

Press Briefing Remarks
By
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Introduction

Today, the Ministry of Finance and Economic Development is launching the publicity campaign for the Household Budget Survey 2015 (HBS 2015).

Next to a housing and population census, an HBS is the biggest statistical activity in many small islands such as the Cayman Islands.

HBS 2015 is very important as it provides a comprehensive source of information on the country's household sector.

The last HBS for the Cayman Islands was conducted in 2007. The total annual consumption of goods and services estimated from that survey was \$1.3 billion. The overall per capita consumption was CI\$23,774; the lowest decile (10 percent) of the population had a per capita consumption of \$5,410 while the highest decile had \$72,251.

Since then, the country has experienced significant changes. The local economy felt the prolonged impact of the global recession beginning in 2008 with Gross Domestic Product (GDP) declining from 2008 until 2010. Growth resumed modestly in 2011, and by God's grace, we expect the policies that Government have been pursuing to further strengthen the pace of recovery. Real GDP in 2013 increased by 1.4 percent. In the second quarter of 2014, GDP growth was estimated at 3.3 percent, higher than the first quarter growth of 1.5 percent.

Importance of the HBS

As we continue to monitor GDP growth and the other macroeconomic indicators, it is equally important to look deeper into the economic condition of households through the HBS. This is necessary for three good reasons.

Firstly, macroeconomics indicators such as GDP growth, GDP per capita and the unemployment rate are estimated on a regular basis to provide us with the overall economic condition of the country. But these cannot be used in evaluating the economic well-being of households as measured by their consumption of goods and services.

The HBS will allow us to address key questions. Has the market power (or value of total consumption) of households in Cayman declined or increased compared to 2007? Which segment of the population experienced significant changes? How much is the “cost of living” for the average household, the households in the lowest 10 percent, those in the highest 10 percent and the segments in between?

The information derived from the HBS has the potential of impacting households in Cayman whose well-being is attached to specific dollar values. Two examples can be cited. *One*, the direct assistance for families currently served by the Needs Assessment Unit which uses a single income level (CI\$3,000) to screen qualified recipients. *Two*, is the granting of permission by the Immigration Department for work permit holders to bring their dependents to the Islands. This is subject to a minimum income level corresponding to a benchmark “cost of living” estimate. The HBS results can be used in revisiting these benchmarks as well as facilitate the introduction of more robust ones to address the intended policy objectives.

Secondly, the HBS provides the basic data for calculating the “expenditure multiplier” or total economic impact from government spending or private investment in the economy.

A one dollar increase in new spending in the local economy becomes household income through employment and when spent, generates income for another household, and so on. The final increase in income of the entire economy depends on the household sector's marginal propensity to consume in the domestic economy. The higher this propensity, the higher the multiplier effect of government spending or private investment. Now, the HBS provides the data to calculate the marginal propensity to consume.

The use of multipliers enriches the evaluation of fiscal policies or projects such as the construction of a new waste processing site, or a new hotel project. Government can then be guided in prioritizing projects or programs that require budgetary funding or concessions.

Thirdly, we need the HBS to update the consumer price index (CPI) basket of goods and services. This is the most popular use of the HBS and the CPI is the most commonly used statistic in Cayman; mainly for cost of living adjustment (CoLA) or salary review, pension income review, electricity charges review and similar price adjustment exercises not only in the public sector but also in the private sector. A few court cases that deal with monetary compensation or allowances also make use of the CPI.

I am pleased that Mrs. Jewel Evans Lindsey (Managing Director of the Public Service Pensions Board) and Mr. Charles Farrington (Managing Director of the Electricity Regulatory Authority) are here with us today to make brief presentations on how their respective agencies use the CPI in decision-making.

In view of the pervasive use of the CPI, some countries have a continuous HBS while the best practice is to conduct this every five years. Against this backdrop, HBS 2015 is at least three years overdue. However, it is a significant improvement when compared to the 15-year time lag between the 2007 HBS and the 1992 HBS.

Conclusion

In conclusion, I wish to thank you for your participation in this Press Briefing. The role of the media in raising public awareness on the benefits of the HBS cannot be overemphasized. It would be extremely helpful to have this on your news watch for the next 13 months and for the media to be supportive of this very important survey.

The most important role ultimately belongs to the household sector, and I now wish to directly address this sector. The Government believes that the best way for the household sector to willingly participate in the survey is to gain a good understanding of the benefits from the survey data – which I have explained in this Press Briefing. Your response to HBS 2015 will be for your own good and the community at large. Your participation (which is compulsory under the Statistics Law), and the accuracy of your data will have personal and direct implications on your welfare and those of your neighbors. In other words, your participation in HBS 2015 will have a socio-economic impact on fellow Cayman residents in the next five years and even beyond. The expenditure that you will report will have implications for your electricity bill, your parents' pension income, or your own salary.

Participating in the HBS 2015 is not just a statistical exercise. More importantly, it is your contribution as a responsible member of society and a law-abiding resident of the Cayman Islands. I therefore thank you in advance for your willing and diligent support and cooperation.

I also wish to assure you that the information collected in the HBS will be kept confidential and will never be used for tax

purposes, as the Government has no intention of introducing new taxes on the Islands' residents nor, on business entities.

Thank you. In the spirit of the season, a blessed Christmas to all!