed capital.

Subsidies paid to statutory authorities, government-owned companies, and private entities recorded the largest nominal increase among expense categories, rising by \$8.2 million, or 10.9%, to \$83.0 million. This growth was driven by a 17.4% increase in funding provided to the Cayman Islands National Insurance Company and the Health Services Authority. Similarly,

allocations for tertiary care at local and overseas institutions increased by 16.4%.

Social benefits (formerly transfer payments) declined by 19.3% to \$28.6 million. The decrease was primarily attributable to a 27.2% reduction in scholarships and bursaries paid during the first quarter. Additionally, assistance for community enrichment and wellbeing, a social benefit programme introduced in 2025, was discontinued in 2026.

Interest payments increased to \$6.3 million, while other expenses declined to \$2.2 million. The 61.7% increase in interest payments reflected higher borrowing costs, with interest on borrowings rising to \$5.4 million from \$3.4 million in the corresponding period of 2025. This increase was largely attributable to a higher debt stock relative to the previous year.

12.3. Investment in Non-financial Assets

Gross investment in non-financial assets (formerly gross capital expenditure and net lending) declined by 37.6% to \$18.7 million during the first quarter of 2026 (see Table 26). The decrease reflected lower investment in both fixed assets⁸ and inventories compared with the corresponding period of 2025. As a result, net investment in non-financial assets fell by 81.2% to \$2.9 million. Capital investment in executive assets declined by 53.2% to \$7.8 million, less than half the level recorded in the first quarter of 2025. The reduction was primarily

⁷ Captures the decline in the value of fixed assets owned and used by the central government due to physical deterioration, normal obsolescence or normal accidental damage;

⁸ Fixed assets include expenditure on buildings and structures, as well as machinery and equipment.

attributable to the absence of land acquisition expenditure, compared with \$9.2 million spent during the corresponding period of the previous year.

Table 26: Investment in Non-financial Assets

	Mar-25	Mar-26	% Change
	CI\$ Million		
Gross Investment in Nonfinancial Assets	30.0	18.7	(37.6)
Fixed Assets	29.6	19.3	(34.9)
Capital Investment in Ministries and Portfolios	8.9	7.5	(15.7)
Capital Investment in Statutory Authorities and Government Owned Companies	4.1	4.0	(2.1)
Executive Assets	16.6	7.8	(53.2)
Inventories	0.4	(0.6)	(263.1)
Net Investment in Nonfinancial Assets⁵	15.6	2.9	(81.2)

Source: Cayman Islands Treasury Department and Economics and Statistics Office

Capital investment by ministries and portfolios also declined, falling to \$7.5 million during the quarter. Similarly, capital investment in statutory authorities and government-owned companies decreased to \$4.0 million, reflecting reduced allocations to entities such as Cayman Turtle Farm Limited and the Cayman Islands Development Bank.

12.4. Net Financing and Debt

Net acquisition of financial assets⁹, including the assumed cash balance from the fiscal surplus, increased by 28.4% to \$303.9 million at the end of the review period (see Table 27). Net incurrence of liabilities resulted in a deficit of \$13.4 million, compared with \$8.2 million in the

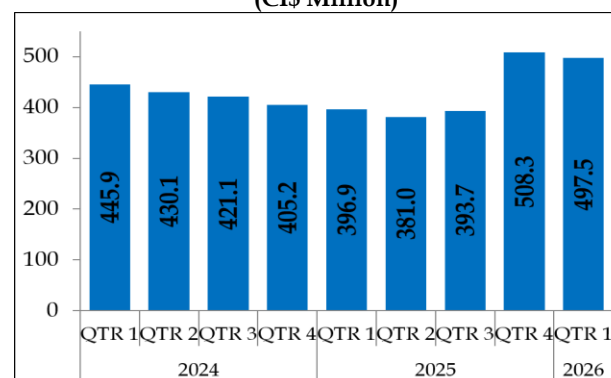
first quarter of 2025. The negative balance indicates a net repayment of liabilities during the quarter, with the larger deficit suggesting a greater reduction in outstanding debt obligations relative to the previous year.

Table 27: Net Financing

	Mar-25	Mar-26	% Change
	CI\$ Million		
Financing:			
Net Acquisition of Financial Assets	236.6	303.9	28.4
Net Incurrence of Liabilities	(8.2)	(13.4)	64.3
Incurrence (Disbursement)	0.0	0.0	-
Reduction (Loan Repayment)	8.2	13.4	64.3

Source: Cayman Islands Treasury Department

Total outstanding debt at the end of March 2026 stood at \$497.5 million, up 25.3% from \$396.9 million at the end of the previous quarter. Consequently, the debt service-to-revenue ratio increased to 2.7% (2.2% in 2025), while the ratio of interest expenses to total expenses rose to 2.1% (1.3% in 2025). Interest expenses as a share of total revenue also increased to 1.0% from 0.7%.

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


Source: Cayman Islands Treasury Department

⁹ Calculated as the sum of net lending (overall balance) and net incurrence of liabilities. It assumes that the surplus generated is additional funds that the government has for

financing which when combined with additional financing reflect new funding that the government has access to.



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