



GOVERNMENT OF BERMUDA  
Ministry of Finance

# 2018 NATIONAL ECONOMIC REPORT OF BERMUDA





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## THE ECONOMY IN 2018

The Ministry of Finance estimates that Bermuda's GDP may have increased by 0.5 per cent – 1.0 per cent in 2018<sup>1</sup> following growth of 2.5 per cent in 2017.

Many of the major economic indicators such as employment, air and cruise visitors, construction activity and international business registrations increased in 2018, indicating a strengthening in the Bermuda economy.

The number of jobs is estimated to have grown by 0.4 per cent and the official unemployment rate fell from 7.0 per cent to 6.0 per cent.

In the tourism sector, air visitors increased by 4.6 per cent, while cruise arrivals rose by 15.9 per cent. Employment in hotels grew by 4.8 per cent.

Employment income declined by 0.6 per cent over the first three quarters of 2018. The largest decrease occurred in the international business sector, whose employment income fell by 3.9 per cent.

The gross turnover generated by retail stores decreased by 2.1 per cent in 2018, while jobs in the sector rose by 1.2 per cent.

Over the first three quarters of 2018, the level of construction activity grew by 17.0 per cent, with the value of work put in place increasing by \$22.8 million. The value of new projects started fell from \$593.3 million in 2017 to \$92.4 million in 2018, a decline of 84.4 per cent. Jobs in this industry grew by 6.5 per cent year over year.

The Consumer Price Index (CPI) measured 1.4 per cent for 2018. This level of inflation is below the 1.5 per cent and 1.9 per cent recorded in 2016 and 2017 respectively.

## GROSS DOMESTIC PRODUCT 2017

The most recently published estimates by the Department of Statistics for GDP are for the year 2017.

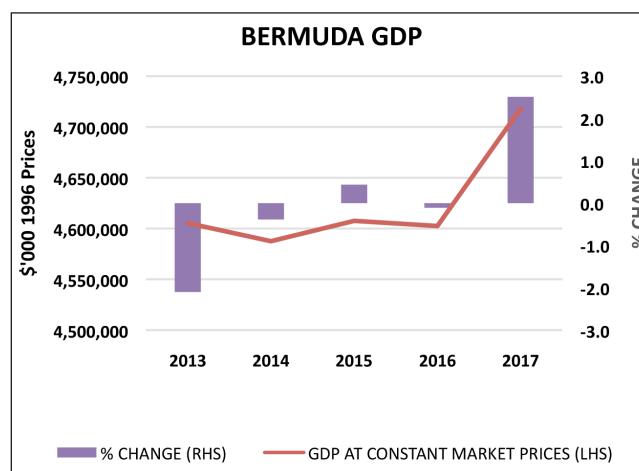
In 2017, the Bermuda economy grew by 2.9 per cent at current market prices. This increase marks the fifth consecutive year that the economy has grown in nominal terms, after four years of decline. Nominal GDP was reported to be approximately \$6.269 billion, reflecting an increase of \$176.3 million above the 2016 revised figure of roughly \$6.093 billion. As a result, Bermuda's GDP per capita rose from \$95,520 in 2016 to \$98,125 in 2017. When adjusted for inflation, the level

of economic activity or real GDP increased by 2.5 per cent. This rate was marginally better than the five-year average (2013–2017) of positive 2.4 per cent. The result was also better than the Ministry of Finance's 2017 estimate (made in February 2018) of an increase in GDP of 0.75–1.25 per cent.

The positive movement in GDP of 2.9 per cent at current market prices was largely driven by a 17.9 per cent increase in the output of the hotel and restaurant sector, growth of 3.8 per cent in the real estate and renting activities sector, and a 15.8 per cent uptick in the other community, social and personal services sector.

The growth in the level of GDP in real terms of 2.5 per cent was mainly caused by increases of \$46.6 million in the output of the hotel and restaurant sector, a \$21.9 million hike in the real estate and renting activities sector, and growth of \$9.8 million in the other community, social and personal services sector. These gains were offset by losses of \$16.1 million in the financial intermediation sector.

FIGURE 1



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

In current market prices, international business contributed the greatest amount to the Bermuda economy in 2017. This sector provided \$1.67 billion in total output or 26.7 per cent of total GDP, which was a less than 1.0 per cent increase when compared with 2016. The growth in output in this sector benefitted from increases in the value added of businesses engaged in financial activity and insurance management.

<sup>1</sup> Official 2018 GDP estimates are not yet available.

Following the last decline in 2011, 2017 marked the sixth consecutive year that the value added by the international business sector increased. The value added from this sector represents over 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.

The real estate and rental sector was the second largest contributor to GDP. This sector accounted for \$1.0 billion in output or 16.0 per cent of total GDP. The value added from this industry increased by 3.8 per cent, increasing for the fourth consecutive year. The growth in this sector can be attributed to increases in the real estate activities by government and the private sector and the growth in the imputed rent for owner-occupied dwellings.

The next largest contributor to Bermuda's economy is the financial intermediation sector. This sector accounted for \$736.8 million in output, which represents 11.8 per cent of total GDP. The 0.5 per cent year-over-year growth in this sector was mainly the result of an increase in net interest received by the commercial banks.

The business activities sector contributed \$548.8 million to the output of the economy, representing 8.8 per cent of GDP. Output in this sector declined by 1.7 per cent, led by declines in legal services and building cleaning activities.

Output generated in the education, health and social services sector was recorded at \$532.2 million in 2017, which represents 8.5 per cent of total output. This sector experienced growth in output of 3.0 per cent, which was primarily driven by greater output in private health activities.

The wholesale, retail trade and repair services sector represented 7.2 per cent of GDP in 2017, with an output level of \$455.3 million, which is a 4.0 per cent increase over 2016. This sector increased for the fourth consecutive year following five consecutive years of decline. This sector was bolstered by growth in the sale of clothing, food at grocery stores, fuel at services stations and sales at pharmacies.

The construction and quarrying sector grew by 1.8 per cent and accounted for 3.5 per cent of GDP. The output of \$214.9 million was driven by increased construction activity associated with the 35th America's Cup event, residential renovations, airport and hotel development.

## Economic Trends 2018

### Domestic Demand

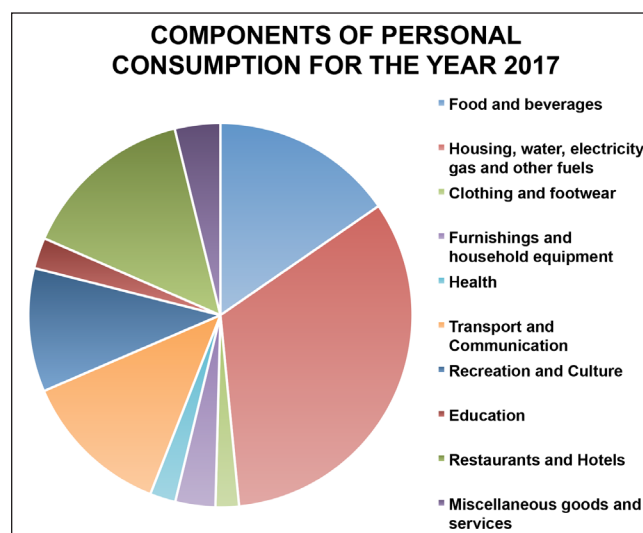
#### Personal Consumption and the Retail Sector

Employment income supports personal consumption and is estimated to have decreased by 0.6 per cent for the first three quarters of 2018 compared with the same period in 2017. For the 12-month period ending September 2018, total employment income was \$3.40 billion, some \$1.3 million less than the 12-month period ending September 2017.

The year-over-year level of employment income declined by 1.6 per cent during the first quarter and 1.4 per cent in the second quarter but increased by 1.4 per cent in the third quarter of 2018. In the 2018 Labour Force Survey, the unemployment rate was measured at 6.0 per cent. The decline in the unemployment rate from 7.0 per cent in 2017 should bode well for employment and employment income in the near future.

The most recent estimates by the Department of Statistics for household personal consumption are for the first three quarters of 2018. During that time period, total household personal consumption was \$2.46 billion, reflecting an increase of 0.1 per cent over 2017.

FIGURE 2



While 2018 personal consumption estimates are not available for the entire year, the Retail Sales Index (RSI) for 2018 offers insight into the expenditure trends of consumers in Bermuda's retail stores.

In 2018, total gross turnover stood at \$1,151.4 million, which represents a 2.1 per cent decline when compared with 2017. In the first three quarters of 2018, employment income fell by 0.6 per cent, which appears to have had a negative effect on retail sales as consumers had less disposal income. Another reason for the decline in retail sales is due to the extraordinary level of sales that occurred during and in the aftermath of the America's Cup in June 2017. When comparing 2018 with the 2017 data, the extraordinary sales generated from that event cannot be replicated, which results in the index being negative for 2018.

As a result, every sector in the RSI recorded sales declines in 2018 with the exception of food stores.

Motor vehicle stores recorded the largest reduction in sales of all sectors. The sales level recorded in this sector was led by an 18.5 per cent decline in sales during the third quarter. The average monthly decrease in this sector was 10.9 per cent. Sales declined due to fewer vehicles being sold during the year.

Apparel stores experienced the next largest fall in sales of all sectors. Six of the twelve months in 2018 recorded double-digit sales declines, with the largest monthly decrease being over 28 per cent. The annual reduction in sales of 7.0 per cent has been attributed by retailers to the decline in sales due to the absence of the America's Cup in 2018.

Monthly receipts by all other store types dipped by an average of 1.0 per cent, due in part to declining sales of furniture, appliances and electronics as well as falling revenue for marine and boat suppliers.

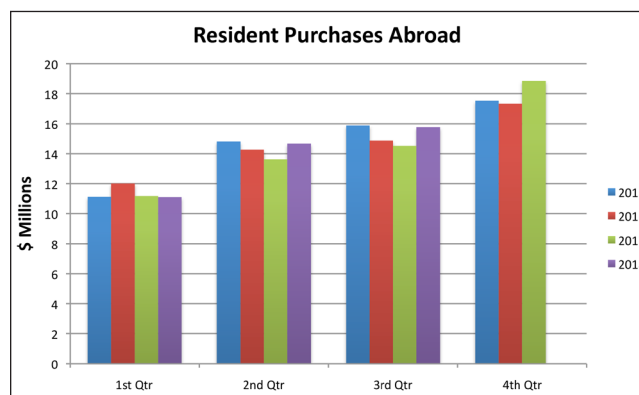
The only sector to record a sales increase was food stores. The 0.4 per cent average growth in sales for 2018 was mainly the result of marginal changes in various different types of food throughout the year.

During 2018, overseas purchases declared by residents returning to Bermuda grew from \$58.4 million to \$59.9 million year over year, representing a 2.6 per cent increase.

The declared value of overseas purchases during 2018 equated to 4.9 per cent of the combined estimated local and overseas gross turnover in the retail sector.

Residents travelling overseas during the first three quarters of 2018 declared that 50.4 per cent of their overseas expenditure was on clothing and footwear and 8.0 per cent was spent on electronic and photographic equipment. The value of goods declared by returning residents does not include the significant amount of shopping performed by residents through mail order and online purchases over the Internet.

