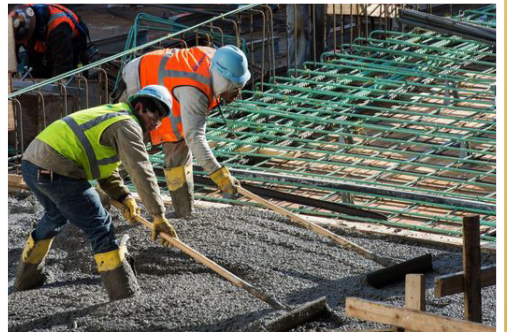




CAYMAN ISLANDS
GOVERNMENT



THE CAYMAN ISLANDS'
**SECOND
QUARTER
ECONOMIC
REPORT
2021**





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Overview*

- Advanced economies expanded in the second half of 2021, led by the US and the UK, which grew by 6.7% and 5.5%, respectively.
- Cayman’s gross domestic product was estimated to have grown in real terms at an annualised rate of 1.4% in the first half of 2021.
- The Consumer Price Index contracted on average by 0.4%, driven by reductions in housing and utilities index as well as construction.
- The value of merchandise imports rose by 18.3% to \$599.50 million.
- Civil service employment rose by 6.5%, while work permits increased by 5.8%.
- Broad liquidity or money supply expanded by 11.5% to reach \$8.9 billion.
- Domestic credit expanded by 5.8% as credit to the private rose by 7.7%. In contrast, public sector credit declined by 16.4%.
- The weighted average lending rate fell to 5.85% from 6.25%, while the prime lending rate remained unchanged at 3.25%.
- Bank and trust company licences decreased by 10.6% to 110 and insurance licences rose by 0.4% to 682.
- Total mutual funds registered, including the category “master funds”, increased by 15.8%.
- Stock exchange listings rose by 11.0% to a record 2,452, while market capitalization increased by 65.3% to a record US\$730.7 billion.
- New company registrations increased by 59.0% to 8,899, while new partnership registrations grew by 27.0% to 2,915.
- The value of building permits declined by 3.9% to \$356.9 million, while project approvals rose by 106.7% to \$738.7 million.
- The total value of property transfers increased to \$722.9 million from \$325.5 million.
- Electricity consumption fell by 1.0%, while water consumption declined by 5.3%.
- The central government’s overall fiscal surplus increased to \$127.1 million compared with \$69.0 million a year ago.
- The total outstanding debt of the central government declined to \$232.3 million from \$266.5 million a year ago.

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



1. International Economy

1.1 Economic Growth¹

Advanced economies mostly expanded during the second quarter of the year owing mainly to the continued easing of Covid-19 measures and pentup demand. The United States' (US) economy grew at an annualised rate of 6.7%, reflecting increased higher consumer spending, non-residential fixed investment, and government spending. Canada's economy declined by an annualised rate of 1.2% due to a fall in house resales and lower exports.

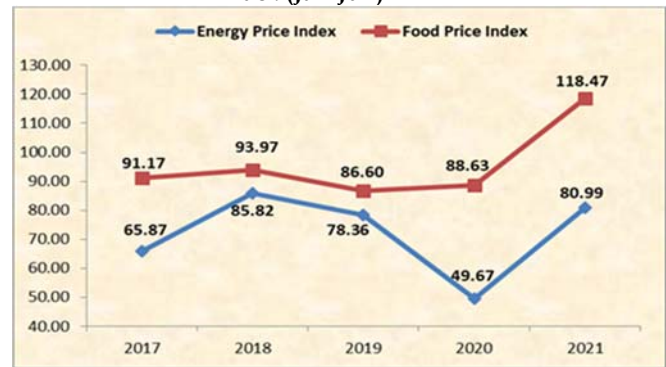
The UK and the Euro Area grew by 5.5% and 2.1%, respectively. Growth in the UK was reflected in both the output and service sectors, while higher household, government and investment spending propelled growth in the Euro Area

1.2 Inflation²

Increased demand induced an acceleration in demand among advanced economies during the quarter. The US and Canada recorded inflation of 3.4% and 2.4%, respectively. The UK and the Euro Area registered respective inflation of 1.3% and 1.4%. The rise in consumer prices was due to higher commodity prices and supply chain constraints. Higher energy prices were reflected in the cost of coal, crude oil and natural gas. Specifically, the price of crude oil averaged US\$63.18 per barrel in January-June

2021 compared with US\$39.68 per barrel in January-June 2020.³ Similarly, food prices rose by 33.7% (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 Rates⁴

During the review period, central banks maintained their accommodative monetary policy stance by holding interest rates at existing levels. Notably, the Federal Reserve Bank maintained the target range for its federal funds rate at 0.00% to 0.25%. The Bank of Canada and the Bank of England retained their policy interest rates at 0.25% and 0.1%, respectively. The European Central Bank (ECB) retained its policy interest rates on the main refinancing operations, marginal lending facility and deposit facility at 0.00%, 0.25% and -0.40%, respectively.

The US Dollar, on average, depreciated nominally against three of the world's major traded currencies in the first half of 2021

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

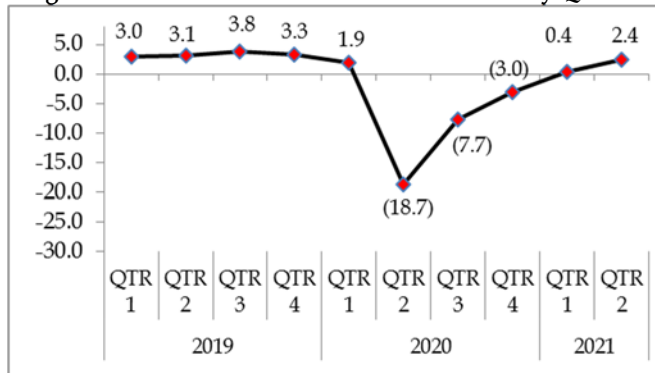


relative to the corresponding period in 2020. Notably, the US Dollar weakened 10.2% against the Great Britain Sterling Pound, 9.4% against the Euro and 8.6% against the Canadian Dollar.

2. Cayman Islands' Estimated GDP

Available indicators suggest that the Cayman Islands' gross domestic product (GDP) increased by an estimated 2.4% in real terms for the second quarter of 2021. This reflected an acceleration from the estimated growth of 0.4% in the first quarter.

Figure 2: Estimated Annualised GDP Growth by Quarter



Source: Economics and Statistics Office

The economy is estimated to have expanded by 1.4% in the first six months of 2021 compared to the contraction of 11.4% estimated for the corresponding period a year ago. The economic expansion in the first half of the year largely reflected increased demand for some services. The sectors with the sharpest estimated growth were construction (up by 13.0%), business services (up by 4.5%), producers of government services (up by 5.2%), and real estate (up by 2.6%). The financing and insurance services sector, which continues to be the largest contributor to GDP, expanded by 3.2% during the review period (see Figure 3).

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



Source: Economics and Statistics Office

Despite the overall growth, hotels and restaurants is estimated to have contracted by 97.8% as the Islands borders remained closed for the period. Notable contractions also occurred in transport storage & communication (13.5%), 'other' services (11.2%) and electricity and water supply (2.6%).

