



NATIONAL ECONOMIC REPORT OF BERMUDA 2013



GOVERNMENT OF BERMUDA
Ministry of Finance



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2013

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THE ECONOMY IN 2013

The Ministry of Finance estimates that Bermuda's GDP may have contracted by 2.0–2.5 per cent in 2013¹ following the decline of 4.9 per cent in 2012.

While many of the major economic indicators such as employment, construction activity, cruise arrivals and retail sales declined in 2013, there were some positive results regarding International Business, visitor air arrivals and balance of payments.

The number of jobs fell by 2.6 per cent and the official unemployment rate was calculated at 7.0 per cent in 2013.

In the international business sector, the number of new exempted companies incorporated increased by 16.3 per cent and the number of active international companies on the register grew by 0.9 per cent.

In the tourism sector, air visitors rose by 1.8 per cent while cruise arrivals declined by 10.1 per cent. Employment in hotels fell by 2.0 per cent.

Employment income contracted by 0.03 per cent over the first three quarters of 2013 and declined in all major sectors with the exception of international business (3.5 per cent), construction (2.3 per cent) and public administration & defense (1.5 per cent).

The gross turnover generated by retail stores declined by 0.6 per cent in 2013 while jobs in the sector fell by 1.0 per cent.

Over the first three quarters of 2013 the level of construction activity fell by 22.9 per cent with the value of work put in place decreasing from \$135.2 in 2012 to \$104.2 in 2013. The value of new projects started declined by 65.4 per cent. Jobs in this industry fell by 1.3 per cent year-over-year.

The Consumer Price Index (CPI) measured 1.8 per cent for 2013. This level of inflation was below the 2.4 per cent recorded in 2012 and the 2.7 per cent recorded in 2011.

Gross Domestic Product 2012

The most recent estimates by the Department of Statistics for GDP are for the year 2012.

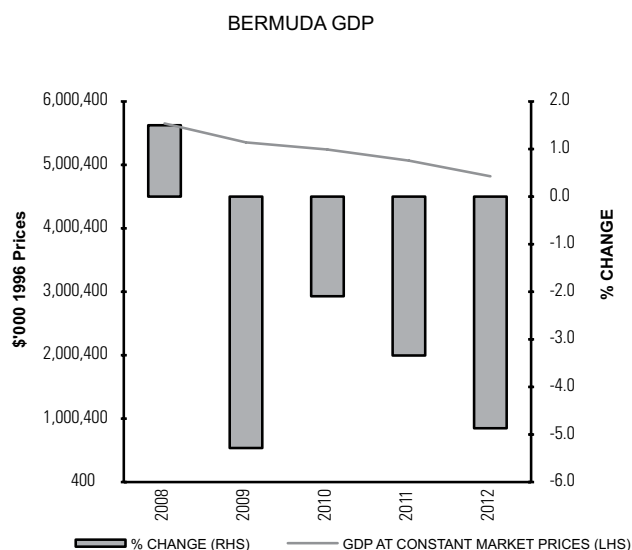
In 2012 the Bermuda economy contracted by 1.4 per cent based in current market prices. Nominal GDP was reported to be approximately \$5.474 billion reflecting a decline of \$77.2 million below the 2011 revised figure of roughly \$5.551 billion. When adjusted for inflation, the level of economic activity or real GDP decreased by 4.9 per cent. This rate was below the five year average (2008-2012) of negative 2.8 per cent. This

result was below the Ministry of Finance's estimate (made in February 2013) of a contraction in GDP of 1.75–2.25 per cent in 2012.

The larger than anticipated contraction in GDP of 1.4 per cent at current market prices and 4.9 per cent in real terms for 2012 was largely driven by continued job losses and business closures which adversely affected production.

The contraction in GDP was mostly caused by sharp declines of \$25.5 million in the output of the financial intermediation sector, a \$24.0 million decline in the construction sector and a \$23.6 million reduction in the business activity sector. These declines were offset by gains of \$13.5 million in the education, health and social work sector, a \$10.2 million increase in the international business sector, and a \$9.9 million gain in the public administration sector.

FIGURE 1



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 prices, international business contributed the greatest amount to the Bermuda economy in 2012. This sector provided \$1.37 billion in total output or 25.1 per cent of total GDP which was a 0.7 per cent increase when compared to 2011. Contributing factors to the growth in output included the rebound by reinsurance companies from huge catastrophe losses suffered in 2011. Also substantial premium increases and strong investment returns drove larger profits which translated into increased compensation for employees and a larger economic contribution.

¹ Official 2013 GDP estimates are not yet available.

