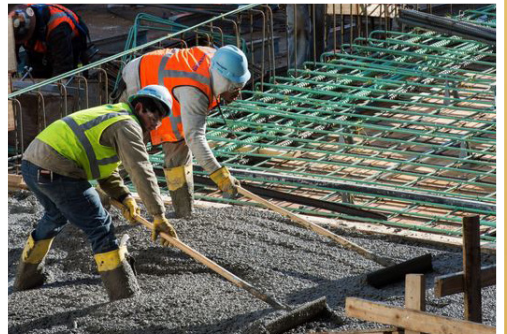




CAYMAN ISLANDS
GOVERNMENT



THE CAYMAN ISLANDS'
**SEMI-
ANNUAL
ECONOMIC
REPORT
2015**





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Overview*

- Gross domestic product was estimated to have expanded at an annualised rate of 1.6% in the first half of 2015.
- The Consumer Price Index inflation averaged -2.0%, driven by price downtrends for several items led by housing and utilities, restaurants and hotels, transport and miscellaneous goods and services.
- The value of merchandise imports declined by 10.9% to register at \$359.8 million, largely due to lower oil prices in the global market.
- Overall unemployment rate stood at 5.6%, slightly higher than in October 2014.
- Broad liquidity or money supply contracted by 6.4% to reach \$5.0 billion.
- Domestic credit contracted by 1.6% as credit to the private and public sectors fell.
- The KYD weighted average lending rate rose by 38 basis points to 6.85% while prime lending rate remained stable at 3.25%.
- Bank and trust company licenses continued on its downward trajectory, this time by 6.7%, and insurance licenses decreased by 4.9%.
- Total mutual funds registration fell by 2.1% to 11,061, notwithstanding increases in the 'master funds' category by 3.6%.
- Stock exchange listings declined by 5.2% as all types of instruments fell, except Eurobonds.
- New company and partnership registrations increased by 14.7% and 27.8% respectively.
- Air arrivals grew by 1.4% and cruise visitors by 5.5%.
- The value of building permits fell sharply from \$271.2 million to \$81.1 million.
- The total value of property transfers went up by 7.1% to \$251.1 million, despite a reduction in the number of property transfers.
- Electricity consumption fell by 0.1% while water consumption grew by 2.8%.
- The central government's overall fiscal surplus improved to \$115.1 million from \$100.2 million a year ago.
- The total outstanding debt of the central government contracted to \$520.3 million from \$546.8 million a year ago.

*Comparative data over the first six months of 2014, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off.

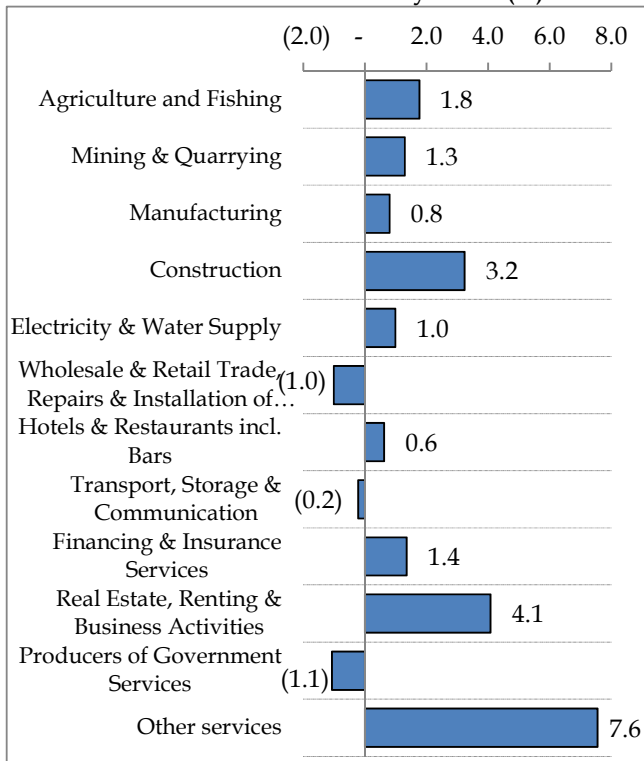
1. GDP Performance

Based on available indicators, the Cayman Islands' gross domestic product (GDP) in real terms grew by an estimated annualised rate of 1.6% for the first six months of 2015 compared to a year ago.

The expanding sectors were led by real estate, renting and business services (4.1%) mainly due to the latter; construction (3.2%); other services (7.6%); financing and insurance services (1.4%); and agriculture and fishing (1.8%) (see Figure 1).

However, declines in economic activity were led by wholesale and retail trade; government services; and transport, storage and communication.

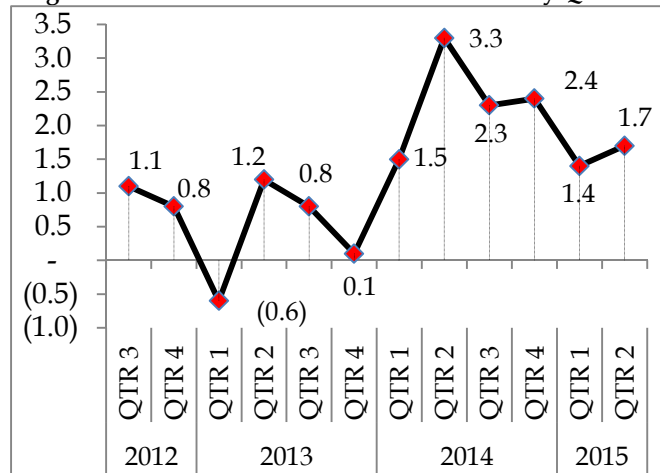
Figure 1: Estimated First Half of 2015 Annualized GDP Growth by Sector (%)



Source: Economics and Statistics office

As depicted in Figure 2, the economy expanded in the second quarter by an estimated 1.7%, the second highest semi-annual growth rate recorded since the economy started to recover in 2011, accelerating from the 2015 first quarter performance of 1.4%.

Figure 2: Estimated Annualized GDP Growth by Quarter



Source: Economics and Statistics Office

Given the first half of the year's performance, there is now a higher downside risk of achieving the GDP growth forecast for 2015 of 2.1%, therefore the forecast is now adjusted to 1.7% (see Table 1). This is consistent with a lower than expected growth rate of visitors and a simultaneous reduction in wholesale and retail activity. The International Monetary Fund also adjusted the global growth rate for 2015 from 3.5% to 3.1% and the US growth from 3.1% to 2.6%. The pick-up in real estate activity and construction bolstered economic growth for the first half of 2015 and are expected to continue for the second half of the year. Financing and insurance have shown signs of

stability which will help maintain the forecasted path.

Sharp decline in international oil prices for the first half of 2015 compared to the same period a year ago caused the average price level to plummet by 2.0% for the first half of 2015. This price deflation is the basis for a revision of the initial inflation forecast for 2015 to an overall deflation of 0.2%.

Unemployment rate is forecasted at 5.2%, conditional on the continuing revival of economic activities.

**Table 1: Macroeconomic Outlook
Based on Semi-Annual Data**

	2012	2013	2014	Projection
				2015
Percent (%)				
Real GDP*	1.2	1.4	2.1	1.7
CPI Inflation	1.2	2.2	1.3	-0.2
Unemployment Rate	6.2	6.3	4.7	5.2

*GDP for 2014 is estimated based on indicators

Source: Economics and Statistics Office

2. Inflation

For the first half of 2015, the Cayman Islands economy recorded an average deflation of 2.0% (see Table 2) as both the first and second quarters of the year posted negative inflation rates (see Figure 3). This resulted mainly from declines in the price indices for restaurants and hotels, housing and utilities, transport, and miscellaneous goods and services.

