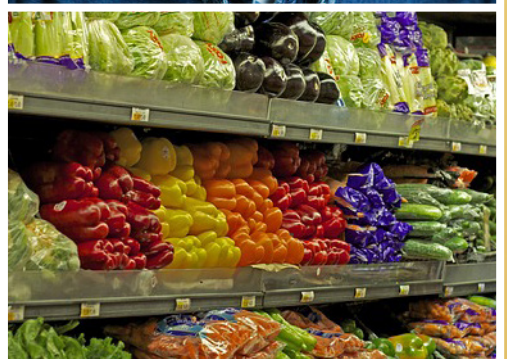




CAYMAN ISLANDS  
GOVERNMENT



# THE CAYMAN ISLANDS' SEMI- ANNUAL ECONOMIC REPORT 2016





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## Overview\*

- The country's gross domestic product (GDP) was estimated to have expanded at an annualised rate of 3.0% in the first half of 2016.
- The Consumer Price Index inflation averaged -1.8%, mainly due to price declines in housing and utilities, restaurants and hotels, transport and household equipment.
- The value of merchandise imports grew by 9.5% to register at \$392.6 million, due to strong growth in non-petroleum related products.
- Overall unemployment rate stood at 3.9%, slightly lower than in April 2015.
- Broad liquidity or money supply expanded by 17.6% to reach \$5.9 billion as foreign currency deposits, KYD deposits, and currency in circulation increased.
- Domestic credit was higher by 1.3% as credit to the private sector increased while public sector borrowings continued to decline.
- The KYD weighted average lending rate rose from 6.85% to 6.88% while prime lending rate rose to 3.50% from 3.25% a year ago.
- Bank and trust company licenses declined by 10.2%, and insurance licences by 1.9%.
- Total mutual funds registration fell by 0.4% to 11,019, notwithstanding an increase in the 'master funds' category by 3.9%.
- Stock exchange listings declined by 0.8% as most of the types of instruments fell, except mutual funds.
- New company and partnership registrations fell by 7.6% and 2.5%, respectively.
- Stay-over visitors declined by 1.4%, but cruise visitors continued to expand; this time by 7.1%.
- The value of building permits recovered sharply from \$81.1 million to \$129.5 million.
- The total value of property transfers spiked by 95.8% to \$507.4 million, supported by an increase in the number of property transferred.
- Electricity consumption grew by 6.1% and water consumption by 8.2%.
- The central government's overall fiscal surplus improved to \$127.5 million from \$115.1 million a year ago.
- The total outstanding debt of the central government contracted to \$501.3 million from \$520.3 million a year ago.

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

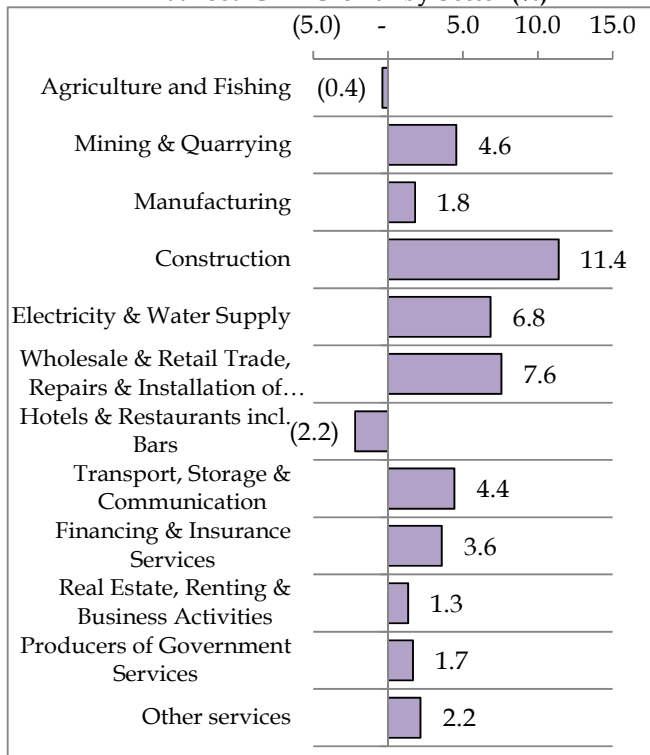
## 1. GDP Performance

Based on available indicators, the Cayman Islands' gross domestic product (GDP) in real terms grew by an estimated annualised rate of 3.0% for the first six months of 2016 compared to the same period a year ago.

The expanding sectors in the first half of 2016 were: construction (11.4%), utilities (6.8%), wholesale and retail trade (7.6%), and transport, storage and communication (4.4%). Financing and insurance services, which accounts for approximately 41% of GDP grew by 3.6% (see Figure 1).

However, economic activity in the hotels and restaurants sector was dampened by a decline in stay-over arrivals.

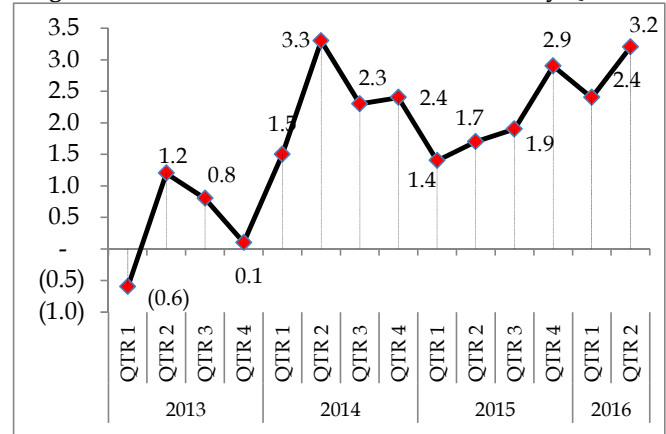
**Figure 1: Estimated First Half of 2016 Annualised GDP Growth by Sector (%)**



Source: Economics and Statistics Office

As depicted in Figure 2, the economy expanded in the second quarter by an estimated 3.2%, one of the highest quarterly growth rate recorded since the economy started to recover in 2011, accelerating from the 2015 first quarter performance of 2.4%.

**Figure 2: Estimated Annualized GDP Growth by Quarter**



Source: Economics and Statistics Office

Based on the first half of the year's performance, there is now a higher upside momentum to exceed the initial GDP growth forecast for 2016 of 2.1%. The forecast is adjusted upwards to 3.0% (see Table 1). This is consistent with the higher-than-expected growth rate for most of the economic sectors except hotels and restaurants. Construction activity bolstered economic growth in the first half of the year and is expected to continue for the second half of the year. Increased lending activity from commercial banks is expected to enhance the financing and insurance sector's growth in the second half of the year.

The general price level is expected to incline in the second half of 2016, as international oil prices pick up gradually. The lagged impact of increased economic activity could also weaken the deflationary pressure. Overall inflation forecast is therefore maintained at

0.5% for 2016, notwithstanding the average inflation in the first half of 2016 of -1.8%.

The forecasted unemployment rate has been revised downwards to 4.1% based on the April 2016 Labour Force Survey which recorded an unemployment rate of 3.9%. Increased economic activity and growth in work permits in the first half of 2016 also support the revision.

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

	2013	2014	2015	Projection 2016
	Percent (%)			
Real GDP*	1.5	2.4	2.0	3.0
CPI Inflation	2.2	1.3	(2.3)	0.5
Unemployment Rate	6.3	4.7	4.2	4.1

\* Real GDP is estimated for 2015

Source: Economics and Statistics Office

## 2. Inflation

For the sixth consecutive quarter, the overall price level declined. In the first half of 2016, the average deflation (negative inflation rate) rate was 1.8% (see Table 2) as both the first and second quarters of the year posted negative inflation rates (see Figure 3). Lower price indices were recorded mainly for housing and utilities, transport, hotels and restaurants, and household equipment.

Nonetheless, price increases were posted in clothing and footwear, education, food and non-alcoholic beverages, alcohol and tobacco, communication, health, miscellaneous goods and services, and recreation and culture.

