2019 NATIONAL ECONOMIC REPORT OF BERMUDA

GOVERNMENT OF BERMUDA

Ministry of Finance

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Contents

THE ECONOMY IN 2019

The Ministry of Finance estimates that Bermuda's GDP may have increased by 1.0–2.0 per cent in 2019[1] following growth of 0.1 per cent in 2018.

Many of the major economic indicators such as employment, employment income, cruise visitors and construction activity increased in 2019, indicating a strengthening of the Bermuda economy.

The number of jobs is estimated to have grown by 1.3 per cent and the official unemployment rate remained steady at 5.2 per cent.

In the tourism sector, air visitors decreased by 4.4 per cent, while cruise arrivals rose by 10.6 per cent. Employment in hotels grew by 7.1 per cent.

Employment income increased by 2.9 per cent over the first three quarters of 2019. The largest growth occurred in the international business sector, whose employment income rose by 6.1 per cent.

The gross turnover generated by retail stores decreased by 2.4 per cent in 2019, while jobs in the sector fell by 2.9 per cent.

Over the first three quarters of 2019, the level of construction activity grew by 13.0 per cent, with the value of work put in place increasing by $21.1 million. The value of new projects started fell from $97.5 million in 2018 to $88.9 million in 2019, a decline of 8.8 per cent. Jobs in this industry grew by 4.1 per cent year over year.

The Consumer Price Index (CPI) for 2019 was 1.0 per cent. This level of inflation is below the 1.9 per cent and 1.4 per cent recorded in 2017 and 2018 respectively.

GROSS DOMESTIC PRODUCT 2018

The most recent estimates for GDP published by the Department of Statistics are for the year 2018.

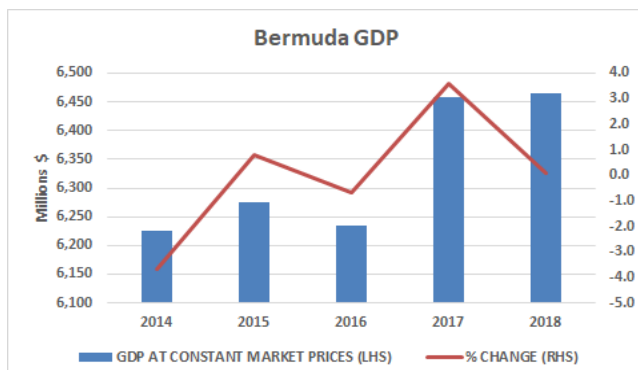
In 2018, the Bermuda economy grew by 1.7 per cent at current market prices. This increase marks the fourth consecutive year that the economy has grown and the sixth increase in the last seven years in nominal terms, after declining in 2014. Nominal GDP was reported to be approximately $7.263 billion, reflecting an increase of $121 million above the 2017 revised figure of roughly $7.142 billion. As a result, Bermuda's GDP per capita rose from $111,787 in 2017 to $113,540 in 2018.

When adjusted for inflation, the level of economic activity or real GDP increased marginally by 0.1 per cent. This rate was identical to the five-year average (2014–2018) of positive 0.1 per cent. However, the result was below the Ministry of Finance's 2018 estimate (made in February 2019) of an increase in GDP of 0.5–1.0 per cent.

The positive movement in GDP of 1.7 per cent at current market prices was largely driven by a 5.2 per cent increase in the output of the financial and insurance activity sector, growth of 14.2 per cent in the construction and quarrying sector, and a 3.4 per cent uptick in the real estate activities sector.

The growth in the level of GDP in real terms of 0.1 per cent was mainly driven by increases of $33.9 million in the output of the construction and quarrying sector, a $24.7 million hike in international business activity, and growth of $16.8 million in the real estate activities sector. These gains were offset by losses of $36.6 million in the arts, entertainment and recreation sector.

FIGURE 1



The industry analysis of GDP provides useful information concerning the output of the 19 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 2018. This sector provided $1.73 billion in total output or 23.8 per cent of total GDP, which was a 0.3 per cent increase when compared with 2017. The growth in output in this sector benefitted from increases in the value added of businesses engaged in insurance brokerage and risk-taking services including underwriting and reinsurance services.

[1] Official 2019 GDP estimates are not yet available.

Following the last decline in 2011, 2018 marked the seventh consecutive year that the value added by the international business sector increased. The value added from this sector represents under a quarter of total 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.

Financial and insurance activities were the second-largest contributor to GDP. This sector accounted for $1.1 billion in output or 15.5 per cent of total GDP. The value added from this industry increased by 5.2 per cent, increasing for the third consecutive year. The growth in this sector can be attributed to increases in the value of premiums received by non-life insurance companies.

The next largest contributor to Bermuda's economy is the real estate activities sector. This sector accounted for $1.0 billion in output, which represents 14.0 per cent of total GDP. The 3.4 per cent year-over-year growth in this sector was mainly the result of a rise in the imputed rent for owner-occupied dwellings, as well as an increase in real estate activities with leased property.

The professional, scientific and technical activities sector contributed $412.8 million to the output of the economy, representing 5.7 per cent of GDP. Output in this sector declined by 5.1 per cent, led by declines in legal and accounting services.

Output generated in the wholesale and retail trade sector was recorded at $407.7 million in 2018, which represents 5.6 per cent of total output. This sector experienced a reduction in output of 2.6 per cent, which was primarily driven by lower retail sales of motor vehicles, clothing, building materials, furniture and sales at pharmacies.

The human health and social work sector represented 5.0 per cent of GDP in 2018, with an output level of $365.3 million, which is a 6.1 per cent increase over 2017. This sector increased for the fourth consecutive year and was bolstered by growth in private health activities.

The construction and quarrying sector grew by 14.2 per cent and accounted for 3.8 per cent of GDP. The output of $276.6 million was driven by increased construction activity associated mainly with residential renovations, and airport and hotel development.

ECONOMIC TRENDS 2019

DOMESTIC DEMAND

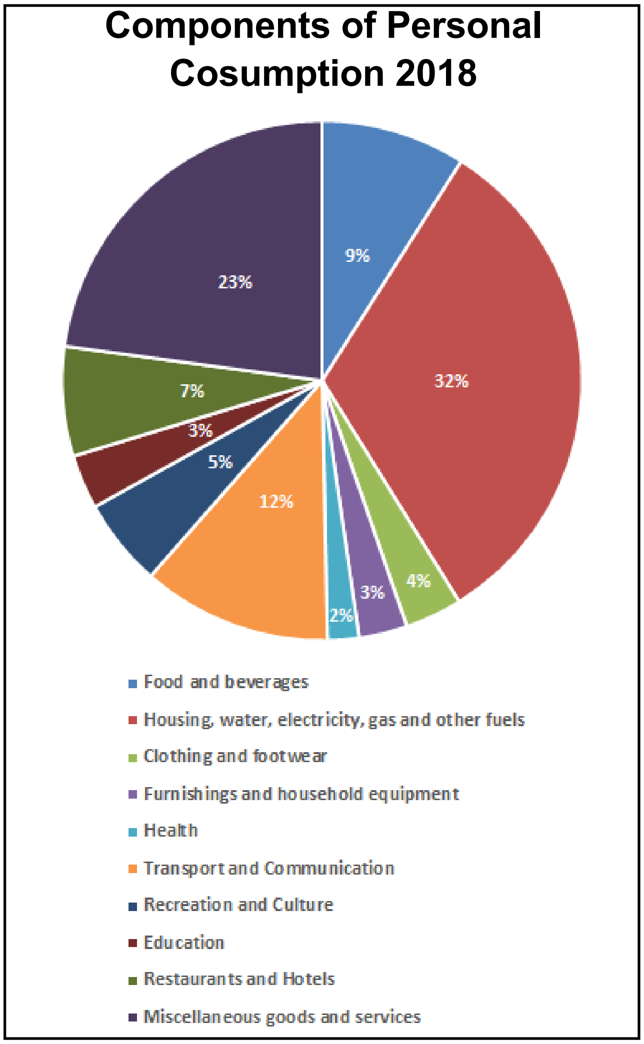
PERSONAL CONSUMPTION AND THE RETAIL SECTOR

Employment income supports personal consumption and is estimated to have increased by 2.9 per cent for the first three quarters of 2019 compared with the same period in 2018. For the 12-month period ending September 2019, total employment income was $3.55 billion, some $101 million less than the 12-month period ending September 2018.

The year-over-year level of employment income grew in all three quarters of 2019. However, the amount of growth declined in each subsequent quarter. In 2019, employment income rose by 6.6 per cent during the first quarter, 1.2 per cent in the second quarter and by 0.3 per cent in the third quarter. In the May 2019 Labour Force Survey, the unemployment rate was measured at 5.2 per cent. The unemployment rate was unchanged from 2018, which should bode well for employment and employment income in the near future as the rate was higher in previous years.

The growth in employment income has translated into an increase in overall personal consumption. The most recent estimates by the Department of Statistics for household personal consumption are for the first two quarters of 2019. During that time period, total household personal consumption was $1.71 billion, reflecting an increase of 0.7 per cent over 2018.

FIGURE 2



While 2019 personal consumption estimates are not available for the entire year, the Retail Sales Index (RSI) for 2019 offers insight into the expenditure trends of consumers in Bermuda's retail stores.

In the first 11 months of 2019, total gross turnover stood at $1,020.3 million, which represents a 2.4 per cent decline when compared with 2018. In the first three quarters of 2019, employment income increased by 2.9 per cent, however, the growth in income did not translate into positive results for the RSI. Every sector in the RSI recorded sales declines in 2019, with the exception of food and liquor stores.

Apparel stores experienced the greatest fall in sales of all sectors. Eight of the eleven months in 2019 recorded double-digit sales declines, with the largest monthly decrease being over 20 per cent in January. The average reduction in sales of 12.0 per cent has been attributed by retailers to lower demand for the products being sold.