The aforementioned declines outweighed increases in clothing and footwear, household equipment, education, food and non-alcoholic beverage, and recreation and culture.

Table 2: Average Inflation (Jan-June)

Categories	Average Inflation Rates (%)	
	2014	2015
Food & Non-alcoholic Beverages	2.5	2.0
Alcohol and Tobacco	-0.1	0.6
Clothing and Footwear	-0.2	2.2
Housing and Utilities	-1.5	-5.2
Household Equipment	7.1	0.5
Health	-0.2	0.3
Transport	3.6	-3.8
Communication	1.1	2.7
Recreation and Culture	1.9	1.9
Education	4.2	3.6
Restaurants and Hotels	10.0	-4.8
Misc. Goods and Services	2.5	-1.9
Overall CPI Inflation	1.5	-2.0

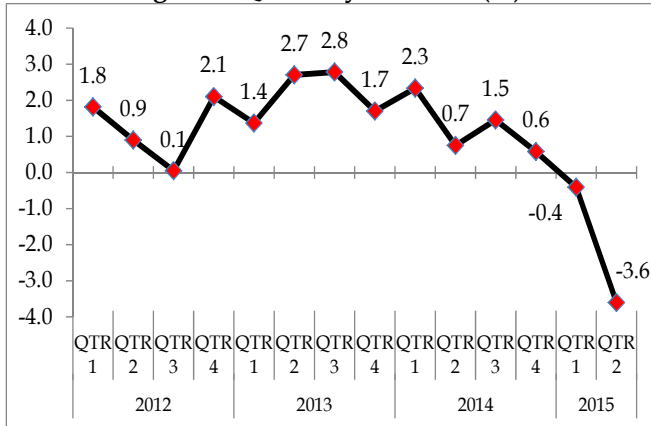
Source: Economics and Statistics Office

During the second quarter of 2015, the Consumer Price Index (CPI) was lower by 3.6% compared to June 2014 (see Figure 3)¹. The deflation is traced mainly to the 9.4% decline in the housing and utilities price index. Gas and other fuels fell by 25.7% following the decline in international oil prices. In addition, water supply and miscellaneous services benefited from lower cost of pumping to decline by 10.3%. Actual rental of housing and imputed rent of owner-occupied housing fell by 4.9% and 8.4%, respectively.

The price index for transport recorded a decline of 7.6% due to lower cost of operating personal transport vehicles such as the price of petrol which fell by 9.5%. Transport services also fell by 5.8% although the average purchase price of vehicles rose marginally by 1.2% compared to a year ago.

¹ See also 'The Cayman Islands Consumer Price Index Report June 2015,' www.eso.ky

Figure 3: Quarterly Inflation (%)*



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

Adding to the deflation in the second quarter of 2015 was a downward price movement for personal effects by 5.8%, in particular ladies accessories. Average insurance cost fell by 4.2% which outweighed the increases associated with personal care and social protection by 4.5% and 1.2%, respectively.

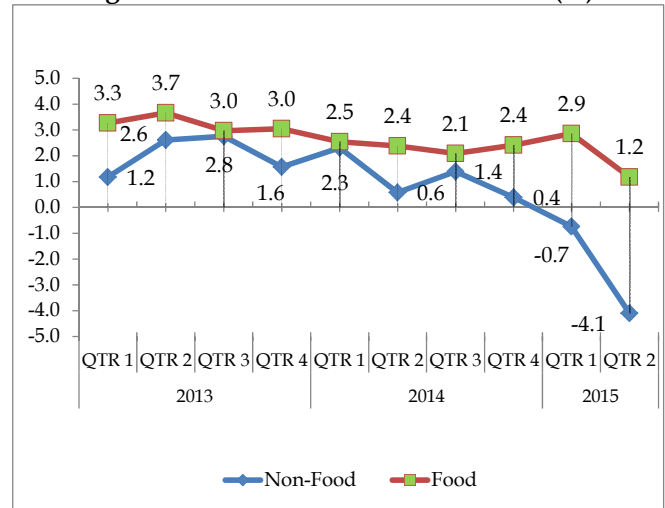
The index for restaurants and hotels fell by 1.4% due to a reduction in the average price of accommodation services while catering services increased by 0.7%.

These combined declines outweighed increase in other indices to push non-food inflation down to -4.1%; as aggregated they account for 66% of the overall CPI.

Despite the overall decline in the second quarter index, food and non-alcoholic beverages increased by 1.2%; this is the first time since the second quarter of 2011 that the food index inflation increased below 2 percent. The continued growth in the food index can be explained by sustained food price increases worldwide. In the Cayman Islands, since the first quarter of 2010 the food price inflation averaged 3.1% which means

that average food prices is higher by 69.3 percent compared to that period.

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

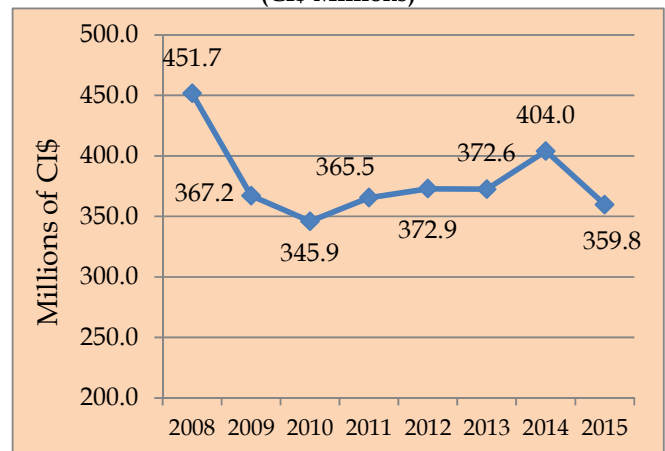


Source: Economics and Statistics Office

3. Trade

Merchandise imports for first six months of 2015 declined by 10.9% to \$359.8 million. This resulted as both non-petroleum related imports and petroleum imports declined for the first and second quarters of the year.

Figure 5: Merchandise Imports (Jan-June) (CI\$ Millions)



Source: Customs Department and ESO

The value of petroleum products - mineral fuels, lubricants and related materials - fell by 41.7% to settle at \$51.9 million for the first half of 2015. The value of fuel declined despite the total quantity of imported fuel increasing by 3.5% to 25.86 million imperial gallons as displayed in Table 3.

Table 3: First Quarter Oil Imports

	Jun-13	Jun-14	Jun-15	% Change
	Millions of imperial gallons			
Total Fuel	24.07	24.98	25.86	3.5
Diesel	15.46	16.57	16.00	-3.4
Gas	5.80	5.84	5.78	-0.9
Aviation Fuel	2.12	2.25	3.38	50.0
Propane	0.70	0.33	0.70	114.4

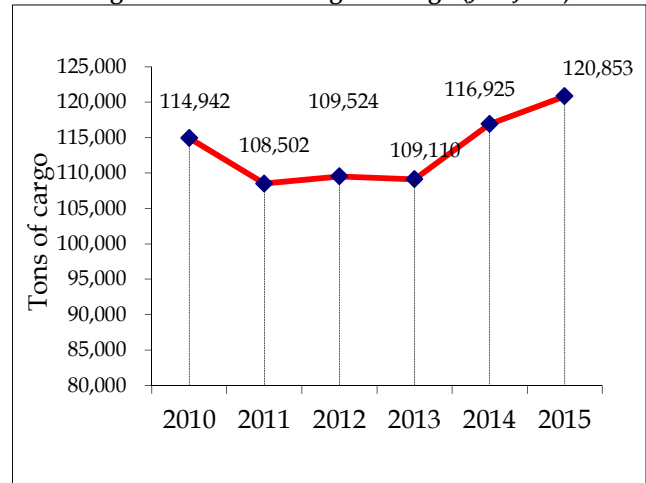
Source: Cayman Islands Port Authority

Non-petroleum products also declined in the first half of the year by 2.3%. Among the sub-categories, the largest decline is traced to professional equipment imports including medical equipment, and other miscellaneous articles. Machinery and transport equipment also fell by 4.9%.

