CAYMAN ISLANDS
GOVERNMENT

THE CAYMAN ISLANDS'
SEMI-ANNUAL ECONOMIC REPORT 2022

ESO
The Economics and Statistics Office

December 2022

Contents

Overview*

- Advanced economies mostly expanded in the second half of 2022, except for the US which contracted by 0.6%.
- Cayman's gross domestic product is estimated to have grown in real terms at an annualised rate of 3.5% in the first half of 2022.
- The Consumer Price Index increased on average by 11.6%, driven by expansions in the housing and utilities index as well as transport.
- The value of merchandise imports rose by 21.1% to $722.4 million.
- Civil service employment rose by 0.38%, while work permits increased by 19.1%.
- Broad liquidity or money supply expanded by 0.3% to reach $8.9 billion.
- Domestic credit expanded by 15.0% as credit to the private and public sector rose by 9.0% and 106.4%, respectively.
- The weighted average lending rate rose to 6.53% from 5.85%, while the prime lending rate increased to 4.88% to 3.25%.
- Bank and trust company licences decreased by 10.0% to 99, while insurance licences rose by 1.0% to 689.
- Total mutual funds, including the category "master funds", increased by 3.9% to 12,983.
- Stock exchange listings rose by 8.8% to a record 2,667, while market capitalization increased 7.9% to a record US$788.3 billion.
- New company registrations declined by 20.4% to 7,085, while new partnership registrations fell by 7.5% to 2,696.
- Stayover arrivals rose 113,594 from 4,297, while there were 212,997 cruise visitors.
- The value of building permits increased by 20.0% to $428.1 million, while project approvals fell by 51.9% to $355.1 million.
- The total value of property transfers declined by 7.1% to $671.6 million.
- Electricity consumption increased by 1.9%, while water consumption rose by 4.1%.
- The central government's overall fiscal surplus increased to $144.7 million compared with $127.1 million a year ago.
- The total outstanding debt of the central government rose to $534.7 million from $232.3 million a year ago.

*Comparative data over the first six months of 2021, except when otherwise indicated. Percentage calculations may not be exact due to rounding off.

1. International Economy

1.1 Economic Growth[1]

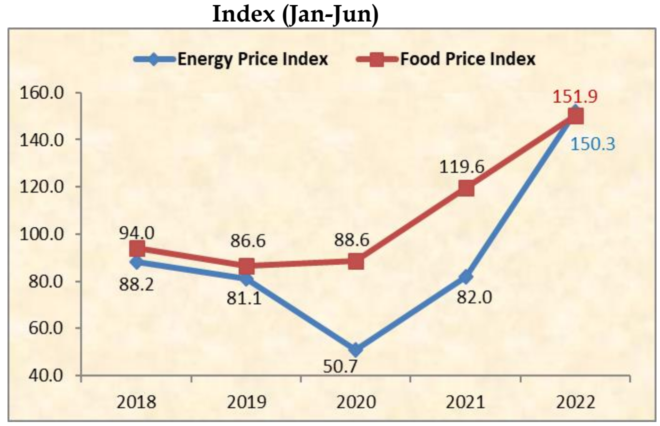
Advanced economies mostly expanded during the second quarter of the year, owing mainly to continued consumer spending. Canada's economy expanded by an annualised rate of 0.8% due to increased business investments and household consumption. In comparison, the UK and the Euro Area grew by annualised rates of 0.8% and 3.2%, respectively. Growth in the UK was reflected mainly in the service sectors, while higher household, government and investment spending propelled growth in the Euro Area.

In contrast, the United States' (US) economy contracted at an annualised rate of 0.6%, reflecting lower gross investments and government spending.

1.2 Inflation[2]

Geopolitical tensions, rising uncertainties and supply chain constraints induced a surge in prices among advanced economies during the quarter. The US and Canada recorded annual inflation of 9.1% and 7.6%, respectively. In contrast, the UK and the Euro Area registered 8.3% and 8.6%, respectively. The rise in consumer prices reflected higher commodity prices, specifically energy and food prices. Higher energy costs were consistent across coal, crude oil and natural gas. Specifically, the price of crude oil averaged US$103.36 per barrel in January–June 2022 compared with US$63.17 per barrel in January–June 2021.[3] Similarly, the food price index rose by 25.6% (see Figure 1).

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



Source: World Bank commodity prices (The Pink Sheet)

1.3 Interest Rates and Exchange Rates[4]

During the review period, central banks moved to restrict the money supply and lower inflation by increasing interest rates. Notably, the Federal Reserve Bank raised the target range for its federal funds rate to a range of 1.50% to 1.75% from a range of 0.25% to 0.50%. The Bank of Canada increased its policy rate by 325 basis points (bps) to 3.75%, while the Bank of England increased its policy interest rate by 50 bps to 1.25%. The European Central Bank (ECB) increased its policy interest rates on the main refinancing operations, marginal lending facility and deposit facility by 2.00% each to 1.00%, 2.25% and 1.5%, respectively.

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

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

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

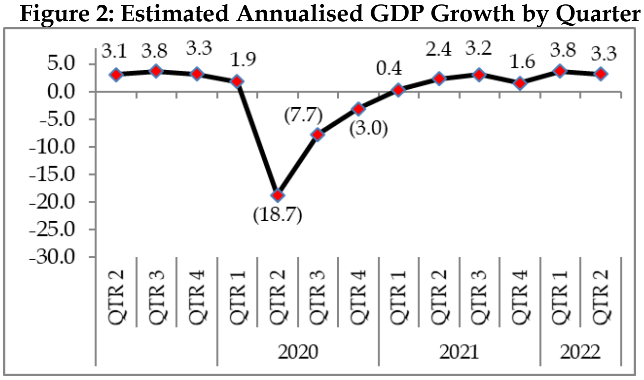
[4] Data obtained from the Federal Reserve Bank, Bank of England, Bank of Canada, European Central Bank

The US Dollar, on average, appreciated nominally against the world's major traded currencies in the first half of 2022 relative to the corresponding period in 2021. Notably, the US Dollar strengthened by 6.4% against the Great Britain Sterling Pound, 9.3% against the Euro and 1.9% against the Canadian Dollar.

2. Cayman Islands' Estimated GDP

Available indicators suggest that the Cayman Islands' gross domestic product (GDP) increased by an estimated 3.3% in real terms for the second quarter of 2022. This reflected a mild deceleration from the estimated growth of 3.8% in the first quarter.

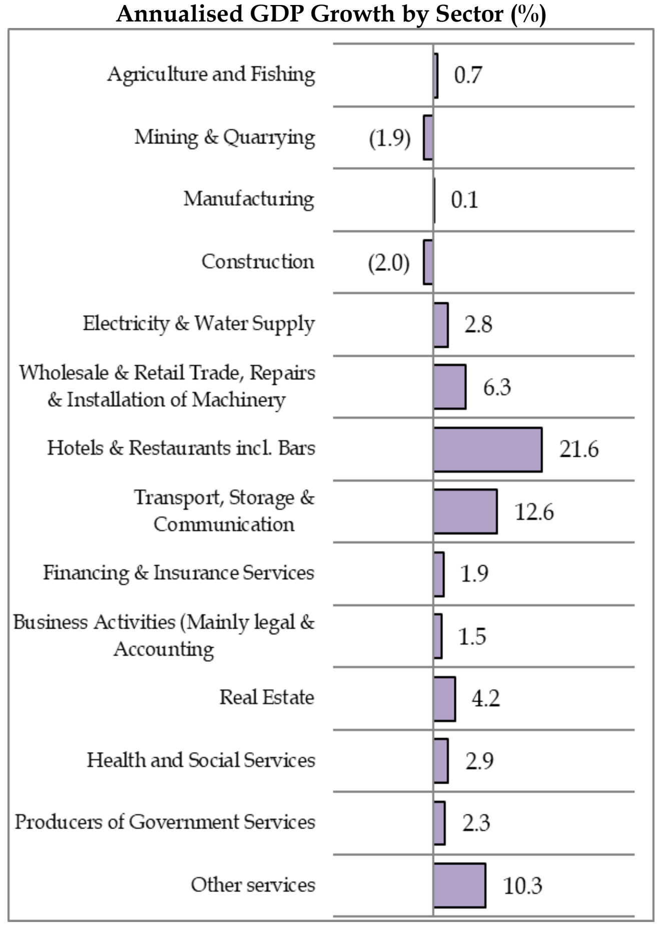
Figure 2: Estimated Annualised GDP Growth by Quarter



Source: Economics and Statistics Office

The economy is estimated to have expanded by 3.5% in the first six months of 2022 compared to the growth of 1.4% estimated for the corresponding period a year ago. The economic expansion in the first half of the year largely reflected increased demand for services. The sectors with the sharpest estimated growth were hotels and restaurants (up by 21.6%), transport, storage & communication (up by 12.6%), and other services (up by 10.3%). The financing and insurance services sector, which continues to be the largest contributor to GDP, expanded by 1.9% during the review period (see Figure 3). The full reopening of both the stayover and cruise tourism sectors influenced growth in services. The construction sector is estimated to have contracted by 2.0% for the year's first half, with all indicators declining.