Motor vehicle stores recorded the next largest reduction in sales of all sectors. The sales level recorded in this sector was led by an average decline of 22.9 per cent during the three months of August, September and November. The average monthly decrease in this sector was 11.3 per cent. Sales declined due to fewer vehicles being sold during the year.

Monthly receipts in the building material sector dipped by an average of 9.5 per cent, due in large part to fewer purchases related to both general sales and contract sales of building-related materials.

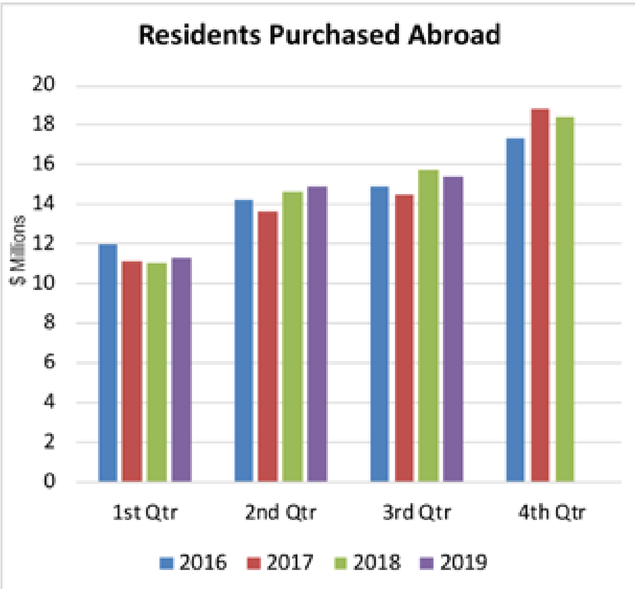
The only sectors to record an increase in sales were food and liquor stores. The 2.0 per cent average growth in sales for 2019 was mainly the result of marginal changes in various different types of food throughout the year. Liquor store sales increased marginally by 0.1 per cent as consumer spending patterns were almost identical to the previous year.

During 2019, overseas purchases declared by residents returning to Bermuda via the airport fell from $52.9 million to $52.5 million year over year, representing a 0.8 per cent decline.

The declared value of overseas purchases by returning residents at the airport during 2019 equated to 4.3 per cent of the combined estimated local and overseas gross turnover in the retail sector. The figure for all overseas purchases, including through couriers, the post office and by sea, totalled 16.3 per cent of gross turnover.

Residents travelling overseas during the first three quarters of 2019 declared that 48.3 per cent of their overseas expenditure was on clothing and footwear and 8.0 per cent was on electronic and photographic equipment.

FIGURE 3



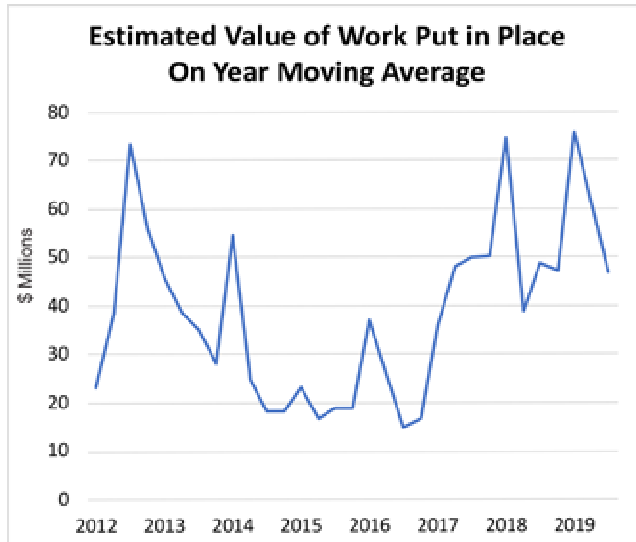
CAPITAL FORMATION AND THE CONSTRUCTION INDUSTRY

Some leading building indicators displayed mixed results in 2019; however, with work continuing on major projects and the projects that are in the pipeline, the construction industry should continue to grow. Evidence of growth comes from the Department of Planning, where new building permit applications registered increased to 946 in 2019 from 694 in 2018, an increase of 36.3 per cent. There were negative results regarding the amount of new planning applications. This figure declined from 484 in 2018 to 458 in 2019, which represents a decline of 5.6 per cent.

During the first three quarters of 2019, the value of new projects started declined from $97.5 million in 2018 to $88.9 million, a decrease of 8.8 per cent. However, the estimated value of work put in place during the same time period grew from $162.2 million in 2018 to $183.3 million in 2019, an increase of 13.0 per cent. In 2018, work began on the Bermudiana Beach Resort, which was the largest new project begun during the year, along with various other smaller projects including quite significant residential projects. In 2019, although the development at Albuoy's Point was started, there were not enough other projects to surpass the previous year's figures.

Work performed on roads, bridges and airports accounted for 44.4 per cent of total construction activity, while residential construction projects contributed 18.9 per cent, and construction on hotels and guest houses represented 17.5 per cent of total activity in the construction industry. Together, these three categories accounted for 80.8 per cent of all work put in place between January and September 2019. Of the construction work performed during that period, 82.8 per cent was conducted by the private sector and 17.2 per cent by the public sector.

FIGURE 4



During the first nine months of 2019, 53 new dwelling units were completed in the residential sector of the construction industry, which represented a decrease of 10 units or 15.9 per cent year over year. This marks the first time that the three-quarter total has decreased since 2015. 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 2019 with 2018, the number of new studio apartments fell by 2 units to a total of 4 (33.3 per cent), one-bedroom apartment totals did not change and remained at 30 units, two bedrooms decreased from 13 to 11 units (15.4 per cent) and three bedrooms and over experienced the largest decline of 6 units to end the third quarter with 8 (42.9 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 2019 these two sectors of the economy represented 68.3 per cent of the total balance of payments current account receipts, providing $1,988.2 million in foreign currency receipts (excluding financial services). This combined figure grew by $79.4 million or 4.2 per cent when compared with 2018. Individually, the amount of foreign exchange earnings produced by the international business sector surged by 4.0

per cent year over year, with a cumulative three-quarter total of $1,531.1 million for 2019. The amount of foreign exchange earnings generated by tourism activity increased by 4.7 per cent, recording earnings of $451.1 million at the end of September 2019.

INTERNATIONAL BUSINESS

In 2019, the international business sector provided 3,995 jobs in the economy, reflecting a growth of 0.3 per cent year over year, or an increase of 10 posts. During 2019, 681 new international companies and partnerships were registered in Bermuda, representing a 17.7 per cent decrease compared with 827 registrations in 2018. The total number of international companies and partnerships stood at 11,818 at the end of 2019, a decline of 3.8 per cent. Over the first nine months of 2019, the foreign exchange earnings of the international companies increased by $59 million to $1.53 billion, representing growth of 4.0 per cent.

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

The international insurance sector continues to show sound financial strength and a firm market position. Even so, the third quarter of 2019 was marked by not only higher claims activity compared with the third quarter of 2018, but also higher premiums. For the third quarter of 2019, the combined ratio remained close to the level of a year ago, standing on average at 99.3 per cent. Both the loss ratio and the expense ratio exhibited marginal increases. Bermuda (re)insurance groups improved their asset base by 14.2 per cent quarter over quarter, while they produced a gross profit of $0.6 billion.

Reserve leverage decreased by 4.2 per cent quarter over quarter and financial leverage dropped by 2.2 per cent quarter over quarter. Total equity increased by 16.7 per cent quarter over quarter, while reserves increased by 11.8 per cent, thus reducing the reserve leverage. The slower increase of assets by 14.1 per cent compared with the increase of equity reduced the financial leverage. Net written premiums to equity, which is a very rough inverse measure of solvency, dropped by 2.7 per cent quarter over quarter, reaching 61.4 per cent.

The investment portfolios of Bermuda (re)insurance groups produced a low return on investment close to 0.7 per cent, an increase of 0.6 per cent quarter over quarter. Return on equity was 1.8 per cent in the third quarter of 2019, significantly higher due to capital gains. As a proxy for liquidity, the sum of cash and high-quality "AAA"-rated securities represents 128.2 per cent of claims for the third quarter of 2019, an increase of 3.5 per cent quarter over quarter.

Also, during 2019, the global insurance and reinsurance sectors, in which Bermuda international insurers and reinsurers play an influential role, continued to be concerned with risks emerging for cyberattacks. Concerns relate to the ability of firms to develop resilience to these threats as well as to offer sound insurance protection from losses generated by cyberattacks. In addition to cyber risks, global insurance and reinsurance players continue to focus on adapting their business models and operations to fast-paced technological changes and to the threats emerging from climate risk.

Finally, in relation to credit risk insurance and reinsurance, Bermuda carriers have continued to grow their portfolios of these lines of business, in particular mortgage insurance originated in the US. This growth has been fuelled, among other things, by historically low delinquency rates in the US mortgage sector as well as by the increased participation of capital markets in underwriting these risks ("search for yield").

TOURISM

Decreased air capacity contributed to a more challenging landscape for Bermuda's tourism industry in 2019, resulting in a measured year-over-year performance compared with 2018's record-breaking results. Yet, despite reductions in some areas, the island's overall visitor tally proved the highest ever, air arrivals were the second-best in more than a decade, and increasing investment in our tourism sector moved the island strategically forward.

Certain metrics fell due to recent barriers forecast by the BTA early last year: Bermuda experienced a 5.0 per cent decline in air capacity in 2019, for example, pushing down leisure air arrivals by 6 per cent. Two airlines cut back flights from New York's crucial John F Kennedy hub, and flight schedules from Boston were also reduced. As a direct result of lower volume, spending performance by travellers was relatively flat, with $417.5 million in leisure dollars (from both air and cruise visitors) injected into our economy, up 1.6 per cent from 2018.

Taking the long view, however, 2019—with more than 191,000 visitors—was statistically the second-best in the past 13 years for the all-important metric of leisure air arrivals; since 2006, only 2018, with 203,697, had more visitors arriving via air. Also notable was the record number of total annual visitor arrivals achieved last year: when cruise, air and yacht travellers were combined, the number grew 4.9 per cent to an historic high of 808,242—the most visitors ever for the third consecutive year.

