



CAYMAN ISLANDS
GOVERNMENT



THE CAYMAN ISLANDS'
FIRST
QUARTER
ECONOMIC
REPORT
2023





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Overview*

- In real terms, gross domestic product (GDP) is estimated to have expanded at an annualised rate of 3.4% for the first three months of 2023. GDP is forecasted to expand by 3.1% for the year.
- The Consumer Price Index rose 6.6%, mainly due to energy-related costs and food prices.
- Total merchandise imports increased by 1.5% to \$340.0 million, driven by increased non-oil imports.
- Work permits increased by 20.4% to 35,256. While civil service employment rose by 1.8%. Caymanian employment declined by 0.6%, while non-Caymanian civil servants rose by 8.1%.
- Money supply (M2) contracted by 2.9% due to a decline in foreign currency deposits. In contrast, CI dollar-denominated money increased during the quarter.
- Domestic credit expanded by 6.8%, as private and public sector borrowings rose by 1.0% and 115.6%, respectively.
- The number and value of foreclosed properties declined in the first quarter of 2023.
- The weighted average lending rate increased to 8.08% from 5.85%, while the prime lending rate remained rose to 7.38% from 3.54%.
- Bank and trust company licences fell by 3.0%, while insurance licences rose by 2.3%.
- Mutual funds, including “master funds”, increased by 1.4% to 12,963. While private funds rose 7.6% to 16,129.
- The number of listings on the Stock Exchange declined by 0.4%, while market capitalisation rose by 3.5%.
- New company registrations fell to 2,607 or 34.4%, while new partnership registrations declined by 30.9% to 963.
- Air arrivals rose to 120,926 from 40,689 in the first quarter of 2022, while cruise arrivals rose to 474,794 from 17,283.
- The value of building permits rose by 152.5%, while project approvals fell by 51.7%.
- The value of property transfers declined by 22.8% to CI\$273.3 million.
- Electricity and water consumption rose by 6.4% and 12.9%, respectively.
- The central government’s overall fiscal surplus improved to \$230.5 million, a 6.7% increase compared to the same period of 2022.
- The total outstanding debt of the central government increased to \$496.1 million from \$218.0 million a year ago.

*Comparative data over the first quarter of 2022, except when otherwise indicated. Percentage calculations may not be exact due to rounding-off.

1. International Economy

1.1 Economic Growth¹

The world's most advanced economies registered modest growth for the first three months of 2023. The United States recorded economic growth of 2.0%, reflecting increases in consumer spending, government spending, non-residential fixed investment and net export. The Canadian economy grew at an annualised rate of 3.1%, fuelled by increased household spending and exports.

The United Kingdom (UK) economy grew by 0.1%, reflecting growth in all sectors, while economic activity in the Euro Area remained relatively unchanged as growth in the service sectors was roughly offset by a contraction in manufacturing.

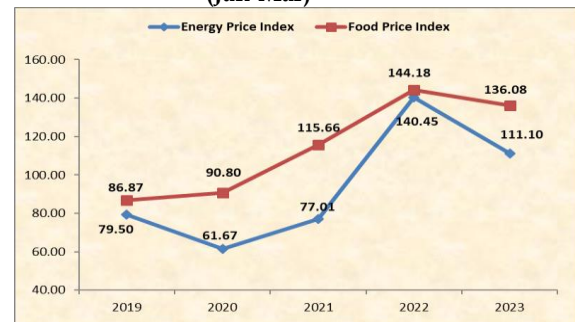
China's economy grew 5.2% in the first quarter after strict COVID-19 restrictions ended in December 2022. This growth was driven by increased consumption, investment in fixed assets (including manufacturing and infrastructure) and services.

1.2 Inflation

Consumer prices across the world's major economies remained elevated in the first quarter of 2023. In particular, the UK and the Euro Area recorded average inflation of 9.0% and 8.0%, respectively. Similarly, the

USA and Canada recorded average inflation of 5.8% and 5.1%, respectively. The normalisation of supply chains and increased supply to cope with displacements from Russia and Ukraine aided in reducing energy and food price indices from their respective peaks in 2022. Specifically, the energy price index fell by 20.9%, and the food price index decreased by 5.6% (see Figure 1). The reduction in energy prices was reflected in lower prices for crude oil, coal and natural gas. The price of crude oil averaged US\$79.05 per barrel between January and March 2023 compared to US\$96.62 per barrel for the same period in 2022.²

Figure 1: Global Energy and Food Price Indices (Jan-Mar)



Source: World Bank commodity prices (The Pink Sheet)

A major contributor to the lower food prices was a 17.8% fall in the index for oils and meats, while the price of grain remained relatively stable over the review period.

1.3 Interest Rates and Exchange Rates³

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

² Data sourced from The World Bank's Commodity Price Data and represent the average of Brent, Dubai and West Texas Intermediate prices.

³ Data sourced from the US Federal Reserve, Bank of England, Bank of Canada and European Central Bank.



Raising policy interest rates was one of the main monetary policy tools used to tighten liquidity amidst elevated inflation in the first quarter of 2023. During the quarter, all four central banks increased their respective policy rates.

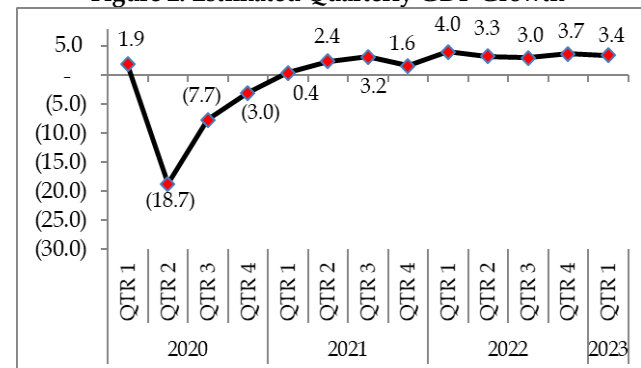
The Bank of Canada raised its policy rate by 25 basis points in January 2023 to end the quarter at 4.50%. The Federal Reserve Bank raised interest rates twice during the quarter, with 25-basis point increases announced in February and March. The quarter ended with a target policy rate between 4.75% to 5.00%. The Bank of England and the European Central Bank also increased their respective policy rates from 4.25% to 5.00% and 3.50% to 4.00%, respectively.

The US Dollar, on average, strengthened nominally against two of the world's major traded currencies during the review quarter compared with the corresponding quarter of 2022. Notably, the US Dollar appreciated 9.4% against the Great Britain Sterling Pound and 4.4% against the Euro. In contrast, the US Dollar depreciated by 6.8% against the Canadian dollar.

2. Real GDP Growth

Real GDP is estimated to have expanded at an annualised rate of 3.4% in the first quarter of 2023, a deceleration relative to the 4.0% growth estimated in the first quarter of 2022 (see Figure 2). The economic performance largely reflected a continued recovery in tourism-related services, which induced growth in auxiliary sectors.

Figure 2: Estimated Quarterly GDP Growth



Source: Economics and Statistics Office

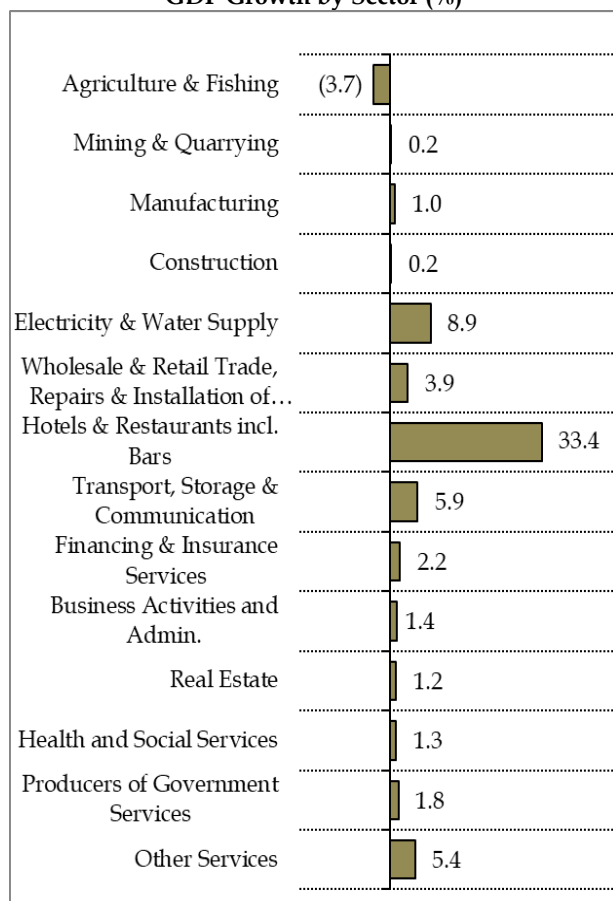
Hotels and restaurants had an estimated growth of 33.4% for the period, while transportation and communication expanded by 5.9%. Other services, which include arts, entertainment and household activities, rose by 5.4% for the quarter. Key tourism-supporting sectors such as wholesale & retail trade and utilities also expanded with respective growth of 3.9% and 8.9%. The financial services sector, the most significant contributor to GDP, had estimated growth of 2.2%, while business activities and administrative services rose by 1.4%.

