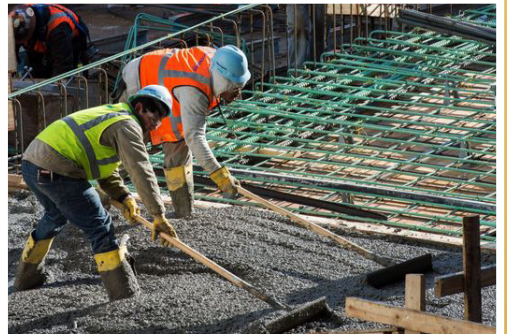




CAYMAN ISLANDS  
GOVERNMENT



THE CAYMAN ISLANDS'  
**FIRST**  
**QUARTER**  
**ECONOMIC**  
**REPORT**  
**2016**





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## Overview\*

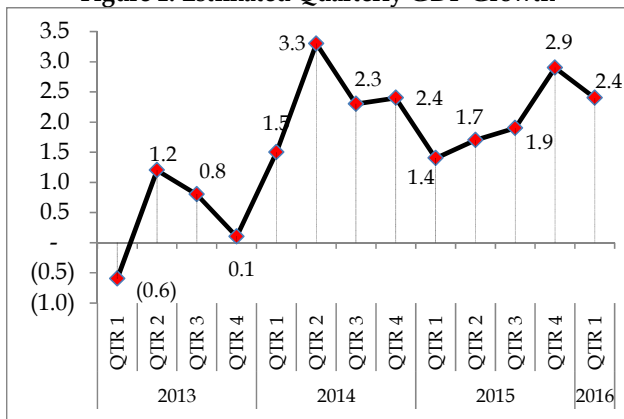
- Gross domestic product (GDP) in real terms was estimated to have expanded at an annualised rate of 2.4% for the first three months of 2016. The forecast GDP growth for the year is placed at 2.1%.
- The Consumer Price Index declined by 2.8% mainly due to downtrends in the price indices for housing and utilities, and transport.
- Total merchandise imports rose by 11.9% to register at \$197.9 million as non-oil related imports increased led by machinery and transport equipment.
- Current work permits increased by 6.3% to total 22,925. Civil service employment rose by 49 persons, with Caymanian staff increasing by 59 and non-Caymanian staff declining by 10.
- Money supply (M2) expanded by 24.7% due to higher foreign currency deposit holdings by residents and growth in CI dollar-denominated money.
- Domestic credit expanded anew by 1.3% as credit to the private sector increased by 2.3% while public sector borrowings contracted by 6.3%.
- The weighted average lending rate rose to 7.18% from 6.79%, and the prime lending rate increased to 3.50% from 3.25%.
- Bank and trust company registration continued on its downward trajectory, this time by 8.2%, and insurance licenses fell by 6.0%.
- Mutual funds increased overall by 2.0% this period; excluding master funds, mutual funds registration rose by 0.6%.
- Stock exchange listings fell by 1.1% to reach 1,064.
- New company registrations declined by 6.4% following two consecutive years of double-digit growth. New partnership registrations increased by 8.7%.
- Cruise passengers surged by 12.5% while air arrivals fell by 2.5%.
- The value of building permits fell by 20.7% while project approvals rose by 124.5%.
- The value of property transfers more than doubled to reach \$305.4 million.
- Electricity consumption rose by 5.1% while water consumption fell by 5.4%.
- The central government's overall fiscal surplus improved to \$180.2 million from \$151.8 million a year ago.
- The total outstanding debt of the central government continued to contract, this time by \$21.8 million to settle at \$508.4 million.

\*Comparative data over the first quarter of 2015, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off.

## 1. GDP Growth

The Cayman Islands' real GDP grew at an estimated annualised rate of 2.4% in the first quarter of 2016 compared to a year ago. This represents an acceleration in economic activity relative to the 1.4% GDP growth in the first quarter of 2015 (Figure 1).

Figure 1: Estimated Quarterly GDP Growth

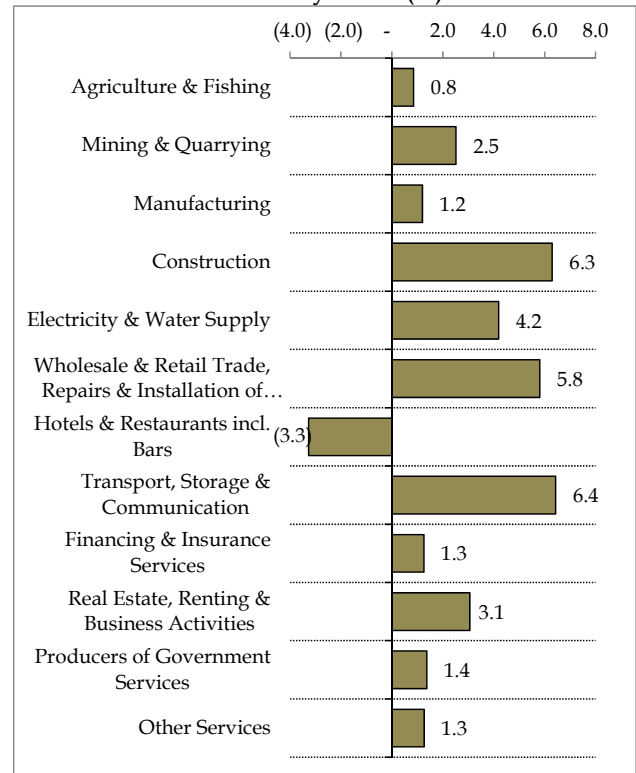


Source: Economics and Statistics Office

During the quarter, economic expansion was led by growth in transport, storage, and communications (6.4%); construction (6.3%); real estate, renting and business services comprised mainly of legal and accounting services (3.1%); and utilities (4.2%) (see Figure 2). Overall growth of the hotels and restaurants sector, however, slipped by 3.3% given the decline in stay-over arrivals during the quarter.

The financial services sector, which remains the largest contributor to GDP, has an estimated growth of 1.3%, an improvement compared to the first quarter growth in 2015 of 0.4%.

Figure 2: Estimated First Quarter 2016 Annualised GDP Growth by Sector (%)



Source: Economics and Statistics Office

As supported by the first quarter economic performance, the macroeconomic outlook for the calendar year 2016 remains upbeat (see Table 1) with further upward growth potential if a new hotel project currently in progress will increase stay-over tourists during the last quarter of 2016.

Table 1: Macroeconomic Outlook as at March 2016

	2013	2014	2015	Projection 2016
	Percent (%)			
Real GDP*	1.5	2.4	2.0	2.1
CPI Inflation	2.2	1.3	(2.3)	0.5
Unemployment Rate	6.3	4.7	4.2	4.7

\* Real GDP is estimated for 2015

Source: Economics and Statistics Office

Economic output in the Cayman Islands is projected to expand by 2.1% in 2016, as

most of the economic sectors are expected to contribute to growth led by construction, business services (mainly legal and accounting), other services, and financing and insurance.

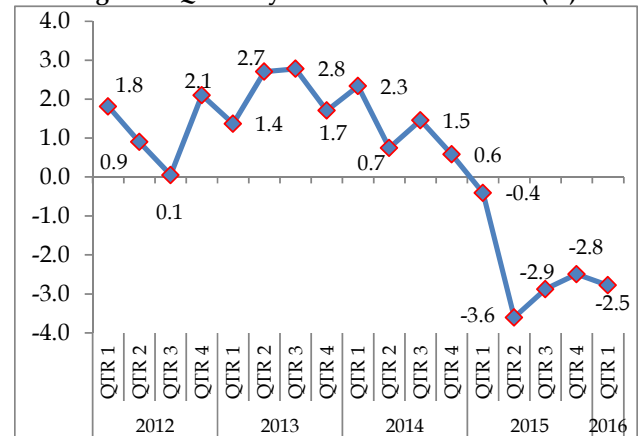
Demand for construction services is expected to be sustained by on-going projects such as the expansion of the Esterley Tibbetts Highway and the Owen Roberts International Airport and the completion of private sector development projects.

