2016 NATIONAL ECONOMIC REPORT *of* BERMUDA

GOVERNMENT OF BERMUDA

Ministry of Finance

GOVERNMENT OF BERMUDA

Ministry of Finance

NATIONAL ECONOMIC REPORT OF BERMUDA 2016

Published by:
Government of Bermuda
Ministry of Finance

Government Administration Building
30 Parliament Street
Hamilton HM 12
Bermuda

February 2017

Design: Department of Communication and Information
Printed by: The Bermuda Press Ltd

Contents

THE ECONOMY IN 2016

The Ministry of Finance estimates that Bermuda's GDP may have increased by 0.0-1.0 per cent in 2016[1] following the increase of 0.6 per cent in 2015.

Many of the major economic indicators such as employment, employment income, air visitors, construction activity and retail sales increased in 2016.

The number of jobs is estimated to have grown by 0.2 per cent and the official unemployment rate remained at 7.0 per cent.

In the tourism sector, air visitors increased by 17 per cent while cruise arrivals rose by 7 per cent. Employment in hotels fell by 2.9 per cent.

Employment income rose by 0.8 per cent over the first three quarters of 2016. The largest increase occurred in Businesses Services whose employment income rose by 7.6 per cent.

The gross turnover generated by retail stores increased by 2.1 per cent in 2016 while jobs in the sector rose by 5.8 per cent.

Over the first three quarters of 2016 the level of construction activity rose by 30.6 per cent with the value of work put in place increasing from $58.9 million in 2015 to $76.9 million in 2016. The value of new projects started contracted by 26.2 per cent. Jobs in this industry grew by 0.5 per cent year-over-year.

The Consumer Price Index (CPI) measured 1.5 per cent for 2016. This level of inflation is the same as in 2015 and below the 2.0 per cent recorded in 2014.

GROSS DOMESTIC PRODUCT 2015

The most recent published estimates by the Department of Statistics for GDP are for the year 2015.

In 2015 the Bermuda economy grew by 4.0 per cent in current market prices. This increase marks the third consecutive year that the economy has grown in nominal terms, after 4 years of decline. Nominal GDP was reported to be approximately $5.928 billion reflecting an increase of $227.7 million above the 2014 revised figure of roughly $5.7 billion.

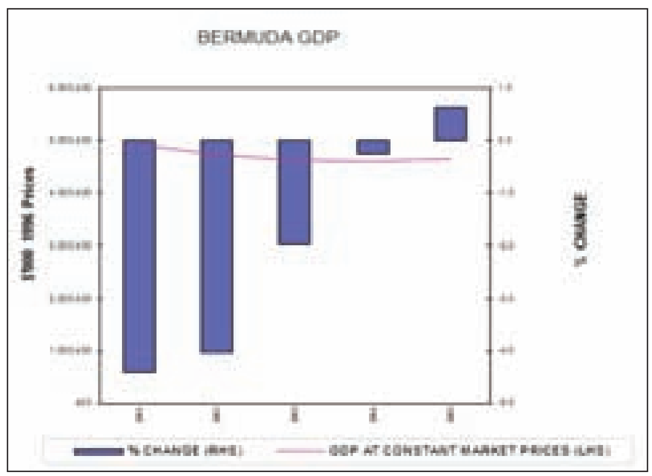
[1] Official 2015 GDP estimates are not yet available.

As a result, Bermuda's GDP per capita rose from $92,267 in 2014 to $96,018 in 2015. When adjusted for inflation, the level of economic activity or real GDP grew by 0.6 per cent. This rate was better than the five year average (2011-2015) of negative 2.0 per cent. However, the result was below the Ministry of Finance's 2015 estimate (made in February 2016) of an increase in GDP of 1.5–2.5 per cent.

The positive movement in GDP of 4.0 per cent at current market prices was largely driven by a 5.3 per cent increase in the output of the international business sector and growth of 10.9 per cent in the wholesale, retail trade and repair services sector.

The GDP growth in real terms of 0.6 per cent was mainly caused by gains of $10.3 million in the output of the financial intermediation sector, a $7.9 million increase in the business activities sector, and a $7.3 million expansion in the Construction & Quarrying sector. These gains were offset by declines of $6.3 million in the hotels and restaurants sector.

FIGURE 1



The industry analysis of GDP provides useful information concerning the output of the 15 sectors of the Bermuda economy. Table 1 of this report provides this information in constant dollars (Nominal GDP) while Table 2 presents it in current market prices (Real GDP).

In current market prices, international business contributed the greatest amount to the Bermuda economy in 2015. This sector provided $1.66 billion in total output or 28.0 per cent of total GDP which was a 5.3 per cent increase when compared to 2014. The growth in output in this sector benefitted from increases in wages, salaries & benefits and investment compensation of the employees in this sector.

2015 marked the third consecutive year that the value added by the international business sector increased following 4 years of contraction. The value added from this sector represents 28.0 per cent of GDP and is a continuation in the trend of previous years. Companies in the insurance and reinsurance industry are the biggest contributors to this sector. Contributions to this sector also emanate from the trading operations of security and commodity brokerage, shipping, consultancy and other forms of international business activity.

The real estate and rental sector was the second largest contributor to GDP. This sector accounted for $983.6 million in output or 16.6 per cent of total GDP. The value added from this industry increased by 2.1 per cent, increasing for the second consecutive year. The growth in this sector can be attributed to an uptick in property transactions including a greater volume of commercial property sales.

The next largest contributor to Bermuda's economy is the financial intermediation sector. This sector accounted for $706.3 million in output which represents 11.9 per cent of total GDP. The 2.1 per cent year over year decline in this sector was the result of lower net interest, net fees and commissions received by banks as well as decreases in reserves and premium supplements recorded by insurance companies.

The business activities sector contributed $532.4 million to the output of the economy representing 9.0 per cent of GDP. Output in this sector grew by 1.4 per cent led by greater sales of accounting, book-keeping and audit activities; computer and related activities and legal services.

Output generated in the education, health and social services sector was recorded at $484.7 million in 2015, which represents 8.2 per cent of total output. This sector experienced growth in output of 4.5 per cent which was primarily driven by greater output in private health activities and social work by private organizations.

The wholesale, retail trade and repair services sector represented 7.0 per cent of GDP in 2015 with an output level of $416.9 million which is a 10.9 per cent increase over 2014. This sector increased for the second consecutive year following five consecutive years of decline. This sector was bolstered by growth in sales of motor cycles, motor vehicles, household appliances and construction materials.

The construction and quarrying sector grew by 6.7 per cent and accounted for 3.2 per cent of GDP. The output of $190.6 million was driven by renovation work at the Fairmont Hamilton Princess Hotel as well as construction activity associated with the America's Cup.

ECONOMIC TRENDS 2016
DOMESTIC DEMAND

PERSONAL CONSUMPTION AND THE RETAIL SECTOR

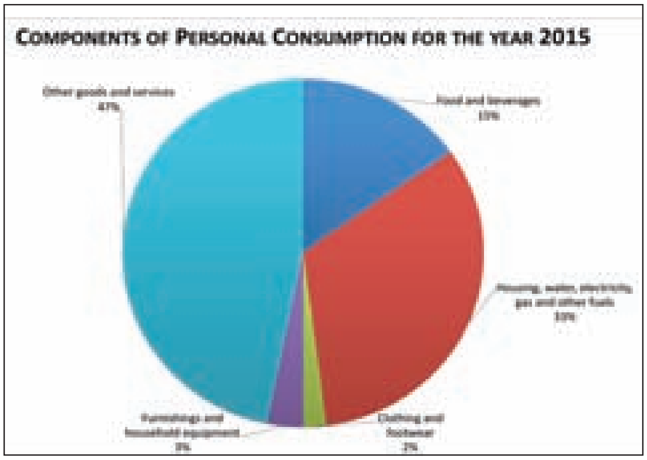
Employment income supports personal consumption and is estimated to have increased by 0.8 per cent for the first three quarters of 2016 compared to the same period in 2015. For the 12 month period ending September 2016, total employment income was $3.26 billion, some $39.3 million or 1.2 per cent greater than the 12 month period ending September 2015.

The year-over-year level of employment income grew by 1.7 per cent during the first quarter and 2.1 per cent in the second quarter and declined by 1.4 per cent in the third quarter of 2016. In 2016 the Labour Force Survey, which measures the unemployment rate, was not compiled by the Department of Statistics because the Department is in the process of completing the 2016 Census. During years when a Census is done, the Department of Statistics will use the Census data for the unemployment rate because it is more accurate. Due to the fact that the 2016 Census is not yet completed, the latest measure for unemployment was the 7% recorded in 2015.

The broadening economic recovery has led to modest increases in employment income which should translate into increased personal consumption.

The most recent estimates by the Department of Statistics for household personal consumption are for the year 2015. During that year, total household personal consumption was $3.13 billion, reflecting an increase of 3.0 per cent over 2014.

FIGURE 2



While personal consumption estimates are not available for 2016, the Retail Sales Index (RSI) for that year offers insight into the expenditure trends of consumers in Bermuda's retail stores.

In 2016, total gross turnover stood at $1,143.1 million which represents a 2.1 per cent increase when compared to 2015. In the first three quarters of 2016 employment income rose by 0.8 per cent which appears to have had a positive effect on retail sales as consumers had more disposal income.

All sectors in the RSI recorded sales growth in 2016 apart from apparel stores which declined by 2.9 per cent.

Building material stores experienced the highest growth in sales of all sectors. The sales level recorded in this sector was led by a strong third quarter which saw sales grow by an average of 15.1 per cent. However, the first quarter witnessed a marginal decline in sales which reduced the average growth for the year. The annual growth in sales of 6.4 per cent can be attributed to an increase in demand for construction supplies, related to various types of construction, a rise in do-it-yourself projects and an increase in small contractor business.

Motor vehicle stores recorded the next largest increase in sales of all sectors. Five of the 12 months in 2016 recorded double digit sales growth with 3 of those months recording growth of over 20 per cent. The average monthly increase in this sector was 4.9 per cent. Greater demand for a wider variety of vehicles along with promotions during the year, led to an increase in motor vehicle sales.

Monthly receipts by service stations advanced by an average of 3.0 per cent, due in large part to an increase in the cost of fuel in 2016. Growth in sales was witnessed in every month apart from August and October, with both months recording marginal sales declines.

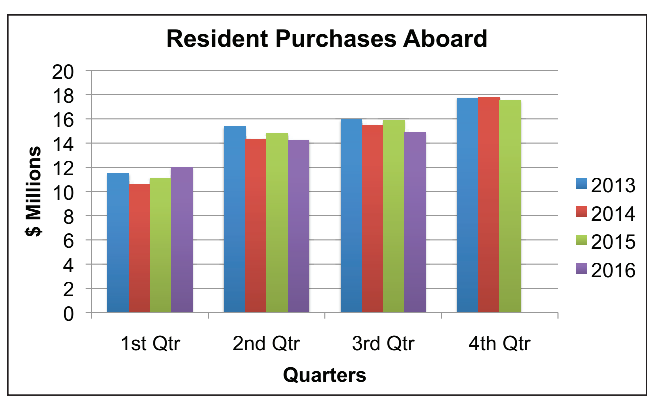
The sales level recorded by apparel stores experienced the only contraction of all the sectors. The 2.9 per cent decline in sales for 2016 was mainly the result of lower demand for available inventory throughout the year.