A few non-petroleum goods, however, posted increases during the first six months. Food and live animals rose by 5.0% during the first six months, although a decline was recorded in the first quarter. Also on the uptrend were commodities and transactions not classified elsewhere (18.1%), chemical and related products (6.5%), and crude materials excluding fuels (25.1%).

Contrary to the decline in the total value of non-oil imports, the total tonnage of landed cargo improved by 3.4% as compared to a year ago (see Figure 6).

Figure 6: Total Tonnage of Cargo (Jan-June)



Source: Cayman Islands Port Authority

4. Employment

4.1. Labour Force²

Consistent with the growth in population, the labour force increased by 1.4% to 40,149 in the Spring 2015 period as compared to the Fall 2014 period.

Caymanians accounted for majority (47.3%) of the labour force, followed by Non-Caymanians with 42.2%. Permanent Residents with rights to work (PR- WRW) accounted for the remaining 10.5%.

The overall participation rate edged higher to 82.9%, although Caymanians labour force participation rate declined from 76.6% to 73.9%.

Total employment increased by 0.5% or an additional 178 persons. Non-Caymanians recorded positive growth in employment while Caymanian and PR-WRW employment

² See also "The Cayman Islands' Labour Force Survey Report Spring 2015," www.eso.ky

declined, corresponding to the contraction in their labour force.

Table 4: Summary of Labour Force Indicators

Labour Force Indicators	Fall 2014	Spring 2015
Population	58,238	59,054
Working Age Population	47,896	48,437
Labour Force	39,582	40,149
Total Employed	37,723	37,900
Total Unemployed	1,859	2,248
Unemployed Rate (%)	4.7	5.6
Caymanian Population	33,447	33,675
Working Age Population	25,714	25,693
Labour Force	19,689	18,986
Total Employed	18,127	17,410
Total Unemployed	1,562	1,575
Unemployed Rate (%)	7.9	8.3
Permanent Residents WRW	-	4,542
Working Age Population	-	4,542
Labour Force	-	4,227
Total Employed	-	3,876
Total Unemployed	-	351
Unemployed Rate (%)	-	8.3
Non-Caymanian Population *	24,791	20,837
Working Age Population	22,182	18,202
Labour Force	19,893	16,937
Total Employed	19,596	16,614
Total Unemployed	297	323
Unemployed Rate (%)	1.5	1.9

* Includes PR-WRW in 2014; this category became part of the LFS Report starting Spring 2015 only.

Source: Economics & Statistics Office

The unemployment rate rose to 5.6% as compared to the 4.7% recorded in Fall 2014. A total of 2,248 were unemployed. The Caymanian unemployment rate increased by 0.4 percentage points to 8.3%.

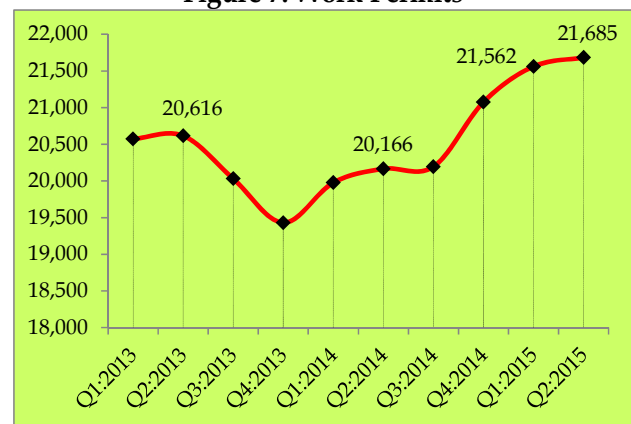
Amongst the employed, the top five occupations comprising 76.8 percent of total employment were as follows: service and

sales workers (21.7%); professionals (15.1%); elementary occupations (14.9%); technicians and associate professionals (13.3%); and craft and related trades workers (11.8%).

4.2. Work Permits

Work permits increased by 7.5 percent compared to a 2.0% decrease in the comparative period in 2014. Relative to the previous quarter, work permits continued on the uptrend moving from 21,562 to 21,685 (see Figure 7).

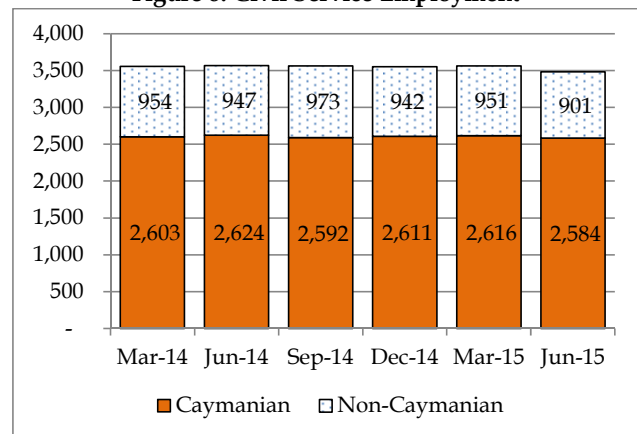
Figure 7: Work Permits



Sources: Immigration Department, Economics & Statistics Office

4.3. Public Sector Employment

Figure 8: Civil Service Employment



Source: Portfolio of the Civil Service

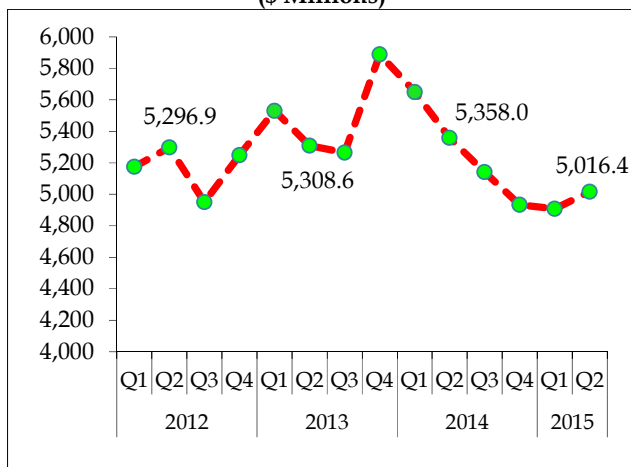
As shown in Figure 8, the number of civil servants declined by 87 to a total of 3,485. Caymanian civil servants decreased by 40 to total 2,584, while non-Caymanians decreased by 46 to 901.

The statutory bodies and government-owned companies had a total employment at 2,751 at the end of June 2015, of which Caymanians make up 80.2%.

5. Money & Banking

Broad liquidity (M2) comprising CI dollar-denominated money and foreign exchange deposits contracted by 6.4% to settle at \$5,016.4 million in the first half of 2015. During this period, foreign currency deposits declined 10.3%, while CI dollar-denominated money grew by 7.0%.

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



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Broad liquidity (M2) represents the liabilities of the monetary and banking sector. The corresponding asset side recorded a decrease

in net foreign assets while net domestic assets increased.