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



Table 1: Macroeconomic Performance and Outlook

	2018	2019	2020	Projection
				2021
	Percent (%)			
Real GDP	4.2	3.8	-6.7	1.2
CPI Inflation	3.0	6.0	1.0	1.3
Unemployment Rate	2.8	3.5	5.2	5.0

* Real GDP is estimated for 2020

Source: Economics and Statistics Office

The average consumer price index (CPI) inflation forecast has been revised to 1.3% in 2021 as depressed energy and rental cost outweighed demand pressures in the first half of the year. Notwithstanding, continued increases in international food and energy prices are expected to add upward pressures on inflation in the latter half of the year. The unemployment rate for the year is expected at 5.0% relative to 5.2% in 2020 as expansions in construction, and government services continue to absorb some of the fall-off in employment emanating from contractions in the tourism sector. Additionally, continued efforts by the government to prioritise the employment of displaced Caymanians should also support the forecast.

3. Inflation⁵

For the first half of 2021, average prices declined by 0.4%. This is relative to an increase of 2.6% in the corresponding period 2020. The average fall in prices for the period reflected deflation in the first quarter of 1.0% and inflation of 0.2% in the second quarter (see Table 2 and Figure 4).

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

Categories	Avg. Inflation Rates (%)	
	Half year 2020	Half year 2021
Food & Non-alcoholic		
Beverages	4.9	3.8
Alcohol and Tobacco	0.6	0.9
Clothing and Footwear	5.1	1.6
Housing and Utilities	1.9	-4.3
Household Equipment	0.8	1.7
Health	2.4	3.6
Transport	5.9	-0.5
Communication	5.0	3.0
Recreation and Culture	-2.2	-0.6
Education	4.7	2.4
Restaurants and Hotels	0.2	1.4
Misc. Goods and Services	0.9	5.0
Overall CPI Inflation	2.6	-0.4

Source: Economics and Statistics Office

The average deflation in the first half of the year mostly reflected price declines in energy-related prices. The housing and utilities index declined by 4.3%, owing to declines in all subdivisions except the maintenance and repair of dwellings sub-index. Notably, electricity, gas and other fuels fell by 2.4%, while actual and imputed rental fell by 3.5% and 5.6%, respectively.

The average cost of transport decreased by 0.6% as declines in the cost of purchasing a vehicle (down by 4.2%), and road transportation (down by 8.7%) outweighed a rise in the cost of air transport (up by 2.0%).

Additionally, the price index for recreation and culture declined by 0.6%, reflecting a lower cost for recreation equipment and package holidays. On average, non-food

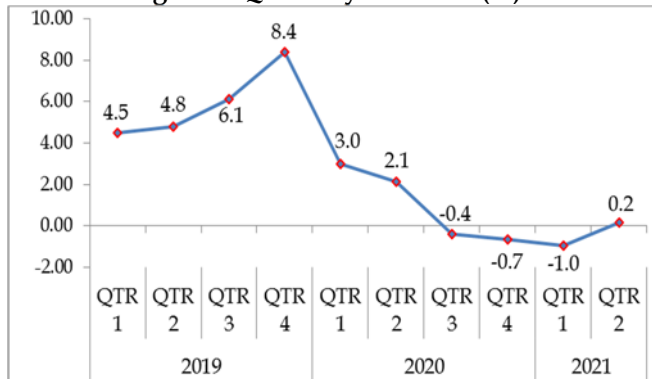
⁵ A detailed inflation report is posted at www.eso.ky



prices fell by 0.7% relative to a rise of 2.4% for the corresponding period of 2020.

In the second quarter, the inflation of 0.2% was driven by price increases of 4.9%, 3.7% and 3.0% in miscellaneous goods and services, education and food and non-alcoholic beverages, respectively. The impact of these increases was partially offset by declines in housing and utilities and recreation and culture by 3.5% and 0.4%, respectively.

Figure 4: Quarterly Inflation (%) *

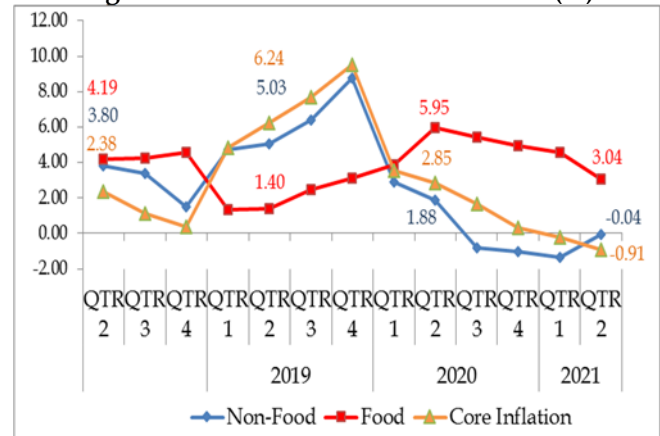


*Inflation of current quarter CPI over the same quarter a year ago.
Source: Economics and Statistics Office

Core inflation (CPI excluding food, electricity, and fuels) averaged -0.9% for the second quarter and -0.6% for the year's first half. This mainly reflects the cost of actual rent, imputed rent and passenger transport by road, which rose by 3.5%, 5.6% and 8.7%, respectively.

Despite the average decline in prices for the review period, there were notable increases in some divisions. The index for miscellaneous goods and services rose by 5.0%, while the communication and food indices increased by 3.0% and 3.8%, respectively.

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



Source: Economics and Statistics Office

4. Trade⁶

The value of merchandise imports made a recovery during the second half of 2021. Notably, imports rose by 18.3% to \$599.5 million relative to the corresponding period in 2020 (see Figure 6).

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



Source: Cayman Islands Customs & Border Control and ESO

This increase was reflected in all categories except commodities and transactions not elsewhere classified. The rise in the value of imports was also inflated by a general rise in the inflation levels of Caymans' major trading partners, particularly the US.

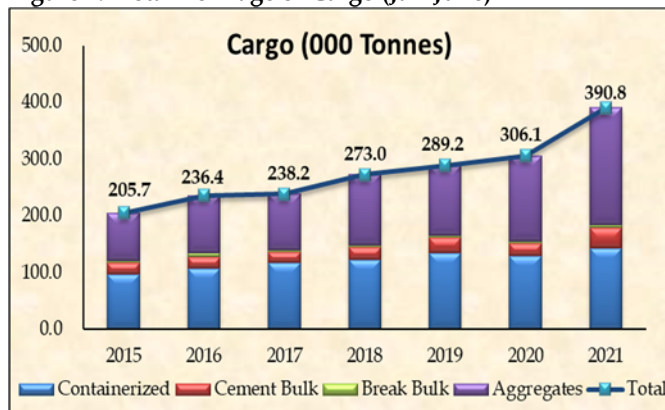
⁶ A detailed trade report is posted at www.eso.ky



Non-fuel imports rose by 18.3% to \$542.9 million. Within this category, the largest increases seen in machinery and transport equipment (up \$33.2 million to \$141.3 million), miscellaneous manufactured articles (up \$32.7 million to \$117.7 million) and manufactured goods (up \$21.9 million to \$83.4 million). Additionally, fuel imports rose by 17.8% to \$56.6 million. Expenditure on machinery and transport equipment accounted for most of the spending on imports in both the first half of 2020 (21.3%) and 2021 (23.6%).

