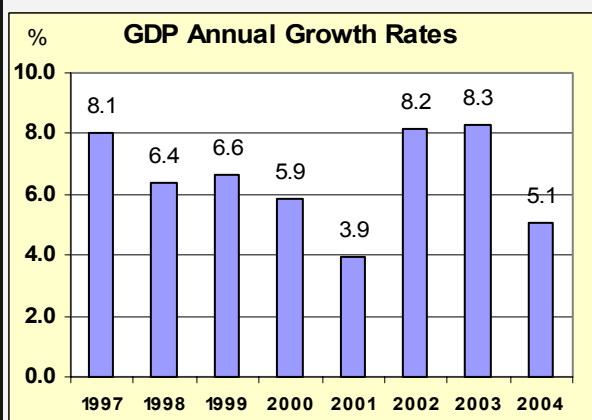


# Bermuda Gross Domestic Product by Industry

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## 2004 Highlights - Press Release

The economy continued to expand in 2004 as Gross Domestic Product (GDP) increased 5.1% to \$4.5 billion. This is a somewhat slower rate of growth than that experienced in the previous two years when the Bermuda economy registered growth rates in excess of 8%. The overall strength of the economy can be attributed to the International Business Sector, which has been the largest contributor to the growth in GDP since 2001.



### Pace of GDP growth slows

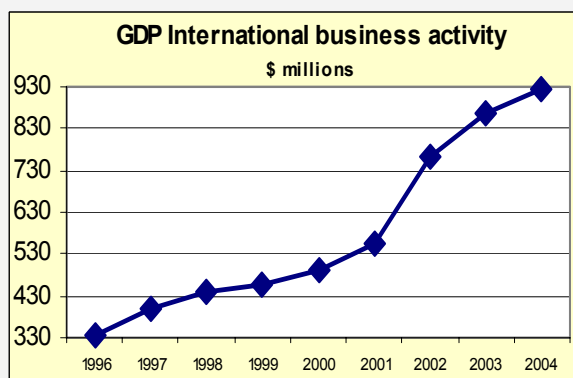
When adjusted for inflation, the level of economic activity or real GDP advanced a marginal 1.6%. In comparison, the United States, Bermuda's largest trading partner for both goods and services, registered somewhat higher real economic growth of 4.2% for the year 2004.

Bermuda consumers paid 3.6% more for the basket of goods and services included in the Consumer Price Index in 2004 than in 2003. The implicit price index for GDP which measures economy-wide inflation rose 3.4% over the same period. The GDP implicit price index is calculated as current dollar GDP divided by constant dollar GDP. This ratio is used to account for the effects of economy-wide inflation, by reflecting the change in the prices of the bundle of goods and services that make up the GDP as well as the changes to the bundle itself.

### International sector boom continues

The contribution to GDP by the international business sector is approaching the \$1 billion mark with a further 6.7% growth recorded in 2004. Although

this is a somewhat slower pace of growth than the double-digit gains registered in the last three years, international business continued to be the largest



contributor to the strength in GDP in 2004. GDP derived from the International Business Sector has increased 174% since 1996, compared to an increase in total economy-wide GDP of 66% over the same time frame. The international business sector also registered the largest gain in employment in 2004 with the addition of 793 new jobs.

Almost 1,200 new international companies and partnerships registered in Bermuda in 2004. The recent round of insurance company start-ups in the fourth quarter of 2005 bodes well for the future of this sector.

Industries supporting the international business sector also fared well in 2004. The output of the financial services industry surged 9.4% reflecting increased demand for financial products. Loans and advances to clients jumped almost \$700 million in the past year as both corporations and households took advantage of historically low interest rates and favourable lending terms. The business services industry, including computer, accounting and legal services advanced 5.3%.

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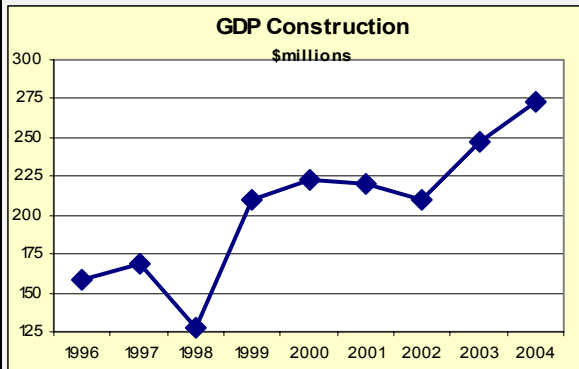
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## 2004 Gross Domestic Product by Industry Highlights

### Construction boom continues



The construction industry surged a further 10.1% in 2004 fuelled by demand for commercial office space. Employment in this sector also jumped as 271 (+9%) new jobs were created. New construction of office and retail space accounted for much of the activity in 2004.