In 2012, the value added by the international business sector increased for the first time since 2007. Although this sector's contribution to GDP has been declining since 2007, the value added has always measured approximately one quarter of the total GDP and this year is no exception with output of 25.1 per cent of GDP. 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. However, this sector declined by 0.4 per cent and accounted for \$949.6 million in output or 17.3 per cent of total GDP. This sector has been very resilient throughout the recession and before this year's decline, has not experienced a year-over-year decline since 2009. The growth in this sector over the last few years can be mainly attributed to cost cutting measures by the realty companies and the estimated increases in the imputed rent of owner occupied dwellings. However, the marginal decline experienced in 2012 is due in large part to commissions for private sector realtors falling below last year's earnings.

The financial intermediation sector was the next largest contributor to Bermuda's economy accounting for \$694.2 million in output which represents 12.7 per cent of total GDP. The output in this sector declined by 3.5 per cent year-over-year.

The business activities sector which includes computer, accounting and legal services provides professional and other services to the international business sector. This sector contributed \$511.5 million to the output of the economy representing 9.3 per cent of GDP. Output in this sector decreased by 4.4 per cent. The marginal increase in the international business sector did not translate into greater demand for local business services resulting in the continuation of the downward trend in this sector which began in 2009.

Output generated in the education, health and social services was recorded at \$478.2 million in 2012, which represents 8.7 per cent of total output. This sector experienced an increase of 2.9 per cent which was primarily driven by the rising costs of health services that propelled the economic contribution of health institutions to its highest level on record. In contrast, education and social work fell by 1.7 per cent and 1.5 per cent respectively.

The wholesale, retail trade and repair services sector represented 6.8 per cent of GDP in 2012 with an output level of \$372.4 million. This sector contracted by 2.5 per cent when compared to the 2011 figures. The decline in this sector was attributed to reduced activity in the sale, maintenance and repair of motor vehicles despite sales and promotions designed to increase revenue. Also contributing to the decline was a reduction in building material and fuel sales.

The construction and quarrying sector contracted by 11.8 per cent and accounted for \$179.8 million in output for 2012. This output level is the lowest since 1998 as the completion of major construction projects and a decline in large projects coming on line adversely affected activity. All businesses engaged in construction activity experienced declines in their contribution to GDP. The redevelopment of the King Edward Memorial Hospital project provided some relief to the construction industry in 2012.

ECONOMIC TRENDS 2013

Domestic Demand

Personal Consumption and the Retail Sector

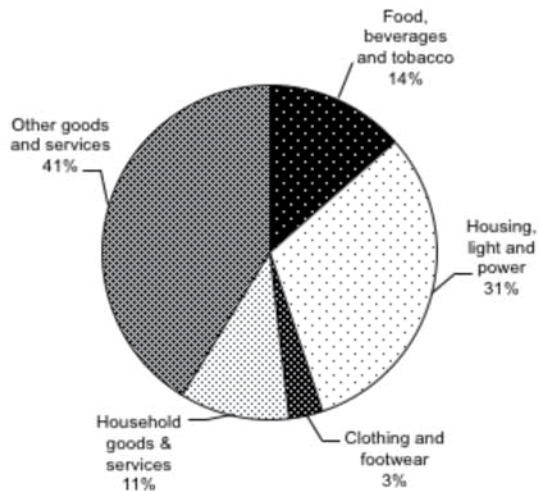
Employment income supports personal consumption and is estimated to have declined by 0.03 per cent for the first three quarters of 2013 compared to the same period in 2012. For the 12 month period ending September 2013, total employment income was \$3.18 billion, \$4.1 million or 0.1 per cent less than the 12 month period ending September 2012.

The year-over-year level of employment income increased by 1.2 per cent during the first quarter, 0.02 per cent in the second quarter and declined by 1.5 per cent in the third quarter of 2013. With the number of job losses in the economy declining when compared to 2012, it is anticipated that employment income will begin to stabilize.

The most recent estimates by the Department of Statistics for household final consumption are for the year 2012. During that year, total household final consumption was \$3.11 billion, reflecting an increase of 0.03 per cent over 2011.

FIGURE 2

COMPONENTS OF PERSONAL CONSUMPTION FOR THE YEAR 2012



While personal consumption estimates are not available for 2013, the Retail Sales Index (RSI) for that year provides insight into the expenditure trends of consumers in Bermuda's retail stores.

In 2013, total gross turnover stood at \$1,076.2 million which represents a moderate 0.6 per cent decline when compared to 2012. Above normal unemployment and pay curbs could continue to negatively affect household consumption and the level of retail sales.

All sectors in the RSI recorded declines in sales in 2013 apart from food and motor vehicle stores.

Food stores recorded the largest increase in sales of all sectors. Monthly receipts in this sector advanced by 3.1 per cent due to steady growth in sales for all months apart from August, September and December which recorded marginal sales declines.

