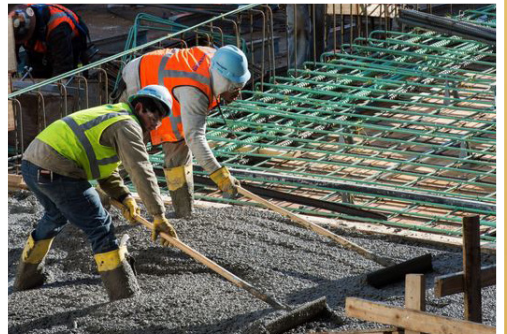




CAYMAN ISLANDS
GOVERNMENT



THE CAYMAN ISLANDS'
FIRST
QUARTER
ECONOMIC
REPORT
2015



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Overview*

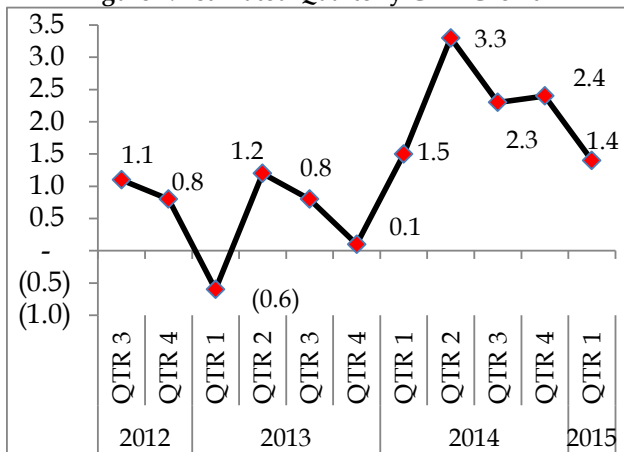
- For the first quarter 2015, gross domestic product (GDP) in real terms was estimated to have expanded at an annualised rate of 1.4%. The forecast GDP growth for the year is placed at 2.1%.
- The Consumer Price Index declined by 0.4% mainly due to downtrends in the price indices for restaurants and hotels, and housing and utilities, which offset increases in other categories led by food and non-alcoholic beverages.
- Total merchandise imports fell by 12.9% to register at \$176.9 million as both fuel related and non-fuel related imports decreased.
- Current work permits increased by 7.9% to total 21,562.
- Money supply (M2) contracted by 13.2% due to a decline in foreign currency deposits which outweighed growth in CI dollar-denominated money.
- Domestic credit contracted by 1.4% as credit to the public and private sectors declined by 5.9% and 0.8% respectively.
- The weighted average lending rate rose to 6.79% from 6.23%, while the prime lending rate remained stable at 3.25%.
- Bank and trust company registration continued on its downward trajectory, this time by 8.0%, while insurance licenses went up by 0.1%.
- Mutual funds decreased overall by 4.0% this period; excluding master funds, overall mutual funds registration fell by 5.7%.
- Stock exchange listings recovered with a 3.9% growth to reach 1,074.
- New companies registration recorded double-digit growth for the second consecutive year, this time by 14.6% to total 3,115.
- Air arrivals rose by 5.7% and cruise passengers by 0.2%.
- The value of building permits fell by 47.7% while project approvals rose by 11.7%.
- The value of property transfers increased by 31.8% to \$145.9 million.
- Water consumption rose by 5.8% while electricity consumption fell by 1.3%.
- The central government's overall fiscal surplus improved to \$151.9 million from \$149.4 million a year ago.
- The total outstanding debt of the central government continued to contract, this time by \$28.1 million to settle at \$530.2 million.

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

1. GDP Growth

The Cayman Islands' real GDP grew by an estimated annualised rate of 1.4% in the first quarter of 2015 compared to a year ago when the economy was estimated to have expanded by 1.5% (Figure 1).

Figure 1: Estimated Quarterly GDP Growth



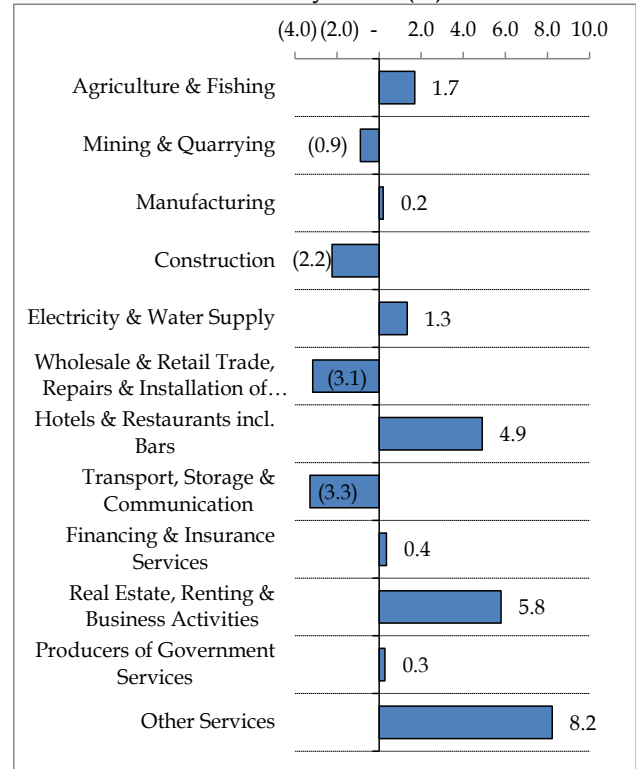
Source: Economics and Statistics Office

During the quarter, upbeat growth rates were indicated for hotels and restaurants (4.9%), real estate, renting and business services (5.8%), other services (8.2%) and utilities (1.3%) (see Figure 2).

However, significant negative movement was indicated for transport, storage and communication; wholesale and retail trade, and construction.

The financial services sector, which remains the largest contributor to GDP, has an estimated growth of 0.4%, an improvement over the estimated declines of 1.3% in the first quarter of 2014, and 0.2% in 2014.

Figure 2: Estimated First Quarter 2015 Annualized GDP Growth by Sector (%)



Source: Economics and Statistics Office

As supported by the first quarter economic performance, the macroeconomic outlook for the calendar year 2015 remains upbeat (see Table 1).

Table 1: Macroeconomic Outlook as at March 2015

	2012	2013	2014	Projection 2015
	Percent (%)			
Real GDP*	1.2	1.4	2.1	2.1
CPI Inflation	1.2	2.2	1.3	1.5
Unemployment Rate	6.2	6.3	4.7	4.9

*Year 2014 is estimated

Source: Economics and Statistics Office

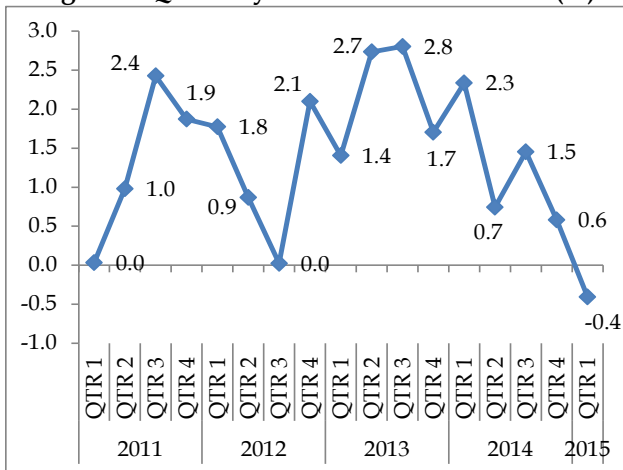
GDP growth will rely mainly on moderate growth in financial services, and continued growth in tourism services (hotels &

restaurants including bars) and real estate, renting and business activities.