In 2016, the consumer price index (CPI) inflation rate is forecasted to be higher at 0.5% in 2016. For the second consecutive year, declining global oil prices and commodity prices are expected to exert downward pressure on CPI inflation. However, inflationary pressure is expected from higher demand for goods and services associated with an increase in population generated from new work permits for new business openings, along with the implementation of the national minimum wage.

## 2. Inflation

The last four consecutive quarters revealed declining average prices in the Cayman Islands. This trend continued in the first quarter of 2016 as the Consumer Price Index (CPI) stood at 101.4, 2.8% lower compared to March 2015. The decline resulted from non-food price movements, mainly housing and utilities (-8.8%) and transport (-6.7%).

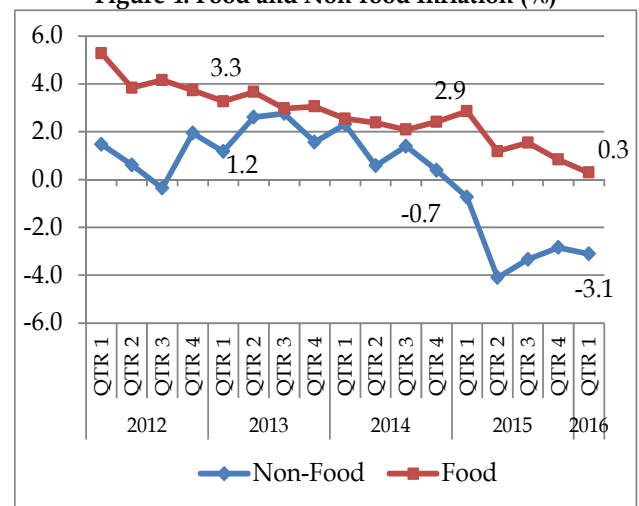
**Figure 3: Quarterly Year-on-Year Inflation (%)**



Source: Economics and Statistics Office

On the average, food and non-alcoholic beverages increased by 0.3%, the slowest growth in food prices since the fourth quarter of 2009. Price increases for coffee, tea and cocoa by 5.6%, and vegetables by 7.5% pulled the overall food price index.

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



Source: Economics and Statistics Office

Non-food inflation continued to decline, led by the housing and utilities price index which fell by 8.8%, mainly on account of decreases in actual rent by 1.6% and imputed rentals of owner-occupied housing by 11.1%. The cost of water supply, and

electricity, gas, and other fuels declined by 12.4% and 14.8% respectively. The latter was precipitated directly by lower cost of fuel in the international market when compared to the same period a year ago.

**Table 2: Inflation Rates by Categories**

Categories	Avg. Inflation Rates (%)	
	2015	2016
Food & Non-alcoholic		
Beverages	2.9	0.3
Alcohol and Tobacco	0.3	0.6
Clothing and Footwear	1.8	2.0
Housing and Utilities	-1.1	-8.8
Household Equipment	0.8	-0.4
Health	0.4	0.0
Transport	0.0	-6.7
Communication	2.4	2.3
Recreation and Culture	1.9	-0.6
Education	2.7	2.6
Restaurants and Hotels	-8.2	0.0
Misc. Goods and Services	-2.3	3.8
Overall CPI Inflation	-0.4	-2.8

Source: Economics and Statistics Office

The transport index declined by 6.7% during the quarter due to lower oil prices which depressed the cost of operations of personal transport equipment. Average prices of transport services and vehicles also declined during the quarter as compared to the same quarter in 2015.

On the other hand, rising price indices for miscellaneous goods and services, education, communication, clothing and footwear, and alcohol and tobacco were shown.

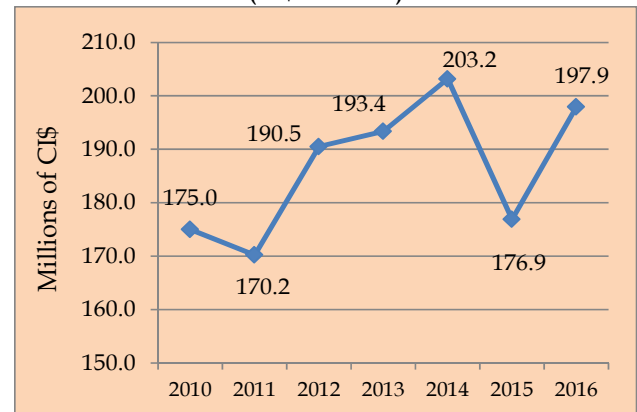
The index for miscellaneous goods and services rose by 3.8% on account of higher prices for personal effects, personal care, and other services. The cost of education was up by 2.6% due to the higher cost of

pre-primary and primary, and secondary education relative to a year ago. The communication index rose by 2.3% as the cost of telephone services increased.

### 3. Trade

The country's merchandise imports started the year on a strong note increasing by 11.9% to \$197.9 million in the first quarter of 2016 compared to a year ago (see Figure 5). This performance was evident in all categories except for food and beverages and energy-related products.

**Figure 5: First Quarter Merchandise Imports (CI\$ Millions)**



Source: Customs Department and ESO

Overall, the importation of non-petroleum products totalled \$182.6 million, 19.6% higher than last year. Based on analysis of broad economic categories, capital goods, and transport equipment led the rise in imports, increasing by 85.0% and 77.0%, respectively.

Meanwhile, the value of food and beverage imports declined by 3.4%, following reductions in processed food imports.



As prices of oil-related products showed a downward trend in the world market, the total value of petroleum products fell by 36.8% to \$15.3 million. The decline is also due to quantity reductions in diesel and gasoline imports by 0.8% and 24.1% respectively. Nonetheless, the total volume of oil imports continued to increase, rising by 21.3% to 14.8 million imperial gallons.

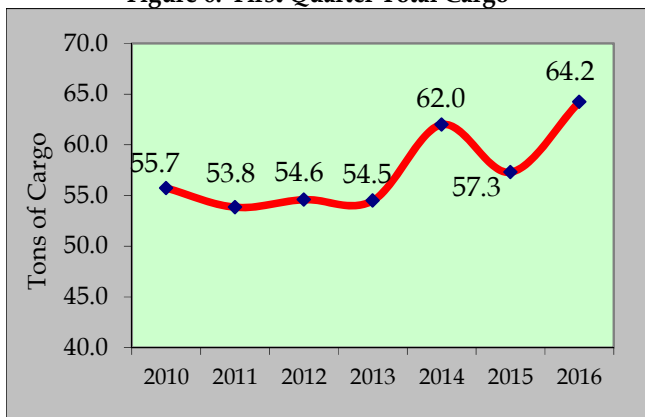
**Table 3: First Quarter Oil Imports  
(in Million Imperial Gallons)**

	Mar-14	Mar-15	Mar-16	% Change
Total Fuel	10.40	12.19	14.79	21.3
Diesel	7.36	7.18	7.12	(0.8)
Gas	2.18	2.91	2.21	(24.1)
Aviation	0.86	1.75	1.83	4.3
Propane	-	0.35	3.63	937.3

Source: Cayman Islands Port Authority

The total tonnage of landed cargo also increased by 12.1% to 64,237 tonnes as depicted in Figure 6.