Total cargo imports rose by 27.7% to 390.8 thousand tonnes (see Figure 7). This was due to increased imports in all categories. Aggregates and cement bulk cargo recorded the largest increases of 36.7% and 64.8%, respectively.

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



Source: Cayman Islands Port Authority

Containerized cargo and break-bulk cargo rose by 10.7% and 27.2%, respectively. As a proportion of total cargo, aggregates accounted for 55.3% (206,974 tonnes) and containerised cargo accounted for 36.6% (142,994 tonnes).

The quantity of fuel imports rose by 33.0% to 25.5 million imperial gallons (see Table 3). This was due to increased imports of diesel and gas

while aviation fuel and propane imports declined. Notably, the quantity of diesel imports rose by 41.1% to 17.8 million imperial gallons, while the quantity of gas imports increased by 73.5% to 6.4 million imperial gallons.

Table 3: Oil Imports (Jan-June)

	2019	2020	2021	% Change
Millions of Imperial Gallons				
Total Fuel	29.1	19.1	25.5	33.0
Diesel	15.8	12.6	17.8	41.1
Gas	9.0	3.7	6.4	73.5
Aviation Fuel	3.1	1.7	0.5	(68.5)
Propane	1.3	1.2	0.7	(38.5)

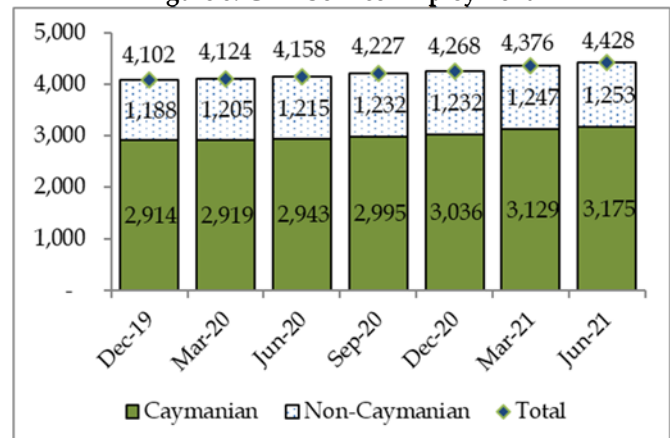
Source: Cayman Islands Port Authority

5. Employment

5.1 Central Government Employment

The number of civil servants employed by the Cayman Islands' central government rose to 4,428 at the end of the review period from 4,158 at the end of June 2020. Caymanian and Non-Caymanian employment increased by 232 and 38 to 3,175 and 1,253, respectively. Caymanians accounted for 71.7% of the civil service, while non-Caymanians represented 28.3%.

Figure 8: Civil Service Employment



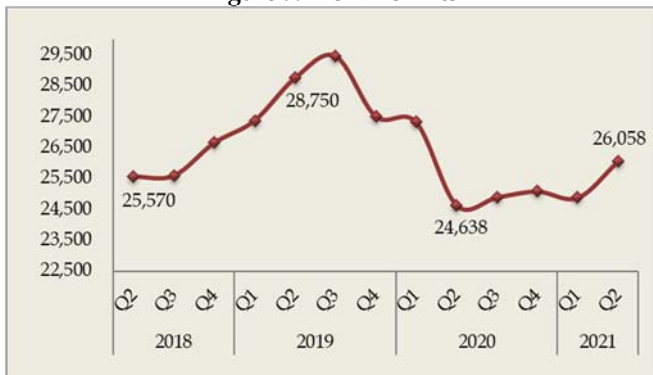
Source: Portfolio of the Civil Service



5.2. Work Permits

The number of work permits issued in the Cayman Islands rose to 26,058 at the end of June 2021 from 24,638 in June 2020. The number of work permits rose relative to a sharp decline in 2020 in the context of the “sudden stop” in the tourism industry during the last two weeks of March 2020. When compared with the end of March 2021, the number of work permits increased by 4.7%, from 27,875.

Figure 9: Work Permits



Source: Workforce Opportunities & Residency Cayman

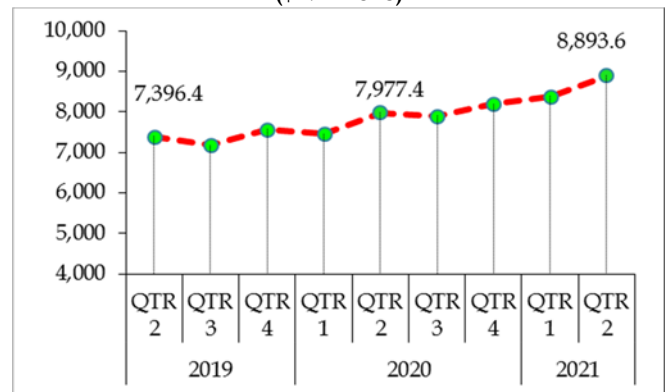
6. Money & Banking

Total deposits in the domestic banking system rose in the first half of the year with both local and foreign currency-denominated money increasing. Foreign currency (FOREX) deposits for the period increased by 12.2%, while KYD denominated deposits grew by 9.9%. The expansion in deposits coupled with increased currency in circulation boosted broad liquidity (M2) by 11.5% to \$8,893.6 million (see Figure 10 and Table 4).

Higher deposits during the period continue to reflect strong domestic demand as liquidity provided by stimulus measures, including pension withdrawal continue to permeate the financial system. To facilitate the increase in

transactions currency in circulation rose by 4.1% to \$161.7 million for the period.

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



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

The growth in broad liquidity (M2), which represents the liabilities of the monetary and banking sector, was supported by an increase in both foreign and domestic assets.

Table 4: Monetary and Banking Indicators (\$ Millions)

	Jun-20	Jun-21	% Change
Total Assets	7,977.4	8,893.6	11.5
Net Foreign Assets	5,656.3	6,366.9	12.6
Monetary Authority	171.4	179.3	4.6
Commercial Banks	5,484.9	6,187.5	12.8
Net Domestic Assets	2,321.1	2,526.7	8.9
Domestic credit	3,350.9	3,544.2	5.8
Claims on central government	214.8	185.6	(13.6)
Claims on other public sector	49.4	35.3	(28.6)
Claims on private sector	3,086.7	3,323.3	7.7
Other items net	(1,029.8)	(1,017.5)	(1.2)
Broad Liquidity	7,977.4	8,893.6	11.5
Broad money (KYD) M2	2,206.0	2,416.1	9.5
Currency in circulation	155.4	161.7	4.1
KYD Deposits	2,050.6	2,254.4	9.9
Demand deposits	847.6	1,029.6	21.5
Time and savings deposits	1,203.0	1,224.8	1.8
FOREX deposits	5,771.5	6,477.5	12.2
of which: US dollars	5,398.7	5,849.2	8.3
US dollars share (%)	93.5	90.3	

Source: Cayman Islands Monetary Authority & Economics and Statistics Office



6.1. Net Foreign Assets (NFA). The growth in deposits provided additional liquidity in the financial system, which allowed the Cayman Islands Monetary Authority (CIMA) and commercial banks to expand their net foreign assets by 4.6% and 12.8%, respectively. The higher NFA among commercial banks was driven by a rise in foreign assets as foreign liabilities declined (see Table 5).