Tourist accommodations also experienced a construction boom in 2004. However, much of the activity generated in this sector was for on-going repairs following Hurricane Fabian in late 2003 and re-development of existing hotel properties. Construction projects in 2004 were dominated with mixed use developments incorporating residential spaces along with office and retail spaces and the construction of residential condominium units as part of hotel developments.

### Higher prices push real estate industry

The real estate sector also enjoyed a prosperous year as output in this sector increased 3.1%, reflecting the strong demand for housing. Prices for land and housing continued their steep upward climb as the average price for a single family dwelling exceeded the \$1 million mark. However, after adjusting for inflation, GDP in the real estate sector edged down 0.9%.

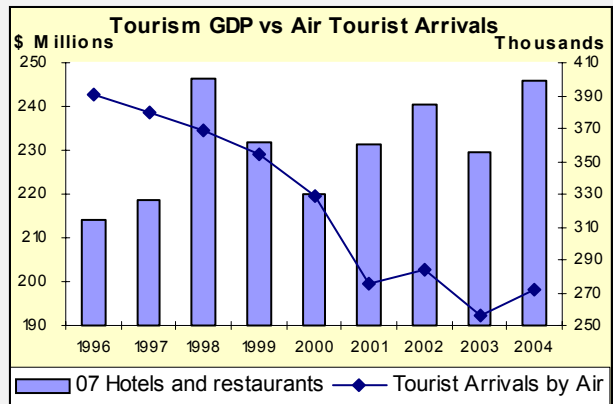
### Construction boosts retail sales

For the second consecutive year the output of the retail and wholesale sectors increased 5.5%. Total retail sales increased 6.2% in 2004. The largest contributor to the strength in retail sales came from the sale of construction-related materials. Building material retailers registered a 16.8% increase in sales as they tried to meet the strong demand from the construction industry. Imports, the largest intermediate input for both retailers and wholesalers, rose 16.3% during the same time period.

### Tourism sector rebounds

The tourism sector rebounded from the lows experienced in the after-math of Hurricane Fabian in late 2003. Output of hotels and restaurants rebounded 7.0% in 2004, following a 4.4% decline in GDP in 2003. Employment in the hotel sector increased 5% as 141 new jobs were created. These employment gains reflected the increased bed-capacity in 2004 as hotels previously closed for repairs re-opened in 2004.

Although the total number of tourists to the Island dipped 1.0% in 2004, the number of tourists arriving by air to the Island increased 5.9%, as cruise-



ship arrivals dropped 8.8%. Gains in air arrivals were due in part to the initiation of discounted flights to Bermuda from US departure points. Travel receipts - expenditures by tourists - increased 1.7%, as tourists arriving by air generally spend significantly more than those arriving on cruise ships. The number of air arrivals has deteriorated over 30% since 1996.

### Other industries

Output in the public administration sector advanced 4.1%, a significantly slower pace of growth than the 13.6% recorded in 2003. Last year however, government required extensive monies to clean-up in the aftermath of Hurricane Fabian.

The electricity, gas and water supply sector declined for the second consecutive year as higher costs more than offset increased consumption of electricity. Another area of weakness in the economy was recorded by other community, social and personal services which edged down a slight 0.1% in 2004.

## Gross Domestic Product (GDP) by Industrial Origin (\$'000) <sup>1</sup>

(at current market prices)