During 2016, overseas purchases declared by residents returning to Bermuda fell from $59.4 million to $57.5 million year-over-year, representing a 3.2 per cent decline.

The declared value of overseas purchases during 2016 equated to 4.8 per cent of the combined estimated local and overseas gross turnover in the retail sector.

Residents traveling overseas during the first three quarters of 2016 declared that 51.5 per cent of their overseas expenditure was on clothing and footwear and 7.5 per cent was spent on electronic and photographic equipment. The value of goods declared by returning residents does not include the significant amount of shopping performed by residents through mail order and online purchases over the internet.

FIGURE 3



CAPITAL FORMATION AND THE CONSTRUCTION INDUSTRY

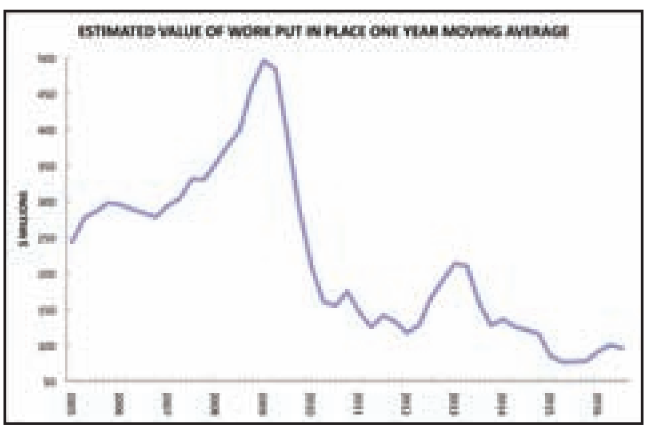
Some leading building indicators displayed negative results in 2016; however with major projects in the pipeline, these results should start to improve. Evidence of the negative growth comes from the Department of Planning where new planning applications declined to 472 in 2016 from 568 in 2015. Building permits are an indication of the projects that are actually being built and they also declined from 904 in 2015 to 847 in 2016.

During the first three quarters of 2016, the value of new projects started declined from $113.1 million in 2015 to $83.5 million, a decrease of 26.2 per cent. However the estimated value of work put in place during the same time period grew from $58.9 million in 2015 to $76.9 in 2016, an increase of 30.6 per cent.

These gains are mainly attributed to work being done in the lead up to the America's Cup and major hotel projects that are under way

Work performed on residential construction projects accounted for 37.7 per cent of construction activity. Offices, shops and warehouses contributed 29.1 per cent of the total, and the Industrial Plant & Other category represented 12.6 per cent of total activity in the construction industry. Together, these three categories accounted for 79.5 per cent of all work put in place between January and September 2016. 71.7 per cent of the construction work performed during that time period was performed by the private sector and 28.3 per cent by the public sector.

FIGURE 4



During the first nine months of 2016, 41 new dwelling units were completed in the residential sector of the construction industry, which represented an increase of 3 units or 7.9 per cent year-over-year and halts the downward trend that occurred in this segment of the construction industry over the past several years. Residential dwelling units are made up of four categories: studio apartments, one bedroom, two bedrooms and three bedrooms and over. Comparing the first nine months of 2016 versus 2015, the number of new studio apartments grew by 1 unit to 8 (14.3 per cent), one bedroom apartments grew by 3 units to 20 (17.6 per cent), two bedrooms experienced the largest increase moving from 2 to 10 units (400 per cent) and three bedrooms and over decreased by 9 units to end the third quarter with 3 (75.0 per cent).

EXTERNAL DEMAND

International business and tourism are Bermuda's primary sources of foreign exchange earnings. The Department of Statistics estimates that in the first three quarters of 2016 these two sectors of the economy represented 69.2 per cent of the total balance of payments current account receipts providing $1,790.0 million (excluding financial services) in foreign currency receipts. This combined figure grew by $49.1 million or 2.7 per cent when compared to 2015. Individually, the amount of foreign exchange earnings produced by the international business sector grew by 0.2 per cent year-over-year with a cumulative three quarter total of $1,466 million for 2016. The amount of foreign exchange earnings generated by tourism activity increased by 16.7 per cent recording earnings of $324.5 million at the end of September 2016.

INTERNATIONAL BUSINESS

In 2016 the international business sector provided 3,842 jobs in the economy reflecting a contraction of 1.5 per cent year-over-year, or a reduction of 58 posts. Over the first nine months of 2016, foreign exchange earnings of the international companies increased by $2.7 million to $1,466 million representing growth of 0.2 per cent.

This sector creates benefits to the Bermudian economy by way of jobs for Bermudians and revenue for local businesses. It also provides business visitors that support the tourist industry and provides government with revenue from taxes and fees.

The third quarter of 2016 recorded marginally higher losses for large commercial Bermuda (re)insurance groups[2] compared to Q3-2015, and the combined ratio dropped by 1.2 per cent quarter-over-quarter (q/q)[3]. Catastrophic losses were lower, again at a scale that would not cause material financial impact to (re)insurers.

Monetary policy remains an important economic variable in (re)insurance since it drives investment yields and financial disintermediation. Monetary policy did not change dramatically in Q3-2016. Likewise, pricing dynamics in the reinsurance market have not changed significantly while catastrophic losses dropped in Q3-2016. It remains to be seen how the active hurricane season has affected the results of the reinsurers and this information will appear in the Q4-2016 figures.

Bermuda (re)insurance groups improved their asset base by 4.0 per cent q/q. Bermuda (re)insurers produced a positive gross profit of $1.7 billion, which was higher by 16.4 per cent q/q due to decreased expenses and increased reported investment income. The aggregate combined ratio stood at 89.5 per cent compared to 90.2 per cent in Q3-2015. The loss ratio increased marginally by 0.7 per cent q/q due to higher losses while the expense ratio decreased by 4.2 per cent q/q. Investment income represented 58.3 per cent of net income, a significant decrease by 66.4 per cent from Q3-2015. The main reason for the decrease in the ratio of investment income to net income is the reduction of the reported capital losses in investments for this quarter.

Reserve leverage decreased by 4.7 per cent q/q and financial leverage decreased by 3.0 per cent q/q. Total equity increased by 7.2 per cent q/q while reserves increased by 2.2 per cent, thus decreasing reserve leverage. The slower increase of assets compared to equity decreased financial leverage. Net Written Premiums to Equity, which is a very rough inverse measure of solvency, increased by 2.4 per cent q/q, reaching 57.0 per cent.

The investment portfolios of Bermuda (re)insurance groups produced a low Return on Investment (RoI) close to 0.6 per cent, an improvement of 21.8 per cent q/q. Return on Equity (RoE) increased significantly due to higher investment income and lower expenses by 244.0 per cent q/q. As a proxy for liquidity, the sum of cash and high quality "AAA"-rated securities represents 200.2 per cent of claims for Q3-2016, a decrease of 15.4 per cent q/q.

Bermuda maintained its position as the jurisdiction of choice for the issuance of Insurance-Linked Securities (ILS) during 2016 – both in terms of the number of deals issued and total issuance volume. During Q4-2016, ILS activity by companies domiciled in Bermuda accounted for 81 per cent of ILS issuance volume ($1.7 billion of $2.1 billion). Bermuda-based Special Purpose Insurers (SPIs) issued 30 of the 38 deals during 2016 and 72 per cent of total volume ($5.1 billion of $7.0 billion) for the entire ILS market. The jurisdiction has positioned itself at the forefront of the global development of the ILS asset class and the outstanding amount of ILS issued in Bermuda represents 71 per cent of the worldwide stock of ILS. The Bermuda market shows a specialization in catastrophe bonds, with the majority of transactions using more conservative trigger types that focus primarily on North American perils. Domestic issuance tends to be motivated by Property and Casualty (P&C) underwriting, given the large footprint of the business line in Bermuda.

TOURISM

The Bermuda tourism industry enjoyed a remarkable year of growth for visitor arrivals in 2016, particularly in the metric that most significantly impacts the industry: vacation/leisure air arrivals. This number grew by 17 per cent in 2016, which resulted in the best performance for the industry since 2007.

The creation and strategy building of the Bermuda Tourism Authority (BTA) in 2014, the restructuring of its partner agreements in 2015 and the execution of all of the above in 2016 was the bricklaying that paved the way for the growth experienced last year. In more specific terms this included, but was not limited to, implementing a performance-based culture for the BTA workforce, creating a new brand identity for Bermuda's tourism product, re-strategizing the sales effort around group travel, growing sports tourism (particularly in the shoulder season), creating a new website and hiring new advertising and public relations firms.

The total number of vacation air arrivals for 2016 is 164,321, up from 140,087 in 2015. That 17 per cent increase is critically important to the industry's growth because, on average, air visitors spend at least ten times more than cruise passengers when they visit Bermuda. The greater

2 The information presented in this section relates to public filings under US GAAP of publicly traded insurance groups that have an entity registered as a Class 4 or 3B commercial (re)insurer and fall within the group wide supervision by the Authority (Bermuda groups). The presented information is based on aggregated individual firm data.

3 Note that the quarter-on-quarter (q/q) change compares the change in a value between the current quarter and the corresponding quarter of the previous year, e.g., Q3-2016 and Q3-2015.

volume of air vacation arrivals fuelled an increase in visitor spending. In 2016, leisure travellers who arrived by air spent an estimated $222.05 million on island, up from $180.25 million in 2015, a 23 per cent jump. Additionally average per person air leisure visitor spending jumped five per cent from $1,287 to $1,351. While that is only a fraction of all data collected on air arrivals, this data reveals a very strong and healthy year for Bermuda's tourism economy after a decades-long trend of contraction.

The total number of visitor air arrivals, with friends and family and business travel factored in, grew from 219,814 in 2015 to 244,491 in 2016, an 11.2 per cent increase. Cruise passenger arrivals increased last year by 5.4 per cent, rising from 377,398 to 397,880. Total visitor arrivals (air and cruise) in 2016 increased by 45,159 or 7.6 per cent year-over-year.

All four quarters of 2016 experienced growth in both vacation and cruise arrivals, which led to a total number of 562,201 leisure travellers for the year, 44,716 more than 2015. The strong year of performance ended with twelve consecutive months of vacation air arrival growth, especially gratifying for the Bermuda Tourism Authority because, as previously mentioned, it's the metric the BTA spends the most effort trying to positively influence.