Government services continued to expand during the quarter, albeit at a slower pace of



1.8%. A similar slowdown in growth was seen in real estate and business activities, which fell by 1.2% and 1.4%, respectively. In contrast to the general growth trend in most industries, agriculture and fishing is estimated to have contracted by 3.7% for the quarter. (see Figure 3).

Figure 3: Estimated First Quarter 2023 Annualised Real GDP Growth by Sector (%)



Source: Economics and Statistics Office

The economic performance in the first quarter supports the macroeconomic outlook for the calendar year 2023, with economic activity measured by real GDP projected to expand by 3.1% (see Table 1). Continued recovery in tourism and transport is expected to support activities in

auxiliary sectors. A robust supply of financial services should also contribute to output growth during the year. Real estate and construction activities are expected to decelerate for the year owing to slowing demand amidst higher interest rate costs. Interest rate increases throughout the year continue to pose downside risks to the forecast, as tighter liquidity conditions on the international market could impact the demand for Caymans services. Further, continued increases in local interest rates could raise borrowing costs even higher than anticipated.

Table 1: Macroeconomic Performance and Outlook

	2020 2021 2022*			Projection
	Percent (%)			2023
Real GDP	-5.1	4.0	3.8	3.1
CPI Inflation	1.0	3.3	9.5	5.2
Unemployment Rate	5.19	5.7	2.1	2.5

* Real GDP is estimated for 2022

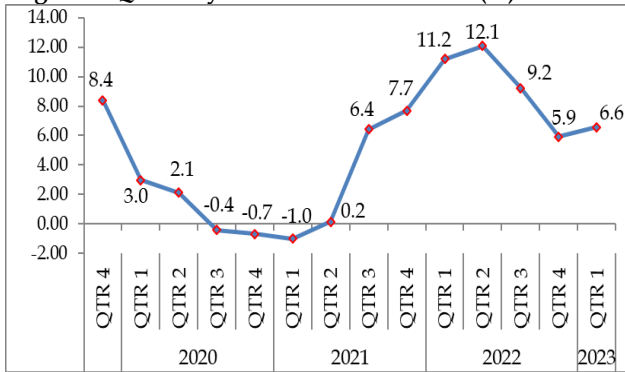
Source: Economics and Statistics Office

The consumer price index (CPI) inflation rate for the quarter is in line with expectations. Consequently, the inflation projection for the year is maintained at 5.2% for the full year. The forecast is predicated on elevated inflation, albeit moderating throughout the year. The unemployment rate for the year is maintained at 2.5%. The demand for labour is expected to remain strong, in line with the recovery in labour-intensive tourism-related services.

3. Inflation⁴

Average prices in the Cayman Islands’ rose by 6.6% in the first quarter of 2023. The inflation in the quarter was the seventh consecutive quarter of annual price increases above 5.0%.

Figure 4: Quarterly Year-on-Year Inflation (%)



Source: Economics and Statistics Office

All divisions in the index rose for the period, led by energy and food-related prices. The housing and utilities index rose by 7.6%, owing to increases in all sub-divisions. Notably, electricity, gas and other fuels rose by 22.4%, while water supply and actual rent rose by 37.1% and 6.2%, respectively.

The transportation index increased by 4.9% and reflected increases in most subdivisions. Fuels and lubricants rose by 7.5%, while passenger transport by air grew by 7.5%.

As the war in Ukraine entered its second year during the quarter, continued uncertainties around global food prices facilitated a 12.3% increase in the index for food and non-alcoholic beverages. The imported food inflation was largely seen in

tea coffee and cocoa, milk, cheese and eggs and sugar, confectionary and snacks.

Table 2: Inflation Rates by Categories

Categories	Avg. Inflation Rates (%)	
	Q1 2022	Q1 2023
Food & Non-alcoholic Beverages	4.9	12.3
Alcohol and Tobacco	2.1	3.6
Clothing and Footwear	8.0	6.9
Housing and Utilities	20.1	7.6
Household Equipment	7.2	11.2
Health	0.2	1.5
Transport	15.7	4.9
Communication	3.7	1.2
Recreation and Culture	2.0	5.3
Education	1.2	2.3
Restaurants and Hotels	4.3	8.1
Misc. Goods and Services	2.1	4.4
Overall CPI Inflation	11.2	6.6

Source: Economics and Statistics Office

Consistent with the rise in food prices and higher tourist demand, the index for restaurants and hotels increased by 8.1%. Similarly, the index for Furnishings and Household equipment rose by 11.2%, mainly due to a 20.5% increase in the cost of furnishings.

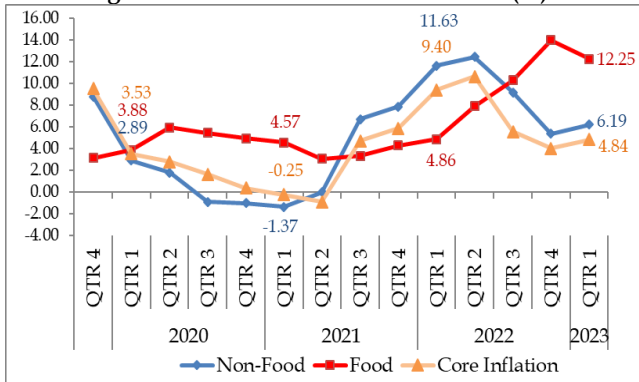
Additionally, the price index for clothing and footwear rose by 6.9%, while the index for recreation and culture increased by 5.3%. On average, non-food prices expanded by 6.2% relative to an increase of 11.6% for 2022.

Consistent with the general increase in all divisions, core inflation, which is headline inflation excluding food, electricity, and fuels, increased by 4.8% for the quarter

⁴ The CPI Quarter 1 2022 Report is posted at www.eso.ky

relative to the same period of 2022 (see Figure 5). The lower level of core inflation underscores the impact of food and energy-related prices on inflation.

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



Source: Economics and Statistics Office

4. Trade⁵

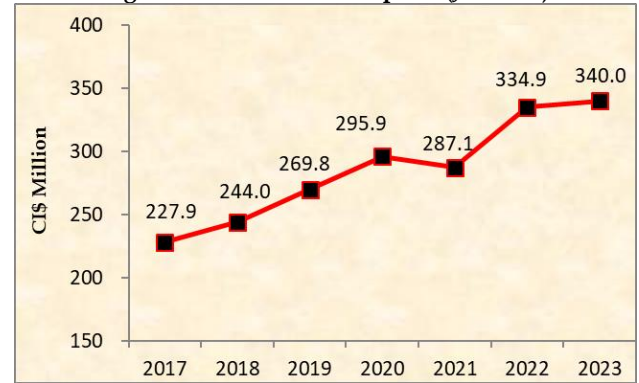
The value of merchandise imports increased to \$340.0 million in the first quarter of 2023, relative to \$334.9 million for the comparable period in 2022 (see Figure 6). This 1.5% expansion in imports was reflected in half of the ten categories.

The categories recording the largest absolute increases in imports were food and live animals (up by \$11.7 million to \$64.1 million), miscellaneous manufactured articles (up by \$7.2 million to \$72.9 million) and chemicals and related products (up by \$4.9 million to \$30.0 million).

The import category ‘mineral fuels, lubricants and related materials’ declined by \$7.2 million or 17.2%. The reduction in the value of imported fuels corresponded with a

fall in prices, as the U.S. Energy Information Administration reported. The price of crude oil fell by 18.2% in the first quarter of 2023 compared to the same period in 2022, while the price of diesel fell by 4.1%.