Cruise passengers made up the largest share of arrivals, but the greatest growth (15 per cent) occurred in non-summer months (September to May)—underscoring the success of the island's cruise travel strategy to increase ship calls during the winter, spring and fall seasons. That eased the burden on Bermuda's infrastructure and helped boost jobs and extended income for Bermudian businesses. Growth during the summer (June to August) was held to 5.0 per cent.

The longer view highlights sustained successes, along with green shoots that pave the way for future growth on many fronts. More entrepreneurial ventures were launched in 2019, boosted by investment for home-grown ideas. A modern airport is almost complete. Several new hotels are taking shape that will provide fresh tourism product within the next two years. Reinvigorated visitor services centres and curated activities around the island are enhancing travellers' experiences.

Global awareness of the Bermuda brand was powered by a succession of big-name, multi-year partnerships launched last year. Bermuda's brand-aligned exposure during the US Open in the critical New York market, followed by the successful first Bermuda Championship, a PGA Tour event, raised the island's profile among targeted audiences. The 2019–2020 Clipper Round the World Race takes that baton forward with Bermuda as host port and team partner for the epic spectacle.

Media collaborations with major titles like Afar, Garden & Gun, Modern Luxury, The New York Times, Smithsonian, Town & Country and Buzzfeed also shared Bermuda's story with millions of new consumers in 2019. Influencer visits from the likes of actress Yara Shahidi and family—including a well-targeted press trip conducted in partnership with US-based Bermudian costume designer and stylist Shiona Turini as well as hosting TV's Bachelor couple Arie Luyendyk Jr and Lauren Burnham—garnered significant coverage to attract African Americans and babymooners, respectively.

The National Tourism Plan, having completed its first instalment of a six-year vision, continues to engage Bermuda stakeholders and point the way towards shared goals—encompassing core focus areas from infrastructure improvements to greater year-round visitor balance and greener, more sustainable approaches to everything we do as a country in this industry. That view should keep us all focused on fruitful longer-term gains amid the near-term challenges.

EMPLOYMENT

The May 2019 Labour Force Survey Report produced by the Department of Statistics reported that the 2019 unemployment rate was calculated at 5.2 per cent, which is the same as May 2018. The unemployment rate for Bermudians increased marginally from 5.5 per cent to 5.6 per cent.

Preliminary data from the 2019 Employment Survey indicates that the total number of jobs in Bermuda grew by 441 posts from 33,862 in 2018 to 34,303 in 2019, which equates to a 1.3 per cent increase. Moreover, since 2008, when the number of jobs amounted to 40,213, 2019 represents the fourth consecutive year in which the number of jobs has increased. Although the increases were less than 0.5 per cent in the previous three years, the 2016 job growth halted seven consecutive years of job reductions in a Bermuda economy that had only recently begun to experience positive growth. Overall, the island has lost 5,910 jobs since 2008, a reduction of 14.7 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 from 2009 until 2015. The declines ranged between 5.2 per cent and 0.9 per cent during those years. With sustained economic growth, the year-over-year increase in the number of jobs has experienced an uptick in 2019 after modest increases between 2016 and 2018.

Hotels, public administration and education, health and social work are the only sectors to have gained over 100 jobs, increasing by 169, 150 and 105 posts respectively. The next largest increase occurred in construction, followed by business services, which contributed 88 and 51 additional positions respectively.

Hotels recorded the largest job growth of any industrial sector. This sector's employment numbers grew from 2,383 in 2018 to 2,552 in 2019. These figures equated to an increase in employment of 7.1 per cent.

The public administration sector experienced an increase in posts of 4.0 per cent, settling at 3,916 jobs in 2019 from 3,766 a year earlier.

Employment levels in the education, health and social work sector stood at 3,830 in 2019, an expansion of 105 posts or 2.8 per cent. The sector with the next largest amount of job growth was construction. This sector experienced an uptick of 88 jobs, registering a total of 2,224 posts in 2019 or 4.1 per cent year over year.

Collectively, the three divisions of economic activity with the greatest growth in jobs accounted for 424 additional jobs in 2019.

These increases were offset in large part by the retail trade and repair services sector, which recorded the largest reduction in jobs in 2019. This sector's employment numbers fell from 2,797 in 2018 to 2,716 in 2019. This figure equated to a reduction in employment of 2.9 per cent.

Other significant losses in posts occurred in the financial intermediation sector, which lost 49 positions, or 2.2 per cent, falling from 2,267 in 2018 to 2,218 in 2019.

Seven major occupational groups experienced job growth in 2019. Service workers, and shop and market sales workers had the largest increase of 125 positions, followed by senior officials and managers, whose jobs grew by 114 positions. Other groups with positive growth were professionals (+110), craft and related trade workers (+68) and elementary occupations (+51).

There were three major occupational groups that experienced job losses in 2019. The largest reductions occurred with clerks, who shed 22 positions, plant and machine operators and assemblers (-13) and skilled agricultural and fishery workers (-2).

Non-Bermudian employment grew from 7,570 in 2018 to 7,869 in 2019, which equates to 299 posts or 3.9 per cent. Bermudians' employment increased by a total of 154 posts or 0.7 per cent to finish 2019 with 23,620 positions. Non-Bermudian spouses of Bermudians accounted for an additional 48 jobs or 2.6 per cent to end the year with 1,925 posts. Jobs occupied by permanent resident certificate holders was the only status category to exhibit a decrease in employment in 2019. This category's jobs fell by 60 positions from 795 in 2018 to 735 in 2019, which is a 7.5 per cent decline.

INFLATION IN BERMUDA

The CPI increased at an average annual rate of 1.0 per cent in 2019.

The average rate of 1.0 per cent is below the UK (2.6 per cent), Canada (1.9 per cent) and the US (1.8 per cent). Over the last five years, the rate fell to 1.5 per cent in 2015 and 2016 and increased to 1.9 per cent in 2017 before falling to 1.4 per cent in 2018 and dropping again this year. The average rate of inflation over the last 5 years is 1.5 per cent. 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 1.9 per cent. Given this trend in the level of inflation, the CPI is expected to end 2020 in the region of 1.0–1.5 per cent.

During 2019, the largest price increases were recorded in the health and personal care, food, rent, and tobacco and liquor sectors.

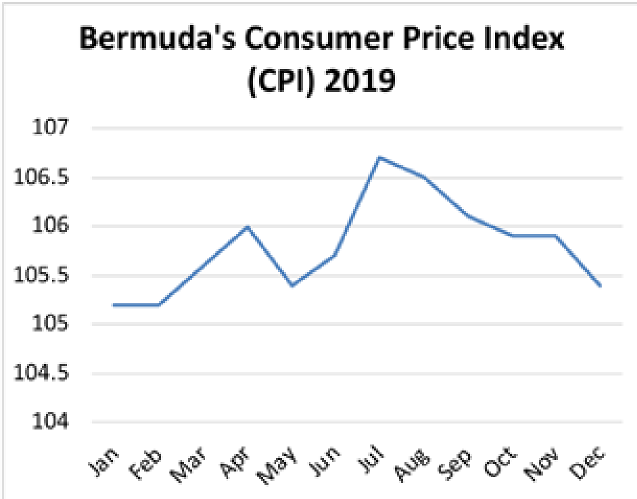
The increases in price levels of the health and personal care sector were the most significant contributor to the level of inflation in 2019. The average rate of price increases for this sector was 3.4 per cent, which can primarily be attributed to the average cost of health insurance premiums increasing by 3.1 per cent in April 2019.

During 2019, the monthly increases in the food sector ranged from 1.7 per cent to 3.3 per cent, with the average rate of price growth for the year settling at 2.7 per cent. The 3.3 per cent price increase recorded in February was the largest increase, with the next highest figure of 3.0 per cent recorded in August and December. Eight of the eleven months recorded year-over-year price increases of 2.5 per cent or higher.

The rent sector experienced moderate cost increases at an average rate of 1.0 per cent in 2019. Costs in this sector rose in large part as a result of increases in the cost of rental properties not subject to rent control. Also, on average, the land tax bill for residential properties rose after adjustments to the tax rates in July.

The prices in the tobacco and liquor sector climbed at an average rate of 3.8 per cent in 2019, which was the result of increases in the average costs of beer, wines and spirits throughout the year.

FIGURE 5



BALANCE OF PAYMENTS

The international business sector and its interaction with the local economy has 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 2019 was recorded at $635 million. This figure is 16.4 per cent less than the $760 million recorded over the first three quarters of 2018.

A large proportion of the year-over-year decline in the current account balance was reflected in the primary income account, which fell by $81 million or 6.3 per cent. Within the primary income account, investment income declined by $145 million over the first three quarters of 2019. The loss reflected a fall in net investment income over the first nine months of the year. An increase in employee compensation and other income helped to offset the loss experienced by investment income. Employee compensation grew by $57 million or 5.5 per cent, while the other income account increased by $8 million or 5.3 per cent.

The services account increased by $21 million over the first three quarters of 2019. The largest increase occurred in travel services, which grew by $20 million or 5.0 per cent year over year. Insurance services expanded by $18 million, due in large part to higher revenue collected on auxiliary insurance services. Information and communications technology (ICT) services also increased by $18 million. These gains were offset by financial services, which were reduced by $27 million as a result of lower fees and commissions received.

Based on the level of the current account balance after the first three quarters of 2019 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 $957 million surplus posted in 2018, based on the average surplus over the last five quarters and the current transaction trends between Bermuda and our trading partners.