Motor vehicle stores posted average sales growth of 1.0 per cent in 2013. The volume of both cars and motorcycles sold increased during the year as a result of greater consumer demand.

The sales level recorded by building material stores contracted by the greatest amount of all sectors for the second consecutive year. The 15.0 per cent reduction in sales was attributed to the near completion of major commercial construction projects such as the redevelopment of the King Edward Memorial Hospital. Also contributing to the decline was the significant decline in residential construction projects.

Service Stations experienced a 2.0 per cent decline in 2013 which was mainly the result of a 5.5 per cent decline in fuel prices throughout the year.

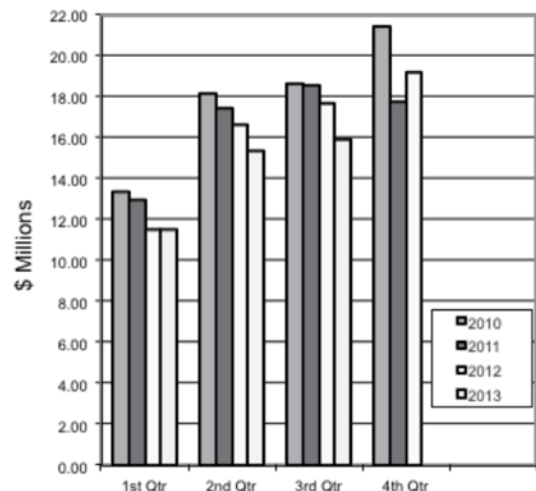
During 2013, overseas purchases declared by residents returning to Bermuda decreased from \$65.1 million to \$60.4 million year-over-year, representing a 7.2 per cent reduction.

The declared value of overseas purchases during 2013 equated to 5.6 per cent of the estimated gross turnover in the retail sector.

Residents traveling overseas during the first three quarters of 2013 declared that 51.3 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

Resident Purchases Abroad



Capital Formation and the Construction Industry

The negative momentum that had been plaguing the construction sector since 2009 stabilized in 2012. The value of new projects started returned to normal levels in 2012 after being boosted by the redevelopment of the King Edward Memorial Hospital project in 2011, and the estimated value of work put in place during 2012 grew for the first time since 2008. This increase was due in large part to work performed on the hospital redevelopment reinforcing the importance of this project to the construction sector.

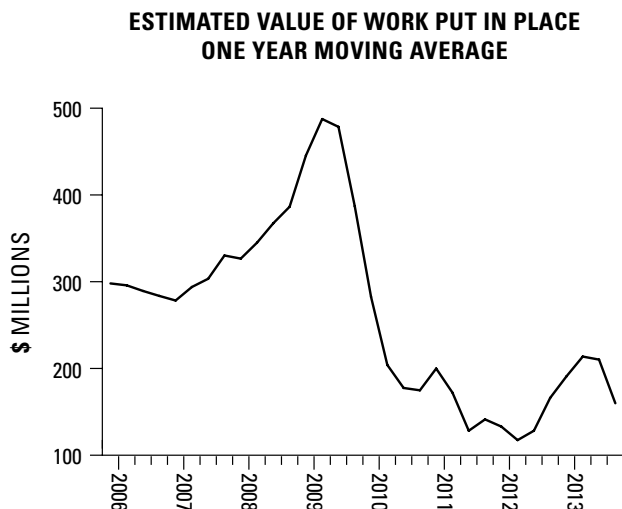
During the first three quarters of 2013 no new major projects began. Consequently, the value of new projects started plummeted from \$84.0 million in 2012 to \$29.1 in 2013, a decline of 65.4 per cent. Similarly, the estimated value of work put in place during the same time period fell from \$135.2 million to \$104.2 in 2013, a reduction of 22.9 per cent.

The decrease in construction expenditure was due in large part to a 30.1 per cent reduction in work done on schools, hospitals and community centres. This decline is a direct result of less work being performed at the site of the hospital redevelopment as this project nears completion. The figures representing work performed on the hospital fell from \$62.1 million in the first three quarters of 2012 to \$43.4 million in the corresponding quarters of 2013.

Although the figures declined, work performed on schools, hospitals, and community centres accounted for the majority of all construction activity recorded during the period, at 41.7 per cent. Residential construction projects represented 25.9 per cent of the total and the erection of offices, shops, and warehouses contributed 22.2 per cent of total activity in the industry. Together, these three categories accounted for 89.7 per cent of all work put in place between January and September 2013. 41.7 per cent of the construction work performed during that time period was done by the public sector and 58.3 per cent by the private sector.