Figure 6: Merchandise Imports (Jan-Mar)



Source: Customs Department and ESO

Despite the decline in value, the quantity of fuel import rose by 65.1% to a total of 15.6 million imperial gallons for the review period (see Table 3). This was attributed to a 28.2% increase in diesel imports and a 102.3% increase in gas imports (see Table 3).

Table 3: Quantity of Fuel Imports (Jan-Mar)

	2021	2022	2023	% Change
Millions of Imperial Gallons				
Total Fuel	11.3	9.5	15.6	65.1
Diesel	8.0	5.9	7.6	28.2
Gas	2.7	2.7	5.5	102.3
Aviation Fuel	0.2	-	1.9	-
Propane	0.5	0.8	0.6	(26.6)

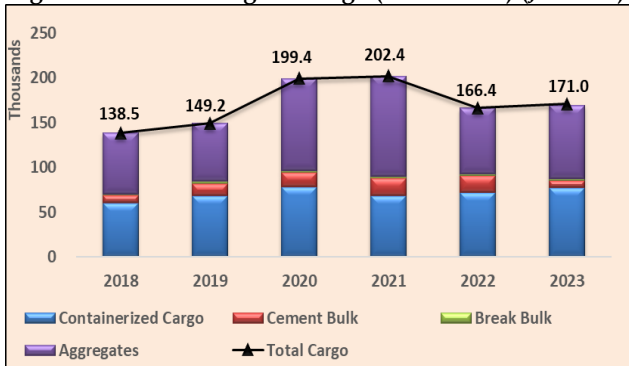
Source: Cayman Islands Port Authority

Consistent with the rise in value for non-oil imports, the total tonnage of landed cargo increased by 2.8% to 170,979 tonnes for the quarter (see Figure 7). This increase was due to higher imports of containerised cargo (up

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

by 8.0% or 5,741tonnes) and Aggregates (up by 12.0% or 8,795 tonnes). In contrast, there were declines in cement bulk (down by 57.7% or 10,950 tonnes) and break-bulk cargo (down by 4.1% or 101 tonnes). Containerised cargo and aggregates accounted for 45.2% and 48.1% of the total import volume, respectively.

Figure 7: Total Tonnage of Cargo (000 Tonnes) (Jan-Mar)



Source: Cayman Islands Port Authority

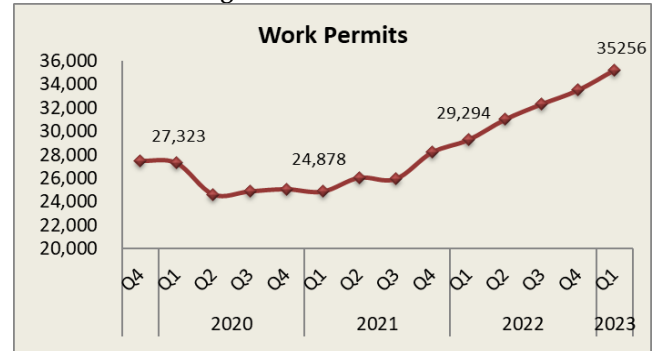
5. Labour Market Indicators

Labour demand remained robust during the quarter, with both work permits and public sector workers increasing.

5.1. Work Permits

As of the end of March 2023, there were 35,256 work permits issued, an expansion of 20.4% from the same period of 2022. Compared to the December 2022 quarter, work permits increased by 5.1%. The sectors employing the most work permit holders for the quarter were construction (6,326), accommodation and food services (5,743) and households (4,498).

Figure 8: Work Permits

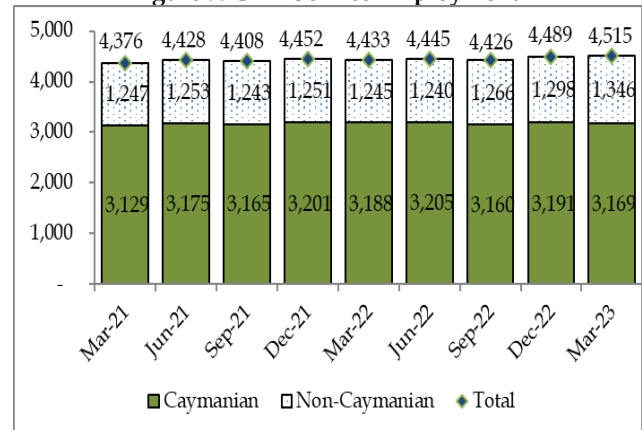


Sources: Immigration Department & ESO

5.2. Public Sector Employment

The total number of civil servants employed by the Cayman Islands' government totalled 4,515 persons at the end of March 2023, an increase of 1.8% (or 82 persons) relative to a similar period last year. At the end of March 2023, the number of Caymanian civil servants fell by 0.6% to 3,169 persons, while non-Caymanian civil servants increased by 8.1% to 1,346 persons (see Figure 9).

Figure 9: Civil Service Employment



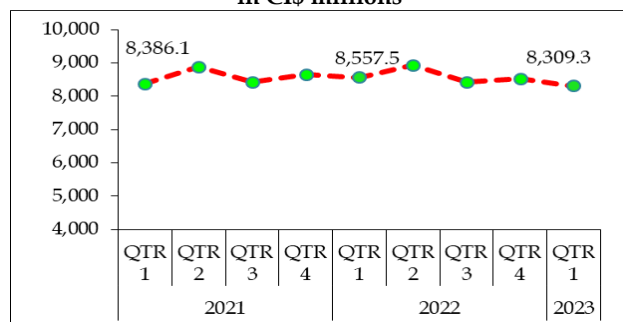
Source: Portfolio of the Civil Service

6. Money & Banking

Broad liquidity (M2) contracted by 2.9% to \$8,309.3 million for the first quarter of 2023. The fall in liquidity was driven by a reduction M1 money, which includes circulated currency and demand deposits. Specifically, currency in circulation and demand deposits fell by 4.8% and 2.6%, respectively. Additionally, there was a contraction in foreign currency-denominated deposits by 6.0% or \$365.7 million. This decline mirrored a fall in US dollar deposits for the period (see Figure 10 and Table 4).

Despite the fall in local currency M1, total CI dollar-denominated deposits grew by 5.4%, or \$125.4 million, due to an 11.8% rise in time and savings deposits.

Figure 10: Total Money Supply (M2) in CI\$ millions



Source: Cayman Islands Monetary Authority & ESO

The tighter liquidity in M1 money may be viewed in the context of higher interest rates incentivising depositors to shift funds from more liquid demand deposits to longer-term deposits with higher rates. Additionally, depositors may find it necessary to draw down liquid funds to pay down high-interest debts.

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

	Mar-22	Mar-23	% Change
Total Assets	8,557.5	8,309.3	(2.9)
Net Foreign Assets	5,762.9	5,280.0	(8.4)
Monetary Authority	181.9	177.2	(2.6)
Commercial Banks	5,581.0	5,102.7	(8.6)
Net Domestic Assets	2,794.6	3,029.3	8.4
Domestic credit	3,756.6	4,012.1	6.8
Claims on central government	164.0	389.7	137.6
Claims on other public sector	26.2	20.6	(21.6)
Claims on private sector	3,566.4	3,601.8	1.0
Other items net	(962.1)	(982.8)	2.2
Broad Liquidity	8,557.5	8,309.3	(2.9)
Broad money (KYD) M2	2,502.5	2,620.0	4.7
Currency in circulation	165.7	157.8	(4.8)
KYD Deposits	2,336.8	2,462.2	5.4
Demand deposits	1,040.5	1,013.2	(2.6)
Time and savings deposits	1,296.3	1,449.0	11.8
FOREX deposits	6,055.0	5,689.3	(6.0)
of which: US dollars	5,674.7	5,332.5	(6.0)
US dollars share (%)	93.7	93.7	

Source: Cayman Islands Monetary Authority & ESO

The contraction in M2, which also represents the liabilities of the monetary and banking system, resulted in financial institutions reducing their foreign assets to support an expansion in net domestic assets.

6.1 Net Foreign Assets. The net foreign assets (NFA) of commercial banks fell by 8.6% for the quarter, while the NFA of the Cayman Islands Monetary Authority (CIMA) declined by 2.6%. The contraction in NFA among commercial banks reflected a drawdown in foreign assets and a corresponding increase in foreign liabilities. Foreign assets declined by 3.4%, reflecting reductions of 9.0% and 10.5% in balances with banks and branches and non-resident loans, respectively. The impact of these increases was partially offset by a 2.9% increase in foreign investment.

