



Office of the Premier  
Cayman Islands Government

## **Keynote Address by Hon. Premier Wayne Panton MP, JP Annual Chamber of Commerce Parliamentary Luncheon June 14, 2023**

Thank you, President Nelson Dilbert, for your kind words.

With all protocols having been established, it is my honour to accept the invitation to provide a Government update to the Chamber Council and membership, and the wider community.

All around us, our country is changing. Up until now, we haven't fully contemplated and considered the drivers of change. Some of the drivers of change for us are population growth through immigration, economic growth, climate change, electoral system changes, emerging technologies and the erosion of Caymanian identity, heritage and culture.

I am passionate about creating a better country for this and future generations of Caymanians, and those who have adopted Cayman as their home.

Strong leaders stand on conviction and stand up for their principles. My principles are rooted in preparing our country to deal with the reality of a changing world and effects of a rapidly changing Cayman. For too many in our community, leadership is about being political, transactional. But, to me, leadership is about being principled. Principles, not politics. For example, I believe in an open and transparent Government.

When we came into government, we decided to publish weekly Cabinet Summaries. Why? To regularly update the country on the decisions being taken by the Executive branch of Government. We instituted a Cabinet Manual, then a Ministerial Code of Conduct and last year, all members of the Government and Government backbenchers, along with the official members of Parliament, signed the Parliamentary Code of Conduct. And, that code of conduct not only keeps our government honest, but it is also about setting standards for the conduct of Ministers and Official Members.

It is also about protecting the workplace for the men and the women of the country. And, that is why I've had to make some tough calls.

Over the course of the last two years, we've had to make some hard choices to keep our economy on track and provide people with relief, first during the COVID-19 crisis and now during the global inflation crisis.

Remember, it was just over two years ago that our country was shut down with no reopening plan. It was this government that safely re-opened our borders and our economy, restored tourism, and got our economy moving again with a very high vaccination rate and minimal loss of life.

But, getting here has not been easy. We have had to make some tough decisions to put more money in people's pockets during this global inflation and cost of living crisis. This crisis is not contained to Cayman alone. I am sure many of you have been following the news out of the United Kingdom. Over the last winter, it was reported that over 3 million people could not afford to heat their homes. This is a global crisis, and while we cannot solve it alone, we here in the Cayman Islands will do our level best to make life a little bit easier for our people.

We helped address the cost of living crisis by introducing a number of initiatives to help Caymanian families. We provided free school meals for school children. We helped with electricity assistance to keep rates down for 22,000 eligible households. We removed import duty on healthy foods, baby products, feminine hygiene products, and energy-efficient products. We extended the tourism worker stipend. We reduced fees for seniors. We extended the pension holiday for an additional year. We helped with tuition assistance for students.

And, yes, for all of these sensible measures to help see our families through these tough times, we've taken a lot of political heat.

Those to our political right worry that we're going too far and that irresponsible social spending will only further the sense of entitlement, and that this fiscal irresponsibility will put our fragile economy at risk.

And, those to our political left say that we are not going far enough with our social spending; that we should provide more assistance, to more people and for a longer period of time.

I believe that what is needed in our country, now more than ever, is leadership that is balanced, which stands neither too far to the left nor right. Like you as business owners and leaders, and like most Caymanians, Governments should not be prone to extremes - our leadership needs to be pragmatic, future-focused and capable of balancing the competing interests while maintaining fiscal prudence.

We are a government that seeks to achieve a balance - a government that simultaneously has a heart for Caymanians and a strong social conscience. We are also a government

that understands that we must make financially prudent decisions and that we cannot recklessly spend it all today; overspending will put our economy and fiscal independence at risk.

Today, as I said back in January, thanks to tireless work over the last two years by this Government and private sector partners, I am pleased to report that our economy is strong and getting stronger. Cayman has consistently shown strong and stable positive growth, while the rest of the Caribbean is largely characterised by volatility in growth, high unemployment and disappointing human development indicators.

International business is thriving. Hotels are full again. Shops and restaurants are bustling. And jobs are available up and down the economic ladder.

Now, let us take a closer look at our financial performance:

Like many countries around the world, we consider the pre-COVID 2019 Fiscal Year as the benchmark to assess progress.