**Table 2: Average Inflation (Jan-Jun)**

Categories	Avg. Inflation Rates (%)	
	2015	2016
Food & Non-alcoholic		
Beverages	2.0	0.9
Alcohol and Tobacco	0.6	0.5
Clothing and Footwear	2.2	1.3
Housing and Utilities	-5.2	-6.0
Household Equipment	0.5	-0.2
Health	0.3	0.1
Transport	-3.8	-3.4
Communication	2.7	1.2
Recreation and Culture	1.9	0.6
Education	3.6	1.7
Restaurants and Hotels	-4.8	-0.5
Misc. Goods and Services	-1.9	2.1
Overall CPI Inflation	-2.0	-1.8

Source: Economics and Statistics Office

The second quarter Consumer Price Index (CPI) was -0.8%, which is higher than the -3.6% recorded in the second quarter of 2015 (see Figure 3)<sup>1</sup>. The deflation is traced mainly to the 3.0% decline in the housing and utilities price index. The prices for electricity, gas and other fuels fell by 12.8%, precipitated by the lagged effects of the decline in international oil prices and lower duty rate on diesel import for electricity generation. The average price of water and miscellaneous services also saw a 10.6% reduction from the lower cost of electricity for pumping water. Actual rental of housing and imputed rent of owner-occupied housing fell by 1.6%, contributing to the overall decline in the housing index.

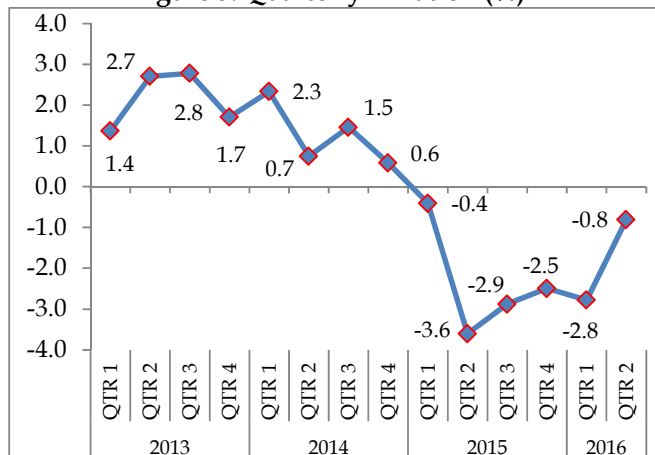
The price index for restaurants and hotels recorded a decline of 1.0% as accommodation service fees fell by 13.1%, outweighing the increased prices for catering services.

Despite the overall decline in the second quarter index, some indices recorded

<sup>1</sup> See also 'The Cayman Islands Consumer Price Index Report June 2016,' [www.eso.ky](http://www.eso.ky)

increases. The average price of recreation and culture grew by 1.9%, led by higher prices for other recreational items and equipment, gardens and pets, and related services

**Figure 3: Quarterly Inflation (%)\***



\*Inflation of current quarter CPI over the same quarter a year ago.

Source: Economics and Statistics Office

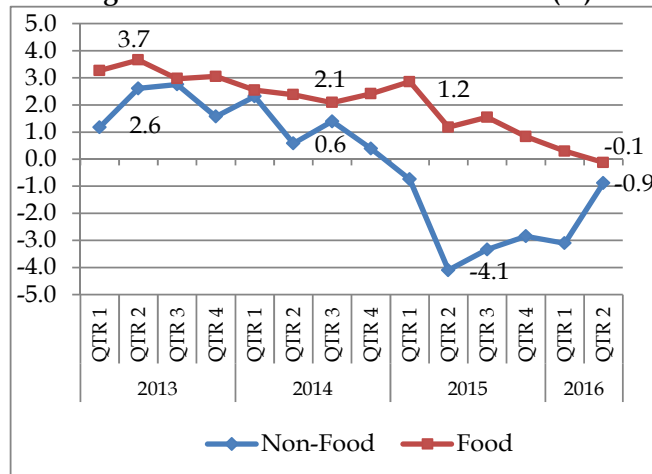
Higher average school fees for secondary, pre-primary and primary education pushed the education index up by 0.8%.

Upward price movements were also shown in the second quarter for clothing and footwear, alcohol and tobacco, health, communication and miscellaneous goods and services.

Dissecting the overall consumer price index reveal that average food prices continued to fall. The average price for food and non-alcoholic beverages fell by 0.1% during the second quarter of 2016.

Non-food inflation remained on a downward path but decelerating (see Figure 4).

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

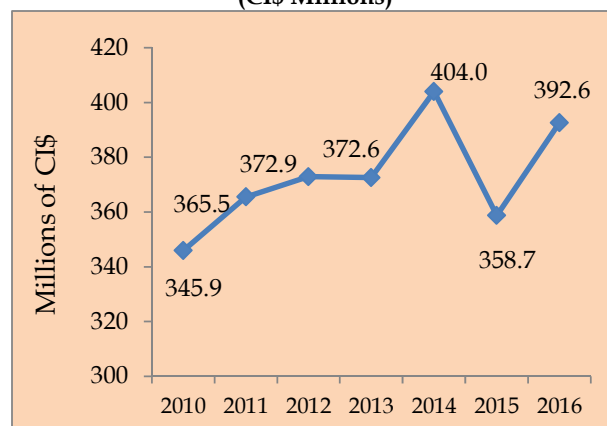


Source: Economics and Statistics Office

### 3. Trade

Total merchandise imports for the first half of 2016 grew by 9.5% to \$392.6 million<sup>2</sup>. Non-petroleum products rose by 14.8% to settle at \$352.0 million while petroleum products declined by 21.8%.

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



Source: Customs Department and ESO

The value of petroleum products - mineral fuels, lubricants and related materials - fell by 21.8% to settle at \$40.6 million for the first

<sup>2</sup> See also "The Cayman Islands' Quarterly Trade Statistics Bulletin: April to June 2016," [www.eso.ky](http://www.eso.ky)

half of 2016. The reduction was due to lower prices as the total quantity of imported fuel increased by 19.0% to 30.77 million imperial gallons, as displayed in Table 3.

**Table 3: Oil Imports, Jan-Jun**

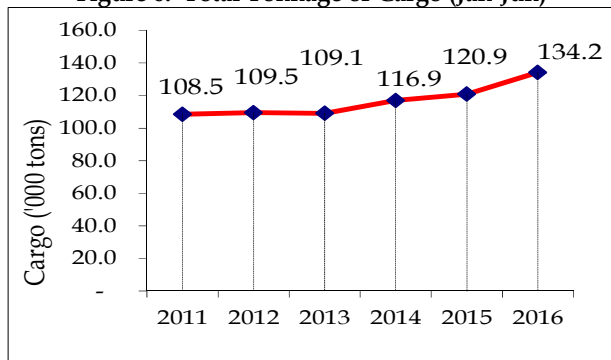
	Jun-14	Jun-15	Jun-16	% Change
Millions of imperial gallons				
Total Fuel	24.98	25.86	30.77	19.0
Diesel	16.57	16.00	17.52	9.5
Gas	5.84	5.78	6.16	6.5
Aviation Fuel	2.25	3.38	3.10	-8.3
Propane	0.33	0.70	3.99	471.4

Source: Cayman Islands Port Authority

Non-petroleum products grew by 14.8% for the first half of the year. The largest increases were recorded for machinery and transport equipment which rose by 46.2%; miscellaneous manufactured articles (10.7%); chemical and related products (10.8%); manufactured goods classified chiefly by materials (10.0%); and commodities and transactions not classified elsewhere (26.5%).

The growth in the total value of merchandise imports was consistent with the total tonnage of landed cargo which improved by 11.0% as compared to a year ago (see Figure 6).

**Figure 6: Total Tonnage of Cargo (Jan-Jun)**



Source: Cayman Islands Port Authority

## 4. Employment

### 4.1. Labour Force<sup>3</sup>

Based on the 2016 Spring Labour Force Survey, the labour force is estimated at 41,825, an increase of 4.2%. Caymanians accounted for the majority (47.1%) of the labour force, followed by Non-Caymanians (42.7%). Permanent Residents with rights to work (PR-WRW) accounted for the remaining 10.2%.

The overall participation rate improved to 83.7%, with the Caymanian labour force participation rate rising from 73.9% to 75.5%.

Total employment was estimated at 40,213, 6.1% higher when compared to Spring 2015 or an additional 2,313 persons. Employment of Caymanians (up by 6.7%) recorded the strongest growth in employment followed by Non-Caymanians (up by 6.4%) and PR-WRW with (up by 2.0%).

The unemployment rate fell to 3.9% from 5.6% in Spring 2015. A total of 1,612 persons were unemployed. Higher employment resulted in the downward movement of the Caymanian unemployment rate, from 8.3% a year ago to 5.6% in Spring 2016.