2. Inflation

In the first quarter of 2015, the Consumer Price Index (CPI) stood at 104.3, which is 0.4% lower compared to March 2014. This resulted mainly from price movements in housing and utilities (-1.1%), restaurants and hotels (-8.2%) and miscellaneous goods and services (-2.3%). These offset rising price indices for food and non-alcoholic beverages (2.9%), education (2.7%), communication (2.4%), clothing and footwear (1.8%), and recreation and culture (1.9%).

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



Source: Economics and Statistics Office

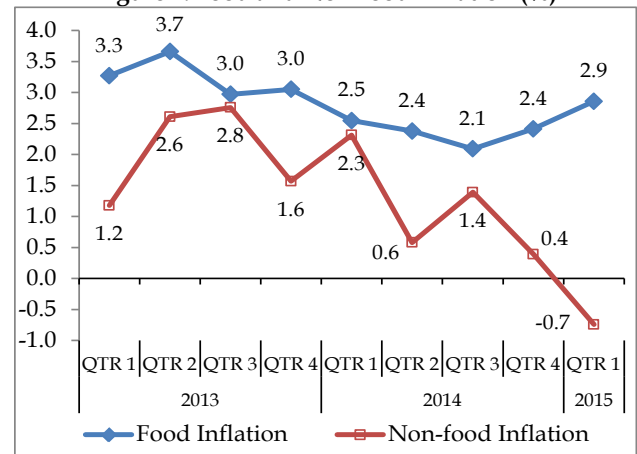
The housing and utilities price index declined by 1.1%, mainly on account of decreases in actual rent by 1.7%. The cost of water supply and electricity, gas and other fuels declined by 1.7% and 13.6% respectively. The latter was precipitated by lower cost of fuel in the international market.

The restaurants and hotels index declined by 8.2% during the quarter, as cost of accommodation services had lower averages.

The index for food and non-alcoholic beverages increased by 2.9% on account of higher international food prices. Food inflation rose for the last two quarters following five consecutive periods of decline while non-food inflation declined (see Figure 4). The increase in food inflation during the quarter was led by bread and cereal, meat and meat products, and fish and seafood.

As displayed in Table 2, the average cost of education rose by 2.7% in the first quarter as compared to a year ago mainly on account of increases for pre-primary and primary (4.3%) and secondary education (2.2%).

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



Source: Economics and Statistics Office

Table 2: Inflation Rates by Categories

Categories	QTR 1: Inflation Rates (%)	
	2014	2015
Food & Non-alcoholic		
Beverages	2.5	2.9
Alcohol and Tobacco	-0.1	0.3
Clothing and Footwear	-1.1	1.8
Housing and Utilities	-1.7	-1.1
Household Equipment	6.8	0.8
Health	-0.2	0.4
Transport	3.8	0.0
Communication	0.7	2.4
Recreation and Culture	1.9	1.9
Education	6.2	2.7
Restaurants and Hotels	11.6	-8.2
Misc. Goods and Services	7.6	-2.3
Overall CPI Inflation	2.3	-0.4

Source: Economics and Statistics Office

The price movement for communication went up by 2.4% as the average cost of telephone and telex equipment increased by 27.5% during the quarter.

The index for recreation and culture increased by 1.9% resulting from price increases for audio-visual, photographic and informational equipment coupled with higher cost of newspaper, books and stationary.

On average, the cost of clothing and footwear increased by 1.8% as clothing recorded price increases while footwear prices went down.

3. Trade

Preliminary data for the first quarter of 2015 indicates that merchandise imports fell by 12.9% to \$176.9 million from the comparative period in 2014 (see Figure 5).

This coincides with a 7.6% reduction in the tonnage of imported cargo as depicted in Figure 6.

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


Source: Customs Department and ESO

The reduction in merchandise imports was led by oil and related products imports, which declined by 45.9% to settle at \$24.2 million. The decrease can be directly attributed to a reduction in fuel prices in the international market, which outweighed a 17.2% increase in the quantity of fuel imported (see Table 3).

Table 3: First Quarter Oil Imports

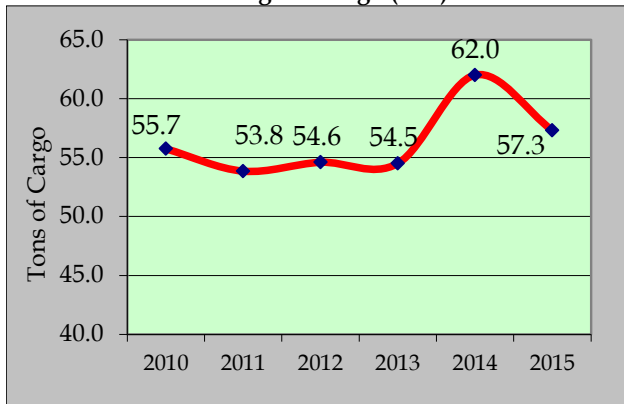
	Millions of imperial gallons			%
	Mar-13	Mar-14	Mar-15	
Total Fuel	14.63	10.40	12.19	17.2
Diesel	9.50	7.36	7.18	-2.4
Gas	3.52	2.18	2.91	33.5
Aviation	1.26	0.86	1.75	103.5
Propane	0.35	0.00	0.35	

Source: Cayman Islands Port Authority

Similarly, non-oil merchandise imports declined during the quarter by 3.6%. However, several categories registered increases: food and live animals (12.1%), crude materials excluding fuel (8.9%),

chemical and related products (9.9%). Declines in imports were seen in machinery and transport equipment (-21.2%), beverages and tobacco (-6.3%), manufactured goods classified chiefly by materials (-8.5%) and miscellaneous manufactured articles (-20.6%).

Figure 6: First Quarter Total Tonnage of Cargo ('000)



Source: Cayman Islands Port Authority

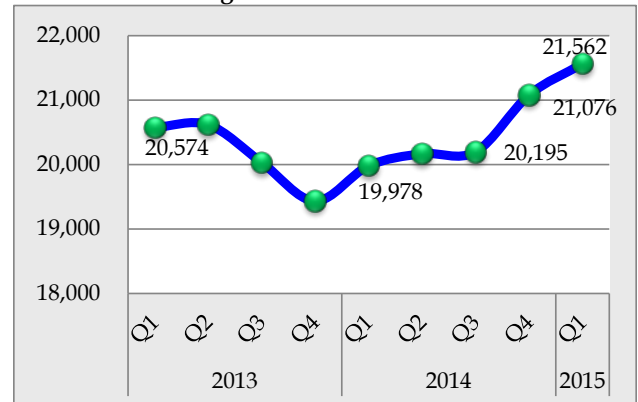
4. Work Permits

Uptrend in work permits, evident since the second quarter of 2014, continued in the first quarter of 2015.