Table 5: Monetary and Banking Summary Indicators
(\$ Millions)

	Jun-14	Jun-15	% Change
Total Assets	5,358.0	5,016.4	(6.4)
Net Foreign Assets	2,797.8	2,352.4	(15.9)
Monetary Authority	97.1	99.8	2.8
Commercial Banks	2,700.7	2,252.6	(16.6)
Net Domestic Assets	2,560.2	2,664.0	4.1
Domestic credit	2,994.0	2,946.0	(1.6)
Claims on central government	264.2	237.1	(10.3)
Claims on other public sector	62.9	76.1	21.0
Claims on private sector	2,666.9	2,632.8	(1.3)
Other items net (assets +)	(433.8)	(282.0)	(35.0)
Broad Liquidity	5,358.0	5,016.4	(6.4)
Broad money (KYD) M2	1,237.2	1,320.7	6.7
Currency in circulation	91.7	94.9	3.5
KYD Deposits	1,145.5	1,225.8	7.0
Demand deposits	457.5	487.4	6.5
Time and savings deposits	688.0	738.4	7.3
FOREX deposits	4,120.8	3,695.7	(10.3)
of which: US dollars	3,746.7	3,344.9	(10.7)
US\$ Contribution (%)	90.9	90.5	

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

5.1. Net Foreign Assets (NFA). During the review period, net foreign assets of domestic commercial banks fell 16.6% (see Table 5), while that of the Cayman Islands Monetary Authority increased by 2.8%, resulting in an overall contraction of \$445.4 million (or 15.9%).

The decline in commercial banks' NFA resulted from an increase in foreign liabilities (9.5%) coupled with a 3.3% reduction in foreign assets (see Table 6).

The increase in foreign liabilities resulted as non-resident deposits and other liabilities

increased. Net foreign assets declined as balances with banks and branches, and non-resident loans dipped outweighing an increase in total investments.

Table 6: Net Foreign Assets (\$ Millions)

	Jun-14	Jun-15	% Change
Net Foreign Assets	2,797.8	2,352.4	(15.9)
Monetary Authority	97.1	99.8	2.8
Commercial Banks	2,700.7	2,252.6	(16.6)
Foreign Assets	5,504.5	5,323.1	(3.3)
Bal. with Banks & Branches	3,487.4	2,734.2	(21.6)
Total Investment	1,125.0	1,768.0	57.2
Total Non-Resident Loans	892.1	820.9	(8.0)
Foreign Liabilities	2,803.8	3,070.5	9.5
Total Non-Resident Deposits	2,626.7	2,797.3	6.5
Other Liabilities	177.1	273.2	54.3

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

5.2. Net Domestic Assets/Domestic Credit.

Overall levels of domestic debt from the banking sector moderated by 1.6% during the review period. Borrowings of both public and private sectors compared to a year ago fell respectively by 4.2% and 1.3% (see Table 7).

Table 7: Net Domestic Assets (\$ millions)

	Jun-14	Jun-15	% Change
Domestic Credit	2,994.0	2,946.0	(1.6)
Domestic Credit to Public Sector	327.1	313.2	(4.2)
Domestic Credit to Private Sector	2,666.9	2,632.8	(1.3)

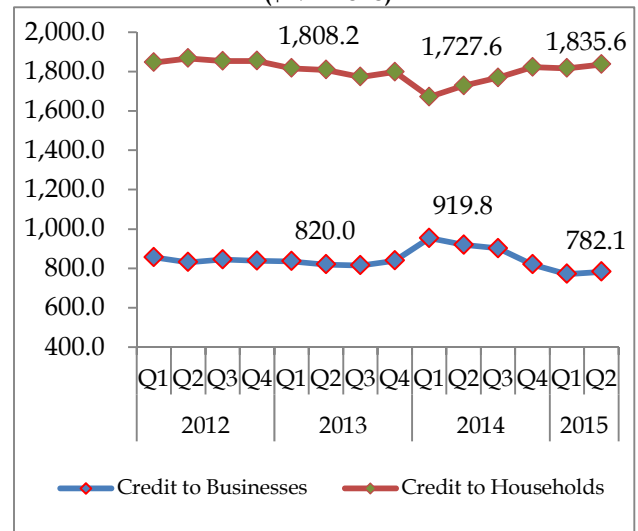
Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Lending to parastatal and public authorities increased by 21.0% to \$76.1 million, while central government debt decreased by \$27.1 million due to continued fiscal restraint.

Overall lending to the private sector comprising of credit to businesses and

households declined. As shown in Figure 10, lending to business sector contracted by 15.0% while loans to households expanded (6.3%).

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



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

As referenced in Table 8, business sector borrowings contracted by 15.0% (or \$137.7 million) as a sharp decline in loans to the primary production sector outweighed higher lending activity for services (19.7%), trade and commerce (20.9%), and other financial corporations (162.6%).

Credit to all service sectors except for accommodation, food, bar & entertainment services increased.

Among trade and commerce sectors, only credit for other general business activity declined in the review period.

Credit to households increased by 6.3% (or \$108.0 million) as at June 2015 compared to the preceding year. Household borrowings

increased for all but miscellaneous credit, which decreased 11.6% (see Table 8).

Table 8: Net Credit to the Private Sector (\$ millions)

	Jun-14	Jun-15	% Change
Total	2,666.9	2,632.8	(1.3)
Credit to Businesses	919.8	782.1	(15.0)
Production & Manufacturing	419.2	138.5	(67.0)
Agriculture, Fishing and Mining	13.0	10.6	(18.3)
Manufacturing	13.8	15.6	13.3
Utilities	10.3	13.9	35.2
Construction	382.1	98.3	(74.3)
Services	64.7	77.5	19.7
Accommodation, Food, Bar & Entertainment Services	29.9	27.8	(7.2)
Transportation, Storage & Communications	16.5	17.0	3.0
Education, Recreational & Other	18.3	32.7	78.6
Trade and Commerce	408.2	493.7	20.9
Wholesale & Retail Sales Trade	75.3	82.9	10.1
Real Estate Agents, Rental and Leasing Companies	129.2	221.8	71.7
Other Business Activities (General Business Activity)	203.7	189.0	(7.2)
Other Financial Corporations	27.6	72.5	162.6
Credit to Households	1,727.6	1,835.6	6.3
Domestic Property	1,432.9	1,565.5	9.3
Motor Vehicles	31.3	36.0	15.0
Education and Technology	5.0	5.8	15.0
Miscellaneous*	258.4	228.4	(11.6)
NonProfit Organizations	19.5	15.1	(22.7)

*Miscellaneous include consolidated debt, insurance, medical & travel

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

5.3. Residential Mortgage Foreclosures

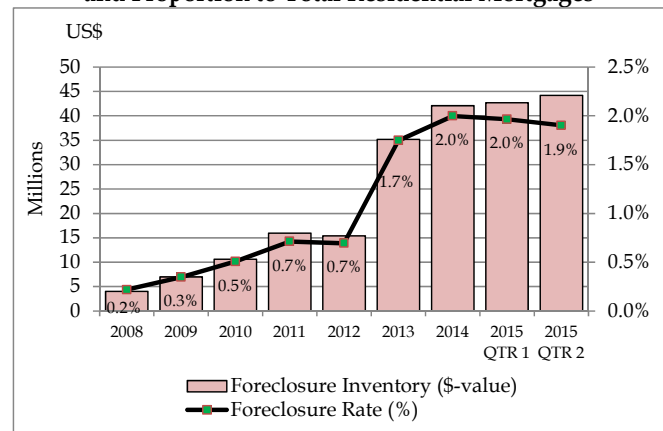
Since the end of 2008, data from CIMA show that foreclosures of residential mortgages have increased in value and quantity. In 2008, foreclosures amounted to US\$4.0 million (or 17 mortgages), accounting for approximately 0.2% of the total amount of residential mortgages. Between 2009 and 2013 residential mortgage foreclosures averaged US\$14

million and accounted for 0.6% of the overall outstanding residential mortgage. The total number of mortgage foreclosures inventory stood at 200 by end of 2014 amounting to US\$42.1 million or 2% of total residential mortgages.

As at the end of the second quarter of 2015, the foreclosures inventory was 177 amounting to US\$44.2 million or 1.9% of the total value of residential mortgages.