The population was estimated to have increased by 3.7% to 61,259 when compared to the same period in 2015.

<sup>3</sup> See also "The Cayman Islands' Labour Force Survey Report Spring 2016," [www.eso.ky](http://www.eso.ky)

Table 4: Summary of Labour Force Indicators

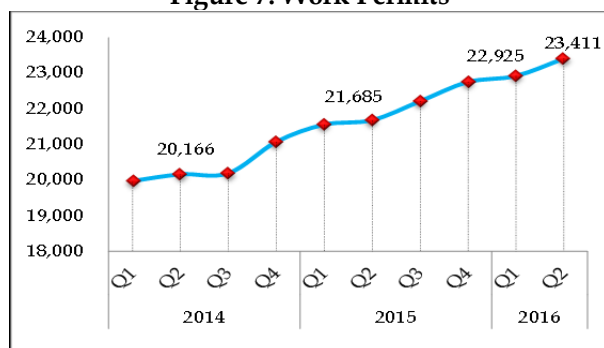
Labour Force Indicators	Spring 2015	Spring 2016
<b>Population</b>	59,054	61,259
Working Age Population	48,437	49,947
Labour Force	40,149	41,825
Total Employed	37,900	40,213
Total Unemployed	2,248	1,612
Unemployment Rate (%)	5.6	3.9
<b>Caymanian Population</b>	33,675	34,617
Working Age Population	25,693	26,103
Labour Force	18,986	19,695
Total Employed	17,410	18,584
Total Unemployed	1,575	1,111
Unemployment Rate (%)	8.3	5.6
<b>Permanent Residents WRW</b>	5,484	4,773
Working Age Population	4,912	4,773
Labour Force	4,227	4,276
Total Employed	3,876	3,954
Total Unemployed	351	322
Unemployment Rate (%)	8.3	7.5
<b>Non-Caymanian Population</b>	19,895	21,869
Working Age Population	17,832	19,071
Labour Force	16,937	17,854
Total Employed	16,614	17,675
Total Unemployed	323	179
Unemployment Rate (%)	1.9	1.0

Source: Economics &amp; Statistics Office

## 4.2. Work Permits

Since the fourth quarter of 2014, and consistent with the ongoing economic recovery, work permits increased steadily. In the second quarter of 2016, the increase was 8.0 percent compared to the comparative period in 2015, reaching 23,411 (see Figure 7).

Figure 7: Work Permits

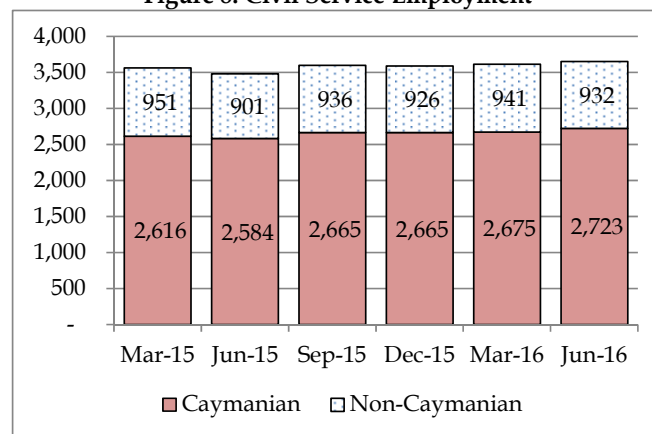


Data source: Immigration Department

## 4.3. Central Government Employment

The number of civil servants increased by 170 from 3,485 in the first half of 2015 to 3,655 as displayed in Figure 8. The number of Caymanian civil servants stood at 2,723 (higher by 139), and non-Caymanians rose by 31 to 932. The underlying reason for the higher civil service employment data was due to the inclusion of participants in internship programs this year, but was absent from a year ago.

Figure 8: Civil Service Employment



Source: Portfolio of the Civil Service

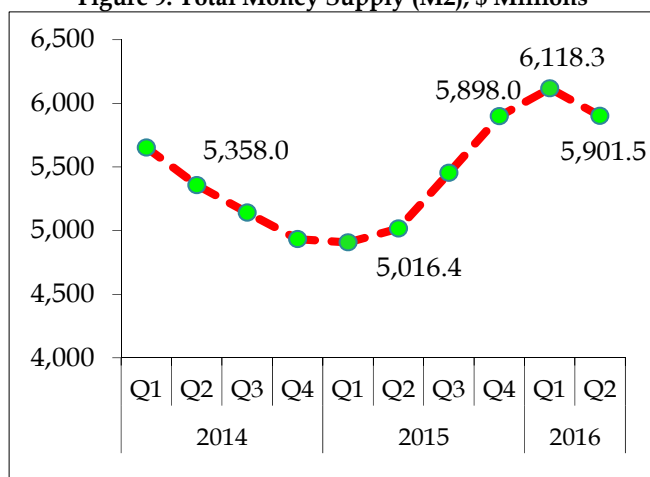
The Ministry of Education, Employment and Gender Affairs recorded the largest increase (by 65 persons) in employment. The Education Department accounted for 84.6% of the increase in the Ministry's staff complement. Employment by the Ministry of District Administration, Tourism and Transport was also higher by 41, largely accounted by District Administration.

Another notable increase in staff was in the Ministry of Community Affairs, Youth and Sports which had 21 new post holders. On the other hand, the Ministry of Home Affairs, Health and Culture had a reduction of 8 staff members when compared to the same period a year ago.

## 5. Money & Banking

As at the end of June 2016, broad liquidity (M2) which comprises of KYD dollar-denominated money and foreign exchange deposits expanded by 17.6% compared to June 2015 to total \$5,901.5 million. During this period, foreign currency deposits grew by 20.4% and KYD dollar-denominated money rose by 10.0%.

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 side recorded an increase in net foreign assets of 63.7% while net domestic assets declined by 23.0%.

**5.1. Net Foreign Assets (NFA).** During the review period, net foreign assets of domestic commercial banks spiked by 65.9% (see Table 6), while that of the Cayman Islands Monetary Authority increased by 13.1%, resulting in an overall expansion of \$1,497.7 million (or 63.7%).

The increase in commercial banks' NFA resulted from an increase in foreign assets

which outweighed a simultaneous increase in foreign liabilities (see Table 6).

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

	Jun-15	Jun-16	% Change
<b>Total Assets</b>	<b>5,016.4</b>	<b>5,901.5</b>	17.6
<b>Net Foreign Assets</b>	<b>2,352.4</b>	<b>3,850.1</b>	63.7
Monetary Authority	99.8	112.9	13.1
Commercial Banks	2,252.6	3,737.2	65.9
<b>Net Domestic Assets</b>	<b>2,664.0</b>	<b>2,051.4</b>	(23.0)
Domestic credit	2,946.0	3,002.3	1.9
Claims on central government	237.1	222.2	(6.3)
Claims on other public sector	76.1	66.4	(12.7)
Claims on private sector	2,632.8	2,713.7	3.1
Other items net (assets +)	(282.0)	(950.9)	237.2
<b>Broad Liquidity</b>	<b>5,016.4</b>	<b>5,901.5</b>	17.6
Broad money (KYD) M2	1,320.7	1,453.3	10.0
Currency in circulation	94.9	106.9	12.6
KYD Deposits	1,225.8	1,346.4	9.8
Demand deposits	487.4	570.8	17.1
Time and savings deposits	738.4	775.6	5.0
FOREX deposits	3,695.7	4,448.2	20.4
of which: US dollars	3,339.4	4,067.0	21.8
<b>US\$ Contribution (%)</b>	<b>90.4</b>	<b>91.4</b>	

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

The increase in foreign assets resulted as the stock of non-resident loans more than tripled when compared to a year ago, coupled with higher investments abroad. The growth in foreign liabilities resulted mainly from a sharp increase in non-resident deposits.