FIGURE 3



## Capital Formation and the Construction Industry

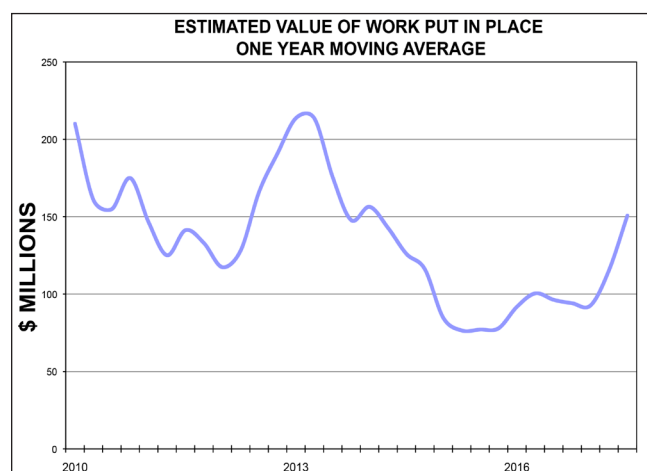
Leading building indicators displayed mixed results in 2018; however, with major projects in the pipeline, the negative results should start to improve. Evidence of growth comes from the Department of Planning, where new planning applications registered increased marginally to 482 in 2018 from 464 in 2017. Negative results occurred regarding building permits, which are an indication of the projects that are actually being built and which declined from 780 in 2017 to 697 in 2018.

During the first three quarters of 2018, the value of new projects started declined from \$593.3 million in 2017 to \$92.4 million, a decrease of 84.4 per cent. However, the estimated value of work put in place during the same time period grew from \$133.9 million in 2017 to \$156.7 million in 2018, an increase of 17.0 per cent. The large decline in the value of new projects started was due to the airport redevelopment and the St. Regis projects beginning in the second quarter of 2017, which were worth over \$500 million in total. The increase in the amount of work put in place was the result of work performed on the airport redevelopment over the first three quarters of 2018.

Work performed on hotels and guest houses accounted for 13.3 per cent of total construction activity, while residential construction projects contributed 19.8 per cent, and

construction on roads, bridges and airports represented 53.4 per cent of total activity in the construction industry. Together, these three categories accounted for 86.5 per cent of all work put in place between January and September 2018. Of the construction work performed during that time period, 83.8 per cent was conducted by the private sector and 16.2 per cent by the public sector.

FIGURE 4



During the first nine months of 2018, 63 new dwelling units were completed in the residential sector of the construction industry, which represented an increase of 13 units or 26.0 per cent year over year and marks the second consecutive year that the number of residential units has grown. Last year ended the downward trend that marked this segment of the construction industry over the past several years. Residential dwelling units are made up of four categories: studio apartments, one bedroom, two bedrooms, and three bedrooms and over. Comparing the first nine months of 2018 versus 2017, the number of new studio apartments fell by 6 units to a total of 6 (50.0 per cent), one bedroom apartments experienced the largest increase of 12 units to register a total of 30 (67.0 per cent), two bedrooms increased from 11 to 13 units (18.2 per cent) and three bedrooms and over grew by 5 units to end the third quarter with 14 (55.6 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 2018 these two sectors of the economy represented 67.0 per cent of the total balance of payments current account receipts, providing \$1,835.3 million in foreign currency receipts (excluding financial services). This combined figure fell by \$20.9 million or 1.1 per cent when compared with 2017.

Individually, the amount of foreign exchange earnings produced by the international business sector declined by 2.1 per cent year over year, with a cumulative three-quarter total of \$1,442.8 million for 2018. The amount of foreign exchange earnings generated by tourism activity increased by 2.7 per cent, recording earnings of \$392.5 million at the end of September 2018.

## International Business

In 2018, the international business sector provided 3,953 jobs in the economy, reflecting a growth of 0.3 per cent year over year, or an increase of 13 posts. During 2018, 827 new international companies and partnerships were registered in Bermuda, representing a 5.5 per cent increase compared with 784 registrations in 2017. Over the first nine months of 2018, the foreign exchange earnings of the international companies decreased by \$31.3 million to \$1,442.8 billion, representing a decline of 2.1 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 provides government with revenue from taxes and fees.

In the insurance sector, the third quarter of 2018 was marked by lower claims activity, while firms returned to profitability with no catastrophic loss activity. The combined ratio dropped 29.4 per cent for the quarter, standing on average at 101.3 per cent due to lower losses and increases in the aggregate expense ratio. Pricing dynamics in the market do not seem to have changed dramatically. M&A activity further consolidates the Bermuda market into a market of fewer but larger players, while the tightening monetary policy stance of the Fed is set to continue for the following months.

Bermuda (re)insurance groups improved their asset base by 3.8 per cent q/q. Bermuda (re)insurers produced a gross profit of \$0.5 billion, despite having a combined ratio above 100.0 per cent. The aggregate combined ratio stood at 101.3 per cent compared with 143.4 per cent in Q3-2017. The loss ratio dropped by 38.6 per cent q/q, while the expense ratio increased by 7.0 per cent.

Reserve leverage increased by 2.4 per cent q/q and financial leverage increased by 1.8 per cent q/q. Total equity increased by 1.9 per cent q/q, while reserves increased by 4.3 per cent, thus increasing reserve leverage. The faster increase of assets compared with the drop of equity increased financial leverage. Net Written Premiums to Equity, which is a very rough inverse measure of solvency, increased by 8.6 per

cent q/q, reaching 63.0 per cent.

The investment portfolios of Bermuda (re)insurance groups produced a low Return on Investment (RoI) close to 0.7 per cent, an increase of 21.1 per cent q/q. Return on Equity (RoE) stood at 0.7 per cent in Q3–2018. As a proxy for liquidity, the sum of cash and high-quality “AAA”-rated securities represent 138.6 per cent of claims for Q3–2018, a decrease of 5.7 per cent q/q.

## Tourism

The steady drumbeat of tourism’s resurgence in Bermuda has continued uninterrupted for three straight years. The end of 2018 marks 12 consecutive quarters of growth for the Bermuda tourism industry. Both of the island’s key tourism performance indicators – leisure air arrivals and leisure air visitor spending – have grown solidly since January 2016.

Notably, the 203,697 leisure air arrivals in 2018 is the highest since 2002. Sixteen years ago, 218,248 leisure travellers arrived by air. While the volume in 2018 did not best that 2002 level, it did outperform 2007 – the previous benchmark for success because it was the most recent time when leisure air arrivals neared the 200,000 threshold.

Following the America’s Cup in 2017, even the most ambitious forecasts predicted 2018 to be a tepid year for tourism growth. However, growth continued healthily in several important categories:

- Air leisure visitor spending up 10.6 per cent
- Leisure air visitor arrivals up 11.7 per cent
- Total air visitor arrivals up 4.6 per cent

Ultimately, 2018 turned out to be a record-breaking year for the number of visitor arrivals when cruise, air and yacht figures are combined. The previous record was 692,947 achieved in 2017. In 2018, that number grew by 11.0 per cent to finish at 770,683. This means Bermuda has experienced two consecutive record-breaking years for visitor arrivals, accelerating the trajectory of the tourism comeback. The growth in cruise arrivals is noteworthy because it includes the results of the Bermuda Tourism Authority’s strategy to expand the cruise season in order to welcome an increased number of cruise calls outside the summer months, particularly the spring and autumn. This step is part of a 2018 National Tourism Plan-inspired strategy of balance, which calls not only for better balance in the calendar but also the

need to balance the gap between air and cruise visitors.

The number of visitors who chose vacation rental properties for their Bermuda stay was also up by a healthy margin for the second straight year. Meanwhile, hotel occupancy and the number of airline seats flying to Bermuda in 2018 grew for the year, but only modestly, coming in relatively flat. This could be a precursor of the pending drag on near-term growth, which is anticipated to be caused by a decline in the total number of airline seats flying to Bermuda and limited hotel room capacity in 2019.

## Employment

In the May 2018 Labour Force Survey Report, produced by the Department of Statistics, the 2018 unemployment rate fell from 7.0 per cent to 6.0 per cent. The unemployment rate for Bermudians declined from 8.0 per cent to 6.0 per cent.

Preliminary data from the 2018 Employment Survey indicates that the total number of jobs in Bermuda grew by 144 posts from 33,653 in 2017 to 33,797 in 2018, which equates to a 0.4 per cent increase. Moreover, 2018 represents the third consecutive year in which the number of jobs has increased since 2008, when the number of jobs amounted to 40,213. Although the increases have been less than 0.5 per cent in all 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 6,416 jobs since 2008, a reduction of 16.0 per cent.

Growth in the number of jobs began to moderate in 2007, when the increase was 0.4 per cent. The number of jobs peaked in 2008 at 40,213, reflecting year-over-year growth of 0.9 per cent. Consistent with the decline in the economy, the number of jobs in Bermuda declined every year starting in 2009 and continuing until 2015. The declines ranged between 5.2 per cent and 0.9 per cent during those years. With sustained economic growth, the number of jobs is anticipated to continue to grow after the modest increases between 2016 and 2018.

Construction and hotels are the only sectors to have gained over 100 jobs, increasing by 131 and 105 posts respectively. The next largest increase occurred in public administration, followed closely by retail trade and repair services, which contributed 33 and 32 additional positions.

Construction recorded the largest job growth of any industrial sector. This sector’s employment numbers grew from 2,008 in



2017 to 2,139 in 2018. These figures equated to an increase in employment of 6.5 per cent.

The hotel sector experienced an increase in posts of 4.8 per cent, settling at 2,302 jobs in 2018 from 2,197 a year earlier.

Employment levels in the public administration sector stood at 3,717 in 2018, an expansion of 33 posts or 0.9 per cent. The sector with the next largest amount of job growth was retail trade and repair services. This sector experienced an uptick of 32 jobs, registering a total of 2,784 posts in 2018 or 1.2 per cent year over year.

Collectively, the three divisions of economic activity with the greatest growth in jobs accounted for 269 additional jobs in 2018.

These increases were offset in large part by the transportation and communications sector, which recorded the largest reduction in jobs in 2018. This sector's employment numbers fell from 1,974 in 2017 to 1,905 in 2018. This figure equated to a reduction in employment of 3.5 per cent.

Other significant losses in posts occurred in the other community, social and personal sector, which lost 57 positions, or 3.0 per cent, falling from 1,897 in 2017 to 1,840 in 2018.

Five major occupational groups experienced job growth in 2018. Service workers, shop and market sales workers had the largest increase of 102 positions, followed by senior officials and managers, whose jobs grew by 58 positions. Other groups with positive growth were craft and related trade workers (+53), professionals (+50) and technicians and associate professionals (+24).

There were five major occupational groups that experienced job losses in 2018. The largest reductions occurred with clerks, who shed 58 positions, elementary occupations (-55), plant and machine operators and assemblers (-15), skilled agricultural and fishery workers (-14) and armed forces (-1).