Work permits increased by 7.9% from 19,978 to 21,562, the highest figure since 2010. The increase supports improving indications of economic conditions.

On a quarterly basis, work permits increased 2.3% relative to the quarter ending December 2014.

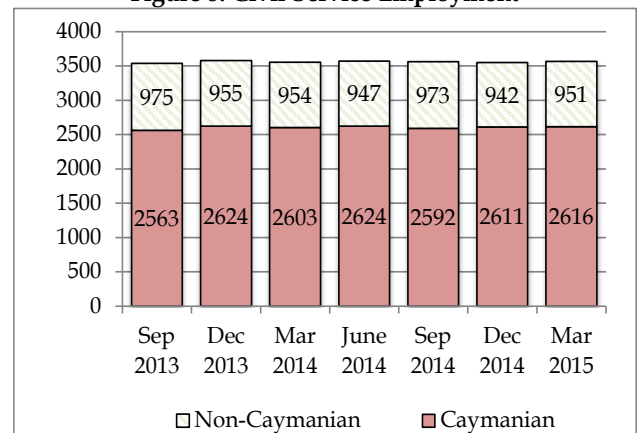
Figure 7: Work Permits



Sources: Immigration Department & ESO

As depicted in Figure 7, civil service employment increased by 10 to total 3,567. Foreign workers decreased by 3 to 951 persons while Caymanians increased by 13 persons.

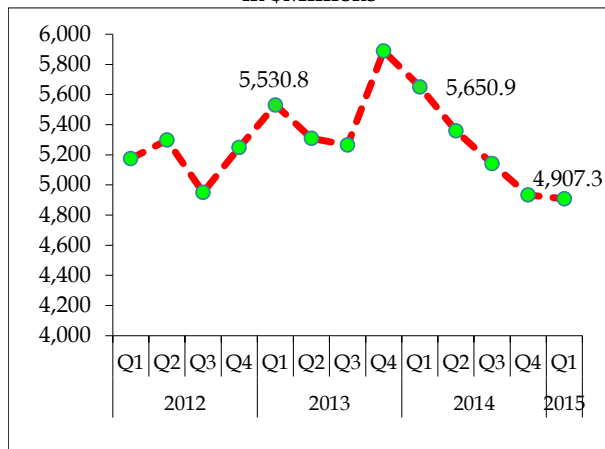
Figure 8: Civil Service Employment



Source: Portfolio of the Civil Service

5. Money & Banking

Broad liquidity (M2) contracted by 13.2% to settle at \$4,907.3 million in the first quarter of 2015 (see Figure 9 and Table 4). This contraction resulted primarily from a 19.1% reduction in foreign currency deposits.

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


Source: Cayman Islands Monetary Authority & ESO

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

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

	Mar-14	Mar-15	% Change
Total Assets	5,650.9	4,907.3	(13.2)
Net Foreign Assets	3,142.2	2,302.1	(26.7)
Monetary Authority	97.0	98.8	1.9
Commercial Banks	3,045.2	2,203.3	(27.6)
Net Domestic Assets	2,508.7	2,605.2	3.8
Domestic credit	2,957.2	2,915.9	(1.4)
Claims on central government	258.9	242.0	(6.5)
Claims on other public sector	73.7	71.1	(3.5)
Claims on private sector	2,624.6	2,602.8	(0.8)
Other items net (assets +)	(448.5)	(310.7)	(30.7)
Broad Liquidity	5,650.9	4,907.3	(13.2)
Broad money (KYD) M2	1,235.6	1,333.7	7.9
Currency in circulation	91.7	93.0	1.4
KYD Deposits	1,143.9	1,240.7	8.5
Demand deposits	447.4	477.8	6.8
Time and savings deposits	696.5	762.9	9.5
FOREX deposits	4,415.3	3,573.6	(19.1)
of which: US dollars	3,839.5	3,258.7	(15.1)
US\$ Contribution (%)	87.0	91.2	

Source: Cayman Islands Monetary Authority & ESO

5.1. Net Foreign Assets (NFA). As at the end of the first quarter 2015, net foreign assets of domestic commercial banks contracted by 27.6% (see Table 5) while an increase of 1.9% was recorded for the Cayman Islands Monetary Authority. The commercial banks recorded a decrease in foreign assets (8.0%) while their foreign liabilities expanded (13.8%). Among the assets, non-resident loans and balances with banks and branches decreased by 8.7% and 21.9% respectively, while total investment rose. On the foreign liabilities side, both non-resident deposits and other liabilities increased.

Table 5: Net Foreign Assets (\$ millions)

	Mar-14	Mar-15	% Change
Net Foreign Assets	3,142.2	2,302.1	(26.7)
Monetary Authority	97.0	98.8	1.9
Commercial Banks	3,045.2	2,203.3	(27.6)
Foreign Assets	5,779.1	5,314.5	(8.0)
Bal. with Banks & Branches	3,796.3	2,963.1	(21.9)
Total Investment	1,089.3	1,535.4	41.0
Total Non-Resident Loans	893.5	816.0	(8.7)
Foreign Liabilities	2,733.9	3,111.2	13.8
Total Non-Resident Deposits	2,644.5	2,906.7	9.9
Other Liabilities	89.4	204.5	128.7

Source: Cayman Islands Monetary Authority & ESO

5.2. Net Domestic Credit. During the review period, net domestic credit declined by 1.4% as public sector indebtedness contracted by 5.9% and credit to the private sector declined by 0.8% compared to a year ago.

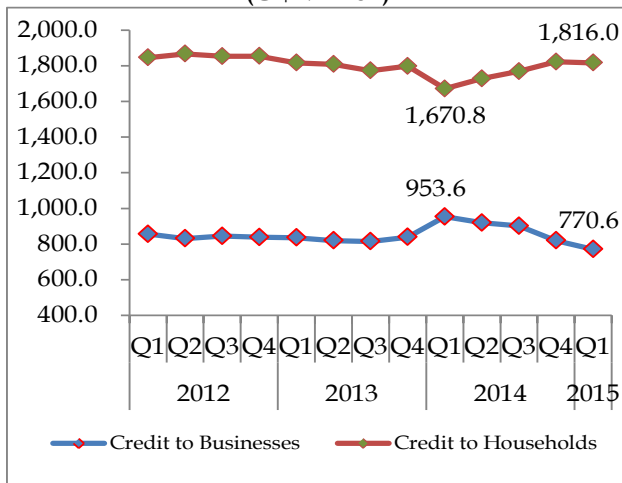
Table 6: Net Domestic Credit (\$ millions)

	Mar-14	Mar-15	% Change
Domestic Credit	2,957.2	2,915.9	(1.4)
Domestic Credit to Public Sector	332.6	313.1	(5.9)
Domestic Credit to Private Sector	2,624.6	2,602.8	(0.8)

Source: Cayman Islands Monetary Authority & ESO

Lending to the public sector contracted as the central government continued on a fiscal policy of reducing its outstanding debt. The fall-off in domestic lending to the private sector is traced to lower levels of lending to businesses, in particular the construction sector (see Figure 10).