Table 6: Net Foreign Assets (\$ Millions)

	Jun-15	Jun-16	% Change
<b>Net Foreign Assets</b>	<b>2,352.4</b>	<b>3,850.1</b>	<b>63.7</b>
Monetary Authority	99.8	112.9	13.1
Commercial Banks	2,252.6	3,737.2	65.9
<b>Foreign Assets</b>	<b>5,323.1</b>	<b>8,401.2</b>	<b>57.8</b>
Bal. with Banks & Branches	2,734.2	2,871.2	5.0
Total Investment	1,768.0	2,527.3	42.9
Total Non-Resident Loans	820.9	3,002.7	265.8
<b>Foreign Liabilities</b>	<b>3,070.5</b>	<b>4,664.0</b>	<b>51.9</b>
Total Non-Resident Deposits	2,797.3	4,498.5	60.8
Other Liabilities	273.2	165.5	(39.4)

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

## 5.2. Net Domestic Assets/Domestic Credit.

The stock of outstanding domestic debt from the banking sector grew by 1.3% during the review period. Private sector loans from the commercial banks increased by 2.3% or \$61.7 million compared to the same period a year ago. The fiscal policy of the government precipitated continuing declines in both central government and other public sector loan balances, which fell by 6.3% and 12.7%, respectively (see Table 7).

Table 7: Net Domestic Assets (\$ millions)

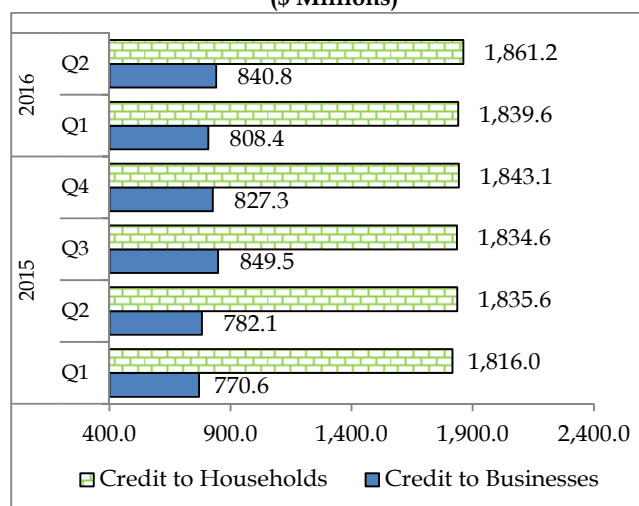
	Jun-15	Jun-16	% Change
<b>Domestic Credit</b>	<b>2,946.0</b>	<b>2,983.1</b>	<b>1.3</b>
Central Government	237.1	222.2	(6.3)
Other Public Sector	76.1	66.4	(12.7)
Private Sector	2,632.8	2,694.5	2.3

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

Credit to the private sector comprising of credit to businesses and households grew in the second quarter of 2016, after declining in the previous two quarters. As shown in Figure 10 and Table 8, lending to businesses

was higher by 7.5% and loans to households expanded by 1.4%.

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 expanded by \$58.7 million as higher lending was recorded for other financial corporations, production and manufacturing industries, and trade and commerce amidst a decline in lending to the service sector.

When compared to June 2015, credit to other financial corporations – which are financial institutions without full banking licences i.e. credit unions, building societies, etc. – increased by 43.2% to total \$103.9 million in June 2016.

Lending to the production and manufacturing sector increased by 12.2% due mainly to increased borrowing for manufacturing, utilities and construction.

Within the trade and commerce sector, lending for general business activity increased while loans to wholesale and retail

sales declined by 33.8% when compared to a year ago.

Credit to households was higher by 1.4% (or \$25.6 million) as at June 2016 compared to the preceding year. Household borrowings increased for domestic properties, motor vehicles, education and technology and miscellaneous (see Table 8).

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

	Jun-15	Jun-16	% Change
<b>Total</b>	<b>2,632.8</b>	<b>2,713.7</b>	<b>3.1</b>
<b>Credit to Businesses</b>	<b>782.1</b>	<b>840.8</b>	<b>7.5</b>
<b>Production &amp; Manufacturing</b>	<b>138.4</b>	<b>155.3</b>	<b>12.2</b>
Agriculture, Fishing and Mining	10.6	4.5	(57.5)
Manufacturing	15.6	17.3	10.8
Utilities	13.9	33.0	137.1
Construction	98.3	100.5	2.3
<b>Services</b>	<b>77.5</b>	<b>68.0</b>	<b>(12.3)</b>
Accommodation, Food, Bar & Entertainment Services	27.8	14.1	(49.4)
Transportation, Storage & Communications	17.0	16.1	(5.4)
Education, Recreational & Other Professional Services	32.7	37.8	15.6
<b>Trade and Commerce</b>	<b>493.7</b>	<b>513.7</b>	<b>4.1</b>
Wholesale & Retail Sales Trade	82.9	54.9	(33.8)
Real Estate Agents, Rental and Leasing Companies	221.8	223.9	1.0
Other Business Activities (General Business Activity)	189.0	234.9	24.3
<b>Other Financial Corporations</b>	<b>72.5</b>	<b>103.9</b>	<b>43.2</b>
<b>Credit to Households</b>	<b>1,835.6</b>	<b>1,861.2</b>	<b>1.4</b>
Domestic Property	1,565.5	1,575.8	0.7
Motor Vehicles	36.0	45.5	26.3
Education and Technology	5.7	5.8	2.1
Miscellaneous*	228.4	234.2	2.5
<b>NonProfit Organizations</b>	<b>15.1</b>	<b>11.7</b>	<b>(22.7)</b>

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

Source: Cayman Islands Monetary Authority & Economics and Statistics Office

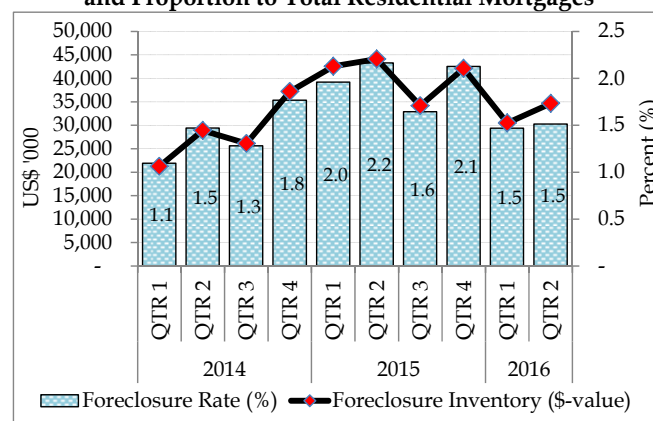
### 5.3. Residential Mortgage Foreclosures

At end-June 2016, data from CIMA shows that there were 118 properties in the local commercial banks' foreclosures inventory amounting to US\$34.7 million. This

represents a decrease compared to the 175 properties valued at \$44.1 million in the comparative period in 2015.

The second quarter foreclosure rate (foreclosure inventory over total residential mortgages) also declined from 2.2% in June 2015 to 1.5% in June 2016.

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



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

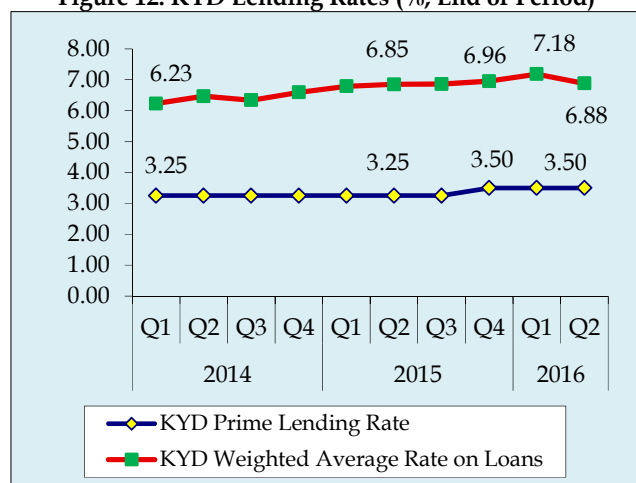
**5.4. Broad Liquidity.** Broad liquidity (M2) in the Cayman Islands amounted to \$5,901.5 million as at the end of June 2016, compared to \$5,016.4 million as at the end of the same period last year.

The expansion in broad liquidity stemmed from the 20.4% increase in foreign currency deposits, with residents' holdings of US dollar-denominated deposits increasing by 21.8%.

Local currency (KYD) denominated money supply comprised of currency in circulation and deposits; both grew by 12.6% and 9.8%, respectively. Growth in both categories may be associated with the expansion in the supply of and demand demand for goods and services.

**5.5. Interest Rates.** The Cayman Islands prime lending rate increased by 0.25 percentage point in the last quarter of 2015 to 3.50%. The KYD weighted average lending rate edged upwards in the second quarter to 6.88% from 6.85% a year ago. However, it also marks a 30-basis points decline from the previous quarter (see Figure 12).