FINANCIAL SECTOR

Banking sector capital ratios remained solid for the third quarter of 2019, with the Common Equity Tier 1 (CET1) ratio and Risk Asset Ratio (RAR) at 21.7 per cent and 22.9 per cent, respectively. Year over year, the CET1 ratio fell by 1.4 percentage points, while the RAR was down 1.8 percentage points. The yearly decline was due to the increase in risk-weighted assets (RWAs), which grew by 6.9 per cent to $8.7 billion relative to total regulatory capital levels, which fell by 0.7 per cent to $1.9 billion over the same period. Banks continued to hold a large portion of regulatory capital in the form of CET1, measuring at 94.5 per cent of total regulatory capital. As of 1 January 2019, all banks are required to hold additional capital (Capital Conservation Buffer) of 2.5 per cent of RWAs. The leverage ratio was down from a year ago, falling by 1.5 percentage points to 7.7 per cent, but in excess of the 5.0 per cent regulatory minimum requirement.

The domestic liquidity position grew in the third quarter, as the stock of local customer deposits of $3.4 billion held by the banks less the amount of domestic loans outstanding of $3.3 billion increased the net surplus position to just over $100 million during the quarter. All banks complied with the fully implemented Liquidity Coverage Ratio (LCR) and Net-Stable Funding Ratio (NSFR).

The total consolidated assets stood at $23.6 billion at the end of the third quarter, increasing by 18.6 per cent (or $3.7 billion) over the same quarter last year. The year-over-year growth in total assets was largely associated with merger and acquisition activity occurring in the third quarter of 2019. All asset categories were up, led by investments (up 23.3 per cent to $11.1 billion), followed by interbank deposits (up 71.8 per cent to $4.6 billion), loans (up 0.8 per cent to $8.2 billion) and other assets (up 8.9 per cent to $0.7 billion). On the liabilities side, banks saw a 20.4 per cent increase in customer deposits over the same quarter last year. On an aggregate basis, customer deposits held by the banking sector totalled $20.8 billion at the end of the third quarter of 2019. Customer deposit growth was led by time deposits (up

48.5 per cent to $4.6 billion) and demand deposits (up 24.7 per cent to $10.5 billion), whereas savings deposits fell by 1.1 per cent to $5.7 billion over the same period.

The banking sector reported higher profits in the third quarter of 2019 compared with a year ago. Year over year, net interest income fell by 3.1 per cent (or $4.8 million) to $147.2 million, while non-interest income levels increased by 12.1 per cent (or $8.6 million) to $79.4 million. Overall, total income amounted to $226.6 million for the quarter, up 3.5 per cent (or $7.7 million) compared with the same quarter last year, while operating and non-operating expenses rose by 5.0 per cent (or $6.8 million) to $142.8 million over the same period. The sector posted after-tax profits of $83.6 million, representing a year-over-year growth of 1.4 per cent.

Investment book structure remains conservative, with a large percentage of total investments held by the banking sector consisting of "securitised" investments—comprising non-equity, US government-sponsored agency instruments—and "sovereign" investments, representing 41.3 per cent and 45.0 per cent of total investments, respectively, in the third quarter of 2019.

In 2019, the topics of cryptocurrencies and blockchain began to broach the trough of disillusionment of Gartner's Technology Hype Cycle. As Bill Gates once said, "We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next 10. Don't let yourself be lulled into inaction." As the hype surrounding the cryptocurrency bubble has faded, it has been replaced by focused groups of innovators dedicated to fulfilling the vision of what is possible. For Bermuda, this presents an opportunity to tap into this energy and to become a technological leader, but it will take time, patience and dedication.

Bermuda has shown steady progress in attracting and embracing companies that wish to innovate in the FinTech space, using as leverage the regulatory frameworks we put in place in 2018 and continued to evolve in 2019. Though we were able to put in place foreign banking partnerships that provided some assistance in the development of the industry, the considerable challenge has been the delays in providing a local banking solution. It is a considerable hurdle and friction to attracting businesses to domicile in Bermuda if they cannot obtain basic banking support, particularly when it comes to facilitating the payment of local bills and operating expenses.

It is worthwhile recognising that cryptocurrencies are increasingly being recognised as the world's innovation and experimentation lab. While in some ways they represent the "wild west" in the fervent focus on decentralisation and avoiding any form of authority, they also provide considerable insights into how the underlying technology can be used to reshape our global financial infrastructure and beyond. Increasingly, we are seeing examples of the kind of inclusive global access to financial services that has been lauded as a benefit with the potential to drive cost reductions.

When looking at this industry holistically, it becomes very important for Bermuda to recognise its place and niche in helping this industry develop. We must look to our roots and ethos as a jurisdiction of global compliance, trust and transparency. We can also leverage our foundational reputation and experience in regulating financial services to provide an environment that lowers the barriers for those who wish to transition ideas and innovations from the "wild west" world of cryptocurrencies to the everyday individual who wants the benefits of innovation but not the risks.

GLOBAL ECONOMIC OUTLOOK

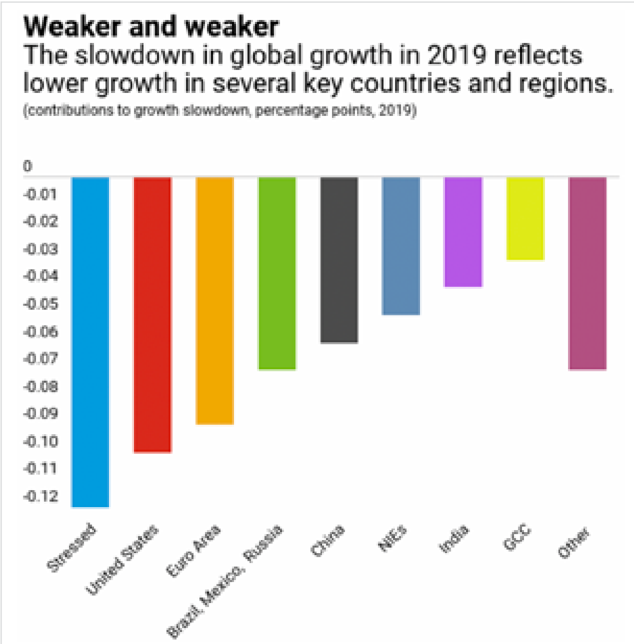
Global growth in 2019 is believed to have moved in an anaemic fashion that had not been registered since the 2009 global financial crisis, reflecting both common influences across countries and country-specific factors.

An increase in countries using trade barriers as a political tool and the resultant uncertainty were a drag on business sentiment and activity globally.

Just to add fuel to the global fire, additional pressure came from country-specific weakness in large emerging market economies such as Brazil, India, Mexico and Russia. Worsening macro-economic stress related to tighter financial conditions (Argentina), geopolitical tensions (Iran) and social unrest (Venezuela, Libya and Yemen) all provided downward pressure on global growth.

The IMF illustrates the estimated slowdown in Figure 6 below.

FIGURE 6



Global central banks provided accommodative policies in support of their respective economies. Brexit fears continued to impact the UK, where the economy grew at the slowest pace since 2009. Germany's industrial sector also suffered its steepest downturn in a decade, while the Chinese economy continued to lose impetus with the trade war and weak business sentiment weighing heavily on 2019 growth. With the global economy struggling to pick up momentum, monetary policy has indeed served as the demarcation point in order to avoid a major downturn. A growing number of economists have been calling for governments to provide some form of fiscal stimulus to aid in keeping their respective countries and, by extension, the global economy afloat.

Looking further ahead, several countries will need to find solutions to structural uncertainties that could have far-reaching, systemic implications for markets and the global economy. One case in point is the European Union (EU). The EU will need to establish a new working relationship with the UK while, at the same time, dealing with the harmful social and political effects of slow, insufficiently inclusive growth. The EU will also have to deal with the effects of a protracted period of negative interest rates, while also solidifying its economic and financial core. As long as the Eurozone's architecture is incomplete, consistent risks of instability will remain.

Another case is the US, which having notably outperformed many other economies must decide whether to continue to polarise itself from the rest of the world—an ideology that is in stark contrast to what drove the US to become the centre of the global economy in the first place.

Alternatively, one should look at China. With the global economy acting more as a drag on growth than a boon to it, China may confront the risk that it has overplayed its hand. Heavy reliance on short-term stimulus measures is increasingly inconsistent with pursuing the longer-term reforms that it needs, and its geopolitical ambitions are becoming costlier. Most importantly, in the next few years, China and the US, currently the world's two largest national economies, will have to steer through a narrowing path and try to secure their own interests while avoiding an outright confrontation.

To add further fuel to the fire, current macro-economic and geopolitical uncertainties will be amplified by technological disruptions, climate change and demographics, yet again raising questions about the functioning and resilience of the global economy and markets. Thus a discussion questioning the benefits of globalisation will be brought to the fore.

US

Despite a record government shutdown (35 days) ending on 25 January 2019, January was the stock market's best month in 2019 as equities rebounded from one of the worst Decembers on record and a 20 per cent decline in the S&P500 in the fourth quarter of 2018. The US–China trade war was the biggest story of 2019 and regular changes to its expected outcome added volatility to the markets. The rhetoric and resulting anxiety hit extremes in early August 2018 when US President Trump responded to a US rate cut by threatening to impose 10 per cent tariffs on an additional $300 billion in Chinese goods. The US equity market reacted by selling off, interest rates crashed and bonds of 10 years and more saw their second-biggest monthly decline in 10 years. In the fall, expectations rose for a watered-down "Phase One" deal, which was signed on 15 January. Mixed in throughout the year were tariff threats against Mexico, Brazil and Argentina. President Trump largely stifled the tariff rhetoric when it came to Europe but that could very well come in 2020.

Although trade wars were the biggest story for 2019, the Federal Reserve was a close second. After repeated hawkish commentary throughout the fourth quarter of 2018, Chairman Powell did an "about face" in early January by essentially saying the balance sheet reduction programme was no longer on autopilot. In the ensuing months, the increasing trade war rhetoric, falling inflation expectations, weakening economic data and curve inversion drove the Federal Reserve into a "mid-cycle adjustment" of three rate cuts of 25 basis points (bps) in three consecutive meetings beginning on 31 July. Literally days before the second meeting in September, the Federal Reserve lost control of the short-term funding markets as, overnight, repurchase agreements inflated by 10 percentage points and the Federal Reserve Funds Rate rocketed 75 bps above the top end of the 2–2.25 per cent target range. The Federal Reserve was forced to implement temporary repurchase facilities and a $60 billion monthly Treasury bill purchase plan, and the government's balance sheet rose 11 per cent from its low of $3.76 trillion in late August to $4.17 trillion in late December.