Table 5: Net Foreign Assets (\$ Millions)

	Jun-20	Jun-21	% Change
Net Foreign Assets	5,656.3	6,366.9	12.6
Monetary Authority	171.4	179.3	4.6
Commercial Banks	5,484.9	6,187.5	12.8
Foreign Assets	8,303.2	9,268.9	11.6
Bal. with Banks & Branches	3,340.9	4,320.1	29.3
Total Investment	3,490.5	3,863.5	10.7
Total Non-Resident Loans	1,471.7	1,085.3	(26.3)
Foreign Liabilities	2,818.2	3,081.4	9.3
Total Non-Resident Deposits	2,502.9	2,775.7	10.9
Other Liabilities	315.4	305.6	(3.1)

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

As deposits increased, commercial banks increased their foreign currency holdings in other banks and branches by 29.3%. Similarly, foreign investments rose by 10.7%. The impact of these increases was partially offset by a 26.3% reduction in non-resident loans. The build-up in liabilities was driven by a 10.9% rise in non-resident deposits, while other liabilities fell by 3.1%.

6.2. Net Domestic Assets/Domestic Credit. Domestic borrowings increased by 5.8% due to a rise in credit to the private sector, while public sector credit declined (see Table 6).

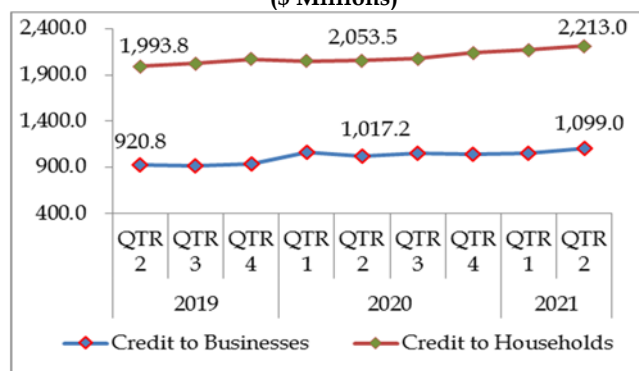
Table 6 : Net Domestic Assets (\$ Millions)

	Jun-20	Jun-21	% Change
Domestic Credit	3,350.9	3,544.2	5.8
Credit to Public Sector	264.1	220.9	(16.4)
Credit to Central Government	214.8	185.6	(13.6)
Credit to Other Public Sector	49.4	35.3	(28.6)
Credit to Private Sector	3,086.7	3,323.3	7.7

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Private sector credit expanded by 7.7% in the first half of 2021, driven by increases in both household and business lending by 7.8% and 8.0%, respectively (Figure 11 and Table 7).

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



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Credit advanced to business enterprises rose by \$81.9 million to \$1,099.0 million during the review period, driven mainly by an expansion in loans advanced to trade and commerce companies, particularly other business activities and wholesale and retail trade. Credit to other business activities rose by \$56.5 million, while credit to wholesale and retail trade increased by \$41.1 million. Additionally, loans to the services sector rose by 12.3% (or \$14.1 million), while credit to the production and manufacturing sector declined by 12.6% (or \$32.7 million).



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

	Jun-20	Jun-21	% Change
Total Private Sector Credit	3,086.7	3,323.3	7.7
Credit to Businesses	1,017.2	1,099.0	8.0
Production & Manufacturing	259.6	226.9	(12.6)
Mining	4.7	4.9	4.2
Manufacturing	7.5	8.3	10.1
Utilities	37.3	15.6	(58.3)
Construction	210.1	198.2	(5.6)
Services	114.6	128.8	12.3
Accommodation, Food, Bar & Entertainment Services	61.0	64.9	6.5
Transportation, Storage & Communications	28.6	29.8	4.3
Education, Recreational & Other Professional Services	25.1	34.0	35.6
Trade and Commerce	607.7	727.8	19.8
Wholesale & Retail Sales Trade	64.2	105.3	64.0
Real Estate Agents, Rental and Leasing Companies	275.3	297.7	8.2
Other Business Activities (General Business Activity)	268.2	324.7	21.1
Other Financial Corporations	35.2	15.6	(55.7)
Credit to Households	2,053.5	2,213.0	7.8
Domestic Property	1,808.3	1,959.1	8.3
Motor Vehicles	57.6	57.4	(0.3)
Education and Technology	4.4	3.8	(14.4)
Miscellaneous*	183.2	192.7	5.1
NonProfit Organizations	16.1	11.3	(29.4)

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Credit to households increased by \$159.5 million to \$2,213.0 million for the period. The expansion was traced to increased credit for domestic properties and miscellaneous activities of \$150.8 million and \$9.4 million, respectively. In contrast, motor vehicle loans and loans for education and technology fell by \$0.2 million and \$0.6 million, respectively.

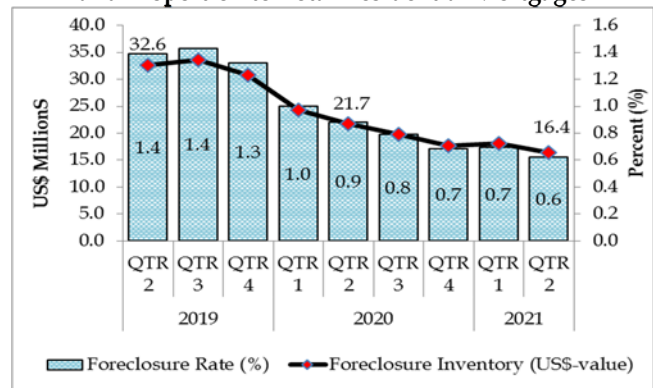
In contrast to the general increase in private sector credit, public sector borrowings declined by 16.4%, driven by a reduction in the credit extended to both the central government and parastatals. Central government borrowings declined by 13.6%,

while other public bodies reduced their credit by 28.6%.

6.3. Residential Mortgage Foreclosures

At the of end-June 2021, data from CIMA shows that there were 59 properties in the local commercial banks’ foreclosure inventory, valued at US\$16.4 million. This represented a decrease compared to the 74 properties valued at US\$21.7 million in the comparative period of 2020.

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



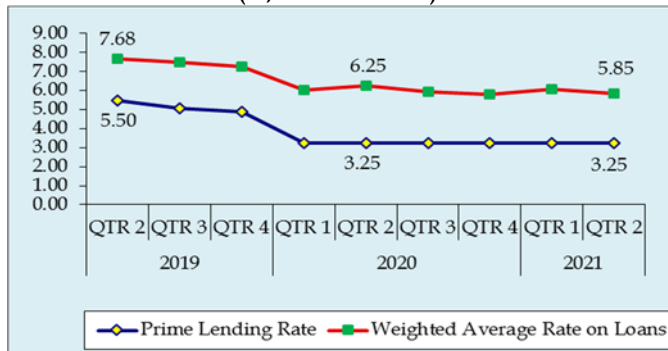
Source: Cayman Islands Monetary Authority & Economics and Statistics Office

The foreclosure rate (foreclosure inventory over total residential mortgages) as at June 2021 declined to 0.6% in 2021 from 0.9% in 2020. The total number of completed foreclosures increased to 3 (or 5.1% of all foreclosures) in 2021 from 1 (or 1.4% of all foreclosures) in 2020.