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



Source: Cayman Islands Monetary Authority & ESO

During the review period, loans to households expanded by 8.7% to CI\$1,816.0 million compared to the same period a year ago. This resulted as all sub-categories recorded increases with domestic property and miscellaneous categories obtaining the largest amounts of new borrowings (see Table 7).

Credit to the business sector contracted by 19.2%, as lending to all the major sectors declined. Trade and commerce declined by 2.0% as loans to other business activities fell by 26.8% compared to a year ago.

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

	Mar-14	Mar-15	Change %
Total	2,624.6	2,602.8	(0.8)
Credit to Businesses	953.6	770.6	(19.2)
Production & Manufacturing	368.1	144.4	(60.8)
Agriculture, Fishing and Mining	13.4	10.6	(20.9)
Manufacturing	16.9	16.8	(0.6)
Utilities	2.5	15.3	512.0
Construction	335.3	101.7	(69.7)
Services	91.6	81.3	(11.2)
Accommodation, Food, Bar & Entertainment Services	54.7	27.7	(49.4)
Transportation, Storage & Communications	16.7	17.6	5.4
Education, Recreational & Other Professional Services	20.2	36.0	78.2
Trade and Commerce	468.9	459.7	(2.0)
Wholesale & Retail Sales Trade	57.8	64.0	10.7
Real Estate Agents, Rental and Leasing Companies	144.3	200.4	38.9
Other Business Activities (General Business Activity)	266.8	195.3	(26.8)
Other Financial Corporations	25.0	85.2	240.8
Credit to Households	1,670.8	1,816.0	8.7
Domestic Property	1,439.7	1,557.1	8.2
Motor Vehicles	30.1	35.3	17.3
Education and Technology	5.0	5.9	18.0
Miscellaneous*	196.0	217.7	11.1
NonProfit Organizations	0.0	16.2	

*Miscellaneous include consolidated debt, insurance, medical & travel

Source: Cayman Islands Monetary Authority & ESO

Total outstanding loans to the services sector fell by 11.2% (or \$10.3 million) which is traced to declines in loans to accommodation and entertainment services.

Credit to production and manufacturing fell by 60.8% to \$144.4 million compared to the preceding year. The decline was most pronounced in the construction sector.

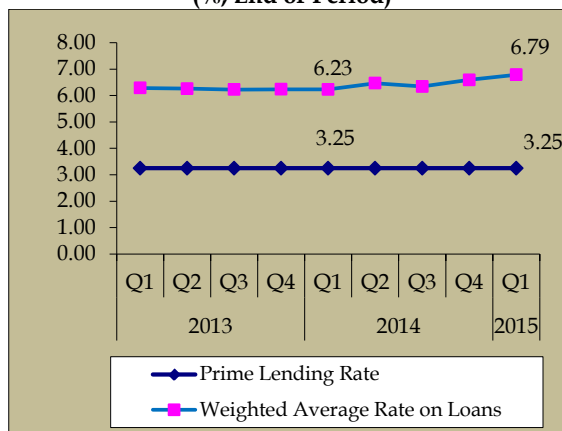
5.3. Broad Liquidity. As at the quarter ended March 2015, broad liquidity (M2) in the Cayman Islands reached \$4,907.3

million, compared to \$5,650.9 million for the same period last year. This 13.2% contraction directly emanated from a decline in foreign currency-denominated deposits which outweighed an expansion in in the local currency denominated money supply.

Local currency money supply increased by 7.9% arising from growth in total residents' deposits and currency in circulation. Foreign currency deposits decreased by 19.1%, as local residents' holding of US dollar-denominated deposits were lower by 15.1% with reductions in other currencies accounting for the difference.

5.4. Interest Rates. As depicted in Figure 11, the Cayman Islands' prime lending rate remained at 3.25% while the weighted average lending rate on KYD rose by 56 basis points from 6.23% in the first quarter of 2014 to 6.79%.

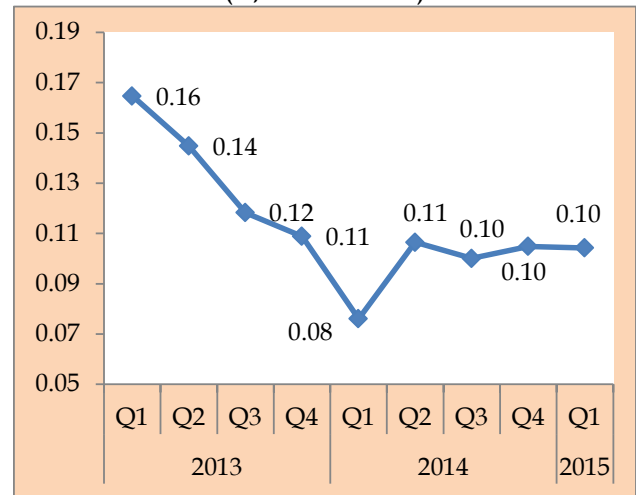
Figure 11: CI\$ Lending Rates (% End of Period)



Source: Cayman Islands Monetary Authority & ESO

The weighted average KYD deposit savings rate stood at 0.1% for the first quarter of 2015 as depicted in Figure 12.

Figure 12: CI Dollar Deposit Rates (% End of Period)



Source: Cayman Islands Monetary Authority & ESO

6. Financial Services

The financial services sector posted anew a mixed performance during the first quarter of 2015. New companies registration, insurance, and stock exchange listings improved; however, mutual funds and bank and trust continued to abate.

6.1. Banks & Trust

The number of bank and trust companies continued on a downward trajectory as at March 2015. The total number of bank and trust companies registered stood at 195, 8.0% lower than the same quarter of the previous year. Similarly, trust company licences numbered 113, 0.9% lower when compared to March 2014.

Table 9: Bank & Trust Companies

	Mar 2013	Mar 2014	Mar 2015	% Change
Bank and Trust	222	212	195	(8.0)
Class "A"	15	15	12	(20.0)
Class "B"	207	197	183	(7.1)
Trust Companies	119	114	113	(0.9)
Restricted	67	65	63	(3.1)
Unrestricted	52	49	50	2.0

Source: Cayman Islands Monetary Authority

As at the end of March 2015, the number of Class 'A' bank & trust licences stood at 12, which is three lower than the preceding year. Class 'B' licences fell by 14, to settle at 183.

The reduction in class B licenses is traced to lower number of registration from Europe (7), the U.S (2), South America (1), the Caribbean and Central America (1), Middle East and Africa (4), and Asia and Australia (2).