The year ended on a more positive note as trade tensions eased with a Phase One deal in the works. For the most part, the US economy fared well despite the headwinds created by ongoing trade tensions

Third-quarter GDP reflected that the US economy remained relatively steady at 2.1 per cent. Similarly to the prior quarter, the consumer was the main driver of the economy, while trade tensions continued to weigh on business sentiment, causing businesses to postpone spending. Despite the uncertainty created by trade tensions in 2019, consumer spending continued to be strong with a 3.2 per cent increase in the third quarter.

On the jobs front, the US economy added just over 2 million jobs in 2019, averaging about 173,000 jobs per month. The unemployment rate was at a 50-year low at 3.5 per cent at year-end, while the broad-based participation rate was relatively unchanged. The participation rate for the 25–54-year-old subgroup reached a 10-year high.

The housing sector remained steady, in part due to decreasing mortgage rates throughout 2019, which helped improve home affordability despite higher home prices. In addition, lower mortgage rates have supported home-buyer demand and relatively higher levels of refinancing.

US business confidence was clouded by trade tensions, which weighed on businesses for the majority of 2019. Towards year-end, as trade tensions dissipated, business sentiment improved modestly.

UK

The UK economy ended 2019 with zero growth, under pressure from long-term uncertainty (Brexit), mounting business costs and a global economic slowdown, according to a business survey.

Brexit uncertainty solidified 2019 as another difficult year for the economy, as the UK skirted on the edges of a recession after two EU withdrawal deadline extensions kept companies and households in limbo.

With a deepening downturn in the wider global economy being compounded by home-grown issues, at year-end the UK showed signs that growth was stagnating across major sectors. Moreover, while the UK avoided a technical recession in the third quarter of 2019 after a contraction during the previous three months, there has been little to cheer about as uncertainty over the Brexit outcome followed by the December general election left the economy in stop–start mode all year.

UK firms continued to freeze their spending plans. The knock-on effect meant manufacturers were buffeted by stockpiling efforts ahead of the 31 March and 31 October deadlines, while builders suffered amid a slowing housing market thanks to wavering buyer confidence.

Initially, 2019 began with a bang, as stockpiling before the original spring Brexit cut-off pushed growth up to 0.6 per cent in the first quarter.

Activity then shrank by 0.2 per cent in the second quarter as the manufacturing and construction sectors slumped. Firms that had spent the first three months of the year stockpiling instead moved to use up their stores before building up new reserves.

Signs that the economy was continuing to falter over the summer sparked worries that the UK could enter a recession. However, those fears were relieved when the economy returned to growth in the third quarter with 0.3 per cent expansion—but the uncertainty ramped up towards the end of the year after Prime Minister Boris Johnson called a snap election.

Added to all this was the volatile situation between the US and China as their trade war escalated over the year, which compounded the global growth slowdown, with a knock-on effect on the UK.

The Bank of England cut its outlook for fourth-quarter growth to a mere 0.1 per cent, as the prospects for the economy began to look decidedly downbeat, and left the door firmly open for an interest rate cut in its last decision of 2019.

While rates were held at 0.75 per cent all year, two of the Bank's policymakers have voted since November for a cut to 0.5 per cent.

The decisive Conservative Party win is seen as potentially offering a boost in the form of government spending, while also lifting the clouds of political uncertainty.

However, by far the biggest factor affecting growth was Brexit and trade deal prospects, which remained far from certain as Prime Minister Boris Johnson signalled that he will seek to pass legislation that could cause a cliff-edge Brexit at the end of 2020.

If the UK economy fails to show obvious signs of picking up in the early months of 2020, pressure will clearly mount on the Bank of England to lower interest rates to provide support.

Pressure for lower interest rates could also mount if the economy continues to be hindered by concerns over the UK's longer-term relationship with the EU and what will happen at the end of 2020 when the transition arrangement will come to an end.

CHINA

China's economy grew 6.0 per cent in the fourth quarter of 2019, official data showed, in line with expectations and steadying from the previous quarter's pace. However, the growth rate continued to hang at its weakest level in nearly three decades, causing concern that the world's second-largest economy is beginning to decline.

The apparent theme is that sluggish demand at home and abroad and escalating US trade pressure have been the cause of a slowing economy. As a result, Chinese policymakers have been rolling out a stream of growth-boosting measures over the past two years, including tax cuts, higher infrastructure spending and liquidity injections by the central bank, but domestic demand has been slow to respond.

Economic growth is expected to slow further to 5.9 per cent in 2020, a Reuters poll showed, reinforcing views that Chinese officials will need to roll out more policy support measures.

Top officials have repeatedly vowed not to unleash a massive "flood-like" stimulus similar to that announced in past economic downturns, which left a mountain of debt. Corporate bond defaults hit a fresh high last year, while state-linked firms rescued several troubled smaller banks.

It is likely that 2020 will prove to be an exceptionally challenging year for China due, in no small part, to the outbreak of the coronavirus.

The coronavirus outbreak that began in the Chinese city of Wuhan has spread across the country and beyond its borders, leaving governments at all levels in China scrambling to limit further person-to-person transmission of the virus, now known as COVID-19.

When the severe acute respiratory syndrome (SARS) virus hit the Chinese economy in the spring of 2003, everyone was initially pessimistic about the outbreak's likely economic impact. However, as soon as the epidemic was contained, the economy rebounded strongly, and ultimately grew by 10 per cent that year. China is unlikely to be so lucky this time, given unfavourable domestic and external economic conditions.

The small companies that drive China's economy are increasingly becoming worried about how much damage the coronavirus outbreak will cause. Without a reprieve from the disease, many may have only weeks to survive.

While some larger companies are reopening their doors after weeks of lockdowns designed to contain the epidemic, small businesses often cannot comply with the strict health rules now required in many regions and many do not have the option of letting employees work from home.

That could spell terrible news for China's entrepreneurs—and an even worse reality for the country's economy. About 30 million small and medium-sized businesses contribute more than 60 per cent of the country's GDP, according to government statistics published in September 2019. The taxes they pay account for more than half of government revenue, and they employ more than 80 per cent of China's workers.

It is not immediately clear how many companies will ultimately feel the full impact of the virus, as the full extent of the outbreak's consequences are still impossible to determine, but many small companies were already struggling before the coronavirus began infecting tens of thousands across the country.

Sooner or later, the epidemic will be conquered, and the Chinese economy will return to a normal growth path. However, to compensate for the losses arising from the COVID-19 outbreak, the Chinese authorities may have to adopt even more expansionary policies than have been previously suggested.

CANADA

Unlike most other countries, the Bank of Canada held interest rates steady in 2019. The housing market in Canada's biggest cities rebounded and business investment indicated higher productivity than feared. Yet global trade wars, climate change and the prolonged economic downturn in Alberta spell trouble for parts of the economy.

Despite challenging global conditions that include softer global growth and a rise in international trade disputes, Canada's economy continues to grow at a solid pace. Labour market conditions in Canada are strong, with historically low unemployment rates and historically high numbers of Canadians working. Tighter labour markets have translated into stronger wage growth, helping to boost consumer confidence and keep Canada's economy strong and growing.

The economy is expected to have slowed significantly in the fourth quarter, weighed down by temporary setbacks such as a CN Rail strike, pipeline ruptures and the closure of GM's century-old automotive plant in Oshawa, Ontario (this has caused over 2,000 job losses). While economic activity bounced back in November, surpassing market analysts' expectations, this was chiefly due to unseasonably cold weather boosting the country's utilities sector. More importantly, the transportation and warehousing, and mining and quarrying sectors contracted notably in the month, suggesting underlying weakness in the economy. That said, wage growth remained solid in November, while the labour market remained tight in the fourth quarter—boding well for household spending. In other news, US President Donald Trump signed the revamped NAFTA agreement in late January (now called the US, Mexico and Canada Agreement or USMCA). US President Trump also gave the green light to move forward on construction of the Keystone XL pipeline extension, which should support investment in Alberta's oil and gas sector.

Following some temporary weakness in late 2018 and early 2019, economic growth in Canada is on track to average 1.7 per cent in 2019. The economy is seen to be growing at a steady pace in 2020, with resilient private consumption and a stabilisation in the energy sector supporting economic activity. Volatility in commodity prices and elevated household debt pose downside risks to the outlook, however. Analysts have projected growth of 1.6 per cent in 2020 and, as a result, Canada is expected to be the second-fastest-growing economy in the G7 in both 2019 and 2020.

GLOBAL GROWTH

The IMF has estimated, in its January 2020 report, that global growth is projected to rise from an estimated 2.9 per cent in 2019 to 3.3 per cent in 2020. This is, apparently, based on the fact that there are tentative signs that manufacturing activity and global trade are bottoming out, and that there is a broad-based shift towards accommodative monetary policy, intermittent favourable news on US–China trade negotiations, and diminished fears of a no-deal Brexit, leading to some retreat from the risk-off environment. However, there still remain downside risks, which include rising geopolitical tensions, notably between the US and Iran, intensifying social unrest, further worsening of relations between the US and its trading partners, and deepening economic frictions between other countries. Additionally, weather-related disasters, such as major hurricanes in the Caribbean, bush fires in Australia, and floods and droughts in eastern and southern Africa, respectively, all put a damper on the prospects of strong global growth.

What is clear is that an overarching shared objective should be to make growth more inclusive through spending on health and education to raise human capital, while at the same time incentivising entry of firms that create high-value-added jobs and gainfully employ wider segments of the population.