6.4. Interest Rates. The Cayman Islands’ prime lending rate remained unchanged at 3.25% for the review period. Despite the stability in the prime rate, the KYD weighted average lending rate fell to 5.85% relative to 6.25% in the same period of 2020 (see Figure 13).



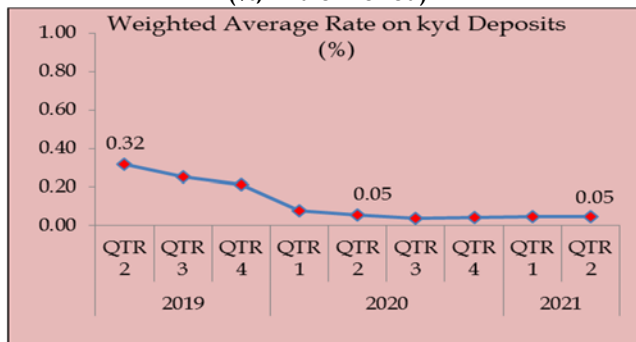
Figure 13: KYD Lending Rates
(%, End of Period)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

The weighted average savings rate on KYD deposits remained unchanged at 0.05% relative to a year ago.

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



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

7. Financial Services

Indicators of financial services mostly grew in the first six months of the year. There were improvements in all indicators except the number of bank and trust licensees.

7.1 Banks & Trust

The number of bank and trust licensees declined by 10.6% to 110 at the end of June 2021 (see Table 8). This decline was reflected in the number of Class 'B' licensees, which fell

from 114 to 100. In contrast, the number of Class 'A' licensees rose from 9 to 10.

The number of trust company licensees remained unchanged at 117 for the review period. Both the number of 'Restricted' and 'Unrestricted' licensees remained constant for the period.

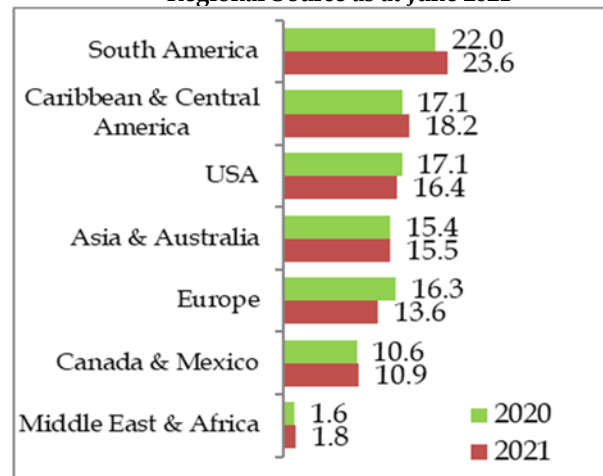
Table 8: Bank & Trust Companies

	Jun 2019	Jun 2020	Jun 2021	% Change
Banks and Trusts	133	123	110	(10.6)
Class A	10	9	10	11.1
Class B	123	114	100	(12.3)
Trust Companies	116	117	117	0.0
Restricted	58	59	59	0.0
Unrestricted	58	58	58	0.0

Source: Cayman Islands Monetary Authority

South America, the Caribbean & Central America and the USA were the leading source markets of Cayman's banking licensees, accounting for 23.6%, 18.2% and 16.4% of the total, respectively.

Figure 15: Percentage Proportion of Registered Banks by Regional Source as at June 2021



Source: Cayman Islands Monetary Authority



7.2 Insurance

There were 682 insurance licensees at the end of June 2021 relative to 679 for the corresponding period 2020. The number of Class 'A' licensees, which represents domestic insurers, decreased from 27 to 25 while the number of captive licensees increased from 652 to 657. Within captives, the number of Class 'B' licensees rose from 622 to 629; the number of Class 'C' licensees declined from 24 to 22; while the number of Class 'D' licensees remained unchanged at 6.

Table 9: Insurance Companies

	Jun 2019	Jun 2020	Jun 2021	% Change
Domestic - Class 'A'	27	27	25	(7.4)
Captives	654	652	657	0.8
Class 'B'	625	622	629	1.1
Class 'C'	24	24	22	(8.3)
Class 'D'	5	6	6	0.0
Total	681	679	682	0.4

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

The primary classes of business within the captive insurance market continued to be Healthcare and Workers' Compensation, which accounted for 30.4% and 22.4% of the market, respectively (see Table 10).

Table 10: Captive Insurance Licences by Primary Class of Business, June 2021

	Jun-20	Jun-21	% Change	% Proportion
Healthcare	204	200	(2.0)	30.4
Workers' Compensation	144	147	2.1	22.4
Property	65	66	1.5	10.0
General Liability	74	79	6.8	12.0
Professional Liability	54	56	3.7	8.5
Other	110	109	(0.9)	16.6
Total	651	657	0.9	100.0

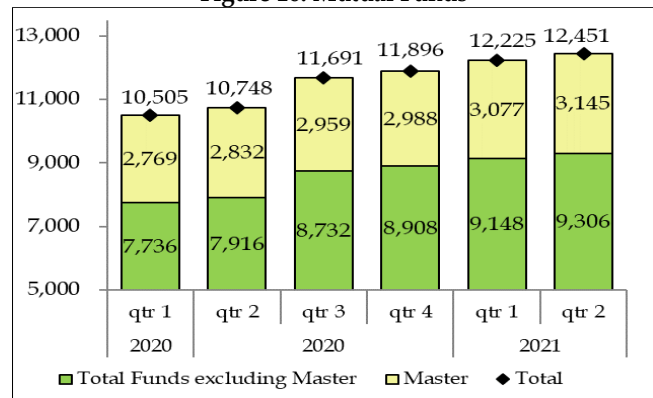
Source: Cayman Islands Monetary Authority

North America continued to be the primary source market for captive insurance business with 90.1% (592) of the total captives.

7.3 Mutual Funds

The number of mutual funds increased by 15.8% to 12,451 at the end of June 2021 (see Figure 16). This was due to increases in all categories except licensed funds. Of significance, registered funds increased by 741 to 8,276 while limited investor funds rose by 640 to 679.

Figure 16: Mutual Funds



Source: Cayman Islands Monetary Authority

7.4 Stock Exchange

The number of stocks listed on the Cayman Islands Stock Exchange increased by 11.0% to a record 2,452 at the end of June 2021. This was due solely to an increase in the number of specialist debt instruments, which rose by 338 listings to 2,020. Four categories declined while the remaining two remained unchanged.

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

Instrument	2019	2020	2021	% Change
Investment Fund Security	187	183	117	(36.1)
Specialist Debt Security	1,317	1,682	2,020	20.1
Corporate & Sovereign Debt Security	309	296	271	(8.4)
Primary Equity Security	4	4	4	0.0
Secondary Equity Security	1	1	1	0.0
Insurance Linked Security	43	42	38	(9.5)
Retail Debt Security	2	2	1	(50.0)
Total	1,863	2,210	2,452	11.0

Source: Cayman Islands Stock Exchange

Market capitalisation rose by 65.3% to US\$730.7 billion as at June 2021, the highest level ever achieved. The growth in market capitalisation was attributed primarily to an increase of 103.6% in specialist debt securities, which rose to US\$566.8 billion. Most categories recorded higher levels of market capitalisation except three.