Figure 3: Estimated First Half of 2022 Annualised GDP Growth by Sector (%)



Source: Economics and Statistics Office

The economic performance for the first half of the year supports the macroeconomic outlook for the calendar year 2022, with economic activity measured by real GDP projected to expand by 3.3%. It is expected that growth in financial services and tourism-related services will continue to drive increased economic activity. There is some upside potential from continued growth in local demand as reflected in imports; however, this is balanced by a potential slowing of demand for real estate transactions and construction.

Table 1: Macroeconomic Performance and Outlook

	2019	2020	2021	Projection 2022
	Percent (%)			
Real GDP	3.9	-5.7	1.8	3.3
CPI Inflation	6.0	1.0	3.3	10.1
Unemployment Rate	3.5	5.2	5.7	4.5

* Real GDP is estimated for 2021
Source: Economics and Statistics Office

The average consumer price index (CPI) inflation forecast has been maintained at 10.1% for the year as supply conditions remain constrained. Notwithstanding, changing expectations from the tightening of monetary policy by most central banks and a dissipation of supply chain backlogs could result in lower inflation levels for the second half of the year.

The projected unemployment rate for the year is also maintained at 4.5% for the year in line with the projection for output growth. The expectation for growth in labour-intensive sectors is anticipated to drive continued demand for labour, while the government's policy to prioritise the employment of unemployed and underemployed Caymanians is likely to impact supply dynamics.

3. Inflation[5]

Average prices surged in the first half of 2022, rising by 11.6 relative to a contraction of 0.4% in the corresponding period of 2021. The sharp rise in prices for the period reflected robust increases of 11.2% and 12.1% in the first and second quarter, respectively (see Table 2 and Figure 4).

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

Categories	Avg. Inflation Rates (%) Half year 2021	Half year 2022
Food & Non-alcoholic Beverages	3.8	6.4
Alcohol and Tobacco	0.9	1.6
Clothing and Footwear	1.6	9.2
Housing and Utilities	(4.3)	19.6
Household Equipment	1.7	7.3
Health	3.6	0.4
Transport	(0.5)	16.4
Communication	3.0	5.1
Recreation and Culture	(0.6)	5.2
Education	2.4	0.3
Restaurants and Hotels	1.4	5.6
Misc. Goods and Services	5.0	2.7
Overall CPI Inflation	(0.4)	11.6

Source: Economics and Statistics Office

Average inflation in the first half of the year mostly reflected increases in energy-related costs. The housing and utilities index rose by 19.6%, owing to increases in all sub-divisions. Notably, electricity, gas and other fuels jumped by 26.9%, while actual and imputed rental rose by 11.6% and 21.0%, respectively. Similarly, water supply & miscellaneous services increased by 31.3%, largely on account of the high energy component.

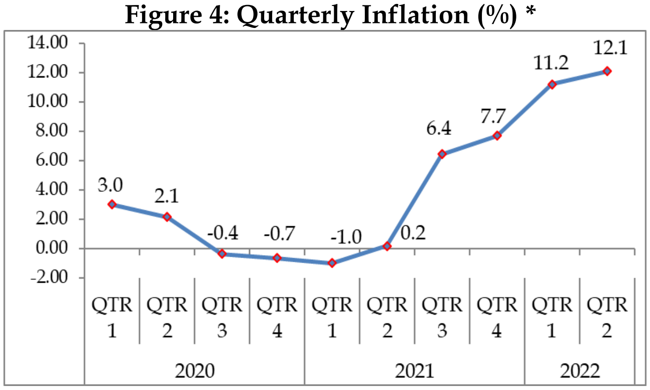
The average cost of transport increased by 16.4%, with all subdivisions increasing. Notably, fuels and lubricants rose by 33.2%, while the cost of purchasing a vehicle and air transport went up by 14.0% and 11.6%, respectively.

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

Additionally, the price index for clothing and footwear increased by 9.2%, while the index for household equipment rose by 7.3%.

In the second quarter, the inflation of 12.1% was driven by price increases of 19.2%, 17.0% and 10.4% in housing and utilities, transportation and clothing and footwear, respectively. Notable price increases were also recorded in the index for food and non-alcoholic beverages, which rose by 7.9%, and recreation and culture increased by 8.3%. The education index was the only division to decline for the quarter falling by 0.6% relative to the same period of the previous year.

Figure 4: Quarterly Inflation (%) *

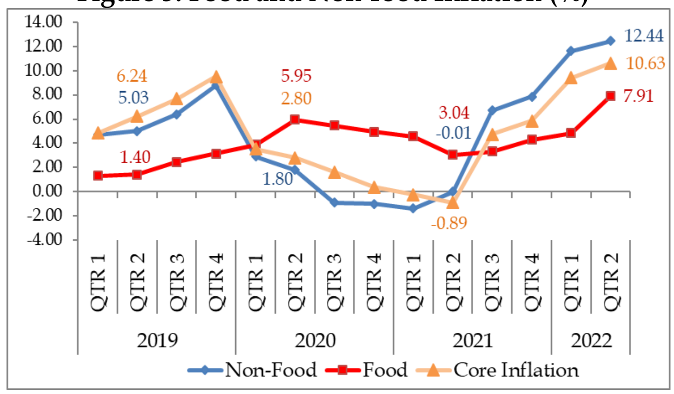


*Inflation of current quarter CPI over the same quarter a year ago.
Source: Economics and Statistics Office

Core inflation (CPI excluding food, electricity, and fuels) averaged 10.6% for the second quarter and 10.0% for the first half of the year. This mainly reflects the cost of water supply, imputed rent and passenger transport by air, which rose by 31.3%, 21.0% and 11.6%, respectively.

Non-food prices rose by 12.4% for the quarter and 12.0% for the first half of the year. In contrast, the index for food and non-alcoholic beverages rose by 7.9% for the quarter. The CPI, excluding food, housing and transport, rose by 5.3% for the quarter and 4.3% for the first half of the year.

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

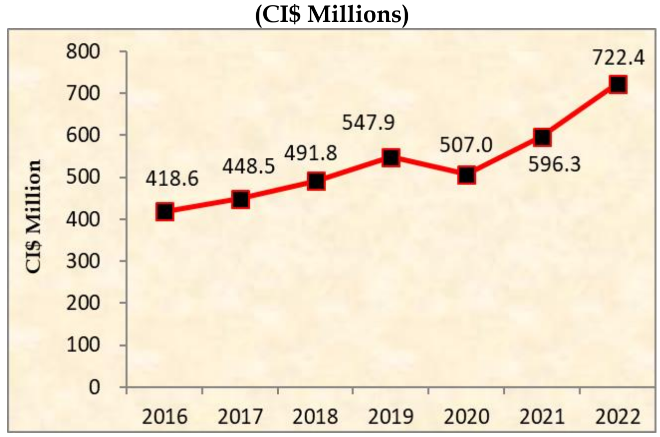


Source: Economics and Statistics Office

4. Trade[6]

Merchandise imports increased in the first half of the year, building on the recovery seen in 2021. Specifically, the value of imports rose by 21.1% to $722.4 million relative to the corresponding period in 2021 (see Figure 6).