2020 OUTLOOK FOR BERMUDA

In 2020, the Bermuda economy will face several threats, the most significant of these being: risks from slowing global growth, the impact of global warming and climate change, risks from recent OECD proposals on global corporate tax rates, the general rise in populism and economic nationalism in advanced economies, and Brexit. These factors could have a negative impact on our growth prospects.

Despite these threats the Bermuda economy is expected to sustain its growth path from 2019 to 2020. This will be propelled by increasing tourist arrivals, continued capital investment in various construction projects and sustained demand for financial services, in particular insurance. The above-cited factors are expected to boost employment and stimulate growth in domestic demand for goods and services. Domestic inflation is projected to remain moderate in 2020.

In 2020, the Government maintains the position that while risks exist, it is critical that we invest in creating a more diversified economy. This will create stronger economic growth for the island, as our ability to reduce our debt depends on being able to grow our economy and create more jobs in Bermuda. A stronger and more diversified economy will assist in our mission to increase employment across all sectors of the Bermuda economy and create jobs and opportunities in not only existing industries, but also new sectors that will drive stronger economic growth in the future.

However, it is important to reiterate that while diversification is a major priority, the Government will always put stability first, taking no risks with the island's sterling reputation or the sustainability of the public finances.

The Government will continue to focus on the growth of the twin pillars, financial services and tourism, which have served the Bermuda economy well.

Financial services technology (FinTech) also continues to be a key focus for Bermuda. Since this is a dynamic and rapidly changing field, Bermuda continues to view this industry as an opportunity. Our small size and ability to respond quickly to the changing environment can be an asset on which to capitalise in order to spur economic diversification and growth.

In parallel, further investigation is being made of blockchain technology to better understand the opportunities it presents beyond FinTech, as the technology itself has considerable implications for providing confidence in the provenance, reliability and integrity of data. This shift will unlock a wealth of global change, as one of the biggest challenges facing efficiency of transactions and data on the Internet today is the absence of these factors. The success and applicability of innovations such as big data, artificial intelligence and smart contracts will be dependent on these factors.

Bermuda is increasingly recognising its role as a potential lab or test bed for new technologies. Our small size, modern infrastructure, tech-savvy population and contained ecosystem can potentially be the perfect place to model innovations of the future. More energy is being placed in driving alignment behind this vision and recognising that we can not only attract thought leaders and innovators to the island but also create an immersive environment that enables Bermudians to participate and become thought leaders and innovators ourselves.

As Bermuda looks to 2020 and beyond, one area of focus, in FinTech, is to take a leading position in the development of the future of programmable money. Programmable money is real money represented in digital form, also known as tokens.

Programmable money provides the potential to build elegant rule-driven systems around the flows of money that can become the next step in the evolution of monetary systems and reshape global trade.

A simple example of how programmable money would work is as follows: Say Jane buys a car from John. The payment will only be executed after the car has been delivered and passed both a garage inspection and TCD transfer inspection test. The terms verification would be completed by either a garage inspection agent or a TCD agent. When both tests are complete, the transaction is authorized and the money would change hands.

This has the potential to be revolutionary in how we transact with each other and will significantly reshape global financial efficiency.

The Government recognises that it is imperative that we carefully balance the risks of new innovation with the opportunities that it will present. We are pleased to have in place a rigorous set of laws and regulations that set a high enough standard to earn us accolades in US Senate Banking Committee hearings and from SEC commissioner Hester Peirce, citing Bermuda as an example the US could learn from. Our focus is therefore on identifying the course that our larger partner jurisdictions are likely to pursue over the long term and aligning our own course to plot a path that eventually leads us to a position that mirrors our achievements and recognition by the US and EU in the insurance industry. This will be coupled with creating a compelling and attractive environment that makes Bermuda an essential place to be based to participate in modelling the future of the FinTech industry.

The Bermuda Business Development Agency (BDA) will continue to promote Bermuda to key global markets as a world-leading international financial centre, with a pro-business culture and gold standard regulatory regime. The BDA's continued critical goal is to encourage inward direct investment and growth that positively contributes to

Bermuda's economy and strengthens Bermuda's image on the world stage.

The BDA pursues targeted business development opportunities in key industries aligned with Bermuda's value proposition and anticipated future growth potential. These are risk and insurance solutions, high-net-worth services (private clients and family offices), asset management (funds, ILS and private equity), and technology and infrastructure (hotel investment, subsea cables and space satellites).

Safeguarding and enhancing Bermuda's outstanding reputation as an exceptional destination in which to live, work and play is part of the BDA's mandate. They work to identify and address perceived barriers to doing business by advancing relevant legislation and have a focus on increasing the number of business visitors to the island.

In 2020, the BDA will stay focused on key objectives: promoting Bermuda as a top-tier international finance centre, assisting new companies to make Bermuda their jurisdiction of choice, and helping existing Bermuda-based global companies to retain or increase jobs, business flows, and revenues. Delivering value to both public and private stakeholders is the agency's overarching mandate and the BDA will continue acting as a critical point of liaison, connecting Bermuda's industry, regulator and government on core jurisdictional issues that affect our economy.

Long-term optimism is warranted as Bermuda's tourism industry heads into 2020, despite continued short-term headwinds. Anticipated barriers, especially further reduced airlift, will continue to challenge year-over-year growth and create a mixed outlook in the near future. Yet, increasing foreign and local investment, a new airport terminal, legislation to attract superyachts and high-net-worth guests, plus brand-boosting global events slated for 2020 and beyond, are sowing seeds for sustainable, long-term success.

A raft of new hotel properties is coming online, including two on Warwick's South Shore in the next 18 months: Azura Bermuda, a luxury boutique hotel and residential enclave, and Bermudiana Beach Resort, Tapestry Collection by Hilton. Both are welcome additions to Bermuda's tourism product in 2020, modestly boosting the island's inventory. St Regis Bermuda Resort will add to that momentum the following year, with plans to open on 2 April 2021. Thanks to the trio's addition, the number of hotel rooms in Bermuda is expected to rise from current levels of 2,400 to 2,673 by 2021.

The late-2019 purchase of the iconic Fairmont Southampton Resort by owners of Rosewood Bermuda, coupled with 2020 plans by St Regis developers HotelCo to acquire the St George's Club, also points to robust investor confidence in the island's tourism industry and signals the start of a new era for both properties. At the Fairmont Southampton, resulting enhancements will drive eventual growth in Bermuda's vital group-sales sector—but the disruption caused by renovation to substantially upgrade the property will need to happen first.

The new $280 million airport terminal is fast taking shape and will open later this year. As a state-of-the-art gateway Bermuda can be proud of, the terminal will create a sense of welcome for arriving passengers and a longing to return when they leave, not to mention the industry buzz it will create among airline decision-makers. No matter how dynamic the East End portal may be, however, it cannot be considered a silver bullet for air service.

Changing air capacity does not only affect Bermuda—it is a challenge for every destination as airlines adjust routes and seat numbers according to their own business strategies amid global competition and equipment shortages. The BTA, in partnership with the government, Skyport and the Bermuda Airport Authority, has taken a proactive approach to better manage that risk, working with experienced air-service development consultants to help shape and execute a long-term, sustainable airlift strategy. Maintaining our strongest air routes and building on already-established relationships with key airlines will be critical to our success, and time will be needed to reap the benefits.

In 2020, Bermuda's cruise-ship schedule will include more total calls to more of the island's three ports, slight growth in passenger numbers, and extended seasons—with increases in spring and fall underscoring the island as a year-round destination. That supports a National Tourism Plan (NTP) goal to achieve better balance between air and cruise arrivals, as well as better seasonal equilibrium.

Legislation was passed by Bermuda's Parliament in 2019 offering superyachts charter and cruising permits. The new law was enacted January 2020 with the intention of bringing back some of the high-net-worth traffic Bermuda benefitted from during the 35th America's Cup. Superyachts bring target visitors that the NTP identifies as "jetsetters", and their visits, timed between Caribbean and Mediterranean schedules, would specifically boost our spring and fall seasons. The BTA has already activated stakeholders in a working group that will plan 2020–2021 strategy to take advantage of this promising sphere.

Between 2015 and 2018, Bermuda enjoyed double-digit growth in air arrivals and visitor spending, a sustained comeback that has positioned us well to respond to the challenges of 2019–2020. We look forward to working with industry partners and all our stakeholders to weather short-term adversities, keep the long view in sight, and continue to capitalise on every opportunity to build tourism's resurgence.

With major projects like the redevelopment of the airport and the above-mentioned hotel developments already underway, many jobs have been and will continue to be created in the construction sector.

Along with private sector capital projects, the capital expenditure component of the 2020–2021 budget will help to strengthen economic growth by providing vital support to our construction sector.

The Government's desire is to strengthen the local economy through targeted investment strategies and diversification. This will be accomplished not only through enhancing existing industries, but also by continuing to develop new sectors such as FinTech. These initiatives are expected to lead to higher employment numbers and provide sustained economic growth in most sectors.

Considering all the above factors, the island's economic growth in 2020 is projected to expand by 1.0–2.0 per cent.