September, October and November are three months deserving of extra spotlight. In September air vacation arrivals surged 31 per cent year-over-year, bringing an extra 3,853 air visitors to Bermuda in a month when visitation is typically tailing off for the year. In October 2016, the tourism industry attracted an additional 2,114 air vacation arrivals despite the arrival of Hurricane Nicole on October 13 and the fact October 2015 was a bumper month with a high volume of visitors. November's growth was even more impressive on a percentage basis, going up 52 per cent in vacation air arrivals and an even larger percentage increase in cruise arrivals. The number of leisure travellers in November surged 91 per cent, that's 9,369 passengers. Noteworthy because November is the beginning of the shoulder season when Bermuda heads into its low volume months which often bring job layoffs, decreased airlift and lower revenues, while our Caribbean competitions staff up, attract more flights and increase their revenues. If the kind of growth experienced in November can be sustained for throughout the shoulder season and over multiple years, the country will be a truly year-round destination.

Hotel occupancy rates averaged 57.7 per cent in 2016, an increase of almost 10 per cent over the 2015 number. The increased hotel occupancy is a result of higher demand and higher visitation to the island. Average daily rate was off slightly year-over-year, down 1 per cent, but revenue per available room (RevPAR) was healthier, up 8 per cent.

Also of note, the length of stay has contracted slightly among leisure travellers and that is mainly a result of sharp increases in the number of air visitors from the state of New York. Last year vacation air arrivals from New York were up 49 per cent. Those travellers are far more likely to make short weekend trips to Bermuda and this trend has shown up in the length of stay statistics for local hotels. A shorter length of stay also leads to more travellers because they are in and out more quickly, assisting in filling airline seats.

Fuelling the increased visitation from New York has been increased airlift from that market. Passenger capacity out of John F Kennedy International Airport was up 43 per cent in 2016, when compared to 2015. The BTA and the Ministry of Tourism, Transport and Municipalities worked in tandem to reverse the trend of diminishing seats and that was a huge contributing factor to the year's success. More airlift out of JFK and Boston's Logan Airport are expected in 2017, mainly as a result of more flights and larger planes planned by JetBlue Airways.

Another breakthrough area in 2016 was the average age of the Bermuda leisure visitor. It is skewing younger than in years past which is a strong signal to the viability and sustainability of our tourism industry. Seventy-six per cent of the leisure visitor growth in 2016 comes from travellers under 45 years-old. At the same time, Bermuda has not given up any ground with travellers over 45. In both categories there is growth, with the overwhelming share of that growth coming from the younger generation. This trend toward the next generation of Bermuda visitors indicates a tourism industry that is poised for sustainable growth.

EMPLOYMENT

In the 2015 Labour Force Survey Executive Report, produced by the Department of Statistics in December 2015, the 2015 unemployment rate was measured at 7.0 per cent. The unemployment rate fell two percentage points from the 9.0 per cent recorded in 2014.

Preliminary data from the 2016 Employment Survey indicates that the total number of jobs in Bermuda grew by 56 posts from 33,319 in 2015 to 33,375 in 2016, which equates to a 0.2 per cent increase. This year represents the first year that the number of jobs has increased since 2008 when the number of jobs amounted to 40,213. This increase ends seven consecutive years of job reductions in a Bermuda economy that only recently began to experience positive growth. Overall the island has lost 6,838 jobs since 2008, a reduction of 17.0 per cent.

Growth in the number of jobs began to moderate in 2007 when the increase was 0.4 per cent. The number of jobs peaked in 2008 at 40,213 reflecting year-over-year growth of 0.9 per cent. Consistent with the decline in the economy, the number of jobs in Bermuda declined every year starting in 2009 and continuing until 2015. The declines ranged between 5.2 per cent and 0.9 per cent during those years. Just as the economy has begun to grow in recent years, the number of jobs is anticipated to continue to grow after the modest increase in 2016.

Retail trade and repair services and other community, social and personal services were the only sectors to gain over 100 jobs, increasing by 154 and 102 positions respectively. Restaurants, cafes and bars were next, contributing 73 jobs in 2016

Retail trade and repair services recorded the largest job growth of any industrial sector. This sector's employment numbers grew from 2,646 in 2015 to 2,800 in 2016. These figures equated to an increase in employment of 5.8 per cent.

The Other Community, Social and Personal Services sector experienced an increase in posts of 5.2 per cent, settling at 2,053 jobs in 2016 from 1,951 a year earlier.

Employment levels in the Restaurants, Cafes and Bars sector stood at 1,911 in 2016, an expansion of 73 posts or 4.0 per cent. The sector with the next largest amount of job growth was Business Services. This sector experienced an uptick of 45 jobs registering a total of 3,610 posts in 2016 or 1.3 per cent year-over-year.

Collectively, the three divisions of economic activity with the greatest growth in jobs accounted for 329 additional jobs in 2016.

These increases were offset in large part by the Public Administration sector which recorded the largest reduction in jobs in 2016. With the government continuing their program of reducing the size of the public service, this sector's employment numbers fell from 3,936 in 2015 to 3,767 in 2016. This figure equated to a reduction in employment of 4.3 per cent.

Other significant losses in posts occurred in the Hotel sector which lost 64 positions, falling from 2,174 in 2015 to 2,110 in 2016 or 2.9 per cent.

Only three major occupational groups experienced job growth in 2016. Service workers, shop and market sales workers had the largest increase of 159 positions followed by craft and related trade workers whose jobs grew by 63 positions. The final sector to exhibit positive movement was technicians and associate professionals who increased their numbers by 19 jobs.

Six major occupational groups experienced job losses jobs in 2016. The largest reductions occurred with clerks who shed 98 positions, professionals' jobs fell by 24 posts and senior officials and managers posts declined by 22 jobs.

Jobs occupied by Non-Bermudians were the only status category to exhibit an increase in employment in 2016. Non-Bermudian jobs grew by 158 posts or 2.3 per cent. The figure rose from 6,990 in 2015 to 7,148 in 2016. Bermudians positions declined by a total of 75 posts or 0.3 per cent in 2016. Non-Bermudian Spouses of Bermudians accounted for 16 job losses while Permanent Residence Certificate holders experienced a decrease in posts of 11 positions.

INFLATION IN BERMUDA

The Consumer Price Index (CPI) increased at an average annual rate of 1.5 per cent for 2016 which is in line with the Ministry of Finance's February 2016 forecast which stated that, "….inflation is expected to remain in the range of 1.5-2.0 per cent." The headline rate in December stood at 1.6 per cent year-over-year.

The average rate of 1.5 per cent, although low, is above Canada which had an average inflation rate of 1.4 per cent. Bermuda's rate however, is below the UK (1.8 per cent) and the U.S. (2.1 per cent). The level of inflation had declined between 2011 and 2013 before marginally increasing in 2014. Over the last two years, the rate has fallen again and equaled 1.5 in 2015 and 2016. The average rates for the previous years were 2.7 per cent in 2011, 2.5 per cent in 2012, 1.8 per cent in 2013 and 2.0 per cent in 2014. Such moderate inflation is beneficial for the economy as it encourages consumers to purchase goods and services and also supports productive planning and investment. Since 2008, when the yearly rate of inflation was recorded at 4.8 per cent, the level of inflation has averaged 2.0 per cent. Given this trend in the level of inflation, it is expected that CPI will register in the range of 1.5-2.0 per cent at the end of this calendar year.

In 2016, the largest price increases were recorded in the health & personal care, education, recreation, entertainment & reading, rent and food sectors.

The increases in price levels of the health & personal care sector was the most significant contributor to the level of inflation in 2016. The average rate of price increases for this sector was 4.5 per cent which can primarily be attributed to a 4.5 per cent increase in the average price of health insurance premiums in April 2016. Other categories experiencing higher costs in this sector were doctor's visits and prescribed medicines.

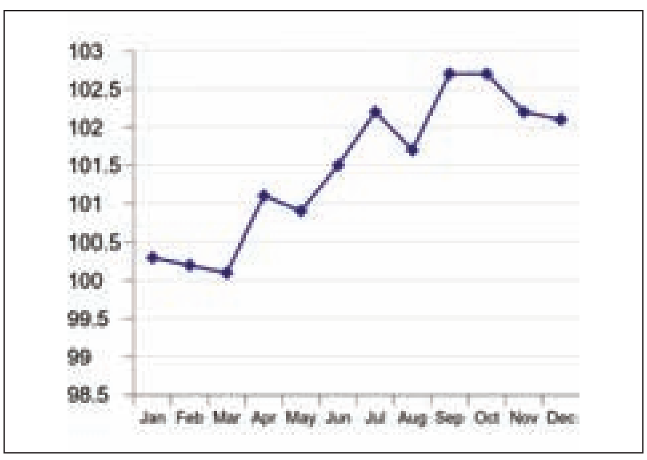
The education, recreation, entertainment & reading sector experienced cost increases at an average rate of 3.6 per cent for 2016. Costs in this sector rose in large part as a result of increases in the cost of premium fuel, local and overseas school tuition in September and reading materials such as newspapers whose cost jumped 50 per cent in April.

The prices in the rent sector climbed at an average rate of 0.9 per cent, in 2016, which was the result of a marginal increase in the prices of rent controlled properties.

During 2016 the monthly increases in the food sector ranged from 1.1 per cent to 2.4 per cent with the average rate of price growth for the year settling at 1.9 per cent. The 2.4 per cent price increase recorded in February was the largest increase with the next highest figure 2.3 per cent recorded in April. Five of the twelve months recorded price increases of 2.0 per cent or higher.

FIGURE 5

Bermuda's Consumer Price Index 2016



BALANCE OF PAYMENTS

The international business sector and their interaction with the local economy have a significant positive effect on the balance of payments. The balance of payments continues to record relatively large current account surpluses which are an important strength in the Bermuda economy. Bermuda's total current account surplus over the first three quarters of 2016 was recorded at $542 million. This figure is 18.4 per cent less than the $664 million recorded over the first three quarters of 2015.

A large proportion of the decrease in the current account balance was reflected in the primary income account which fell by $77 million or 6.3 per cent. Within the primary income account, investment income contributed to the majority of the decline over the first three quarters of 2016, decreasing by $71 million. Net figures illustrate that the reduction was the result of lower gains on the sale of investments, an increase in dividends paid and higher reinvested earnings. Employee compensation, which is also part of the primary income account, accounted for the remainder of the decline and totaled $6 million.

The services account balance fell by $33 million. Within the services sector, business services declined by $73 million or 28.4 per cent over the first three quarters of 2016. The reduction in the business service's balance was mainly the result of increased payments for other business services such as business and management consultancy. Other business services was reduced by $30 million or 14.2 per cent between January and September. The large decline in business services was offset by a $40 million (32.8 per cent) increase in travel services due to larger numbers of visitor arrivals and higher per-person visitor expenditure.