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



Source: Cayman Islands Customs & Border Control and ESO

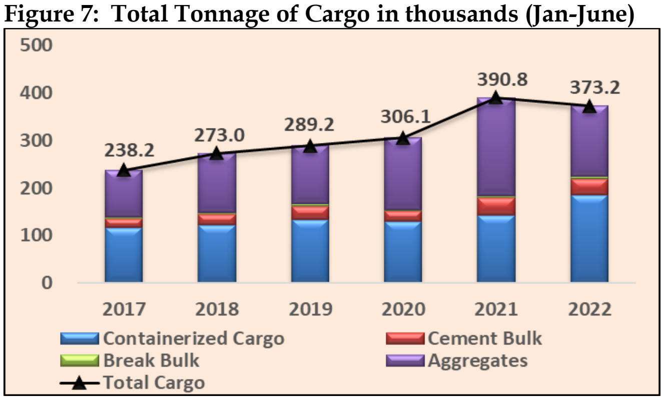
[6] A detailed trade report is posted at www.eso.ky

The rise in import value was reflected in all categories except inedible crude materials not including fuels. Notably, the value of imports for the period continued to reflect a general rise in the inflation levels of Caymans' major trading partners, particularly the US.

Fuel imports rose by 96.1% to $111.4 million due to a surge in global energy prices as the quantity of fuels imported to the Islands declined. Non-fuel imports rose by 13.3% to $611.0 million. Within this category, the largest increases were seen in miscellaneous manufactured articles (up $23.6 million to $141.4 million), food and live animals (up $18.6 million to $112.4 million) and commodities and transactions not classified elsewhere (up $11.1 million to $29.4 million).

Despite the growth in merchandise imports, total cargo imports declined by 4.5% to 373.2 thousand tonnes (see Figure 7). This was due to declines of 4.2% and 28.3% in the quantity of cement and aggregates imported for the period. In contrast, scontainerised cargo and break-bulk cargo rose by 29.4% and 11.8%, respectively. As a proportion of total cargo, containerised cargo accounted for 49.6% (185,044 tonnes) while aggregates accounted for 39.8% (148,376 tonnes).

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



Source: Cayman Islands Port Authority

The quantity of fuel imports fell by 2.6% to 24.8 million imperial gallons (see Table 3). This was due to declines in the importation of diesel and gas while aviation fuel and propane imports increased. Diesel imports contracted by 7.2% to 16.5 million imperial gallons, while gas imports fell by 3.6% to 6.2 million imperial gallons.

Table 3: Oil Imports (Jan-June)

	2020	2021	2022	% Change
	Millions of Imperial Gallons			
Total Fuel	**19.1**	**25.5**	**24.8**	**(2.6)**
Diesel	12.6	17.8	16.5	(7.2)
Gas	3.7	6.4	6.2	(3.6)
Aviation Fuel	1.7	0.5	0.9	79.4
Propane	1.2	0.7	1.2	61.6

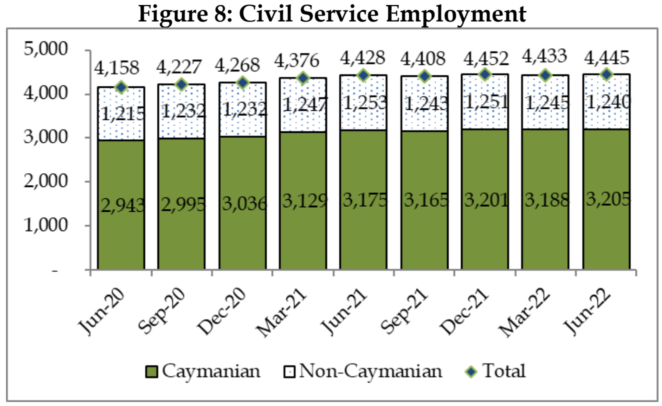
Source: Cayman Islands Port Authority

5. Employment

5.1 Central Government Employment

The number of civil servants employed by the Cayman Islands' central government rose to 4,445 at the end of the review period from 4,428 at the end of June 2021. Caymanian employment increased by 30 to 3,205, while non-Caymanian employment fell by 13 to 1,240. As of end-June, 2022, Caymanians accounted for 72.1% of the civil service, while non-Caymanians represented 27.9%.

Figure 8: Civil Service Employment

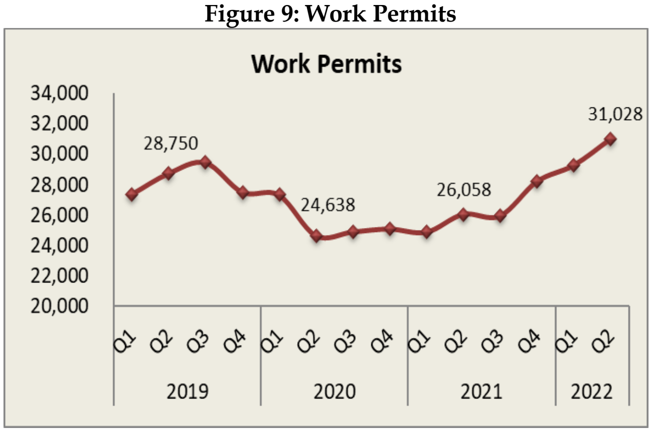


Source: Portfolio of the Civil Service

5.2. Work Permits

The number of work permits issued in the Cayman Islands rose to 31,028 at the end of June 2022 from 26,058 in June 2021. The number of work permits rose in the context of the tourism sector fully reopening, coupled with a rebound in economic activities and an increase in personnel on the island as firms move to comply with economic substance requirements. Compared with the end of March 2022, the number of work permits increased by 5.9%, from 29,294.

Figure 9: Work Permits



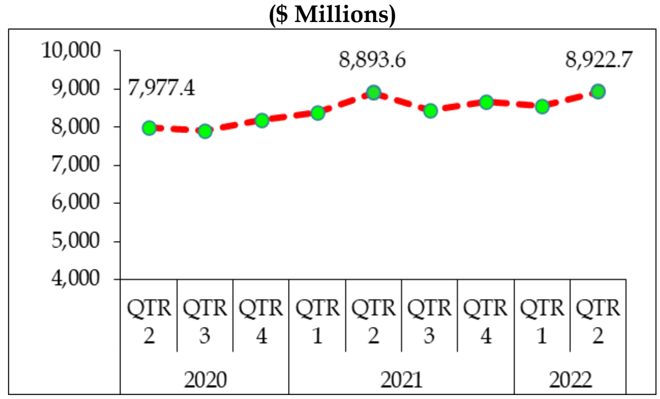
Source: Workforce Opportunities & Residency Cayman

6. Money & Banking

Total deposits by residents in the domestic banking system rose in the first half of the year. This was led by local currency-denominated money, while foreign currency-denominated deposits fell. KYD-denominated deposits expanded by 2.5%, while foreign currency (FOREX) deposits decreased by 0.5% for the period. The growth in deposits coupled with increased currency in circulation stimulated a rise in broad liquidity (M2) by 0.3% to $8,922.7 million (see Figure 10 and Table 4).

Local currency deposits rose during the quarter in the context of increased cash turnover to facilitate transactions amidst rising inflation and sustained local demand. To facilitate the rise in transaction values, currency in circulation rose by 3.0% to $166.5 million.

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, facilitated a build-up in domestic assets as foreign assets declined.

Table 4: Monetary and Banking Indicators ($ Millions)

	Jun-21	Jun-22	% Change
Total Assets	**8,893.6**	**8,922.7**	0.3
Net Foreign Assets	**6,366.9**	**5,880.7**	(7.6)
Monetary Authority	179.3	182.7	1.9
Commercial Banks	6,187.5	5,698.0	(7.9)
Net Domestic Assets	**2,526.7**	**3,042.1**	20.4
Domestic credit	3,544.2	4,077.0	15.0
Claims on central government	185.6	432.2	132.9
Claims on other public sector	35.3	23.6	(33.2)
Claims on private sector	3,323.3	3,621.3	9.0
Other items net	(1,017.5)	(1,035.0)	1.7
Broad Liquidity	**8,893.6**	**8,922.7**	0.3
Broad money (KYD) M2	**2,416.1**	**2,478.1**	2.6
Currency in circulation	161.7	166.5	3.0
KYD Deposits	**2,254.4**	**2,311.5**	2.5
Demand deposits	1,029.6	1,033.8	0.4
Time and savings deposits	1,224.8	1,277.7	4.3
FOREX deposits	6,477.5	6,444.7	(0.5)
of which: US dollars	5,849.2	6,026.7	3.0
US dollars share (%)	*90.3*	*93.5*	

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

6.1. Net Foreign Assets (NFA). Commercial banks reduced their foreign assets during the review period, the impact of which outweighed a similar reduction in their liabilities. In contrast, the foreign assets of the Cayman Islands Monetary Authority (CIMA) increased for the period. Commercial bank's NFA declined by 7.9% while the NFA for CIMA increased by 1.9% (see Table 5).