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

	Mar-22	Mar-23	% Change
Net Foreign Assets	5,762.9	5,280.0	(8.4)
Monetary Authority	181.9	177.2	(2.6)
Commercial Banks	5,581.0	5,102.7	(8.6)
Foreign Assets	8,551.5	8,258.0	(3.4)
Bal. with Banks & Branches	3,468.0	3,155.2	(9.0)
Total Investment	4,132.2	4,251.5	2.9
Total Non-Resident Loans	951.3	851.3	(10.5)
Foreign Liabilities	2,970.6	3,155.3	6.2
Total Non-Resident Deposits	2,648.2	2,833.3	7.0
Other Liabilities	322.4	321.9	(0.1)

Source: Cayman Islands Monetary Authority & ESO

Foreign liabilities rose by 6.2%, reflecting a 7.2% increase in non-resident deposits. In contrast, other foreign liabilities fell by 0.1%.

6.2. Net Domestic Assets. Total domestic credit within the financial system expanded by 6.8% in the first quarter of the year, owing to a rise in credit extended to both the private and public sectors.

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

	Mar-22	Mar-23	% Change
Domestic Credit	3,756.6	4,012.1	6.8
Credit to Public Sector	190.3	410.3	115.6
Credit to Central Government	164.0	389.7	137.6
Credit to Other Public Sector	26.2	20.6	(21.6)
Credit to Private Sector	3,566.4	3,601.8	1.0

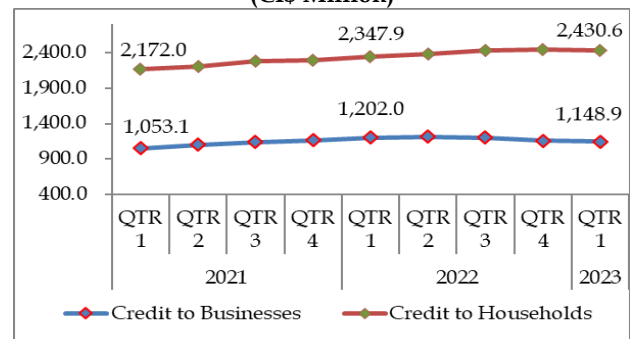
Source: Cayman Islands Monetary Authority & ESO

Loans to the private sector rose by 1.0%, while public sector indebtedness increased by 115.6%. The central government's borrowing expanded by 137.6%, while credit extended to parastatal and public authorities declined by 21.6%.

The rise in private sector credit was reflected in household loans as business loans declined. Credit to households increased by

3.5% to CI\$2,430.6 million during the quarter (see Figure 11). The growth in household loans was due to a rise in borrowings for domestic properties, which rose by 4.2 (see Table 7). In contrast, credit extended for motor vehicles and education & technology fell by 6.7% and 17.7%, respectively.

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



Source: Cayman Islands Monetary Authority & ESO

Credit extended to businesses declined by 4.4% to \$1,148.9 million. The main sectors contributing to the reduction were wholesale and retail trade, real estate and leasing companies, and general business activities, which fell by 38.5%, 6.8% and 5.4%, respectively. In contrast, borrowings by service sector companies rose by 16.1%, while credit to production and manufacturing firms increased by 10.4%.

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

	Mar-22	Mar-23	% Change
Total Private Sector Credit	3,566.4	3,601.8	1.0
Credit to Businesses	1,202.0	1,148.9	(4.4)
Production & Manufacturing	211.8	233.8	10.4
Mining	4.7	4.7	1.5
Manufacturing	8.4	7.8	(7.2)
Utilities	8.2	20.1	144.8
Construction	190.6	201.2	5.6
Services	129.2	150.0	16.1
Accommodation, Food, Bar & Entertainment Services	70.9	80.9	14.1
Transportation, Storage & Communications	28.7	21.6	(24.7)
Education, Recreational & Other Professional Services	29.7	47.6	60.4
Trade and Commerce	840.5	751.5	(10.6)
Wholesale & Retail Sales Trade	116.8	71.8	(38.5)
Real Estate Agents, Rental and Leasing Companies	347.4	323.7	(6.8)
Other Business Activities (General Business Activity)	376.3	356.0	(5.4)
Other Financial Corporations	20.4	13.6	(33.0)
Credit to Households	2,347.9	2,430.6	3.5
Domestic Property	2,084.5	2,171.7	4.2
Motor Vehicles	58.9	54.9	(6.7)
Education and Technology	3.2	2.6	(17.7)
Miscellaneous*	201.4	201.3	(0.0)
NonProfit Organizations	16.4	22.3	35.7

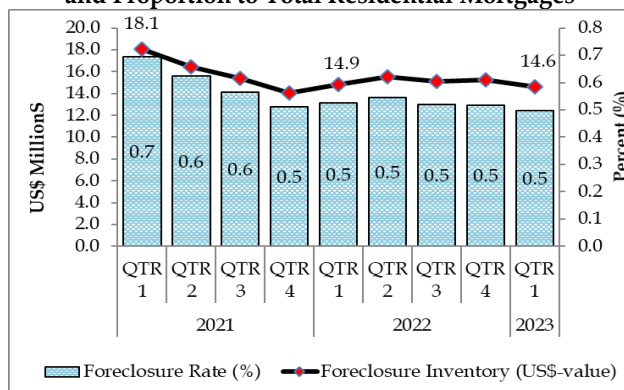
Source: Cayman Islands Monetary Authority & ESO

6.3. Residential Mortgage Foreclosures

At the end of March 2023, CIMA data shows that there were 51 properties in the local foreclosure inventory valued at US\$14.6 million. This represented a reduction from the 52 properties valued at US\$14.9 million in the same period of 2022.

The foreclosure rate (foreclosure inventory over total residential mortgages) as at March 2023 remained unchanged at 0.5%. The total number of completed foreclosures rose to 5 (or 9.8% of the foreclosure inventory) from 2 in 2022.

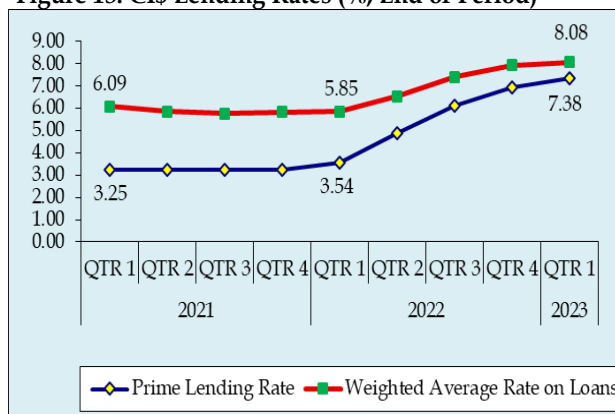
Figure 12: Residential Mortgages Foreclosures Inventory and Proportion to Total Residential Mortgages



Source: Cayman Islands Monetary Authority & Economics and Statistics Office

6.4. Interest Rates. The Cayman Islands' prime lending rate rose by 383 basis points to 7.38% as at March 2023. Consistent with the rise in prime rate, the KYD weighted average lending rate increased to 8.08% from 5.85% a year earlier (see Figure 13).

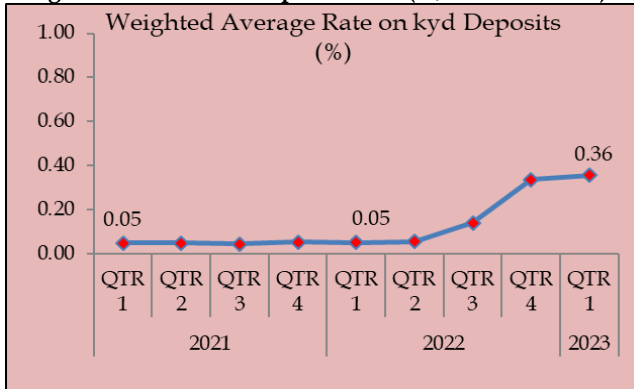
Figure 13: CI\$ Lending Rates (% , End of Period)



Source: Cayman Islands Monetary Authority & ESO

The weighted average rate on KYD deposits was increased to 0.36% from 0.05% in the first quarter of 2022 (see Figure 14).