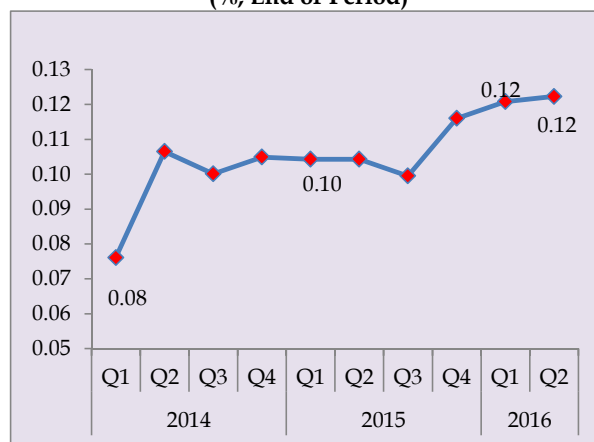
Figure 12: KYD Lending Rates (% , End of Period)



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

As indicated in Figure 13, the weighted average savings rate on KYD deposits increased by two basis points during the first six months of 2016 from 0.10% a year ago.

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 2016. Overall registration activity waned for all categories.

### 6.1. Banks & Trust

As at the end of June 2016, the total number of licenses for banks and trust companies fell anew by 20 (or 10.2%) to 176. This decline is a continuation of 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 one to 11, while Class 'B' licenses declined by 19 to 165.

Table 9: Bank & Trust Companies

	Jun 2014	Jun 2015	Jun 2016	% Change
<b>Bank and Trust</b>	<b>210</b>	<b>196</b>	<b>176</b>	(10.2)
Class "A"	15	12	11	(8.3)
Class "B"	195	184	165	(10.3)
<b>Trust Companies</b>	<b>114</b>	<b>118</b>	<b>121</b>	2.5
Restricted	65	62	62	-
Unrestricted	49	56	59	5.4

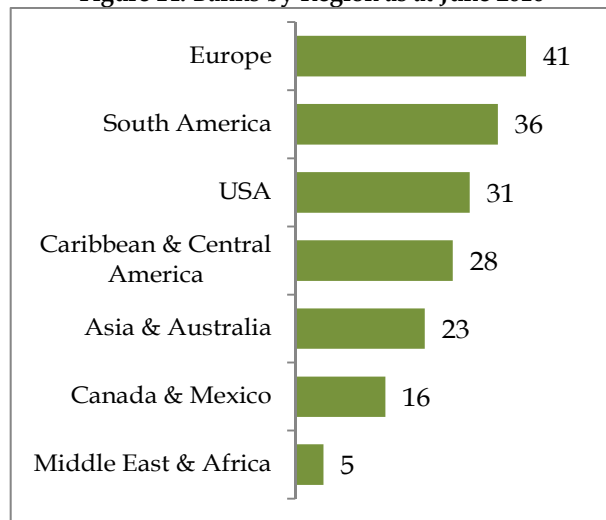
Source: Cayman Islands Monetary Authority

The number of licensed trust companies increased by 3 to 121. The growth is attributed to a 5.4% rise in unrestricted trust companies while restricted trust company licences remained stable.

By region, licensees from Europe, South America and the USA are the main participants in the Cayman Islands banking industry, accounting for 23.3%, 20.5% and 17.6% of total licensees respectively. The remaining licenses originated from Asia and Australia (13.1%), Caribbean and Central

America (15.9%), Canada and Mexico (9.1%), and the Middle East and Africa (2.8%).

Figure 14: Banks by Region as at June 2016



Source: Cayman Islands Monetary Authority

## 6.2. Insurance

As at the end of June 2016, the total number of insurance licenses stood at 738, a decline of 1.9% (or 14).

Class 'A' insurance licenses, which are for domestic insurers, remained stable at 29. Captives fell by 1.9% to 709, with Class 'B' and Class 'C' (captive) licenses declining by 8 and 7, respectively.

Table 10: Insurance Companies

	Jun 2014	Jun 2015	Jun 2016	% Change
Domestic - Class 'A'	27	29	29	-
Captives	<u>764</u>	<u>723</u>	<u>709</u>	(1.9)
Class 'B'	723	691	683	(1.2)
Class 'C'	39	31	24	(22.6)
Class 'D'	2	1	2	100.0
<b>Total</b>	<b>791</b>	<b>752</b>	<b>738</b>	<b>(1.9)</b>

Source: Cayman Islands Monetary Authority

The primary class of business within the captive insurance market was healthcare, followed by workers compensation coverage,

accounting for 35.1% and 21.3% share of the market, respectively.

Table 11: Captive Insurance Licences by Primary Class of Business

	Jun-15	Jun-16	% Change	% Proportion
Healthcare	246	249	1.2	35.1
Workers' Compensation	151	151	-	21.3
Property	80	70	(12.5)	9.9
General Liability	76	78	2.6	11.0
Professional Liability	65	61	(6.2)	8.6
Others	105	100	(4.8)	14.1
<b>Total</b>	<b>723</b>	<b>709</b>	<b>(1.9)</b>	<b>100.0</b>

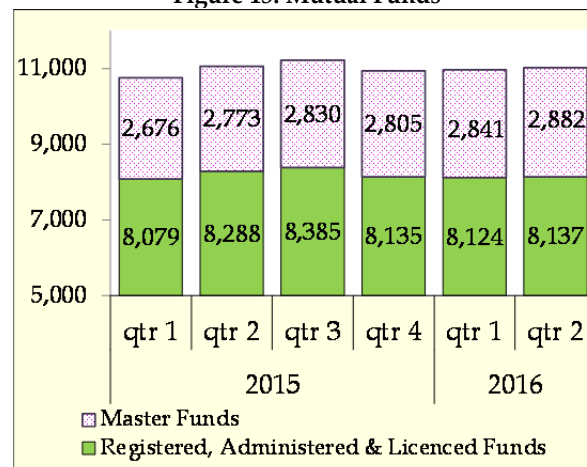
Source: Cayman Islands Monetary Authority

By geographical risk location, North America represents 89.7% (or 636) of the captive insurance companies.

## 6.3. Mutual Funds

Total mutual funds decreased by 0.4% to 11,019 in June 2016 as compared to the same period of the previous year. Amongst regulated funds, only master funds grew, rising by 3.9% to 2,882 in June 2016.

Figure 15: Mutual Funds



Source: Cayman Islands Monetary Authority

## 6.4. Stock Exchange

The number of stocks listed on the Cayman Islands Stock Exchange was lower by 8 (or 0.8%) to 1,023 as at June 2016. The largest reduction of listed instrument was within the specialist debt category recording a decrease of 27 listings during the review period.

However, overall market capitalisation rose by 3.2% to US\$205.6 billion. Improving performances of retail debt (up by 61.8%), primary equity (11.0%), mutual funds (1.2%), sovereign debt (2.2%) and specialist debt (2.5%) offset a decline insurance linked instruments.

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

Instruments	2015	2016	% Change
Mutual Funds	234	253	8.1
Specialist Debt	558	531	(4.8)
Sovereign Debt	182	215	18.1
Secondary Equity	1	1	-
Primary Equity	5	4	(20.0)
Insurance Linked	49	17	(65.3)
Retail Debt	2	2	-
<b>Total</b>	<b>1,031</b>	<b>1,023</b>	<b>(0.8)</b>

Source: Cayman Islands Stock Exchange

**Table 13: Market Capitalization by Security Instruments, (US\$ billions)<sup>4</sup>, end June**

Instruments	2015	2016	% Change
Mutual Funds	9.2	9.3	1.2
Specialist Debt	81.0	83.0	2.5
Sovereign Debt	95.0	97.1	2.2
Secondary Equity	0.07	0.07	-
Primary Equity	0.24	0.26	11.0
Insurance Linked	7.2	5.3	(27.0)
Retail Debt	6.5	10.5	61.8
<b>Total</b>	<b>199.2</b>	<b>205.6</b>	<b>3.2</b>

Source: Cayman Islands Stock Exchange

<sup>4</sup>The figures for mutual funds and domestic equity refer to market capitalization. Figures for specialist debt, specialist debt, insurance linked, and primary and secondary equity are based on par values.

## 6.5. New Company Registrations

New company registrations declined for the first time since 2012 to total 5,798 in the first six months of 2016, 7.6% lower than the comparative period of the previous year.