Table 5: Net Foreign Assets ($ Millions)

	Jun-21	Jun-22	% Change
Net Foreign Assets	**6,366.9**	**5,880.7**	(7.6)
Monetary Authority	179.3	182.7	1.9
Commercial Banks	6,187.5	5,698.0	(7.9)
Foreign Assets	**9,268.9**	**8,521.8**	(8.1)
Bal. with Banks & Branches	4,320.1	3,660.6	(15.3)
Total Investment	3,863.5	3,915.0	1.3
Total Non-Resident Loans	1,085.3	946.3	(12.8)
Foreign Liabilities	**3,081.4**	**2,823.8**	(8.4)
Total Non-Resident Deposits	2,775.7	2,512.8	(9.5)
Other Liabilities	305.6	311.0	1.8

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Consistent with the decline in foreign currency deposits, commercial banks reduced their foreign currency holdings in other banks and branches by 15.3%. Similarly, non-resident loans contracted by 12.8%. The impact of these declines was partially offset by a rise in foreign investments by 1.3%. The fall in liabilities was driven by a 9.5% reduction in non-resident deposits, while other liabilities rose by 1.8%.

6.2. Net Domestic Assets/Domestic Credit. Domestic borrowings increased by 15.0% due to an increase in credit to both the private and public sector (see Table 6).

Public sector borrowings expanded by 106.4%, driven by a rise in credit to the central government, which rose by 132.9%. In contrast credit extended to parastatals declined by 33.2% for the period.

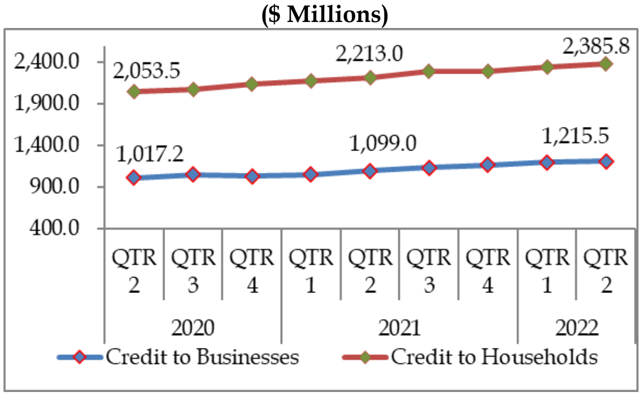
Table 6 : Net Domestic Assets ($ Millions)

	Jun-21	Jun-22	% Change
Domestic Credit	**3,544.2**	**4,077.0**	**15.0**
Credit to Public Sector	220.9	455.8	106.4
Credit to Central Government	185.6	432.2	132.9
Credit to Other Public Sector	35.3	23.6	(33.2)
Credit to Private Sector	3,323.3	3,621.3	9.0

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Private sector credit expanded by 9.0% in the first half of 2022, driven by increases in both household and business lending of 7.8% and 10.6%, 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 businesses rose by $116.5 million to $1,215.5 million during the review period. Loans advanced to trade, and commerce companies, particularly other business activities and real estate and leasing companies, were the main drivers of growth in the period. Credit to other business activities rose by $90.6 million, while credit to real estate agents, rental and leasing companies increased by $25.7 million. Overall, loans to the trade and commerce sector rose by 16.9% (or $123.0 million), and loans to the services sector rose by 12.5% (or $16.0 million). In comparison, credit to the production and manufacturing sector declined by 11.9% (or $27.1 million).

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

	Jun-21	Jun-22	% Change
Total Private Sector Credit	**3,323.3**	**3,621.2**	**9.0**
Credit to Businesses	**1,099.0**	**1,215.5**	**10.6**
Production & Manufacturing	**226.9**	**199.8**	**(11.9)**
Agriculture, Fishing and Mining	4.9	4.5	(7.4)
Manufacturing	8.3	8.5	3.3
Utilities	15.6	8.0	(48.7)
Construction	198.2	178.8	(9.8)
Services	**128.8**	**144.8**	**12.5**
Accommodation, Food, Bar & Entertainment Services	64.9	82.4	26.9
Transportation, Storage & Communications	29.8	28.8	(3.5)
Education, Recreational & Other Professional Services	34.0	33.6	(1.2)
Trade and Commerce	**727.8**	**850.8**	**16.9**
Wholesale & Retail Sales Trade	105.3	112.0	6.4
Real Estate Agents, Rental and Leasing Companies	297.7	323.4	8.6
Other Business Activities (General Business Activity)	324.7	415.3	27.9
Other Financial Corporations	**15.6**	**20.1**	**29.0**
Credit to Households	**2,213.0**	**2,385.8**	**7.8**
Domestic Property	1,959.1	2,126.4	8.5
Motor Vehicles	57.4	59.0	2.8
Education and Technology	3.8	2.8	(25.3)
Miscellaneous*	192.7	197.6	2.5
NonProfit Organizations	**11.3**	**19.9**	**75.7**

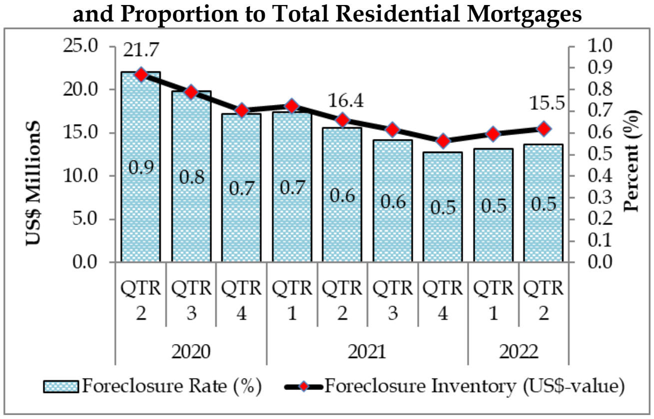
Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Credit to households increased by $172.9 million to $2,385.8 million for the period. The expansion was traced to increased credit for domestic properties, motor vehicles and miscellaneous activities of $167.3 million, $1.6 million, and $4.9 million, respectively. In contrast, loans for education and technology fell by $1.0 million.

6.3. Residential Mortgage Foreclosures

At the of end-June 2022, data from CIMA shows that there were 58 properties in the foreclosure inventory of local commercial banks', valued at US$15.5 million. This represented a decrease compared to the 59 properties valued at US$16.4 million in the comparative period of 2021.

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

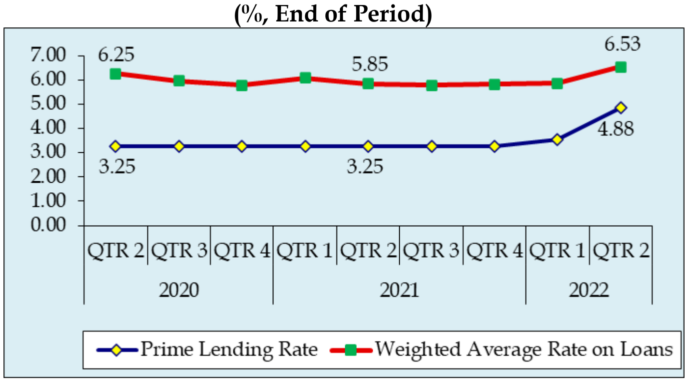


Source: Cayman Islands Monetary Authority & Economics and Statistics Office

The foreclosure rate (foreclosure inventory over total residential mortgages) as of June 2022 declined to 0.5% from 0.6% in 2021. There were no completed foreclosures in the quarter relative to 3 (or 5.1% of all foreclosures) in 2021.

6.4. Interest Rates. The Cayman Islands' prime lending rate increased by 163 bps to 4.88% in the quarter. Consistent with the rise in the prime rate, the **KYD** weighted average lending rate rose to 6.53% relative to 5.85% in the same period of 2021 (see Figure 13).