Figure 14: CI Dollar Deposit Rates (% End of Period)



Source: Cayman Islands Monetary Authority & ESO

7. Financial Services

Financial services indicators mostly declined for the first quarter of 2023. Bank & trust license, stock exchange listings, new company registrations and new partnership registrations declined while insurance licences and mutual funds registrations increased.

7.1 Banks & Trust

At the end of March 2023, bank and trust licences fell to 97 from 100 in the corresponding period of 2022 (see Table 8). The decline was attributed to Class 'B' licenses, which fell from 90 to 86. The number of Class 'A' licensees increased by 1 to 11.

Trust company licensees remained unchanged at 114, with the number of restricted and unrestricted trust licensees ending the quarter at 56 and 58, respectively.

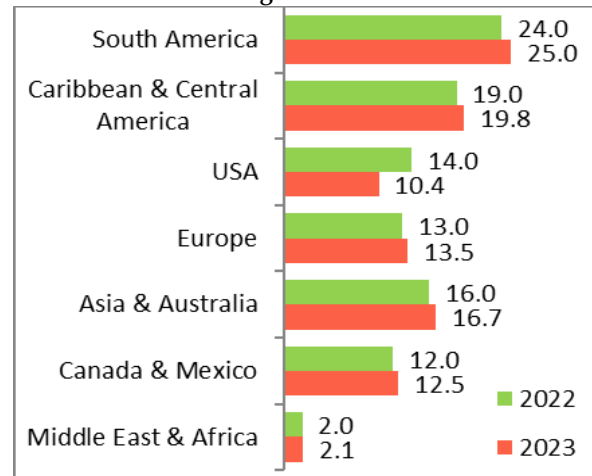
Table 8: Bank and Trust Companies

	Mar 2021	Mar 2022	Mar 2023	% Change
Banks & Trusts	121	100	97	(3.0)
Class A	10	10	11	10.0
Class B	111	90	86	(4.4)
Trust Companies	116	114	114	0.0
Restricted	59	58	56	(3.4)
Unrestricted	57	56	58	3.6

Source: Cayman Islands Monetary Authority

South America & the Caribbean, and Central America were the primary sources of Cayman's banking licences, accounting for 25.0% and 19.8% of the total, respectively.

Figure 15: Percentage Proportion of Banks by Region of Origin as at March



Source: Cayman Islands Monetary Authority

7.2 Insurance

The total number of insurance license in Cayman totalled 699 at the end of March 2023, an increase of 16 or 2.3% (see Table 9). Captive licensees rose by 16 (or 2.4%) to 673, while domestic licensees were unchanged. The main contributors to the increase in captives were Class B, up by 15 (or 2.4%), and Class D, up by 1 (or 16.7%). Class 'C' licensees remained unchanged at 21.



Table 9: Insurance Companies*

	Mar 2021	Mar 2022	Mar 2023	% Change
Domestic - Class 'A'	26	26	26	0.0
Captives	656	657	673	2.4
Class 'B'	628	630	645	2.4
Class 'C'	23	21	21	0.0
Class 'D'	5	6	7	16.7
Total	682	683	699	2.3

Source: Cayman Islands Monetary Authority

*Class B: captives and segregated portfolio companies (SPC); Class C: special purpose vehicles; Class D: other captives.

The primary classes of business that contributed to the overall increase in captives; were General Liability (up by 11.3%), Property (up by 7.4%) and 'Other'⁶ (up by 7.7%). Healthcare licensees declined by 3.0%. Healthcare and Workers' Compensation continue to represent the largest proportion of insurance classes within captives (see Table 10).

Table 10: Captive Insurance Licences by Primary Class of Business

	Mar 2022	Mar 2023	% Change	% Proportion
Healthcare	198	192	-3.0	28.5
Workers' Compensation	149	149	0.0	22.1
Property	68	73	7.4	10.8
General Liability	80	89	11.3	13.2
Professional Liability	58	58	0.0	8.6
Other	104	112	7.7	16.6
Total	657	673	2.4	100.0

Source: Cayman Islands Monetary Authority

North America remained the top risk location for insurance companies, with 89.2% or 600 companies.

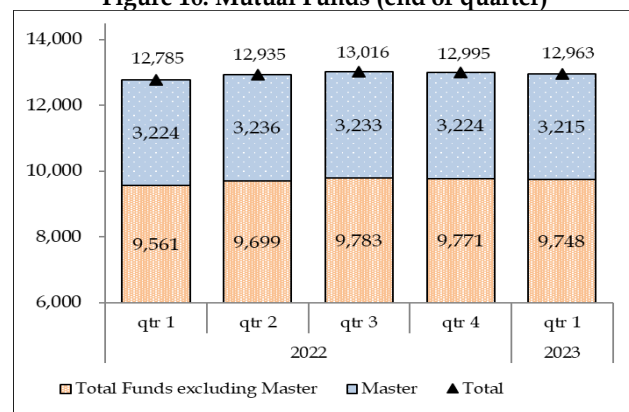
⁶ Includes Medical Malpractice Liabilities, Product Liability, Accident & Health and Automobile P.D & Liabilities

7.3 Mutual and Private Funds

At the end of March 2023, there were 12,963 mutual funds registered in the Cayman Islands, a 1.4% increase over the same period of 2022. Registered mutual funds accounted for 67.6% of the total mutual funds and increased by 2.5% relative to Q1 2022. Conversely, master, administered and limited investor funds declined by 0.3%, 0.3%, and 4.0%, respectively.

The number of private funds registered in the Islands increased by 7.6% to 16,129 for the review period.

Figure 16: Mutual Funds (end of quarter)



Source: Cayman Islands Monetary Authority

7.4 Stock Exchange

The number of stocks listed on the Cayman Islands Stock Exchange declined by 0.4% to 2,655 at the end of March 2023 (see Table 11). Investment funds and Sovereign debt securities recorded the largest absolute declines, falling by 10.3% and 6.6%, respectively.



Table 11: Number of Stock Listings by Instrument (as at end-March)

Instrument	Mar 2021	Mar 2022	Mar 2023	% Change
Investment Fund	122	116	104	(10.3)
Specialist Debt	1,906	2,236	2,254	0.8
Sovereign Debt Security	280	272	254	(6.6)
Primary Equity	4	3	3	0.0
Secondary Equity	1	1	0	(100.0)
Insurance Linked Security	36	38	39	2.6
Retail Debt	1	1	1	0.0
Total	2,350	2,667	2,655	(0.4)

Source: Cayman Islands Stock Exchange

The market capitalisation of the exchange rose by 3.5% to US\$835.6 billion at the end of March 2023 (see Table 12). The main contributors to the increase were specialist debt (up by 3.6%) and corporate & sovereign debt security (up by 1.9%). In contrast, primary equity, insurance-linked security, and retail debt instruments declined relative to the first quarter of 2022.

Table 12: Market Capitalisation by Instrument (US\$ Billion, as at end-March)

Instrument	Mar 2021	Mar 2022	Mar 2023	% Change
Investment Fund	13.0	15.7	18.8	19.3
Specialist Debt	479.5	636.3	659.1	3.6
Corporate & Sovereign Debt Security	146.8	149.5	152.3	1.9
Primary Equity	0.4	0.6	0.5	(14.7)
Secondary Equity	0.2	0.1	0.0	(100.0)
Insurance Linked Security	4.9	4.9	4.5	(8.7)
Retail Debt	0.4	0.5	0.4	(10.6)
Total	645.3	807.6	835.6	3.5

Source: Cayman Islands Stock Exchange

7.5. Company Registrations

New company registrations declined by 34.4% to 2,607 entities at the end of March 2023 (see Table 13). All categories contracted for the period, led by 'Exempt companies'

(the largest category), which fell by 35.1% or 1,090 entities.

Table 13: New Company Registrations (Jan-Mar)

	2020	2021	2022	2023
Total	3,188	4,650	3,974	2,607
Exempt	2,530	3,669	3,103	2,013
Non-Resident	1	6	6	1
Resident	187	263	233	220
Foreign	216	227	267	169
FDN	11	26	81	46
LLC	243	459	284	158
Percentage Change (%)				
Total	(7.3)	45.9	(14.5)	(34.4)
Exempt	(9.0)	45.0	(15.4)	(35.1)
Non-Resident	(90.0)	500.0	-	(83.3)
Resident	(12.2)	40.6	(11.4)	(5.6)
Foreign	20.0	5.1	17.6	(36.7)
FDN	(31.3)	136.4	211.5	(43.2)
LLC	0.4	88.9	(38.1)	(44.4)

Source: Registrar of Companies

*Foundation companies began operations in February 2018.

