



GOVERNMENT OF BERMUDA
Ministry of Finance

NATIONAL ECONOMIC REPORT OF BERMUDA 2011



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OF BERMUDA
2011

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THE ECONOMY IN 2011

The Ministry of Finance estimates that Bermuda's Gross Domestic Product (GDP) may have contracted by 1.5 – 2.5 per cent in 2011¹ following the decline of 1.9 per cent in 2010.

While many of the major economic indicators such as employment, construction activity, retail sales and imports declined in 2011, there was some relief with increases in air visitor arrivals and employment income.

Employment fell by 1.9 per cent and the official unemployment rate was 6.0 per cent in 2011.

In the international business sector, jobs declined by 4.9 per cent and the number of active international companies registered fell by 1.7 per cent.

In the tourism sector employment in hotels grew by 5.4 per cent while air visitors also increased by 1.6 per cent.

Employment income rose by 3.5 per cent over the first three quarters of 2011. Although the number of jobs in the international business sector declined, employment income in the sector increased by 15.5 per cent. However, this trend reversed in the third quarter when employment income decreased by 4.6% when compared to the third quarter of 2010.

The gross turnover generated by retail stores declined by 3.5 per cent in 2011 while jobs in the sector fell by 2.5 per cent.

Over the first three quarters of 2011 the level of construction activity declined significantly. The value of work put in place fell by 24.5 per cent while the value of new projects started increased by 607.6 per cent, primarily due to the King Edward Memorial Hospital redevelopment project. Jobs in this industry fell by 16.2 per cent year over year.

Imports declined by 7.6 per cent over the first three quarters of 2011. 72.8 per cent of Bermuda's imports came from the US followed by Canada at 11.0 per cent.

The Consumer Price Index (CPI) measured 2.7 per cent for 2011. This level of inflation was slightly above the 2.4 per cent recorded in 2010 and well above the 1.8 per cent recorded in 2009, but it was significantly below the 4.8 per cent experienced in 2008.

Gross Domestic Product 2010

The most recent estimates by the Department of Statistics for Bermuda's GDP are for the year 2010.

In 2010, the Bermuda economy contracted by 0.7 per cent based in current market prices. Nominal GDP was reported to be just over \$5.7 billion reflecting a decline of approximately \$41.8 million below the 2009 revised figure of approximately

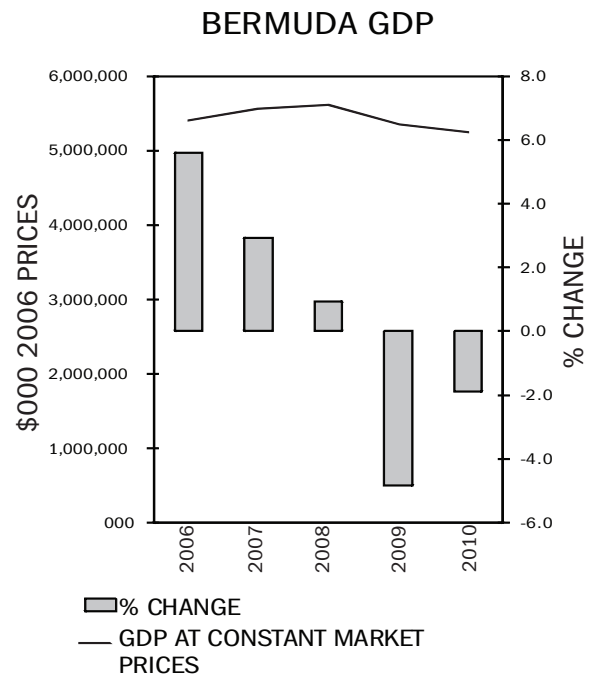
\$5.8 billion. When adjusted for inflation, the level of economic activity or real GDP decreased by 1.9 per cent. This rate was below the five year average (2006-2010) of positive 0.6 per cent and demonstrates that the Bermuda economy was still striving to extricate itself from the adverse effects of the 2008-2009 global recession. This result however compares favourably to the Ministry of Finance's estimate (made in February 2011) of a contraction in GDP of 4.0-5.0 per cent in 2010.

The less than anticipated contraction in GDP of 0.7% at current market prices, and 1.9% in real terms for 2010 was largely driven by declines in output in the construction, business activities and wholesale and retail sectors. These declines were partially offset by strong growth in the hotel and restaurant sector and some stabilization in the financial intermediation sector.

It was satisfying that, accompanied by the steady performance of the financial intermediation sector, the tourism sector exhibited strong growth in 2010. This bodes well for the economy as a whole because the indicators for 2011 were also encouraging.

The contraction in GDP was largely driven by a sharp decline of 17.9 per cent in the output of the construction and quarrying sector, a 6.1 per cent decline in the transportation and communications sector and a 3.6 per cent reduction in the business activities sector. These declines were offset by gains of 8.6 per cent in the education, health and social work sectors, an 8.5 per cent increase in the other community, social and personal service sector and a 6.5 per cent gain in the hotels and restaurants sector.

FIGURE 1



¹ Official 2011 GDP estimates are not yet available.

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

In current market dollars, international business contributed the greatest amount to the Bermuda economy in 2010. This sector provided \$1.46 billion in total output which represents 25.4 per cent of total GDP or a 1.2 per cent decrease compared to 2009. Contributing factors to the reduction in output included job cuts, claims related to natural disasters and the re-domicile of some businesses to other parts of the world.

Although the international business sector's contribution to GDP experienced a marginal decline, the value still measured over one quarter of the total GDP for 2010. 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 \$906.6 million in output or 15.7 per cent of total GDP. The sector increased by 5.2 per cent year over year. The growth in this sector can be mainly attributed to estimated increases in the imputed rent of owner occupied dwellings.

The financial intermediation sector was the next largest contributor to Bermuda's economy accounting for \$700.7 million in output. This represents 12.2 per cent of total GDP. The output in this sector grew by 2.2 per cent year over year due to increased expenditure on financial services by international business entities.

The business activities sector which includes computer, accounting and legal services provides professional and other services to the international business sector. Therefore, it was not surprising to see a decline in the demand for these services in 2010. The sector contributed \$558.1 million to the output of the economy representing 9.7 per cent of GDP. Output in this sector decreased by 3.6 per cent which was primarily due to a reduction in the output of accounting, legal and management services.

Output generated in the education, health and social services was recorded at \$434.6 million in 2010, which represents 7.5 per cent of total output. This sector experienced a significant increase of 8.6 per cent which was driven by increased revenue from higher health insurance premiums collected.

The wholesale, retail trade and repair services sector

represented 7.2 per cent of GDP in 2010 with an output level of \$413.1 million. This sector contracted by 1.5 per cent when compared to the 2009 figures. The decline in this sector can be attributed to broad categories of retail sales failing to recover from the economic downturn in 2009 that stifled consumer demand for retail goods. There were also notable declines in the sale of household appliances and equipment, motor vehicles and office equipment.

The construction and quarrying sector contracted by 17.9 per cent and accounted for \$260.6 million in output for 2010. The 17.9 per cent decrease is the largest decline for this industry in the past 10 years. Private sector construction activity for the year was driven mainly by the office building construction of Washington Properties and Seon Place. There was also a considerable amount of funds spent on retail and commercial development in the city of Hamilton. Public sector activity consisted mainly of the new police/courts building.

ECONOMIC TRENDS 2011

Domestic Demand

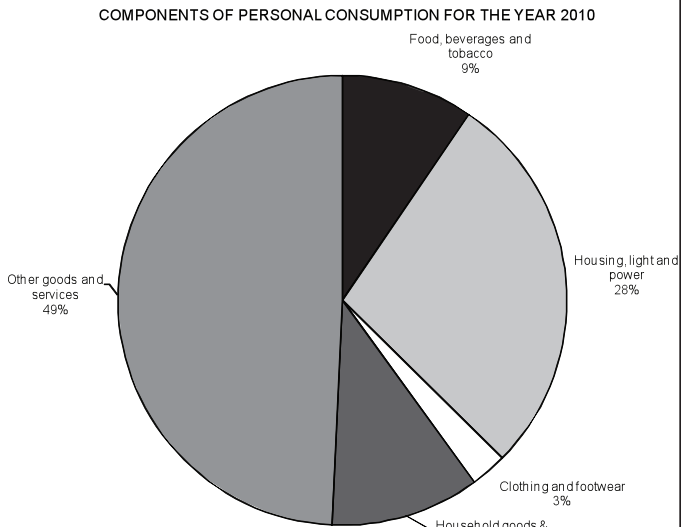
Personal Consumption and the Retail Sector

Employment income is estimated to have increased by 3.5 per cent for the first three quarters of 2011 compared to the same period in 2010. Growth in the level of employment income supports the growth of personal consumption. For the 12 month period ending September 2011, total employment income was \$3.12 billion, \$71.8 million or 2.4 per cent greater than in the 12 month period ending September 2010.

The percentage increase in employment income grew during the first two quarters of 2011 but decreased in the third quarter. The year over year growth was 12.5 per cent in the first quarter, 2.2 per cent in the second quarter and a decline of 4.6 per cent in the third quarter. Based on the continued decline in the number of jobs on the Island, it is anticipated that the weakening in employment income experienced in the third quarter will continue in the near term.