6.2. Insurance

Class 'A' insurance licences inched up by one to 28. Class 'B' (captive) licences, inclusive of the new categories Class C (special purpose vehicles) and class D (reinsurance companies) remained at 760 as at the end of the review period.

Table 10: Insurance Companies

	Mar 2013	Mar 2014	Mar 2015	% Change
Class 'A'	27	27	28	3.7
Class 'B'	741	760	760	0.0
Total	768	787	788	0.1

Source: Cayman Islands Monetary Authority

Table 11 shows the composition of the captive insurance business of which the two largest businesses were healthcare and workers' compensation with 34.1% and 21.8% shares respectively.

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

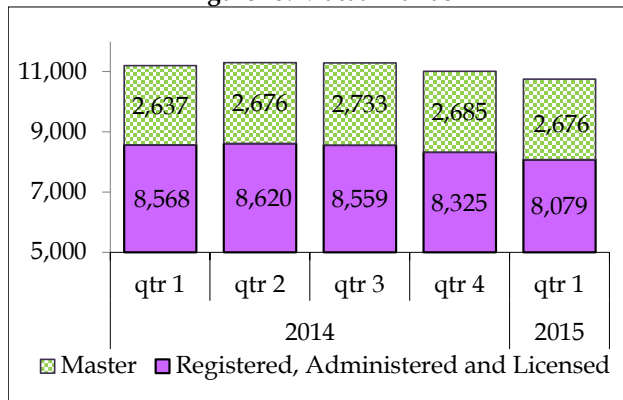
	Licences	%
Healthcare	259	34.1
Workers' Compensation	166	21.8
Property	84	11.1
General Liability	78	10.3
Professional Liability	67	8.8
Other	106	13.9
Total	760	

Source: Cayman Islands Monetary Authority

In the first quarter of 2015, captives' insurance premiums decreased by US\$1.2 billion to settle at US\$12.4 billion as at the end of March 2015.

6.3. Mutual Funds

Total mutual funds which include registered, administered, licenced and master funds declined by 4.0% to tally at 10,755 as at March 2015 compared to the same period a year ago. Excluding master funds, the overall decline is recorded at 5.7% (or 489). Master funds expanded by 1.5% to account for 24.9% (or 2,676) of total mutual funds.

Figure 13: Mutual Funds


Source: Cayman Islands Monetary Authority

6.4. Stock Exchange

Total stock exchange listings in the Cayman Islands increased by 3.9% to reach 1,074 by the end of March 2015. The increase resulted mainly from sovereign debt security and insurance-linked security; however, downward trend is noted for investment funds (mutual funds and hedge funds) which saw delistings due to maturity as well as early redemption.

Table 12: Number of Stock Listings by Instrument as at March

Instruments	2013	2014	2015
Investment Fund	359	300	280
Specialist Debt	601	581	573
Sovereign Debt Security	117	122	157
Secondary Equity	2	1	1
Primary Equity	5	5	7
Insurance Linked Security	93	25	56
Total	1,177	1,034	1,074

Source: Cayman Islands Stock Exchange

Market capitalization for specialist debt and sovereign debt securities increased, with the former by US\$0.6 billion to reach US\$80.8 billion, and the latter by US\$8.2 billion to total US\$76.7 billion.

Table 13: Market Capitalization by Instruments as at March¹ (in US\$ billions)

Instruments	2013	2014	2015
Investment Fund	14.0	11.1	9.3
Specialist Debt	74.0	79.4	80.8
Sovereign Debt Security	64.7	68.5	76.7
Secondary Equity	0.8	0.1	0.1
Primary Equity	2.71	0.25	0.34
Insurance Linked Security	10.2	8.17	7.22
Total	166.4	167.5	174.5

Source: Cayman Islands Stock Exchange

6.5. New Companies Registration

For the second consecutive first quarter, total new companies registration improved, this time by 14.6% to reach 3,115 in March 2015. Double-digit growth was seen in exempt companies and non-resident companies while the other categories (resident and foreign companies) recorded lower magnitude increases.

Table 14: New Company Registrations: Jan-Mar

	2013	2014	2015
Total	2,252	2,718	3,115
Exempt	2,017	2,446	2,828
Non-Resident	11	8	12
Resident	111	121	129
Foreign	113	143	146
Percentage change (%)			
Total	(5.1)	20.7	14.6
Exempt	(3.1)	21.3	15.6
Non-Resident	(52.2)	(27.3)	50.0
Resident	(25.0)	9.0	6.6
Foreign	(6.6)	26.5	2.1

Source: Registrar of Companies

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

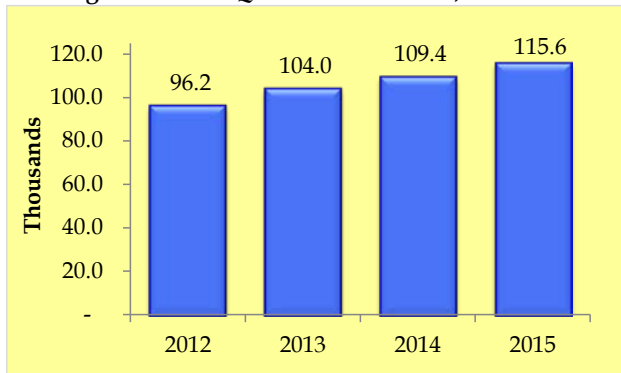
7. Tourism

Tourism services continued to grow in the first three months of 2015. Total visitor arrivals increased by 1.1% over the comparative period of 2014 with robust growth in air arrivals and marginal growth in cruise arrivals.

7.1 Air Arrivals

Air arrivals totalled a record 115,640 visitors in the first three months, the highest first quarter performance since 2003.

Figure 13: First Quarter Air Arrivals, 2012-2015



Source: Department of Tourism

The growth in air arrivals was fuelled by on-going recovery amongst key source markets, with only the Canadian market recording contraction during the review period.

Arrivals from the US, which remains the largest source market accounting for 76.9% or 88,911 of first quarter arrivals, grew by 5.9%.

Arrivals from Europe and “other” markets remained strong with growth of 7.0% and 14.2% respectively. Within the US, the

North-east remains the best performing region with arrivals 16.2% higher than a year ago.