Jobs occupied by Bermudians was the only status category to exhibit a decrease in employment in 2018. Bermudian jobs fell by 28 positions from 23,667 in 2017 to 23,639 in 2018, which is a 0.1 per cent decline. Non-Bermudian employment grew from 7,338 in 2017 to 7,497 in 2018, which equates to 159 posts or 2.2 per cent. Permanent Residence Certificate holders' positions increased by a total of 10 posts or 1.3 per cent to finish 2018 with 796 positions. Non-Bermudian Spouses of Bermudians accounted for an additional three jobs or 0.2 per cent to end the year with 1,865 posts.

## Inflation in Bermuda

The CPI increased at an average annual rate of 1.4 per cent for 2018, which is below the Ministry of Finance's February 2018 forecast which stated: "The CPI is expected to end 2018 in the region of 1.7–2.2 per cent." The headline rate in December stood at 0.9 per cent year over year.

The average rate of 1.4 per cent is below the UK (3.3 per cent), the US (2.4 per cent) and Canada (2.3 per cent). The level of inflation had declined between 2011 and 2013 before marginally increasing in 2014. Over the last four years, the rate fell to 1.5 per cent in 2015 and 2016 and increased again to 1.9 per cent in 2017 before dropping again this year. The average rates for the years prior to 2015 were 2.7 per cent in 2011, 2.5 per cent in 2012, 1.8 per cent in 2013 and 2.0 per cent in 2014. Such moderate inflation is beneficial for the economy, as it encourages consumers to purchase goods and services and also supports productive planning and investment. Since 2008, when the yearly rate of inflation was recorded at 4.8 per cent, the level of inflation has averaged 1.9 per cent. Given this trend in the level of inflation, the CPI is expected to end 2019 in the region of 1.6–2.1 per cent.

In 2018, the largest price increases were recorded in the health and personal care, education, recreation, entertainment and reading, food, and fuel and power sectors.

The increases in price levels of the health and personal care sector were the most significant contributor to the level of inflation in 2018. The average rate of price increases for this sector was 3.0 per cent, which can primarily be attributed to the average cost of health insurance premiums increasing by 4.1 per cent in April.

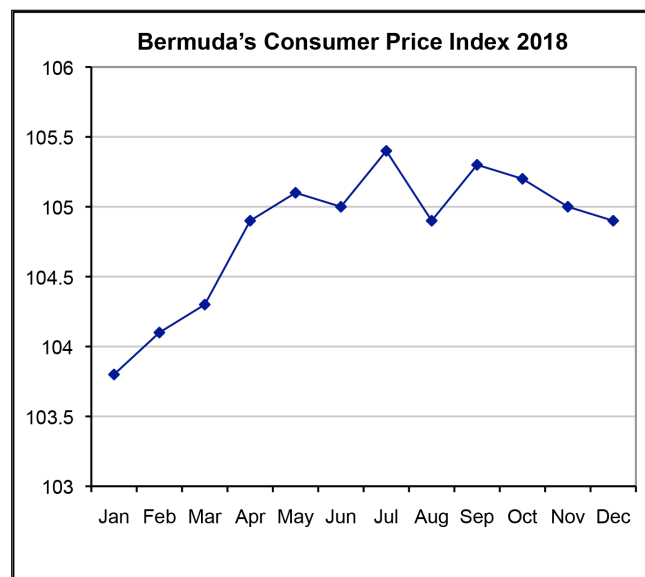
The education, recreation, entertainment and reading sector experienced cost increases at an average rate of 2.1 per cent in 2018. Costs in this sector rose in large part as a result of increases in the cost of tuition fees for local schools and overseas colleges, which expanded by 3.2 and 2.9 per cent respectively in September.

During 2018, the monthly increases in the food sector ranged from 1.6 per cent to 3.0 per cent, with the average rate of price growth for the year settling at 2.1 per cent. The 3.0 per cent price increase recorded in April was the largest increase, with the next highest figure 2.9 per cent recorded in December. Ten of the twelve months recorded year-over-year price increases of 1.8 per cent or higher.

The prices in the fuel and power sector climbed at an average

rate of 5.8 per cent in 2018, which was the result of increases in the fuel adjustment clause charged by Belco for the use of electricity. Eleven months in 2018 experienced year-over-year increases in the fuel adjustment rate, with the largest increase at 28.1 per cent.

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 2018 was recorded at \$727 million. This figure is 8.8 per cent greater than the \$668 million recorded over the first three quarters of 2017.

A large proportion of the increase in the current account balance was reflected in the service account, which grew by \$67 million or 20.6 per cent. Within the services sector, transportation services grew by \$43 million over the first three quarters of 2018. The increase reflected a lower deficit balance on transportation services, mainly due to a reduction in payments on freight transport and increases in receipts from courier services. Business services increased by \$15 million or 6.1 per cent between January and September. The positive results were due to an \$83 million increase in financial services. The surplus on trade in financial services reflected a combination of greater fees and commissions received along with lower payments.

The primary income account experienced a decline of \$60 million. Within the primary income account, employee compensation fell by \$38 million or 3.6 per cent, investment income declined by \$28 million or 19 per cent, while the other income account increased by \$7 million or 4.8 per cent. Although the primary income account was down over the first three quarters of the year, the third quarter experienced a surplus of \$76 million, which provides optimism that the full year results will end in a surplus.

Based on the level of the current account balance after the first three quarters of 2018 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 \$85 million more than the \$859 million surplus posted in 2017, based on the average surplus over the last five quarters and the current transaction trends between Bermuda and our trading partners.

## Financial Sector

The steady increases in interest rates in the United States and a stronger US dollar are having an effect on Bermuda's competitive position, as well as on Bermuda's banking sector, which is experiencing outward financial flows, a phenomenon also verified in other economies. Bermuda's banks continue to shrink as deposits decline. The amount of total assets within the banking sector contracted in the third quarter of 2018, down 7.0 per cent from the previous year; domestic banks reported lower Non-Performing Loans (NPLs) over the same period, with the quality of the loan book remaining stable. All banks continued to exceed their capital requirements as set by the Bermuda Monetary Authority (the Authority) for the Q3-2018 period. Liquidity levels within the banking sector have been stable over the first three quarters of 2018, with banks meeting the 90.0 per cent phased-in minimum requirement for the Liquidity Coverage Ratio (LCR) and the newly implemented (1 January 2018) Net-Stable Funding Ratio (NSFR). With respect to Bermuda's insurance sector, financial data continues to show a well-capitalised and healthy insurance sector. In 2018, the Authority registered 79 new insurance entities, 75 new insurers and 4 new intermediaries.

The banking sector continues to build on a solid capital position in 2018. The Common Equity Tier 1 (CET 1) to RWAs increased by 2.3 percentage points from a year ago, rising from 20.8 per cent to 23.1 per cent (exceeding the minimum capital requirement of 5.75 per cent), while the Risk-Asset Ratio (RAR) rose by 2.4 percentage points to 24.7 per cent over the same period. The banking sector's leverage

position improved, with the supplementary leverage ratio rising by 0.8 percentage points to 9.2 per cent in the third quarter of 2018 compared with the same quarter in 2017. The phased-in Capital Conservation Buffer (CCB) increased by 0.63 percentage points to 1.88 per cent for 2018, thereby increasing the additional capital buffer that banks are required to maintain on top of the 5.75 per cent minimum requirement for CET 1 capital. In addition, banks classified as Domestic Systemically Important Banks (D-SIBs) are required to hold an additional capital buffer, ranging from 0.0 per cent to 3.0 per cent (depending on the bank's balance sheet size).

The sector's liquidity conditions, as measured by the liquidity ratio, matched levels reported a year earlier. The loans-to-deposit ratio (LTD) stood at 47.1 per cent for Q3, slightly below the 47.3 per cent ratio of the third quarter of 2017. Banks continued to comply with the phased-in LCR and fully implemented the NSFR, as per the regulatory requirements.

The total consolidated assets of the banking sector stood at \$19.9 billion at the end of the third quarter, a decline of 7.0 per cent (or \$1.5 billion) compared with the same quarter of 2017. The overall year-on-year decline was reflected in all components of total assets, in particular; the movement in interbank deposits (down 13.5 per cent) to \$2.1 billion, followed by loans and advances (down 8.6 per cent) to \$8.1 billion and investments (down 4.2 per cent) to \$9.0 billion. All other remaining asset components experienced minimal declines. On the liabilities side, customer deposits held by the banking sector fell by 8.2 per cent to \$17.3 billion year on year. Customer deposit outflows were driven by the decline in demand deposits (comprising 48.9 per cent of total customer deposits), down 14.9 per cent to \$8.4 billion, and savings deposits (comprising 33.2 per cent of total customer deposits), down 6.3 per cent to \$5.7 billion; on the other hand, time deposits (comprising 17.9 per cent of total customer deposits) increased by 11.4 per cent to \$3.1 billion over the same period.

The profitability within the banking sector declined compared with the third quarter of 2017. Net interest income was up 7.9 per cent (or \$11.1 million) to \$152.0 million over the prior year; meanwhile, revenue sources from non-interest income were down 26.8 per cent to \$67.0 million over the same period. Year on year, total income decreased by 5.8 per cent to \$219.0 million for the third quarter of 2018. Total operating and non-operating expenses amounted to \$136.0 million, resulting in net profits falling by 48.5 per cent from the prior year to \$83.0 million in the third quarter of 2018. The overall performance of

the sector resulted in lower quarterly returns, with quarterly RoE down 4.4 per cent to 3.7 per cent over the previous year and quarterly Return on Assets (RoA) staying even at 0.4 per cent over the same period.

The sector's investment book structure remained relatively conservative. The majority of securities held by the banking sector are comprised of investments in "other" forms of securities, consisting mainly of non-equity, government-guaranteed securitised instruments. The share of "other" forms of securities in total investments increased from 54.3 per cent in the third quarter of 2017 to 57.9 per cent in the third quarter of 2018, while sovereign investments decreased from 33.0 per cent to 31.4 per cent over the same period.

The money supply within the local economy was lower during the third quarter of 2018 compared with a year earlier. The domestic money supply was \$3.58 billion for the third quarter, down 1.0 per cent (or \$35.9 million) from a year ago. Most of the year-on-year decline was due to the outflow of local customer deposit liabilities (down 1.1 per cent or \$38.4 million) to \$3.48 billion, whereas notes and coins in circulation increased (up 4.7 per cent or \$6.3 million) to \$139 million over the same period.

## Global Economic Outlook

The global economy was powering along quite nicely in 2018 until the stock markets decided to rain on the parade. Most of the downturn could be attributed to (tentative) monetary tightening, a looming trade war, Brexit angst, protests in France, and concerns over the Chinese growth slowdown. There is also a geopolitical component to all of this, which will be crucial when it comes to the question of whether this negative trend that started in 2018 will persist in 2019. Various trends are merging and coinciding, including mounting tension between America and China, other countries' responses to these two giants butting heads, the question of whether the Eurozone and the EU are strengthening or weakening, and the opposition to globalisation, while several regional powers in the Middle East are pitted against each other.