Registrations under the exempt company category regressed by 9.3%, outweighing the positive growth of all the other categories.

**Table 14: New Company Registrations, end June**

	2014	2015	2016
<b>Total</b>	<b>5,472</b>	<b>6,275</b>	<b>5,798</b>
Exempt	4,942	5,698	5,170
Non-Resident	15	17	18
Resident	232	261	271
Foreign	283	299	339
<b>Percentage change (%)</b>			
<b>Total</b>	<b>13.7</b>	<b>14.7</b>	<b>(7.6)</b>
Exempt	15.7	15.3	(9.3)
Non-Resident	(25.0)	13.3	5.9
Resident	(0.4)	12.5	3.8
Foreign	(2.4)	5.7	13.4

Source: Registrar of Companies

## 6.6. Partnerships

New partnerships registration declined by 2.5% to total 1,710 in the first half of 2016, falling for the first time since 2009. Investors use this type of corporate vehicle in establishing private equity and hedge funds.

**Table 15: New Partnership Registrations, end June**

	2014	2015	2016
<b>Total</b>	<b>1,347</b>	<b>1,753</b>	<b>1,710</b>
Exempt	1,347	1,712	1,671
Foreign*	0	41	39
Limited	0	0	0
<b>Percentage change (%)</b>			
<b>Total</b>	<b>19.8</b>	<b>30.1</b>	<b>(2.5)</b>
Exempt	19.8	27.1	(2.4)
Foreign			(4.9)

\* Introduced in July 2014

Source: Registrar of Companies

## 7. Tourism

In the first half of 2016, total visitor arrivals increased by 5.5% to 1,183,799 visitors. Strong growth in cruise visitors dominated a decline in stay-over arrivals.

**Table 16: Air Arrivals by Country of Origin (Jan - Jun)**

	2013	2014	2015	2016	% Change
In thousands					
USA	152.8	163.0	166.5	168.6	1.2
Europe	13.6	18.0	17.2	14.6	(15.4)
Canada	13.9	15.1	15.0	14.1	(6.3)
Others	12.1	14.4	14.8	13.3	(10.2)
<b>Total</b>	<b>192.4</b>	<b>210.5</b>	<b>213.5</b>	<b>210.5</b>	<b>(1.4)</b>
of which: USA (%)	79.4	77.4	78.0	80.1	

Source: Tourism Department

### 7.1. Air Arrivals

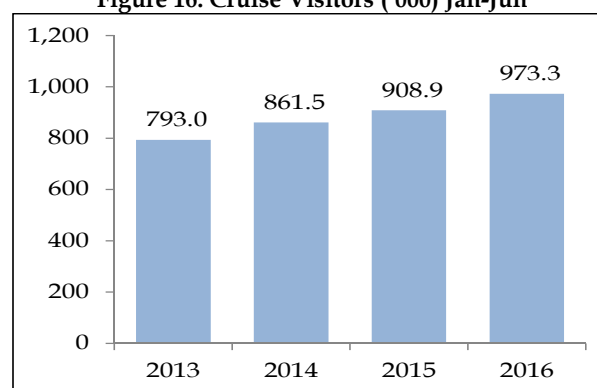
Air arrivals totalled 210,490 in the first half of the year, a decline of 1.4% from 213,495 a year ago. This performance reflects a reversal of the 1.4% growth for the same period in 2015.

The weaker growth rate resulted mainly from a slowdown in air arrivals from the USA and reduction in tourists originating from Europe, Canada and other countries. Air arrivals from Europe declined for the second consecutive year, this time by 15.4%. Possible changes to the European Union including pre-BREXIT uncertainty could be one of the reasons for the downturn in visitors from Europe. Canada and all other countries also recorded declines in arrivals; Canada's economic growth has slowed over the last two years and is likely to have exerted downward pressure on travel. In addition, the recent weakening of the EU and Canadian currencies against the US dollar (and therefore, the CI dollar) may have negatively influenced the flow of tourists from these regions.

### 7.2. Cruise Arrivals

An increase in the number of cruise ships that visited Cayman's port as of June 2016 led to an increase in the number of cruise passengers by 7.1%. A total of 973,309 cruise passengers visited the Cayman Islands for the first six months of 2016. The number of cruise ships increased by 5.6% to 337.

**Figure 16: Cruise Visitors ('000) Jan-Jun**



Source: Tourism Department

Cruise passengers per day averaged 5,348 persons, increasing from 5,049 for the same period a year ago.

## 8. Construction

Indicators for the first half of the year suggest an improvement in future construction intentions.

### 8.1. Building Permits

During the review period, the value of building permits improved by 59.7% to \$129.5 million. This can be traced to two high-value projects in the commercial sector, and one major residential project.

By major sector, the residential sector (houses and apartments) reached \$75.3 million, an

improvement from last year's downturn. This represents a 21.9% growth in houses, generated mainly from an increase in luxury homes. Similarly, the apartments category grew, albeit marginally to \$18.0 million.

Table 17: Building Permits (Jan-Jun)

	2014	2015	2016	% Change
	Millions CI\$			
Houses	38.5	47.0	57.3	21.9
Apartments	64.2	17.6	18.0	2.0
Hotel	139.0	3.8	0.1	(96.8)
Commercial	23.4	7.9	24.8	213.7
Government	2.1	0.4	1.0	150.0
Industrial	0.2	0.5	3.4	585.6
Other	3.8	3.9	24.9	539.0
<b>Total</b>	<b>271.2</b>	<b>81.1</b>	<b>129.5</b>	<b>59.7</b>

Source: Planning Department

The non-residential sector more than doubled in value. Projects such as the Camana Bay expansion pushed the non-residential value up by 132.5% to \$29.3 million from \$12.6 million last year.

The 'other' category recorded growth of 539.0%, mainly due to an Entropy solar farm valued at \$18 million.

Overall, the total number of building permits increased anew by 20.5% to reach 447. The most significant increases emanated in the housing, commercial and other categories.

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

	2014	2015	2016	% Change
Houses	114	120	137	14.2
Apartments	20	34	30	(11.8)
Hotels	1	2	1	(50.0)
Commercial	45	27	38	40.7
Government	3	4	2	(50.0)
Industrial	3	2	4	100.0
Other	56	182	235	29.1
<b>Total</b>	<b>242</b>	<b>371</b>	<b>447</b>	<b>20.5</b>

Source: Planning Department

## 8.2. Project Approvals

Project approvals for the first six months of the year continued to show expanding intentions of future construction.

Table 19: Project Approvals (Jan-Jun)

	2014	2015	2016	% Change
	Millions CI\$			
Houses	52.2	52.6	51.6	(1.8)
Apartments	5.6	16.0	39.9	149.2
Hotel	0.1	0.0	1.5	-
Commercial	5.5	7.5	146.0	1,847.1
Government	1.5	0.1	0.1	-
Industrial	0.9	5.3	10.1	91.1
Other	13.8	10.7	17.8	66.8
<b>Total</b>	<b>79.6</b>	<b>92.2</b>	<b>267.2</b>	<b>189.8</b>

Source: Planning Department

Project approvals soared to \$267.2 million as of end-June 2016, a 189.8% increase over the same period a year ago. This increase resulted as a number of categories recorded strong increases led by commercial projects.

In the residential sector, the value of project approvals climbed to \$91.5 million. The apartment category continued to expand, this time by 149.2%, comprising of a 24-unit apartment. However, the houses category dipped in value, falling by 1.8%.

The non-residential sector increased to \$157.7 million. The commercial category, in particular, led the way with \$146.0 million. Projects from the commercial category included a multi-million Ironwood golf course. The industrial category posted similar activity, increasing by 91.1% to \$10.1 million.

The total number of project approvals increased by 16.0% to reach 463, after declining a year earlier. All categories

recorded increases with the strongest growth in the commercial, houses and other categories.