7.6. Partnerships

Registration of new partnerships decreased to 963 at the end of the quarter. This reflected a decline of 30.9% relative to the same period in 2022 (see Table 14). The decline was driven by the 'Exempt' category, which accounts for 94.3% of the total new registrations and fell by 32.1%

Table 14: New Partnership Registrations (Jan-Mar)

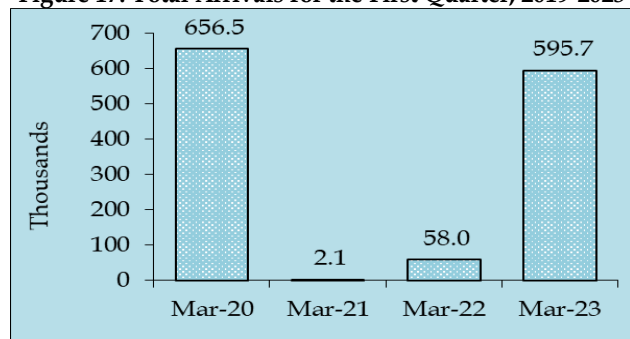
	2020	2021	2022	2023
Total	1,256	1,411	1,393	963
Exempt	1,211	1,375	1,338	908
Foreign	45	35	53	53
LLP*	-	1	2	2
Percentage Change (%)				
Total	12.5	12.3	(1.3)	(30.9)
Exempt	10.8	13.5	(2.7)	(32.1)
Foreign	95.7	(22.2)	51.4	-
LLP*	-	100.0	-	-

Source: Registrar of Companies

8. Tourism

The pace of recovery in visitor arrivals accelerated in the first three months of the year. There were 595,720 total visitors to the Island relative to 57,972 in the same period of 2022.

Figure 17: Total Arrivals for the First Quarter, 2019-2023



Source: Department of Tourism

8.1. Air Arrivals

Air arrivals rose to 120,926 in the review period, a 197.2% increase over the corresponding period of 2022. Growth in arrivals was recorded across all regional markets, with the USA market recording an increase of 215.2%. Arrivals from Canada rose by 193.6%, while the European and

'Other' regional markets increased by 68.3% and 141.2%, respectively.

Table 15: First Quarter Air Arrivals by Origin

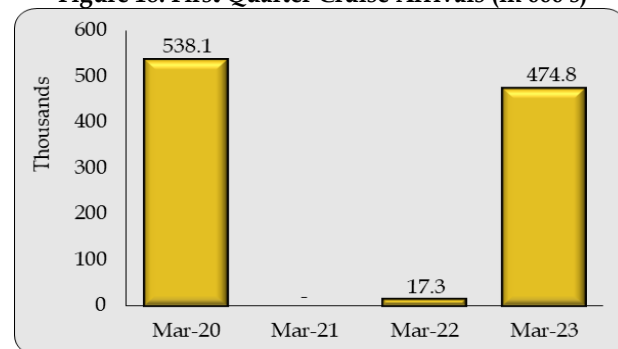
	In Thousands			% Change
	2021	2022	2023	
USA	1.2	31.2	98.4	215.2
Europe	0.3	3.5	5.8	68.3
Canada	0.2	4.2	12.4	193.6
Others	0.4	1.8	4.2	141.2
Total	2.1	40.7	120.9	197.2
USA (% share)	57.4	76.7	81.4	

Source: Cayman Islands Department of Tourism

8.2. Cruise Arrivals

Cruise passenger arrivals rose to 474,794 from 17,283 in the corresponding period of 2022. The increase in cruise arrivals occurred as the number of port calls rose to 170 compared to 9 last year. Notably, the Island's cruise ports were reopened in March 2022.

Figure 18: First Quarter Cruise Arrivals (in 000's)



Source: Department of Tourism

9. Construction

Construction indicators reflected mixed results for the first three months of the year. The value of building permits increased while project approval value declined.



9.1. Building Permits

The value of building permits rose by 152.5% to \$227.2 million. This increase largely reflected growth in the commercial and ‘other’ categories (see Table 16).

The value of permits for commercial projects rose to \$118.9 million from \$10.8 million a year before. The strong growth in the category was mainly due to permits for an expansion to health city Camana Bay valued at \$64.3 million and a three-story mixed-use building valued at \$34.3 million.

The ‘other’ category rose by 237.9% or \$32.3 million, which mainly reflected two generator projects at health city Camana Bay.

Table 16: Building Permits (Jan-Mar)

	Building Permits (CI\$ Mil)			% Change
	2021	2022	2023	
Residential	105.3	60.9	60.4	(0.8)
Houses	32.6	38.6	20.6	(46.7)
Apartments	72.7	22.2	39.8	79.0
Commercial	9.1	10.8	118.9	1,001.8
Industrial	3.7	3.5	2.0	(42.0)
Hotel	80.0	-	-	-
Government	-	1.3	-	(100.0)
Other	23.3	13.6	45.9	237.9
Total	221.4	90.0	227.2	152.5

Source: Planning Department

In contrast, the value of permits in the residential categories fell by 0.8% to \$ 60.4 million for the first three months of 2023. The contraction was due to a \$18.0 million reduction in the houses category, which outweighed a \$17.6 million increase in the apartment’s category.

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

	Number of Permits			% Change
	2021	2022	2023	
Residential	179	123	79	(35.8)
Houses	107	101	63	(37.6)
Apartments	72	22	16	(27.3)
Commercial	21	25	18	(28.0)
Industrial	5	3	5	66.7
Hotel	1	-	-	-
Government	1	6	3	(50.0)
Other	133	105	58	(44.8)
Total	340	262	163	(37.8)

Source: Planning Department

Notwithstanding the rise in value, the total number of building permits fell by 37.8% to 163.

9.2. Project Approvals

Project approval values contracted by 51.7% to \$95.8 million for the first quarter of the year. All categories declined except for commercial approvals, which rose by 20.5%.

Table 18: Project Approvals (Jan-Mar)

	Project Approvals (CI\$ Mil)			% Change
	2021	2022	2023	
Residential	43.2	120.2	57.1	(52.5)
Houses	21.1	51.8	20.9	(59.7)
Apartments	22.1	68.4	36.2	(47.0)
Commercial	1.5	13.7	16.5	20.5
Industrial	2.5	9.1	0.2	(97.8)
Hotel	80.0	34.0	12.0	(64.7)
Government	1.3	7.8	0.1	(98.2)
Other	13.9	13.4	9.8	(26.9)
Total	142.2	198.1	95.8	(51.7)

Source: Planning Department

Approvals in the residential categories contracted by 52.5% to \$57.1 million. The houses category declined by 59.7%, while apartments fell by 47.0%.

Within the non-residential segment approvals for hotel projects fell by 64.7%, while the government and industrial categories fell by 98.2% and 97.8%, respectively.

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

	Number of Approvals			% Change
	2021	2022	2023	
Residential	87	110	57	(48.2)
Houses	59	96	43	(55.2)
Apartments	28	14	14	-
Commercial	7	12	9	(25.0)
Industrial	2	6	1	(83.3)
Hotel	1	1	1	-
Government	2	2	1	(50.0)
Other	92	124	67	(46.0)
Total	191	255	136	(46.7)

Source: Planning Department

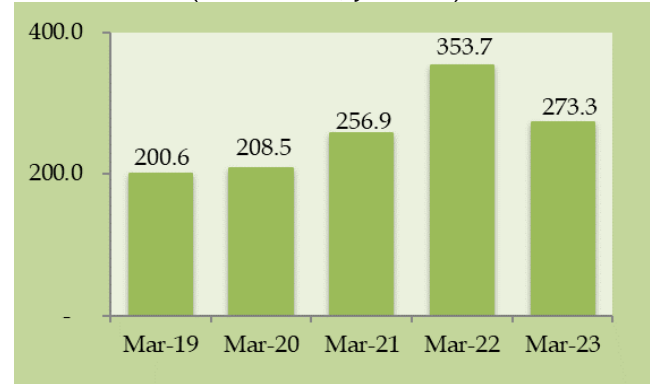
The number of project approvals also declined, falling by 46.7% to 136 for the period.