The total number of completed foreclosures widened from 5 (or 29.4% of all foreclosures) in 2008 to an average of 21 (or 36.5% of all foreclosures) in 2009 to 2012. In 2013, the number reached 65 (or 24.8% of all foreclosures). The completion of foreclosures eased down in 2014 to 23 (or 3.9% of all foreclosures); however, this rose to 48 as of the first half of 2015, equivalent to 13.5% of the foreclosure inventory.

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



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

5.4. Broad Liquidity. As referenced in Table 5, broad liquidity (M2) in the Cayman Islands settled at \$5,016.4 million in June 2015,

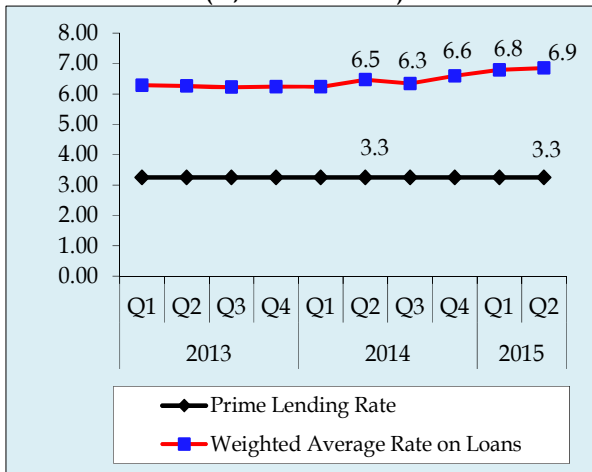
compared to \$5,358.0 million for the same period last year.

The contraction in broad liquidity stemmed from the 10.3% decrease in foreign currency deposits, with holdings of US dollar-denominated deposits decreasing by 10.7%.

CI dollar-denominated money supply, which is comprised of currency in circulation and deposits, increased respectively by 3.5% and 7.0%.

5.5. Interest Rates. The Cayman Islands prime lending rate remained constant at 3.25%. However, the **KYD** weighted average lending rate edged upwards by 38 basis points from 6.47% in June 2014 to 6.85% in June 2015 (see Figure 12).

Figure 12: KYD Lending Rates
(%, End of Period)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

As indicated in Figure 13, the weighted average savings rate on KYD deposits declined by 2 basis points during the first six months of 2015 from a year ago to 0.09%.

Figure 13: KYD Weighted Average Savings Rates
(%, End of Period)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

6. Financial Services

Cayman’s financial services sector posted mixed results in the first half of 2015. Overall registration activity was subdued for all categories with the exception of new company and partnership registrations.

6.1 Banks & Trust

The total number of licenses for banks and trust companies fell anew by 14 (or 6.7%) to 196 in June 2015. This decline reflects the long-term trend in bank consolidation and restructuring to obtain cost efficiencies and improve operational risk management and governance globally.

Class ‘A’ bank & trust licenses decreased by three to 12, while Class ‘B’ licenses declined by 11 to 184.

Table 9: Bank & Trust Companies

	Jun 2013	Jun 2014	Jun 2015	% Change
Bank and Trust	221	210	196	-6.7
Class "A"	15	15	12	-20.0
Class "B"	206	195	184	-5.6
Trust Companies	118	114	118	3.5
Restricted	67	65	62	-4.6
Unrestricted	51	49	56	14.3

Source: Cayman Islands Monetary Authority

Amongst trust companies, there was a reversal of last year's contraction with licenses increasing by 4 to 118. The growth is attributed to a 14.3% rise in unrestricted trust companies offsetting a 4.6% decline in restricted trust company licences.

By location, licensees from Europe and the USA are the main participants in the Cayman Islands banking industry accounting for 25.0% and 20.9% respectively of licensees. The rest originated from South America (18.4%), Asia and Australia (11.4%), Caribbean and Central America (11.7%), Canada and Mexico (9.7%), and the Middle East and Africa (2.5%).

6.2 Insurance

During the review period, the total number of insurance licenses declined by 4.9% (or 39) to 752 as at June 2015.

Class 'A' insurance licenses, which are for domestic insurers increased by 2 to 29, as Class 'B' (captive) licenses fell by 41 to 723.

Table 10: Insurance Companies

	Jun 2013	Jun 2014	Jun 2015	% Change
Class 'A'	27	27	29	7.4
Class 'B'	750	764	723	-5.4
Total	777	791	752	-4.9

Source: Cayman Islands Monetary Authority

Within the captive insurance market, healthcare and workers compensation coverage remain the primary class of business, accounting respectively for 34.0% and 20.9% of the market.

Table 11: Captive Insurance Licences by Primary Class of Business, June 2015

	Licences	Proportion (%)
Healthcare	246	34.0
Workers' Compensation	151	20.9
Property	80	11.1
General Liability	76	10.5
Professional Liability	65	9.0
Others	105	14.5
Total	723	100.0

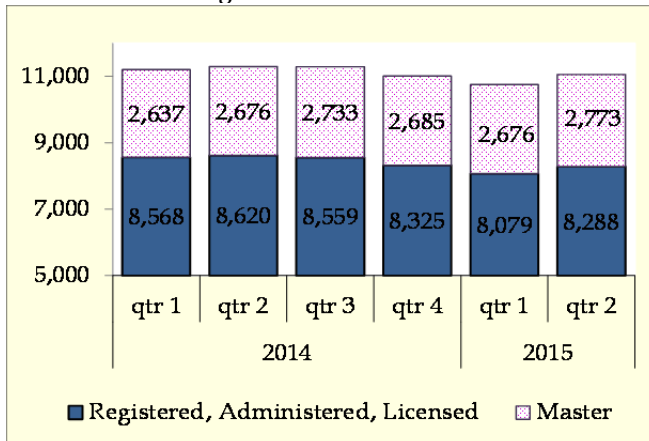
Source: Cayman Islands Monetary Authority

By geographical risk location, North America represents 89.9% (or 650) of the captive insurance companies.

The premiums for captive insurance totalled US\$11.9 billion at end of June 2015, 3.6% lower than a year ago.

6.3 Mutual Funds

Total mutual funds decreased by 2.1% to 11,061 in June 2015 as compared to the same period in 2014. Amongst regulated funds, only master funds grew, rising by 3.6% to 2,773 in June 2015.

Figure 14: Mutual Funds


Source: Cayman Islands Monetary Authority

6.4 Stock Exchange

The Cayman Islands Stock Exchange total stock listings lessened by 37 (or 5.2%) from June 2014 to 1,029 in June 2015. The eurobond was the only stock instrument recording increase during the review period.

However, overall market capitalisation rose by 12.0% to US\$ 192.0 billion. Improving performance of eurobond (31.4%), primary equity (3.6%) and specialist debt (1.2%) offset declines in remaining instruments.

Table 12: Number of Stock Listings by Instruments, end June

Instruments	2014	2015	% Change
Mutual Funds	275	234	(14.9)
Specialist Debt	584	558	(4)
Eurobond	134	182	36
Secondary Equity	1	1	-
Primary Equity	6	5	(17)
Insurance Linked Security	66	49	(26)
Total	1,066	1,029	(5.2)

Source: Cayman Islands Stock Exchange

Table 13: Market Capitalization by Instruments, (US\$ billions)³, end June

Instruments	2014	2015	% Change
Mutual Funds	10.7	9.2	-14.1
Specialist Debt	80.0	81.0	1.2
Eurobond	72.3	95.0	31.4
Secondary Equity	0.10	0.07	-26.9
Primary Equity	0.23	0.24	3.6
Insurance Linked Security	8.0	6.5	-18.6
Total	171.3	192.0	12.0

Source: Cayman Islands Stock Exchange

6.5 New Company Registrations

New company registrations totalled 6,275 in the first six months of 2015, 14.7% higher than a year ago.