INDUSTRIAL SECTIONS	1996	1997	1998	1999	2000	2001	2002	2003	2004
01 Agriculture, forestry and fishing	20,619	23,542	23,274	24,847	23,281	25,481	31,319	34,407	37,479
03 Manufacturing	64,428	68,849	76,678	81,374	85,575	77,586	84,077	71,234	78,663
04 Electricity, gas and water supply	65,995	68,896	71,136	74,499	77,258	80,977	83,434	81,607	80,431
05/02 Construction & Quarrying	159,057	169,269	126,938	210,056	222,531	220,840	209,826	247,405	272,432
06 Wholesale and retail trade and repair services	270,528	290,285	321,022	334,630	338,785	344,295	340,692	359,300	378,986
07 Hotels and restaurants	214,228	218,591	246,489	231,815	220,166	231,358	240,354	229,765	245,830
08 Transport and communications	194,974	210,372	225,025	234,936	235,945	254,873	276,206	269,882	270,354
09 Financial intermediation	281,775	318,752	338,885	373,634	410,284	461,431	449,168	489,942	536,003
10 Real estate and renting activities	440,673	481,067	522,532	561,803	590,620	612,057	632,356	690,627	712,010
11 Business activities	219,482	242,707	266,159	278,809	297,670	313,165	333,627	371,304	391,091
12 Public Administration	141,027	138,196	152,808	131,806	163,596	170,983	184,554	209,569	218,160
13 Education, health and social work	186,887	206,027	221,237	223,382	247,416	251,860	267,230	282,040	304,447
14 Other community, social and personal services	79,293	82,656	94,903	104,856	109,409	104,909	94,551	94,587	94,523
15 International business activity	338,001	401,332	438,517	456,932	489,337	556,811	764,490	868,371	926,485
<b>Total</b>	<b>2,676,967</b>	<b>2,920,543</b>	<b>3,115,604</b>	<b>3,323,379</b>	<b>3,511,875</b>	<b>3,706,625</b>	<b>3,991,885</b>	<b>4,300,040</b>	<b>4,546,891</b>
Less : Imputed bank service charge	104,860	135,710	151,553	170,999	173,720	230,453	226,448	209,276	257,670
Add : Taxes and duties on imports	142,035	147,994	155,563	173,688	183,751	184,618	194,191	196,994	216,071
<b>GDP at market prices</b>	<b>2,714,142</b>	<b>2,932,827</b>	<b>3,119,614</b>	<b>3,326,068</b>	<b>3,521,906</b>	<b>3,660,790</b>	<b>3,959,628</b>	<b>4,287,758</b>	<b>4,505,292</b>
Percentage change from previous year	0.0%	8.1%	6.4%	6.6%	5.9%	3.9%	8.2%	8.3%	5.1%

(1) With this release the GDP estimates have been revised back to 1996. Revisions incorporated improved data collection methods as well as updated information received.

2004 Gross Domestic Product by Industry Highlights

GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN (\$,000) <sup>1</sup>									
(At constant market prices)									
1996 = 100									
INDUSTRIAL SECTIONS	1996	1997	1998	1999	2000	2001	2002	2003	2004
01 Agriculture, forestry and fishing	20,619	21,956	23,591	24,677	25,440	26,422	28,169	30,011	31,504
03 Manufacturing	64,428	66,707	72,071	74,200	75,774	66,745	70,223	57,098	60,337
04 Electricity, gas and water supply	65,995	66,551	71,914	76,717	73,200	76,938	82,497	76,516	75,449
05/02 Construction & Quarrying	159,057	163,008	118,819	192,239	198,959	189,505	175,096	201,345	214,959
06 Wholesale and retail trade and repair services	270,528	278,704	288,514	294,750	297,801	286,951	294,719	301,401	309,093
07 Hotels and restaurants	214,228	212,074	229,498	213,489	196,779	202,284	205,737	192,123	199,643
08 Transport and communications	194,974	200,884	214,118	208,017	213,142	226,189	221,371	219,657	223,802
09 Financial intermediation	281,775	315,507	324,898	346,968	371,395	407,459	385,198	404,623	428,128
10 Real estate and renting activities	440,673	461,949	482,075	499,129	504,428	503,419	501,807	530,421	525,484
11 Business activities	219,482	232,894	251,957	267,283	287,005	279,726	293,210	291,721	300,631
12 Public administration	141,027	134,195	144,091	120,666	145,405	147,832	155,219	171,126	170,469
13 Education, health and social work	186,887	195,857	203,075	198,351	206,895	202,459	229,502	231,657	232,266
14 Other community, social and personal services	79,293	81,093	91,946	98,252	98,803	95,818	74,685	72,525	70,859
15 International business activity	338,001	389,715	413,500	418,311	434,926	481,420	642,972	709,076	723,952
Total	2,677,633	2,821,720	2,930,717	3,033,723	3,130,507	3,193,714	3,360,874	3,489,715	3,567,094
Less: Imputed bank service charge	104,860	132,891	145,519	160,331	158,581	204,431	196,343	175,866	209,080
Add: Taxes and duties on imports	142,035	145,915	152,200	167,916	173,330	171,065	177,683	176,414	188,884
GDP at constant market prices	2,714,808	2,834,744	2,937,398	3,041,308	3,145,256	3,160,348	3,342,214	3,490,263	3,546,899
Percentage change from previous year		4.4	3.6	3.5	3.4	0.5	5.8	4.4	1.6

(1) With this release the GDP estimates have been revised back to 1996. Revisions incorporated improved data collection methods as well as updated information received.