**Figure 6: First Quarter Total Cargo**



Source: Cayman Islands Port Authority

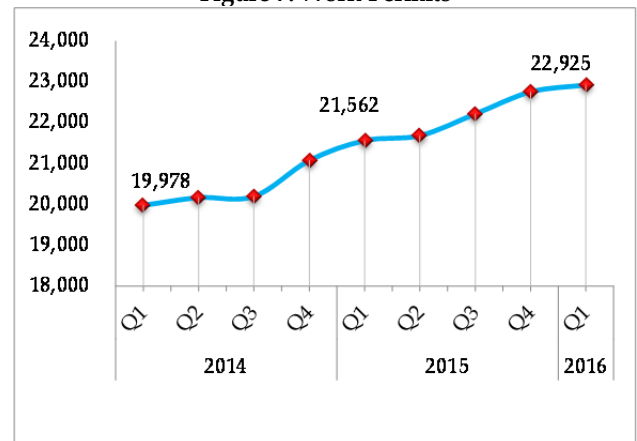
## 4. Labour Indicators

Demand for foreign workers continued to increase in the first quarter of 2016, as civil service employment also rose.

### 4.1. Work Permits

Demand for foreign labour maintained an upward trend, increasing by 6.3% to 22,295 in the review period. This increase translated into an additional 1,363 work permits compared to the same quarter in 2015.

**Figure 7: Work Permits**



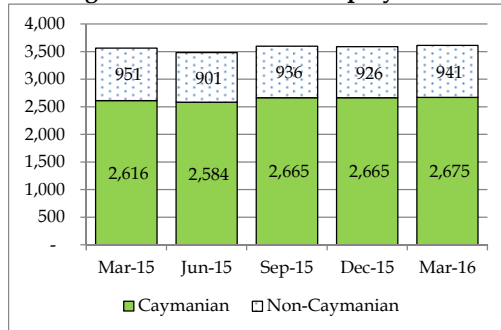
Sources: Immigration Department & ESO

On a quarterly basis, work permits increased for a ninth successive quarter, this time rising by 0.7% compared to the last quarter ended December 2015.

### 4.2. Public Sector Employment

As depicted in Figure 7, civil service employment increased by 49 to total 3,616 in the first quarter of 2016 as compared to the first quarter of 2015. Expatriate workers declined by 10 to 941 persons while Caymanians increased by 59 persons.

Figure 8: Civil Service Employment



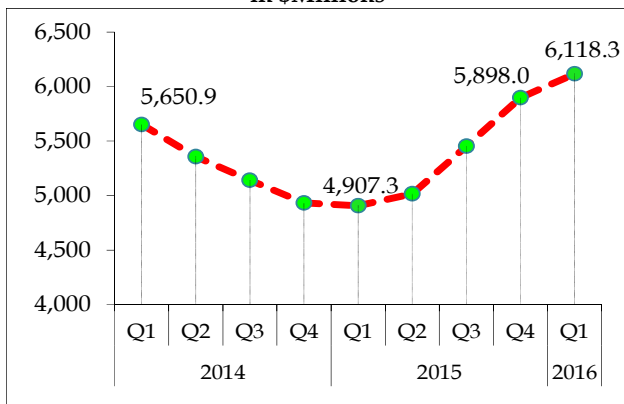
Source: Portfolio of the Civil Service

## 5. Money & Banking

Broad liquidity (M2) expanded by 24.7% to settle at \$6,118.3 million in the first quarter of 2016 (see Figure 9 and Table 4). This resulted primarily from a 31.1% increase in foreign currency deposits coupled with a 7.4% growth in local currency (KYD) denominated money supply.

M2 also represents the liabilities of the monetary and banking sector as shown in Table 4. The corresponding asset side recorded an increase in net foreign assets and a decline in net domestic assets

Figure 9: Total Money Supply (M2) in \$Millions



Source: Cayman Islands Monetary Authority & ESO

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

	Mar-15	Mar-16	% Change
<b>Total Assets</b>	<b>4,907.3</b>	<b>6,118.3</b>	<b>24.7</b>
<b>Net Foreign Assets</b>	<b>2,302.0</b>	<b>4,114.5</b>	<b>78.7</b>
Monetary Authority	98.8	108.2	9.5
Commercial Banks	2,203.2	4,006.3	81.8
<b>Net Domestic Assets</b>	<b>2,605.3</b>	<b>2,003.8</b>	<b>(23.1)</b>
Domestic credit	2,915.9	2,954.7	1.3
Claims on central government	242.0	224.3	(7.3)
Claims on other public sector	71.1	69.0	(3.0)
Claims on private sector	2,602.8	2,661.4	2.3
Other items net (assets +)	(310.6)	(950.9)	206.1
<b>Broad Liquidity</b>	<b>4,907.3</b>	<b>6,118.3</b>	<b>24.7</b>
Broad money (KYD) M2	1,333.7	1,432.2	7.4
Currency in circulation	93.0	104.7	12.6
KYD Deposits	1,240.7	1,327.5	7.0
Demand deposits	477.8	533.9	11.7
Time and savings deposits	762.9	793.6	4.0
FOREX deposits	3,573.6	4,686.1	31.1
of which: US dollars	3,258.7	4,284.4	31.5
<i>US\$ Contribution (%)</i>	<i>91.2</i>	<i>91.4</i>	

Source: Cayman Islands Monetary Authority & ESO

**5.1. Net Foreign Assets (NFA).** As at the end of the first quarter 2016, net foreign assets of domestic commercial banks were higher by 81.8% and a 9.5% growth in Cayman Islands Monetary Authority's NFA was also recorded (see Table 5).

The commercial banks recorded higher foreign assets (60.2%) while their foreign liabilities expanded (45.0%). Among the assets, non-resident loans and total investment spiked by 268.8% and 69.6% respectively, while balances with banks and branches declined.

On the foreign liabilities side, both non-resident deposits and other liabilities increased.

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

	Mar-15	Mar-16	% Change
<b>Net Foreign Assets</b>	<b>2,302.0</b>	<b>4,114.5</b>	<b>78.7</b>
Monetary Authority	98.8	108.2	9.5
Commercial Banks	2,203.2	4,006.3	81.8
<b>Foreign Assets</b>	<b>5,314.5</b>	<b>8,516.2</b>	<b>60.2</b>
Bal. with Banks & Branches	2,963.1	2,903.9	(2.0)
Total Investment	1,535.4	2,603.3	69.6
Total Non-Resident Loans	816.0	3,009.0	268.8
<b>Foreign Liabilities</b>	<b>3,111.3</b>	<b>4,509.9</b>	<b>45.0</b>
Total Non-Resident Deposits	2,906.7	4,296.3	47.8
Other Liabilities	204.5	213.6	4.4

Source: Cayman Islands Monetary Authority & ESO

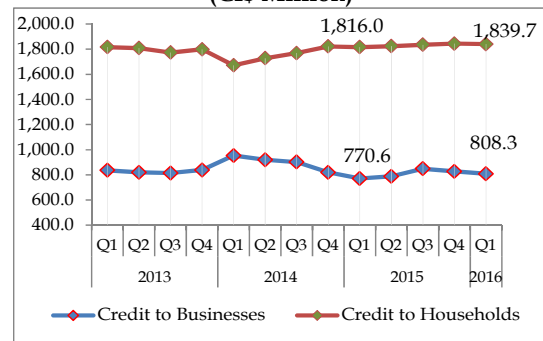
**5.2. Net Domestic Credit.** During the review period, net domestic credit increased by 1.3% as loans to the private sector rose by 2.3% while public sector indebtedness continued on its downward trajectory, this time falling by 6.3%.