Analysts believe that we are witnessing an emergence of geopolitics, especially after close to two decades of US global dominance. During this period, liberal democracy appeared invincible. However, there is a counter-belief that geopolitics had never gone away. Every major power has moments when it seems unthinkable that others will take its place, whereas, in reality, history has proven otherwise. Make no mistake, the US is still ahead of all countries from

a political, economic and military perspective, but relatively speaking, they are losing ground to China, a country with four times as many inhabitants that has been growing three times as fast as the US for a long time. Other countries and blocs need to walk a tightrope as they try to shape their relationships with the Americans and the Chinese.

Some other events that helped to shape 2018 include:

- Qatar became the first Middle East country to leave the OPEC cartel in 2018. Qatar made a strategic decision back in 1987 to cultivate its natural gas sector and has decided to move away from oil production and put even more focus on LNG.
- Saudi Arabia became an even riskier place to do business. The murder of Saudi journalist Jamal Khashoggi at his country's consulate in Istanbul shocked the world and put the country, and its young Crown Prince Mohammed bin Salman, under closer international scrutiny. It toyed with the possibility of using oil as a weapon through curtailing oil output.
- Another big story, in 2018, was the US sanctions reimposed on Iran, effectively shutting out Tehran from the dollar-dominated financial system. The sanctions are aimed at the heart of the Islamic Republic's economy: oil. They also target shipping, banks and financial entities that enable Iran's oil trade. In Saudi-fashion, the US is trying to use its own currency as a weapon.

## United States of America

The US economy grew at an annual pace of 3.4 per cent in the third quarter of 2018 instead of 3.5 per cent, revised government data shows. Slightly weaker consumer spending mostly accounted for the downward revision, the Commerce Department said. Consumer spending, the main driver of US growth, rose 3.5 per cent, slightly lower than the 3.6 per cent estimate. This was offset partly by higher inventory growth as businesses boosted stockpiles ahead of threatened trade tariffs. Data confirms that there were large but offsetting swings in inventories, which added 2.3 per cent to growth, in contrast to the trade balance, which withdrew 2.0 percentage points. Looking ahead, economists surveyed by MarketWatch predict that US GDP will slow to a 2.6 per cent annual rate in the fourth quarter of 2018, the slowest pace since the first quarter of 2018.

Industrial production rose 0.3 per cent in December, the Federal Reserve reported. The gain was in line with Wall Street expectations. This follows a 0.4 per cent gain in

November, revised down from the prior reading of a 0.6 per cent increase. For the fourth quarter as a whole, production moved up at a 3.8 per cent annual rate, down from a 4.7 per cent rate in the third quarter.

Manufacturing production rose 1.1 per cent, the biggest gain in ten months as the volatile motor vehicle and part production jumped 4.7 per cent, but ex-auto production was also strong.

Capacity utilisation rose to 78.7 per cent in December, the highest rate in almost four years. The capacity utilisation rate reflects the limits to operating the nation's factories, mines and utilities. It is still below pre-recession levels, above 80.0 per cent, that could fan production costs and prices.

US consumer prices fell for the first time in nine months in December amid a plunge in the cost of gasoline, but underlying inflation pressures remained firm as rental housing and health care costs rose steadily.

The Labor Department said its CPI fell 0.1 per cent in December, the first drop and weakest reading since March 2018. In the 12 months to December, the CPI rose 1.9 per cent after increasing 2.2 per cent in November.

Excluding the volatile food and energy components, the CPI increased 0.2 per cent, advancing by the same margin for a third straight month. In the 12 months to December, the core CPI rose 2.2 per cent, matching November's increase.

December's inflation readings were in line with economists' expectations. The Federal Reserve, which has a 2.0 per cent inflation target, tracks a different measure, the core personal consumption expenditures (PCE) price index, for monetary policy.

The core PCE increased 1.9 per cent year on year in November after rising 1.8 per cent in October. It hit 2.0 per cent in March for the first time since April 2012.

The US economy added 312,000 jobs in December, and the unemployment rate rose to 3.9 per cent, according to a report from the US Bureau of Labor Statistics. Job gains occurred in health care, food services and drinking places, construction, manufacturing and retail trade.

The unemployment rate rose by 0.2 percentage points to 3.9 per cent in December, and the number of unemployed persons increased by 276,000 to 6.3 million. A year earlier, the jobless rate was 4.1 per cent, and the number of unemployed persons was 6.6 million.



Among the major worker groups, the unemployment rates for adult men (3.6 per cent) and Blacks (6.6 per cent) increased in December. The jobless rates for adult women (3.5 per cent), teenagers (12.5 per cent), Whites (3.4 per cent), Asians (3.3 per cent), and Hispanics (4.4 per cent) showed little or no change over the month.

On the political front, 2018 was another year in which US President Donald Trump dominated the news as few of his predecessors have ever done, from his efforts to remake the American economy to his trade war with China and whoever does not agree with his trade policies. At least 17 investigations underway into his various activities, and his seemingly tough stance / government shutdown (ironically the longest US government shutdown in history) over building a \$5.7 billion border wall between the US and Mexico may also be added to the list.

However, by the end of President Trump's second year, the prospects that he would achieve his economic goals were in serious doubt as growth slowed and the stock market collapsed.

There is the possibility that a third year of Trump in the White House will further dampen the US stock market. While the markets initially applauded Trump's election and were satisfied with the first half of his term, due to his policies of strong deregulation, tax cuts and an accommodating Fed, these three factors are no longer in place. Add to this the Republican losses during the 2018 midterms, and it is clear to see that President Trump will get less done concerning domestic issues. Expect, then, to see Trump having more influence on foreign policy.

## United Kingdom

Brexit uncertainty and a global slowdown had major impacts on the UK economy in 2018. Purchasing managers' indices point to growth of just 0.1 per cent in Q4–2018. Both activity and optimism have slowed down to anaemic levels and have caused companies and customers to cancel or postpone spending and investment decisions. The labour market, on the other hand, remained robust, with unemployment at historic lows and wage growth rising to a near 10-year high of 3.3 per cent.

It is believed that the UK economy grew 1.3 per cent in 2018, ending the year on a weak note. In 2019, the economic outlook depends on the path of Brexit negotiations. If the UK and EU agree on a deal by March 2019 (the current deadline),

leading to a smooth Brexit and a transition period, the UK should experience modest growth of about 1.5 per cent. However, the outlook for UK politics and growth is highly uncertain, and it depends on how Brexit plays out.

The Bank of England (BoE) delivered an expected rate hike in August. However, going forward, the potential for another rate hike remains speculative as Brexit still remains the biggest risk to the UK economy. If a smooth Brexit path eventually becomes clear (which has thus far been the BoE's assumption), rates are likely to rise more quickly than markets expect and the BoE is likely to turn hawkish, on the back of building wage pressures and the fiscal stimulus announced in the autumn budget, as well as a likely rebound in growth.

Brexit stress remains heightened as we are entering the crucial period of negotiations and ratification of the Brexit deal. As things currently stand, the UK is set to leave the EU by the end of March 2019. However, nothing is certain following the failed Conservative coup against May and considering the divisions in and between the British political parties, and let us not forget the EU's attitude. Basically, the same three options that were there before still exist. Either it is May's Deal, No Deal, or No Brexit. It is imperative that May negotiates a deal because the opposition Labour party has said that it will table a motion of no confidence in the Government if the deal is rejected. If Labour wins that vote, there would be a general election. Expect further political stress in the UK before the Brexit deadline day.

## Canada

The Canadian economy is expected to have grown 2.0 per cent in 2018, supported by strong household consumption and exports. Through much of 2018, Canada's unemployment rate hovered near a 40-year low (the last reading was 5.8 per cent in October 2018) and job creation remained strong as the evidence pointed to an economy going at close to full tilt.

However, as 2019 approached, there were worries that the solid economic expansion was starting to slow.

In November 2018, the federal government's autumn economic statement projected 2.0 per cent growth again for 2019, but many have predicted the number will likely come in lower following a recent drop in oil prices.

In addition to the pullback in crude prices, experts point to jitters in the financial markets, predictions that the US economy, which is a key contributor to Canadian growth, will

start to cool off and that the UK's Brexit could ripple across the global economy. There were also fears that there is potential for an even bigger threat: an escalation of the trade war between Washington and Beijing.

Sticking with trade, Canada made it through 2018 filled with significant uncertainty, including the difficult negotiation and signing of an update to the North American Free Trade Agreement (NAFTA).

Many of the trade unknowns, however, will carry over into 2019. The road to NAFTA 2.0's ratification could bring more uncertainty: punishing American steel and aluminium tariffs remain in place and the clash of superpowers between Canada's two biggest trading partners continues to play out.

Additional trouble spots include the combination of high household debt, rising interest rates and slowing wage growth that was terrible for the latter half of 2018 following a good pickup early in the year. Higher interest rates delivered a hit to household spending, which has been the primary driver of Canada's good economic fortunes. And with overburdened consumers taking a breather, business investment was seen as the next critical source of growth. But the transition has yet to materialise because investment underperformed, likely due to concerns about competitiveness. Businesses were not sure whether Canada was the best place to put their money.

In an effort to boost investment, Ottawa announced billions of dollars' worth of corporate tax incentives in its autumn statement. However, there is still a "wait and see" game being played to determine if the federal changes will be enough to encourage more companies to invest in Canada.

One major setback for the Canadian economy in 2019 will be felt by Ontario's industrial sector. General Motors announced plans to close its plant in Oshawa in late 2019, a move that will potentially put 2,500 people out of work and inflict economic stress on the region. Oshawa has been synonymous with auto manufacturing since 1953, so the closure of the plant is very symbolic.

## China

China's economy grew by 6.6 per cent in 2018 according to official data, the slowest pace since 1990. The figure comes as no surprise to many around the world amid Beijing's ongoing trade dispute with the US, its largest trading partner.

Chinese Statistics Bureau chief Ning Jizhe recently reported that his country's trade dispute with the US affected the domestic economy, but that the impact was manageable. However, even before increased trade tensions with the US, China was already trying to manage a slowdown in its economy.

For most of 2018, Beijing was trying to balance a crackdown on high debt levels while also maintaining economic growth. While reducing reliance on debt would benefit the economy in the long run, it will likely mean a slower pace of growth than the country has seen in recent years.

December economic data for China showed fourth quarter GDP growth at 6.4 per cent, matching expectations. That was a decline from the 6.5 per cent year-over-year growth in the third quarter of 2018.

However, on the positive side, industrial output grew 5.7 per cent in December from a year earlier – beating economists' expectations of 5.3 per cent growth and outpacing November's 5.4 per cent growth.

Retail sales data rose 8.2 per cent in December year over year, in line with the forecast and up from November's 8.1 per cent gain.

All roads lead to the trade war, of course, as this is one of the most important issues for the financial markets. Beijing has been given until 1 March 2019 to take measures that please Washington sufficiently to stop it from imposing hugely increased import tariffs on Chinese products in three months' time. Thus far, China appears to be making an effort to buy more US products and to make it easier for foreign businesses to operate in the Chinese market. However, the underlying reasons for the American–Chinese tensions are still there and further escalations appear likely.

At the moment, the US appears to have the upper hand as the Chinese economy is under pressure from various sides. Not only is it important for Beijing to manage the country's enormous debts, in addition, the legitimacy of the Communist Party is largely built on the implicit understanding that the people refrain from grumbling or demanding democracy as long as material wealth continues to increase and they have a reasonable degree of individual liberty.