10. Real Estate

The real estate sector contracted in both value and volume for the first quarter of 2023.

The value of traded properties fell to \$273.3 million, a decline of 22.8% relative to the same period of 2022. The reduction in traded properties was driven by a 25.0% decline in freehold transfers, which fell to \$260.3 million. In contrast, leasehold transfers rose by 93.5% to \$12.9 million.

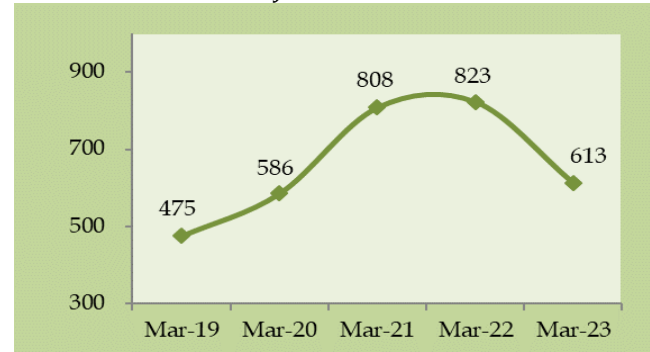
Figure 19: Value of Property Transfers: (CI\$ Million, Jan-Mar)



Source: Lands & Survey Department

The total number of property transfers fell by 25.5%, or 210 properties, to 613. The number of freehold transfers declined by 200 to 580, while leaseholds declined by 10 to 33.

Figure 20: Number of Property Transfers: Jan- Mar



Source: Lands & Survey Department

11. Utilities

11.1 Electricity

Energy consumption rose in the quarter as the Islands experienced extreme heat conditions and the tourism sector continued its recovery. Consequently, electricity demand increased by 6.4% in the first three months of 2023. The rise in demand was



reflected across both residential and commercial customers. Specifically, residential consumption rose by 5.1%, while commercial consumption increased by 7.9%. In contrast, other consumption, which includes street lighting, fell by 0.9% for the period.

The rise in consumption was due to both a rise in the customer base and an increase in average consumption. The number of electricity customers rose by 2.6% due to increases of 2.8% and 1.4% in residential and commercial customers, respectively. The average consumption of residential customers rose by 2.2%, while the average commercial consumption increased by 6.5%.

11.2. Water

Similar to the consumption of electricity, water consumption increased by 12.9% during the review period. Potable water production increased by 13.1% as suppliers moved to keep pace with demand.

Table 20: Utilities Production and Consumption

	Mar-22	Mar-23	% Change
Millions of US Gallons			
Water Production	644.1	728.4	13.1
Water Consumption	536.9	606.0	12.9
'000 of megawatt hrs			
Electricity Production (Net)	150.3	159.3	6.0
Electricity Consumption	149.3	158.8	6.4
Residential	78.6	82.6	5.1
Commercial	69.5	75.0	7.9
Public	1.2	1.2	(0.9)
Total Customers	32,365	33,214	2.6
Residential	27,739	28,525	2.8
Commercial	4,626	4,689	1.4

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

11.3 Telecommunications. As indicated by domestic and international minutes, telephone usage declined by 10.7% for the quarter compared to the previous year. This resulted from a reduction of 10.7% in domestic minutes, which outweighed a 3.1% increase in international minutes (see Table 21).

Fixed and mobile handsets in operation rose by 1.1% to 140,108, while broadband connections fell by 4.8%.

Table 21: Telecommunication Sector Indicators

	Mar-22	Mar-23	% Change
Fixed and Mobile handsets in operation	138,578	140,108	1.1
Total fixed & mobile minutes ('000)	54,707	49,791	(9.0)
Fixed and mobile domestic minutes	48,002	42,880	(10.7)
Fixed and mobile int'l retail minutes	6,704	6,911	3.1
Broadband connections	29,389	27,978	(4.8)

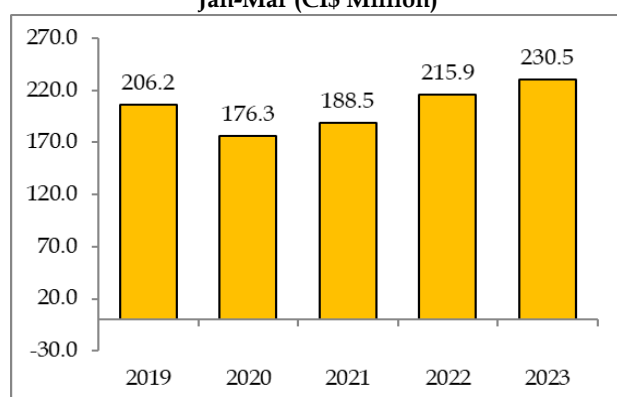
Source: The Utility Regulation and Competition Office



12. Fiscal Operations of the Central Government⁷

Net lending (overall surplus), which is revenue less expenditure, increased to \$230.5 million at the end of the first quarter of 2023 relative to \$215.9 million for the same quarter in 2022 (see Figure 20 and Table 22).

Figure 21: Central Government's Net Lending Jan-Mar (CI\$ Million)



Source: Cayman Islands Treasury Department & Economics and Statistics

The improvement in the overall surplus was due to a larger increase in revenue than in expenditure. The revenue growth resulted from increases in both taxes and other revenues. While the rise in expenditure was attributable to an increase in expenses as net investment in non-financial assets (formerly net capital expenditure and net lending) declined.

The **net operating balance (formerly current balance)**, which is revenue minus expense, rose to \$233.6 million in 2023 from \$219.7 million for the first quarter of 2022.

Table 22: Summary of Fiscal Operations

	Mar-22	Mar-23	% Change
CI\$ Million			
Revenue	446.9	473.4	5.9
Expense	227.2	239.8	5.6
Net Operating Balance	219.7	233.6	6.3
Net Investment in Nonfinancial Assets	3.8	3.2	(16.6)
Expenditure	231.0	243.0	5.2
Net Lending	215.9	230.5	6.7
Financing:			
Net Acquisition of Financial Assets	211.2	220.1	4.2
Net Incurrence of Liabilities	(4.7)	(10.3)	119.7

Source: Cayman Islands Treasury Department & Economics and Statistics Office

12.1. Revenue

Total revenue for the quarter was \$473.4 million, an increase of 5.9% over the same period of 2022 (see Table 23). The increased collection was supported by higher taxes (up by 4.6%) and other revenue (up by 52.1%). The improved performance in revenue benefitted from higher prices due to rising inflation and increased demand stemming from rising employment.

Taxes totalled \$454.3 million, an increase of 4.6% relative to the same period in 2022. The categories driving the increase were taxes on international trade and transactions and taxes on goods and services. Conversely, taxes on property and other taxes decreased for the period. The share of tax revenue in total revenue fell from 97.2% at the end of March 2022 to 96.0% at the end of March 2023.

⁷ The tables, graphs and information presented in this section has been adjusted to conform with the



Table 23: Revenue of the Central Government

	Mar-22	Mar-23	% Change
	CI\$ Million		
Revenue	446.9	473.4	5.9
Taxes	434.3	454.3	4.6
Taxes on International Trade & Transactions	53.9	62.6	16.0
Taxes on Goods & Services	358.8	373.1	4.0
Taxes on Property	21.6	18.6	(13.7)
Other Taxes	0.1	0.1	(30.1)
Other Revenue	12.6	19.1	52.1
Sale of Goods & Services	10.5	10.8	3.5
Investment Revenue	0.5	6.4	1,103.0
Fines, Penalties and Forfeits	1.4	1.6	14.6
Revenue n.e.c.	0.2	0.3	73.3

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Revenue collected from international trade and transactions rose by 16.0% to \$62.6 million (Table 23). This was due to increased import duties and other levies on international trade and transactions.

Revenue collection in this category benefited from lifting restrictions on cruise ships coming to the Islands and growth across various economic sectors. Specifically, duties on alcoholic beverages and other import duties rose by 13.0% (or \$0.678 million) and 12.1% (or \$4.4 million), respectively. Similarly, cruise ship departure charges and environmental protection fund fees collectively increased to \$4.6 million from \$0.2 million at the end of March 2022.

Revenue collected from taxes on goods & services totalled \$373.1 million for the quarter, an increase of 4.0%. The growth in revenue collection from this category was the largest contributor to the rise in overall revenue for the period (see Table 24 and Table 23). Work permits & residency fees,

and other domestic taxes accounted for most of the increase. Work Permit and Residency Fees increased by 10.0% to \$31.4 million owing to higher permanent residency fees (up by 157.8%) and work permit fees (up by 9.0%).