The most recent estimates by the Department of Statistics for household final consumption are for the year 2010. During that year, total household final consumption was \$3.35 billion, reflecting an increase of 0.4 per cent over 2009.

FIGURE 2



While personal consumption estimates are not available for 2011, the Retail Sales Index (RSI) for that year provides insight into the expenditure trends of consumers in Bermuda’s retail stores.

Between January and November 2011, gross turnover stood at \$908.3 million which represents a 3.5 per cent decrease compared to 2010. The financial uncertainty in the local economy and a soft labour market have caused consumers to be cautious in their spending. Consequently, retail sales activity has declined every month since March 2009 with the exception of August 2011 which was flat. The volume of retail sales when compared to the same month in the previous year (adjusted to eliminate the effect of inflation) has not been positive since April 2008.

All sectors in the RSI recorded declines in sales over the first 11 months of 2011 apart from service stations and apparel stores.

Motor vehicle stores posted a decrease of 23.1 per cent in 2011 due to a decline in sales volume for cars as consumers tended to favour purchasing motor cycles over motor cars.

Sales in the all other store types sector fell by 3.7 per cent as gross receipts from furniture, appliances, electronic, pharmaceuticals, boat and marine supply stores declined at various periods during the year.

Sales in building material stores contracted by 1.9 per cent in the first 11 months of 2011. The continued downturn in construction activity led to softened demand for building supplies. This sector experienced positive double digit gains for the months of September through November which are most likely linked to the commencement of the King Edward VII Memorial Hospital redevelopment project. It is

anticipated that these positive results will continue into 2012.

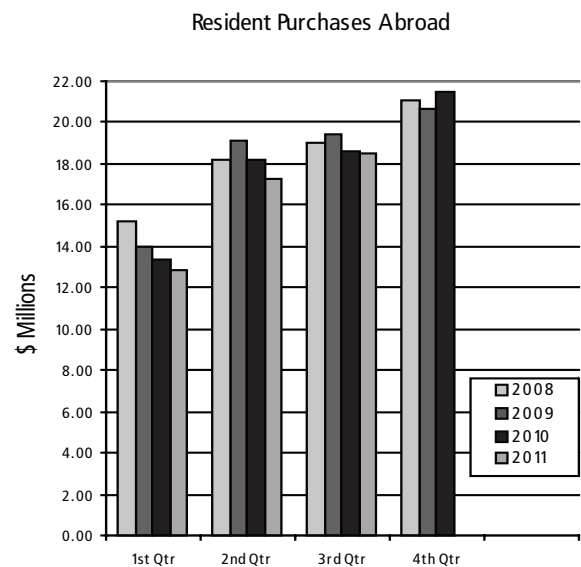
Service stations and apparel stores were the only sectors to experience a year-over-year increase in retail sales. The service stations sales grew by 4.2 per cent due to increases in the costs of gasoline throughout the year. The apparel stores sales rose by 1.2 per cent despite fluctuations in sales levels throughout the year.

During the first 11 months of 2011, overseas purchases declared by residents returning to Bermuda decreased from \$63.7 million to \$60.3 million year over year, representing a 5.3 per cent reduction.

The declared value of overseas purchases during January to November of 2011 equated to 6.6 per cent of the estimated gross turnover in the local retail sector.

Residents travelling overseas during the first three quarters of 2011 declared that 48.3 per cent of their overseas expenditure was on clothing and footwear and 8.4 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

Since 2008, the construction industry in Bermuda has weakened significantly. In 2008, the estimated dollar value of the work put in place rose by 38.6 per cent or \$457.8

million for the year. In the two following years, the estimated dollar value of the work put in place declined by 37.1 per cent and 31.4 per cent respectively and in 2010 was \$197.4 million, representing a 57.0 per cent decrease when compared to 2008. During that same time period, the value of new projects started followed the same trend. In 2008 the value of new projects started was \$317.3 million compared to only \$156.6 million in 2010.

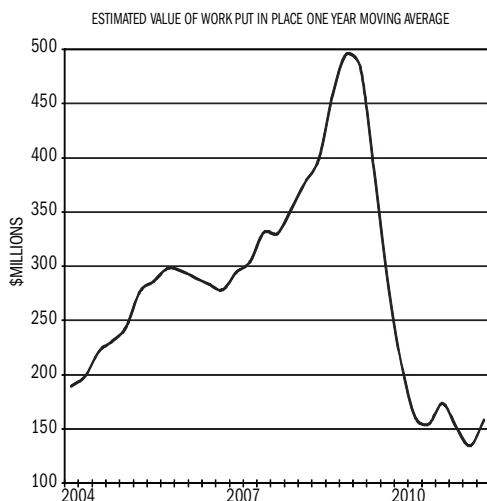
In 2011, the estimated dollar value of work put in place continued the downward trend experienced in 2009 and 2010. The work put in place between January and September 2011 decreased from \$159.5 million in 2010 to \$120.4 million in 2011, a reduction of 24.5 per cent.

In contrast, the value of new projects started in 2011 increased tremendously year over year. This increase was almost entirely due to the commencement of the redevelopment of the King Edward VII Memorial Hospital project in the first quarter of 2011. This resulted in the value of new projects started in the first three quarters of 2011 increasing from \$76.5 million in 2010 to \$541.3 million in 2011 representing a 607.6 per cent increase

The King Edward VII Memorial Hospital project represents \$500 million of the \$541.3 million value of new projects started between January and September. The \$500 million figure is the largest ever recorded for any single project in Bermuda.

Work performed on schools, hospitals, and community centres accounted for 34.2 per cent of all construction activity recorded during the period while the erection of offices, shops, and warehouses represented 27.9 per cent. Work on residential construction projects contributed 22.5 per cent of total activity in the industry. Together, these three categories accounted for 84.6 per cent of all work put in place between January and September 2011.

FIGURE 4



During the first nine months of 2011, 348 new units were created in the residential sector of the industry, which represented an increase of 39 units or 12.6 per cent year over year. The units are arranged by studio apartments, one bedroom, two bedrooms and three bedrooms and over. The number of new studio apartments declined by 4 units to 17 (30.8 per cent), one bedroom apartment's figures fell by 16 units to 37 (30.2 per cent), two bedrooms grew by 37 units to 197 (23.1 per cent) and three bedrooms and over increased by 14 units to 97 (16.9 per cent).

External Demand

International business and tourism are Bermuda's primary sources of foreign exchange earnings. The Department of Statistics estimates that in the first three quarters of 2011 tourism and international business combined to provide at least \$1,789 million (excluding financial services which cannot be calculated accurately) in foreign currency receipts. The combined figure for 2011 is similar to the amount recorded in 2010, however the actual contributions of the two sectors to Bermuda's foreign exchange earnings moved in different directions. The amount of foreign exchange earnings produced by the international business sector declined by 2.7 per cent year over year while the amount generated by tourism activity increased by 12.6 per cent. The amount of foreign currency received from these two sectors of the economy represents 76.1 per cent of the total balance of payments current account receipts for the first three quarters of 2011.

International Business

In 2011 this sector provided 4,077 jobs in the economy reflecting a decrease of 4.9 per cent year over year, or a loss of 210 posts. Some other indicators of the performance of this sector for 2011 are given below:

There were 14,838 active international companies registered in Bermuda at the end of 2011, a decline of 253 companies or 1.7 per cent less than the total at the end of 2010.

Over the first nine months of 2011, foreign exchange earnings of the international companies declined by \$40.2 million to \$1.43 billion representing a decrease of 2.7 per cent.

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

In total, 802 new exempted companies were incorporated in 2011, compared to 691 the year before, representing an increase of 16.1 per cent. At the end of the third quarter of 2011, the total net asset value of collective investment schemes was \$160.44 billion, a decline of 8.6 per cent year over year². There was also a decrease of 47 mutual funds and unit trusts registered in Bermuda in the 12 months ending in September 2011.

A total of 54 new Bermuda insurers were registered during 2011, up 50 per cent from the 36 recorded in 2010. The encouraging signs of growth in the registration of Special Purpose Insurers (SPIs) have continued: 23 new SPIs were licensed in 2011 up from 8 the previous year. 2011 also saw the formation of two Class 4 companies.

The Bermuda insurance market has also remained resilient while managing the impact of challenging economic conditions, still achieving significant levels in gross premiums and maintaining healthy amounts of capital and surplus.

Based on Statutory Financial Returns filed with the Bermuda Monetary Authority³, the commercial sector received similar volumes of premiums written and increases in total assets and capital and surplus in 2010. Commercial insurers wrote gross premiums of \$86.3 billion compared to \$87.1 billion the previous year. Total assets in this sector were up 16.5 per cent year over year; from \$375.8 billion in 2009 to \$438.0 billion. Capital and surplus was up 10.5 per cent, from \$131.8 billion to \$145.6 billion. However, profitability of large commercial (re)insurers (Class 4 and 3B) remains low by historical standards, due to an ongoing softening of prices, low interest rates, and above-average losses from natural catastrophes. Investment income also fell below the historical average. Overall however, capitalization and liquidity levels have remained broadly stable. Maturity mismatches have been marginal, which bodes well for a possible increase of US interest rates over the medium term.

Bermuda captives wrote a total of \$21.4 billion in gross premiums in 2010, compared to \$32.7 billion in 2009. This decrease can be attributed to a combination of the Authority's ongoing reclassification of a number of companies to more accurately reflect their risk-profiles, as well as a decrease in premiums written by particular firms within the sector.