Operating Revenues have increased steadily from \$862 million for 2019 to \$1.02 billion for 2022. For the first five months of 2023, Operating Revenues were \$589 million, with total 2023 revenues projected at \$1.03 billion. So, purely on the revenue front, CIG has recovered and surpassed 2019 levels.

However, CIG's day-to-day Operating Expenditures have also increased - from \$718 million in 2019 to \$967 million in 2022. For the 5-month period ended May 31st 2023, Operating Expenditures amounted to \$415 million.

Consequently, we are projecting lower Operating Surpluses as expenses are increasing at a higher pace than revenues. Understandably, a position which is not sustainable in the long term.

In 2019, the surplus was \$144 million. The pandemic years of 2020 and 2021 saw deficits of \$58 million and \$18 million respectively. But for 2022, a surplus of \$54 million was achieved.

This is a remarkable accomplishment because it was achieved even as we continued to waive millions of dollars of revenue in an effort to help Caymanians purchase their first home, continue to incentivise investment in the Sister Islands and supported dozens of businesses and non-profits, including schools, with waivers of stamp and import duty. In

2022, there were 228 waivers of stamp duty for eligible first time Caymanian homebuyers and this amounted to CI\$4.5 million waived.

Adding to Government's rising expenditures, the Civil Service has grown from 3,918 in 2018 to 4,401 in 2022; the total headcount for core Government as of May 31st stood at 4,511 which represents an increase of 15% in headcount during the last 5 years.

CIG has generally produced actual Surpluses that exceeded their projected levels. So, all-in-all, while CIG's current revenues are set to surpass previous records, the growth in Operating Expenditures has resulted in lower surplus levels when compared to the \$144 million reached in 2019.

The 2024 to 2025 budget process is gearing-up for a Budget presentation in late October but the process to get there will involve hard decisions as it is expected that expenditure requests will not be met by existing revenue projections.

The Government is also seeking to relieve some of the economic stresses on vulnerable Caymanian families in 2023 and 2024.

I am pleased to announce that, at a meeting held yesterday with representatives of six retail banks, they have agreed to a minimum of 30 days' notice before implementing any fee or interest rate increases for the next year. They reported that many of their clients have in fact taken up the option of fixed-interest rate loans and this has helped stabilise household expenditures.

We also discussed at this meeting both the banks and CIG engaging with the local insurance industry on the rate challenges of insurance premiums but perhaps even more difficult, is the falling capacity to take on new policies because of a constrained reinsurance cover.

Now, let us look at revenues and expenditures for the first five months of 2023:

The unaudited financial results for January to May 2023 show a \$174 million Surplus. Year-to-date Coercive Revenues of \$557 million, which represents 95% of total Revenues earned, were \$8 million more than projected and \$7 million more than the 2022 year-to-date actual.

The Coercive Revenue categories performing ahead of year-to-date budgets include a \$10 million positive variance in Tourism Related Revenues and a \$6 million positive variance in

Work Permit Fees. Interestingly, there are approximately 15 sources that consistently generate between 75% and 80% of the Government's total annual revenue. The financial services industry alone contributes between 40% and 44% of Government's annual direct revenue. When we consider the direct revenue to the Government, the thousands of good stable jobs and its contribution to the wider economy, we can conclude that the continued success of the financial services is critical to our prosperity.

My friends, while the first five months' performance has positioned the Government to be optimistic about its overall performance for 2023, costs will have to be diligently monitored over the rest of the year and the SPS period of 2024-2026.

Now, what do all these facts and figures mean to the average Caymanian and to the business community?

It means that whilst we have our own challenges to keep an eye on our economy is strong and getting stronger. It means that the Cayman Islands are weathering the global economic storm. It means that we are creating jobs for our people and profits for our businesses. It means that investors remain bullish on our country and our economy.

Our economy is growing and thriving. But don't just take our word for it.

The most ringing endorsement that CIG's fiscal performance and its fiscal position have improved since the 2020 and 2021 COVID-period was made late last week when Moody's announced that its rating of CIG remained at a lofty Aa3 and, its outlook for the Islands was maintained as 'stable' and this was a new team of analysts as well who approached this with fresh eyes.

Moody's referenced the Cayman Islands' stable political environment, strong policy continuity, high government effectiveness, sound financial management, and economic growth following the COVID-19 pandemic as factors supporting the Aa3 rating.

