

Statement by
The Hon Minister for Finance & Economic Development
on the Economy of the Cayman Islands

Madam Speaker, I rise to make a Statement on the performance of the Cayman Islands' economy.

The Cayman Islands' economy has experienced modest growth and indicates that is on a sustainable recovery path as evidenced by the following important factors:

- a) Gross domestic product or GDP expanded by 1.5 percent in the first quarter of 2014;
- b) Caymanian employment grew by 6.1 percent in 2013 indicating that more Caymanians are being hired;
- c) Inflation rates have slowed down and remain relatively low; and
- d) Merchandise imports grew by 9.4 percent in the second quarter of 2014.

Madam Speaker, the **Cayman Islands' First Quarter Economic Report 2014**, shows that the country's annualised GDP at constant prices expanded in the first three months of 2014 at an estimated rate of 1.5 percent as compared to a contraction of 0.6 percent in the first quarter of 2013.

Greater economic growth occurred in a number of sectors, including wholesale and retail trade; hotels and restaurants; transport storage and communication; real estate, renting and business activities; and construction.

Work permits declined by 2.9 percent which may in part reflect efforts to improve Caymanian employment.

The local financial services industry exhibited mixed results in the first three months of 2014. Upward movements were recorded for insurance (2.5%) and new company registration (20.7%). However, contrasting performance was recorded for banks and trusts (-4.5%), mutual funds excluding the new category "master funds" (-2.6%) and stock exchange listings (-12.1%).

Total visitor arrivals increased by 2.5 percent compared to a year ago. Air arrivals grew by 5.2 percent on the back of double-digit growth of the European and Canadian markets while cruise arrivals staged a 2.0 percent improvement.

Madam Speaker, construction indicators showed mixed performance, with the value of building permits increasing by 57.9 percent traced mainly to the Kimpton Hotel project. However, project approvals fell by 56.8 percent. The real estate market recorded a 2.7 percent increase in the value of transferred properties although the volume of transfers actually declined.

Madam Speaker, the **Cayman Islands' Labour Force Survey Report 2013**, shows that in 2013 the population of the Cayman Islands was estimated at 55,691 which comprised of 32,765 or 58.8 percent Caymanians and 22,926 or 41.2 percent Non-Caymanians.

In 2013, the total labour force totalled 38,483 where the Caymanian labour force grew by 4.9 percent while the Non-Caymanian labour force fell by 6 percent.

Caymanians comprised of 50.2 percent of the labour force while Non-Caymanians accounted for 49.8 percent.

Total employment in 2013 was estimated at 36,070, lower by 0.9 percent compared to 2012. Caymanian employment grew by 6.1 percent while non-Caymanian employment declined by 6.7 percent. In the work force, Caymanians accounted for 48.5 percent of total employment and the non-Caymanians for 51.5 percent.

The unemployed labour force in 2013 stood at 2,413, reflecting an unemployment rate of 6.3 percent. The unemployment rate for Caymanians declined to 9.4 percent from 10.5 percent in 2012. In contrast, the unemployed among non-Caymanians increased by 23 percent resulting in an unemployment rate of 3.1 percent.

The **Cayman Islands' Consumer Price Index Report: June 2014**, Madam Speaker, shows that in comparison to June 2013, there was modest increase in the June 2014 overall CPI of 0.7 percent as a result of price movements for a number of divisions led by restaurants and hotels (8.4%). The latter was driven by a 15.8 percent rise in the average cost of accommodation rates.

Other divisions which contributed to the modest inflation rate include household equipment (7.5%), transport (3.4%), and food and non-alcoholic beverages (2.4%).

Four divisions dampened the overall inflation during the quarter: miscellaneous goods and services (-2.7%), housing and utilities (-1.4%), health services (-0.2%) and alcohol and tobacco (-0.2%).

Compared to the first quarter of 2014, the 2014 second quarter CPI increased by 0.2 percent. This is partly driven by the 1.2 percent rise in the index for housing and utilities due to a rebound in actual rentals for housing (3.4%) after 10 consecutive quarters of decline.

There was a decline in accommodation rates (-41.8%) which lowered the hotels and restaurant price index by 8.9 percent and dampened the overall quarter-on-quarter inflation rate.

Madam Speaker, the **Cayman Islands' Quarterly Trade Statistics Bulletin: April to June 2014** shows that in the second quarter of 2014, total value of imports grew by 9.4 percent to reach CI\$196.1 million, CI\$16.9 million higher than the CI\$179.2 million recorded for the same period in 2013.

Non-petroleum products which accounted for 77.4 percent of total imports, increased by 8.7 percent, while petroleum products recorded a slightly higher increase of 12.2 percent.

The growth in non-petroleum products was broad-based as all major groups except for machinery and transport equipment recorded increases. This was led by the largest group, food and live animals, which grew by 21.1 percent to reach CI\$40.1 million. Within the food category, meat and meat preparations and dairy products were the main items that recorded significant increases.

The classification of imports by Broad Economic Categories shows that during the second quarter of 2014, consumer items grew at double-digit rates. Food and beverages which contributes 23.8 percent to total imports grew by 20.9 percent. Other consumer goods grew by 47.5 percent.

In conclusion, Madam Speaker, the Cayman Islands economy continues to grow at a modest pace. The Government's continued efforts to stimulate business in the Cayman Islands and promoting work programmes for Caymanians will further contribute to the growth of the economy and reduce the overall unemployment rate.

The economic and statistics reports outlined above are available on the website of the Economic and Statistics Office at www.eso.ky

Thank you Madam Speaker.