The market as a whole achieved gross premiums written of \$107.7 billion for 2010, as compared to \$119.7 billion written

² Reporting categories for collective investment schemes have been revised and simplified from the BMA's previously published format.

³ Companies submit Statutory Financial Returns (SFRs) on a phased basis throughout the year following the financial year-end. The initial submission deadline for 2010 SFRs was April 2011. Due to this schedule the most recent complete year-end figures for this overview are from 2010.

the previous year. In addition, the market recorded aggregate total capital and surplus of \$185.2 billion, an increase of 1.7 per cent over 2009, and assets of \$524.7 billion, up 5.8 per cent for the period.

To summarize Bermuda insurers' underwriting performance: premium growth is expected to moderate while above-average losses from natural catastrophes have resulted in downward pressure on profitability. So far, however, high capital levels have prevented consolidation, which would have otherwise allowed premium hardening.

Tourism

The lingering effects of the global economic and financial crisis continue to challenge the tourism industry in Bermuda. This is especially true of the US slowdown considering that approximately three quarters of Bermuda's air visitors emanate from that country. However, there are some positive signs in the industry which bodes well for the overall economy.

The total number of air arrivals during 2011 grew from 232,262 in 2010 to 236,038 in 2011, an increase of 1.6 per cent. Cruise passenger arrivals increased from 347,931 in 2010 to 415,711 a year later, which represents an increase of 19.5 per cent. Total visitor arrivals in 2011 rose by 71,556 or 12.3 per cent year over year.

In 2008 and 2009 Bermuda experienced double digit percentage reductions in the number of visitors travelling to the island by air. These figures were 13.7 percent and 10.5 per cent respectively. However, in 2010 the air visitor arrival figures exhibited stabilizing signs, recording a marginal decline of 1.5 per cent. In 2011, the air visitor figures experienced an increase for the first time since 2007. The first three quarters of the year all exhibited growth which collectively increased by 3.3 per cent. However, the fourth quarter declined by 4.8 per cent, but those lower figures were not enough to offset the gains of the first three quarters. The greater number of air arrivals was due in large part to a surge in convention business and additional airlift supplied by WestJet which increased the visitation from Canada by 50% in the first quarter.

Tourism sponsored events such as the Bermuda Marathon weekend (January), Bermuda International Invitational Race Week — Sailing (May) and the Bermuda Triple Crown Billfish Championship (July) would have all assisted with the positive results recorded during the first three quarters of 2011.

The cruise arrival figures continued the trend of increasing numbers of visitors year over year which began in 2009. The

growth in cruise visitors for 2011 was 19.5 per cent. The 415,711 cruise visitors in 2011 were the highest amount ever recorded. This is not surprising considering that additional ships were added to the shoulder periods of the cruise season. The ongoing increases in cruise visitors coincided with the opening of the Heritage Wharf Cruise Pier in 2009. This pier allowed Bermuda the capacity to accommodate mega ships that can hold in excess of 3,200 passengers.

Hotel occupancy rates averaged 56.3 per cent in 2011 which represents an increase of 4.3 per cent year over year. The major hotels experienced the highest rate of occupancy at 59.7 per cent which equates to growth of 2.4 per cent when compared to last year's rates. The small hotels enjoyed the next highest occupancy rate of 57.3 per cent, an 8.5 per cent gain year over year. Cottage colonies recorded the lowest occupancy rate for 2011 of 41.6 per cent which represents an increase of 10.7 per cent when compared to last year's level.

Over the last few years, the larger hotels have enjoyed the highest occupancy rates of the three categories. Previously, the higher occupancy levels were due in large part to the major hotel's ability to introduce special promotions. This year, the larger occupancy rates were due to a surge in convention business. There were approximately 23,000 extra room nights within the group due to large conventions taking place in Bermuda with State Farm and ADP the main contributors.

Total visitor expenditure for the first three quarters of 2011 increased by 12.6 per cent year over year. During this period, total expenditures by both air and cruise visitors experienced positive changes. The dollar value of the total expenditure by air visitors was an estimated \$294.3 million, a gain of \$33.9 million or 13 per cent year over year. Spending by cruise visitors grew from \$56.3 million in 2010 to \$62.2 million in 2011, an increase of 10.5 per cent.

During the first three quarters of 2011, expenditure on air visitor accommodation and food grew by 12.6 per cent, increasing from \$208.6 million in 2010 to \$234.9 million. Similarly, the expenditure on shopping, entertainment and transport increased by 14.7 per cent from \$51.8 million to \$59.4 million during the same time period. From January to September 2011, per capita spending by visitors arriving by air was \$1,539 compared to \$1,406 in 2010, a gain of 9.5 per cent. Spending per cruise visitor in the first three quarters of 2011 compared to 2010 grew from \$175 to \$178, a 1.7 per cent increase.

Due to the island's close proximity to the east coast of the United States, the vast majority of tourists that travel to Bermuda originate from the US. With direct flights from cities

such as New York, Philadelphia, Atlanta and Miami, along with an average flight time from these locations of less than three hours, it is not difficult to understand why the US is Bermuda's main source of visitors.

The number of air visitors from the US for 2011 increased from 71.5 per cent last year to 73.2 per cent. Canada was the second largest market at 12.4 per cent of the total visitors, while the UK finished the year with a percentage total of 9.1 per cent. The rest of the world weighed in at 3.0 per cent and Europe had the least amount of visitors at 2.3 per cent.

Of the five categories above, only the US and Europe experienced year-over-year growth in the number of air passengers visiting Bermuda. The number of visitors arriving from the US increased by 4.1 per cent while European air arrivals grew by 3.0 per cent. There were an additional 6,874 visitors from the US when compared to 2010 which is partially due to AirTran introducing a daily Baltimore flight which ran from April until the first week in September. This resulted in a 35 per cent visitor increase from that area in the third quarter. AirTran also supplied daily service from Atlanta from May until the first week in September which drove the third quarter's arrivals from this region up by an extraordinary 75 per cent.

Employment

In the 2010 Census, the unemployment rate was calculated at 6 per cent as at Census day, which was 20 May 2010. This is the latest official unemployment rate that has been published.

Preliminary data from the 2011 Employment Survey indicates that the total number of jobs in Bermuda decreased from 38,097 in 2010 to 37,379 in 2011, marking a decline of 718 jobs or 1.9 per cent. The rate of job losses has decelerated when compared to 2010 when 1,423 or 3.6 per cent of total jobs were lost. 2011 marks the third year that the number of jobs in the economy has declined which clearly illustrates that the Bermudian economy is still grappling to overcome the adverse effects of the global recession of 2008-2009. Overall the Island has lost 2,834 jobs since 2008, a reduction of 7.0 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. Since that time, the number of jobs in Bermuda has declined in three consecutive years; 1.7 per cent in 2009; 3.6 per cent in 2010; 1.9 per cent in 2011.

The construction sector recorded the highest number of jobs

lost of any industrial sector for the second consecutive year. This sector's employment numbers fell from 3,042 in 2010 to 2,549 in 2011. These 493 jobs equated to a reduction in employment of 16.2 per cent in the sector.

Employment levels in the international business sector declined from 4,287 in 2010 to 4,077 in 2011, representing a contraction of 210 jobs or 4.9 per cent year over year.

The sector with the next highest amount of job losses was real estate and renting activities. The number of positions in this sector shrank by 14.5 per cent to a total of 491.

Of the 16 major divisions of economic activity, only four recorded growth in the number of jobs in 2011. The education, health and social work (+270 jobs), hotels (+131 jobs), restaurants, cafes and bars (+52) and financial intermediation (+6 jobs) sectors combined to add 459 posts in 2011. Having created 1.2 per cent of the total number of jobs in 2011, these sectors had a significant effect on offsetting the overall reduction in jobs.

As mentioned above, collectively the construction and international business sectors accounted for 703 job losses in the economy in 2011.

There were two major occupational groups that experienced significant reductions in employment. These were, craft & related trades workers, and service workers and shop and market sales workers.

Together, these groups accounted for 551 job losses or 77.0 per cent of net job losses.

The number of jobs occupied by Non-Bermudians declined by a total of 700 jobs while Bermudian occupied jobs fell by 70 positions. 9.7 per cent of the net job losses for the period were positions held by Bermudians.

Inflation in Bermuda

The Consumer Price Index (CPI) increased at an average annual rate of 2.7 for 2011.

The headline rate in December stood at 2.9 per cent year-over-year which is well below the UK (4.8%) and slightly below the US (3.0%) but above Canada (2.3%). These averages indicate that the local level of inflation has been moderate and lower than two of our main trading partners.

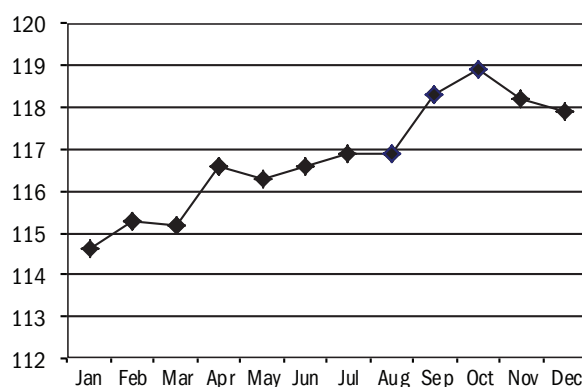
For the year, the largest price increases were recorded in the health and personal care, rent, fuel and power and food sectors.