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

	Mar-15	Mar-16	% Change
<b>Domestic Credit</b>	<b>2,915.9</b>	<b>2,954.7</b>	<b>1.3</b>
Domestic Credit to Public Sector	313.1	293.3	(6.3)
Domestic Credit to Private Sector	2,602.8	2,661.4	2.3

Source: Cayman Islands Monetary Authority & ESO

Higher domestic lending to the private sector is traced to increases in lending to the household and business sectors (see Figure 10). Loans to households increased by 1.3% to reach CI\$1,839.7 million. Of these, loans for motor vehicles and miscellaneous purposes obtained the largest amounts of new borrowings (see Table 7).

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


Source: Cayman Islands Monetary Authority & ESO

Credit to the business sector expanded by 4.9%, led by lending to wholesale and retail trade which rose by 54.8% and to other financial corporations by 29.1%.

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

	Mar-15	Mar-16	% Change
<b>Total</b>	<b>2,602.8</b>	<b>2,661.4</b>	<b>2.3</b>
<b>Credit to Businesses</b>	<b>770.6</b>	<b>808.3</b>	<b>4.9</b>
<b>Production &amp; Manufacturing</b>	<b>144.4</b>	<b>146.8</b>	<b>1.7</b>
Agriculture, Fishing and Mining	10.6	4.3	(59.4)
Manufacturing	16.8	18.0	7.1
Utilities	15.3	12.3	(19.6)
Construction	101.7	112.2	10.3
<b>Services</b>	<b>81.3</b>	<b>74.3</b>	<b>(8.6)</b>
Accommodation, Food, Bar & Entertainment Services	27.7	14.7	(46.9)
Transportation, Storage & Communications	17.6	18.4	4.5
Education, Recreational & Other Professional Services	36.0	41.2	14.4
<b>Trade and Commerce</b>	<b>459.7</b>	<b>477.2</b>	<b>3.8</b>
Wholesale & Retail Sales Trade	64.0	99.1	54.8
Real Estate Agents, Rental and Leasing Companies	200.4	163.6	(18.4)
Other Business Activities (General Business Activity)	195.3	214.5	9.8
<b>Other Financial Corporations</b>	<b>85.2</b>	<b>110.0</b>	<b>29.1</b>
<b>Credit to Households</b>	<b>1,816.0</b>	<b>1,839.7</b>	<b>1.3</b>
Domestic Property	1,557.1	1,556.4	(0.0)
Motor Vehicles	35.3	43.2	22.4
Education and Technology	5.9	5.8	(1.7)
Miscellaneous*	217.7	234.3	7.6
<b>NonProfit Organizations</b>	<b>16.2</b>	<b>13.4</b>	<b>(17.3)</b>

\*Miscellaneous include consolidated debt, insurance, medical & travel

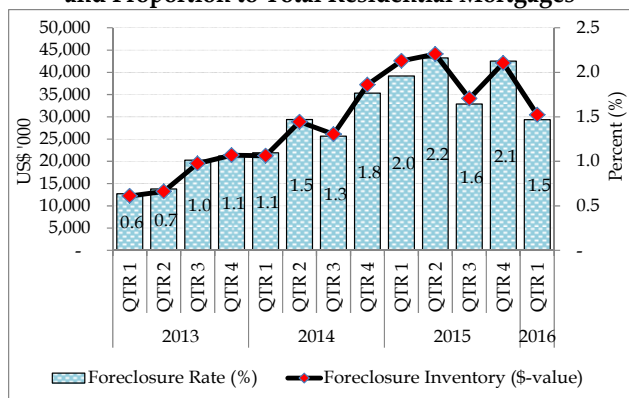
Source: Cayman Islands Monetary Authority & ESO

### 5.3. Residential Mortgage Foreclosures.

At end-March 2016, data from CIMA shows that there were 119 properties in the local commercial banks' foreclosures inventory amounting to US\$30.5 million. This represents a decrease compared to the 180 properties valued at \$42.6 million in the comparative period in 2015.

The first quarter foreclosure rate (foreclosure inventory over total residential mortgages) also declined from 2.0% in 2015 to 1.5% in 2016.

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



Source: Cayman Islands Monetary Authority & ESO

**5.4. Broad Liquidity/Money Supply.** As at the quarter ended March 2016, broad liquidity (M2) in the Cayman Islands reached \$6,118.3 million, 24.7% higher than the same period last year. This expansion directly emanated from higher foreign currency-denominated deposits and increase in the local currency denominated money supply.

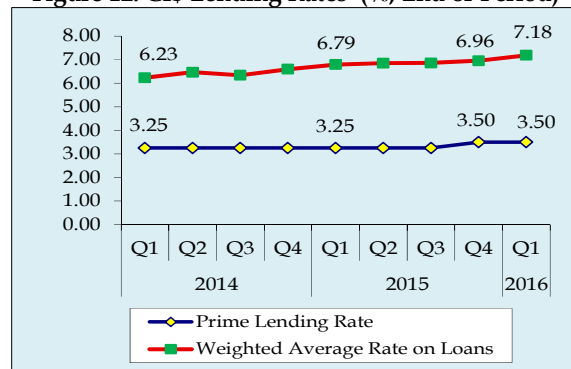
Foreign currency deposits increased by 31.1% over the twelve-month period as residents' holding of US dollar-denominated deposits were higher by

31.5% and with marginal reductions in other currencies.

Local currency money supply increased by 7.4% arising from growth in total residents' deposits and currency in circulation.

**5.5. Interest Rates.** The Cayman Islands' prime lending rate increased to 3.50% while the weighted average lending rate on KYD rose by 39 basis points from 6.79% in the first quarter of 2016 to 7.18%.

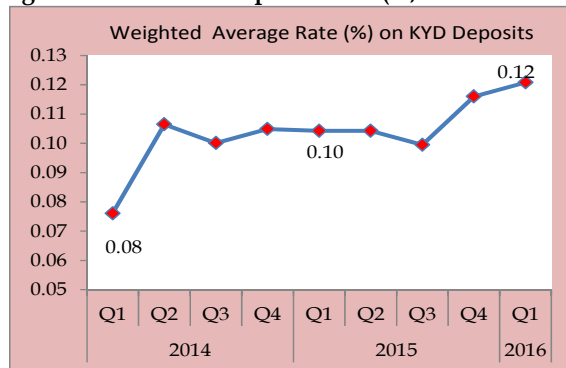
Figure 12: CI\$ Lending Rates (% End of Period)



Source: Cayman Islands Monetary Authority & ESO

The weighted average KYD deposit savings rate stood at 0.12% for the first quarter of 2016, slightly higher than a year ago, as depicted in Figure 13.

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



Source: Cayman Islands Monetary Authority & ESO

## 6. Financial Services

Indicators for the financial services sector moved in mixed directions during the quarter in review, with mutual fund listings and new partnerships registration as the only categories moving upward.

### 6.1. Banks & Trust

Registration of banks and trust licenses continued to decrease as challenges intensified in the offshore banking environment.

In the first quarter of March 2016, the total number of registered bank and trust companies stood at 179, 8.2% lower than the previous year.

**Table 8: Bank & Trust Companies**

	Mar 2014	Mar 2015	Mar 2016	% Change
<b>Bank and Trust</b>	<b>212</b>	<b>195</b>	<b>179</b>	<b>(8.2)</b>
Class A	15	12	11	(8.3)
Class B	197	183	168	(8.2)
<b>Trust Companies</b>	<b>114</b>	<b>113</b>	<b>119</b>	<b>5.3</b>
Restricted	65	63	62	(1.6)
Unrestricted	49	50	57	14.0

Source: Cayman Islands Monetary Authority

Both types of licenses recorded fewer registrations in the review period as Class 'A' fell by 1 to 11 and Class 'B' by 15 to 168.

Reductions in Class 'B' licenses reflects consolidation and recent "de-risking" behaviour of banks, which has led to re-assessment of client relationships concerning cost efficiencies and regulatory compliance.