## Japan

The Japanese economy advanced 0.3 per cent quarter on quarter in the December quarter 2018, reversing the 0.7 per

cent contraction in the previous period and comparable with market expectations of a 0.4 per cent growth. Both household consumption and business investment rebounded strongly following a sequence of natural disasters, such as torrential rains that left more than 200 people dead in western Japan and a big earthquake in Hokkaido. On an annualised basis, the Japanese economy grew 1.4 per cent, after an upwardly revised 2.6 per cent contraction in the September quarter and matching market consensus. For comparative purposes, data shows that the GDP growth rate in Japan averaged 0.49 per cent from 1980 until 2018, reaching an all-time high of 3.20 per cent in the second quarter of 1990 and a record low of -4.80 per cent in the first quarter of 2009.

In the three months to December, positive contribution to GDP growth came from private demand (0.5 percentage points), comprising private consumption (0.3 percentage points) and capital expenditure (0.4 percentage points). Additionally, public demand added 0.1 percentage points, while exports had a negative contribution of 0.3 percentage points and changes in private demand subtracted 0.2 percentage points from growth.

Private demand expanded 0.7 per cent in the fourth quarter, swinging from a 0.6 per cent decline in the preceding period, due to a strong rebound in private consumption (0.6 per cent vs -0.2 per cent in Q3) and compared with market estimates of a 0.8 per cent increase. Also, capital expenditure expanded 2.4 per cent, rebounding from a downwardly revised 2.7 per cent drop in the third quarter and beating forecasts of a 1.8 per cent gain.

Additionally, public demand rose 0.4 per cent, rebounding from a 0.3 per cent decline in the prior quarter, as government spending rose far faster (0.8 per cent vs 0.2 per cent in Q3), while public investment declined at a softer rate (-1.2 per cent vs -2.1 per cent).

Exports of goods and services went up 0.9 per cent, swinging from a 1.4 per cent drop in the September quarter and marking the steepest growth in a year. Meanwhile, imports grew by 2.7 per cent, after a 0.7 per cent contraction in the previous three months and reaching the strongest gain since the March quarter in 2014.

Consumer spending in the last quarter of 2018 recovered from a 0.2 per cent dip in the previous three-month period to 0.6 per cent growth, but the 2.4 per cent rise in capital investments by companies was not strong enough to offset the 2.7 per cent fall in the previous quarter. Exports grew 0.9

per cent, but due to the 2.7 per cent increase in imports, the overall contribution of external demand to GDP growth was 0.3 percentage points – staying in negative territory for the third quarter in a row.

Particularly worrying are the growing signs of risk to the global economy, ranging from the trade war between the US and China, decelerating economic growth in China, and the confusion surrounding Britain's departure from the European Union, which cast doubt over robust demand in overseas markets continuing to fuel the growth of the Japanese economy.

Even if the US and China come to an agreement to settle their trade war, signs of a slowdown in the Chinese economy, whose 6.6 per cent growth in 2018 was the smallest in 28 years, are becoming increasingly evident and this has already started to negatively impact Japan. Japanese exports to China in December fell 7.0 per cent from a year earlier, and sluggish shipments to China of smartphone parts and semiconductor production devices weighed down the rise in exports during the last quarter.

In its monthly assessment of the economy in January, the Japanese government said the current boom cycle, which began in December 2012, has likely continued for 74 months to become the longest in the nation's post-war history. However, some recent economic indicators, including the Bank of Japan's tankan quarterly survey of business sentiments, point to a growing sense of caution over the economy in the coming months, apparently reflecting the deepening uncertainties concerning demands in overseas markets. The possibility that the economy may have already hit a peak cannot be ruled out.

## 2019 Outlook for Bermuda

In 2019 the Bermuda economy will face several external threats, the most significant being the introduction of economic substance requirements required by the European Union. This event could have a negative impact on our growth prospects.

Despite this threat, there is still optimism the Bermuda economy in 2019 could strengthen, 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 2019.

In 2019 the Government will continue to act prudently in order to support sustainable economic growth, but the primary focus is to invest in creating a more diversified economy, which will create stronger economic growth for the island.

Financial Technology (Fintech) continues to be of particular focus in Bermuda. Fintech is a relatively new technology and innovation that aims to compete with traditional financial methods in the delivery of financial services. A large amount of Fintech runs on Blockchain technology (blockchain) and it is the firms that use blockchain that the government is interested in attracting to the Island. In the recent past the Government has introduced these terms to the general public and in 2019 most Bermudians at least have some idea of this technology.

In the event that Bermuda can successfully introduce Blockchain Technology to the island, many business and employment opportunities will evolve in this sector. This will greatly assist the Government in its attempts to diversify the economy while remaining up-to-date with emerging technological advancements.

In 2018 the Fintech topic that was most prominent, throughout the news, was the dramatic decline in the value of cryptocurrencies, and in particular Bitcoin. After surging to a record high of \$19,511 in December 2017, the cryptocurrency is currently trading around \$3,990 or at 20 per cent of the value of its all-time highs. However, the real value of Fintech is not in bitcoin but in the technology used to create cryptocurrencies; namely the blockchain or distributed ledger technology (DLT).

Even with the decline in the value of cryptocurrencies, 2018 was a stellar year for Fintech with over 1,700 deals worth nearly \$40B. Fintech developments in 2018 showed:

1. Fintech is growing on a global scale with deals outside of core markets (US, UK, and China) accounting for 39 per cent of deals.
2. However, the US remained the top market for deals with 659 investments worth \$11.89B funding, both a new annual high.
3. There are now 39 VC-backed Fintech unicorns (a Fintech company worth at least one billion dollars) worth a combined \$147.37B.

As Bermuda continues to develop a Fintech ecosystem, this bodes well for helping to create additional jobs and ensuring that Bermuda keeps up with this nascent technology. What Fintech has been shown to bring is financial inclusiveness. For those people and businesses that have historically been excluded from participating in the economy (not having access to adequate banking services), Fintech allows them to be included.

Simple banking transactions that most people take for granted such as paying for goods and services, moving money from today to tomorrow (saving/investing) and moving money from tomorrow to today (credit) are not readily available to everyone. What Fintech provides is disruption in the way financial services are delivered.

The government has been working rigorously in 2018 to develop laws and regulations on how Fintech companies operating out of Bermuda need to behave and we will soon start to see these efforts bear fruit in 2019.

At last count there are approximately 66 Fintech companies registered in Bermuda. However, most of these companies exist in the realm of what was mentioned earlier of not being able to participate in the economy. Lack of access to a Bermuda bank account has meant that these companies cannot operate as they cannot pay rent for office space or even hire and pay staff. All of this will change in 2019 as new types of financial institutions begin to operate out of Bermuda providing painless and innovative banking services.

The Bermuda Business Development Agency's (BDA) will continue to promote Bermuda as an international financial centre with a globally respected reputation, and as an exceptional place to live, work and play. The BDA's continued critical goal is to grow the economy and GDP through company incorporations and job creation. These are outcomes that will also result from being an exceptional place to doing business.

The agency's mission is to promote and encourage inward direct investment that positively contributes to Bermuda's economy and social development and strengthens Bermuda's image as a global strategic business partner.

The BDA's current platform, pillars and personnel are structured to support these goals, with five core industry focus areas reflecting our multi-industry jurisdiction. These are: Risk Solutions; Asset Management; High-Net-Worth Services; Emerging Technologies; and Economic



Diversification. Industry working groups collaborate with the BDA to help examine and set business development goals and strategies across each of these pillars.

In 2019, 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 liaison, connecting Bermuda's industry, regulator and government on core jurisdictional issues that affect our economy.

The outlook for international tourism looks extremely positive in 2019 as a sustainable recovery is underway in the Bermuda tourism industry after decades of decline.

The vigor of the Bermuda tourism comeback, described as stellar by industry stakeholders, has had an undeniably positive impact on the island's economy and the lives of many Bermudians. After three straight years of robust tourism industry growth, managing expectations is vital as it will be difficult to maintain a similar pace of progress in 2019.

At the end of 2018, the island's tourism industry was up dramatically in the most important categories when compared to the situation three years prior:

- In 2018, leisure air visitor spending was up 66.9 per cent when compared to 2015
- In 2018, leisure air visitor arrivals were up 45.7 per cent when compared to 2015

While growth is still in the Bermuda Tourism Authority forecast for 2019, it is likely to be modest growth when compared to 2016, 2017 and 2018. There are several reasons for this.

1. **Airlift capacity:** Forecasts at the end of 2018 predict at least a 4 percent decline in the total number of airline seats flying to Bermuda in 2019. That's more than 22,000 fewer seats. Particularly troublesome is the year-over-year decline in lift capacity from John F Kennedy International Airport in New York City, which is expected to be down at least 14 percent. Because more of Bermuda's leisure air visitors come from New York City than anyplace else, the downward forecast is worrying. To be clear: the 49 percent capacity increase projected from Newark International in 2019 will not fill the gap.

2. **Hotel inventory:** Limited capacity in this area is likely to be a barrier to growth in 2019 as well. National Tourism Plan research in 2018 confirmed that in order for Bermuda to grow in its high demand periods, more capacity is required. The rise in vacation rentals since 2016 has helped to address some of the demand, but the rate of new homeowner properties has slowed post-America's Cup. While new hotel rooms currently under construction will help Bermuda overcome this barrier, the majority of those rooms are not expected to make an impact until late 2020.

Although these particular barriers present formidable challenges, the Bermuda Tourism Authority still forecasts growth in 2019, fueled by a collective stakeholder focus on executing the strategies of the National Tourism Plan. Primary target cities identified in the plan performed well in 2018 and are expected to perform well again in 2019. Those markets, New York City, Boston, Philadelphia, Washington, D.C. and Toronto, remain Bermuda's main focus and catchment areas; they continue to bear fruit for the island.

The National Tourism Plan also cites a collection of attractive cities for Bermuda's future tourism growth – Baltimore, Atlanta, Hartford, Chicago, Dallas and San Francisco. Results from these markets in 2018 square with the plan's vision as the number of air arrivals from almost all of these cities grew last year, further strengthening the case that these are good prospects for the country's tourism future.

Robust growth has consistently been the island's track record since January 2016, an undeniable reflection of Bermuda's tourism industry improvement. In light of the aforementioned challenges facing the industry in 2019, merely keeping pace with 2018 will be yet another indicator of a sustained comeback, and a victory the country can be proud of.

With major projects like the redevelopment of the airport and 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 2019/20 budget will help to strengthen economic growth by providing vital support to our construction sector.

The Government's desire is to diversify our economy by supporting technologies and industries of the future, like FinTech. This should lead to higher employment numbers providing sustained economic growth in most sectors.

Considering all the above factors, the Islands' economic growth in 2019 is projected to expand by 1.0 – 1.5 per cent.