Based on the level of the current account balance after the first three quarters of 2016 and the anticipated balance of payments flows for the last quarter of the year, it is estimated that the full year's balance of payments current account surplus will be approximately $100 million less than the $886 surplus posted in 2015 based on the average surplus over the last 5 quarters and the current transaction trends between Bermuda and our trading partners.

FINANCIAL SECTOR

The financial sector remained relatively stable when compared to the previous year, despite significant challenges in terms of growing the economy and stabilising government finances. With the US economy leading global economic recovery, the outlook for the Bermuda economy should improve. The banking sector remains stable with locally-based institutions seeing a reduction in Non-Performing Loans (NPLs) and increased interest for new loans, primarily from retail clients. 2016 saw the implementation of new Basel III capital requirements for all banking institutions and while total regulatory capital decreased slightly from 2015, all banks exceed their capital requirements as set by the Bermuda Monetary Authority (Authority) as at Q3-2016. Asset quality indicators improved as NPLs decreased throughout the first three quarters of 2016. All banks have maintained robust liquidity levels and have consistently exceeded the phased-in minimum requirements for liquidity as set out in the Liquidity Coverage Ratio (LCR). In terms of new insurer registrations, in 2016 the Authority registered 59 new insurance entities, 42 new insurers and 17 new intermediaries. There was a noticeable increase in the number of new insurance intermediaries (agents, managers and brokers) wishing to be located near Bermuda's significant (re)insurance market. Bermuda's enhanced commercial insurance regime reached full equivalence with Solvency II on 24th March 2016 following a multi-year effort by the Authority, and public and private sector stakeholders.

The movement in the money supply (Bermudian currency only) continued to experience positive growth during the year, driven largely by an increase in Bermuda dollar customer deposits. Based on figures from the Authority, overall money supply remained fairly stable during Q3-2016 and increased by 3.5 per cent year-on-year, as Bermuda Dollar customer deposits expanded by 3.5 per cent year-on-year, while cash held at banks remained unchanged. The volume of notes and coins in circulation fell slightly during the quarter by 0.7 per cent (or $0.9 million) but were higher (up 3.0 per cent or $3.7 million) than levels in the same period last year.

The sector's asset base declined in the third quarter as total assets fell by 6.2 per cent (or $1.5 billion) and 4.3 per cent (or $1.0 billion) year-on-year. The decline in the asset base was driven largely by the fall in interbank deposits (down 32.4 per cent or $1.6 billion) and loans (down 4.5 per cent or $437.7 million) during the quarter, while the quarterly growth in investments held within the sector was up 8.4 per cent (or $698.0 million). Year-on-year, the amount of total assets dropped by 4.3 per cent (or $1.0 billion), largely driven by falling interbank deposit growth.

Banking sector profitability remained positive during the quarter. NPLs as a percentage of total loans continued to decline over the year, while overall performing loans remained high.

The capitalisation of the sector improved over the year as the overall Risk Asset Ratio (RAR)[4] increased from 18.7 per cent (Q3-2015) to 21.9 per cent at the end of Q3-2016. The Basel III CET 1 ratio as measured by Tier 1 capital (core equity capital) as a percentage of Risk-Weighted Assets (RWAs) also rose over the year, rising from 15.6 per cent (Q3-2015) to 18.2 per cent. Capital adequacy continued to improve, as the regulatory leverage ratio (equity to total assets) increased to 8.0 per cent from 7.7 per cent over the same period.

The aggregate asset quality of the banking book shows signs of modest improvement. Loan impairments improved slightly as banks reported $197.4 million in provisions for loan losses during Q3-2016; a 0.8 per cent decline over the prior quarter and the lowest quarterly provision total since Q3-2015. Subsequently, the level of provisions reserved by banks relative to total loans declined to 2.1 per cent (Q3-2015: 2.3 per cent). NPLs as a percentage of total loans fell from 9.4 per cent (Q3-2015) to 6.9 per cent in Q3-2016, while NPLs to total capital fell for the fifth consecutive quarter, declining to 31.9 per cent (Q3-2015: 39.6 per cent). Loans to the real-estate-related sector continue to dominate overall lending, representing 49.0 per cent of all loans and advances (Q3-2015: 57.9 per cent). Loans classified as "Other personal loans" fell to 8.8 per cent, while loans to "Other financial institutions" increased to 10.4 per cent as at the end of Q3-2016.

The investment book remained structurally conservative and fairly stable with the majority of holdings placed in highly-rated securities. Sovereign investments were higher than the previous quarter, rising to 37.5 per cent of total investments while "other investments", consisting mainly of securitised (non-equity) instruments, grew for the third successive quarter, increasing from 44.0 per cent to 44.8 per cent in Q3-2016.

4 Basel III adoption became effective 1st January 2015, with a phasing-in period for capital requirements commencing from 2016 to 2019 (full implementation).

GLOBAL ECONOMIC OUTLOOK

The world economy is estimated to have expanded by 2.2 per cent in 2016, the slowest rate of growth since the 2009 recession. Underpinning the sluggish global economy are the weak pace of global investment, deteriorating world trade growth, weakening productivity growth and high levels of debt.

2016 was the year when globalization, the path that the world economy has largely followed for decades, came into question.

The election of Donald Trump as US President and Brexit, Britain's decision to leave the European Union, have put at stake the future of tariff-free trade and companies' freedom to move production to lower-cost countries.

The subject of Borderlessness, the process of being able to sell goods and services to clients outside of the country of origin while eliminating the actions specifically designed to hinder international trade, seems to be coming under challenge. The challenge is being fueled by a growth in economic nationalism which is quite clearly paying off on the political nomination front. Those backing Brexit rallied around the mantra, "We want our country back" and the rallying cry that came out of Donald Trump's camp was "Make America great again." The rise of Donald Trump and the success of the Brexit "Yes" vote appear to have been the consequences which stem from the global financial crisis of 2008. Even though we were eight years on from the financial crisis, the world economy has still to fully get past that shock to confidence; people remain nervous, some angry, and many are seeking fresh solutions to their problems.

One of the major reasons why popular sentiment has turned against governments has been a growing level of distrust of elites. Perhaps nothing illustrated the issue more than the so-called "Panama Papers," a leaked trove of data on thousands of offshore accounts that helped the wealthy, powerful and celebrities shelter their cash from tax authorities, often without breaking the law. Critics say these tax schemes are the core of a system that gives an unfair advantage to big corporations and the wealthy.

With upcoming elections in France and Germany, in 2017, there is scope for more uncertainty.

In what was a sign of things to come, Britain voted to leave the EU in a referendum in June 2016. The decision came as a surprise, especially to many pollsters who had consistently given the "remain" side the edge, and this now means Britain has to redefine itself after 43 years of EU membership.

British Prime Minister David Cameron resigned, after the vote, and the new government led by Theresa May is now planning to trigger the formal process by which the country exits early in 2017.

There is much uncertainty and many theories on what Brexit will look like - from an outright EU dissociation that could put up tariffs on goods and services, to a more cordial separation that could see many of the current trading arrangements kept in place. The British pound's fall to a 31-year low below $1.20 at one point is testament to just how uncertain things are.

For the first time since December 2008, at the height of the financial crisis, the Organization of Petroleum Exporting Countries (OPEC) cut its production levels. The cut which came in November 2016 was soon followed by non-OPEC countries like Russia, helping to push oil prices sharply higher. At over $50 a barrel, benchmark New York crude is markedly higher than the near 13-year lows around $30 recorded at the start of 2016, when investors focused on high supply and concerns over an economic slowdown.

The oil slump helped put several crude-producing countries into severe recessions, including Brazil and Venezuela, and even saw wealthy Saudi Arabia cut back on spending. The question for 2017 is whether OPEC — and non-OPEC — countries can deliver on their production promises. If they do and higher oil prices remain, that will push up inflation in the global economy.

United States of America: Growth in the United States slowed strikingly, from 2.6 per cent in 2015 to 1.6 per cent in 2016. The U.S. economy, in 2016, was affected by soft exports, a continued drawdown in inventories, and a deceleration in private investment. In the run-up to the U.S. elections in November, activity had picked up again, and a further tightening of labor markets had led to slowly rising wage growth. This supported continued gains in real disposable income, which could help deliver a further reduction in poverty rates; following a drop in 2015.

Pollsters got it wrong when Donald Trump defeated Hillary Clinton in the US presidential election. Whether Trump translates his "America First" platform into action following his inauguration in January will help shape the global economy for the next four years at least.

Donald Trump has railed against long-standing trading agreements, including the North American Free Trade Agreement (NAFTA), is looking to punish China for the way it devalues its currency against the dollar, and is looking to tax

US firms that move jobs overseas. He has also laid out plans to bring America's creaking infrastructure up to 21st century standards, new spending that has the potential to boost jobs — but which could also lead to higher inflation.

In essence, the Trump victory has made macroeconomic projections very uncertain. Proposals for corporate and personal income tax cuts; infrastructure spending; and shifts in trade, immigration, and regulation policies are likely to have sizable effects on the outlook of the US economy—as well as spillover to the rest of the world. The overall scope has not yet been clearly defined and while confidence continued to improve in the immediate aftermath of the election, an increase in policy uncertainty, if persistent, could have a dampening effect on investment.

In terms of the proposals suggested by the new U.S. administration, it is believed that the planned reduction in corporate and personal income taxes could increase U.S. GDP growth projections to 2.2-2.5 per cent in 2017 and 2.5-2.9 per cent in 2018. Estimates vary depending on the timing of the tax cuts, the reaction of monetary policy authorities, and how businesses and households adjust their expectations to policy changes. Given limited details to date about the overall scope of all fiscal measures that the new administration plans to implement, including plans to stimulate infrastructure investment and cuts in other federal government outlays, it is difficult to rigorously examine their net effect on the outlook for the U.S. economy.

During his campaign, Trump criticized US Federal Reserve (Fed) Chairperson Janet Yellen, saying she should be "ashamed" of the way she's run policy since being in charge. In 2015 the Fed appeared to be positioning itself to follow up its first interest rate hike in nearly a decade with three or four more in 2016. However, there was no move until December 14, when the central bank raised its main interest rate to a range between 0.5 per cent and 0.75 per cent. Many factors explained the hesitation to raise rates, including unease over the global impact of China's economic slowdown and uncertainty surrounding the US election. But with the US economy continuing to do better than most developed countries, with unemployment below 5 per cent, and with inflation steadily rising, the Fed finally delivered another hike. The markets are now predicting between three to four rate increases in 2017. Those expectations have helped the US dollar rally, especially as other major central banks persevere with super-loose monetary policies to breathe life into their own economies.

United Kingdom: The UK is thought to have been one of the fastest-growing advanced economies in 2016. Growth remained resilient in the immediate aftermath of the referendum vote to leave the EU.

Economists now expect growth to slow from about 2.1 per cent in 2016 to no more than 1.5 per cent in 2017. The slowdown in growth is expected to be a result of the British pound's fall in value since the Brexit, as policymakers warn over an inflation shock that could spark a cost of living crisis for many.