Reductions in licensing activity were from the United States (down by 21.4%), Europe (12.5%), Canada & Mexico (11.4%) and South America (2.4%). Licensing from the Caribbean and Latin America increased by 1, along with Asia and Australia.

### 6.2. Insurance

The number of Class 'A' insurance licenses increased by 1 to 29. International insurance licenses or 'Class B' declined by 6.0% (or 48) to 713 as a result of contraction in the pure and group captives and special purpose vehicles as segregated portfolio companies increased and reinsurance were unchanged.

**Table 9: Insurance Companies**

	Mar 2014	Mar 2015	Mar 2016	% Change
Class 'A'	27	28	29	3.6
Class 'B'	760	761	713	(6.3)
<b>Total</b>	<b>787</b>	<b>789</b>	<b>742</b>	<b>(6.0)</b>

Source: Cayman Islands Monetary Authority

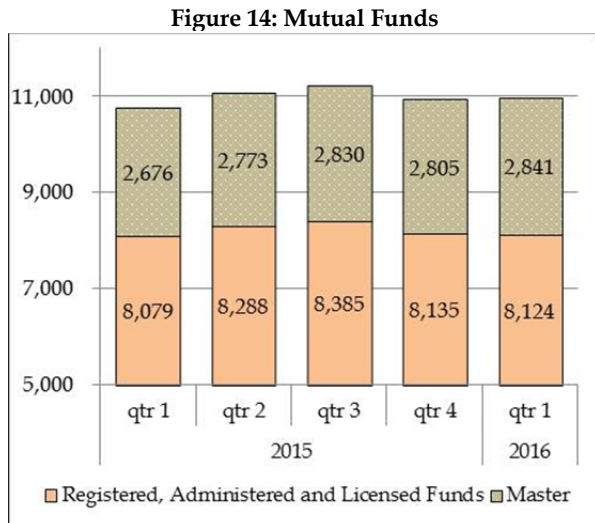
Amongst international insurers, healthcare and worker's compensation are the primary classes of business accounting respectively for 33.6% and 21.3% of the industry.

North America remains the dominant risk location of captives, representing 89.8% of the Cayman market followed by the Caribbean and Latin America with 3.1% and Europe with 2.0%.

### 6.3. Mutual Funds

During the review period, total mutual funds increased by 2.0% to reach 10,965. This expansion emanated from the master funds category, which grew by 6.0% to 2,841 licenses as at March 2016 as both

licensed and administered funds contracted.



Source: Cayman Islands Monetary Authority

#### 6.4. Stock Exchange

Listings on the Cayman Islands Stock Exchange declined by 1.1% (or by 12) from a year ago to settle at 1,064 at the end of March 2016. This decrease resulted despite improvement in sovereign debt security (25.5%) as investment funds, and specialist debt maintained a downward trend.

**Table 10: Number of Stock Listings by Instrument as at March Each Year**

Instruments	2014	2015	2016
Investment Fund	300	280	251
Specialist Debt	581	573	563
Sovereign Debt Security	122	157	197
Secondary Equity	1	1	1
Domestic Equity	5	7	7
Insurance Linked Security	25	56	43
Retail Debt	0	2	2
<b>Total</b>	<b>1,034</b>	<b>1,076</b>	<b>1,064</b>

Source: Cayman Islands Stock Exchange

Meanwhile, total market capitalization increased by 13.7% to US\$189.9 billion,

traced largely to specialist debt and sovereign debt security.

**Table 11: Market Capitalization by Instruments as at March<sup>1</sup> (in US\$ billions)**

Instruments	2014	2015	2016
Investment Fund	11.1	0.9	0.9
Specialist Debt	79.4	80.8	83.9
Sovereign Debt Security	68.5	76.7	98.1
International Equity	0.1	0.8	0.7
Domestic Equity	0.3	0.34	0.24
Insurance Linked Security	8.2	7.22	5.93
Retail Debt	0.0	0.11	0.10
<b>Total</b>	<b>167.5</b>	<b>167.0</b>	<b>189.9</b>

Source: Cayman Islands Stock Exchange

#### 6.5. New Company Registrations

New company registrations, following two years of successive first quarter growth, fell by 6.4% to settle at 2,916 as at end March 2016. The decline is the result of an 8.2% fall in exempt company registration amidst growth in the other categories.

**Table 12: New Company Registrations: Jan-Mar**

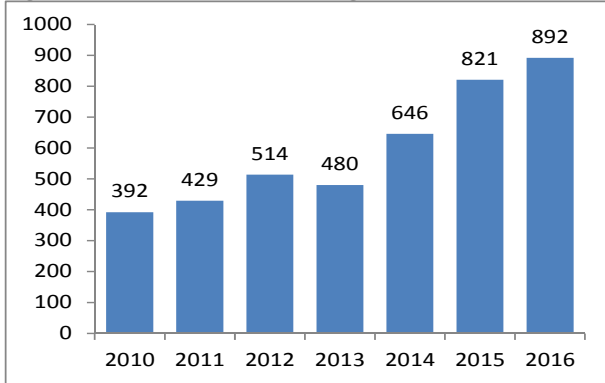
	2014	2015	2016
<b>Total</b>	<b>2,718</b>	<b>3,115</b>	<b>2,916</b>
Exempt	2,446	2,828	2,595
Non-Resident	8	12	14
Resident	121	129	134
Foreign	143	146	173
Percentage change (%)			
<b>Total</b>	<b>20.7</b>	<b>14.6</b>	<b>(6.4)</b>
Exempt	21.3	15.6	(8.2)
Non-Resident	(27.3)	50.0	16.7
Resident	9.0	6.6	3.9
Foreign	26.5	2.1	18.5

Source: Registrar of Companies

<sup>1</sup> The figures for mutual funds and domestic equity refer to market capitalization. Figures for specialist debt, Eurobond and international equity are based on par values.

**6.6. Partnerships registration.** Registration of new partnerships in the first quarter of 2015 stood at 892, 8.7% higher than a year ago. The dominant category - exempted limited partnership - rose from 804 to reach 873 in the first three months of 2016, an 8.6% percent increase.

Figure 15: New Partnerships Registration (First Quarter)



Source: Cayman Islands General Registry

## 7. Tourism

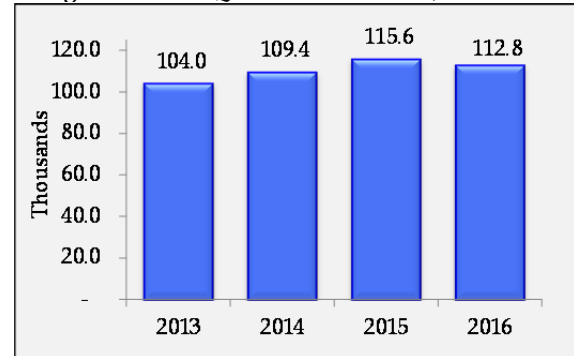
Growth in tourism services in the first three months of 2016 was generated from robust activity in cruise arrivals as air arrivals slipped.

### 7.1. Air Arrivals

Air arrivals totalled 112,778 visitors in the first three months of 2016, down by 2.5% compared to a year ago.

Air arrivals from the various source markets declined, except the USA market which brought in a 0.5% increase.