The \$70 million renovation of the Fairmont Hamilton Princess hotel has recently begun and is anticipated to create 150 jobs in this sector. Work on the marina has commenced and it is anticipated that guest room renovations, a facelift for the west side pool area, and the construction of a new gazebo-style bar and grill next to the marina will begin soon. This project will help to drive the construction sector as the hospital redevelopment nears completion. Further mid-term relief for the construction sector is expected from the Government's decision to introduce integrated casino resort gaming in Bermuda which is anticipated to spur hotel development and create jobs.

FIGURE 4



During the first nine months of 2013, 84 new dwelling units were completed in the residential sector of the industry, which represented a decrease of 108 units or 56.3 per cent year-over-year. This illustrates the continuing downward trend in this segment of the construction industry. 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 2013 versus 2012, the number of new studio apartments increased by 1 unit to 11 (10.0 per cent), additional one bedroom apartments declined by 14 units to 30 (31.8 per cent), two bedrooms fell by 40 units to 31 (56.3 per cent) and three bedrooms and over experienced the largest reduction, contracting by 55 units to end the third quarter with 12 (82.1 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 2013 these two sectors of the economy represented 59.5 per cent of the total balance of payments current account receipts providing \$1,802.8 million (excluding financial services) in foreign currency receipts. This combined figure grew by \$40.1 million or 2.3 per cent when compared to 2012. Individually, the amount of foreign exchange earnings produced by the international business sector grew by 3.3 per cent year-over-year with a cumulative three quarter total of \$1.484 billion for 2013. In contrast, the amount of foreign exchange earnings generated by tourism activity fell by 2.2 per cent recording earnings of \$319.0 million at the end of September 2013.

International Business

In 2013 this sector provided 3,787 jobs in the economy reflecting a decrease of 2.3 per cent year-over-year, or a loss of 91 posts. Some other indicators of the performance of this sector for 2013 are given below:

- There were 15,387 active international companies registered in Bermuda at the end of 2013, an increase of 132 companies or 0.9 per cent more than the total at the end of 2012.
- Over the first nine months of 2013, foreign exchange earnings of the international companies increased by \$47.4 million to \$1.48 billion representing growth of 3.3 per cent.

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

In total, 901 new exempted companies were incorporated in 2013, compared to 775 the year before, representing an increase of 16.3 per cent. At the end of the third quarter of 2013, the total net asset value of collective investment schemes was \$175.8 billion, a decline of 5.2 per cent year-over-year. At the same point in time there were 709 investment funds registered in Bermuda, a decrease of 78 funds year over year.

In spite of rising competitive pressures, Bermuda (re) insurance groups maintained strong capitalization levels without significant loss events. The absence of significant natural catastrophes during the year decreased the loss ratio for many (re)insurers, which has helped improve operating profits. The capital structure of the sector continued to be marked by low but rising financial and reserve leverage (which still remains less than half of that reported by international peers). While aggregate capital and surplus increased, it grew at a slower rate than Net Written Premiums (NWP). However, the sector still held on average almost twice the amount of capital for each dollar of NWPs. Some commercial underwriters have become more actively involved in the rapidly growing market for Special Purpose Insurers (SPIs), most of which are funded by the issuance of Insurance-Linked Securities (ILS). This security has also created greater price competition, which in tandem with declining investment returns and the softening premiums due to an abundance of third-party capital, may lead to near-term pressures on earnings capacity. Increasingly, commercial (re)insurers are expanding their business activities in order to capitalize on fee income and satisfy demand for cost-efficient (re)insurance capacity.

Overall profitability improved during the year on account of significant premium growth but firms have become more dependent on non-technical income. Gross profits rose to \$1.7 billion at the end of Q3 (up from \$1.5 billion in Q3 2012) due to a marked decline in the aggregate combined ratio, which stood at 81.2 per cent at the end of the quarter (down by 3.6 per cent year-on-year). The decrease was mostly attributable to lower reported losses as the expense ratio remained stable, indicating no significant change in operating

efficiency. Bermuda (re)insurance groups showed greater reliance on declining investment income at a time when the general desire to shorten the asset duration in anticipation of rising interest rates exposes firms to reinvestment risk. As fixed income investments mature, the proceeds from renewals are likely to be invested at lower yields and shorter tenors. Investment performance deteriorated to a low return of about 0.7 per cent at the end of Q3 2013. The aggregate market-implied risk profile of Bermuda groups improved in line with more benign global capital market conditions since the start of the year. All large commercial underwriters show market valuations that are above pre-crisis level.