Experts are concerned surging prices from a weak British pound will bring an end to the consumer spending spree that has helped prop-up growth since the referendum.

The Bank of England (BOE) has predicted inflation will jump as high as 2.7 per cent in 2017, while the National Institute of Social and Economic Research, an independent and influential research organization, has said UK inflation could hit almost 4 per cent in 2017.

The UK's Office for Budget Responsibility (OBR) has also stated that the economy is set to take a hit of almost GBP60 billion over the coming five years as a result of the Brexit vote, has slashed its growth forecasts and predicted higher than previously expected government borrowing.

The OBR and the BOE expect UK growth to pull back remarkably in 2017, to 1.4 per cent in 2017 before rising to 1.7 per cent in 2018, according to the OBR.

Economists believe interest rates will be held at 0.25 per cent throughout the whole of 2017, although with the uncertainties over the Brexit negotiations and surging inflation on the horizon, the outlook is unclear.

Canada: In 2016, economic growth in Canada was weaker than expected. Forecasters were expecting, at the beginning of 2016, that Gross Domestic Product (GDP) would expand by 1.7 per cent in Canada. However, it is now estimated that GDP growth will not exceed 1.3 per cent. This growth is moderate when compared with the 1.1 per cent growth that was recorded in 2015, when economic activity was curtailed significantly by the drop in crude oil prices.

The negative effects of plunging crude oil prices on business investment were less severe in 2016 than in the previous year, as was expected. However, they were underestimated. After dropping by 11.2 per cent in 2015, business investment fell by 8.0 per cent in 2016. Additionally, forecasters were anticipating that Canadian exports would be stimulated by the depreciation of the Canadian dollar resulting from the slump in oil prices. However, export growth turned out to be weak in 2016. This was partly due to the fact that Canada's main trading partner, the US, experienced more sluggish economic activity than expected.

The crude oil price slump, in early 2016, led to significant depreciation of the Canadian dollar against its U.S. counterpart. This depreciation stimulated activity in the tourist industry and in many of Canada's exporting manufacturing industries and has acted as a counterbalance for the decline in sectors tied to natural resources. This adjustment in the Canadian economy is expected to continue in 2017. Although the Canadian dollar appreciated recently due to the upturn in oil prices; however, it is not expected that crude oil prices will soar to new heights in the near future, therefore the Canadian dollar should remain favorable for exports. The Federal Reserve in the United States, which raised its key interest rate at the end of 2016, has announced that it plans further rate hikes in 2017. Since it is unlikely that the Bank of Canada will do likewise (see below), the raising of the U.S. key interest rate will put downward pressure on the Canadian currency.

Even if the Canadian economy picks up in 2017, it is not believed that it will be so significant such that the Bank of Canada will deem it necessary to raise the key interest rate to prevent inflation. Therefore market interest rates are expected to remain low and to keep stimulating investment and consumption. With that said, despite the low interest rates, residential property investment is anticipated to only provide a modest contribution to economic growth in 2017. The tighter rules for mortgage loan insurance guaranteed by the government should have a cooling effect on the overheating housing market.

According to the latest forecasts by the Canadian chartered banks, real GDP should grow around 1.9 per cent in 2017 but will be uneven amongst the provinces, with Manitoba, Alberta, British Columbia and Ontario registering above average growth and all other provinces registering below average positive growth. The only province expected to have negative growth (-1.5 per cent) is Newfoundland since the province's major Hebron oil field construction project is expected to be completed in 2017, leading to a marked slowdown in investment.

China: As the world's second-largest economy, China is beginning to play an even larger role in the functioning of the global economy. Nowhere was that more evident than in the early months of 2016, when jitters over the scale of the slowdown in China caused wild swings in financial markets. Stocks came under heavy selling while commodities nose-dived, with oil slipping to 13-year lows, as traders factored in lower demand from resource-hungry China. The slump in commodities weighed heavily on economies like Australia that are big exporters of raw materials. China's economy ended the year in relatively good health as authorities in the country try to turn their economy's focus from manufacturing to more consumer spending. However, tough talking Trump promises to take a tough stance in trade and this will be the focus of the officials in Beijing in 2017.

China's growth figures for the first three quarters of 2016 to some degree lessened near-term concerns over a severe output slowdown. The Chinese economy is estimated to have grown by 6.6 per cent in 2016. Growth has been supported by healthy private consumption, as reflected in stable retail sales growth throughout the year. Growth of fixed investment, particularly infrastructure investment, also provided solid support to overall growth.

A notable development is that fixed investment has been predominately driven by state-owned enterprises. Private investment decelerated due to overcapacity in several industrial sectors, sluggish market demand, and higher corporate financing costs. While industrial profits have seen some overall recovery, there are also rising defaults on corporate debt. The Chinese economy is expected to grow by 6.5 per cent in both 2017 and 2018, supported by favorable domestic demand and accommodative fiscal measures, including off-budget fiscal support through policy banks and public-private partnerships. On the other hand, the implications of China's ongoing economic rebalancing will inevitably be felt globally in the medium and long-term through trade (including commodity prices) and financial channels, although to a varied extent across countries.

Japan: GDP growth in Japan is estimated to be 0.5 per cent in 2016 and is projected to improve modestly to 0.9 per cent in 2017 and 2018. Growth is expected to be supported by rising household consumption and higher government investment, which will benefit from the additional fiscal and monetary easing measures introduced in 2016. However, private non-residential investment and exports both declined in the first half of 2016, and the economy remains restrained by the strong exchange rate, which is one of the forces that has pushed the economy back into deflation. Labor market conditions in Japan have strengthened, and the unemployment rate is expected to continue to hover at around 3 per cent in 2017-2018. In May 2016, the ratio of active job openings to job seekers rose to its highest level in 25 years. While wage pressures remain relatively muted despite the Government's efforts to accelerate pay rises, nominal employee wages have continued to edge upwards. As consumer price inflation has been stagnant or negative since March 2016, this has allowed real wages to register more substantial gains.

Nationwide consumer price inflation in Japan is estimated to have averaged -0.1 per cent in 2016 and is projected at 0.6 per cent in 2017, and will remain below its central bank target of two per cent in 2018. The significant drag on the overall price level arising from low oil prices — with energy prices reducing the overall consumer price by 1 percentage point in June 2016 — will dissipate towards the end of the year. Nevertheless, the strong yen and weak wage growth will continue to exert downward pressure on inflation.

In reaction to the stalled progress towards achieving the target of 2 per cent inflation, the Bank of Japan (BoJ) announced a new set of unconventional monetary policy measures aimed at boosting inflation and reviving growth. The BoJ's new monetary policy strategy consists of two components. The first component is a "quantitative and qualitative monetary easing with yield curve control" framework to affix 10-year Japanese Government Bond yields at nearly 0 per cent. The second component is a precise commitment to increase the monetary base until inflation rises above the two per cent target. Both of these policy strategies are intended to complement the existing quantitative and qualitative easing measures of the BoJ and the negative interest rate of -0.1 per cent applied since January 2016 on a portion of banks' current account balances held at the BoJ.

The BoJ's introduction of its new monetary policy framework came after the Japanese Government announced increased spending in the fiscal year 2016 supplementary budget and introduced a new fiscal stimulus package in August 2016, including 4.6 trillion yen additional spending for the current fiscal year and the postponement of the consumption tax increase planned for April 2017 to October 2019. The stimulus package amounts to 28.1 trillion yen, making it the third-largest ever implemented. It is expected to give a strong boost to government investment spending in 2017, which is forecast to contribute roughly 0.4 percentage points to GDP growth. Japan faces some imposing policy challenges, which include addressing the large overhang of government debt amid a lower rate of potential growth. While the slowdown in potential growth is largely driven by demographic developments, it also reflects the slower rate of productivity growth, which may prove persistent.

Australia: It is estimated that Australia's economy grew by 2.8 per cent in 2016, benefiting from the modest recovery in commodity prices during the year, as well as monetary and fiscal stimulus measures. In contrast to global trends, export volumes from Australia remained strong in 2016, expanding by more than 7 per cent in the first half of the year. However, export growth is expected to slow down in 2017, reflecting the broad weakness of world trade and continuing rebalancing in China. Import volume growth is expected to improve compared to 2016, resulting in a deteriorating contribution of net trade to growth, and restricting GDP growth to 1.9 per cent in 2017. Growth is expected to pick up somewhat in 2018, on the back of a recovery in fixed investment, following two years of cutbacks in mining investment.

Australia has introduced some fiscal easing measures, including new tax cuts for small and medium-sized businesses, which have been introduced in an effort to stem the decline in private sector investment. While government debt still remains low compared to other developed economies, it is expected to reach over 40 per cent of GDP in 2017, which marks a 10 percentage point rise compared to only four years ago. This reflects the country's continued vulnerability to volatile commodity prices.

2017 OUTLOOK FOR BERMUDA

The Bermuda economy in 2017 is projected to grow at a higher pace than 2016, conditional on higher investment in the construction sector, increased economic activity related to the America's Cup, positive growth in tourism and steady demand for financial services in the international business sector.

For 2017 the Government will continue with its two-track strategy to stimulate economic activity and bring much needed control to the public purse.

The Bermuda economy is a small open, services-based one focused primarily on international business and tourism, making it largely dependent on the free flow of resources i.e. human capital and foreign direct investment. Our economy is directly influenced by global economic trends, particularly those occurring in the USA, which is our largest trading partner.

With the US economy projected to grow at over 2.0 per cent in 2017, Bermuda should continue the positive trend that has prevailed recently.

One of the major headwinds in our growth prospects is the level of employment. Although employment numbers are positive for the first time in many years, that trend will need to continue to help create a sustained economic recovery.

Regarding international business, the two dominant sectors are insurance and reinsurance. Historically, the island's success relied on the international business companies that are incorporated locally. Over the past year there have been several well publicized mergers within the reinsurance sector that may have negative implications for employment for individuals as well as a negative impact on payroll tax receipts for the government. Mergers and Acquisitions (M&A) will most likely continue into 2017 as businesses look to take advantage of the efficiencies that they create and investors look for avenues to maximize their capital.

International insurers appear to have successfully absorbed the challenges faced by the Solvency II Directive. Having achieved full equivalence of Solvency II, international insurers and reinsurers continue to play a leading role in the growing market of insurance risk transfer to the capital markets. This innovative segment, currently amounting to approx. 15 per cent of global reinsurance capacity, has Bermuda as its main hub. This includes not only the reinsurance underwriting capacity but also the securities placement, fund management and administration. Growth in this segment has been a key force driving reinsurance prices down, presenting challenges to traditional reinsurance business operating in the island.