Figure 13: First Quarter Air Arrivals, 2012-2015



Source: Department of Tourism

Table 13: First Quarter Air Arrivals by Origin

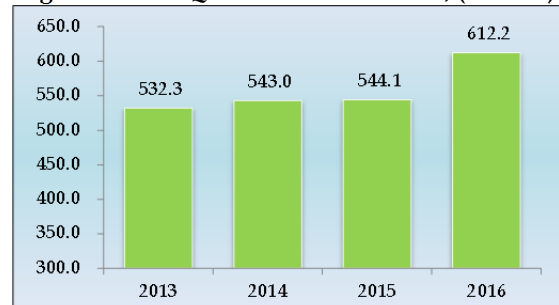
	2013	2014	2015	2016	% Change 2016/2015
	In thousands				
USA	81.5	84.0	88.9	89.4	0.5
Europe	7.6	9.0	9.6	8.5	(11.7)
Canada	9.3	10.3	10.1	9.3	(7.7)
Other	5.6	6.1	7.0	5.6	(20.4)
<b>Total</b>	<b>104.0</b>	<b>109.4</b>	<b>115.6</b>	<b>112.8</b>	<b>(2.5)</b>
<i>of which: USA (%)</i>	<b>78.4</b>	<b>76.8</b>	<b>76.9</b>	<b>79.3</b>	

Source: Cayman Islands Department of Tourism

### 7.2. Cruise Arrivals

Cruise visitors improved in the first quarter of 2016 by 12.5% to reach 612,150. The improvement resulted from a 7.2% increase in the number of cruise ship calls from 209 to 224. Total cruise passengers per day averaged 6,727 persons or an increase of 748 visitors compared to the first quarter of 2015.

Figure 16: First Quarter Cruise Arrivals, (in 000's)



Source: Department of Tourism

## 8. Construction

Construction indicators showed mixed movement in the first quarter of 2016 with building permits declining in value while project approvals increased sharply.

### 8.1. Building Permits

Building permits totalled \$35.8 million during the quarter, 20.7% lower than a year ago. There were declines in most categories, particularly the residential segments. The latter fell by 14.6% to \$27.3 million, with apartments contributing the larger decline of 57.5%.

**Table 14: Building Permits (Jan-Mar)**

	2014	2015	2016	% Change
Millions CI\$				
Houses	18.6	25.7	24.6	(4.1)
Apartments	54.6	6.3	2.7	(57.5)
Commercial	11.7	3.8	2.7	(27.5)
Government	0.3	0.4	-	(100.0)
Industrial	0.2	0.5	1.9	317.8
Hotel	-	6.8	-	(100.0)
Other	0.8	1.7	3.8	128.3
<b>Total</b>	<b>86.2</b>	<b>45.1</b>	<b>35.8</b>	<b>(20.7)</b>

Source: Planning Department

Non-residential permits amounted to \$4.7 million, 0.1% lower than a year ago mainly due to an absence of activity for hotel and government project permits.

Nonetheless, the overall level of activity, as measured by the number of building permits, increased for a second consecutive year rising by 40.4% in the first quarter this year to total 190.

**Table 15: Number of Building Permits (Jan-Mar)**

	2014	2015	2016	% Change
Houses	58	56	58	3.6
Apartments	7	13	8	(38.5)
Hotels	0	3	-	(100.0)
Commercial	21	12	22	83.3
Government	1	2	0	(100.0)
Industrial	3	4	2	(50.0)
Other	21	46	101	119.6
<b>Total</b>	<b>111</b>	<b>136</b>	<b>191</b>	<b>40.4</b>

Source: Planning Department

### 8.2. Project Approvals

Project approval, an indicator of future construction intention, soared in the first quarter of 2016 increasing by 124.5% to \$106.9 million. Two large multi-million dollar projects with a combined value of \$40.0 million led the growth.

**Table 16: Project Approvals (Jan-Mar)**

	2014	2015	2016	% Change
Millions CI\$				
Houses	28.8	25.1	25.7	2.5
Apartments	2.8	4.5	29.5	555.1
Hotel	-	-	0.4	-
Commercial	3.7	7.0	36.0	413.9
Government	0.1	0.0	6.3	-
Industrial	0.8	5.3	1.3	(75.4)
Other	6.4	5.7	7.7	35.9
<b>Total</b>	<b>42.6</b>	<b>47.6</b>	<b>106.9</b>	<b>124.5</b>

Source: Planning Department

The value of project approvals in the residential sector jumped by 86.5% to \$55.2 million. Apartments recorded a five-fold increase on account of a \$20.0-million development while approvals for houses recorded a more moderate growth of 2.5%.



The non-residential sector also demonstrated upbeat intentions with approvals rising to \$43.6 million, 254.5% higher than last year. A proposed \$20.0-million office development in the commercial category dominated the increase.

The number of project approvals was also robust in the first quarter, recovering by 23.8% to total 228 following last year's contraction.

Table 17: Number of Project Approvals (Jan-Mar)

	2014	2015	2016	% Change
Houses	60	54	56	3.7
Apartments	8	9	17	88.9
Hotels	0	0	1	-
Commercial	6	5	11	120.0
Government	1	0	2	-
Industrial	2	2	4	100.0
Other	143	115	138	20.0
<b>Total</b>	<b>220</b>	<b>185</b>	<b>229</b>	<b>23.8</b>

Source: Planning Department

## 9. Real Estate

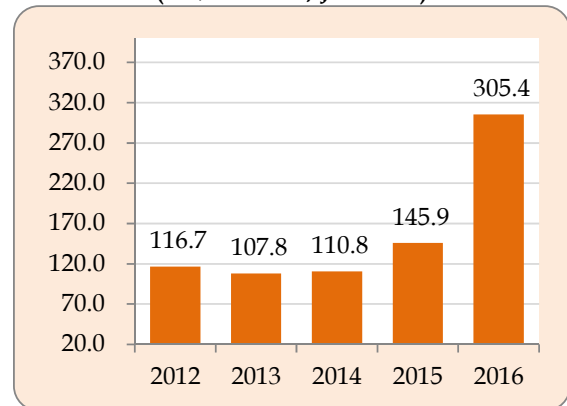
The real estate sector posted a sharp upturn in the first quarter of the year with record values for traded property which soared by 109.4% to \$305.4 million. This was due to the completion of sales and lease extensions of several multi-million dollar properties along the Seven Mile Beach.

Both freehold and leasehold properties benefitted from the heightened investor interest.

Freehold property transfers increased by 17.6% from a year ago to \$162.6 million. Notable transactions include the sale of prime

properties in George Town and Seven Mile Beach areas.

Figure 9.1: Value Property Transfers: (CI\$ Million, Jan-Mar)

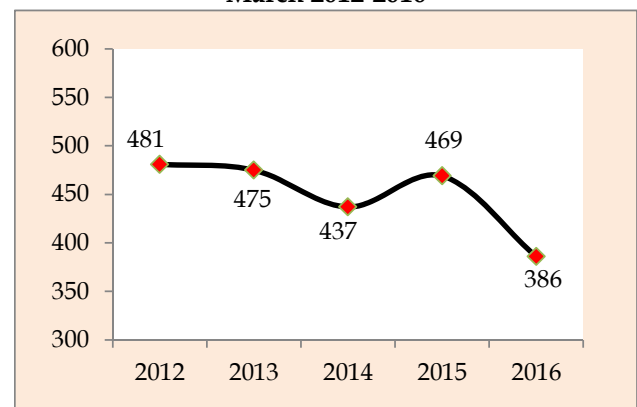


Source: Lands & Survey Department

Meanwhile, the value of traded leasehold properties spiked from last year's \$7.7 million to \$142.8 million. This increase is mainly due to the extension of multi-million dollar leases.

In terms of volume, traded properties fell by 17.7% from a year ago to 386 as freehold properties dropped by 20.4% while leasehold properties increased by 50.0% to 27.

Figure 9.1: Number of Property Transfers: Jan-March 2012-2016



Source: Lands & Survey Department

## 10. Utilities

Higher demand for electricity propelled increased levels of production during the first quarter while consumption of water and telecommunications fell.

