

GRAND CAYMAN - STATE OPENING OF PARLIAMENT, THRONE SPEECH, PREMIER'S ADDRESS AND BUDGET

Diptel GRAND CAYMAN (Sensitive)

Foreign & Commonwealth Office Diplomatic Telegram

Summary

I deliver my third Throne Speech at the State Opening of the Cayman Legislative Assembly. At the same event, the Premier gives an upbeat statement to the House on his Administration's track record thus far and their plans for the rest of their term. The Finance Minister also presents the Budget which sets out plans to meet the requirements of the Framework for Fiscal Responsibility by the end of the coming financial year.

1. On Friday 15 May, I attended the ceremonial State Opening of the Legislative Assembly and delivered my third Throne Speech (attached). This sets out the Government's agenda for the next parliamentary session and financial year. After I left the House, as tradition dictates, Premier Alden McLaughlin delivered a more detailed statement promoting his Government's achievements thus far and setting out its ambitions for the future.
2. The Premier's address (also attached) was very positive about the outlook for the Cayman economy and focused on four themes – good governance, support for the tourism and financial services sectors, infrastructure development and encouraging a positive business environment. The term 'prosperity' was the core sentiment of the speech and the Premier identified the need to bring stability to government finances as the principle driver of government policy. The Premier committed to implement enhancements to Cayman's framework for monitoring and enforcement of company ownership. He welcomed the election of a Conservative government in the UK and the re-appointment of Minister Duddridge, reiterating his invitation for an early visit to Cayman, which would enable the beneficial ownership issue to be discussed in more detail.
3. The Budget speech by the Minister of Finance (also attached) set out, in detail, the Government's fiscal plans. The Minister was pleased that this was the first Budget to achieve full compliance with all six Principles of Responsible Financial Management as cited in the Framework for Fiscal Responsibility (Net Operating Position; Net Worth; Debt Service; Net Debt; Cash Reserves and Financial Risk).
4. The Minister forecasted growth of 2.1% in 2015/16, 2.3% in 2016/17 and 2.6% in 2017/18, although he also predicted that inflation would increase from 1.4% in 2014/15 to 2.4% by 2017/18. Meanwhile, unemployment is set to fall to 4.5% by 2017/18. The Government is forecasting revenues of CI\$661.2m and operating expenditure of CI\$539.9m, resulting in a CI\$121.3m net operating surplus for the coming financial year
5. Both the Premier and the Finance Minister noted expected savings from the EY review of the structure of the public service, but they confirmed a 4% cost of living allowance to be paid to public sector workers from July 2015.

Comment

6. Meeting the FFR conditions is a noteworthy achievement that the Government has every right to be pleased about and the optimism about their outlook for the Cayman economy appears well placed. However, the next General Election will take place in the spring of 2017 which means that McLaughlin's government has now reached its midterm point. The Premier's speech made reference to the positive relationship with the UK but political pressures and / or inter party disputes could yet have an impact before Caymanians go to the polls.

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