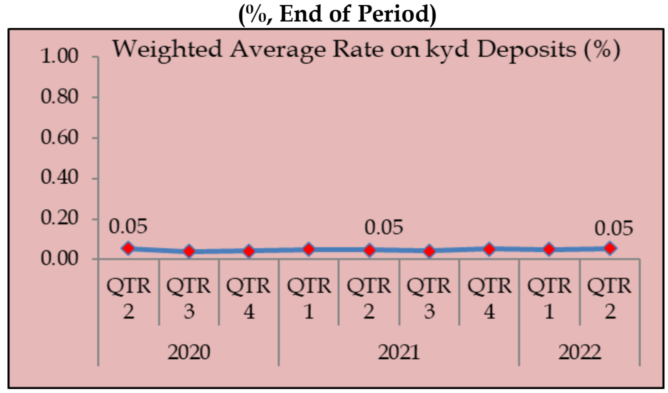
Figure 13: KYD Lending Rates (%, End of Period)



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 were mixed for the first six months of the year. Insurance license, mutual fund registrations, stock exchange listings and stock market capitalisation improved, while bank and trust license, new company registrations and new partnership registrations declined.

7.1 Banks & Trusts

The number of bank and trust licensees declined by 10.0% to 99 at the end of June 2022 (see Table 8). This decline was reflected in the number of Class 'B' licensees, which fell from 100 to 88. In contrast, the number of Class 'A' licensees rose from 10 to 11.

The number of trust company licensees fell by 1.7% to 115 for the review period. The decline is traced to a fall in the number of 'Restricted' licensees as 'Unrestricted' licensees remained constant for the period.

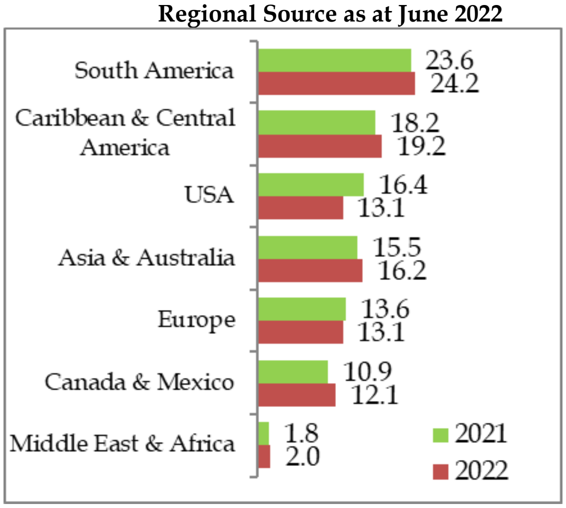
Table 8: Bank & Trust Companies

	Jun 2020	Jun 2021	Jun 2022	% Change
Banks and Trusts	**123**	**110**	**99**	**(10.0)**
Class A	9	10	11	10.0
Class B	114	100	88	(12.0)
Trust Companies	**117**	**117**	**115**	**(1.7)**
Restricted	59	59	57	(3.4)
Unrestricted	58	58	58	0.0

Source: Cayman Islands Monetary Authority

South America, the Caribbean & Central America and Asia & Australia were the leading source markets of Cayman's banking licensees, accounting for 24.2%, 19.2% and 16.2% of the total, respectively.

Figure 15: Percentage Proportion of Registered Banks by Regional Source as at June 2022



Source: Cayman Islands Monetary Authority

7.2 Insurance

There were 689 insurance licensees at the end of June 2022, relative to 682 for the corresponding period of 2021. The number of Class 'A' licensees, representing domestic insurers, was unchanged at 25, while the number of captive licensees rose from 657 to 664. Within captives, the number of Class 'B' licensees rose from 629 to 637, while Class 'C' licensees declined from 22 to 24; and the number of Class 'D' licensees remained unchanged at 6.

Table 9: Insurance Companies

	Jun 2020	Jun 2021	Jun 2022	% Change
Domestic - Class 'A'	27	25	25	0.0
Captives	652	657	664	1.1
Class 'B'	622	629	637	1.3
Class 'C'	24	22	21	(4.5)
Class 'D'	6	6	6	0.0
Total	**679**	**682**	**689**	1.0

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 space continue to be Healthcare and Workers' Compensation, which accounted for 30.9% and 22.1% of the market, respectively (see Table 10).

Table 10: Captive Insurance Licences by Primary Class of Business, June 2022

	Jun-21	Jun-22	% Change	% Proportion
Healthcare	200	205	2.5	30.9
Workers' Compensation	147	147	0.0	22.1
Property	66	72	9.1	10.8
General Liability	79	81	2.5	12.2
Professional Liability	56	58	3.6	8.7
Other	109	101	(7.3)	15.2
Total	**657**	**664**	**1.1**	**100.0**

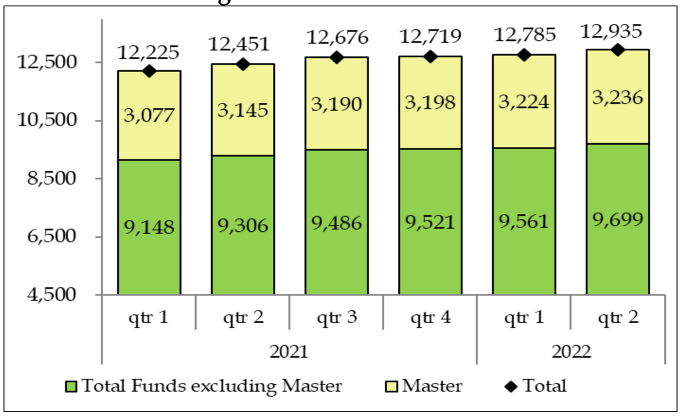
Source: Cayman Islands Monetary Authority

North America continued to be the primary source market for the captive insurance business, with 89.6% (595) of the total captives.

7.3 Mutual Funds

The number of mutual funds increased by 3.9% to 12,935 at the end of June 2022 (see Figure 16). This was due to increases in registered and master funds. Registered funds increased by 409 (4.9%) to 8,685, while master funds rose by 91 (2.9%) to 3,236.

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 8.8% to a record 2,667 at the end of June 2022. This was due to an increased number of specialist debt instruments and insurance-linked securities, which rose by 11.8% and 5.3%, respectively. Three of the other categories declined, while two remained unchanged.

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

Instrument	2020	2021	2022	% Change
Investment Fund Security	183	117	110	(6.0)
Specialist Debt Security	1,682	2,020	2,259	11.8
Corporate & Sovereign Debt Security	296	271	253	(6.6)
Primary Equity Security	4	4	3	(25.0)
Secondary Equity Security	1	1	1	0.0
Insurance Linked Security	42	38	40	5.3
Retail Debt Security	2	1	1	0.0
Total	**2,210**	**2,452**	**2,667**	**8.8**

Source: Cayman Islands Stock Exchange

Market capitalisation rose by 7.9% to US$788.3 billion as of June 2022. The growth in market capitalisation was mainly attributed to an increase of 9.1% in specialist debt securities, which rose to US$618.4 billion. Most categories recorded higher levels of market capitalisation except three.

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

Instrument	2020	2021	2022	% Change
Investment Fund	11.0	13.9	17.2	23.3
Specialist Debt	278.4	566.8	618.4	9.1
Corporate & Sovereign Debt Security	146.2	144.0	147.0	2.1
Primary Equity	0.4	0.4	0.6	49.2
Secondary Equity	0.1	0.2	0.1	(46.1)
Insurance Linked Security	5.1	4.9	4.6	(5.4)
Retail Debt	0.8	0.5	0.4	(4.6)
Total	**441.9**	**730.7**	**788.3**	**7.9**

Source: Cayman Islands Stock Exchange

7.5 New Company Registrations

New company registrations declined by 20.4% to 7,085 (see Table 13). Three of the six categories declined, led by 'Exempt' companies, which fell by 23.7% (or 1,694). The LLC category also declined, falling by 35.4% (or 291). Notably, 'Foreign' companies increased by 28.5% (or 114).