Table 15: First Quarter Air Arrivals by Country of Origin, 2012-2015 (000's)

	2012	2013	2014	2015	% Change 2014/2013
USA	75.4	81.5	84.0	88.9	5.9
Northeast	27.6	30.7	30.1	35.0	16.2
Midwest	23.5	24.6	26.0	25.9	(0.2)
Southeast	11.0	11.4	11.7	11.7	(0.4)
Southwest	9.7	10.5	11.6	12.0	3.3
West Coast	3.6	4.4	4.5	4.3	(4.5)
Europe	6.6	7.6	9.0	9.6	7.0
Canada	10.2	9.3	10.3	10.1	(2.0)
Other	4.0	5.6	6.1	7.0	14.2
Total	96.2	104.0	109.4	115.6	5.7
<i>of which: USA (%)</i>	78.4	78.4	76.7	76.9	

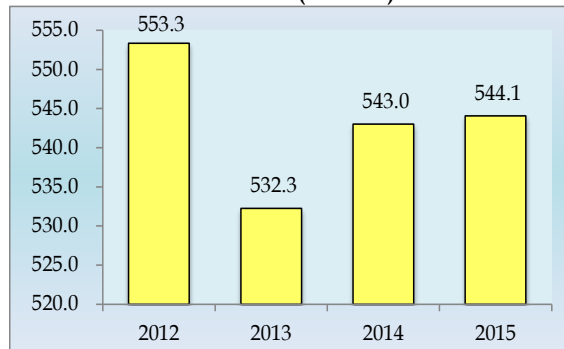
Source: Cayman Islands Department of Tourism

7.2 Cruise Arrivals

Cruise arrivals also improved in the first quarter of 2015 albeit at a marginal rate of 0.2%. This is associated with the 3.0% increase in the number of cruise ship calls to 209.

Total cruise passengers per day averaged 6,045 persons or an increase of 12 visitors compared to the first quarter of 2014.

As shown in Figure 14, the recent growth represents a slower pace compared to the 2.0% increase in 2014.

Figure 14: First Quarter Cruise Arrivals, 2012-2015 (in 000's)


Source: Department of Tourism

8. Construction

Construction indicators continued to post mixed performance in the first three months of the year.

8.1. Building Permits

Building permits values recorded strong pull-back in the first three months of the year following elevated activity a year earlier.

Overall, permit values declined by 47.7% from \$86.2 million in 2014 to \$45.1 million as both residential and non-residential categories recorded diminished activity.

Table 16: Building Permits (Jan-Mar)

	2011	2012	2013	2014	2015	% Change
Millions CI\$						
Houses	23.0	24.8	30.8	18.6	25.7	38.1
Apartments	24.3	7.2	5.9	54.6	6.3	(88.5)
Commercial	11.9	2.0	12.6	11.7	3.8	(67.8)
Government	-	1.6	-	0.3	0.4	45.2
Industrial	0.5	-	-	0.2	0.5	130.8
Hotel	-	-	-	-	6.8	-
Other	1.3	3.2	5.3	0.8	1.7	108.5
Total	61.1	38.8	54.6	86.2	45.1	(47.7)

Source: Planning Department

In the residential sector, permit values in the absence of significantly large projects in the pipeline, declined by 56.3% to \$32.0 million.

A steep plunge in the apartment values by 88.5% to \$6.3 million dominated this decline.

In contrast, house permits recovered by 38.1% to \$25.7 million, traced to construction of multi-million dollar homes.

Non-residential permit values totalled \$4.7 million, 61.8% lower than a year ago. Contraction in the commercial segment by 67.8% offset an upturn in industrial and government segments.

Permit values in the 'Other' category, in line with the upturn in house permits, increased by 108.5% to \$1.7 million.

The number of building permits increased by 22.5% to 136, with only the house and commercial categories decreasing. This implies an overall reduction in the average value of building permits from \$776,577 a year ago to \$331,618.

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

	2011	2012	2013	2014	2015	% Change
Houses	89	91	94	58	56	(3.4)
Apartments	19	16	12	7	13	85.7
Hotels	0	0	0	0	3	-
Commercial	23	14	27	21	12	(42.9)
Government	1	2	0	1	2	100.0
Industrial	1	0	0	3	4	33.3
Other	46	67	54	21	46	119.0
Total	179	190	187	111	136	22.5

Source: Planning Department

8.2. Project Approvals

Project approvals, an indicator of future construction intentions, advanced in the first quarter of 2015 by 11.7% to \$47.6 million.

The residential sector continued to record mixed intentions. Approval values for apartments rose by 60.1% to \$4.5 million, while house values lost momentum by 12.8% to \$25.1 million.

Table 18: Project Approvals (Jan-Mar)

	2012	2013	2014	2015	% Change
Millions CI\$					
Houses	18.5	24.8	28.8	25.1	(12.8)
Apartments	12.4	5.9	2.8	4.5	60.1
Commercial	2.3	50.8	3.7	7.0	89.2
Government	4.7	0.0	0.1	0.0	(100.0)
Industrial	2.8	0.7	0.8	5.3	562.5
Other	6.0	16.5	6.4	5.7	(11.4)
Total	46.7	98.7	42.6	47.6	11.7

Source: Planning Department

In the non-residential sector, approvals values rose by 173.3% to \$12.3 million. This increase includes the \$4.7 million utility project in the industrial segment and a new \$5.5 million George Town commercial building.

In the 'Other' category, approval values receded by 11.4% to \$5.7 million.

Meanwhile, the number of approvals fell by 15.9% to 185, a reversal of last year's 14.0% increase. Other segments with the exception of apartments recorded double-digit declines.

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

	2012	2013	2014	2015	% Change
Houses	60	54	60	54	(10.0)
Apartments	10	8	8	9	12.5
Hotels	0	0	0	0	-
Commercial	11	9	6	5	(16.7)
Government	2	0	1	0	(100.0)
Industrial	5	2	2	2	-
Other	149	120	143	115	(19.6)
Total	237	193	220	185	(15.9)

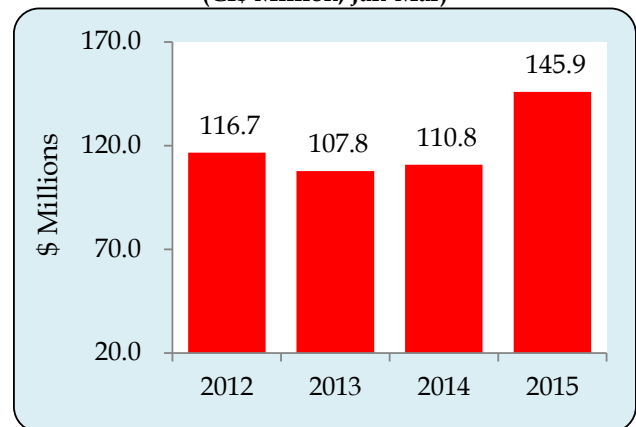
Source: Planning Department

9. Real Estate

The real estate sector experienced strong growth in the first quarter of the year with the total value and volume of traded properties rising.

Total value of traded properties increased by 31.8% to \$145.9 million, mainly due to completion of sales of a Seven Mile Beach condominium project.

Figure 15: Value Property Transfers: (CI\$ Million, Jan-Mar)



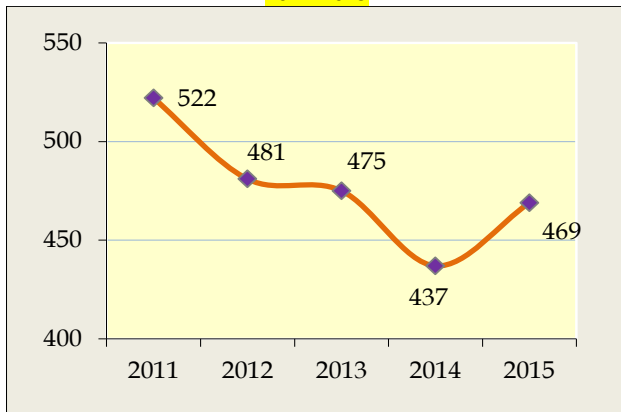
Source: Lands & Survey Department

Freehold property transfers, which include the sales of these multi-million dollar units, totalled \$138.3 million, 28.7% higher than a year ago.