This reaffirmation of our credit rating, as well as the ongoing 'stable' economic outlook, is testament not only to the ongoing prudence of Government fiscal policy and the strength of our economy but also to the resilience of our people and business sector as we continue to rebound from the economic effects of the COVID-19 pandemic.

While this latest evaluation from Moody's reflects confidence in our country's economic, fiscal and institutional strengths, it also underscores our responsibility to ensure that these accomplishments are maintained for the benefit of this and future generations.

We must remain committed to keeping our debt burden low and affordable, diversifying, and growing our economy, protecting our financial services sector, and mitigating the potential risks posed by climate change and other weather-related disasters. We must achieve all of this while ensuring we provide the useful and suitable services and infrastructure improvements that are essential to deliver a high quality of life.

Our cost of living continues to be top of mind. The consumer price index for the Cayman Islands fell to 6.6% which indicates the steep increase in inflation we had been seeing is flattening out. This is good news locally and reflects a downward trend in the US CPI, important as the US is our largest trading partner. The Fed Reserve is meeting and very shortly we will know whether they decided to introduce another rate increase or if they've paused the increases for the time being. I am pleased though to have the local banks commitment to introduce the 30-day notice, just in case the Fed increases the rates.

Let us turn now to jobs and employment: all around the world, jobs are seen as a sign of economic health. Having a strong job market means that our people have opportunities to thrive and earn a living.

I am pleased to report that our unemployment rate is at the lowest it has been in decades, standing at 2.1% at the end of 2022. As a government, we seek to balance economic growth with opportunities for Caymanians by supporting policies requiring you as the business community to make jobs available to Caymanians first. But, if there is no Caymanian to fill your position, we seek to ensure that you can have that position filled by a qualified applicant after following the proper process.

I continue to receive the complaints and calls of frustration in relation to the processing of work permits and residency applications.

At this time, all applications - work permit, Permanent residency and the right to be Caymanian [Cayman Status] are all being processed and projects are underway to eliminate excessive backlogs. The Government met recently with the special committee considering changes to the Permanent Residency points system and we expect their recommendations to be submitted in September.

Specifically, in the month of May, the Department of WORC received 2,931 work permit applications. The most common type of work permit was a temporary work permit (1952), followed by a work permit grant (1003). There were also a significant number of work permit renewals (702). During the same period, the department (administrators and boards) considered a total of 6,395 work permit applications, demonstrating that the projects to

remove backlogs is working well. The total number of work permit applications that are pending is 5,083. The expectation is that the backlog will be removed within the coming months.

Specifically addressing eight-year PR applications. Approximately half of the 334 outstanding eight-year PR applications have been considered to date. A team of administrators processed approximately 47 eight-year PR applications a month, and during the month of May, 34 new eight-year PR applications were received. 361 Permanent residency applications of various types [including variations] were considered during May.

Again, at this time, all applications - work permit, permanent residency and the right to be Caymanian [Cayman Status] are all being processed and projects are underway to eliminate excessive backlogs. This is one of those areas where some people think we are not doing enough fast enough, and others think we need to slow things down and introduce moratoriums.

As I said before, now more than ever, as a Government we need to be pragmatic, future-focused and capable of balancing the competing interests. The incredible rate of population growth in the last year - 8,000 people moved to the Cayman Islands between October 2021 and 2022, compared to 16,000 in the previous 10 years – is straining systems that were not prepared to handle that type of surge.

With the country back in a strong and stable position, over the next two years we intend to deliver even greater tangible and measurable results that matter to the people of this country.

The Government revamped the Strategic Policy Statement this year. Too often people question what the Government is doing and why. We wanted to send clear signals about what our priorities were and why.

The 2024-2026 Strategic Policy Statement presented to Parliament on April 26th, details the Government's intended approach over the next budget period to responsibly improve the quality of life for this and future generations of Caymanians.

The Strategic Policy Statement focuses on our five pillars:

1. Improve Quality of Life for Caymanians;
2. Enhance Competitiveness while Meeting International Standards;
3. Future Proof to Increase Resiliency;



4. Modernise Government to Improve Public Sector Performance; and
5. Protect and Promote Caymanian Culture, Heritage and Identity.