Table 13: New Company Registrations, end June

	2019	2020	2021	2022
Total	**6,883**	**5,597**	**8,899**	**7,085**
Exempt	5,605	4,457	7,156	5,462
Non-Resident	18	3	9	11
Resident	409	288	442	406
Foreign	364	425	400	514
FDN*	26	15	70	161
LLC	461	409	822	531
Percentage Change (%)				
Total	**(22.4)**	**(18.7)**	**59.0**	**(20.4)**
Exempt	(25.7)	(20.5)	60.6	(23.7)
Non-Resident	125.0	(83.3)	200.0	22.2
Resident	6.5	(29.6)	53.5	(8.1)
Foreign	(17.1)	16.8	(5.9)	28.5
FDN*	(33.3)	(42.3)	366.7	130.0
LLC	0.9	(11.3)	101.0	(35.4)

Source: Registrar of Companies
* Started in February 2018

7.6 New Partnership Registrations

During the first six months of 2022, there were 2,696 new partnerships registered, a decline of 7.5% relative to the comparable period in 2021 (see Table 14). The reduction in partnership registrations was due mainly to a fall of 8.5% in the number of 'Exempt' partnerships to 2,596. 'Limited Liability Partnerships, introduced in December 2020, declined by 4 to 3 new registrations while foreign partnerships rose from 72 to 97.

Table 14: New Partnership Registrations, end June

	2019	2020	2021	2022
Total	**2,343**	**2,295**	**2,915**	**2,696**
Exempt	2,284	2,223	2,836	2,596
Foreign	59	72	72	97
LLP*	0	0	7	3
Percentage Change (%)				
Total	**(11.2)**	**(2.0)**	**27.0**	**(7.5)**
Exempt	(12.0)	(2.7)	27.6	(8.5)
Foreign*	34.1	22.0	0.0	34.7
LLP*	-	-	-	(57.1)

Source: Registrar of Companies

8. Tourism

The tourism sector continued to recover in the first half of the year relative to the complete shutdown of the sector in the previous year. The reopening of the stayover tourism market in the last two months of 2021 and the reopening of the cruise sector in March 2022 resulted in total tourist arrivals of 326,591 for the review period.

8.1 Air Arrivals

Stay-over arrivals rose to 113,594 from 4,297 in the same period of 2021. The rise in arrivals was seen across all regional source markets, with the USA market generating the largest increase in arrivals, expanding from 2,381 to 92,313 visitors. Notably, the share of US visitors as a proportion of total arrivals increased in the aftermath of pandemic restrictions.

The Canadian market provided roughly 8,000 more stayover visitors relative to last year, while the European market provided approximately 7,000 more.

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

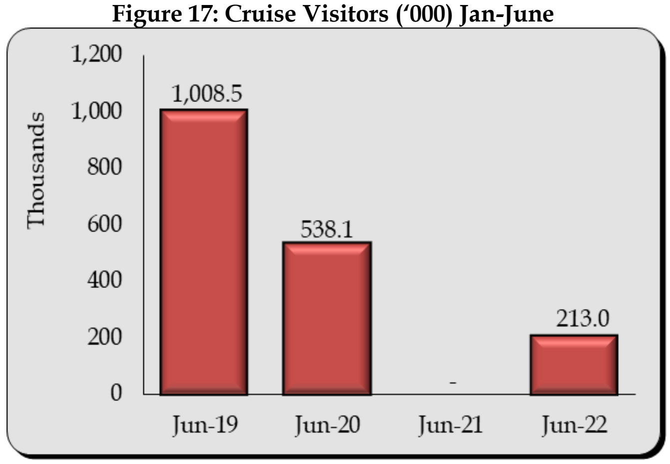
	2020	2021	2022	% Change
	In Thousands			
USA	97.5	2.4	92.3	3777.1
Europe	5.9	0.6	7.5	1266.2
Canada	11.1	0.4	8.4	2248.6
Others	4.4	1.0	5.4	435.2
Total	118.9	4.3	113.6	2543.6
USA (% share)	82.0	55.4	81.3	

Source: Tourism Department

8.2 Cruise Arrivals

There were 212,997 cruise visitors to the Island in the four months since the reopening of cruise ports. These arrivals resulted from the docking of 77 ships in Cayman's ports for the period.

Figure 17: Cruise Visitors ('000) Jan-June



Source: Tourism Department

9. Construction

Construction indicators were mixed for the first six months of the year. The value of building permits increased while the value of project approvals declined.

9.1 Building Permits

The total value of building permits increased by 20.0% to $428.1 million, driven mainly by increases in the houses, hotels and commercial sectors (see Table 16).

The value of residential permits (houses and apartments) increased by $6.5 million (or 3.3%). This was driven by a sharp increase in the category of the house, which rose by $45.4 million (or 65.3%). The rise in permits for houses is linked to the construction of some high-value homes. Despite the increase in permits for houses, residential permits were moderated by a 30.6% decline in the apartment category.

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

	Building Permits (CI$ Mil)			%
	2020	2021	2022	Change
Residential	208.8	196.8	203.3	3.3
Houses	*91.3*	*69.6*	*115.0*	*65.3*
Apartments	*117.5*	*127.2*	*88.3*	*(30.6)*
Commercial	112.0	22.6	55.6	146.2
Industrial	3.9	4.9	8.1	66.1
Hotel	-	80.0	116.9	46.1
Government	1.2	1.9	0.3	(86.9)
Other	45.7	50.7	44.0	(13.2)
Total	**371.5**	**356.9**	**428.1**	**20.0**

Source: Planning Department

The hotel category rose by 46.1% to $116.9 million, reflecting the approval of a single project. The commercial category rose by 146.2% (or $33.0 million) and mainly reflected the new 7-storey cricket square building valued at $25.0 million.

Despite the rise in value, the number of building permits declined by 13.1% to 558 relative to the same period last year. The apartment, industrial, governments and 'other categories all declined in numbers.

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

	Number of Permits			%
	2020	2021	2022	Change
Residential	264	326	273	(16.3)
Houses	*172*	*204*	*241*	*18.1*
Apartments	*92*	*122*	*32*	*(73.8)*
Commercial	37	48	51	6.3
Industrial	5	9	6	(33.3)
Hotel	-	1	1	-
Government	3	6	3	(50.0)
Other	205	252	224	(11.1)
Total	**514**	**642**	**558**	**(13.1)**

Source: Planning Department

9.2 Project Approvals

Project approvals value fell by 51.9% (or $383.2 million) for the review period. The reduction primarily reflects declines in the 'other' and hotel category. The decrease in the 'other' category was chiefly due to the non-recurrence of a project valued at $350.0 million. Similarly, the fall in the hotel category was due to the non-recurrence of a large-scale hotel project.

The reduction in those two sectors, hinged mainly on two projects, overshadowed some notable increases in the residential and commercial categories. The residential sector rose by 70.9% as the house category surged by nearly 200.0%, while the apartment category rose by 10.4%. When combined, these two categories rose by $101.0 million. Similarly, the commercial category increased by $12.5 million (or 44.8%).

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

	Project Approvals (CI$ Mil)			%
	2020	2021	2022	Change
Residential	305.9	142.5	243.5	70.9
Houses	*57.5*	*45.6*	*136.5*	*199.4*
Apartments	*248.4*	*96.9*	*107.0*	*10.4*
Commercial	15.2	28.0	40.5	44.8
Industrial	8.3	4.7	6.9	46.0
Hotel	-	160.0	34.0	(78.8)
Government	0.6	1.3	-	(100.0)
Other	98.2	401.9	30.2	(92.5)
Total	**428.1**	**738.3**	**355.1**	**(51.9)**

Source: Planning Department

Consistent with the rise in value for most categories, excluding the two large-scale projects, the total number of project approvals increased by 23.3% to settle at 487.

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

	Number of Approvals			%
	2020	2021	2022	Change
Residential	147	178	244	37.1
Houses	*99*	*117*	*216*	*84.6*
Apartments	*48*	*61*	*28*	*(54.1)*
Commercial	10	13	15	15.4
Industrial	4	3	6	100.0
Hotel	-	2	1	(50.0)
Government	2	2	-	(100.0)
Other	191	197	221	12.2
Total	**354**	**395**	**487**	**23.3**

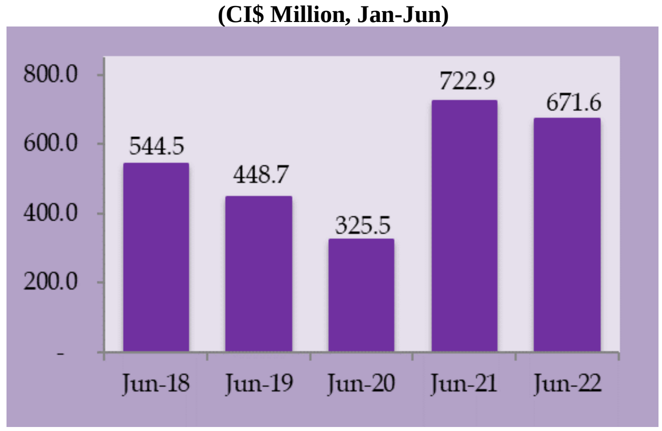
Source: Planning Department

10. Real Estate

Real estate activity, as measured by the value and volume of traded properties, moderated in the first half of 2022 relative to the same period of 2021.