The total value of leasehold properties also rebounded by 128.8% to \$7.7 million.

On the volume side, the number of traded properties in comparison to last year edged upwards by 3.1% to 469. Traded freehold properties increased by 13.6% to 451, as the number of leasehold properties contracted by 69.0% to 18.

Figure 16: Number of Property Transfers: Jan- March 2011-2015



Source: Lands & Survey Department

10. Utilities

Higher demand for water propelled higher levels of water production during the first quarter while consumption of electricity declined and telecommunications softened.

10.1. Electricity and water. Electricity production fell by 1.4% to 138.2 million kWh as at March 2015 (see Table 20). The lower level of electricity production was

precipitated by a reduction in the total consumption of electricity by 1.3% (to 129.0 million kWh). The latter is traced to a reduction in residential consumption as all other categories of electricity users recorded greater consumption. The residential segment declined by 3.0% as the average monthly consumption per residential customer declined by 4.2% to 819 kWh despite the number of residential customers increasing by 1.3%.

Meanwhile, when compared to the first quarter of 2014, water production rose by 4.9% to reach 539.4 million US gallons. This was fuelled by higher consumption demand which grew by 5.8% to 457.8 million US gallons.

Table 20: Utilities Production/Consumption, 2014-2015

			%
	Mar-14	Mar-15	
Millions of US Gallons			
Water Production	514.0	539.4	4.9
Water Consumption	432.9	457.8	5.8
000 of Megawatt Hrs			
Electricity Production	140.1	138.2	-1.4
Electricity Consumption	130.7	129.0	-1.3
Residential	60.0	58.2	-3.0
Commercial	69.0	69.1	0.2
Public	1.7	1.7	0.8
Total Customers	27,438	27,873	1.6
Residential	23,454	23,757	1.3
Commercial	3,984	4,116	3.3

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

10.2. Telecommunications. The total number of paid call minutes decreased by 3.2% to 60,515. Similarly, the number of

telephone lines (fixed lines and mobile) declined by 8.9%. The telephone industry continues to compete with cheaper on-line substitutes which seem to have negatively impacted the demand for paid minutes. Additionally, bundled telecomm services may also be impacting the overall paid minutes of the industry. In particular, broadband services continued to expand by 20.0% over the same quarter a year ago.

Table 21: Telecommunication Sector Indicators, Quarter 1, 2014-2015

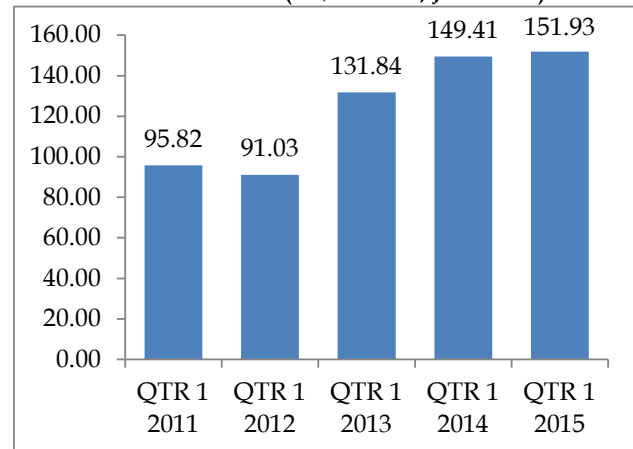
	Mar-14	Mar-15	% Change
Fixed and mobile handsets in operation	136,326	124,158	-8.9
Total fixed & mobile domestic & int'l minutes ('000)	62,545	60,515	-3.2
Fixed and mobile domestic minutes ('000)	44,398	43,780	-1.4
Fixed and mobile int'l retail minutes ('000)	18,147	16,735	-7.8
Broadband Connections	20,500	24,599	20.0

Source: Information Communication and Technology Authority (ICTA)

11. Fiscal Operations of the Central Government

For the first quarter of 2015, the overall fiscal balance ameliorated to \$151.9 million as compared to \$149.4 million a year ago (see Figure 17). This resulted as a decline of 7.5% in total expenditure outweighed a 2.9% decline in total revenue.

Figure 17: Central Government Fiscal Overall Balance (CI\$ Million, Jan - Mar)



Source: Cayman Islands Treasury Department and ESO

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

	Mar-14	Mar-15	% Change
CI\$ Millions			
Total Revenue	296.72	288.24	(2.9)
Total Expenditure	147.32	136.32	(7.5)
Current Expenditure	143.66	136.31	(5.1)
Net Capital Expenditure & Net Lending ¹	3.66	0.01	(99.7)
Current Balance	153.06	151.93	(0.7)
Overall Balance	149.39	151.92	1.7
Financing	(149.39)	(151.92)	(1.7)
Net Borrowing	(11.70)	(3.62)	69.1
Change in Cash	137.70	148.30	7.7

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

Source: Cayman Islands Treasury Department and ESO

11.1. Revenue

Following a 4.9% increase in total revenue for the first quarter of 2014, revenue generated in the first quarter of 2015 declined by 2.9% to total \$288.24 million (see Table 23).

Total revenue comprises coercive revenue (96.7%) and non-coercive revenue (3.3%).

Coercive revenue which totalled \$278.85 million fell by 3.0% due to the reduction in collections from international trade and transactions, and domestic taxes on goods. Non-coercive revenue had a marginal increase of 0.1% to reach \$9.39 million.

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

Revenue Sources	Mar-14	Mar-15	%
	CI\$ Millions		Change
Total Revenue	296.72	288.24	(2.9)
Coercive Revenue	287.34	278.85	(3.0)
Taxes on Int'l Trade & Transactions	44.11	39.20	(11.1)
Domestic Taxes on Goods & Services	234.04	228.89	(2.2)
Taxes on Property	8.76	9.99	14.1
Fines	0.40	0.47	17.8
Other Taxes	0.03	0.30	913.3
Non-coercive Revenue	9.38	9.39	0.1
Sale of Goods & Services	9.20	9.06	(1.5)
Investment Revenue	0.18	0.17	(7.8)
Other Revenue	-	0.16	

Source: Cayman Islands Treasury Department

Income generated from international trade and transactions fell by 11.1% to \$39.20 million during the period. This resulted from a significant decline in gasoline and diesel duty coupled with marginal declines in tobacco products duty and other import duty². The reduction in duty from gasoline and diesel imports was due to the lower duties paid by the Caribbean Utilities Company (CUC) by \$0.25 per gallon (or 33%) coupled with the transfer of a portion of gasoline and diesel revenue to the

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

National Roads Authority (NRA) as part of road user fees.