## Acknowledgements

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**TABLE 1****GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN****(At constant market prices \$000's) 2006 = 100**

| <b>INDUSTRIAL SECTIONS</b>                | <b>2012</b>      | <b>2013</b>      | <b>2014</b>      | <b>2015</b>      | <b>2016</b>      | <b>2017</b>      |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| 01 Agriculture, forestry and fishing      | 42,638           | 43,119           | 39,890           | 42,648           | 45,527           | 46,889           |
| 03 Manufacturing                          | 63,792           | 58,607           | 54,995           | 54,674           | 53,328           | 55,229           |
| 04 Electricity, gas and water supply      | 91,028           | 88,594           | 86,274           | 84,006           | 71,133           | 66,246           |
| 05/02 Construction & Quarrying            | 151,849          | 148,899          | 149,870          | 159,061          | 172,325          | 175,684          |
| 06 Wholesale and retail, repair serv.     | 298,777          | 294,380          | 293,446          | 297,272          | 299,619          | 304,464          |
| 07 Hotels and restaurants                 | 240,294          | 223,370          | 203,865          | 191,536          | 199,216          | 245,794          |
| 08 Transport and communications           | 234,951          | 242,926          | 248,035          | 246,244          | 240,952          | 242,898          |
| 09 Financial intermediation               | 663,508          | 670,451          | 653,371          | 664,657          | 630,017          | 613,883          |
| 10 Real estate and renting activities     | 802,865          | 786,773          | 776,312          | 775,325          | 782,002          | 803,912          |
| 11 Business activities                    | 420,807          | 395,143          | 394,776          | 405,185          | 410,796          | 407,952          |
| 12 Public administration                  | 273,191          | 270,158          | 252,743          | 254,057          | 246,569          | 253,427          |
| 13 Education, health and social work      | 353,942          | 338,532          | 313,795          | 318,181          | 329,462          | 333,672          |
| 14 Comm., social and personal serv.       | 95,135           | 88,582           | 83,600           | 89,579           | 97,559           | 107,320          |
| 15 International business activity        | 1,195,383        | 1,195,273        | 1,241,367        | 1,248,546        | 1,221,739        | 1,229,931        |
| <b>Total</b>                              | <b>4,928,160</b> | <b>4,844,808</b> | <b>4,792,338</b> | <b>4,830,969</b> | <b>4,800,244</b> | <b>4,887,301</b> |
| <b>Less: Imputed bank service charge</b>  | <b>431,021</b>   | <b>442,201</b>   | <b>405,333</b>   | <b>425,535</b>   | <b>398,597</b>   | <b>373,716</b>   |
| <b>Add: Taxes and duties on imports</b>   | <b>206,197</b>   | <b>202,710</b>   | <b>200,514</b>   | <b>202,131</b>   | <b>200,845</b>   | <b>204,488</b>   |
| <b>GDP at market prices</b>               | <b>4,703,336</b> | <b>4,605,317</b> | <b>4,587,519</b> | <b>4,607,564</b> | <b>4,602,493</b> | <b>4,718,073</b> |
| <b>Per cent change from previous year</b> | <b>-4.1</b>      | <b>-2.1</b>      | <b>-0.4</b>      | <b>0.4</b>       | <b>-0.1</b>      | <b>2.5</b>       |

*Source: Department of Statistics*

**TABLE 2**
**GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN**  
**(At current market prices \$000's)**

| <b>INDUSTRIAL SECTIONS</b>                | <b>2012</b>      | <b>2013</b>      | <b>2014</b>      | <b>2015</b>      | <b>2016</b>      | <b>2017</b>      |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| 01 Agriculture, forestry and fishing      | 41,023           | 41,539           | 36,732           | 41,877           | 52,260           | 47,098           |
| 03 Manufacturing                          | 52,102           | 49,078           | 44,388           | 49,114           | 46,471           | 48,052           |
| 04 Electricity, gas and water supply      | 86,598           | 83,677           | 86,728           | 92,724           | 97,565           | 103,795          |
| 05/02 Construction & Quarrying            | 177,278          | 177,697          | 178,685          | 190,606          | 211,082          | 214,937          |
| 06 Wholesale and retail, repair serv.     | 373,340          | 372,056          | 376,099          | 416,937          | 437,836          | 455,310          |
| 07 Hotels and restaurants                 | 246,945          | 261,906          | 262,205          | 263,011          | 290,853          | 343,058          |
| 08 Transport and communications           | 268,693          | 269,419          | 259,267          | 245,393          | 274,110          | 289,053          |
| 09 Financial intermediation               | 729,916          | 714,128          | 721,737          | 706,320          | 733,472          | 736,796          |
| 10 Real estate and renting activities     | 936,811          | 925,574          | 933,242          | 944,538          | 969,500          | 1,006,098        |
| 11 Business activities                    | 507,559          | 480,446          | 525,030          | 535,254          | 558,536          | 548,776          |
| 12 Public administration                  | 340,427          | 341,204          | 323,355          | 327,379          | 319,222          | 333,018          |
| 13 Education, health and social work      | 485,254          | 489,715          | 463,929          | 491,013          | 516,578          | 532,161          |
| 14 Comm., social and personal serv.       | 120,750          | 112,499          | 111,203          | 126,427          | 144,233          | 166,999          |
| 15 International business activity        | 1,455,409        | 1,570,036        | 1,575,025        | 1,659,278        | 1,673,294        | 1,673,408        |
| <b>Total</b>                              | <b>5,822,104</b> | <b>5,888,975</b> | <b>5,897,626</b> | <b>6,089,873</b> | <b>6,325,011</b> | <b>6,498,560</b> |
| <b>Less: Imputed bank service charge</b>  | <b>423,955</b>   | <b>416,506</b>   | <b>398,855</b>   | <b>393,205</b>   | <b>441,366</b>   | <b>452,892</b>   |
| <b>Add: Import duties</b>                 | <b>169,693</b>   | <b>174,951</b>   | <b>171,470</b>   | <b>194,015</b>   | <b>209,484</b>   | <b>223,716</b>   |
| <b>GDP at market prices</b>               | <b>5,567,842</b> | <b>5,647,420</b> | <b>5,670,241</b> | <b>5,890,682</b> | <b>6,093,129</b> | <b>6,269,384</b> |
| <b>Per cent change from previous year</b> | <b>-0.7</b>      | <b>1.4</b>       | <b>0.4</b>       | <b>3.9</b>       | <b>3.4</b>       | <b>2.9</b>       |

Source: Department of Statistics

**TABLE 3****NUMBER OF FILLED JOBS BY ECONOMIC ACTIVITY GROUP**

|                                    | <b>2014</b>   | <b>2015</b>   | <b>2016</b>   | <b>2017F</b>  | <b>2018P</b>  |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Agriculture, forestry and fishing  | 581           | 602           | 592           | 598           | 581           |
| Manufacturing                      | 585           | 573           | 575           | 571           | 548           |
| Electricity, gas and water supply  | 325           | 321           | 322           | 322           | 318           |
| Construction & Quarrying           | 1,925         | 1,928         | 1,954         | 2,008         | 2,139         |
| Wholesale and retail, repair serv. | 4,093         | 3,977         | 4,143         | 4,216         | 4,227         |
| Hotels and restaurants             | 4,120         | 4,012         | 4,127         | 4,371         | 4,466         |
| Transport and communications       | 2,046         | 2,037         | 2,009         | 1,974         | 1,905         |
| Financial intermediation           | 2,253         | 2,369         | 2,332         | 2,309         | 2,298         |
| Real estate and renting activities | 452           | 460           | 448           | 470           | 483           |
| Business activities                | 3,425         | 3,565         | 3,602         | 3,586         | 3,601         |
| Public administration              | 4,163         | 3,936         | 3,767         | 3,684         | 3,717         |
| Education, health & social work    | 3,642         | 3,688         | 3,722         | 3,707         | 3,721         |
| Other comm., social and personal   | 1,928         | 1,951         | 2,056         | 1,897         | 1,840         |
| International business activity    | 3,937         | 3,900         | 3,832         | 3,940         | 3,953         |
| <b>Total</b>                       | <b>33,475</b> | <b>33,319</b> | <b>33,481</b> | <b>33,653</b> | <b>33,797</b> |