All four categories of company registration recorded positive growth led by exempt companies (15.3%) with non-resident and resident also recording double-digit growth respectively of 13.3% and 12.5%.

Table 14: New Company Registrations, end June

	2012	2013	2014	2015
Total	4,794	4,813	5,472	6,275
Exempt	4,221	4,270	4,942	5,698
Non-Resident	39	20	15	17
Resident	291	233	232	261
Foreign	243	290	283	299
Percentage change (%)				
Total	-1.0	0.4	13.7	14.7
Exempt	-0.6	1.2	15.7	15.3
Non-Resident	-56.2	-48.7	-25.0	13.3
Resident	4.7	-19.9	-0.4	12.5
Foreign	4.7	19.3	-2.4	5.7

Source: Registrar of Companies

³The 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

During the review period, the number of new partnerships increased by 27.8% to total 1,721. The growth reflects investor's increasing preference for this type of corporate vehicle in establishing private equity and hedge funds.

Table 15: New Partnership Registrations, end June

	2013	2014	2015
Total	1,124	1,347	1,721
Exempted Limited	1,124	1,347	1,681
Foreign*	0	0	40
Limited	0	0	0
Percentage change (%)			
Total	7.0	19.8	27.8
Exempt	7	20	25

* Foreign partnerships introduced only July 2014)

Source: Registrar of Companies

7. Tourism

For the first half of 2015, total visitor arrivals increased 4.7% to 1,122,386 arrivals. Cruise and air arrivals increased by 5.5% and 1.4%, respectively. Despite the overall increase, slower growth was recorded in 2015 than in 2014.

Table 16: Air Arrivals by Country (Jan - June)

	2013	2014	2015	% Change
In thousands				
USA	152.8	163.0	166.5	2.1
Northeast	54.6	57.9	61.0	5.4
Midwest	37.2	39.9	39.2	(1.7)
Southeast	25.0	25.7	25.8	0.5
Southwest	26.1	29.0	30.4	5.0
West Coast	9.8	10.7	10.1	(5.4)
Europe	13.6	18.0	17.2	(4.2)
Canada	13.9	15.1	15.0	(0.5)
Others	12.1	14.4	14.8	2.8
Total	192.4	210.5	213.5	1.4
of Which: USA (%)	79.4	77.5	78.0	

Source: Tourism Department

7.1 Air Arrivals

Air arrivals totaled 213,495 in the first half of the year increasing by 1.4% from 210,491 a year ago. This performance reflects a slowdown compared to the 9.4% growth for the same period in 2014.

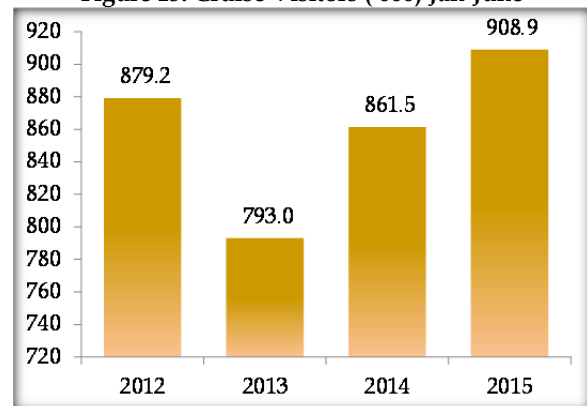
The weaker growth rate resulted mainly from slowdown in air arrivals originating from the United States (US). Stay-over arrivals from the US increased by 4.9% in 2013 and by 6.7% in 2014 and slowed to a growth of 2.1% in the current year. The Midwest and the West Coast regions recorded the largest declines, falling by 1.7% and 5.4%, respectively.

Air arrivals from Europe declined by 4.2% for the first half of 2015, following strong growth in comparable periods of 20.6% in 2013 and 32.1% in 2014.

7.2 Cruise Arrivals

There were more cruise ships that visited Cayman's port as of June - from 307 in 2014 to 319 in 2015. This also translated into a total of 908,881 passengers compared to 861,517 cruise ship travellers a year ago, an increase of 5.5%.

Figure 15: Cruise Visitors ('000) Jan-June



Source: Tourism Department

Cruise passengers per day averaged 5,049 persons, increasing from 4,786 in June 2014.

8. Construction

Construction intention indicators in the first six months of 2015 continued to show a mixed performance.

8.1 Building Permits

Building permit values after peaking a year earlier, declined by 70.1% to \$81.1 million in the review period. This decline followed a strong activity in 2014, which included the \$193.0 million Kimpton Hotel and related developments.

In the residential sector, which comprises apartments and houses, permit values fell by 37.1% to \$64.6 million. The contraction is traced to the 72.6% drop in apartment values overshadowing a 22.1% increase in house permit values.

Table 17: Building Permits (Jan- Jun)

	2013	2014	2015	Change
	Millions CI\$			
Houses	51.8	38.5	47.0	22.1
Apartments	12.7	64.2	17.6	(72.6)
Hotel	0.0	139.0	3.8	(97.3)
Commercial	14.6	23.4	7.9	(66.2)
Government	0.2	2.1	0.4	(81.0)
Industrial	1.4	0.2	0.5	150.0
Other	12.7	3.8	3.9	2.6
Total	93.4	271.2	81.1	(70.1)

Source: Planning Department

On the non-residential side, permit values in the review period, following two years of

upturn, weakened sharply by 65.8% to \$8.8 million.

Commercial permits values dropped 66.2% to \$7.9 million with government permits similarly recording a decline of 81.0%. The industrial segment, however recorded positive growth, albeit relatively insignificant in dollar terms.

The 'Other' category, a mixture of smaller projects in the residential and non-residential sector, edged upwards by 2.6% to \$3.9 million.

The number of building permits increased for the first time in two years, rising 53.3% to 371 from 242. All segments, with the exception of the commercial and industrial, recorded positive increases.

Table 18: Number of Building Permits (Jan-Jun)

	2013	2014	2015	% Change
Houses	172	114	120	5.3
Apartments	27	20	34	70.0
Hotels	1	1	2	100.0
Commercial	51	45	27	(40.0)
Government	2	3	4	33.3
Industrial	-	3	2	(33.3)
Other	103	56	182	225.0
Total	356	242	371	53.3

Source: Planning Department

8.2 Project Approvals

Following a decline a year ago, project approval values increased by 15.8% in the first six months of 2015.

Table 19: Project Approvals (Jan-Jun)

	2013	2014	2015	Change
	Millions CI\$			
Houses	43.6	52.2	52.6	0.8
Apartments	13.2	5.6	16.0	185.7
Hotel	0.0	0.1	0.0	(100.0)
Commercial	70.3	5.5	7.5	36.4
Government	0.1	1.5	0.1	(93.3)
Industrial	0.7	0.9	5.3	488.9
Other	20.7	13.8	10.7	(22.5)
Total	148.6	79.6	92.2	15.8

Source: Planning Department

In the residential sector (houses and apartments), approval values increased by 18.7% to \$68.6 million. The increase resulted mainly from the apartments category which improved by \$10.4 million (or 185.7%).

The non-residential approvals rose 63.3% to \$12.9 million from \$7.9 million last year. The expansion is traced to the industrial and commercial categories.

In comparison to last year, the number of approvals dropped by 8.3% moving from 435 to 399. This is traced to the commercial and government segments as well as the 'other' category.