Bermuda (re)insurance groups expanded their balance sheets amid an increase of aggregate reserves. Total assets increased to \$130.3 billion in Q3 2013, (up 1.1 per cent from Q3 2012), resulting in higher financial leverage. Reserve leverage increased while claims payments to reserves rose moderately. The ratio of NWPs to equity, which serves as an inverse proxy measure of solvency conditions, rose to 57.9 per cent. As a proxy for liquidity, the sum of cash and high quality "AAA" rated securities represented 164 per cent of rising claims.

Continued demand for alternative risk transfer and cost efficient (re)insurance capacity has helped solidify Bermuda's status as the premier jurisdiction for the issuance of ILS. Issuance activity more than doubled in Q3 after SPI registrations tripled relative to the same period last year. Bermuda-based SPIs underwrote \$4.7 billion of various property and catastrophe risks via ILS transactions, which represented almost 60 per cent of global issuance in 2013. For the first time since entering the market, Bermuda surpassed the Cayman Islands in terms of domestic issuance volume (Bermuda: \$4.7 billion; Cayman: \$1.9 billion). The Bermuda market shows a specialization in catastrophe bonds, with the majority of transactions using more conservative trigger types that focus primarily on North American perils. The majority of business being written by ILS is higher layer catastrophe exposure reinsurance. Bermuda is becoming an increasingly important marketplace for ILS as the Bermuda Stock Exchange (BSX) accounted for over 43 per cent of the global market capitalization of ILS in 2013. Domestic issuance tends to be motivated by property and casualty (P&C) underwriting, given the large footprint of the business line in Bermuda.

Tourism

Notably, 2013 experienced growth in air visitors following the decline in 2012.

The total number of air arrivals during 2013 grew from 232,063 in 2012 to 236,343 in 2013, an increase of 1.8 per cent. Cruise passenger arrivals declined in the same period, falling from 378,262 in 2012 to 340,030 in 2013, which represents a decrease of 10.1 per cent. Total visitor arrivals in 2013 contracted by 33,952 or 5.6 per cent year-over-year.

Each of the first two quarters of 2013 experienced declines in the number of air visitors. The first quarter figures fell by 1.0 per cent as a result of fewer business and convention travelers which decreased by 4.0 per cent and 52.0 percent respectively. The second quarter numbers also dipped marginally, declining by 0.5 per cent year over year. May and June air arrivals both increased by approximately 6.0 per cent but a 17.0 per cent decrease in April proved too much of a setback and the positive results were not strong enough to prevent a contraction in the quarter. Much of the negative results in April were due to Air Canada reducing service to five times a week during that month.

The positive momentum created in May and June carried over for the remainder of the year as the last two quarters of 2013 recorded increases in air visitors of 1.8 per cent in the third quarter and 2.0 per cent in the fourth quarter. A large part of the success in the second half of the year was due to a 16.6 per cent increase in visitors from the New York market due to Delta providing addition airlift from LaGuardia airport. The second half data also benefitted from a 12.3 per cent growth in business and convention travelers.

The positive results of the third and fourth quarters of 2013 were aided by events sponsored by the Department of Tourism. These events include The Bermuda Triple Crown Billfish Championship (July), the Argo Group Gold Cup (October), the PGA Grand Slam of Golf (October) and the World Rugby Classic (November).

For the second consecutive year cruise ship visitor figures declined. Between 2008 and 2011, cruise arrival figures grew by 45.1 per cent but that number fell in 2012 by 9.0 per cent due to fewer cruise ship calls to the island in the second half of the year. 2013 has followed the same trend with each quarter experiencing declines in year over year cruise visitors with the exception of the fourth quarter. In total, the number of cruise visitors declined by 10.1 per cent due to a reduction of 32 cruise calls compared to the 2012 cruise season. The reduction is not unexpected however, as there were over 30 less cruise ships scheduled to visit Bermuda in 2013. The loss of the Holland America's Veendam, which was a regular caller and contract

ship, along with cancellations from the Grandeur of the Seas, due to a fire onboard, added to the decline in the number of cruise ship visits during the year. However, there is positive news for the cruise industry in 2014. With the completion of the repairs on the Heritage Wharf, it is anticipated that the number of cruise passengers will increase marginally from the 340,030 recorded in 2013 to 350,000 in 2014.