P = Preliminary data

F = Final

Source: Department of Statistics Employment Survey

**TABLE 4**

| RETAIL SALES INDEX        |                     |       |                 |       |                   |        |                      |        |                  |       |                          |        |                |        |                       |       |
|---------------------------|---------------------|-------|-----------------|-------|-------------------|--------|----------------------|--------|------------------|-------|--------------------------|--------|----------------|--------|-----------------------|-------|
| Average Monthly Sales (1) |                     |       |                 |       |                   |        |                      |        |                  |       |                          |        |                |        |                       |       |
| 2006 = 100                |                     |       |                 |       |                   |        |                      |        |                  |       |                          |        |                |        |                       |       |
| Period                    | Total Retail Stores |       | Food Stores (2) |       | Liquor Stores (3) |        | Motor Vehicle Stores |        | Service Stations |       | Building Material Stores |        | Apparel Stores |        | All Other Store Types |       |
| 2013                      | 95.2                | (0.1) | 95.5            | 2.7   | 94.5              | 4.1    | 69.2                 | 0.9    | 103.4            | (1.9) | 109.8                    | (15.8) | 97.7           | (0.3)  | 96.4                  | (1.2) |
| 2014                      | 96.1                | 1.0   | 96.4            | 0.9   | 100.5             | 6.3    | 83.3                 | 20.4   | 102.7            | (0.7) | 93.3                     | (15.1) | 96.6           | (1.2)  | 96.5                  | 0.1   |
| 2015                      | 100.0               | 4.0   | 100.0           | 3.8   | 100.0             | (0.5)  | 100.0                | 20.1   | 100.0            | (2.6) | 100.0                    | 7.2    | 100.0          | 3.6    | 100.0                 | 3.6   |
| 2016                      | 102.0               | 2.0   | 102.3           | 2.3   | 103.6             | 3.6    | 103.0                | 3.0    | 102.9            | 2.9   | 106.6                    | 6.6    | 97.2           | (2.8)  | 101.3                 | 1.3   |
| 2017                      | 105.0               | 2.9   | 105.1           | 2.8   | 105.3             | 1.6    | 98.7                 | (4.2)  | 111.5            | 8.3   | 117.4                    | 10.2   | 101.1          | 4.0    | 103.4                 | 2.1   |
| 2018                      | 102.8               | (2.1) | 105.5           | 0.4   | 104.7             | (0.5)  | 86.5                 |        | 111.0            | (0.5) | 115.6                    | (1.6)  | 91.3           | (9.7)  | 102.1                 | (1.2) |
| 2017                      |                     |       |                 |       |                   |        |                      |        |                  |       |                          |        |                |        |                       |       |
| Jan                       | 90.7                | (0.6) | 97.2            | (2.3) | 72.6              | (2.3)  | 98.1                 | (11.1) | 94.3             | 9.1   | 107.2                    | 17.4   | 61.2           | (1.4)  | 86.4                  | (0.4) |
| Feb                       | 85.3                | (3.1) | 92.4            | (0.9) | 79.0              | (0.5)  | 87.7                 | (21.3) | 87.7             | 2.9   | 101.2                    | 9.0    | 50.9           | (11.6) | 82.9                  | (1.9) |
| Mar                       | 102.9               | 4.8   | 104.1           | 0.6   | 91.3              | (1.9)  | 126.8                | 21.1   | 103.2            | 11.3  | 142.5                    | 22.9   | 77.9           | (0.9)  | 96.4                  | 2.0   |
| Apr                       | 102.0               | 2.5   | 103.2           | 2.6   | 103.0             | 6.0    | 92.3                 | (21.8) | 106.9            | 10.2  | 122.3                    | 2.9    | 86.4           | 3.6    | 103.0                 | 8.0   |
| May                       | 113.5               | 8.8   | 111.1           | 7.4   | 117.3             | 5.7    | 90.8                 | (10.9) | 122.5            | 8.0   | 130.3                    | 12.1   | 113.9          | 14.8   | 117.5                 | 15.7  |
| Jun                       | 120.1               | 8.8   | 114.6           | 10.2  | 135.5             | 16.4   | 84.1                 | (25.8) | 134.6            | 16.2  | 113.9                    | 6.0    | 164.2          | 33.6   | 117.5                 | 4.4   |
| Jul                       | 114.1               | 2.5   | 111.0           | 2.0   | 124.5             | (11.8) | 103.1                | 11.2   | 139.4            | 6.2   | 106.8                    | (6.1)  | 102.3          | 2.6    | 116.5                 | 2.8   |
| Aug                       | 106.2               | 5.4   | 106.4           | 5.7   | 114.3             | 10.6   | 114.9                | 25.4   | 116.3            | 6.6   | 126.3                    | 28.9   | 90.9           | (2.3)  | 99.6                  | (3.8) |
| Sep                       | 103.7               | 2.3   | 106.3           | 4.5   | 104.2             | 1.6    | 103.4                | (8.7)  | 114.2            | 11.7  | 122.4                    | 15.9   | 95.7           | 4.5    | 94.5                  | (4.3) |
| Oct                       | 99.3                | 1.2   | 102.9           | (2.0) | 97.3              | (8.7)  | 99.4                 | 14.6   | 110.7            | 6.4   | 110.7                    | 9.1    | 78.1           | 1.6    | 94.6                  | 0.3   |
| Nov                       | 102.5               | (0.9) | 101.7           | 1.5   | 95.8              | 2.9    | 94.4                 | (13.5) | 104.8            | 6.4   | 117.5                    | (4.2)  | 108.4          | (5.5)  | 101.6                 | (1.3) |
| Dec                       | 119.9               | 2.8   | 110.5           | 2.8   | 128.7             | 3.3    | 89.6                 | 8.2    | 102.9            | 4.3   | 108.1                    | 13.8   | 183.1          | (1.9)  | 130.3                 | 2.3   |
| 2018                      |                     |       |                 |       |                   |        |                      |        |                  |       |                          |        |                |        |                       |       |
| Jan                       | 93.3                | 2.9   | 100.5           | 3.4   | 73.1              | 0.7    | 91.9                 | (6.3)  | 96.7             | 2.5   | 111.2                    | 3.7    | 71.5           | 16.8   | 88.1                  | 2.0   |
| Feb                       | 87.7                | 2.8   | 92.9            | 0.6   | 80.0              | 1.3    | 85.3                 | (2.7)  | 92.7             | 5.7   | 117.2                    | 15.8   | 52.4           | 2.9    | 86.4                  | 4.2   |
| Mar                       | 99.6                | (3.2) | 110.1           | 5.8   | 99.8              | 9.3    | 71.0                 | (44.0) | 104.6            | 1.4   | 112.1                    | (21.4) | 75.4           | (3.2)  | 96.9                  | 0.5   |
| Apr                       | 96.5                | (5.4) | 96.8            | (6.2) | 87.8              | (14.8) | 95.9                 | 3.9    | 103.6            | (3.1) | 125.7                    | 2.8    | 77.7           | (10.1) | 95.9                  | (6.9) |
| May                       | 111.4               | (1.9) | 109.8           | (1.2) | 114.7             | (2.2)  | 88.1                 | (3.0)  | 120.7            | (1.5) | 124.5                    | (4.5)  | 102.3          | (10.2) | 118.4                 | 0.8   |
| Jun                       | 111.4               | (7.2) | 110.7           | (3.4) | 129.6             | (4.4)  | 80.9                 | (3.8)  | 128.1            | (4.8) | 111.3                    | (2.3)  | 117.9          | (28.2) | 110.7                 | (5.8) |
| Jul                       | 112.1               | (1.8) | 111.7           | 0.6   | 127.4             | 2.3    | 95.7                 | (7.2)  | 136.6            | (2.0) | 119.4                    | 11.8   | 88.5           | (13.5) | 113.2                 | (2.8) |
| Aug                       | 104.7               | (1.4) | 108.7           | 2.2   | 119.6             | 4.6    | 81.6                 | (29.0) | 123.0            | 5.8   | 119.7                    | (5.2)  | 86.0           | (5.4)  | 100.3                 | 0.7   |
| Sep                       | 98.8                | (4.7) | 106.4           | 0.1   | 102.7             | (1.4)  | 83.3                 | (19.4) | 111.2            | (2.6) | 116.2                    | (5.1)  | 81.6           | (14.7) | 89.1                  | (5.7) |
| Oct                       | 101.2               | 1.9   | 105.4           | 2.4   | 98.6              | 1.3    | 98.5                 | (0.9)  | 110.4            | (0.3) | 120.9                    | 9.2    | 74.2           | (5.0)  | 98.2                  | 3.8   |
| Nov                       | 101.4               | (1.1) | 102.2           | 0.5   | 97.2              | 1.5    | 84.6                 | (10.4) | 103.5            | (1.2) | 118.7                    | 1.0    | 107.9          | (0.5)  | 100.3                 | (1.3) |
| Dec                       | 115.8               | (3.4) | 111.1           | 0.5   | 126.2             | (1.9)  | 82.0                 | (8.5)  | 100.3            | (2.5) | 90.5                     | (16.3) | 160.2          | (12.5) | 127.9                 | (1.8) |

(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) |           |       |       |                     |                  |              |                                      |                            |   |                        |
| 2014                       | 2.0       | 3.1   | 0.8   | 2.0                 | 2.4              | -2.4         | 0.8                                  | 1.7                        | 1.9   | 6.7                    |
| 2015                       | 1.5       | 2.7   | 0.6   | 1.3                 | 1.2              | -8.9         | 2.1                                  | -1.3                       | 0.9   | 7.8                    |
| 2016                       | 1.5       | 1.9   | 1.0   | 0.4                 | 5.1              | -3.3         | 1.6                                  | -2.2                       | 3.3   | 4.5                    |
| 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                    |
| MONTHLY ( per cent)        |           |       |       |                     |                  |              |                                      |                            |   |                        |
| 2016                       |           |       |       |                     |                  |              |                                      |                            |   |                        |
| Sept                       | 1.0       | 0.1   | Nil   | Nil                 | 0.1              | 6            | 0.1                                  | 4.5                        | 1.1   | Nil                    |
| Oct                        | Nil       | 0.1   | Nil   | 0.3                 | Nil              | -0.9         | 0.1                                  | Nil                        | 0.1   | 0.1                    |
| Nov                        | -0.5      | -0.1  | Nil   | 0.1                 | Nil              | -2.3         | Nil                                  | -2.8                       | -0.2  | Nil                    |
| Dec                        | -0.1      | -1.3  | 0.1   | Nil                 | -0.4             | -3.1         | Nil                                  | 1.3                        | 0.1   | Nil                    |
| 2017                       |           |       |       |                     |                  |              |                                      |                            |   |                        |
| Jan                        | 0.1       | 2     | Nil   | 1.2                 | 0.8              | -2.3         | Nil                                  | -1.2                       | Nil   | Nil                    |
| Feb                        | -0.1      | Nil   | -0.8  | Nil                 | -0.1             | Nil          | Nil                                  | 0.8                        | -0.1  | Nil                    |
| Mar                        | 0.4       | 0.4   | 0.1   | Nil                 | 0.1              | 3.9          | Nil                                  | 1.9                        | Nil   | Nil                    |
| Apr                        | 0.3       | -1.1  | Nil   | Nil                 | 2.8              | 0.5          | 0.1                                  | 1.9                        | 0.2   | 0.2                    |
| May                        | 0.4       | 1.7   | Nil   | Nil                 | 4.7              | 1.8          | -0.1                                 | Nil                        | 0.1   | Nil                    |
| Jun                        | Nil       | 0.6   | 0.1   | Nil                 | Nil              | 3.3          | 0.2                                  | -1.2                       | -0.1  | Nil                    |
| Jul                        | 0.6       | 0.2   | Nil   | 0.2                 | 0.7              | 3            | 0.2                                  | 2.4                        | 0.1   | Nil                    |
| Aug                        | 0.1       | 0.1   | 0.1   | Nil                 | Nil              | Nil          | Nil                                  | Nil                        | 0.2   | 0.5                    |
| 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                         | 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                    |
| Dec '18                    | 104.9     | 107.8 | 101.4 | 104.9               | 119.3            | 111.3        | 102.9                                | 98.9                       | 108.4                                       | 108.3                  |
| Dec '18                    |           |       |       |                     |                  |              |                                      |                            |   |                        |
| Dec '17                    | 0.9       | 2.9   | 0.1   | 2.6                 | 2.3              | 5.0          | -0.6                                 | -2.6                       | 1.4   | 3.0                    |