Table 20: Number of Project Approvals (Jan-Jun)

	2014	2015	2016	% Change
Houses	101	102	123	20.6
Apartments	20	22	25	13.6
Hotels	1	2	3	50.0
Commercial	13	7	21	200.0
Government	2	1	1	-
Industrial	4	5	7	40.0
Other	294	260	283	8.8
<b>Total</b>	<b>435</b>	<b>399</b>	<b>463</b>	<b>16.0</b>

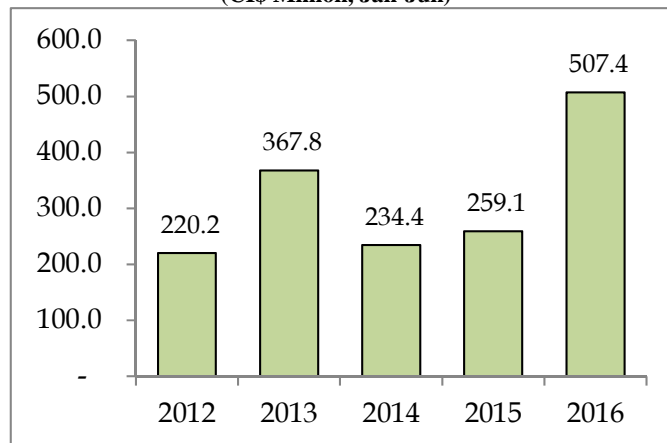
Source: Planning Department

## 9. Real Estate

The real estate sector posted a strong performance as the value of property transfers surged, supported by moderate growth in the volume of transfers.

The value of property transfers rose by 95.8% to \$507.4 million which was stronger than last year's growth of 10.6%. This emanated from the completion of sales and lease extensions of several multi-million dollar properties in George Town and along the Seven Mile Beach.

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

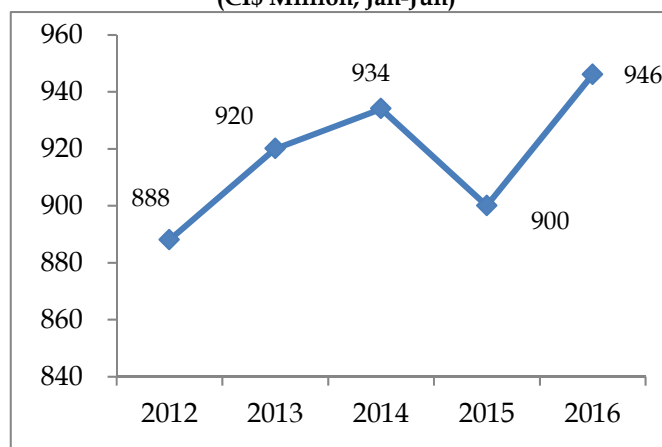


Source: Lands & Survey Department

Freehold transfers stood at \$353.7 million, a 41.3% increase compared to a year ago. Leasehold transfers also soared from \$8.0 million in the first half of last year to \$153.5 million.

The number of property transfers increased by 5.1%, from 900 to 946 for the first six months of this year. The increase is traced to both freehold and leasehold transfers.

Figure 18: Number of Property Transfers:  
(CIS\$ Million, Jan-Jun)



Source: Lands & Survey Department

## 10. Utilities

### 10.1. Electricity

Higher demand for electricity propelled higher electricity production which posted an increase of 6.1% in the first half of June 2016. According to CUC's report, this growth was facilitated by new electricity generating units that came on-line and reduced the reliance on temporary mobile electricity generating units.

The consumption of electricity recorded an increase of 6.1%, mainly in association with a 10.7% recovery in residential consumption. Warmer weather conditions pushed the demand for air conditioning loads. Higher demand was also shown among commercial and public consumers, which grew by 2.2% and 1.1%, respectively.

An increase in the total number of customers by 1.3% to 28,372 augmented the increased in overall electricity demand.

**Table 21: Utilities Production and Consumption**

	Jun-15	Jun-16	% Change
Millions of US Gallons			
Water Production	1,073.9	1,116.3	3.9
Water Consumption	898.2	971.5	8.2
Megawatt Hrs ('000)			
Electricity Production	294.7	312.7	6.1
Electricity Consumption	275.0	291.7	6.1
Residential	126.7	140.3	10.7
Commercial	144.9	148.1	2.2
Public	3.4	3.4	1.1
Total Customers	28,008	28,372	1.3
Residential	23,845	24,154	1.3
Commercial	4,163	4,218	1.3

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

### 10.2. Water

For the first six months of 2016, water consumption increased by 8.2% inducing the quantity of water production to grow by 3.9% to 1,116.3 US million gallons. The demand for water during the period in review may have been positively impacted by an increase in consumers arising from the growth in domestic population, along with the higher level of economic activity.

### 10.3. Telecommunications

While the number of broadband internet connection increased in the first half of 2016, phone usage continued to decline. The former rose by 2.2% compared to a year ago, reaching 50,470. The total number of minutes spent on domestic calls fell by 7.7% while telephone minutes on international calls dropped by 11.4%.

However, the total number of telephone handsets in operation increased by 1.2% to 124,113, which may be due to the demand for new models and the higher population level. Use of cheaper internet options – WhatsApp, Magic Jack, etc. – are also possible reasons for the continuous decline in telephone minutes.

**Table 22: Telecommunication Sector Indicators**

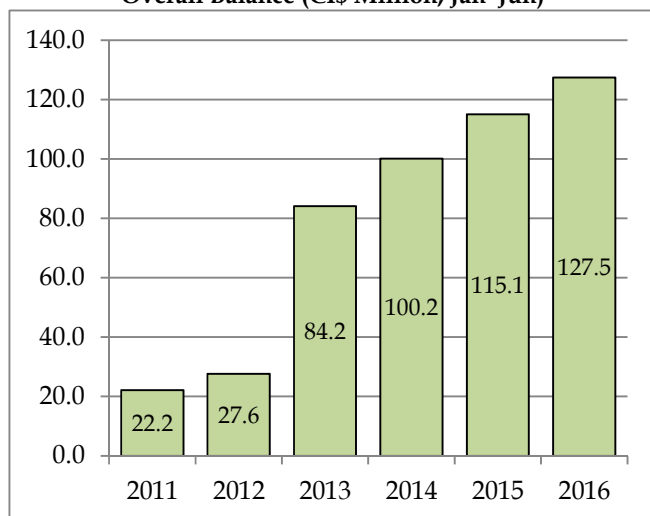
	Jun-15	Jun-16	% Change
Fixed and mobile handsets in operation	122,624	124,113	1.2
Total fixed & mobile domestic & int'l minutes ('000)	118,496	108,179	(8.7)
Fixed and mobile domestic minutes ('000)	85,927	79,311	(7.7)
Fixed and mobile int'l retail minutes ('000)	32,569	28,868	(11.4)
Broadband Connections	49,365	50,470	2.2

Source: Information Communication and Technology Authority (ICTA)

## 11. Fiscal Operations of the Central Government

The overall fiscal surplus improved to \$127.5 million in the first six months of 2016 as compared to \$115.1 million a year ago (see Figure 19). The fiscal surplus expanded as an increase in total revenue outweighed the growth in total expenditure.

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



Source: Cayman Islands Treasury Department

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

	Jun-15	Jun-16	% Change
CI\$ Millions			
<b>Total Revenue</b>	<b>405.77</b>	<b>445.16</b>	9.7
<b>Total Expenditure</b>	<b>290.72</b>	<b>317.65</b>	9.3
Current Expenditure	274.84	299.13	8.8
Net Capital Expenditure & Net Lending <sup>1</sup>	15.88	18.52	16.6
Current Balance	130.93	146.03	11.5
Overall Balance	115.05	127.51	10.8
<b>Financing</b>	<b>(115.05)</b>	<b>(127.51)</b>	
Net Borrowing	(12.59)	(9.73)	
Change in Cash	102.46	117.78	

<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

## 11.1. Revenue

During the first half of 2016, total revenue spiked by 9.7% to reach \$445.16 million as compared to the same period in the preceding year (see Table 24).

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

	Jun-15	Jun-16	% Change
CI\$ Millions			
<b>Total Revenue</b>	<b>405.77</b>	<b>445.16</b>	9.7
<b>Coercive Revenue</b>	<b>387.78</b>	<b>425.50</b>	9.7
Taxes on Int'l Trade & Transactions	81.85	86.17	5.3
Domestic Taxes on Goods & Services	286.61	301.16	5.1
Taxes on Property	17.96	32.28	79.7
Fines	1.02	1.43	39.6
Other Taxes	0.34	4.47	1,206.4
<b>Non-coercive Revenue</b>	<b>17.99</b>	<b>19.66</b>	9.3
Sale of Goods & Services	17.32	17.85	3.1
Investment Revenue	0.46	1.59	248.6
Other Revenue	0.21	0.22	2.3

Source: Cayman Islands Treasury Department

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

**Coercive revenue** which totalled \$425.5 million grew by 9.7%. All categories of revenue recorded increases, with the strongest performances shown in domestic taxes and taxes on property. Non-coercive revenue amounted to \$19.66 million, 9.3% above the comparative period a year ago.