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Tables

TABLE 1

GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN
(At constant market prices $000's) 2013= 100

INDUSTRIAL SECTIONS	2013	2014	2015	2016	2017	2018
A. Agriculture, Forestry and Fishing	21,226	14,069	14,371	20,837	19,809	18,122
C. Manufacturing	33,436	33,343	32,195	32,965	35,077	34,210
D/E. Electricity, Water Supply and Waste Management	91,882	88,366	84,723	64,456	65,488	71,486
F/B. Construction & Quarrying	217,303	208,718	210,123	232,200	242,841	276,743
G. Wholesale and Retail Trade	333,350	332,034	333,917	331,394	341,611	326,104
H. Transportation and Storage	131,523	120,550	121,754	122,501	132,079	133,806
I. Accommodation and Food Service	250,328	218,034	211,060	214,665	271,408	258,750
J. Information and Communication	203,035	193,301	182,124	171,776	182,170	173,872
K. Financial and Insurance Activities	1,022,421	912,412	906,266	890,566	906,103	914,051
L. Real Estate Activities	894,838	885,878	881,827	890,816	935,268	952,040
M. Professional, Scientific and Technical Activities	390,899	355,985	377,085	379,316	382,360	378,471
N. Administrative and Support Services	107,085	111,269	118,538	119,970	125,491	130,901
O. Public Administration	359,233	355,846	337,432	325,322	336,715	332,939
P. Education	135,933	130,812	126,896	130,895	129,507	127,488
Q. Human Health and Social Work	342,097	308,015	308,532	313,745	315,367	324,336
R. Arts, Entertainment and Recreation	30,269	28,751	36,046	44,659	61,021	24,392
S. Other Service Activities	60,413	62,489	60,097	57,474	58,820	58,062
T. Activities of Households as Employers	15,980	13,911	14,123	13,820	13,739	13,161
U. International Business Activities	1,546,319	1,614,340	1,620,986	1,582,809	1,597,923	1,622,618
GDP at Constant Basic (2013) Prices	6,187,568	5,968,123	5,978,095	5,940,187	6,152,797	6,171,551
Add: Taxes less Subsidies on Products	278,188	258,330	296,647	293,317	305,825	293,880
GDP at Constant Purchasers' (2013) Prices	6,465,756	6,226,454	6,274,742	6,233,504	6,458,622	6,465,431
Percentage Change	-0.3%	-3.7%	0.8%	-0.7%	3.6%	0.1%

Source: Department of Statistics

TABLE 2

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

INDUSTRIAL SECTIONS	2013	2014	2015	2016	2017	2018
A. Agriculture, Forestry and Fishing	21,226	13,536	15,159	21,177	19,614	18,717
C. Manufacturing	33,436	30,782	34,206	29,732	33,128	42,447
D/E. Electricity, Water Supply and Waste Management	91,882	88,893	99,512	106,613	118,156	107,378
F/B. Construction & Quarrying	217,303	201,198	207,176	232,645	242,083	276,569
G. Wholesale and Retail Trade	333,350	338,652	386,505	396,780	418,582	407,691
H. Transportation and Storage	131,523	122,646	126,875	133,010	154,760	187,101
I. Accommodation and Food Service	250,328	248,605	258,778	279,544	330,413	344,526
J. Information and Communication	203,035	189,050	179,920	179,153	183,784	177,768
K. Financial and Insurance Activities	1,022,421	1,022,061	1,017,844	1,058,927	1,068,479	1,123,838
L. Real Estate Activities	894,838	893,333	904,814	929,289	980,865	1,013,841
M. Professional, Scientific and Technical Activities	390,899	398,801	387,334	441,075	435,138	412,759
N. Administrative and Support Services	107,085	114,796	113,048	140,610	121,677	124,546
O. Public Administration	359,233	336,509	341,449	330,970	346,059	351,902
P. Education	135,933	134,573	133,361	136,601	140,892	143,952
Q. Human Health and Social Work	342,097	299,253	335,584	341,966	344,341	365,297
R. Arts, Entertainment and Recreation	30,269	32,845	40,219	55,787	84,774	30,381
S. Other Service Activities	60,413	59,136	64,688	59,629	61,902	73,016
T. Activities of Households as Employers	15,980	17,954	19,034	17,355	15,887	15,085
U. International Business Activities	1,546,319	1,616,802	1,707,108	1,718,498	1,719,825	1,725,330
GDP at Current Basic Prices	6,187,568	6,159,425	6,372,613	6,609,362	6,820,360	6,942,144
Add: Taxes less Subsidies on Products	278,188	254,563	281,929	290,550	321,956	321,332
GDP at Current Purchasers' Prices	6,465,756	6,413,988	6,654,541	6,899,911	7,142,316	7,263,476
Percentage Change	1.4%	-0.8%	3.8%	3.7%	3.5%	1.7%

Source: Department of Statistics

TABLE 3

NUMBER OF FILLED JOBS BY ECONOMIC ACTIVITY GROUP

	2015	2016	2017	2018F	2019P
Agriculture, forestry and fishing	602	592	598	571	555
Manufacturing	573	575	571	537	521
Electricity, gas and water supply	321	322	322	314	294
Construction & Quarrying	1,928	1,954	2,008	2,136	2,224
Wholesale and retail, repair serv.	3,977	4,143	4,216	4,236	4,158
Hotels and restaurants	4,012	4,127	4,371	4,547	4,681
Transport and communications	2,037	2,009	1,974	1,889	1,918
Financial intermediation	2,369	2,332	2,309	2,267	2,218
Real estate and renting activities	460	448	470	469	484
Business activities	3,565	3,602	3,586	3,579	3,630
Public administration	3,936	3,767	3,684	3,766	3,916
Education, health & social work	3,688	3,722	3,707	3,725	3,830
Other comm., social and personal	1,951	2,056	1,897	1,841	1,879
International business activity	3,900	3,832	3,940	3,985	3,995
Total	33,319	33,481	33,653	33,862	34,303

P = Preliminary data

F = Final

Source: Department of Statistics Employment Survey

TABLE 4

RETAIL SALES INDEX Average Monthly Sales (1) 2015 = 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	
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	102.0	1.9	102.3	2.4	103.6	3.6	103.0	2.5	102.9	2.8	106.6	6.6	97.2	(2.9)	101.3	1.3
2017	105.0	2.9	105.1	2.7	105.3	1.6	98.7	(4.2)	111.5	8.4	117.4	10.1	101.1	4.0	103.4	2.1
2018	103.0	(1.9)	105.5	0.4	104.8	(0.5)	87.0	(11.9)	111.0	(0.4)	119.8	2.0	91.1	(9.9)	102.1	(1.3)
2018																
Jan	93.1	2.7	100.5	3.4	73.1	0.7	91.7	(6.5)	96.7	2.5	111.4	3.9	71.5	16.8	87.4	1.2
Feb	87.7	2.7	92.9	0.6	80.0	1.3	86.5	(1.4)	92.5	5.5	116.1	14.8	52.4	3.0	86.4	4.2
Mar	99.6	(3.3)	110.1	5.7	99.8	9.3	71.1	(44.0)	104.6	1.4	110.8	(22.2)	75.4	(3.2)	97.1	0.7
Apr	96.4	(5.5)	96.9	(6.1)	89.2	(13.4)	97.2	5.3	103.6	(3.1)	124.6	1.9	77.1	(10.8)	95.3	(7.5)
May	113.1	(0.3)	109.8	(1.2)	114.7	(2.2)	87.6	(3.6)	122.5	0.0	151.1	16.0	102.2	(10.2)	120.3	2.4
Jun	111.9	(6.8)	110.7	(3.4)	129.6	(4.4)	83.1	(1.2)	127.7	(5.1)	111.3	(2.3)	117.1	(28.7)	112.3	(4.4)
Jul	112.0	(1.9)	111.7	0.6	127.5	2.4	95.7	(7.2)	136.8	(1.9)	119.1	11.5	88.2	(13.8)	112.7	(3.2)
Aug	104.8	(1.4)	108.7	2.2	119.6	4.6	81.8	(28.8)	123.1	5.8	119.7	(5.2)	86.0	(5.4)	100.6	1.0
Sep	99.7	(3.8)	106.4	0.1	102.7	(1.4)	83.3	(19.4)	110.6	(3.1)	142.8	16.7	81.4	(14.9)	88.6	(6.3)
Oct	101.2	1.9	105.4	2.4	98.6	1.4	98.5	(0.9)	110.4	(0.3)	120.9	9.2	74.2	(4.9)	98.2	3.8
Nov	101.4	(1.1)	102.2	0.4	97.2	1.6	84.6	(10.4)	103.6	(1.2)	118.7	1.0	107.9	(0.4)	100.1	(1.5)
Dec	115.5	(3.7)	111.1	0.6	126.2	(1.9)	83.0	(7.3)	100.4	(2.4)	90.5	(16.3)	160.2	(12.5)	126.4	(3.0)
2019																
Jan	91.9	(1.2)	103.7	3.2	74.5	1.9	89.1	(2.9)	90.2	(6.7)	110.9	(0.4)	56.9	(20.4)	86.6	(0.9)
Feb	85.5	(2.5)	94.7	1.9	79.5	(0.6)	71.0	(17.9)	87.3	(5.6)	113.5	(2.3)	50.0	(4.5)	83.7	(3.1)
Mar	97.3	(2.2)	108.8	(1.2)	95.7	(4.1)	75.8	6.6	101.7	(2.8)	112.8	1.8	67.5	(10.4)	92.8	(4.4)
Apr	98.6	2.2	103.1	6.4	98.7	10.6	80.0	(17.7)	104.1	0.5	117.2	(5.9)	76.1	(1.2)	100.3	5.2
May	109.1	(3.6)	111.9	1.9	115.6	0.8	86.5	(1.2)	115.8	(5.4)	146.8	(2.9)	86.3	(15.6)	110.6	(8.1)
Jun	106.0	(5.3)	110.8	0.0	117.9	(9.1)	76.0	(8.6)	122.7	(3.9)	97.6	(12.3)	100.2	(14.4)	103.5	(7.8)
Jul	114.8	2.6	118.5	6.1	132.7	4.1	99.4	3.9	142.8	4.4	88.6	(25.6)	80.7	(8.5)	118.5	5.1
Aug	97.5	(7.0)	103.8	(4.5)	110.4	(7.7)	64.9	(20.6)	115.7	(6.0)	102.5	(14.4)	76.3	(11.3)	96.2	(4.3)
Sep	95.9	(3.8)	107.3	0.9	105.8	3.0	60.8	(27.0)	109.8	(0.7)	116.3	(18.6)	68.0	(16.4)	89.6	1.2
Oct	98.0	(3.2)	108.8	3.3	98.7	0.1	77.8	(21.0)	107.0	(3.1)	104.3	(13.7)	64.2	(13.5)	96.0	(2.3)
Nov	99.3	(2.1)	106.3	4.0	98.1	0.9	69.2	(18.2)	98.4	(5.0)	106.7	(10.1)	91.1	(15.6)	100.4	0.3