Revenue collected from domestic taxes on goods and services fell by 2.2% (or \$5.15 million) in the first quarter of 2015 (see Table 23). More than half of the reduction emanated from financial services which saw its revenue contribution declining by 1.6% or \$2.92 million. The reductions were from banks and trusts licences (\$2.09 million), insurance licences (\$0.51 million), mutual fund administrators (\$1.99 million) and company fees (\$1.80 million). These combined reductions outweighed an increase of \$3.36 million from partnership fees. Partnership fees benefitted from a higher volume of registration which increased by 25.2% to total 809 during the first quarter of 2015. Mutual fund revenue was impacted by lower number of mutual funds registration. Company fees were also impacted by a decline in active companies by 310 to total 96,554 amidst an increase in new company (exempt) registration.

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

	Mar-14	Mar-15	%
	CI\$ Millions		Change
Various financial service licer	187.26	184.34	(1.6)
ICTA licenses & royalties	1.23	1.91	55.3
Work permit and residency fe	18.44	18.19	(1.4)
Other stamp duties	1.78	1.84	3.4
Traders' licenses	2.15	1.81	(15.8)
Other domestic taxes	23.18	20.80	(10.3)
<i>Of which</i>			
Tourism accommodation	6.70	7.47	11.5
Motor vehicle charges	2.90	3.06	5.5
Domestic Taxes on Goods & Services	234.04	228.89	(2.2)

Source: Cayman Islands Treasury Department

As depicted in Table 24, other decreases were from work permits and residency fees, traders' licenses, and other domestic charges although healthy increases were received from tourism (accommodation) and motor vehicle charges.

Collections from taxes on property increased to \$9.99 million from \$8.76 million as sales of real estate properties recovered during the quarter.

11.2. Expenditure

Current expenditure decreased by 5.1% while net capital expenditure and net lending fell by 99.7%. The former resulted from lower personnel costs, supplies and consumables and interest payments (see Table 25).

Table 25: Current Expenditure of the Central Government (Jan-Mar)

	Mar-14	Mar-15	% Change
	CI\$ Millions		
Current Expenditure	143.66	136.31	(5.1)
Personnel Costs	62.89	57.12	(9.2)
Supplies & Consumables	22.99	20.13	(12.4)
Subsidies	34.85	35.43	1.7
Depreciation	7.51	8.12	8.2
Transfer Payments	7.13	7.16	0.5
Interest Payments	7.51	7.07	(5.8)
Extraordinary Expenses	0.00	0.00	
Other Executive Expenses	0.80	1.28	(37.7)

Source: Cayman Islands Treasury Department

For the first three months of 2015, personnel cost was lower by 9.2% to total \$57.12 million, due mainly to timing differences in the accrual of Past Service Pension Liability. Wages and salaries and health care cost were down by 0.3% and

7.2%, respectively, notwithstanding a slight increase in employment by 10 (or 0.3%).

Table 26: Personnel Costs of the Central Government (Jan-Mar)

	Mar-14	Mar-15	% Change
	CI\$ Millions		
Salaries and wages	43.86	43.74	(0.3)
Healthcare	8.87	8.23	(7.2)
Employer/Government Pension Expense	10.20	5.16	(49.4)
Movement in leave provision expense	(0.66)	(0.19)	(71.2)
Other personnel Cost	0.62	0.18	(71.0)
Total	62.89	57.12	(9.2)

Source: Cayman Islands Treasury Department

Payments to statutory authorities and corporations in the form of subsidies rose by \$0.58 million or 1.7% to total \$35.43 million for the first three months of 2015.

Transfer payments which are payments to social welfare programmes totalled \$7.16 million, higher by 0.5% from the comparative period a year ago.

Expenditure on supplies and consumables decreased by 12.4% to total \$20.13 million; these comprised mainly of purchase of services, cost of utilities, supply of goods and general insurance.

Interest payments decreased by 5.8% to \$7.07 million on account of a lower debt stock.

Depreciation which measures the decline in the value of the fixed assets owned by central government amounted to \$8.12 million.

11.3. Capital Expenditure and Net Lending

Gross capital expenditure and net lending declined by 27.2% to settle at \$8.13 million. This resulted as equity injections and working capital support to public entities were cut by \$1.27 million and capital development/executive assets also fell \$2.83 million (see Table 27).

Capital expenditure and net lending net of depreciation declined by 99.7% to \$0.01 million compared to a year ago.

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

	Mar-14	Mar-15	% Change
	CI\$ Millions		
Gross Capital Expenditure and Net Lending	11.17	8.13	(27.2)
Capital			
Acquisition/Equity	0.36	1.62	350.0
Equity Injectons and			
Working Capital support	7.42	6.15	(17.1)
Capital			
Development/Executive	3.21	0.38	(88.2)
Net Lending	0.18	(0.02)	(111.1)
Net Capital Expenditure and Net Lending¹	3.66	0.01	(99.7)
Depreciation	7.51	8.12	8.2

Source: Cayman Islands Treasury Department & ESO

11.4. Net Financing and Debt Service Indicators

Improvement in the fiscal overall balance resulted in cash balances of the central government increasing to \$148.3 million (see Table 28). Total loan repayment amounted to CI\$3.62 million while no new loan disbursements were recorded during the review period.

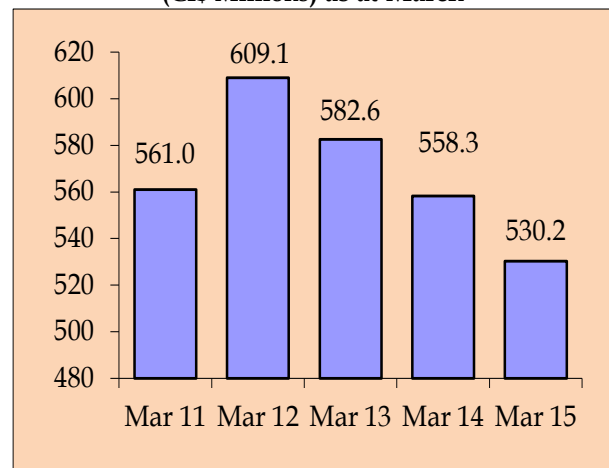
Table 28: Net Financing (Jan-Mar)

	Mar-14	Mar-15	% Change
	CI\$ Millions		
Financing	(149.39)	(151.92)	1.7
Net Borrowing	(11.70)	(3.62)	(69.1)
Disbursements	0.00	0.00	
Loan Repayment	(11.70)	(3.62)	(69.1)
Change in Cash Balance	137.70	148.30	7.7

Source: Cayman Islands Treasury Department

The central government's outstanding debt amounted to \$530.2 million as at March 2015, lower by 5.0% from the same period a year ago (see Figure 18).

Figure 18: Central Government Outstanding Debt (CI\$ Millions) as at March



Source: Cayman Islands Treasury Department

The central government's debt service-to-current revenue ratio stood at 3.7% as at March 2015. Interest payments for the quarter accounted for 5.2% of recurrent expenditure.

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

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