Hotel occupancy rates averaged 57 per cent in 2013 which represents an increase of 1 percentage point over last year's figures. The Island's major hotels experienced the highest rate of occupancy at 60.0 per cent which equates to an improved rate of 1.3 percentage points when compared to 2012 rates. The Island's small hotels enjoyed the next highest occupancy rate of 52.5 per cent, a decline of 0.7 of a percentage point year-over-year. Cottage colonies recorded the lowest occupancy rate of 45.9 per cent which represents an increase of 1.3 percentage points 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. In 2011, the higher 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. However, in 2012 the group lost approximately 20,000 group rooms and recouped approximately 12,000 room nights through promotions such as the Island Wide Sizzling Summer and Endless Summer Promotions. This year, three of the major promotions that were put on by the hotels included So Much More Summer, Endless Summer and Bermuda Free Night promotion. Over 11,200 guests took advantage of the So Much More Summer promotion which ran from May to August and offered visitors a \$300 credit towards their stay. Over 6,200 guests were enticed to visit Bermuda due to the Endless Summer promotion which ran from August to November and offered guests the third night free. There is currently a Bermuda Free Night Promotion which began in November and will end on April 30th 2014. With this promotion, any guest that stays 3 to 5 nights can enjoy the last night of their stay free. Much of the promotional advertising targeted the northeast U.S. market.

Total visitor expenditure for the first three quarters of 2013 decreased by 2.2 per cent year-over-year. During this period, total expenditure by air visitors increased, while cruise visitors expenditure declined. The dollar value of the total expenditure by air visitors was an estimated \$256.3 million, representing growth of \$2.7 million or 1.1 per cent year-over-year. Spending by cruise visitors fell from \$72.7 million in 2012 to \$62.7 million in 2013, a contraction of 13.8 per cent.

During the first three quarters of 2013, expenditure on air visitor accommodation and food fell by 3.1 per cent, decreasing from \$197.6 million in 2012 to \$191.4 million. Conversely, expenditure on shopping, entertainment and transport grew by 15.9 per cent from \$56.0 million to \$64.9 million during the same time period. From January to September 2013, per capita spending by visitors arriving by air was \$1,355 compared to \$1,351 in 2012, a gain of 0.3 per cent. Spending per cruise visitor in the first three quarters of 2012 compared to 2013 fell from \$212 to \$184, a 13.2 per cent decline.

Due to the islands close proximity to the east coast of the United States, the vast majority of tourists that travel to Bermuda originate from the U.S. With direct flights from cities such as New York, Boston, 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 U.S. is Bermuda's main source of visitors.

The percentage of total air visitors emanating from the U.S. in 2013 was 72.4 per cent which is down fractionally from the 72.5 per cent recorded in 2012. Canada was the second largest market at 11.7 per cent of the total visitors, while the UK finished the year with 10.0 per cent of the total air visitors. The rest of the world weighed in at 3.7 per cent and Europe had the least amount of visitors at 2.2 per cent.

Of the five regions above, only Canada experienced a year-over-year decline in the number of air passengers visiting Bermuda. The number of visitors arriving from Canada decreased by 9.7 per cent. Of the remaining regions, the U.S. increased by 1.8 per cent, the UK by 12.3 per cent, Europe by 8.7 per cent and air visitors from the rest of the world grew 15.9 per cent.

Employment

In the 2013 Labour Force Survey Executive Summary released by the Department of Statistics in January 2014, the 2013 unemployment rate was measured at 7.0 per cent during the week of May 13th to May 19th 2013. The unemployment rate fell one percentage point from the 8.0 per cent recorded in 2012.

Preliminary data from the 2013 Employment Survey indicates that the total number of jobs in Bermuda decreased by 921 from 35,443 in 2012 to 34,522 in 2013, which equates to a 2.6 per cent decline. 2013 marks the fifth year that the number of jobs in the economy has declined which corresponds with the reduction in the level of GDP or economic growth in the economy. Overall the island has lost 5,691 jobs since 2008, a reduction of 14.2 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 five consecutive years; 1.7 per cent in 2009; 3.6 per cent in 2010; 1.8 per cent in 2011, 5.2 per cent in 2012 and 2.6 per cent in 2013.

Business services and education, health & social work were the only two sectors to lose over 100 jobs, declining by 160 and 137 positions respectively. International business, other community social & personal sector and restaurants, cafes & bars also lost a significant amount of positions in 2013.

The business services sector recorded the highest number of jobs lost of any industrial sector. This sector's employment numbers fell from 3,702 in 2012 to 3,542 in 2013. These figures equated to a reduction in employment of 4.3 per cent in the sector.

The education, health & social work sector experienced a decline in posts of 3.7 per cent, settling at 3,613 jobs in 2013 from 3,750 a year earlier.

Employment levels in international business stood at 3,787 in 2013, a reduction of 91 posts or 2.3 per cent. This sector has lost 974 jobs since 2008 which is significant for a sector that produces approximately 25 per cent of GDP annually. The other community social & personal sector experienced 87 job losses registering a total of 2,049 posts in 2013, a reduction of 4.1 per cent year-over-year.

Of the remaining sectors, restaurants, cafes & bars recorded the largest number of job losses. The number of positions in this sector fell to 1,871 in 2013 from 1,957 in 2012. This represents a decline of 86 posts or 4.4 per cent.