The increases in price levels of the health and personal care sector contributed the most to the level of inflation in 2011. The average rate of price increases for this sector was 7.5

per cent. This can be mainly attributed to a 10.8 per cent increase in the average price of health insurance premiums in April 2011. Other categories experiencing higher costs in this sector were prescribed medicines and medical supplies.

The rent sector experienced cost increases at an average rate of 1.1 per cent for the year. The expanded costs in this sector were attributed to increases in payments for both rent controlled and non-rent controlled properties throughout the year. Job losses, pay freezes and the significant number of expatriate workers that have left the island have reduced demand and placed downward pressures on rental prices.

FIGURE 5
Bermuda's Consumer Price Index 2011



The prices in the fuel and power sector climbed at an average rate of 11.2 per cent in 2011. This can be mainly attributed to increases in the Belco Fuel Adjustment Clause. The growth in the Fuel Adjustment Clause between the rate posted in January and the rate posted in December was 30.8 per cent. The rate did not change for the first five months of the year but then began to increase in June as the cost of more expensive fuel began to flow into the calculations of the Fuel Adjustment Clause.

During 2011 the monthly increases in the food sector ranged from 0.8 per cent to 3.0 per cent with the average rate of price growth for the year being 2.3 per cent. Nine of the 12 months recorded price increases of over 2.0 per cent.

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 current account surplus was recorded at \$568 million at the end of the third quarter of 2011. This figure is 17.1 per cent greater than the \$485 million recorded over the first three quarters of 2010.

The increase was due in large part to the services account which grew by \$69 million or 21.3 per cent year over year. Within the services account, the travel account experienced the largest growth over the first three quarters of 2011, advancing by \$33 million or 23.6 per cent during that time. This result is primarily due to a 6.6 per cent increase in air and cruise arrivals.

The primary income balances were down by \$50 million or 5.0 per cent between January and September of 2011 with employee compensation and investment income declining during that period and the other income category increasing. Employee compensation fell marginally by \$4 million or 0.5 per cent which indicates job losses and pay restrictions to exempted companies' employees. The investment income account has diminished by \$60 million due to an increase in dividend payments to non-residents during the first three quarters of 2011.

The trade deficit on goods decreased from \$736 million over the first three quarters of 2010 to \$681 million over the same time period in 2011. This 7.5 per cent decline is the result of fewer imports due to the current economic downturn. The uncertainty in the local economy has caused consumers to be cautious in their spending. Also, the decline in the number of jobs and expatriates on the island has resulted in retailers having to import less. Both of these situations have contributed to the decline in imports.

It is anticipated that the balance of payments flows for the last quarter of 2011 will continue to experience moderate year over year growth which will result in a full year BOP current account surplus slightly higher than the \$706 surplus posted in 2010.

Financial Sector

The movement in the money supply (Bermudian currency only) reflects the broad economic climate in Bermuda and the overall level of financial intermediation by local banks. Based on figures released from the Bermuda Monetary Authority (BMA), the money supply contracted by 2.1 per cent during the first three quarters of 2011 (and 3.2 per cent year-on-year) driven by a decrease in customer deposit liabilities, low inflation, and a reduction of leverage in the Bermuda dollar balance sheet of banks. While a de-risking of balance sheets and capital raising by some banks have contributed to a decline in money supply on average ("deflationary impact"), the recent contraction of money supply with a total reduction of 5.6 per cent since 2009 is remarkable as an increasing share of domestic financial intermediation is in US dollars.

The banking sector's total assets grew by 3.1 per cent during the first three quarters of 2011 (and 8.2 per cent year-on-year). Total loans and advances increased by \$634.7 million or 7.4 per cent during the first three quarters of 2011, while total customer deposit liabilities (of which more than 80 per cent are denominated in US dollars) grew by \$900.1 million or 4.6 per cent.

The aggregate risk asset ratio (RAR) as of end-2011 was above 23 per cent, almost three times above the internationally recommended standard of 8.0 per cent, and still well above the proposed new capital requirements. Recent analysis by the BMA suggests that banks have solid capital buffers and are resilient against current market stresses affecting the valuation of their holdings of sovereign and foreign bank debt. Banks' debt exposures are modestly affected by the continued uncertainty about the sustainability of fiscal balances in the European periphery (Greece, Ireland, Italy, Portugal, and Spain ('GIIPS')), which has limited any impact from the escalation of sovereign risk in the euro area and the potential for spillover effects in the region. However, over the short- and medium-term, sovereign risk remains a serious concern if further increases in default risk accentuate haircuts on outstanding exposures to the United States and non-GIIPS countries in Europe.

GLOBAL ECONOMIC OUTLOOK

Downside risks to global growth remain elevated in many advanced economies (with attendant implications for the financial sector) given the scant progress in addressing fiscal vulnerabilities in the euro area periphery. The post-crisis recovery, especially in the United States, remains sluggish and heavily dependent on critical decisions regarding monetary policy and fiscal prudence. Economic activity could become markedly more volatile if fiscal challenges in the European periphery and remaining pockets of financial sector weaknesses were to further delay the timely exit from extraordinarily accommodative monetary policy.

The two-speed recovery continues, and downside risks to global growth remain elevated amid slow growth in the United States (as the most important economy to Bermuda) and renewed strains in the euro area periphery. Global growth continues to be driven by emerging market economies, albeit at a slower pace in response to some capital outflows and a downward correction of foreign exchange rates. Global output is projected to rise by about 4 per cent in 2012, led (as before) by emerging and developing economies according to the International Monetary Fund's (IMF) World Economic Outlook baseline forecast. Activity in

advanced economies is projected to expand by 2 per cent in 2012, which is still sluggish considering the depth of the 2009 recession. In contrast, developing economies benefit from continued capital flows as a result of carry trades on low interest rates in most advanced economies, which helps mitigate global imbalances at the expense of potentially rising inflation in countries where monetary policy remains accommodative. Despite significant progress in private sector deleveraging, improved financial market functioning, and supportive policies, demand shocks (largely driven by austerity measures, cutbacks in private sector consumption, and a further retrenchment of credit) in current account deficit countries, such as the United States, have not been accompanied by higher productivity, which would help mitigate continued global imbalances. Other downside macro risks arise from rising oil and commodity prices, the continued weakness of the US real estate market, and a possible reversal of capital flows as a result of overheating and potential for boom-bust cycles in emerging markets.

Sovereign risk has become a seriously destabilizing factor in the restoration of financial stability, which could result in contagion effects to both the financial and real sector in the United States. During the last year, the European sovereign debt crisis has further escalated, with financial sector distress worsening in countries with weak fundamentals and growing debt sustainability problems. Rising budget deficits (i.e., negative primary fiscal balances) in tandem with growing gross government indebtedness have created an unsustainable fiscal position of several countries in the European periphery. Persistent fiscal risks and insufficient efforts to achieve sustainable budget positions have raised the specter of debt restructuring, or even outright default, in one or more Member States, leading to a greater potential for contagion, both within several affected countries and across borders, which might lead to adverse second round effects for the financial and real sector in the United States due to the net creditor position of euro area banks and the multitude of trade linkages between both regions.

United States of America: The US Economy crawled slowly through 2011 and another modest performance is anticipated for 2012. The actual outcome will depend substantially on whether President Barack Obama and Congressional leaders can compromise their sharp differences with respect to national economic and fiscal policies. In the meantime, very high unemployment rates, pessimistic consumers, and uncertain businessmen are all hampering the economy's efforts to overcome the lingering effects of the 2008–2009 recession.

However, in early 2012 a dramatic change occurred within

the US labour market. On Friday, 3 February 2012, the Bureau of Labor Statistics, in the U.S. Department of Labor, reported on the employment situation in January. The report illustrated that Nonfarm Payroll Employment rose by 234,000 jobs during that month and the unemployment rate declined to 8.3 per cent. It had been 8.7 per cent in November and 8.56 per cent in December 2011.

Looking ahead to 2012, real GDP in the United States is expected to be slightly higher than last year's performance. Several sectors will contribute to the improvement. Among these are the growth in jobs and the further decline in the unemployment rate, which in turn, are expected to support a rise of 1.4 per cent in disposable personal income. The growth in income, combined with some strengthening in consumer confidence, is expected to sustain an expansion in personal consumption expenditures. These outlays may increase by approximately 2.1 per cent.

Another type of spending, non-residential fixed investment, may contribute less to the growth of economic activity in 2012 than was the case last year. In 2011, business investment outlays rose by 8.6 per cent, however, the increase may be 7.2 per cent this year. Several factors may exert restraining influences such as a slower increase in corporate profits, a tightening in the rules which govern expensing of investment in capital equipment, and more uncertainty generated by the political controversy over the future regulation of business.

Also, in the private sector, the collapse of the housing market will be a continuing and formidable obstacle to national economic recovery. The decrease in housing prices has slowed in some geographic regions of the country. However, the heavy volume of foreclosures continues to stifle the recovery in the housing market. Taking into account the expected rise in employment and disposable personal income, housing starts may edge up to 0.75 million in 2012, and to 0.9 million in 2013.

The market for automobiles will probably continue to be a source of strength in 2012. Sales of automobiles and light trucks were about 12.8 million in 2011. The volume may expand to 14.0 million this year and to 15.0 in 2013.