The value of traded properties declined by 7.1% to $671.6 million in the review period. The reduction reflects declines in the value offreehold and leasehold transfers by 5.5% and 39.1%, respectively. Freehold transfers increased to $650.8 million, while leasehold transfers increased to $20.8 million.

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

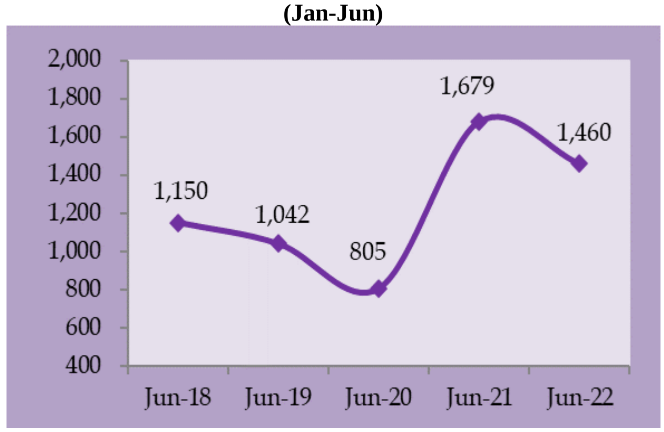


Source: Lands & Survey Department

The number of transferred properties also declined in the year's first half, falling by 13.0% to 1,460. The volume of freehold property transfers contracted by 11.9% to 1,379, while leasehold transfers fell by 28.3% to 81.

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

Figure 19: Number of Property Transfers (Jan-Jun)



Source: Lands & Survey Department

11. Utilities

11.1 Electricity

Electricity demand rose by 1.9% to 320.7 thousand megawatts hours (MWh) in the first half of 2022. This reflected increased residential and commercial consumption while public consumption declined. Specifically, residential and commercial consumption rose by 1.3% and 2.9%, respectively, while public usage fell by 4.5%.

The rise in electricity consumption was matched by an increase in net production which climbed by 2.0% to 323.2 thousand MWh.

Table 20: Utilities Production/Consumption

	Jun-21	Jun-22	% Change
Millions of US Gallons			
Water Production	1,274.1	1,299.0	2.0
Water Consumption	1,030.7	1,073.2	4.1
'000 of megawatt hrs			
Electricity Production (Net)	316.8	323.2	2.0
Electricity Consumption	314.6	320.7	1.9
Residential	169.5	171.6	1.3
Commercial	142.5	146.6	2.9
Public	2.5	2.4	(4.5)
Total Customers	31,719	32,553	2.6
Residential	27,143	27,902	2.8
Commercial	4,576	4,651	1.6

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

The higher electricity consumption for the period is traced to a rise in the number of customers relative to the same period of the previous year. The total number of residential and commercial customers increased by 2.8% and 1.6%, respectively. Notably, total average consumption declined by 0.67%, with the average consumption of residential customers reducing by 1.5%, while average commercial consumption rose by 1.21%.

11.2 Water

Similar to the trend in electricity, domestic water production and consumption rose by 2.0% and 4.1%, respectively. The increased demand for both utility services was in the context of a rising population.

11.3. Telecommunications. As indicated by domestic and international minutes, Telephone usage declined by 0.6% for the first two quarters of the year relative to the same period in 2021. This resulted from a reduction of 1.3% in domestic minutes, which outweighed a 4.8% rise in international minutes (see Table 21).

Fixed and mobile handsets fell by 3.9% to 133,023 for the period, while no updated information was available for broadband connections.

Table 21: Telecommunication Sector Indicators

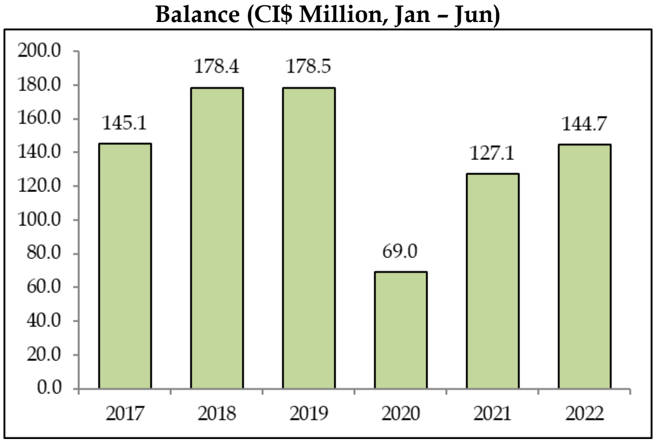
	Jun-21	Jun-22	% Change
Fixed and Mobile handsets in operation	138,362	133,023	(3.9)
Total fixed & mobile domestic & int'l minutes ('000)	99,212	98,661	(0.6)
Fixed and mobile domestic minutes	86,832	85,687	(1.3)
Fixed and mobile int'l retail minutes	12,380	12,974	4.8
Broadband connections	27,335	-	-

Source: Utility Regulation and Competition Office

12. Fiscal Operations of the Central Government

Net lending (overall surplus) increased to $144.7 million in the first half of 2022 from $127.1 million during the corresponding period in 2021 (see Figure 20 and Table 22). This improvement primarily reflected the robust growth in fees from financial services and import duties.

Figure 20: 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 rising expenditures. The revenue growth is traced to increases in the collection of taxes and other revenues, while the rise in spending reflects higher expenses (current expenditure). The increase in expenditure was moderated by lower net investment in non-financial assets (net capital expenditure and net lending) for the period.

The **net operating balance (current balance)**, revenue minus expense, increased by 3.8% to $159.8 million in the first six months of 2022.

Table 22: Summary of Fiscal Operations (Jan-Jun)

	Jun-21	Jun-22	% Change
	CI$ Million		
Revenue	**580.0**	**636.6**	**9.8**
Expense	**426.1**	**476.8**	**11.9**
Net Operating Balance	**153.9**	**159.8**	**3.8**
Net Investment in Nonfinancial Assets[1]	26.9	15.1	(43.6)
Expenditure	**452.9**	**491.9**	**8.6**
Net Lending (Overall Surplus)	**127.1**	**144.7**	**13.8**
Financing:			
Net Acquisition of Financial Assets	110.0	456.7	315.3
Net Incurrence of Liabilities	(17.1)	312.0	1923.2

Source: Treasury Department & Economics and Statistics Office

12.1 Revenue

The central government's revenue increased by 9.8% to $636.6 million, an improvement on the record revenue achieved in 2021(see Table 23). Revenue collection for the period was comprised of taxes (96.1%) and other revenue (4.0%).

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

	Jun-21	Jun-22	% Change
	CI$ Million		
Revenue	**580.0**	**636.6**	**9.8**
Taxes	**556.9**	**611.6**	**9.8**
Taxes on International Trade & Transactions	92.9	111.5	20.1
Taxes on Goods & Services	399.5	440.0	10.1
Taxes on Property	57.6	56.4	(2.0)
Other Taxes	6.9	3.6	(47.2)
Other Revenue	**23.1**	**25.0**	8.3
Sale of Goods & Services	19.6	21.0	7.3
Investment Revenue	1.4	1.2	(10.5)
Fines, Penalties and Forfeits	1.9	2.5	34.1
Transfers n.e.c.	0.3	0.3	(1.1)

Source: Treasury Department & Economics and Statistics Office

Taxes totalled $611.6 million, an increase of 9.8% relative to the same period in 2021 (Table 24). Taxes on goods and services and taxes on international trade and transactions contributed to the general increase in taxes, with taxes on property and other taxes falling.

Taxes on goods and services increased by 10.1% to $440.0 million in the first half of 2022. Fees from financial services licences (up 7.0% to $315.0 million), other domestic taxes licences (up 26.7% to $55.0 million) and work permit and residency fees (up 23.2% to $54.7 million) accounted for most of the expansion. Private fund fees and partnership fees were the main contributors to the rise in financial services, while tourist accommodation charges contributed to the bulk of other domestic taxes. At the same time, work permit applications and permanent residence applications net $12.2 million of domestic revenue due to the rise in work permit fees.