The reinsurance industry faces further challenges from ongoing structural changes in a soft market which will continue to be a factor in 2017 and political developments such as Brexit and the change in administration in the US, Bermuda's largest trading partner. This has widened the risk landscape, incorporating new challenges such as the rise in protectionism, which could particularly hurt places like Bermuda that are dependent on global trade. On the other hand, if the new administration in the US takes a more hands off approach, it could lead to quicker response times to changes in the market.

Bermuda's excellent reputation as an insurance domicile should see the industry continue on a steady path in 2017. However, executives will continue to seek methods of cutting expenses in the current market. Rising interest rates could negatively impact underwriting returns and currency movements will impact many company's desire for overseas exposures.

The Bermuda Business Development Agency's (BDA) experienced a positive 2016 exemplified by the establishment of Bermuda's first Chilean captive; the physical presence of a life-science company; the return of the world's leading asset allocators using Bermuda as their launch platform; continued galvanization of the trust and private client sector and genuine progress with fintech.

Since January 1, 2016, the BDA has assisted with the establishment of 17 new companies in Bermuda. They have placed 71 new leads in their pipeline this calendar year, of which 35 are now classified as opportunities.

The BDA also accomplished a great deal in 2016 to help maintain Bermuda's position as the World's Risk Capital. They assisted company incorporations and business flow as a direct result of business-development initiatives locally and overseas across captives, insurance-linked securities, insurance and reinsurance.

In 2017, the BDA will continue the productive results achieved in 2016 and create further opportunities. They propose to exploit the opportunities the America's Cup presents and use the event as an opportunity to raise awareness of BDA in new markets (China, LatAm, etc.). They also propose to continue to build relations, support and engagement with stakeholders locally and abroad. This includes increasing and refining their messaging in the US through proactive advocacy/PR efforts and developing a China strategy team to develop the Asian market.

Specifically, the BDA is pursuing strategic business development initiatives in the following key sectors:

- Asset Management: Continuing education of the US (primarily NY) market of Bermuda's resurgence; leverage the return of world renowned asset managers using Bermuda to launch funds; leverage the on-boarding of new administrators to attract more; attracting physical investment managers to set up a Bermuda presence with a focus on emerging managers (particularly from UK); AIFMD equivalence to be marketed to UK and US fund managers.

- Trust & Private Client: continuing education of the London, NY and Swiss market of Bermuda's portfolio; heavy push on the components of Bermuda's Family office provisions; leveraging confusion relating to Brexit and UK non-dom rules; leveraging cross selling with the AM and Shipping pillars; repackaging the current components of Bermuda's family office service provision into a cohesive product – possibly involving a new Family Office Act.
- Risk Solutions: expanding penetration of our Healthcare risk solutions; maintain leadership in the ILS sector; developing new Cyber Insurance products; introducing Distributed Ledger & Blockchain technologies and making Bermuda a centre of excellence; attracting more new Long Term Insurers to the jurisdiction leveraging the success of BILTIR.
- International Commerce: increase education about the benefits of Bermuda's shipping register and whole ecosystem (including yacht registration); get the nearshore proposition to appropriate decision makers; increase the amount of international arbitrations held in Bermuda; have Bermuda as a cable landing point for international data.

The outlook for international tourism looks positive in 2017 as a sustainable recovery is underway in the Bermuda tourism industry after decades of decline.

Advanced hotel bookings for 2017 are showing enormous strength. This projection is true with the 35th America's Cup factored in and remains true with the major sailing event stripped out of the forecasting. The Bermuda Tourism Authority (BTA) is bullish on its industry outlook for 2017.

In 2016 the BTA spent considerable effort working alongside government officials to engage airline decision makers about capacity and then worked closely with the airlines to produce effective marketing partnerships that inspired consumer travel. The result was increased air capacity in 2016.

For 2017, further air capacity growth is expected, particularly out of New York's John F Kennedy Airport where seat capacity is expected to climb approximately 23 per cent on top of the sharp increases already seen in 2016. Boston is following the same pathway as New York, expected to climb 18 per cent in seat capacity for 2017 when compared to 2016. Integrated marketing efforts will intensify in the New York and Boston area to fill the added capacity, much of that marketing to attract vacationers will be done in partnership with the airlines.

Prior to 2016, one of the reasons the tourism industry's recovery lagged was the poor health of group travel. That was repaired substantially in 2016. This year, and moving forward, the BTA expect a far better performance in group travel, particularly sports-related group travel.

Bermuda has transitioned from an emerging sports tourism destination to a premier sports tourism destination. In the area of sports training, the BTA will continue to target teams looking for outdoor practice facilities in a temperate climate. Additionally, 27 sports-related experiences are receiving BTA funding in 2017 as a result of the tourism experiences investment process; two of them – Bermuda Marathon Weekend and World Rugby Classic – are returning signature events for the island. In nautical tourism, spectacular regattas are consistently attracted to Bermuda, none bigger than the 35th America's Cup which will bring high levels of visitation to the country over a five-week period. The event is complemented with a series of ancillary happenings which include a Tall Ships Regatta, Antigua Bermuda Race, Marion Bermuda Race and Bermuda Heroes' Weekend. Sport tourism, on land and sea, will drive visitation in 2017.

The BTA has also had a strategic influence on the island's cruise visitor market for 2017. St. George and Hamilton will see sharp increases in 2017 cruise calls. Scheduled calls in St. George will surge 275 per cent from four in 2016 to 15 in 2017. Scheduled Hamilton calls will increase 50 per cent from 16 to 24. Overall the number of scheduled calls increases from 151 this year to 163 next year. In addition to the dramatic increase in calls, Norwegian Cruise Line has planned to provide two tenders to transport their guests between Dockyard and St. George in 2017. The carrying capacity of the two tenders is a combined total of 500 passengers. They will work alongside the normal ferry service already operating between the two hubs. This is a plan that will bring much-needed economic stimulus to the tourism industry in the east end.

Hotel and infrastructure development will continue to fill the construction pipeline in 2017. The spectacularly redeveloped Loren at Pink Beach will open its doors in the early part of the year. While other projects including Azura, Morgan's Point and the St. George's Resort are expected to make huge strides forward. At Morgan's Point the plan is to accelerate the construction of the marina at Caroline Bay and have it ready for the America's Cup in the spring.

It took the better part of three years to reimagine the way Bermuda is marketed to the world and re-strategize on how to execute on that vision. The travel marketplace is responding well to these changes and further proof of that is expected to result in higher demand and higher visitation for 2017.

With major projects like the redevelopment of the airport expected to begin in the near-term and final preparations for the America’s cup in full flow, many jobs have been and will continue to be created in the construction sector.

Along with private sector projects, the Government will continue to play its part in supporting the construction sector through our plans for capital works. This government’s capital expenditure plans will further boost the economy by providing vital support to our construction sector.

As most of the economic sectors are expected to contribute moderate growth, led by construction, tourism, employment, retail sales, with a low level of inflation, GDP in 2017 is projected to expand steadily.

Considering all the above factors, economic output in Bermuda is projected to expand by 1.5 - 2.0 per cent in 2017.

Acknowledgements

The Ministry of Finance gratefully acknowledges the assistance of the following entities in providing relevant data and text used in this edition of the National Economic Report of Bermuda:

The Bermuda Monetary Authority

The Bermuda Department of Statistics

The Bermuda Tourism Authority

The Bermuda Business Development Agency

Tables

Page

TABLE 1

GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN

(At constant market prices $000) 2006 = 100

INDUSTRIAL SECTIONS	2009	2010	2011	2012	2013	2014
01 Agriculture, forestry and fishing	47,896	45,963	42,638	43,119	39,890	43,201
03 Manufacturing	79,613	14,981	63,792	58,607	54,995	54,674
04 Electricity, gas and water supply	91,038	98,320	91,028	88,594	86,274	84,006
05/02 Construction & Quarrying	227,661	176,214	151,849	148,899	149,870	157,181
06 Wholesale and retail, repair serv.	331,701	310,110	298,777	294,380	293,446	297,276
07 Hotels and restaurants	241,875	243,338	240,294	223,370	204,086	197,752
08 Transport and communications	264,815	245,885	234,951	242,926	248,035	246,244
09 Financial intermediation	690,547	707,740	663,508	670,451	653,371	663,693
10 Real estate and renting activities	845,914	833,638	817,937	806,086	801,306	807,486
11 Business activities	448,277	448,162	420,807	395,143	394,776	402,721
12 Public administration	291,652	268,521	273,191	270,158	252,743	253,268
13 Education, health and social work	356,438	352,014	353,942	338,532	313,795	318,237
14 Comm., social and personal serv.	102,549	97,468	95,135	88,582	83,600	89,698
15 International business activity	1,337,950	1,268,872	1,195,383	1,195,273	1,241,367	1,248,546
Total	5,357,927	5,171,226	4,943,231	4,864,120	4,817,552	4,863,992
Less: Imputed bank service charge	436,952	470,146	431,021	442,201	405,333	424,861
Add: Taxes and duties on imports	224,179	216,367	206,828	203,518	201,569	203,512
GDP at market prices	5,145,154	4,917,447	4,719,038	4,625,437	4,613,788	4,642,643
Per cent change from previous year	-2.5	-4.4	-4.0	-2.0	-0.3	0.6

Source: Department of Statistics

TABLE 2

GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN
(At current market prices) $000's

INDUSTRIAL SECTIONS	2010	2011	2012	2013	2014	2015
01 Agriculture, forestry and fishing	42,971	43,782	41,023	41,539	36,732	41,877
03 Manufacturing	74,799	65,214	52,102	49,078	44,388	49,114
04 Electricity, gas and water supply	96,518	97,644	86,598	83,677	86,728	92,724
05/02 Construction & Quarrying	260,556	203,776	177,278	177,697	178,685	190,606
06 Wholesale and retail, repair serv.	381,961	373,340	372,056	376,099	376,099	416,937
07 Hotels and restaurants	269,554	263,838	246,945	261,906	262,205	270,114
08 Transport and communications	288,390	265,765	268,693	269,419	259,267	245,393
09 Financial intermediation	682,777	719,640	729,916	714,128	721,737	706,320
10 Real estate and renting activities	954,323	960,311	954,379	948,247	962,994	983,551
11 Business activities	558,124	535,089	507,559	480,446	525,030	532,405
12 Public administration	345,487	331,318	340,427	341,204	323,355	327,379
13 Education, health and social work	435,408	468,298	485,254	489,715	463,929	484,717
14 Comm., social and personal serv.	126,685	122,650	120,750	112,499	111,203	126,427
15 International business activity	1,537,360	1,432,012	1,455,409	1,570,036	1,575,025	1,659,278
Total	6,085,438	5,891,299	5,839,672	5,911,648	5,927,377	6,126,843
Less: Imputed bank service charge	425,232	450,856	423,955	416,506	398,855	393,205
Add: Import duties	195,125	179,936	169,693	174,951	171,470	194,015
GDP at market prices	5,855,331	5,620,380	5,585,410	5,670,093	5,699,992	5,927,652
Per cent change from previous year	-1.4	-4.0	-0.6	1.5	0.5	4.0