In developing these Broad Outcomes, we have put the most important aspect of our country – our people, at the epicentre of all that we do. They are at the heart of every Broad Outcome, every Specific Outcome, and every project detailed in the Strategic Policy Statement. If what we are doing doesn't benefit, support, encourage, enrich, educate, and empower our people – there is not any point or purpose in it.

These Broad Outcomes encompass all aspects of life and living in the Cayman Islands, from enhancing the basic elements of the human condition, including housing, health and education; to maintaining our main industries' relevance in the global arena; developing as a jurisdiction structured for future growth and sustainability; maintaining a stable, efficient and transparent Government; and championing the vital importance of retaining our Caymanian culture, heritage and identity.

While our success is clear and our plans bold... to quote former UK Prime Minister Tony Blair, *“Real progress cannot be measured by money alone. We must ensure that economic growth contributes to our quality of life, rather than degrading it.”*

As you may have heard me say before, we can measure success with many metrics. I've known rich people that are miserable and working people that are happy. To me, the true measure of success is to improve the quality of life of our people.

The United Nations uses the Human Development Index (HDI) to measure three key dimensions of human development: a long and healthy life (the Health Index), access to knowledge (the Education Index) and a decent standard of living (the Income Index).

For the Cayman Islands, the most recent Human Development Index value was 0.877, which falls within the range of 0.80 and 1.0 in the HDI Report 2021/2022 and is considered to be a very high human development index. I'm proud to say that we have one of, if not the highest in the region.

While we have a strong HDI, we have more work to do to ensure that our country is not only prosperous, but is also an enjoyable and peaceful place to live. We all know our challenges and we know that there are no silver bullets. There are no magic wands that solve complex problems. But, we must TRY.

As we look toward the broader economy, there are a few key challenges we face as we



continue to grow our economy. The sustainability and livability of our three islands for this and future generations encompass a number of those challenges. We have a few 'wicked' problems, and some of the most urgent are cost of living and traffic.

Our government is committed to tackling these problems head on, and while there are no panaceas for these complex problems, we must do what we can to provide cost of living relief in the short term and take steps to contain, and ideally, reduce costs in the medium to long term. The noted reduction in the rate of inflation is going to assist in meeting these challenges.

As we look back at where we've been, we can see the huge accomplishments of the last two years. Two years ago, we were living in a closed economy with high unemployment and depleted government finances that was barely recovering from the worst global pandemic in a century. Today, our economy is growing again and we can boast of a budget surplus, the lowest unemployment rate in decades and a thriving business sector.

Now is the time to move forward with prudence, by not giving in to the impulses at the extremes but instead by innovating, evolving and steering the good ship Cayman.

In taking a more holistic approach, and by communicating our desired outcomes more clearly, we hope that everyone in the Cayman Islands will better understand what this Government is trying to achieve on their behalf.

This includes the civil servants charged with planning, managing and delivering the Government's objectives, the customers who utilise and rely on our services, and most importantly you as citizens - the ultimate intended beneficiaries of our policies, priorities and projects. We are focusing on key areas that will make the most positive impact to the lives of Caymanians and ultimately build a stronger and more resilient economy.

We are called to be responsible with the people's money. We are called to reject imprudence. Indeed, our policies over the first half of this administration have seen an adherence to fiscal prudence, to the principles of responsible financial management and compliance with the Framework for Fiscal Responsibility set out in the Public Management and Finance Act.

However, as important as fiscal responsibility is, it's not the only reason why we are here. Beyond dollars and cents lie the heartbeats and souls relying on us, their government, to craft and put into practice policies and programmes that will ensure future prosperity and national wellbeing.

It is no accident that Broad Outcome 3 in the 2024-26 SPS is to “Future Proof to Increase Resiliency”.

The key aim of resiliency is to prepare for the future, to ensure that there is “enough” of any resource that our children, grandchildren and future generations can enjoy the same and preferably even greater levels of health, safety, happiness and success that we have benefitted from.

As a parent, and I know many of you are parents, our dearest wish is to see our children live in a state of wellbeing throughout their lives. As leaders, this hope, this goal, this dearly held responsibility of ensuring the future wellbeing of our people must be enshrined in all that we do.