Table 24: Domestic Tax Collection of the Central Government (Jan-Jun)

	Jun-21	Jun-22	% Change
	CI$ Million		
Financial Services Licences	294.5	315.0	7.0
ICTA Licences & Royalties	4.0	3.8	(6.8)
Work Permit and Residency Fees	44.4	54.7	23.2
Other Stamp Duties	9.9	7.3	(26.2)
Traders' Licences	3.3	4.2	27.7
Other Domestic Taxes	43.4	55.0	26.7
Of which:			
Tourist Accommodation Charges	0.7	9.3	1273.1
Motor Vehicle Charges	5.2	6.5	26.3
Taxes on Goods & Services	**399.5**	**440.0**	**10.1**

Source: Treasury Department & Economics and Statistics Office

During the review period, **tax receipts from international trade and transactions** rose by 20.1% to $111.5 million (Table 23). This was due to an increase in revenue collection from import duties which grew by 18.0% to $109.4 million. Other import duties and duties on alcoholic beverages accounted for most of the increase. There was also a notable increase in cruise ship departure charges which increased by $1.3 million from $0.004 million in the first half of 2021

Taxes on property declined by 2.0% to $56.4 million for the review period (Table 23). This was mainly due to a fall of $4.5 million in revenue from stamp duties on land transfers. In contrast, infrastructure fund fees and land holding transfer charges increased by $1.9 million and $1.2 million, respectively. **Other taxes** declined by 47.2% to $3.6 million, owing primarily to a $3.0 million reduction in proceeds from liquidated entities.

Other revenue was higher by 8.3%, reaching a total of $25.0 million. This mainly reflected a 7.3% rise in proceeds from the sale of goods and services.

12.2. Expenditure

Rising expenditure for the review period was due to increased expenses as net investment in non-financial assets[7] declined.

Expenses (current expenditure) rose by 11.9% to $476.8 million due to higher spending in five of the seven categories (see Table 25).

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

Compensation of employees (personnel costs) increased by 8.3% to $198.6 million. This was attributed mainly to higher spending on salaries and wages (including employee pension contributions) of $11.5 million and healthcare services of $4.9 million.

Table 25: Expenses of the Central Government (Jan-Jun)

	Jun-21	Jun-22	% Change
	CI$ Million		
Expense	**426.1**	**476.8**	**11.9**
Compensation of Employees	183.5	198.6	8.3
Use of Goods and Services	54.0	63.1	16.9
Consumption of Fixed Capital	19.3	26.1	35.4
Subsidies	94.4	122.2	29.4
Social Benefits	61.0	47.3	(22.5)
Interest	6.0	5.6	(6.4)
Other Expense	7.9	13.9	75.0

Source: Treasury Department & Economics and Statistics Office

Use of goods and services (supplies and consumables) rose by 16.9% to $63.1 million. This increase primarily reflected higher spending on services, general insurance and utilities.

Consumption of fixed capital (depreciation); which is a decline in the value of fixed assets owned and used by the central government due to physical deterioration, normal obsolescence or normal accidental damage; increased by 35.4% to $26.1 million. The main contributors to this increase were the depreciation of buildings and other infrastructure assets.

Subsidies, payments to statutory authorities, government-owned companies and non-government suppliers expanded by 29.4% to $122.2 million. Assistance provided to tertiary-level students at local and overseas institutions accounted for the largest increase, up by $8.5 million. Increased allocations of $4.5 million to the Cayman Islands Monetary Authority was the next largest increase.

Social benefits (transfer payments) declined by 22.5% to $47.3 million. This mainly reflected a reduction in payments for sports and cultural tourism assistance. This may be traced to the winding down of the tourism stipend program.

Interest expense declined by 6.4% to $5.6 million, consistent with the reduction in the debt stock leading up to the quarter (see Section 11.4). Notably, accrued interest expense on the additional principal drawn down in the period would not become due during the quarter.

Other expense rose by 75.0% to $13.9 million. This increase was due mainly to increased spending on equipment and supplies to combat Covid-19.

12.3. Investment in Non-financial Assets

Gross investment in non-financial assets (gross capital expenditure and net lending) declined by 10.6% to $41.3 million (see Table 26). This reduction reflected lower investment in fixed assets[8] and inventories during the period. Net investment in non-financial assets declined by 43.6% to $15.1 million.

Capital investment in ministries and portfolios fell by 2.5% to $22.8 million within fixed assets. This resulted largely from lower spending by

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

the Ministry of Education, Youth, Sports, Agriculture and Lands.

Table 26: Investment in Non-Financial assets (Jan-Jun)

	Jun-21	Jun-22	% Change
	CI$ Million		
Gross Investment in Non-Financial Assets	**46.1**	**41.3**	**(10.6)**
Fixed Assets	45.4	41.7	(8.0)
Capital Investment in Ministries and Portfolios	23.4	22.8	(2.5)
Capital Investment in Statutory Authorities and Government Owned Companies	6.8	8.7	28.6
Executive Assets	15.2	10.2	(32.9)
Inventories	0.8	(0.5)	(159.3)
Net Investment in Non-Financial Assets	**26.9**	**15.1**	**(43.6)**

Source: Treasury Department & Economics and Statistics Office

Capital investment in statutory authorities and government-owned companies rose by 28.6% to $8.7 million. This was due mainly to higher spending of $3.0 million on Cayman Airways limited. Expenditure on executive assets declined by 32.9% to $10.2 million. Lower spending of $4.8 million on road expansion projects was the main contributor to this decline.

12.4. Financing and Debt

Net acquisition of financial assets, which includes the assumed cash balance from the surplus and the additional loan balance, increased by 315.3% to $456.7 million in January–June 2022 (see Table 27). Net incurrence of liabilities, which comprises net borrowing, amounted to $312 million relative to -$17.9 million in January–June 2022. The negative value is indicative of a reduction in liabilities from the loan repayment in the corresponding period of 2021.

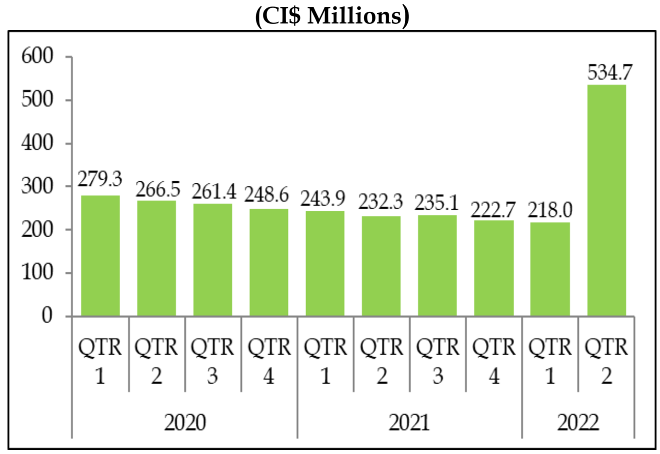
Table 27: Net Financing (Jan-Jun)

	Jun-21	Jun-22	% Change
	CI$ Million		
Financing:			
Net Acquisition of Financial Assets	110.0	456.7	315.3
Net Incurrence of Liabilities	(17.1)	312.0	(1923.2)
Incurrence (Disbursement)	0.0	329.2	-
Reduction (Loan Repayment)	17.1	17.2	0.5

Source: Treasury Department & Economics and Statistics Office

The central government's outstanding debt changed trajectory with the loan balance accessed during the period. The total debt rose to $534.7 million at the end of June 2022. This was $302.4 million higher than the stock at the end of June 2021 (see Figure 21).

Figure 21: Central Government Outstanding Debt (CI$ Millions)



Source: Treasury Department

The central government's debt service-to-revenue ratio was 3.6% for the first six months of 2022, relative to 4.0% in the corresponding period of 2021. Interest expenses for the review period accounted for 1.2% of total expenses compared with 1.4% in the corresponding period in 2021. Interest expenses as a proportion of revenue declined to 0.9% from 1.0% in the comparable period of 2021.

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Cayman Islands Water Authority
Cayman Water Company
Workforce Opportunities & Residency Cayman
Lands and Survey Department
Port Authority of the Cayman Islands
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