Other domestic taxes rose by 52.7% to \$43.1 million, mainly due to a significant increase in tourist accommodation charges, which rose by 457.7% to \$17.2 million.

Table 24: Domestic Taxes on Goods & Services of the Central Government (CI\$ Million)

	Mar-22	Mar-23	% Change
	CI\$ Million		
Financial Services Licences	293.6	289.9	(1.3)
ICTA Licences & Royalties	1.9	1.9	-
Work Permit and Residency Fees	28.5	31.4	10.0
Other Stamp Duties	3.4	3.6	6.3
Traders' Licences	3.2	3.2	2.0
Other Domestic Taxes	28.2	43.1	52.7
Of which:			
Tourist Accommodation Charges	3.1	17.2	457.7
Motor Vehicle Charges	3.6	3.5	(3.1)
Taxes on Goods & Services	358.8	373.1	4.0

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Taxes on property declined by 13.7% to \$18.6 million (Table 23). This was due to a 23.9% decline in stamp duty collection and a 14.5% fall in land holding companies share transfer charges. **Other taxes** also decreased to \$51,000 from \$73,000.

Other government revenue increased to \$19.1 million, up 52.1% from the January–March 2022 outturn (Table 23). This was due to higher receipts in all categories. Sale of goods and services rose by 3.5% to \$10.8 million, while investment revenues increased from \$0.5 million to \$6.4 million.



12.2. Expenditure

Total expenditure for the quarter totalled \$243.0 million, a 5.2% increase over the same period in 2022 (Table 22). The expansion was due to a 5.6% increase in the central government's expenses, while net investment in non-financial assets⁸ fell by 16.6%.

Table 25: Expenses of the Central Government

Expense	Mar-22	Mar-23	%
	CIS\$ Million		Change
Expense	227.2	239.8	5.6
Compensation of Employees	99.2	106.7	7.6
Use of Goods and Services	28.5	32.4	13.7
Consumption of Fixed Capital	12.4	13.2	6.9
Subsidies	56.8	62.9	10.8
Social Benefits	25.4	18.3	(27.9)
Interest	2.7	4.3	61.7
Other Expense	2.3	1.9	(15.5)

Source: Cayman Islands Treasury Department & Economics and Statistics Office

Central government's expenses (formerly current expenditure) rose by 5.6% to \$239.8 million due to increases in all sub-categories except social benefits and other expenses (see Table 25). Compensation of employees (formerly personnel costs) increased by 7.6% to \$106.7 million. The higher compensation payments were mainly due to salary adjustments awarded to civil servants. Specifically, salaries & wages increased by 8.5% (or \$6.2 million), while healthcare costs rose 5.0% (or \$0.8 million).

Use of goods and services (formerly supplies and consumables) increased by 13.7% to \$32.4 million. This increase was mainly due

⁸ Net investment in nonfinancial assets is gross investment in nonfinancial assets less consumption of fixed capital.

to higher spending on services (up by \$1.3 million).

Consumption of fixed capital (formerly depreciation), which captures the decline in the value of fixed assets due to physical deterioration, normal obsolescence or normal accidental damage, rose by 6.9% to \$13.2 million (Table 25). The main contributors to this increase were the depreciation of buildings and computer hardware.

Payment of subsidies to statutory authorities, government-owned companies and private entities increased by 10.8% to \$62.9 million. The Cayman Islands Monetary Authority (up by \$1.6 million to \$8.2 million), the Health Services Authority (up \$1.3 million to \$13.4 million) and medical care from overseas providers (up by \$1.9 million to \$8.2 million) were the main recipients.

Social benefits (formerly transfer payments) declined to \$18.3 million, a reduction of 27.9%. The decrease in benefits largely impacted ex-gratia stipend payments. In contrast, scholarships and bursary payments increased for the period.

Interest payments increased by 61.7% to \$4.3 million, while other expenses fell by 15.5% to \$1.9 million. The rise in interest expense was in line with the additional debt, while the reduction in other expenses was mainly



related to a decrease in supplies and other items to combat COVID-19.

11.3. Investment in Non-financial Assets

During the first quarter of 2023, gross investment in non-financial assets (formerly gross capital expenditure and net lending) increased by 1.4% to \$16.4 million (see Table 26). This was due to higher spending on both inventories and fixed assets⁹. Net investment in non-financial assets fell by 16.6% to \$32 million as the increase in depreciation outweighed the rise in gross capital investments.

Within fixed assets¹⁰, capital investment in statutory authorities increased by 26.5% (or \$1.1 million), and Executive Assets rose by 18.0% (or \$0.6 million). In contrast, capital investment in ministries and portfolios fell by 20.0% to \$6.8 million.

Table 26: Investment in Non-financial Assets

	Mar-22	Mar-23	% Change
CI\$ Million			
Gross Investment in Nonfinancial Assets	16.1	16.4	1.4
Fixed Assets	16.1	16.1	0.1
Capital Investment in Ministries and Portfolios	8.5	6.8	(20.0)
Capital Investment in Statutory Authorities and Government Owned Companies	4.1	5.1	26.5
Executive Assets	3.6	4.2	18.0
Inventories	0.0	0.2	7,330.4
Net Investment in Nonfinancial Assets¹	3.8	3.2	(16.6)

Source: Cayman Islands Treasury Department and Economics and Statistics Office

⁹ Includes expenditure on buildings and structures as well as machinery and equipment.

¹⁰ Includes expenditure on buildings and structures as well as machinery and equipment.

12.4. Net Financing and Debt

Net acquisition of financial assets¹¹, including the assumed cash balance from the fiscal surplus, increased by 4.2% to \$220.1 million in the review quarter (see Table 27).

Table 27: Net Financing

	Mar-22	Mar-23	% Change
CI\$ Million			
Financing:			
Net Acquisition of Financial Assets	211.2	220.1	4.2
Net Incurrence of Liabilities	(4.7)	(10.3)	119.7
Incurrence (Disbursement)	0.0	0.0	-
Reduction (Loan Repayment)	4.7	10.3	119.7

Source: Cayman Islands Treasury Department

Net incurrence of liabilities, which mainly reflects net borrowing, declined to -\$10.3 million from -\$4.7 million relative to the corresponding quarter of 2022. The negative value reflected a reduction in liabilities due to loan repayments for the period. There were no loan disbursements during the review quarter.

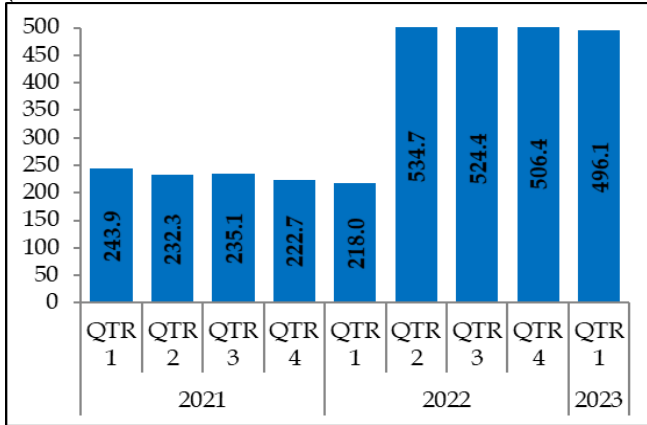
Total outstanding debt stock at the end of March 2023 was \$496.1 million, an increase of 127.4% (or \$278.1 million) compared to the same period of 2022 (see Figure 21).

The debt service-to-revenue ratio increased to 3.1% at the end of March 2023 from 1.7% in March 2022. Similarly, interest expenses-to-total expenses increased to 1.8% from 1.2% and interest expenses as a proportion of revenue increased to 0.9% from 0.6%.

¹¹ Calculated as the sum of net lending (overall balance) and net incurrence of liabilities. It originates from the fact that net lending can also be computed as net acquisition of financial assets minus net incurrence of liabilities.



Figure 22: Central Government Outstanding Debt
(CI\$ Million)



Source: Cayman Islands Treasury Department



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Department of Workforce Opportunities & Residency Cayman
Lands and Survey Department
Port Authority of the Cayman Islands
Portfolio of the Civil Service
Utility Regulation and Competition Office

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