And whilst we are proud of what we have achieved so far, it is my role as the leader of this country to ensure that optimism and pride is something every Caymanian feels in all aspects of their lives now and for the future.

We have achieved a lot together over the last few years and I want us to continue to move forward together in creating the best possible future for these Islands and their people.

But times are changing - we are operating in what is described as a VUCA world – volatile, uncertain, complex and ambiguous. We know that we have many challenges facing us. The climate and nature emergencies pose real and present threats to all of us here, including commercial threats such as the escalating costs of property insurance which stems from reinsurers determining that the region is very risky and they are limiting the amount of capital they make available to property insurers.

And in many cases, we are already living what we believed would be our tomorrows, today. The world of work is changing with advances in automation and artificial intelligence – we have never been more connected to each other but also never more connected to the ripple effect of the geopolitical environment and the planetary environment.

To future-proof our society is to anticipate risks, assess opportunities and take steps to ensure the health and prosperity of the Cayman Islands in all areas. This administration believes it is a core responsibility of any Government to not only address needs that exist today, but to utilise the best available research, data and decision-making to prepare for needs that will likely arise in the years to come.

There is also a human element to the concept of future-proofing which involves preparing,

equipping and empowering the Caymanian people to thrive through strengthened, improved and transformed education, health, employment, sports, youth, cultural and nutrition programmes.

Being ready for the future includes focusing on sustainable development, which is a priority of the current administration, along with better physical infrastructure such as data cables and enhanced mobility, including improved road networks, effective public transportation and walkable communities.

It also requires educated minds, healthy bodies, skilled workers, and a strong sense of national identity, including the belief in our own capability and readiness.

As the Cayman Islands economy continues to grow, and the world faces transformational shifts in supply chains, technological breakthroughs and disruption to established global markets, we must consider potential impacts these may have on our future and recognise the need to embrace new opportunities.

Future-proofing acknowledges our vulnerability as small import-dependent Islands to external shocks such as natural disasters, supply chain shortages, global conflicts and health or economic crises.

We must build on the positive advances we have made but we must also give our citizens the chance to develop a collective vision of the future they want to create.

We must take steps to improve the data we collect and use to understand the whole picture of the issues for Caymanians but we must also realise the importance of people's stories - they are data with soul.

And so I want my government to be the one who gives the citizens of the Cayman Islands the chance to tell us what they want to see in the Cayman of tomorrow, tell us their hopes and dreams for themselves both in the short term and long term. We need to hear from individuals and communities across our three islands - understand their fears and concerns - not simply at a constituency level. When we put all of that data together, as a Government we have to be willing to use all the levers available to ensure that their futures are made up of their dreams not nightmares.

I want us to go beyond short-term politics and become part of a small but growing number of visionary nations who are actually planning for their countries' future rather than leaving it to chance.

That is why I intend to facilitate a national dialogue with our people – not led by, but supported by the government – giving an opportunity for us all to create a collective long-term vision as a first step. This vision needs to consider the drivers of change and will develop the work we have started with the strategic policy statement to refocus the efforts of the government and our work with partners on delivering long-term outcomes.

I hope that this will be the beginning of a new kind of contract with citizens and stakeholders because it will require all of our collective actions to deliver a hopeful future. And I want all of you to be part of this – part of creating a proud optimistic and excellent Cayman. In a proliferation of uncertainty there are leaps of creativity and we want to harness the creativity of citizens, business, NGOs and our younger generations to both set and deliver a shared vision for the future.

You see, when I come into rooms like these, I'm reminded what a small community we are. How everyone knows everyone and we have someone else in common. Which is why it is important for us not to be divided, but for us to be united. We must be united around the purpose of building a stronger economy, but also building a happier, healthier and more fulfilled society.

There is a saying – if you want to go fast go alone but if you want to go far go together and I want this country to go far. I want this country to be a leader globally in focusing on the wellbeing of both current and future generations and I want each one of us in this room to be someone our grandchildren can be proud of.

We will continue to support the business community and create an atmosphere where businesses can thrive. But, we will balance that with a need to build a society where people are able to thrive and the natural environment is healthy and able to support our people, now and in the future.

Together, working hand in hand business and government can protect and grow our economy and make sure all of our Caymanians benefit. I invite you to continue with us along this journey.

Thank you.