In the meantime, the Federal Reserve System has become more pessimistic about the pace of economic growth over the next few years. For example, on 25 January 2012 the Fed cut its forecast of expected GDP. It now anticipates that GDP will rise by about 2.7 per cent in 2012, roughly 3.2 per cent in 2013, and by approximately 4.0 per cent in 2014. The US Central Bank also announced that it plans to hold short-term interest rates below 0.25 per cent through 2014. Long-term rates will also be kept low.

In conclusion, the upward trend in the growth of output and employment will probably continue through 2013. However, the pace of economic growth for the entire United States economy will most likely be somewhat restrained for at least the next two years.

Canada: Economic recovery in Canada has proceeded at an uneven pace. Gross Domestic Product (Real GDP) declined slightly in the second quarter of 2011. Over the summer months, output grew at an annual rate of 3.5 per cent. Then, in the fourth quarter, Real GDP probably edged up by less than 2.0 per cent.

Behind this pattern, households and business firms have behaved quite differently. Consumers, who have been burdened by a heavy debt load, have been cutting back on spending. Home sales have also moderated since new mortgage rules were adopted in the spring of 2011. In contrast, business firms have increased outlays, especially for investment in plant and equipment. It has been easier to finance the latter since Canadian banks have become more willing to extend business loans.

In labour markets, the experience has also been mixed with companies hiring more employees during the first half of 2011. As a result, the unemployment rate declined marginally from an average of 7.7 per cent in the first quarter to 7.2 per cent in the third quarter. However, the unemployment rate rose to 7.4 per cent in the final quarter of 2011.

Looking ahead, Canada may experience a moderate rate of economic growth over the next two years. Real GDP, which rose by 3.2 per cent in 2010, may expand by 2.3 per cent in 2012 and by 2.0 per cent in 2013. Given this outlook, the Bank of Canada will almost certainly keep interest rates fairly low, probably in the neighbourhood of 0.82 per cent on 3-month Treasury Bills and 2.16 per cent on 10-year Bonds.

Euro-Zone: A number of economic indicators published in January 2012, suggest that the Eurozone slid back into recession in the final quarter of 2011. The record indicates that in the third quarter of 2011, real GDP rose by 0.8 per cent, but in the final three months a small decline most likely occurred. Several forecasters who follow Eurozone developments closely, believe the recession will extend at least through the first half of 2012.

Reflecting on the weak performance in overall activity, the unemployment rate in the Eurozone in November stood at 10.3 per cent. This was the highest level since the single euro currency was created.

Although there are other member countries in the Eurozone, the level of economic activity in Germany and France usually

determines the outcome for the entire group. At this juncture, it appears that Germany will avoid a recession in the next few years, but only by the narrowest of margins. For example, real GDP in Germany is expected to increase by 0.4 per cent in 2012 and by 1.0 per cent in 2013. In contrast, Real GDP in France may decline by 0.2 per cent in 2012. A slight recovery is anticipated next year, with real output anticipated to rise by 1.1 per cent.

As a result of the slow growth experienced in the Eurozone, inflation will probably remain subdued over the next two years. The annual rate of inflation, measured by the Consumer Price Index, may run at 1.8 per cent in 2012 and 1.7 per cent in 2013.

To be fair, any forecast of economic activity in the Eurozone must be advanced with considerable caution. The reason is the great deal of uncertainty surrounding the struggle to cope with the sovereign debt crises in Greece, Portugal, Spain, and Italy. If these efforts are successful, the euro and Eurozone will most likely avoid a prolonged recession.

United Kingdom: In the United Kingdom, economic growth in 2011 was modest. In the second quarter, real GDP was unchanged while the third quarter figure was revised up to 0.6 per cent (to an annual rate of 2.4 per cent). Most of the expansion in the third quarter can be attributed to increased inventories and Government spending. However, consumption spending, business investment, and trade were all subdued.

In the closing months of last year, the British economy shrank by 0.2 per cent (equal to an annual rate of 0.8 per cent). This result was propelled by several negative developments. Among these were a 4.1 per cent decrease in electricity and gas production and a 0.9 per cent decline in construction. As a matter of fact, the fourth quarter 2011 reduction in real GDP was the first decline since the final quarter of 2010.

Over the next two years, the United Kingdom's economy is likely to grow very slowly. Forecasts put the increase in real GDP at 0.6 per cent in 2012 and 1.8 per cent in 2013. Overall economic activity will probably be held down by rising unemployment, decreases in real wages, and creeping inflation. These internal difficulties will be reinforced by a mild recession in the Eurozone, which apparently has already started.

Asia-Pacific: Turning to the Asia-Pacific region, the economic outlook for the next two years is highly promising. The optimism is based largely on the expected outstanding performance by China and India. But other countries in the region will also do well.

The exception is Japan. Real GDP in that country may rise by 2.0 per cent in 2012 and by 1.9 per cent in 2013. Also, Japan may continue to suffer from falling prices. For example, the Consumer Price Index may decrease by 0.2 per cent in 2012 and remain essentially flat in 2013.

China will continue to be the star performer in the region. Its Real GDP may rise by 8.0 per cent in 2012 and by 8.7 per cent in 2013. However, inflation will pose a challenge, but inflationary pressures will probably not be severe. The CPI may increase by 3.6 per cent in 2012 and by 3.8 per cent in 2013.

India will also show strong economic growth over the next two years. Real GDP may increase by 7.2 per cent in 2012 and by 8.0 per cent in 2013. Unfortunately for India, however, inflation may pose a more serious problem. The CPI may rise by 7.1 per cent in 2012 and by 6.8 per cent in 2013

2012 OUTLOOK FOR BERMUDA

With the global economic outlook deteriorating and financial markets experiencing regular bouts of intense volatility, we anticipate a further decline in economic activity over 2012 as Bermuda struggles to recover from the global recession of 2008–2009.

Despite significant progress in the adoption of supportive policies, the effects of reductions in public sector spending and a gradual slowdown of private sector credit are still not offset by higher productivity in the international business sector and higher capital formation, which would help stabilize the decline in domestic consumption. In addition, headwinds from fiscal consolidation and limited flexibility to adopt counter-cyclical measures could turn out to be more powerful than expected. The lack of a diversified economy weakens the ability of the economy to absorb shocks and make the recovery process less vigorous.

The deterioration of the country's macroeconomic indicators has been most pronounced in unemployment. Although domestic prices have stabilized over 2011, total employment continues to shrink although the pace of the decline has decelerated from 3.6 per cent in 2010 to 1.9 per cent in 2011. In absence of a social safety net, higher unemployment affects household consumption and debt affordability. The higher than usual unemployment accompanied by the uncertainty in the local economy will continue to have a negative effect on retail sales which will continue to be depressed in 2012.

By international standards, unemployment remains low due in part to higher public sector employment and benefits from

flexible immigration policy as the foreign workforce adjusts to cyclical fluctuations.

The increase in inflation has been moderate with the CPI averaging a rate of 2.7 per cent in 2011. However this is subject to an upward trend in commodity price developments as food and fuel constitute two of the largest proportions of imports which could cause inflation to track above the projected average of 2.5–3.0 per cent.

For the past two years the construction industry has seen a continued decline in new construction and renovation projects, this has led to significant job losses in this sector over this period. In 2011 this sector lost 493 jobs or 16.2 per cent of employment. The redevelopment of the King Edward VII Memorial Hospital has begun and is projected to create over 300 jobs over the duration of the project. Along with the \$500 million that is expected to be spent over the lifetime of the project, the construction industry should see some improvement over the next few years, but not at the level of the boom years of 2007 and 2008.

The Government will continue to provide stimulus to this sector with its capital expenditure programme. Although capital expenditure has been curtailed, the Government still anticipates refurbishing the co-ed substance abuse treatment facility, refurbishing the runway at the airport, completing the X-ray scanner project at the Hamilton dock and continuing the improvements to Government's infrastructure.

2011 was an improved year in the tourism industry. Air visitor arrivals were up for the entire year for the first time since 2007 and Bermuda recorded the largest number of cruise visitors in the islands history. Much of the growth in visitor arrivals was due to larger amounts of convention business, but unfortunately the hotels do not anticipate the same amount of convention business in 2012. Also, cruise arrivals are expected to subside in 2012 as some ships have discontinued service to Bermuda.

In 2012 the Ministry of Business Development and Tourism will create a National Tourism Plan.

The increasingly adverse economic conditions and the intensification of the decline in real estate prices in both the residential and commercial sector will further challenge the credit fundamentals of the domestic banking sector. Real estate prices have declined sharply but have not bottomed. Households are highly indebted and thus vulnerable to further declines in housing prices. Given the banking sector's large exposure to real estate, deterioration in asset quality would render existing loan loss provisions insufficient. Moreover, weaker demand for loans, high levels of non-performing

loans, plus the intensifying competition for deposits are likely to dent banks' earnings/capital formation.

The (re)insurance sector, as the key driver of the current account surplus, has remained well-capitalized in spite of a near record-level of catastrophe losses in 2011, and fundamentals appear to be still strong, but there are short-term challenges. Insurers' profitability is likely to come under pressure by the slow economic recovery, record low interest rates, and a reduction in reserve releases. The impact of the trend of an increasing frequency of catastrophes, attributed to climate change, has been largely offset by excess capacity and the lack of industry consolidation, leading to only very moderate premium hardening in certain classes of business. The low stock market valuations of firms by historical standards make capital raising more expensive, and, thus, place a premium on the effectiveness of risk transfer mechanisms, such as CAT bond issuance, which has been evidenced in the recent surge of special purpose insurer (SPI) registrations.