Source: Department of Statistics

TABLE 3

NUMBER OF FILLED JOBS BY ECONOMIC ACTIVITY GROUP	2012	2013	2014	2015F	2016P
Agriculture, forestry and fishing	594	589	581	602	590
Manufacturing	671	624	585	573	571
Electricity, gas and water supply	386	341	325	321	322
Construction & Quarrying	2,264	2,143	1,925	1,928	1,938
Wholesale and retail, repair serv.	4,214	4,113	4,093	3,977	4,163
Hotels and restaurants	4,385	4,217	4,120	4,012	4,021
Transport and communications	2,176	2,139	2,046	2,037	1,990
Financial intermediation	2,501	2,559	2,253	2,369	2,327
Real estate and renting activities	488	432	452	460	454
Business activities	3,702	3,523	3,425	3,565	3,610
Public administration	4,298	4,237	4,163	3,936	3,767
Education, health & social work	3,750	3,600	3,642	3,688	3,727
Other comm., social and personal	2,136	1,992	1,928	1,951	2,053
International business activity	3,878	3,768	3,937	3,900	3,842
Total	35,443	34,277	33,475	33,319	33,375

P = Preliminary data

F = Final

Source: Department of Statistics

TABLE 4

RETAIL SALES INDEX
Average Monthly Sales (1)
2006 = 100

Period	Total Retail Stores		Food Stores (2)		Liquor Stores (3)		Motor Vehicle Stores		Service Stations		Building Material Stores		Apparel Stores		All Other Store Types	
2011	94.8	(3.2)	87.3	(0.5)	83.4	(2.1)	74.2	(27.8)	106.7	4.3	143.3	(2.0)	102.6	1.7	99.7	(3.3)
2012	95.3	0.6	92.9	6.4	90.8	8.9	68.5	(7.6)	105.4	(1.2)	130.4	(9.0)	98.0	(4.5)	97.6	(2.0)
2013	95.2	(0.1)	95.5	2.7	94.5	4.1	69.2	0.9	103.4	(1.9)	109.8	(15.8)	97.7	(0.3)	96.4	(1.2)
2014	96.1	1.0	96.4	0.9	100.5	6.3	83.3	20.4	102.7	(0.7)	93.3	(15.1)	96.6	(1.2)	96.5	0.1
2015	100.0	4.0	100.0	3.8	100.0	(0.5)	100.0	20.1	100.0	(2.6)	100.0	7.2	100.0	3.6	100.0	3.6
2016	102.1	2.1	102.5	2.5	104.7	4.7	103.1	3.1	102.5	2.5	106.4	6.4	97.0	(3.0)	101.6	1.6
2015																
Jan	87.4	2.3	96.1	5.4	75.2	3.8	87.6	(3.3)	82.4	(6.7)	102.5	6.6	64.1	5.3	82.9	0.6
Feb	82.5	1.8	88.2	3.4	76.0	0.7	90.6	13.5	77.1	(10.1)	98.8	12.4	56.8	4.4	80.4	1.6
Mar	94.0	1.8	98.0	1.7	86.9	(2.7)	98.6	20.8	92.1	(7.8)	104.2	10.6	82.2	0.5	90.0	3.3
Apr	96.6	5.3	96.1	2.2	90.8	(5.1)	119.7	42.7	92.2	(6.0)	95.0	(6.1)	87.0	15.9	95.9	4.8
May	104.8	0.5	105.8	5.2	112.2	(3.1)	88.9	(4.7)	103.9	(5.6)	112.1	2.6	107.2	(2.4)	107.0	0.1
Jun	108.1	8.0	101.2	4.5	106.8	0.1	105.8	31.8	114.5	0.0	113.9	39.5	124.7	5.3	110.2	8.6
Jul	111.6	5.0	108.0	3.1	129.9	0.1	116.5	35.8	130.3	1.3	98.9	19.5	94.2	(4.9)	113.8	3.8
Aug	97.9	6.1	99.5	5.6	104.6	(0.1)	87.6	28.1	111.3	4.9	84.5	15.9	91.2	(0.2)	96.9	3.9
Sep	96.7	5.1	98.9	7.1	96.7	4.2	91.2	6.4	98.2	(6.6)	92.6	(4.8)	93.6	3.5	96.5	10.5
Oct	102.4	6.7	104.0	3.3	103.8	0.1	108.6	29.1	105.3	(6.9)	102.4	1.5	99.6	42.7	97.3	5.3
Nov	98.5	2.3	96.0	(0.3)	91.6	(1.6)	93.8	16.3	94.6	2.0	101.6	5.4	115.7	(1.9)	99.6	3.9
Dec	119.6	3.4	108.5	4.3	125.3	(0.5)	111.1	30.4	98.1	9.1	93.3	(5.2)	183.7	(3.2)	129.6	(0.9)
2016																
Jan	91.3	4.5	99.4	3.4	74.3	(1.3)	110.4	26.3	87.3	6.2	91.3	(10.9)	62.0	(3.1)	86.4	3.8
Feb	88.1	6.8	93.2	5.7	79.4	4.4	111.5	23.4	85.0	10.5	94.9	(3.9)	57.5	1.4	84.6	4.8
Mar	98.6	4.9	103.5	5.6	93.0	6.9	104.8	6.8	92.5	0.8	118.1	13.3	78.6	(4.3)	96.0	6.2
Apr	98.9	2.3	100.6	4.7	97.2	7.0	115.2	(3.8)	96.4	4.4	113.4	15.1	82.6	(3.7)	95.5	(0.7)
May	103.4	(1.4)	103.5	(1.5)	110.9	(1.2)	100.2	13.0	107.0	3.3	116.8	4.2	99.2	(7.3)	100.9	(6.1)
Jun	110.4	2.1	104.0	2.8	116.6	9.1	110.8	4.9	115.7	1.3	103.5	(9.1)	122.2	(1.8)	114.2	3.3
Jul	112.7	1.0	108.8	0.7	141.1	8.5	108.3	(6.9)	132.1	1.7	113.7	15.0	99.7	6.1	113.1	(1.0)
Aug	100.8	2.9	100.6	1.1	106.8	2.0	85.5	(2.2)	109.9	(0.8)	100.5	17.5	93.0	2.2	104.3	7.6
Sep	102.2	5.7	104.0	5.1	105.5	8.7	112.8	27.4	101.3	3.6	104.4	12.7	91.4	(2.3)	99.2	2.0
Oct	98.6	(3.8)	105.3	1.2	109.3	5.2	86.6	(20.1)	104.0	(0.9)	102.3	(0.1)	76.8	(22.8)	95.3	(2.4)
Nov	103.3	4.9	99.6	3.7	95.6	4.4	108.0	15.1	99.2	4.9	122.8	20.9	114.7	(0.9)	102.8	3.2
Dec	116.7	(2.4)	107.5	(0.9)	127.1	1.4	82.9	(25.4)	99.2	1.1	95.0	1.8	186.8	1.7	127.1	(1.9)

(1) Index numbers are subject to revisions
(2) Includes household supplies, but excludes alcoholic beverages
(3) Does not include sales to bars, clubs, hotels and restaurants
Source: Department of Statistics

TABLE 5

CONSUMER PRICE INDEX
APRIL 2015 = 100

	All Items	Food	Rent	Clothing & Footwear	Tobacco & Liquor	Fuel & Power	Household Goods, Services & Supplies	Transport & Foreign Travel	Education, Recreation, Entertain. & Reading	Health & Personal Care
2013										
WEIGHT	1000	115	267	25	31	39	116	130	147	130
ANNUAL AVERAGE (per cent)										
2012	+2.4	+3.5	+0.2	+4.3	+2.5	+9.3	+1.0	+1.6	+2.7	+6.6
2013	+1.8	+3.0	-0.3	+0.1	+4.4	-1.9	+0.5	+1.4	+2.5	+8.3
2014	+2.0	+3.1	+0.8	+2.0	+2.4	-2.4	+0.8	+1.7	+1.9	+6.7
2015	+1.5	+2.7	+0.6	+1.3	+1.2	-8.9	+2.1	-1.3	+0.9	+7.8
2016	+1.5	+1.9	+1.0	+0.4	+5.1	-3.3	+1.6	-2.2	+3.3	+4.5
MONTHLY (per cent)										
2014										
Dec	-0.5	-0.7	Nil	Nil	-0.1	-9.0	Nil	Nil	-0.1	-0.1
2015										
Jan	Nil	1.3	+0.1	+0.2	+0.3	-2.5	+0.4	-1.7	Nil	+0.1
Feb	+0.2	+0.2	Nil	Nil	+0.1	Nil	Nil	+1.9	-0.6	Nil
Mar	+0.2	+0.3	+0.1	Nil	+0.1	+1.3	Nil	+0.7	-0.1	Nil
Apr	+1.0	Nil	+0.2	+0.5	+0.4	Nil	+0.1	+0.4	+0.1	+6.5
May	-0.2	+0.4	+0.1	Nil	Nil	-2.6	Nil	-1.0	Nil	Nil
Jun	+0.8	+0.1	Nil	Nil	Nil	Nil	Nil	+5.9	+0.3	Nil
Jul	-0.1	+0.1	Nil	+0.7	Nil	+4.0	+2.1	-3.6	-0.1	Nil
Aug	-0.2	+0.3	+0.1	Nil	+0.1	Nil	Nil	-1.6	-0.2	+0.1
Sep	+0.3	-0.1	Nil	Nil	+0.2	Nil	+0.3	+0.9	+0.9	-0.1
Oct	-0.1	+0.2	+0.1	Nil	Nil	-1.3	Nil	-1.2	+0.2	+0.5
Nov	-0.1	-0.5	Nil	Nil	Nil	-1.3	Nil	+0.1	Nil	Nil
Dec	Nil	-0.2	+0.1	Nil	+0.3	-2.0	Nil	+0.4	+0.1	Nil
Jan	-0.2	+1.2	-0.1	+0.1	+0.4	-3.7	+0.1	-1.6	Nil	Nil
Feb	-0.1	+0.6	+0.1	Nil	+1.1	Nil	Nil	-1.4	-0.3	+0.1
Mar	-0.1	-0.1	Nil	Nil	Nil	-0.8	+0.1	-0.7	+0.2	Nil
Apr	+0.9	+0.3	Nil	-0.5	+2.0	-2.6	Nil	+0.8	+2.7	+3.2
May	-0.1	-0.3	+0.1	Nil	+1.5	-5.0	Nil	-0.3	+0.5	Nil
Jun	+0.5	+0.2	Nil	Nil	+0.8	+10.4	Nil	+1.0	Nil	-0.1
Jul	+0.8	+0.3	+1.0	+0.1	Nil	+4.3	+0.1	+2.5	-0.2	Nil
Aug	-0.5	+0.1	+0.1	Nil	Nil	Nil	Nil	-4.3	Nil	Nil
Sep	+1.0	+0.1	Nil	Nil	+0.1	+6.0	+0.1	+4.5	+1.1	Nil
Oct	Nil	+0.1	Nil	+0.3	Nil	-0.9	+0.1	Nil	+0.1	+0.1
Nov	-0.5	-0.1	Nil	+0.1	Nil	-2.3	Nil	-2.8	-0.2	Nil
Dec	-0.1	-1.3	+0.1	Nil	-0.4	-3.1	Nil	+1.3	+0.1	Nil
Dec ‘16	102.1	101.4	101.7	100.8	106.2	98.0	102.9	98.4	105.2	103.8
Dec ‘16 / Dec ‘15	+1.6	+1.1	+1.3	+0.1	+5.6	+1.3	+0.5	-1.2	+4.0	+3.3