Table 20: Project Approvals (Jan-Jun)

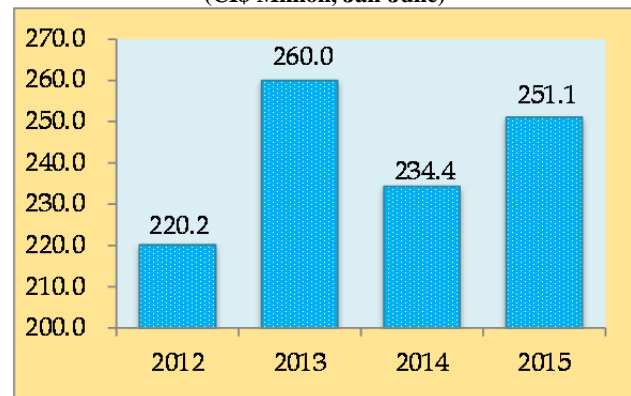
	2013	2014	2015	Change
Houses	112	101	102	1.0
Apartments	16	20	22	10.0
Hotels	0	1	2	100.0
Commercial	21	13	7	(46.2)
Government	1	2	1	(50.0)
Industrial	2	4	5	25.0
Other	246	294	260	(11.6)
Total	398	435	399	(8.3)

Source: Planning Department

9. Real Estate

For the first half of 2015, real estate posted mixed performance as the value of property transfers increased while the volume of transfers declined.

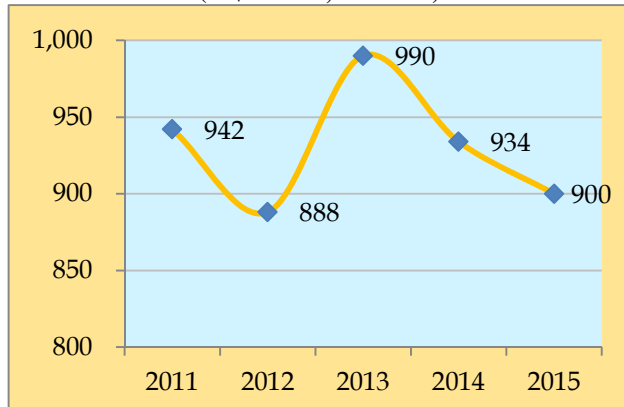
The value of property transfers rose by 7.1% to \$251.1 million compared to last year's decline of 9.9%. The stronger performance resulted from freehold property transfers which included sales of units in the Seven Mile Beach - Watercolour Condominium - valued at \$55 million.

Figure 16: Value Property Transfers: (CI\$ Million, Jan-June)


Source: Lands & Survey Department

Freehold transfers stood at \$250.3 million, an 11.9% increase compared to a year ago. In contrast, leasehold transfers declined by 92.0% moving from \$10.8 million last year to \$0.8 million.

The number of property transfers decreased by 3.6%, from 934 to 900 for the first six months of this year. The decline is traced to leasehold transfers as freehold transfers increased by 1.4% to 859.

Figure 17: Number of Property Transfers:
(CI\$ Million, Jan-June)


Source: Lands & Survey Department

10. Utilities

10.1 Electricity

Electricity production fell by 0.1% to 294 thousand megawatts hours (mWh) as of June 2015. This coincided with lower usage of electricity by the residential and public consumers. Commercial consumers had a 0.8% increase over a year ago. The slight decline in consumption was related to cooler weather during the first half of the year which resulted in less electricity consumption for air-conditioning in households, according to the electricity company management report

10.2 Water

In comparison to last year, water production and consumption rose by 1.9% and 2.8%, respectively. Growth in the latter represents a reversal of the decline posted a year ago.

Table 21: Utilities Production/Consumption

	Jun-14	Jun-15	% Change
Millions of US Gallons			
Water Production	1053.7	1073.9	1.9
Water Consumption	873.7	898.2	2.8
Megawatt Hrs ('000)			
Electricity Production	295.0	294.7	-0.1
Electricity Consumption	275.2	275.0	-0.1
Residential	128.1	126.7	-1.1
Commercial	143.7	144.9	0.8
Public	3.4	3.4	0.2
Total Customers	27,462	28,008	2.0
Residential	23,476	23,845	1.6
Commercial	3,986	4,163	4.4

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

10.3 Telecommunications

The widening use of broadband services continued to impact the demand for traditional phone services. The total number of paid domestic and international communication minutes continued to decline, by 6.6% and 8.1%, respectively. The number of telephones in service also declined by 0.6% as at the end of June 2015.

Table 22: Telecommunication Sector Indicators

	Jun-14	Jun-15	% Change
Fixed and mobile handsets in operation	123,354	122,624	(0.6)
Total fixed & mobile domestic & int'l minutes ('000)	127,417	118,496	(7.0)
Fixed and mobile domestic minutes ('000)	91,989	85,927	(6.6)
Fixed and mobile int'l retail minutes ('000)	35,428	32,569	(8.1)
Broadband Connections	21,302	24,766	16.3

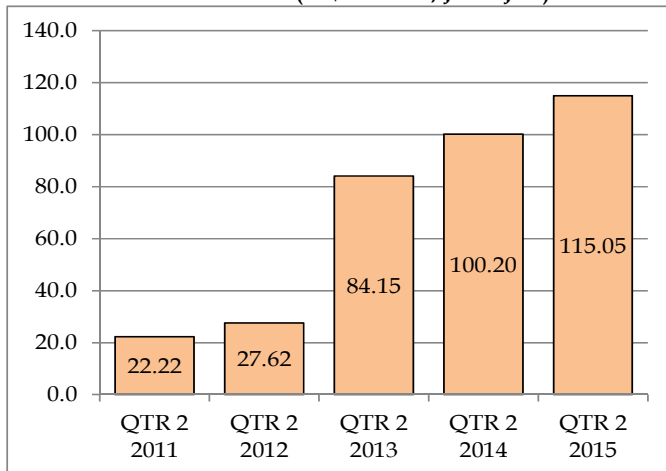
Source: Information Communication and Technology Authority

In contrast, broadband services recorded a double-digit growth (16.3%) in the review period. In addition to the rise in population, this may have been positively influenced by increasing availability of new applications.

11. Fiscal Operations of the Central Government

The overall fiscal balance improved to a surplus of \$115.1 million in the first six months of 2015 as compared to a surplus of \$100.2 million a year ago (see Figure 18). This resulted notwithstanding a decline in total revenue by 1.5% as total expenditure fell by 6.8%.

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



Source: Cayman Islands Treasury Department

Table 23: Summary of Fiscal Operations (Jan-Jun)

	Jun-14	Jun-15	% Change
CI\$ Millions			
Total Revenue	412.02	405.77	(1.5)
Total Expenditure	311.82	290.72	(6.8)
Current Expenditure	290.75	274.84	(5.5)
Net Capital Expenditure & Net Lending ¹	21.07	15.88	(24.6)
Current Balance	121.27	130.93	8.0
Overall Balance	100.20	115.05	14.8
Financing	(100.20)	(115.05)	
Net Borrowing	(20.32)	(12.59)	
Change in Cash	79.88	102.46	

¹ Net Capital Expenditure and Net Lending is equal to Gross Capital Expenditure and Net Lending less Depreciation

Source: Cayman Islands Treasury Department

11.1 Revenue

During the first half of 2015, total revenue fell by 1.5% to settle at \$405.77 million as compared to the same period in the preceding year (see Table 24).

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

Revenue Sources	Jun-14	Jun-15	% Change
CI\$ Millions			
Total Revenue	412.02	405.77	(1.5)
Coercive Revenue	395.40	387.78	(1.9)
Taxes on Int'l Trade & Transactions	87.93	81.85	(6.9)
Domestic Taxes on Goods & Services	287.87	286.61	(0.4)
Taxes on Property	18.69	17.96	(3.9)
Fines	0.80	1.02	27.3
Other Taxes	0.11	0.34	222.6
Non-coercive Revenue	16.62	17.99	8.2
Sale of Goods & Services	15.91	17.32	8.8
Investment Revenue	0.41	0.46	12.6
Other Revenue	0.30	0.21	(28.7)

Source: Cayman Islands Treasury Department

Total revenue comprises both coercive (95.6%) and non-coercive revenue (4.4%).