Collectively, the five divisions of economic activity with the greatest job losses mentioned above accounted for 561 job losses in 2013 which is 60.9 percent of the total losses. The financial intermediation section was the only sector to record job growth in 2013. The number of posts in this sector grew from 2,501 in 2012 to 2,567 in 2013, an increase of 66 jobs or 2.6 per cent. The number of positions in the agriculture, forestry and fishing sector remained flat recording 594 jobs for the last two years.

All major occupational groups experienced job losses in 2013 except for Craft and Related Trades Workers whose positions grew by 10 jobs and armed forces which increased their posts by 1. Of the remaining occupational groups, Professionals lost 334 posts, Senior Officials and Managers jobs declined by 207 and Service Workers and Shop and Market Sales Workers positions were reduced by 178 posts.

Together, these groups accounted for 78.1 per cent of the total job losses in 2013.

The number of jobs occupied by Non-Bermudians declined by a total of 430 posts or 5.7 per cent in 2013, while Bermudian occupied jobs fell by 471 positions or 1.9 percent. 46.7 per cent of the job losses for the year were positions held by Non-Bermudians while 51.1 per cent were occupied by Bermudians. Non-Bermudian Spouses of Bermudians accounted for 2.1 per cent of the losses while Permanent Residence Certificate holders decreased their posts by 1 position.

Inflation in Bermuda

Inflation has remained low but it is highly dependent on global commodity price developments as food and fuel constitute the largest proportion of imports. The Consumer Price Index (CPI) increased at an average annual rate of 1.8 per cent for 2013 which is in line with the Ministry of Finance's prediction of less than 2.0 per cent. The headline rate in December stood at 1.9 per cent year-over-year.

The average rate of 1.8 per cent is below the UK (2.7 per cent) and above the U.S. (1.5 per cent) and Canada (0.9 per cent). The level of inflation has declined for the last three years having registered at 2.7 per cent in 2011, 2.4 per cent in 2012 and 1.8 per cent in 2013. Such moderate inflation is beneficial for the economy as it encourages consumers to buy goods and services and also supports productive planning and investment. Consumers are further sheltered from accelerating price increases which can cause further pain in these difficult economic conditions. In fact, since 2008 when the yearly rate of inflation was recorded at 4.8 per cent, the level of inflation has averaged 2.2 per cent. The trend for the level of inflation is expected to remain in the region of 2.0 per cent over the next 12 months.

In 2013, the largest price increases were recorded in the health & personal care, food, education, recreation & reading and transport & vehicles sectors.

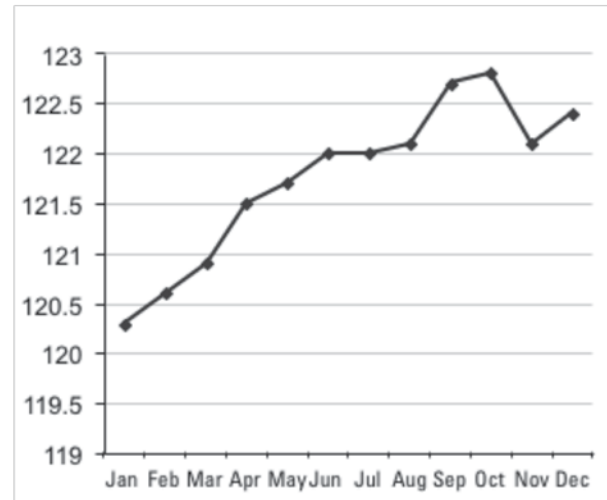
The increases in price levels of the health & personal care sector was the most significant contributor to the level of inflation in 2013. The average rate of price increases for this sector was 8.3 per cent which can primarily be attributed to a 9.8 per cent increase in the average price of health insurance premiums in April 2013. Other categories experiencing higher costs in this sector were medical supplies and prescription medicine.

During 2013 the monthly increases in the food sector ranged from 2.5 per cent to 5.6 per cent with the average rate of

price growth for the year settling at 3.0 per cent. The 5.6 per cent price increase recorded in October was by far the largest increase with the next highest figure 3.7 per cent in February. Six of the twelve months recorded price increases of over 3.0 per cent.

FIGURE 5

Bermuda's Consumer Price Index 2013



The prices in the education, recreation & reading sector climbed at an average rate of 2.5 per cent this year which can be partially attributed to increases of 4.8 per cent in local tuition and 2.8 per cent in overseas college tuition in September. Other factors contributing the higher price levels include greater costs for personal computers, flat screen televisions and pet supplies.