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

Instrument	2019	2020	2021	% Change
Investment Fund	10.8	11.0	13.9	26.9
Specialist Debt	242.6	278.4	566.8	103.6
Corporate & Sovereign Debt Security	112.9	146.2	144.0	(1.5)
Primary Equity	0.4	0.4	0.4	2.6
Secondary Equity	0.0	0.1	0.2	336.1
Insurance Linked Security	5.7	5.1	4.9	(4.7)
Retail Debt	0.8	0.8	0.5	(45.6)
Total	373.3	441.9	730.7	65.3

Source: Cayman Islands Stock Exchange

7.5 New Company Registrations

New company registrations increased by 59.0% to a record 8,899 (see Table 13). Improvements were seen in all categories except the 'Foreign' category. The largest increases in new registrations were within 'Exempt', and 'Limited Liability Companies',

which rose by 60.6% and 101.0% to 7,156 and 822, respectively. In contrast, the number of new registrations for 'Foreign' companies declined by 5.9% to 400.

Table 13: New Company Registrations, end June

	2018	2019	2020	2021
Total	8,870	6,883	5,597	8,899
Exempt	7,543	5,605	4,457	7,156
Non-Resident	8	18	3	9
Resident	384	409	288	442
Foreign	439	364	425	400
FDN*	39	26	15	70
LLC	457	461	409	822
Percentage Change (%)				
Total	39.2	(22.4)	(18.7)	59.0
Exempt	39.1	(25.7)	(20.5)	60.6
Non-Resident	0.0	125.0	(83.3)	200.0
Resident	21.9	6.5	(29.6)	53.5
Foreign	39.4	(17.1)	16.8	(5.9)
FDN*	-	(33.3)	(42.3)	366.7
LLC	46.0	0.9	(11.3)	101.0

Source: Registrar of Companies

* Started in February 2018

7.6 New Partnership Registrations

During the first six months of 2021, there were 2,915 new partnerships registered, an increase of 27.0% relative to the comparable period in 2020 (see Table 14). This record number of registrations was due mainly to an increase of 27.0% in the number of 'Exempt' companies to 2,836. 'Limited Liability Partnerships', which were introduced in December 2020, recorded 7 new registrations while new registrations for foreign partnerships remained unchanged.



Table 14: New Partnership Registrations, end June

	2018	2019	2020	2021
Total	2,639	2,343	2,295	2,915
Exempt	2,595	2,284	2,223	2,836
Foreign	44	59	72	72
LLP*	0	0	0	7
Percentage Change (%)				
Total	40.1	(11.2)	(2.0)	27.0
Exempt	41.1	(12.0)	(2.7)	27.6
Foreign*	(2.2)	34.1	22.0	0.0
LLP*	-	-	-	-

Source: Registrar of Companies

8. Construction

Indicators of construction intention showed mixed results for the first six months of the year.

8.1 Building Permits

The total value of building permits fell by 3.9% to \$356.9 million, driven by declines in the residential and commercial sectors (see Table 15).

The commercial category recorded the largest absolute decline, falling by \$89.4 million relative to the same period of the previous year. The reduction in the category was largely due to the non-recurrence of three high-value buildings approved in the first quarter of 2020. The value of residential permits (houses and apartments) declined by \$12.0 million for the period. This was driven by a contraction of \$21.7 million in the houses category, while the apartments category increased by \$9.7 million.

Table 15: Value of Building Permits (Jan- Jun)

	Building Permits (C\$ Mil)			% Change
	2019	2020	2021	
Residential	151.9	208.8	196.8	(5.8)
Houses	69.8	91.3	69.6	(23.7)
Apartments	82.1	117.5	127.2	8.2
Commercial	13.9	112.0	22.6	(79.8)
Industrial	1.5	3.9	4.9	24.2
Hotel	0.2	-	80.0	-
Government	7.6	1.2	1.9	65.86
Other	33.1	45.7	50.7	11.0
Total	208.1	371.5	356.9	(3.9)

Source: Planning Department

Despite the reduction in value, the number of building permits increased by 24.9% to 514 relative to the same period of last year. All categories except hotels increased for the period.

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

	Number of Permits			% Change
	2019	2020	2021	
Residential	269	264	326	23.5
Houses	189	172	204	18.6
Apartments	80	92	122	32.6
Commercial	50	37	48	29.7
Industrial	3	5	9	80.0
Hotel	1	-	1	-
Government	18	3	6	100.0
Other	318	205	252	22.9
Total	659	514	642	24.9

Source: Planning Department

8.2 Project Approvals

Project approvals value increased by 106.7% (or \$165.8 million) to \$357.4 million in the review period. The increase was due to growth in the 'other', commercial, industrial and government sectors, as all categories fell except for the residential and industrial category.



Table 17: Value of Project Approvals (Jan-Jun)

	Project Approvals (CIS Mil)			%
	2019	2020	2021	Change
Residential	204.8	308.6	142.9	(53.7)
Houses	54.8	58.7	46.0	(21.7)
Apartments	150.0	249.9	96.9	(61.2)
Commercial	39.2	14.8	28.0	89.2
Industrial	1.3	3.7	4.7	27.6
Hotel	20.1	-	160.0	-
Government	0.6	0.3	1.3	316.7
Other	257.2	30.1	401.9	1,235.8
Total	523.2	357.4	738.7	106.7

Source: Planning Department

The 'other' category recorded the largest absolute increase, rising by \$371.8 million to \$401.9 million. This primarily reflected approval for the development of the area for the Aster hospital in West Bay. The commercial sector increased by 89.2% (or \$13.2 million), while the industrial and government sector both rose by \$1.0 million.

The impact of the increases was partially offset by a fall in the houses and apartment sectors of \$12.7 million and \$153.0 million, respectively.

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

	Number of Approvals			%
	2019	2020	2021	Change
Residential	176	147	178	21.1
Houses	138	99	117	18.2
Apartments	38	48	61	27.1
Commercial	18	10	13	30.0
Industrial	3	4	3	(25.0)
Hotel	1	-	2	-
Government	2	2	2	-
Other	180	191	197	3.1
Total	380	354	395	11.6

Source: Planning Department

The total number of project approvals increased by 11.6% to settle at 395.

9. Real Estate

Real estate activity, as measured by the value and volume of traded properties, expanded in the first half of 2021 relative to the same period of 2020.

The value of traded properties increased by 122.1% to \$722.9 million in the review period. This increase was traced to expansions in the value of both freehold and leasehold transfers. Freehold transfers increased from \$313.9 million to \$688.8 million. While leasehold transfers rose from \$11.6 million to \$34.1 million.

Figure 17: Value of Property Transfers (CIS Million, Jan-Jun)



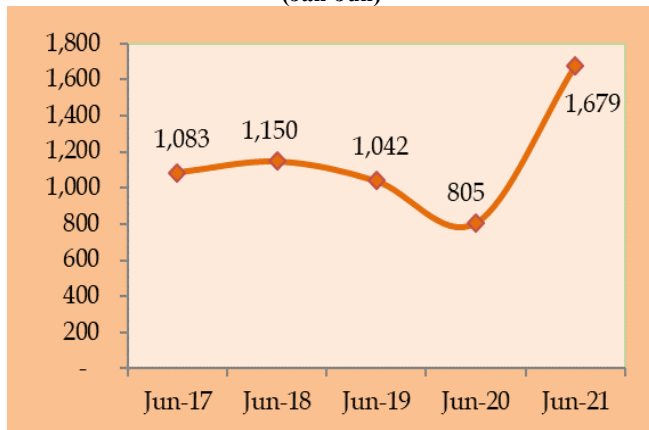
Source: Lands & Survey Department

The number of properties transferred also increased in the first half of the year, growing by 108.6% to 1,679. The volume of freehold property transfers rose by 107.7% to 1,566, while leasehold transfers rose by 121.6% to 113.