Source: Department of Statistics



# **MAJOR CONSTRUCTION PROJECTS<sup>1</sup>** **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 |
| 2014 | 122.5                         | 21.5        | 4.7                        | 34.3                 | 30.7                                  | 8.8                      | 16.1                     | 116.1 | 49.2   | 66.9    |
| 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   |
| 2014 | 18.0                          | 5.0         | 0.3                        | 21.2                 | 21.6                                  | 4.3                      | 2.2                      | 54.6  | 24.2   | 30.4    |
| 2015 | 56.3                          | 5.5         | 1.7                        | 3.6                  | 7.9                                   | 2.1                      | 4.1                      | 24.9  | 12.3   | 12.6    |
| 2016 | 16.5                          | 5.5         | 1.3                        | 3.5                  | 1.0                                   | 1.6                      | 5.5                      | 18.4  | 7.5    | 10.9    |
| 2017 | 31.7                          | 5.5         | 1.4                        | 6.0                  | 0.2                                   | 0.8                      | 4.3                      | 18.2  | 5.2    | 13.0    |
| 2015 | 43.2                          | 5.1         | 2.6                        | 6.6                  | 0.3                                   | 0.9                      | 7.6                      | 23.2  | 10.0   | 13.2    |
| 2016 | 51.2                          | 6.6         | 4.5                        | 2.3                  | 0.4                                   | 0.9                      | 2.1                      | 16.7  | 4.4    | 12.3    |
| 2017 | 18.7                          | 7.2         | 3.2                        | 0.5                  | 2.6                                   | 1.1                      | 4.2                      | 19.0  | 7.9    | 11.1    |
| 2018 | 48.6                          | 9.0         | 3.2                        | 3.6                  | 0.9                                   | 0.7                      | 1.5                      | 19.0  | 3.5    | 15.5    |
| 2016 | 12.4                          | 12.8        | 11.7                       | 3.6                  | 0.4                                   | 2.5                      | 6.1                      | 37.1  | 7.0    | 30.1    |
| 2017 | 55.4                          | 10.9        | 8.4                        | 2.3                  | 0.4                                   | 0.7                      | 2.7                      | 25.4  | 9.5    | 15.9    |
| 2018 | 19.2                          | 5.3         | 2.4                        | 2.9                  | 2.0                                   | 1.3                      | 0.9                      | 14.8  | 5.3    | 9.5     |
| 2019 | 9.3                           | 4.2         | 6.9                        | 0.8                  | 1.6                                   | 1.1                      | 2.2                      | 16.8  | 8.1    | 8.7     |
| 2017 | 13.6                          | 13.3        | 7.2                        | 3.0                  | 2.1                                   | 7.0                      | 3.0                      | 35.7  | 12.6   | 23.1    |
| 2018 | 550.9                         | 26.9        | 6.4                        | 5.5                  | 0.3                                   | 8.6                      | 0.3                      | 48.1  | 10.6   | 37.6    |
| 2019 | 28.8                          | 12.9        | 5.3                        | 8.0                  | 1.6                                   | 21.4                     | 0.8                      | 50.1  | 7.2    | 42.9    |
| 2020 | 2.9                           | 8.5         | 4.4                        | 20.0                 | 0.9                                   | 14.1                     | 2.5                      | 50.3  | 6.8    | 43.5    |
| 2018 | 14.1                          | 5.0         | 5.7                        | 6.6                  | 0.5                                   | 54.2                     | 1.2                      | 73.0  | 6.5    | 66.5    |
| 2019 | 43.0                          | 12.6        | 3.7                        | 4.1                  | 0.3                                   | 15.2                     | 0.5                      | 36.4  | 9.3    | 27.1    |
| 2020 | 35.3                          | 13.5        | 5.4                        | 10.1                 | 3.0                                   | 14.5                     | 0.8                      | 47.3  | 9.6    | 37.7    |

<sup>1</sup> 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<br>apartments | One<br>bedroom | Two<br>bedroom | Three<br>bedroom<br>and over | Total units<br>completed |
|-----------------|----|----------------------|----------------|----------------|------------------------------|--------------------------|
| 2014            |    | 14                   | 21             | 31             | 22                           | 88                       |
| 2015            |    | 17                   | 21             | 5              | 15                           | 58                       |
| 2016            |    | 10                   | 27             | 15             | 5                            | 57                       |
| 2017            |    | 13                   | 28             | 12             | 9                            | 62                       |
| 2014            | Q1 | 3                    | 7              | 3              | 1                            | 14                       |
|                 | Q2 | 7                    | 5              | 20             | 14                           | 46                       |
|                 | Q3 | 2                    | 5              | 1              | 1                            | 9                        |
|                 | Q4 | 2                    | 4              | 7              | 6                            | 19                       |
| 2015            | Q1 | 1                    | 6              | 0              | 5                            | 12                       |
|                 | Q2 | 4                    | 7              | 2              | 5                            | 18                       |
|                 | Q3 | 2                    | 4              | 0              | 2                            | 8                        |
|                 | Q4 | 10                   | 4              | 3              | 3                            | 20                       |
| 2016            | Q1 | 1                    | 10             | 1              | 1                            | 13                       |
|                 | Q2 | 4                    | 6              | 5              | 2                            | 17                       |
|                 | Q3 | 3                    | 4              | 4              | 0                            | 11                       |
|                 | 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                       |

Source: Department of Statistics

**TABLE 8**

| VISITOR ARRIVALS |                               |                                   |              |                        |                      |              |
|------------------|-------------------------------|-----------------------------------|--------------|------------------------|----------------------|--------------|
|                  | Number of visitors            |                                   |              | Year-on-year % changes |                      |              |
|                  | Regular Visitors <sup>1</sup> | Cruise Ship Visitors <sup>2</sup> | All Visitors | Regular Visitors       | Cruise Ship Visitors | All Visitors |
| 2013             | 236,343                       | 340,030                           | 576,373      | 1.8                    | -10.1                | -5.6         |
| 2014             | 224,380                       | 355,880                           | 580,260      | -5.1                   | 4.7                  | 0.7          |
| 2015             | 219,814                       | 377,398                           | 597,212      | -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         |
| 2013 Q1          | 31,300                        | 1,484                             | 32,784       | -1.0                   | -45.4                | -4.5         |
| Q2               | 75,013                        | 133,737                           | 208,750      | -0.2                   | -17.1                | -11.7        |
| Q3               | 82,819                        | 157,373                           | 240,192      | 2.4                    | -12.1                | -7.6         |
| Q4               | 47,211                        | 47,436                            | 94,647       | 6.3                    | 35.4                 | 19.2         |
| 2014 Q1          | 31,032                        | 0                                 | 31,032       | -0.9                   | -100.0               | -5.3         |
| Q2               | 73,262                        | 146,916                           | 220,178      | -2.3                   | 9.9                  | 5.5          |
| Q3               | 78,195                        | 169,846                           | 248,041      | -5.6                   | 7.9                  | 3.3          |
| Q4               | 41,891                        | 39,118                            | 81,009       | -11.3                  | -17.5                | -14.4        |
| 2015 Q1          | 28,968                        | 319                               | 29,287       | -6.7                   | n.a.                 | -5.6         |
| Q2               | 71,972                        | 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         |

<sup>1</sup>Including those passengers arriving by ship and departing by air.

<sup>2</sup>Excluding passengers arriving by ship and departing by air.

**TABLE 9**

**THE BERMUDA INSURANCE MARKET**  
\$ billions

|      | <b>Gross<br/>premiums<br/>written</b> | <b>Net<br/>premiums<br/>written</b> | <b>Total<br/>assets</b> | <b>Capital<br/>and<br/>surplus</b> |
|------|---------------------------------------|-------------------------------------|-------------------------|------------------------------------|
| 1984 | 7.6                                   | 5.4                                 | 22.2                    | 9.9                                |
| 1985 | 10.1                                  | 8.1                                 | 24.5                    | 10.2                               |
| 1986 | 12.4                                  | 10.4                                | 30.9                    | 12.5                               |
| 1987 | 10.3                                  | 8.0                                 | 34.9                    | 15.0                               |
| 1988 | 11.1                                  | 8.4                                 | 38.7                    | 14.4                               |
| 1989 | 12.0                                  | 9.4                                 | 44.5                    | 17.4                               |
| 1990 | 13.0                                  | 10.1                                | 48.0                    | 18.2                               |
| 1991 | 15.4                                  | 11.8                                | 52.3                    | 19.9                               |
| 1992 | 15.1                                  | 11.3                                | 58.8                    | 21.9                               |
| 1993 | 17.9                                  | 13.4                                | 69.9                    | 29.0                               |
| 1994 | 18.8                                  | 14.9                                | 76.1                    | 29.8                               |
| 1995 | 23.4                                  | 18.4                                | 95.0                    | 36.9                               |
| 1996 | 25.1                                  | 19.8                                | 99.9                    | 42.5                               |
| 1997 | 25.4                                  | 20.4                                | 111.8                   | 48.4                               |
| 1998 | 26.6                                  | 21.2                                | 116.4                   | 51.2                               |
| 1999 | 30.4                                  | 23.8                                | 131.6                   | 54.4                               |
| 2000 | 38.1                                  | 32.0                                | 146.0                   | 59.2                               |
| 2001 | 48.5                                  | 40.9                                | 165.3                   | 64.9                               |
| 2002 | 63.3                                  | 52.3                                | 204.0                   | 75.6                               |
| 2003 | 94.7                                  | 84.1                                | 236.0                   | 87.3                               |
| 2004 | 95.3                                  | 82.9                                | 290.5                   | 106.7                              |
| 2005 | 100.7                                 | 86.3                                | 329.9                   | 110.0                              |
| 2006 | 115.8                                 | 100.4                               | 440.4                   | 157.8                              |
| 2007 | 124.4                                 | 100.8                               | 441.3                   | 167.1                              |
| 2008 | 123.6                                 | 107.9                               | 473.0                   | 156.8                              |
| 2009 | 119.8                                 | 106.3                               | 496.1                   | 182.1                              |
| 2010 | 107.7                                 | 94.2                                | 524.7                   | 185.2                              |
| 2011 | 107.6                                 | 94.6                                | 452.2                   | 168.8                              |
| 2012 | 120.5                                 | 98.1                                | 505.5                   | 193.0                              |
| 2013 | 163.0                                 | 138.7                               | 607.6                   | 191.6                              |
| 2014 | 151.8                                 | 116.2                               | 583.3                   | 214.5                              |
| 2015 | 130.8                                 | 108.5                               | 631.7                   | 200.8                              |
| 2016 | 170.6                                 | 132.7                               | 764.1                   | 297.8                              |

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

**TABLE 10**
**BALANCE OF PAYMENTS ESTIMATES**  
**\$ millions**

|  | 2014   | 2015  | 2016  | 2017   | 2018*  |
|--|--------|-------|-------|--------|--------|
| Exports                                  | 23     | 21    | 19    | 18     | 14     |
| Imports                                  | 974    | 940   | 980   | 1,094  | 820    |
| Merchandise Trade Balance                | -952   | -918  | -961  | -1,077 | -806   |
| Services & Income – receipts             | 3,342  | 3,328 | 3,396 | 3,565  | 2,727  |
| Services & Income- payments              | 1,533  | 1,467 | 1,589 | 1,629  | 1,194  |
| Current account balance                  | 857    | 943   | 846   | 859    | 727    |
| Financial Account                        |        |       |       |        |        |
| Direct Investment                        | 120    | -84   | 95    | -42    | -35    |
| Portfolio Investment                     | -1,854 | 1,573 | 406   | 333    | -942   |
| Financial Derivatives                    | 192    | 137   | 208   | 134    | 133    |
| Other Investments                        | -545   | -897  | 561   | -236   | 323    |
| Reserve Assets                           | -15    | 7     | 10    | 21     | -2     |
| Net Acquisition of Financial Assets      | -2,103 | 735   | 1,281 | 211    | -523   |
| Direct Investment                        | -3     | -143  | -73   | -288   | 19     |
| Portfolio Investment                     | -1,845 | 90    | 807   | -365   | 59     |
| Financial Derivatives                    | 11     | 0     | -4    | -11    | -2     |
| Other Investments                        | -1,239 | 28    | 280   | 62     | -1,192 |
| Net Incurrence of Financial Liability    | -3,076 | -24   | 450   | -602   | -1,115 |
| Total Net Lending (+)/ Net Borrowing (-) | 973    | 760   | 831   | 813    | 592    |
| Total Net Capital Account                | 0      | 0     | 0     | 0      | 0      |
| Total Net Lending (+)/ Net Borrowing (-) | 973    | 760   | 831   | 813    | 592    |
| Balancing Item                           | 116    | -183  | -15   | -46    | -135   |
| Numbers may not add due to rounding      |        |       |       |        |        |

\* Q1 – Q3 provisional estimate

Source: Department of Statistics





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