**10.1. Electricity and water.** Electricity generation rose by 5.1% to 145.3 million kWh as at March 2016 (see Table 19), driven by a similar increase in consumption. The latter is traced to a surge in residential consumption by 10.2%, while commercial consumption grew by 0.9%. Warmer weather during the period compared to a year ago partly explains the growth in demand, in addition to the 1.6 percent increase in customer base.

During the first quarter of 2016, total water production declined by 4.7% to reach 514.0 million US gallons, fuelled mainly by lower consumption demand, which fell by 5.4% to 432.9 million US gallons.

**Table 18: Utilities Production and Consumption**

	Mar-15	Mar-16	% Change
Millions of US Gallons			
Water Production	539.4	514.0	(4.7)
Water Consumption	457.8	432.9	(5.4)
000 of Megawatt Hrs			
Electricity Production	138.2	145.3	5.1
Electricity Consumption	129.0	135.6	5.1
Residential	58.2	64.2	10.2
Commercial	69.1	69.7	0.9
Public	1.7	1.7	(0.2)
Total Customers	27,873	28,332	1.6
Residential	23,757	24,090	1.4
Commercial	4,116	4,242	3.1

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

**10.2. Telecommunications.** The demand for phone services peaked in the first quarter of 2010 and continued on a downward trajectory after that. This was sustained in the first quarter of 2016, with total paid minutes declining by 9.8%. Similarly, the number of telephone lines (fixed lines and mobile) dropped by 0.6%. The telephone industry continues to compete with cheaper on-line substitutes supported by broadband services which expanded anew, this time by 0.8% over the same quarter a year ago.

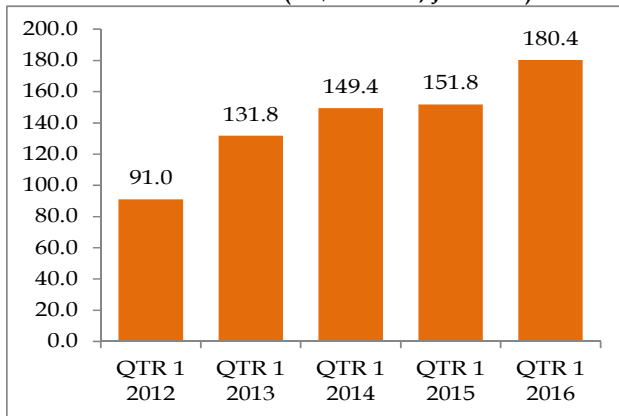
**Table 19: Telecommunication Sector Indicators, Quarter 1, 2015-2016**

	Mar-15	Mar-16	% Change
Fixed and mobile handsets in operation	124,158	123,461	(0.6)
<b>Total fixed &amp; mobile domestic &amp; int'l minutes ('000)</b>	<b>58,626</b>	<b>52,858</b>	<b>(9.8)</b>
Fixed and mobile domestic minutes ('000)	41,891	38,339	(8.5)
Fixed and mobile int'l retail minutes ('000)	16,735	14,519	(13.2)
Broadband connections	24,599	24,787	0.8

Source: Information and Communication Technology Authority

## 11. Fiscal Operations of the Central Government

The central government's overall fiscal surplus continued to improve in the first quarter, reaching \$180.4 million from \$151.8 million a year ago. This improvement by 18.7 percent (or \$28.6 million) resulted from growth in revenue that outweighed a marginal growth in expenditure.

**Figure 18: Central Government Fiscal Overall Balance (CI\$ Million, Jan-Mar)**


Source: Cayman Islands Treasury Department and ESO

**Table 20: Summary of Fiscal Operations (Jan-Mar)**

	Mar-15	Mar-16	% Change
	CI\$ Millions		
<b>Total Revenue</b>	<b>288.14</b>	<b>316.86</b>	10.0
<b>Total Expenditure</b>	<b>136.32</b>	<b>136.62</b>	0.2
Current Expenditure	136.31	137.48	0.9
Net Capital Expenditure & Net Lending <sup>1</sup>	0.01	(0.86)	
Current Balance	151.83	179.38	18.2
Overall Balance	151.82	180.24	18.7
<b>Financing</b>	<b>(151.82)</b>	<b>(180.24)</b>	(18.7)
Net Borrowing	(3.62)	(2.59)	28.5
Change in Cash	148.20	177.65	19.9

<sup>1</sup> Net Capital Expenditure and Net Lending is equal to Gross Capital Expenditure and Net Lending less Depreciation

Source: Cayman Islands Treasury Department and ESO

### 11.1. Revenue

The overall fiscal surplus resulted as total revenue for the first quarter of 2016 rose by 10.0%, amounting to \$316.86 million (see Table 21).

Coercive revenue which totalled \$307.21 million rose by 10.2% due to the higher collections from international trade and transactions, domestic taxes on goods and

taxes on property. Non-coercive revenue increased by 3.9% to reach \$9.65 million.

**Table 21: Revenue Collection of the Central Government (Jan-Mar)**

Revenue Sources	Mar-15	Mar-16	% Change
	CI\$ Millions		
<b>Total Revenue</b>	<b>288.14</b>	<b>316.86</b>	10.0
<b>Coercive Revenue</b>	<b>278.85</b>	<b>307.21</b>	10.2
Taxes on Int'l Trade & Transactions	39.20	43.19	10.2
Domestic Taxes on Goods & Services	228.89	246.20	7.6
Taxes on Property	9.99	17.26	72.8
Fines	0.47	0.45	(4.3)
Other Taxes	0.30	0.11	(63.3)
<b>Non-coercive Revenue</b>	<b>9.29</b>	<b>9.65</b>	3.9
Sale of Goods & Services	9.06	8.98	(0.9)
Investment Revenue	0.17	0.67	294.1
Other Revenue	0.06	0.00	

Source: Cayman Islands Treasury Department

**Income generated from international trade and transactions** grew by 10.2% to \$43.19 million during the period as total merchandise imports increased. All revenue categories under this rubric recorded increases except gasoline and diesel duty which declined. The latter was due to the lower duties paid by the Caribbean Utilities Company (CUC) by \$0.25 per gallon (or 33%). A portion of gasoline and diesel revenue was also transferred to the National Roads Authority (NRA) as part of roads user fees. In addition, the revenue base (quantity of imports) also declined during the period.

A rebound in cruise visitors propelled both cruise ship departure charges and environmental protection fund fees by 11.0% and 9.0%, respectively. Revenue from

tobacco products increased by 9.7% and “other” import duty<sup>2</sup> was higher by 11.9%.

**Table 22: Taxes on International Trade and Transactions (Jan-Mar)**

	Mar-15	Mar-16	% Change
<b>Import Duties</b>	<b>34.05</b>	<b>37.51</b>	<b>10.2</b>
Alcoholic Beverages Duty	4.67	4.78	2.4
Gasoline and Diesel Duty	3.57	2.29	(35.9)
Motor Vehicle Duty	2.82	4.75	68.4
Tobacco Products Duty	1.65	1.81	9.7
Other Import Duty	21.34	23.88	11.9
Cruise Ship Departure Charges	3.26	3.62	11.0
Environmental Protection Funds Fees	1.89	2.06	9.0
<b>Total</b>	<b>39.20</b>	<b>43.19</b>	<b>10.2</b>

Source: Cayman Islands Treasury Department

Revenue collected from domestic taxes on goods and services rose by 7.6% (or \$17.37 million) in the first quarter of 2016 (see Table 23). Except for receipts from motor vehicles charges, all revenue sources recorded increases. Revenue emanating from the financial services industry rose by 5.7% (or \$10.6 million) led by strong revenue growth from partnership fees (\$4.8 million), company fees (\$3.4 million), security investments fees (\$1.0 million) and mutual funds administration fees (\$1.5 million).