The rise in both the volume and value of property transfers reflected a rebound from the sharp decline associated with lock-down measures in the second quarter of 2020.



Figure 18: Number of Property Transfers (Jan-Jun)



Source: Lands & Survey Department

10. Utilities

10.1 Electricity

Demand for electricity declined by 1.0% to 314.6 thousand megawatts hours (MWh) in the first half of 2021. The decline reflected a reduction in residential and public consumption as household usage continue to normalise relative to the high consumption associated with the lockdown measures in 2020. Specifically, residential consumption fell by 3.6% for the period, while public consumption declined by 3.0%. The impact of these declines was partially offset by a 2.2% increase in commercial usage as economic activity continues to rebound.

The decline in electricity consumption was matched by a reduction in net production which fell by 1.1% to 316.8 thousand MWh during the period.

Despite the reduction in electricity consumption, the number of customers increased relative to the same period of the previous year. The total number of residential and commercial customers increased by 3.6% and 1.8%, respectively. The average

consumption of residential customers increased by 6.9%, while the average commercial consumption rose by 0.4%.

Table 19: Utilities Production/Consumption

	Jun-20	Jun-21	% Change
Millions of US Gallons			
Water Production	1,277.8	1,274.1	(0.3)
Water Consumption	1,088.2	1,030.7	(5.3)
'000 of megawatt hrs			
Electricity Production (Net)	320.2	316.8	(1.1)
Electricity Consumption	317.8	314.6	(1.0)
Residential	175.8	169.5	(3.6)
Commercial	139.4	142.5	2.2
Public	2.6	2.5	(3.0)
Total Customers	30,704	31,719	3.3
Residential	26,210	27,143	3.6
Commercial	4,494	4,576	1.8

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

10.2 Water

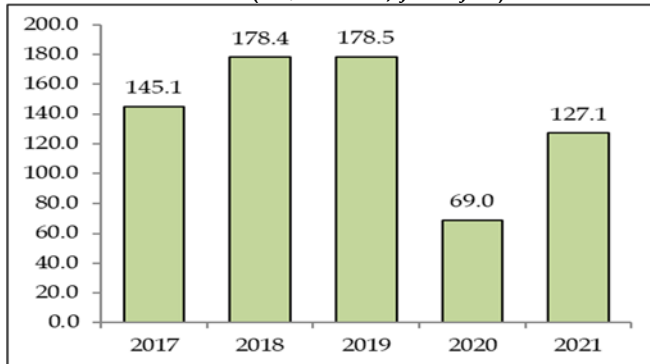
Similar to the trend in electricity, domestic water production and consumption fell by 0.3% and 5.3%, respectively, for the first six months of 2020. The rise in water demand could partly be due to increased handwashing and sanitisation, coupled with higher household occupancy from the shelter in place order.

11. Fiscal Operations of the Central Government

Net lending (overall surplus) increased to \$127.1 million in the first half of 2021 from \$69.0 million during the corresponding period in 2020 (see Figure 19 and Table 20). This improvement largely reflected the robust collection of fees from financial services.



Figure 19: Central Government Overall Fiscal Balance (CI\$ Million, Jan – Jun)



Source: Treasury Department

The improvement in the overall surplus was due to an increase in revenue, which outpaced a rise in spending. The growth in revenue was attributed to an increase in the collection of taxes, while the rise in expenditure reflected increases in expenses (current expenditure) and net investment in nonfinancial assets (net capital expenditure and net lending).

The **net operating balance (current balance)**, which is revenue minus expense, increased to \$153.9 million from \$75.7 million in the first six months of 2020.

Table 20: Summary of Fiscal Operations (Jan-Jun)

	Jun-20	Jun-21	% Change
	CI\$ Million		
Revenue	454.4	580.0	27.6
Expense	378.7	426.1	12.5
Net Operating Balance	75.7	153.9	103.2
Net Investment in Nonfinancial Assets ¹	6.7	26.9	301.1
Expenditure	385.4	452.9	17.5
Net Lending (Overall Surplus)	69.0	127.1	84.1
Financing:			
Net Acquisition of Financial Assets	51.1	110.0	115.1
Net Incurrence of Liabilities	(17.9)	(17.1)	(4.5)

Source: Treasury Department & Economics and Statistics Office

11.1 Revenue

The central government’s revenue increased by 27.6% to \$580.0 million, the highest nominal value on record for a six months period (see Table 23). Revenue collection for the period was comprised of taxes (96.0%) and other revenue (4.0%).

Table 21: Revenue of the Central Government (Jan-Jun)

	Jun-20	Jun-21	% Change
	CI\$ Million		
Revenue	454.4	580.0	27.6
Taxes	430.6	556.9	29.3
Taxes on International Trade & Transactions	84.0	92.9	10.6
Taxes on Goods & Services	306.1	399.5	30.5
Taxes on Property	30.2	57.6	90.7
Other Taxes	10.4	6.9	(33.5)
Other Revenue	23.8	23.1	(2.8)
Sale of Goods & Services	14.6	19.6	34.7
Investment Revenue	5.9	1.4	(77.0)
Fines, Penalties and Forfeits	1.2	1.9	62.1
Transfers n.e.c.	2.1	0.3	(87.0)

Source: Treasury Department & Economics and Statistics Office

Taxes amounted to \$556.9 million, an increase of 29.3% relative to the same period of 2020 (Table 23). Taxes on goods and services led the general increase in taxes with only other taxes falling.

Taxes on goods and services increased by 30.5% to \$399.5 million in the first half of 2021. Fees from financial services licences (up 27.0% to \$294.5 million) and work permit and residency fees (up 101.7% to \$44.4 million) accounted for most of the expansion. The introduction of private fund fees (a new fund category) netted an additional \$48.5 million and was the largest contributor to the increase in financial services licences fees. At the same time, work permit and residency fees reflected



an increase of \$17.0 million in work permit fees.

Table 22: Domestic Tax Collection of the Central Government (Jan-Jun)

	Jun-20	Jun-21	% Change
CIS\$ Million			
Financial Services Licences	231.9	294.5	27.0
ICTA Licences & Royalties	3.8	4.0	7.2
Work Permit and Residency Fees	22.0	44.4	101.7
Other Stamp Duties	4.4	9.9	125.7
Traders' Licences	3.2	3.3	1.6
Other Domestic Taxes	40.8	43.4	6.4
Of which:			
Tourist Accommodation Charges	7.0	0.7	(90.3)
Motor Vehicle Charges	3.5	5.2	45.9
Taxes on Goods & Services	306.1	399.5	30.5

Source: Treasury Department & Economics and Statistics Office

During the review period, **tax receipts from international trade and transactions** rose by 10.6% to \$92.9 million (Table 21). This was due to an increase in revenue collection from import duties which grew by 17.8% to \$92.7 million. Other import duties recorded the largest increase while there was no revenue collected from cruise ship departure charges relative to \$3.3 million in the first half of 2020. Additionally, environmental protection fund fees decreased by 91.9% to \$0.2 million.