Source: Department of Statistics

TABLE 6

MAJOR CONSTRUCTION PROJECTS[1]
Estimated value of work put in place during period $ millions

			Type of Project							Sector	
		Value Of New Projects Started	Residential	Offices, Shops, Warehouses	Hotels, Guest-Houses	Schools, Hospitals, Community Centres	Roads, Bridges, Airports	Industrial Plant & Other	Total	Public	Private
2012		106.8	34.3	43.1	1.3	99.7	5.3	7.2	190.9	103.9	87.0
2013		85.1	30.0	23.7	9.0	57.5	16.9	10.7	147.8	78.3	69.5
2014		122.5	21.5	4.7	34.3	30.7	8.8	16.1	116.1	49.2	66.9
2014		161.8	27.9	13.6	13.0	4.3	3.6	15.4	77.9	25.8	52.1
2012	Q1	24.7	6.3	4.1	0.3	8.1	1.4	3.0	23.2	10.5	12.7
	Q2	34.9	7.4	5.0	0.2	20.8	3.7	1.6	38.7	21.7	17.0
	Q3	24.4	12.6	25.4	0.5	33.2	0.2	1.4	73.3	34.0	39.3
	Q4	22.8	8.0	8.6	0.3	37.6	0.0	1.2	55.7	37.7	18.0
2013	Q1	8.6	8.5	7.6	0.2	25.6	3.8	0.3	46.0	29.2	16.8
	Q2	34.5	10.4	8.2	1.2	13.0	2.8	2.9	38.5	18.1	20.4
	Q3	15.6	8.2	7.7	2.1	5.9	6.5	4.8	35.2	13.0	22.2
	Q4	26.4	2.9	0.2	5.5	13.0	3.8	2.7	28.1	18.0	10.1
2014	Q1	18.0	5.0	0.3	21.2	21.6	4.3	2.2	54.6	24.2	30.4
	Q2	56.3	5.5	1.7	3.6	7.9	2.1	4.1	24.9	12.3	12.6
	Q3	16.5	5.5	1.3	3.5	1.0	1.6	5.5	18.4	7.5	10.9
	Q4	31.7	5.5	1.4	6.0	0.2	0.8	4.3	18.2	5.2	13.0
2015	Q1	43.2	5.1	2.6	6.6	0.3	0.9	7.6	23.2	10.0	13.2
	Q2	51.2	6.6	4.5	2.3	0.4	0.9	2.1	16.7	4.4	12.3
	Q3	18.7	7.2	3.2	0.5	2.6	1.1	4.2	19.0	7.9	11.1
	Q4	48.6	9.0	3.2	3.6	0.9	0.7	1.5	19.0	3.5	15.5
2016	Q1	12.4	12.8	11.7	3.6	0.4	2.5	6.1	37.1	7.0	30.1
	Q2	55.4	10.9	8.4	2.3	0.4	0.7	2.7	25.4	9.5	15.9
	Q3	15.7	5.3	2.3	2.9	1.6	1.3	0.9	14.4	5.3	9.1

[1]Projects valued at $0.5 million or more

Source: Department of Statistics

TABLE 7

GROSS ADDITIONS TO THE STOCK OF RESIDENTIAL DWELLING UNITS

Number of Units		Studio apartments	One bedroom	Two bedroom	Three bedroom and over	Total units completed
2012		18	54	83	73	228
2013		18	43	38	19	118
2014		14	21	31	22	88
2015		17	21	5	15	58
2012	Q1	4	12	9	11	36
	Q2	5	15	14	26	60
	Q3	1	17	48	30	96
	Q4	8	10	12	6	36
2013	Q1	5	16	10	5	36
	Q2	4	7	13	4	28
	Q3	2	7	8	3	20
	Q4	7	13	7	7	34
2014	Q1	3	7	3	1	14
	Q2	7	5	20	14	46
	Q3	2	5	1	1	9
	Q4	2	4	7	6	19
2015	Q1	1	6	0	5	12
	Q2	4	7	2	5	18
	Q3	2	4	0	2	8
	Q4	10	4	3	3	20
2016	Q1	1	10	1	1	13
	Q2	4	6	5	2	17
	Q3	3	4	4	0	11

Source: Department of Statistics

TABLE 8

VISITOR ARRIVALS

		Number of visitors			Year-on-year % changes		
		Regular Visitors[1]	Cruise Ship Visitors[2]	All Visitors	Regular Visitors	Cruise Ship Visitors	All Visitors
2011		236,038	415,711	651,749	1.6	19.5	12.3
2012		232,063	378,262	610,325	-1.7	-9.0	-6.4
2013		236,343	340,030	576,373	1.8	-10.1	-5.6
2014		224,380	355,880	580,260	-5.1	4.7	0.7
2015		219,814	377,398	597,208	-2.0	6.0	2.9
2016		244,491	397,880	642,368	11.2	5.4	7.6
2011	Q1	30,824	675	31,499	6.8	-31.5	5.5
	Q2	80,462	161,036	241,498	3.8	-6.0	-2.9
	Q3	79,917	187,240	267,157	1.4	25.7	17.3
	Q4	44,835	66,760	111,595	-4.8	150.6	51.4
2012	Q1	31,619	2,719	34,338	2.6	302.8	9.0
	Q2	75,186	161,351	236,537	-6.6	0.2	-2.1
	Q3	80,852	179,124	259,976	1.2	-4.3	-2.7
	Q4	44,406	35,068	79,474	-1.0	-47.5	-28.8
2013	Q1	31,300	1,484	32,784	-1.0	-45.4	-4.5
	Q2	75,013	133,737	208,750	-0.2	-17.1	-11.7
	Q3	82,819	157,373	240,192	2.4	-12.1	-7.6
	Q4	47,211	47,436	94,647	6.3	35.4	19.2
2014	Q1	31,032	0	31,032	-0.9	-100.0	-5.3
	Q2	73,262	146,916	220,178	-2.3	9.9	5.5
	Q3	78,195	169,846	248,041	-5.6	7.9	3.3
	Q4	41,891	39,118	81,009	-11.3	-17.5	-14.4
2015	Q1	28,968	319	29,287	-6.7	n.a.	-5.6
	Q2	71,973	146,478	218,449	-1.8	-0.3	-0.8
	Q3	76,488	182,257	258,743	-2.2	7.3	4.3
	Q4	42,385	48,344	90,729	1.2	23.6	12.0
2016	Q1	32,233	3,314	35,547	11.3	938.9	21.4
	Q2	75,730	150,812	226,541	5.2	3.0	3.7
	Q3	86,948	190,334	277,281	13.7	4.4	7.2
	Q4	49,580	53,420	120,999	17.0	10.5	33.4

[1]Including those passengers arriving by ship and departing by air.
[2]Excluding passengers arriving by ship and departing by air.

Source: Bermuda Tourism Authority

TABLE 9

THE BERMUDA INSURANCE MARKET $ billions				
	Gross premiums written	Net premiums written	Total assets	Capital and surplus
1983	6.5	4.7	17.1	8.4
1984	7.6	5.4	22.2	9.9
1985	10.1	8.1	24.5	10.2
1986	12.4	10.4	30.9	12.5
1987	10.3	8.0	34.9	15.0
1988	11.1	8.4	38.7	14.4
1989	12.0	9.4	44.5	17.4
1990	13.0	10.1	48.0	18.2
1991	15.4	11.8	52.3	19.9
1992	15.1	11.3	58.8	21.9
1993	17.9	13.4	69.9	29.0
1994	18.8	14.9	76.1	29.8
1995	23.4	18.4	95.0	36.9
1996	25.1	19.8	99.9	42.5
1997	25.4	20.4	111.8	48.4
1998	26.6	21.2	116.4	51.2
1999	30.4	23.8	131.6	54.4
2000	38.1	32.0	146.0	59.2
2001	48.5	40.9	165.3	64.9
2002	63.3	52.3	204.0	75.6
2003	94.7	84.1	236.0	87.3
2004	95.3	82.9	290.5	106.7
2005	100.7	86.3	329.9	110.0
2006	115.8	100.4	440.4	157.8
2007	124.4	100.8	441.3	167.1
2008	123.6	107.9	473.0	156.8
2009	119.8	106.3	496.1	182.1
2010	107.7	94.2	524.7	185.2
2011	107.6	94.6	452.2	168.8
2012	120.5	98.1	505.5	193.0
2013	163.0	138.7	607.6	191.6
2014	151.8	116.2	583.3	214.5

Source: Bermuda Monetary Authority's Statutory Financial Returns For All International Insurers

TABLE 10

BALANCE OF PAYMENTS ESTIMATES
$ millions

	2012	2013	2014	2015	2016*
Exports	23	25	23	21	8
Imports	900	1,012	969	935	482
Merchandise Trade Balance	-877	-987	-947	-914	-474
Services & Income – receipts	3,289	3,957	3,397	3,381	1,696
Services & Income- payments	2,327	3,015	2,530	2,495	1,362
Current account balance	962	941	867	886	334
Financial Account					
Direct Investment	240	51	120	-84	92
Portfolio Investment	-794	2,169	-1,853	1596	-599
Financial Derivatives	87	164	192	137	117
Other Investments	151	989	-545	-897	1,549
Reserve Assets	-5	11	-15	7	16
Net Acquisition of Financial Assets	-321	3,383	-2,102	758	1,175
Direct Investment	48	93	-3	-143	176
Portfolio Investment	266	555	-1,845	90	151
Financial Derivatives	15	-7	11	0	9
Other Investments	-1,180	1,783	-1,239	28	583
Net Incurrence of Financial Liability	-851	2,424	-3,076	-24	919
Total Net Financial Account	-531	-960	-974	-782	-256
Total Net Capital Account	0	0	0	0	0
Total Net Lending (+)/ Net Borrowing (-)	531	960	974	782	256
Balancing Item	-431	18	107	-103	-78

Numbers may not add due to rounding

* Q1 – Q3 provisional estimate

Source: Department of Statistics

Design and pre-press production:
Department of Communication and Information
Printed in Bermuda by The Bermuda Press Ltd. ~ February 2017