In light of local indicators, and expectations for the US economy and financial market conditions, the Ministry of Finance anticipates that the current economic slowdown will persist through 2012. Taking all of the above information into account the Ministry of Finance estimates that Bermuda's GDP will decline in the region of 1.0 – 2.0 per cent in 2012.

While the outlook for growth over the next year remains negative, the proposed reform measures in the areas of the labour market, fiscal stability and the continued resilience of the international business sector can have an important and positive impact on Bermuda's growth outlook beyond 2012. Also plans to liberalize immigration policy in association with foreign direct investment will also have a positive impact on growth prospects. These measures combined with sustained growth from Bermuda's largest trading partner, the United States should contribute to a mild recovery in Bermuda's economy leading to positive but still historically weak growth in 2013 and 2014.

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TABLE 1**GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN****(At constant market prices \$000) 1996 = 100**

INDUSTRIAL SECTIONS	2005	2006	2007	2008	2009	2010
01 Agriculture, forestry and fishing	42,652	46,389	48,280	50,897	48,343	47,896
03 Manufacturing	92,499	90,004	89,532	86,063	85,992	79,613
04 Electricity, gas and water supply	87,290	89,896	86,706	63,187	65,536	69,655
05/02 Construction & Quarrying	324,634	307,958	306,645	319,521	283,717	241,516
06 Wholesale and retail, repair serv.	387,381	399,731	393,137	381,920	374,368	356,728
07 Hotels and restaurants	252,580	299,012	277,546	246,059	207,979	231,954
08 Transport and communications	300,184	306,906	308,482	293,446	274,689	267,603
09 Financial intermediation	697,776	786,068	774,024	777,680	684,249	704,129
10 Real estate and renting activities	783,576	829,104	829,841	876,769	906,268	904,601
11 Business activities	459,627	493,719	483,335	496,907	478,935	446,477
12 Public administration	239,183	254,712	281,521	297,070	291,126	291,452
13 Education, health and social work	311,089	327,700	351,932	377,127	404,678	402,845
14 Comm., social and personal serv.	115,078	116,786	113,515	112,336	103,553	102,090
15 International business activity	1,249,738	1,301,453	1,462,507	1,443,926	1,336,043	1,311,773
Total	5,343,288	5,649,439	5,807,002	5,822,907	5,545,476	5,458,333
Less: Imputed bank service charge	438,864	469,583	474,941	439,476	422,000	432,940
Add: Taxes and duties on imports	221,739	234,444	240,983	241,643	230,130	226,513
GDP at market prices	5,126,162	5,414,299	5,573,043	5,625,074	5,353,605	5,251,907
Per cent change from previous year	2.0	5.6	2.9	0.9	-4.8	-1.9

Source: Department of Statistics

TABLE 2

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

INDUSTRIAL SECTIONS	2005	2006	2007	2008	2009	2010
01 Agriculture, forestry and fishing	39,025	46,389	45,249	48,301	42,987	42,971
03 Manufacturing	80,210	90,004	84,979	90,043	76,916	76,059
04 Electricity, gas and water supply	79,989	89,896	91,170	97,783	96,825	96,518
05/02 Construction & Quarrying	324,235	307,958	317,068	370,078	317,531	260,556
06 Wholesale and retail, repair serv.	375,616	399,731	425,927	435,354	419,377	413,050
07 Hotels and restaurants	274,211	299,012	320,063	308,039	253,103	269,554
08 Transport and communications	287,246	289,477	337,012	322,177	307,079	288,390
09 Financial intermediation	623,556	786,068	863,588	943,800	685,821	700,664
10 Real estate and renting activities	756,901	825,047	831,867	861,776	861,632	906,610
11 Business activities	432,101	493,719	532,977	587,677	578,749	558,124
12 Public administration	234,093	254,712	285,726	326,409	342,463	349,151
13 Education, health and social work	311,444	327,700	355,125	399,600	400,218	434,582
14 Comm., social and personal serv.	105,356	116,786	113,848	122,659	116,753	126,685
15 International business activity	1,050,496	1,301,453	1,592,675	1,547,210	1,479,051	1,461,824
Total	4,974,478	5,627,952	6,197,275	6,460,906	5,978,503	5,984,738
Less: Imputed bank service charge	359,636	475,019	536,169	578,228	395,483	425,232
Add: Import duties	231,305	234,444	233,942	227,250	223,358	205,078
GDP at market prices	4,846,147	5,387,377	5,895,048	6,109,928	5,806,378	5,764,584
Per cent change from previous year	8.5	11.2	8.9	3.6	-5.0	-0.7

Source: Department of Statistics

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

	2007	2008	2009	2010R	2011P
Agriculture, forestry and fishing	697	717	710	692	639
Manufacturing	935	915	907	841	792
Electricity, gas and water supply	394	412	409	426	389
Construction & Quarrying	3,544	3,649	3,488	3,042	2,549
Wholesale and retail, repair serv.	4,754	4,766	4,752	4,658	4,518
Hotels and restaurants	4,810	4,869	4,674	4,349	4,532
Transport and communications	2,756	2,602	2,471	2,322	2,291
Financial intermediation	2,952	2,907	2,781	2,741	2,747
Real estate and renting activities	614	625	606	574	491
Business activities	4,187	4,326	4,197	4,033	3,973
Public administration	4,113	4,223	4,318	4,296	4,284
Education, health & social work	3,251	3,279	3,624	3,625	3,895
Other comm., social and personal	2,155	2,162	2,152	2,211	2,202
International business activity	4,689	4,761	4,431	4,287	4,077
Total	39,851	40,213	39,520	38,097	37,379
P = Preliminary data					
R = Revised					

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	
2006	100.0	+4.0	100.0	+6.1	100.0	+3.6	100.0	-1.5	100.0	+11.7	100.0	+7.0	100.0	-9.0	100.0	+7.6
2007	104.3	+4.2	106.5	+6.5	104.4	+4.4	95.1	-5.1	106.0	+6.0	96.4	-3.6	109.3	+9.3	106.2	+6.1
2008	106.0	+1.6	114.9	+7.8	105.2	+0.8	90.7	-4.6	116.9	+10.3	93.0	-3.5	104.3	-4.6	106.8	+0.6
2009	102.1	-3.6	119.9	+4.4	112.7	+7.1	82.0	-9.6	106.0	-9.3	86.1	-7.4	89.7	-14.0	100.3	-6.1
*2010	97.3	-4.7	120.5	+0.5	115.6	+2.5	68.2	-16.9	111.5	+5.2	64.3	-25.3	87.6	-2.4	95.7	-4.6
2009																
Sep	98.2	-4.0	117.5	+6.9	119.2	+20.9	74.5	-21.0	108.4	-10.6	90.8	-4.3	85.4	-9.6	90.6	-8.6
Oct	102.5	-3.0	125.5	+3.2	104.5	+23.1	89.9	-4.4	110.0	-9.6	81.1	-12.5	87.1	-2.6	94.9	-7.9
Nov	96.1	-7.1	110.6	-2.8	112.8	+10.7	67.0	-11.8	105.4	-0.8	82.4	-13.1	91.3	-7.6	95.9	-11.4
Dec	123.0	-2.3	132.0	+1.7	167.5	+23.0	70.3	-17.8	106.6	+6.2	57.8	-16.4	180.0	-0.6	136.2	-4.5
2010																
Jan	88.5	-4.0	114.6	+1.4	93.0	+15.2	70.8	-13.7	102.0	+10.4	64.7	-8.4	60.2	+1.3	83.9	-12.1
Feb	83.3	-2.8	106.6	+1.3	94.5	+19.2	81.0	+12.7	97.7	+9.9	59.8	-20.5	51.6	-6.5	75.7	-11.5
Mar	98.7	-1.9	119.9	+5.6	107.2	+27.8	88.8	+0.2	114.5	+14.3	75.2	-28.4	63.7	-12.4	90.9	-4.2
Apr	97.0	-6.6	116.9	-3.4	115.7	+16.3	63.3	-36.9	115.8	+14.8	73.9	-28.0	83.1	-0.8	97.2	+2.0
May	96.2	-3.6	120.8	-0.4	97.9	-13.0	64.5	-13.2	119.5	+7.1	72.5	-21.5	96.4	+7.2	96.2	-4.9
Jun	104.0	-2.4	125.1	+2.9	113.0	+2.1	70.7	-8.2	118.8	+2.6	64.8	-28.5	107.2	+2.1	103.9	-2.5
Jul	105.7	-6.1	137.8	+1.0	150.2	+3.3	69.2	-33.0	117.8	+1.6	66.4	-27.8	81.7	-1.0	104.3	-1.7
Aug	94.8	-9.3	116.4	-4.3	120.9	-11.7	58.6	-30.9	115.5	-0.8	71.7	-22.6	82.9	-1.4	93.0	-8.4
Sep	92.4	-5.9	120.2	+2.3	121.8	+2.2	56.3	-24.4	109.8	+1.3	61.4	-32.4	74.1	-13.3	89.4	-1.4
Oct	94.1	-8.2	124.4	-0.9	98.9	-5.4	73.2	-18.6	112.0	+1.8	56.9	-29.8	76.2	-12.5	86.3	-9.1
Nov ^R	93.6	-2.6	110.2	-0.4	111.1	-1.5	62.6	-6.6	105.9	+0.5	60.7	-26.3	93.6	+2.5	96.4	+0.5
Dec	119.1	-3.2	132.8	+0.6	162.4	-3.0	59.2	-15.8	109.0	+2.3	43.7	-24.4	180.3	+0.2	131.2	-3.7
2011																
Jan	83.3	-5.9	112.1	-2.2	85.8	-7.7	57.2	-19.2	103.6	+1.6	55.9	-13.6	57.0	-5.3	78.6	-6.3
Feb	78.5	-5.8	104.8	-1.7	90.3	-4.4	59.3	-26.8	99.1	+1.4	51.0	-14.7	53.3	+3.3	72.5	-4.2
Mar	93.3	-5.5	115.3	-3.8	102.1	-4.8	69.9	-21.3	116.4	+1.7	64.1	-14.8	63.1	-0.9	89.1	-2.0
Apr	96.1	-0.9	124.7	+6.7	122.0	+5.4	51.6	-18.5	121.1	+4.6	67.1	-9.2	81.5	-1.9	91.4	-6.0
May	92.2	-4.1	115.2	-4.6	90.7	-7.4	63.1	-2.2	124.2	+3.9	66.7	-7.9	93.0	-3.5	91.2	-5.2
Jun	101.3	-2.7	123.0	-1.6	111.7	-1.2	53.1	-24.9	127.1	+7.0	64.5	-0.4	110.8	+3.3	100.5	-3.2
Jul	100.4	-5.0	135.2	-1.9	145.0	-3.4	38.3	-44.7	128.2	+8.8	66.7	+0.4	86.5	+5.8	97.4	-6.6
Aug	94.8	0.0	116.8	+0.4	122.8	+1.5	55.7	-4.9	123.6	+7.0	64.4	-10.2	85.0	+2.5	93.3	+0.3
Sep	92.3	-0.1	116.3	-3.2	116.6	-4.3	48.4	-14.1	116.9	+6.5	70.2	+14.4	83.8	+13.1	88.2	-1.3
Oct	91.2	-3.0	123.5	-0.7	96.0	-2.9	43.4	-40.6	112.7	+0.6	71.3	+25.3	78.7	+3.3	83.5	-3.2
Nov	91.1	-2.7	114.0	+3.4	110.7	-0.4	38.3	-38.8	108.8	+2.7	66.8	+10.0	86.9	-7.1	93.2	-3.3