(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)										
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
2017	1.9	2.2	0.1	1.5	7.8	7.8	0.5	3.6	2.0	1.3
2018	1.4	2.1	0.2	1.5	4.3	5.8	-0.2	0.3	2.1	3.1
2019	1.0	2.7	0.9	1.9	3.8	1.1	Nil	-3.0	0.4	3.4
MONTHLY (per cent)										
2017										
Sept	0.2	-0.1	Nil	Nil	0.1	0.2	0.1	0.2	0.8	Nil
Oct	-0.1	0.1	0.1	0.1	0.2	Nil	Nil	-1.4	-0.2	0.5
Nov	0.1	0.1	Nil	Nil	0.1	-2.1	Nil	1.2	0.5	Nil
Dec	-0.2	-0.7	Nil	Nil	0.1	Nil	Nil	-1.4	0.1	Nil
2018										
Jan	-0.2	1.2	Nil	Nil	0.3	-1.5	-0.1	-1.9	0.1	Nil
Feb	0.3	-0.7	Nil	Nil	Nil	Nil	0.2	2.6	-0.1	Nil
Mar	0.2	0.2	Nil	Nil	-0.2	Nil	Nil	0.8	0.5	Nil
Apr	0.6	0.3	Nil	0.1	0.6	Nil	-1.0	1.4	0.4	2.9
May	0.2	1.0	Nil	Nil	0.2	3.8	Nil	-1.2	0.4	Nil
Jun	-0.1	0.2	Nil	Nil	0.8	1.4	Nil	-1.8	-0.1	Nil
Jul	0.4	0.1	Nil	2.5	Nil	3.9	-0.1	1.5	-0.1	Nil
Aug	-0.5	-0.3	-0.4	Nil	0.2	-1.4	0.2	-2.3	-0.1	Nil
Sept	0.4	0.3	Nil	Nil	0.2	1.5	0.2	1.3	0.5	Nil
Oct	-0.1	0.4	0.1	-0.1	-0.1	Nil	-0.1	-1.0	Nil	Nil
Nov	-0.2	-0.1	0.1	Nil	Nil	-0.6	Nil	-1.5	-0.1	Nil
Dec	-0.1	0.3	Nil	Nil	0.3	-1.8	Nil	-0.3	Nil	Nil
2019										
Jan	0.2	1.0	0.5	0.4	0.3	Nil	0.1	-0.7	0.1	Nil
Feb	Nil	-0.2	0.5	Nil	0.2	Nil	0.1	-0.9	Nil	Nil
Mar	0.4	-0.1	0.9	Nil	0.4	Nil	Nil	2.1	-0.4	-0.1
Apr	0.4	-0.2	-0.1	Nil	1.0	Nil	Nil	0.4	0.1	2.3
May	-0.6	0.3	-2.0	Nil	0.8	1.0	-0.2	-1.6	0.1	Nil
Jun	0.3	1.0	-0.4	Nil	1.1	0.8	Nil	0.7	-0.2	1.4
Jul	0.9	0.4	2.1	0.2	-0.6	Nil	Nil	2.7	0.2	0.1
Aug	-0.2	-0.1	0.2	Nil	0.2	Nil	0.1	-1.7	-0.3	Nil
Sept	-0.4	0.2	-0.2	Nil	1.1	Nil	Nil	-3.0	0.4	Nil
Oct	-0.2	-0.1	-0.9	0.5	-0.3	-4.2	0.1	0.8	0.1	0.4
Nov	Nil	0.5	-0.2	Nil	-0.7	-2.7	Nil	0.9	Nil	Nil
Dec	-0.5	-0.1	Nil	Nil	0.2	-1.5	-0.4	-2.8	Nil	Nil
Dec '18	105.4	110.6	101.9	106.2	123.7	104.0	102.6	95.5	108.6	112.8
Dec '19 / Dec '18	0.5	2.6	0.5	1.2	3.7	-6.6	-0.3	-3.4	0.1	4.1

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
2015		161.8	27.9	13.6	13.0	4.3	3.6	15.4	77.9	25.8	52.1
2016		96.3	33.2	29.5	9.5	4.4	5.6	11.9	94.2	29.9	64.3
2017		596.1	61.7	23.3	36.5	5.0	51.1	6.6	184.3	37.2	147.1
2018		105.3	41.8	21.6	31.8	8.6	100.6	5.1	209.5	37.1	172.3
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	19.2	5.3	2.4	2.9	2.0	1.3	0.9	14.8	5.3	9.5
	Q4	9.3	4.2	6.9	0.8	1.6	1.1	2.2	16.8	8.1	8.7
2017	Q1	13.6	13.3	7.2	3.0	2.1	7.0	3.0	35.7	12.6	23.1
	Q2	550.9	26.9	6.4	5.5	0.3	8.6	0.3	48.1	10.6	37.6
	Q3	28.8	12.9	5.3	8.0	1.6	21.4	0.8	50.1	7.2	42.9
	Q4	2.9	8.5	4.4	20.0	0.9	14.1	2.5	50.3	6.8	43.5
2018	Q1	19.1	5.1	5.8	6.7	1.7	54.2	1.2	74.6	6.6	68.0
	Q2	43.0	12.7	3.7	4.1	2.4	15.2	0.5	38.8	9.4	29.4
	Q3	35.4	14.5	5.4	10.2	3.4	14.5	0.8	48.8	9.7	39.1
	Q4	8.0	9.5	6.7	10.7	0.9	16.7	2.7	47.3	11.5	35.8
2019	Q1	15.3	14.1	3.1	10.6	2.8	39.5	5.5	75.8	10.4	65.3
	Q2	58.1	13.0	8.0	10.2	2.3	26.6	0.6	60.7	9.6	51.1
	Q3	15.5	7.6	7.2	11.2	4.4	15.3	1.2	46.8	11.5	35.3

[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
2015		17	21	5	15	58
2016		10	27	15	5	57
2017		13	28	12	9	62
2018		7	39	18	16	80
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
	Q4	2	7	5	2	16
2017	Q1	2	8	4	2	16
	Q2	6	4	5	5	20
	Q3	4	6	2	2	14
	Q4	1	10	1	0	12
2018	Q1	0	8	3	8	19
	Q2	3	9	3	2	17
	Q3	3	13	7	4	27
	Q4	1	9	5	2	17
2019	Q1	1	12	4	1	18
	Q2	0	6	4	2	12
	Q3	3	12	3	5	23

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
2014		224,380	355,880	580,260	-5.1	4.7	0.7
2015		219,814	377,398	597,212	-2.0	6.0	2.9
2016		244,491	397,904	642,395	11.2	5.4	7.6
2017		269,576	418,049	687,625	10.3	5.1	7.0
2018		281,886	484,339	766,226	4.6	15.9	11.4
2019		269,478	535,561	805,039	-4.4	10.6	5.1
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	71,972	146,479	218,451	-1.8	-0.3	-0.8
	Q3	76,487	182,256	258,743	-2.2	7.3	4.3
	Q4	42,387	48,344	90,731	1.2	23.6	12.0
2016	Q1	32,233	3,341	35,547	11.3	938.9	21.4
	Q2	75,730	150,811	226,541	5.2	3.0	3.7
	Q3	86,948	190,333	277,281	13.7	4.4	7.2
	Q4	49,580	53,419	120,999	17.0	10.5	33.4
2017	Q1	36,752	9,282	46,034	14.0	177.8	29.5
	Q2	87,351	165,560	252,911	15.3	9.8	11.6
	Q3	90,321	200,455	290,776	3.9	5.3	4.9
	Q4	55,152	42,752	97,904	11.2	-20.0	-19.1
2018	Q1	40,325	4,687	45,012	9.7	-49.5	-2.2
	Q2	92,039	196,492	288,531	5.4	18.7	14.1
	Q3	94,966	190,115	285,081	5.1	-5.2	-2.0
	Q4	54,556	93,045	147,601	-1.1	117.6	50.8
2019	Q1	38,349	11,100	49,449	-4.9	136.8	9.9
	Q2	89,620	220,395	310,015	-2.6	12.2	7.4
	Q3	89,178	215,531	304,709	-5.5	13.4	6.9
	Q4	52,331	88,535	140,866	-4.1	-4.8	-4.6

[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
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
2015	130.8	108.5	631.7	200.8
2016	170.6	132.7	764.1	297.8
2017	150.5	126.7	837.6	269.4

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

TABLE 10

BALANCE OF PAYMENTS ESTIMATES
$ millions

	2015	2016	2017	2018	2019*
Exports	21	19	18	17	12
Imports	940	980	1,094	1,100	885
Merchandise Trade Balance	-918	-961	-1,077	-1,084	-873
Services & Income – receipts	3,328	3,396	3,565	3,682	2,901
Services & Income- payments	1,445	1,571	1,654	1,641	1,393
Current account balance	964	863	834	957	635
Financial Account					
Direct Investment	-84	95	-42	-35	-36
Portfolio Investment	1,573	406	333	-798	-328
Financial Derivatives	137	208	134	121	95
Other Investments	-897	561	-236	773	740
Reserve Assets	7	10	21	-10	16
Net Acquisition of Financial Assets	735	1,281	211	51	487
Direct Investment	-143	-73	-288	95	91
Portfolio Investment	90	807	-365	119	-187
Financial Derivatives	0	-4	-11	3	20
Other Investments	28	-280	62	-1,067	-45
Net Incurrence of Financial Liability	-24	450	-602	-850	-121
Total Net Financial Account	-760	-831	-813	-901	-608
Total Net Capital Account	0	0	0	0	0
Total Net Lending (+)/ Net Borrowing (-)	760	831	813	901	608
Balancing Item	-205	-33	-21	-56	-27

Numbers may not add due to rounding

* Q1 – Q3 provisional estimate

Source: Department of Statistics

GOVERNMENT OF BERMUDA

Ministry of Finance