Taxes on property expanded by 90.7% to \$57.6 million for the review period (Table 21). This was mainly due to an increase of \$27.1 million in revenue from stamp duties on land transfers. **Other taxes** declined by 33.5% to

\$6.9 million, owing primarily to a \$2.8 million reduction in proceeds from liquidated entities.

Other revenue decreased by 2.8% to \$23.1 million (Table 21). This reflected declines of 77.0% and 87.0% in revenue collected from investment revenue and transfers not elsewhere classified (n.e.c), respectively. The decline in investment revenue emanated from lower interest income while the reduction in transfers n.e.c. resulted from a significant plunge in donations

11.2. Expenditure

Expenditure increased in the review period due to an increase in expenses and net investment in non-financial assets⁷.

Expense (current expenditure) rose by 12.5% to \$426.1 million due to higher spending in six of the seven categories (see Table 23).

Compensation of employees (personnel costs) increased by 3.1% to \$183.5 million. This was attributed mainly to higher spending on healthcare services of \$2.7 million and salaries and wages (including employee pension contributions) of \$2.4 million.

⁷ Net investment in nonfinancial assets is gross investment in nonfinancial assets less consumption of fixed capital.



Table 23: Expenses of the Central Government (Jan-Jun)

Expense	Jun-20	Jun-21	%
	CI\$ Million		Change
	378.7	426.1	12.5
Compensation of Employees	177.9	183.5	3.1
Use of Goods and Services	46.0	54.0	17.5
Consumption of Fixed Capital	18.5	19.3	4.0
Subsidies	93.0	94.4	1.5
Social Benefits	25.4	61.0	139.7
Interest	5.8	6.0	3.8
Other Expense	12.1	7.9	(34.2)

Source: Treasury Department & Economics and Statistics Office

Use of goods and services (supplies and consumables) rose by 17.5% to \$54.0 million, due primarily to higher spending on services of \$6.1 million.

Consumption of fixed capital (depreciation); which is a decline in the value of fixed assets owned and used by the central government as a result of physical deterioration, normal obsolescence or normal accidental damage; increased by 4.0% to \$19.3 million. The main contributors to this increase were the depreciation of buildings, computer hardware and other infrastructure assets.

Subsidies, which are payments to statutory authorities, government-owned companies and non-government suppliers, expanded by 1.5% to \$94.4 million. Assistance provided to tertiary level students at private institutions locally and overseas accounted for the largest increase, up \$2.1 million. Increased allocations of \$2.0 million to the Cayman Islands National Insurance Company was the next largest increase.

Social benefits (transfer payments) increased by 139.7% to \$61.0 million. The primary beneficiaries of these payments were programmes in sports and cultural tourism.

Interest expense declined by 3.8% to \$6.0 million, consistent with the reduction in the debt stock (see Section 11.4).

Other expense was the only category to fall and declined by 34.2% to \$7.9 million. This decline was due mainly to reduced spending on equipment and supplies to combat Covid-19.

11.3. Investment in Non-financial Assets

Gross investment in non-financial assets (gross capital expenditure and net lending) increased by 82.8% to \$46.1 million (see Table 24). This increase reflected higher investment in fixed assets⁸ as inventories decreased during the period. Net investment in non-financial assets rose by 301.1% to \$26.9 million.

Table 24: Investment in Non-Financial assets (Jan-Jun)

	Jun-20	Jun-21	%
	CI\$ Million		Change
Gross Investment in Non-Financial Assets	25.2	46.1	82.8
Fixed Assets	23.7	45.4	91.0
Capital Investment in Ministries and Portfolios	6.4	23.4	263.2
Capital Investment in Statutory Authorities and Government Owned Companies	13.9	6.8	(51.1)
Executive Assets	3.4	15.2	343.5
Inventories	1.5	0.8	(47.8)
Net Investment in Non-Financial Assets	6.7	26.9	301.1

Source: Treasury Department & Economics and Statistics Office

⁸ Includes expenditure on buildings and structures as well as machinery and equipment.



Within fixed assets, capital investment in ministries and portfolios increased by 263.2% to \$23.4 million. This resulted largely from higher spending by the Ministry of Education, Youth, Sports, Agriculture and Lands.

Capital investment in statutory authorities and government-owned companies fell by 51.1% to \$6.8 million. This was due mainly to reduced spending of \$7.0 million on the National Housing Development Trust. Expenditure on executive assets rose by 343.5% to \$15.2 million. Higher spending of \$10.6 million on road expansion and surface upgrades was the main contributor to this increase.

11.4. Financing and Debt

Net acquisition of financial assets, which includes the assumed cash balance from the surplus, increased by 115.1% to \$110.0 million in January–June 2021 (see Table 25). Net incurrence of liabilities, which comprises net borrowing, amounted to -\$17.1 million relative to -\$17.9 million in January–June 2020. The negative value is indicative of a reduction in liabilities from loan payments, where there was a smaller loan repayment in the review period relative to the same period of 2020.

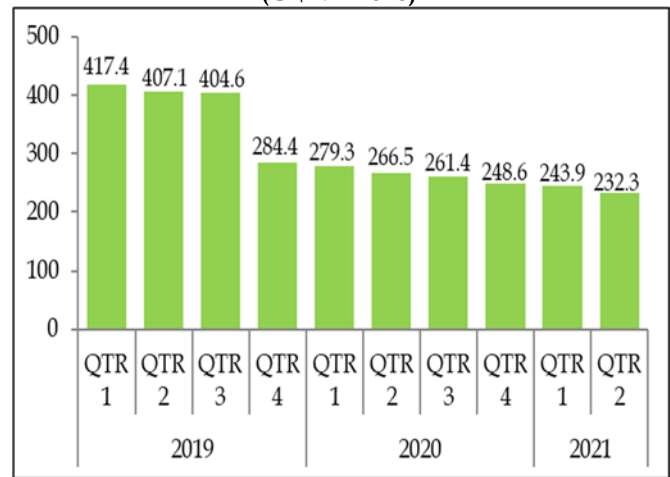
Table 25: Net Financing (Jan-Jun)

	Jun-20	Jun-21	% Change
CI\$ Million			
Financing:			
Net Acquisition of Financial Assets	51.1	110.0	115.1
Net Incurrence of Liabilities	(17.9)	(17.1)	(4.5)
Incurrence (Disbursement)	0.0	0.0	-
Reduction (Loan Repayment)	17.9	17.1	(4.5)

Source: Treasury Department & Economics and Statistics Office

The central government’s outstanding debt continued on a downward trajectory during the period. The total debt declined to \$232.3 million at the end of June 2021, \$34.2 million lower than the stock at the end of June 2020 (see Figure 20).

Figure 20: Central Government Outstanding Debt (CI\$ Millions)



Source: Treasury Department

The central government’s debt service-to-revenue ratio was 4.0% for the first six months of 2021, relative to 5.2% in the corresponding period of 2020. Interest expenses for the review period accounted for 1.4% of total expenses compared with 1.5% in the similar period of 2020. Interest expenses as a proportion of revenue declined to 1.0% from 1.3% in the comparable period of 2020.



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Cayman Water Company
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