TABLE 5

**CONSUMER PRICE INDEX
APRIL 2006 = 100**

	All Items	Food	Rent	Clothing & Footwear	Tobacco & Liquor	Fuel & Power	Household Goods, Services & Communica- tions	Transport & Vehicles	Education, Recreation & Reading	Health & Personal Care
2004 WEIGHT	1000	146	325	37	20	30	140	139	71	92
ANNUAL AVERAGE (per cent)										
2006	+3.1	+2.0	+3.9	+3.3	+2.1	+9.5	+1.4	+1.2	+3.8	+5.7
2007	+3.8	+3.5	+2.6	+0.2	+1.9	+5.5	+2.2	+6.6	+4.8	+6.8
2008	+4.8	+5.6	+2.4	+2.7	+9.3	+31.8	+2.6	+3.9	+5.1	+6.6
2009	+1.8	+5.4	+1.9	+3.0	+5.9	-6.3	+0.7	-4.3	+5.3	+6.7
2010	+2.4	+3.0	+1.3	+2.4	+1.9	-0.8	+1.6	+1.8	+2.5	+8.1
2011	+2.7	+2.3	+1.1	+5.7	+3.1	+11.3	+2.0	+0.6	+2.6	+7.5
MONTHLY (per cent)										
2009										
Nov	-0.1	+0.3	+0.1	Nil	+0.3	+0.1	Nil	-1.8	Nil	Nil
Dec	-0.3	-0.7	+0.1	Nil	+1.1	Nil	+0.3	-2.2	-0.1	-0.1
2010										
Jan	+0.5	+2.1	+0.1	-2.6	-0.1	+0.2	+0.1	+1.9	+0.1	Nil
Feb	-0.5	-0.8	+0.1	Nil	-0.5	+0.2	-0.1	-2.8	Nil	+0.1
Mar	+0.7	+1.2	+0.1	Nil	-0.1	Nil	Nil	+3.4	+0.1	Nil
Apr	+1.3	+0.2	+0.2	+6.0	Nil	Nil	Nil	+3.1	+0.1	+6.0
May	-0.3	-1.0	+0.2	Nil	-0.1	Nil	Nil	-1.8	+0.2	Nil
June	-0.1	+0.1	+0.2	Nil	+0.1	Nil	-0.5	-1.2	Nil	+0.6
July	+0.2	+0.1	+0.1	+0.3	+0.2	Nil	Nil	+1.1	Nil	+0.1
Aug	+0.4	+2.0	+0.3	Nil	+0.2	+4.0	+1.0	-2.4	+0.1	Nil
Sept	+1.1	-0.4	+0.2	Nil	-0.1	Nil	+0.2	+7.1	+1.5	+0.2
Oct	+0.2	+0.5	+0.1	-0.7	+0.3	+3.9	-0.1	-0.9	+0.6	+0.4
Nov	-0.8	+0.1	+0.1	Nil	+0.2	Nil	Nil	-6.3	Nil	Nil
Dec	Nil	-1.6	Nil	Nil	+0.5	Nil	Nil	+1.5	+0.1	Nil
2011										
Jan	Nil	+0.8	+0.1	-0.1	+0.6	Nil	+0.7	-1.4	+0.1	Nil
Feb	+0.6	+0.8	+0.1	Nil	+0.7	Nil	Nil	+3.4	-0.1	Nil
Mar	-0.1	Nil	+0.2	Nil	+0.2	Nil	-0.1	-1.3	+0.1	+0.1
Apr	+1.3	-0.6	Nil	+4.7	Nil	Nil	-0.1	+3.8	+0.2	+6.6
May	-0.3	+0.4	+0.3	+0.1	Nil	Nil	Nil	-3.6	-0.1	Nil
Jun	+0.3	+0.5	+0.1	Nil	+0.2	+2.8	+1.2	-0.4	-0.4	+0.1
Jul	+0.2	-0.2	-0.1	-0.3	+0.6	+1.8	+0.1	+1.1	+0.4	+0.1
Aug	Nil	+2.1	Nil	+0.1	+0.2	+3.8	+0.2	-4.2	+0.2	+0.1
Sep	+1.2	+0.1	-0.4	Nil	+0.1	+3.7	+0.4	+8.0	+2.0	+0.1
Oct	+0.5	+0.4	+0.1	+4.6	+0.2	+0.6	+0.1	+1.5	-0.1	+0.1
Nov	-0.6	+0.2	Nil	Nil	+0.1	+0.1	+0.1	-4.9	+0.1	Nil
Dec	-0.2	-1.4	-0.1	Nil	+0.1	Nil	-0.1	+0.5	+0.1	-0.2
Dec '11	117.9	122.4	110.6	120.6	125.8	156.2	110.6	106.1	125.6	142.8
<u>Dec '11</u>	+2.9	+3.0	+0.4	+9.2	+2.9	+13.4	+2.6	+1.8	+2.4	+6.9

MAJOR CONSTRUCTION PROJECTS¹ Estimated value of work put in place during period

	Type of Project							Sector		
	Value of New Projects Started	Residential Shops, Ware-houses, etc.	Offices, Guest Houses, etc.	Hotels, Hospitals, Community Centres, etc.	Schools, Bridges, Airports, etc.	Roads, Plant and Other	Industrial	Total	Public	Private
2007	184.3	109.1	60.2	135.8	16.3	0.9	8.0	330.2	63.2	267.0
2008	317.3	83.4	143.3	114.0	43.6	62.6	10.9	457.8	100.8	357.1
2009	195.8	29.1	188.5	22.5	14.2	27.2	6.3	287.8	77.6	210.1
2010	156.6	34.0	119.4	20.0	4.4	4.7	14.9	197.4	46.0	151.4
2007	19.8	22.7	21.7	31.0	5.0	0.7	4.0	85.1	16.8	68.3
	61.3	36.0	13.7	29.4	4.0	0.1	2.0	85.2	14.7	70.5
	82.2	24.5	14.2	53.2	3.6	0.1	2.0	97.6	16.0	81.6
	21.0	25.8	10.6	22.2	3.7	0.0	0.0	62.3	15.7	46.5
2008	86.4	29.2	18.6	31.7	11.5	13.1	3.4	107.5	26.9	80.6
	81.8	23.0	31.8	25.2	21.8	5.7	2.5	110.0	15.2	94.8
	128.9	16.2	37.0	35.6	3.8	24.0	2.5	119.1	31.4	87.8
	20.9	15.0	55.9	21.5	6.5	19.8	2.5	121.2	27.3	93.9
2009	132.3	12.2	87.9	17.0	6.0	19.7	2.3	145.1	29.6	115.5
	7.6	9.8	72.9	3.0	5.3	4.5	2.9	98.4	21.0	77.4
	51.9	3.5	18.0	0.0	1.9	1.7	0.1	25.2	16.9	8.2
	4.0	3.6	9.7	2.5	1.0	1.3	1.0	19.1	10.1	9.0
2010	4.7	17.5	41.9	0.0	0.4	2.3	4.5	66.6	19.9	46.7
	6.8	6.9	61.9	0.0	0.4	1.0	1.3	71.5	6.6	64.9
	65.0	3.9	6.2	5.0	1.8	0.8	3.7	21.4	9.1	12.3
	80.1	5.7	9.4	15.0	1.8	0.6	5.4	37.9	10.4	27.5
2011	514.5	4.9	11.9	10.0	15.9	0.4	2.2	45.3	7.2	38.1
	4.5	12.2	7.0	0.0	10.3	0.0	2.9	32.4	10.2	22.2
	22.3	10.0	14.7	0.0	15.0	0.0	3.0	42.7	17.5	25.2