Work permits and residency-related fees increased by 6.1% as the number of work permits increased during the period. Other domestic taxes increased by \$4.1 million; this includes tourism accommodation charges which were higher by \$1.2 million.

<sup>2</sup> Other import duty is a ‘catch all category’ which excludes the major categories of gasoline/diesel, alcoholic beverages, motor vehicles and tobacco products.

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

	Mar-15	Mar-16	% Change
Various Financial Service Licenses	184.34	194.94	5.7
ICTA Licenses & Royalties	1.91	1.96	2.6
Work permit and Residency Fees	18.13	19.23	6.1
Other Stamp Duties	1.84	2.79	51.8
Traders' Licenses	1.81	2.42	33.5
Other Domestic Taxes	20.80	24.86	19.5
<i>Of which</i>			
Tourism Accommodation	7.47	8.68	16.1
Motor Vehicle Charges	3.06	2.49	(18.5)
<b>Domestic Taxes on Goods &amp; Services</b>	<b>228.83</b>	<b>246.20</b>	<b>7.6</b>

Source: Cayman Islands Treasury Department

Collections from taxes on property increased to \$17.26 million from \$9.99 million as sales of real estate properties recovered during the quarter.

## 11.2. Expenditure

Current expenses grew by 0.9% while gross capital expenditure and net lending fell by 26.0%. The growth in current expenditure resulted from higher personnel costs, supplies and consumables and transfer payments (see Table 24).

**Table 24: Current Expenditure of the Central Government (Jan-Mar)**

	Mar-15	Mar-16	% Change
	CI\$ Millions		
<b>Current Expenditure</b>	<b>136.31</b>	<b>137.48</b>	<b>0.9</b>
Personnel Costs	57.12	61.50	7.7
Supplies & Consumables	20.13	20.45	1.6
Subsidies	35.43	33.29	(6.0)
Depreciation	8.12	6.88	(15.3)
Transfer Payments	7.16	7.64	6.7
Interest Payments	7.07	6.87	(2.8)
Extraordinary Expenses	0.00	0.00	
Other Executive Expenses	1.28	0.85	(33.6)

Source: Cayman Islands Treasury Department

For the first three months of 2016, personnel cost was higher by 7.7% to total \$61.5 million, due mainly to an increase in salaries and wages and healthcare cost. The former partly resulted from a 4.0%-salary increase for civil servants effective July 2015. Health care cost also rose by 5.8% (see Table 25) while the number of civil servants went up by 49.

**Table 25: Personnel Costs of the Central Government (Jan-Mar)**

	Mar-15	Mar-16	% Change
Salaries and Wages	43.74	47.83	9.3
Healthcare	8.23	8.71	5.8
Employer/Government Pension Expense	5.16	5.14	(0.4)
Movement in Leave Provision Expense	(0.19)	(0.36)	91.1
Other Personnel Cost	0.18	0.19	6.1
<b>Total</b>	<b>57.12</b>	<b>61.50</b>	<b>7.7</b>

Source: Cayman Islands Treasury Department

Payments to statutory authorities and corporations in the form of subsidies fell by \$2.14 million or 6.0% to total \$33.29 million for the first three months of 2016.

Transfer payments which are payments to social welfare programs totalled \$7.64 million, higher by 6.7% from the comparative period a year ago.

Expenditure on supplies and consumables was higher by 1.6% to total \$20.45 million; this increase emanated mainly from the purchase of services and supplies.

Interest payments decreased by 2.8% to \$6.87 million on account of a lower debt stock.

Depreciation which measures the reduction in the value of the fixed assets owned by central government amounted to \$6.88 million.

### 11.3. Capital Expenditure and Net Lending

Gross capital expenditure and net lending declined by 26.0% to settle at \$6.02 million. The main reason was a reduction in equity injections and working capital support to public entities by 35.0% (\$2.15 million). Equity injection/capital acquisition also fell by 75.3% (see Table 26).

Capital expenditure and net lending net of depreciation declined by to \$0.86 million compared to a year ago, as the amount of depreciation outweighed the total capital spending.

**Table 26: Capital Expenditure and Net Lending (Jan-Mar)**

	Mar-15	Mar-16	% Change
<b>Gross Capital Expenditure and Net Lending</b>	<b>8.13</b>	<b>6.02</b>	<b>(26.0)</b>
Capital Acquisition/Equity Injections	1.62	0.40	(75.3)
Equity Injections and Working Capital support to Public Entities	6.15	4.00	(35.0)
Capital Development/Executive Assets	0.38	1.64	331.6
Net Lending	(0.02)	(0.02)	-
<b>Net Capital Expenditure and Net Lending<sup>1</sup></b>	<b>0.01</b>	<b>(0.86)</b>	
Depreciation	8.12	6.88	(15.3)

<sup>1</sup> Net Capital Expenditure and Net Lending is equal to Gross Capital Expenditure and Net Lending less Depreciation

Source: Cayman Islands Treasury Department & ESO

## 11.4. Net Financing and Debt Service Indicators

The cash balances of the central government increased to \$177.65 million, resulting from the overall fiscal surplus (see Table 27). Total loan repayment amounted to CI\$2.59 million while no new loans were borrowed during the review period.

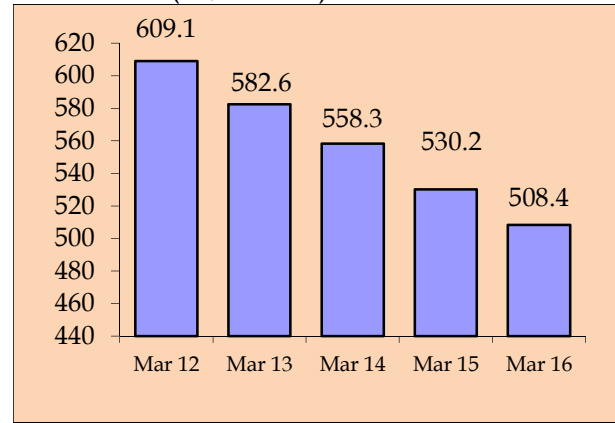
Table 27: Net Financing (Jan-Mar)

	CI\$ Millions		% Change
	Mar-15	Mar-16	
<b>Financing</b>	(151.82)	(180.24)	18.7
Net Borrowing	(3.62)	(2.59)	(28.5)
Disbursements	0.00	0.00	
Loan Repayment	(3.62)	(2.59)	(28.5)
Change in Cash Balance	148.20	177.65	19.9

Source: Cayman Islands Treasury Department

As at the end of March 2016, the central government's total outstanding debt amounted to \$508.4 million, lower by 4.1% from the same period a year ago (see Figure 19).

Figure 19: Central Government Outstanding Debt (CI\$ Millions) as at March



Source: Cayman Islands Treasury Department

The central government's debt service-to-current revenue ratio stood at 3.0% as at March 2016. Interest payments for the quarter accounted for 5.0% of recurrent expenditure.

## ACKNOWLEDGMENT

The Economics and Statistics Office (ESO) gratefully acknowledges the assistance of the following local companies, government offices and statutory authorities in generating the data sets used in this edition of the quarterly report:

**Caribbean Utilities Company**  
**Cayman Islands Customs Department**  
**Cayman Islands Monetary Authority**  
**Cayman Islands Stock Exchange**  
**Cayman Islands Treasury Department**  
**Cayman Water Company**  
**Department of Immigration**  
**Department of Tourism**  
**General Registry**  
**Information and Communication Technology Authority**  
**Lands and Survey Department**  
**Port Authority of the Cayman Islands**  
**Portfolio of the Civil Service Planning Department**  
**Water Authority**

This report was produced by the Economics Unit of the ESO, with selected data provided by the Statistics Section.