Collection from **property taxes** increased by 79.7% (or \$14.32 million) to reach \$32.28 million. The increase emanated mainly from the sale of several high-value properties in George Town.

**Tax receipts from international trade and transactions** increased by 5.3% or \$4.3 million during the period. Revenue from other

import duties was higher by 7.1% or \$3.19 million as imported manufactured goods increased.

Higher import duty on motor vehicles was also collected, commensurate with the growth in the value of imported machinery and transport equipment which grew by 46.2% in the first half of 2016.

Receipts from tobacco products and alcoholic beverages were higher than a year ago. Inflows of revenue from cruise ship departure charges and environmental protection fund fees increased by 7.0% and 5.3%, respectively.

**Revenue collected from domestic taxes on goods and services** grew by 5.1 % (or \$14.5 million). Financial services were the principal sources of higher revenue: partnership fees (up by \$4.6 million), other exempt companies (up by \$1.9 million), mutual fund administrators (up by \$1.8 million), and security investments (up by \$1.3 million).

As depicted in Table 25, other significant increases in receipts from domestic taxes were from motor vehicles charges, other stamp duties and traders' licenses during the period. There was a decline in tourism accommodation charges, consistent with the drop in stay-over arrivals.

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

	Jun-15	Jun-16	% Change
CI\$ Millions			
Various financial service licenses	201.18	211.29	5.0
ICTA licenses & royalties	3.79	3.66	-3.4
Work permit and residency fees	35.54	34.22	-3.7
Other stamp duties	3.34	5.09	52.3
Traders' licenses	3.36	3.46	3.0
Other domestic taxes	39.40	43.44	10.2
<i>Of which</i>			
Tourism accommodation charges	14.42	14.02	-2.8
Motor vehicle charges	4.07	4.51	10.8
<b>Domestic Taxes on Goods &amp; Services</b>	<b>286.61</b>	<b>301.16</b>	<b>5.1</b>

Source: Cayman Islands Treasury Department

## 11.2. Current Expenditure

In the first half of 2016, current expenditure was higher by 8.8% as all expenditure categories increased except interest payments (see Table 26).

Personnel cost was higher by 5.5% (or \$6.7 million) to total \$127.26 million. The increase included past service pension contributions which rose by \$8.75 million mainly due to a 2.2% honorarium payment for all employees, paid in June 2016.

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

	Jun-15	Jun-16	% Change
CI\$ Millions			
<b>Current Expenditure</b>	<b>274.84</b>	<b>299.13</b>	<b>8.8</b>
Personnel Costs	120.57	127.26	5.5
Supplies & Consumables	43.18	52.02	20.5
Subsidies	65.74	71.24	8.4
Depreciation	17.19	18.13	5.5
Transfer Payments	11.69	14.40	23.1
Interest Payments	14.05	13.63	(3.0)
Other Executive Expenses	2.43	2.44	0.6

Source: Cayman Islands Treasury Department

Supplies and consumables jumped by 20.5% to total \$52.02 million due to increases in purchases of services, supplies, utilities, general insurance, recruitment and training, and other supplies and consumables.

Subsidies - which are payments to statutory authorities and corporations - were higher by 8.4% to total \$71.24 million for the first six months of 2016. Higher subsidies were paid to the Cayman Islands Monetary Authority (up by \$1.93 million); services for refugees (up by \$1.51 million); medical care at various overseas providers (up by \$1.0 million); care of the indigent, elderly and disabled persons (up by \$0.38 million).

Expenditure outlays on transfer payments - which are payments to social welfare programmes - totalled \$14.4 million, higher by 23.1% from a year ago. The increase was due to higher expenditure for financial assistance (up by \$0.98 million), and scholarships and bursaries (up by \$1.2 million).

Interest payments decreased by 3.0% to \$13.63 million which is consistent with the lower stock of outstanding debt (see also Section 11.4).

Compared to the same period a year ago, depreciation which is a non-cash provision for the decline in the value of fixed assets owned by the central government, was higher by 5.5% to total \$18.13 million, mainly due to depreciation of buildings, roads and sidewalks.

Other executive expenses increased by 0.6% to \$2.44 million, comprising largely of judicial expenses, other executive expenses and constituency allowance.

### 11.3. Capital Expenditure and Net Lending

During the review period, gross capital expenditure and net lending rose by 10.8% to \$36.65 million (see Table 27).

Capital investments in Ministries and Portfolios declined by 9.4% to \$12.42 million. Some of the significant expenditure in Ministries and Portfolios are as follows: Ministry of Education, \$4.4 million; Ministry of Health, \$1.6 million; and Ministry of Home and Community Affairs, \$2.0 million.

Capital Investment in Statutory Authorities and Government Owned Companies went up by 11.4% to total \$13.64 million. The main beneficiaries of this expenditure were Cayman Airways Limited (\$5.0 million) and Cayman Turtle Farm Limited (\$5.6 million).

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

	Jun-15	Jun-16	% Change
	CIS Millions		
<b>Gross Capital Expenditure and Net Lending</b>	<b>33.07</b>	<b>36.65</b>	10.8
Capital Investment in Ministries and Portfolios	13.70	12.42	(9.4)
Capital Investment in Statutory Authorities and Government Owned Companies	12.25	13.64	11.4
Executive Assets	6.86	10.33	50.6
Net Lending	0.27	0.27	-
<b>Net Capital Expenditure and Net Lending<sup>1</sup></b>	<b>15.88</b>	<b>18.52</b>	16.6

Source: Cayman Islands Treasury Department & ESO

Expenditure for executive assets increased by 50.6% to \$10.33 million, mainly for land purchase (\$4.5 million), George Town Revitalization (\$1.4 million), and Cayman Brac and Little Cayman Roads (\$1.0 million).

Net capital expenditure and net lending stood at \$18.52 million, an increase of 16.6% over a the same period a year ago.

#### 11.4. Net Financing and Debt Service Indicators

Cash balances of the central government have continually improved due to higher overall fiscal surplus. The cash balance rose by \$117.78 million (see Table 28) for the first six months of 2016. Total loan repayment amounted to \$9.73 million with no new loan disbursements during the review period.

Table 28: Net Financing (Jan-Jun)

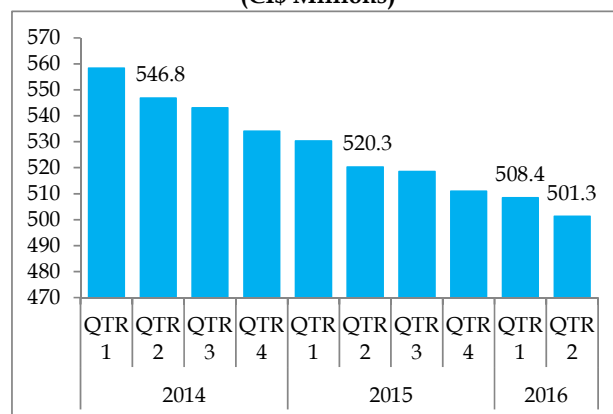
	Jun-15	Jun-16	%
	CI\$ Millions		Change
<b>Financing</b>	(115.05)	(127.51)	10.8
Net Borrowing	(12.59)	(9.73)	(22.7)
Disbursements	0.00	0.00	
Loan Repayment	(12.59)	(9.73)	(22.7)
Change in Cash Balance	102.46	117.78	15.0

Source: Cayman Islands Treasury Department

The central government's outstanding debt continued to decline after peaking in the second quarter of 2011. Central government debt stood at \$629.2 million in the second quarter of 2011; it fell by \$127.9 million over

the last five years to settle at \$501.3 million as at June 2016. In comparison to the same period a year ago, the debt declined by \$19.0 million, or 3.7% (see Figure 19).

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



Source: Cayman Islands Treasury Department

As at June 2016, the central government's debt service-to-current revenue ratio stood at 5.3%. Interest payments for the first half of the year accounted for 4.6% of recurrent expenditure and 3.1% of revenue.

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Cayman Islands Treasury Department  
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Cayman Water Company  
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Information and Communication Technology Authority  
Lands and Survey Department  
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