¹Projects valued at \$0.5 million or more

Source: Department of Statistics

TABLE 7**GROSS ADDITIONS TO THE STOCK OF RESIDENTIAL DWELLING UNITS**

Number of Units		Studio apartments	One bedroom	Two bedroom	Three bedroom and over	Total units completed
2007		38	59	118	54	269
2008		40	122	95	91	348
2009		53	89	141	77	360
2010		20	64	193	98	375
2007	Q1	11	14	19	9	53
	Q2	10	16	53	24	103
	Q3	9	7	17	10	43
	Q4	8	22	29	11	70
2008	Q1	7	49	49	13	118
	Q2	13	22	10	18	63
	Q3	9	25	20	36	90
	Q4	11	26	16	24	77
2009	Q1	10	19	27	12	68
	Q2	8	23	53	31	115
	Q3	11	19	46	8	84
	Q4	24	28	15	26	93
2010	Q1	6	13	28	27	74
	Q2	2	27	41	20	90
	Q3	5	13	91	36	145
	Q4	7	11	33	15	66
2011	Q1	10	13	168	73	264
	Q2	4	14	12	4	34
	Q3	3	10	17	20	50

Source: Department of Statistics

TABLE 8

VISITOR ARRIVALS

	Number of visitors			Year-on-year % changes		
	Regular Visitors ¹	Cruise Ship Visitors ²	All Visitors	Regular Visitors	Cruise Ship Visitors	All Visitors
2006	298,973	336,299	635,272	10.9	36.0	22.9
2007	305,548	354,024	659,572	2.2	5.3	3.8
2008	263,613	286,408	550,021	-13.7	-19.1	-16.6
2009	235,866	318,528	554,394	-10.5	11.2	0.8
2010	232,262	347,931	580,193	-1.5	9.2	4.7
2011	236,038	415,711	651,749	1.6	19.5	12.3
2006 Q1	38,896	425	39,321	-1.3	-14.5	-1.5
Q2	101,133	122,560	223,693	9.8	48.1	27.9
Q3	96,653	164,467	261,120	15.8	46.8	33.6
Q4	62,291	48,846	111,138	14.1	-6.0	4.3
2007 Q1	45,825	2,765	48,590	17.8	550.6	23.6
Q2	99,594	130,304	229,898	-1.5	6.3	2.8
Q3	97,875	175,148	273,023	1.3	6.5	4.6
Q4	62,254	45,807	108,061	-0.1	-6.2	-2.8
2008 Q1	41,729	2,799	44,528	-8.9	1.2	-8.4
Q2	87,455	129,344	216,799	-12.2	-0.7	-5.7
Q3	84,463	114,233	198,696	-13.7	-34.8	-27.2
Q4	49,966	40,032	89,998	-19.7	-12.6	-16.7
2009 Q1	32,235	0	32,235	-22.8	-100.0	-27.6
Q2	74,985	124,553	199,538	-14.3	-3.7	-8.0
Q3	79,947	141,828	221,775	-5.3	24.2	11.6
Q4	48,699	52,147	100,846	-2.5	30.3	12.1
2010 Q1	28,865	985	29,850	-10.5	n.a.	-7.4
Q2	77,512	171,295	248,807	3.4	37.5	24.7
Q3	78,806	149,015	227,821	-1.4	5.1	2.7
Q4	47,079	26,636	73,715	-3.3	-48.9	-26.9
2011 Q1	30,824	675	31,499	6.8	-31.5	5.5
Q2	80,462	161,036	241,498	3.8	-6.0	-2.9
Q3	79,917	187,240	267,157	1.4	25.7	17.3
Q4	44,835	66,760	111,595	-4.8	150.6	51.4

¹Including those passengers arriving by ship and departing by air.

²Excluding passengers arriving by ship and departing by air.

Source: Department of Tourism

TABLE 9

NUMBER OF BEDNIGHTS SOLD							
	2005	2006	2007	2008	2009	2010	2011
Large hotels	595,957	681,555	633,073	540,086	462,388	460,364	487,692
Small hotels	156,585	161,244	157,837	138,930	163,541	211,190	217,680
Cottage colonies	141,617	147,305	150,706	123,670	112,044	85,642	85,167
Private clubs	32,209	31,193	33,207	26,224	18,094	18,332	18,758
House-keeping cottages	94,797	109,228	112,351	93,274	50,968	48,020	46,877
Guest houses	7,758	11,033	10,833	8,062	7,195	7,266	5,995
Other	18,149	17,693	21,932	17,666	12,739	14,297	13,491
Total commercial properties	1,047,072	1,159,251	1,119,939	947,912	826,870	845,111	875,660
Private homes	679,588	770,426	774,333	727,725	606,285	587,022	545,404
Unallocated	1,931	1,759	3,389	3,230	4,184	10,085	8,412
Total	1,728,591	1,931,436	1,897,661	1,678,867	1,437,339	1,442,218	1,429,476
Percentage change (year-on-year)	-0.3	11.7	-1.7	-11.5	-14.4	0.3	0.9

Source: Department of Tourism

TABLE 10

INTERNATIONAL BUSINESS REGISTRATIONS									
New registrations during period					Number on register at end-period				Year-on-year % change in total number of businesses on register
	Exempted Companies	Exempted Partnerships	Non-resident² Entities	Total	Exempted Companies¹	Exempted Partnerships	Non-resident² Entities	Total¹	
2007	1,426	230	37	1,693	13,850	944	564	15,358	7.8
2008	1,030	133	39	1,202	13,859	1,168	589	15,616	1.7
2009	629	82	27	738	13,796	1,250	588	15,634	0.1
2010	691	52	47	790	13,145	1,302	630	15,077	-3.6
2011	802	48	27	877	12,870	1,317	638	14,825	-1.7
2007 Q1	253	41	11	305	13,097	839	566	14,502	3.2
Q2	459	44	4	507	13,583	883	543	15,009	5.4
Q3	277	42	11	330	13,314	841	554	14,709	1.5
Q4	438	103	11	552	13,850	944	564	15,358	7.8
2008 Q1	246	20	10	276	14,001	964	574	15,539	7.2
Q2	263	26	9	298	13,763	1,090	577	15,430	2.8
Q3	305	43	11	359	14,170	1,133	588	15,891	8.0
Q4	216	44	9	269	13,859	1,168	589	15,616	1.7
2009 Q1	156	31	5	192	13,879	1,199	594	15,672	0.9
Q2	158	13	6	177	13,797	1,212	600	15,609	1.2
Q3	127	18	7	152	13,892	1,230	606	15,728	-1.0
Q4	188	20	9	217	13,796	1,250	588	15,634	0.1
2010 Q1	162	13	17	192	13,802	1,263	604	15,669	0.0
Q2	145	13	7	165	13,670	1,276	611	15,557	-0.3
Q3	168	10	6	184	13,637	1,286	614	15,537	-1.2
Q4	216	16	17	249	13,145	1,302	630	15,077	-3.6
2011 Q1	184	8	3	195	13,108	1,310	633	15,051	-3.9
Q2	206	13	7	226	12,989	1,323	640	14,952	-3.9
Q3	185	10	8	203	12,889	1,329	641	14,859	-4.4
Q4	227	17	9	253	12,870	1,317	638	14,825	-1.7

¹Net of companies in liquidation

²Including overseas partnerships

Source: Registrar of Companies

TABLE 11

THE BERMUDA INSURANCE MARKET
\$ billions

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

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

TABLE 12

BALANCE OF PAYMENTS ESTIMATES
\$ millions

	2007	2008	2009	2010	2011*
Merchandise Trade Balance	-1,040	-1,136	-1,036	-973	-681
Services & Income – receipts	4,170	3,866	3,217	3,234	2,497
Services & Income- payments	2,954	2,957	2,637	2,528	1,929
Current account balance	1,216	908	580	706	568
Capital & Financial Account					
Net Financial Account Balances					
Direct Investment	577	-146	-88	210	-494
Portfolio Investment	326	2710	-1,799	-997	-662
Other Investments	-363	-3,052	2,219	44	582
Total Net Financial Account	539	-488	332	-742	-574
Total Net Capital Account	0	0	0	0	0
Total Net Reserve Assets	-4	-5	18	3	3
Total Capital, Financial Account & Reserve Assets	536	-494	-582	-739	-571
Balancing Item	-1,752	-415	-582	32	3

* 2011Q1 – Q3 provisional estimates

Source: Department of Statistics