Coercive revenue which totalled \$387.78 million fell by 1.9%. Declines were recorded for the three highest revenue categories while revenue from fines and other taxes recorded increases. In contrast, non-coercive revenue amounted to \$17.99 million, 8.2% above the comparative period a year ago.

Coinciding with the decline in imports, **tax receipts from international trade and transactions** decreased by 6.9% or \$6.1 million during the period. Revenue from gasoline and diesel duty decreased by 44.7% or \$7.97 million as duties paid on fuel used by the electricity company was reduced from 75 cents per imperial gallon to 50 cents per imperial gallon, coupled with the transfer of a portion of gasoline and diesel revenue to the National Roads Authority (NRA) as part of road user fees. Receipts from tobacco products declined during the period. Motor vehicle duty, cruise ship departure charges and other import duties increased by 3.2%, 5.3% and 3.2%, respectively.

In the first six months of 2015, **revenue collected from domestic taxes on goods and services** decreased by 0.4% (or \$1.3 million). Revenue collection from financial services further slowed slightly as key sources turned in lower amounts: other exempt companies (down by \$1.4 million), mutual fund administrators (down by \$2.1 million), bank and trust licences (down by \$1.6 millions) and insurance licences (down by \$0.6 million). Bucking this trend was partnerships which rose by \$3.4 million in revenue collection.

As depicted in Table 25, other significant increases in domestic taxes were sourced from tourism accommodation charges, ICTA licenses and royalties, and work permits and residency fees as the number of work permits increased during the period.

Table 25: Domestic Tax Collection of the Central Government (Jan-Jun)

	Jun-14	Jun-15	% Change
	CI\$ Millions		
Various financial service licenses	203.86	201.18	-1.3
ICTA licenses & royalties	1.69	3.79	124.3
Work permit and residency fees	33.06	35.54	7.5
Other stamp duties	4.02	3.34	-16.9
Traders' licenses	3.71	3.36	-9.4
Other domestic taxes	41.54	39.40	-5.1
<i>Of which</i>			
Tourism accommodation charges	13.28	14.42	8.6
Motor vehicle charges	5.76	4.07	-29.3
Domestic Taxes on Goods & Services	287.87	286.61	-0.4

Source: Cayman Islands Treasury Department

11.2 Current Expenditure

Current expenditure decreased by 5.5% as all expenditure categories declined except depreciation and other executive expenses (see Table 26).

Personnel cost for the first six months of 2015 declined by 6.5% to \$120.57 million. The reduction in personal cost by \$8.37 million resulted from the following: salaries and wages which include past service pension contributions fell by \$1.81 million as civil

service employment was lower by 86. (Additionally, personnel cost a year ago included a 2.5% honorarium for all employees.) Healthcare cost was also lower by \$0.65 million; government/employer pension expense fell by \$3.70 million, and other personnel cost was lower by \$0.81 million.

Table 26: Current Expenditure of the Central Government (Jan-Jun)

	Jun-14	Jun-15	% Change
	CI\$ Millions		
Current Expenditure	290.75	274.84	(5.5)
Personnel Costs	128.94	120.57	(6.5)
Supplies & Consumables	51.89	43.18	(16.8)
Subsidies	68.20	65.74	(3.6)
Depreciation	13.29	17.19	29.4
Transfer Payments	12.08	11.69	(3.2)
Interest Payments	14.72	14.05	(4.6)
Other Executive Expenses	1.65	2.43	47.4

Source: Cayman Islands Treasury Department

Supplies and consumables fell by 16.8% to total \$43.18 million due to reductions in purchases of services, lower utilities cost, general insurance, and other supplies and consumables.

Subsidies which are essentially payments to statutory authorities and corporations were lower by \$2.46 million or 3.6% to total \$65.74 million for the first six months of 2015. The reduction resulted as lower subsidies were paid to Health Services Authority (down by \$3.39 million); Cayman Airways (down by \$1.4 million); and National Roads Authority (down by \$1.24 million).

Transfer payments which are payments to social welfare programmes totalled \$11.69

million, lower by 3.2% from a year ago. The reduction was due to lower expenditure for Sister Islands home repairs assistance, and lower financial assistance pay-out during the period.

Interest payments decreased by 4.6% to \$14.05 million which is consistent with a lower stock of outstanding debt.

Depreciation which is a non-cash provision for the decline in the value of fixed assets owned by central government was higher by 29.4% to \$17.19 million.

Other executive expenses increased by 47.4% to \$2.43 million due to the voluntary separation package which cost the public purse \$2.05 million.

11.3. Capital Expenditure and Net Lending

During the review period, gross capital expenditure and net lending fell by 3.7% to \$33.07 million. This resulted amidst an expansion in capital acquisition/equity injections which grew by 19.6% to \$13.70 million and augmented by higher outlay for capital development/executive assets by \$3.32 million to \$6.86 million (see Table 26). Public entities' working capital support stood at \$12.25 million, 31% lower as compared to a year earlier.

Net capital expenditure and net lending stood at \$15.88 million, a decrease by 24.6%.

Table 27: Capital Expenditure and Net Lending (Jan-Jun)

	Jun-14	Jun-15	% Change
	CI\$ Millions		
Gross Capital Expenditure and Net Lending	34.36	33.07	(3.7)
Capital Acquisition/Equity Injections	11.46	13.70	19.6
Equity Injections and Working Capital support to Public Entities	17.75	12.25	(31.0)
Capital Development/Executive Assets	3.54	6.86	93.7
Net Lending	1.61	0.27	(83.5)
Net Capital Expenditure and Net Lending¹	21.07	15.88	(24.6)

¹ 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

An amelioration of overall balance resulted in higher cash balances of the central government, which rose by \$102.46 million (see Table 27) for the first six months of 2015. Total loan repayment amounted to \$12.6 million while no loan disbursements were recorded during the review period.

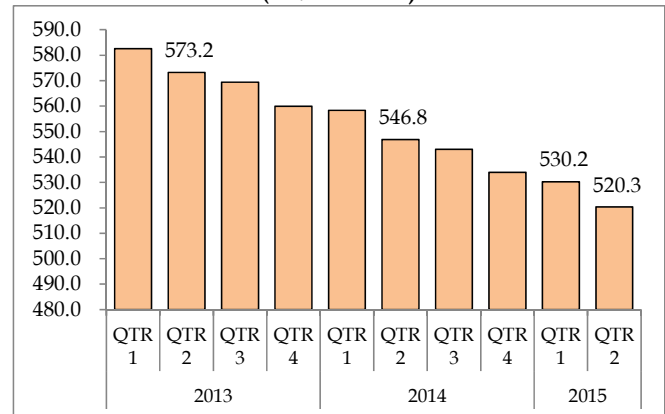
Table 28: Net Financing (Jan-Jun)

	Jun-14	Jun-15	% Change
	CI\$ Millions		
Financing	(100.20)	(115.05)	14.8
Net Borrowing	(20.32)	(12.59)	(38.0)
Disbursements	0.00	0.00	
Loan Repayment	(20.32)	(12.59)	(38.0)
Change in Cash Balance	79.88	102.46	28.3

Source: Cayman Islands Treasury Department

The central government's outstanding debt continued to decline, amounting to \$520.3

million as at June 2015, lower by 4.9% from the same period a year ago (see Figure 20).

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


Source: Cayman Islands Treasury Department

As at June 2015, the central government's debt service-to-current revenue ratio stood at 6.9%. Interest payments for the first half of the year accounted for 5.1% of recurrent expenditure and 3.6% of revenue.

ACKNOWLEDGMENT

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

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