The transport & vehicle sector experienced cost increases at an average rate of 1.4 per cent for the year. Costs in this sector rose in large part as a result higher prices on airfare, overseas hotel accommodations and car maintenance and repair. Also, in April 2013, licensing and insuring of cars and motor cycles rose by 1.6 per cent and 1.3 per cent respectively.

Balance of Payments

The international business sector and their interaction with the local economy have a significant positive effect on the balance of payments. The balance of payments continues to record relatively large current account surpluses which are an important strength in the Bermuda economy. Bermuda's total current account surplus over the first three quarters of 2013 was recorded at \$692 million. This figure is 17.9 per cent larger than the \$587 million recorded over the first three quarters of 2012.

A great deal of the increase was reflected in the primary income account which grew by \$201 million or 19.6 per cent year over year.

Within the primary income account, investment income experienced the largest growth over the first three quarters of 2013. Net figures for investment income illustrate that income received by residents on interest earnings and dividends outweighed investment income payments to non-residents by \$242 million which is a significant increase when compared to the \$73 million figure recorded over the first three quarters of 2012. Also within the primary account, employee compensation grew by \$30 million or 3.6 per cent year-over-year.

The services account balances were down by \$24 million or 7.0 per cent between January and September of 2013 with transportation and travel services declining during that period while business services remained flat. The transportation balance fell due in large part to higher freight payments for imports and payments increased payments for airline tickets. The reduction in the travel balance was mainly the result of decreased tourist spending during the first three quarters of the year.

Based on the level of the current account balance after the first three quarters of 2013 and the anticipated balance of payments flows for the last quarter of the year, it is estimated that the full years balance of payments current account surplus will be approximately \$100 million greater than the \$771 surplus posted in 2012.

Financial Sector

The financial sector remains relatively stable when compared to the previous year, but existing imbalances in the local economy, such as high unemployment and fiscal constraints have highlighted vulnerabilities while growth remains protracted. The overall capital position of the banking sector at the end of Q3 reflected a slight improvement to the previous quarter due to marginal improvements in leverage and risk profiles. Rising Non-Performing Loans (NPLs) together with a contraction of lending suggests continued pressures on net interest income.

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 BMA, money supply increased slightly in Q3 2013 by 0.5 per cent and 0.2 per cent year-on-year as Bermuda dollar customer deposits grew by 0.5 per cent, which more than offset any deflationary impact

of higher cash holdings in the banking sector. The volume of notes and coins in circulation increased for the third consecutive quarter, rising by 3.3 per cent to \$127 million during the period. During the first three quarters of 2013, total loans and advances, as well as total customer deposit liabilities (of which more than 83 per cent are denominated in foreign currency) declined by \$8 million dollars and increased by \$455 million respectively from Q1. In spite of the sector's marginal deleveraging during the quarter, the money supply rose as a result of a widening deposit base and a larger amount of currency in circulation.

The increase of credit supply during the previous period was reversed as bank lending contracted during Q3, which improved the sector's structural funding position. New lending after charge-offs fell behind the amount of amortizing loans as a result of deleveraging in the sector. Negative real interest rates and a wide deposit base (primarily due to the international business sector) have helped mitigate additional deleveraging pressures. The overall loan-to-deposit ratio improved to 42.4 per cent, indicating a stable funding structure and reduced the dependence of domestic lending on foreign currency-denominated deposits.

The sector's asset base remained stable during Q3, while deposit levels experienced marginal growth, thereby slightly reducing leverage levels. The aggregate balance sheet increased by 0.1 per cent (or \$16 million), which represents the first quarter of growth in 2013. Year-on-year, the amount of total assets dropped by 1.6 per cent (or \$383 million), largely driven by negative loan growth and a decline in foreign investments. Due to large foreign exchange-denominated inflows, the sector's deposit base increased.

Banking profitability showed improvement as a result of higher interest margins and lower reported net charge-offs. Sector earnings grew during the year as banks increased their net interest margins. The combination of a rise in income from interest-earning assets and a decline in non-interest expenses more than offset the increase in operating expenses, which were driven by higher personnel costs. As a result of the improved earnings, annualized return on equity increased to 7.1 per cent (Q2 2013: 6.2 per cent), while annualized return on assets increased marginally to 0.8 per cent (Q2 2013: 0.7 per cent).

The capitalization of the sector improved marginally from Q2 to Q3. Net capital levels increased by 1.3 per cent (or \$27.9 million) during the last quarter, which resulted in a higher sector aggregate risk asset ratio of 21.8 per cent (up from 21.4 per cent in Q2 but lower than the 22.2 per cent in Q3 2012). Risk weighted assets declined marginally, by 0.3 per

cent (or \$35.5 million), due to a greater decline in lending relative to investments. Capital levels are similar to those observed a year earlier, and are well above the proposed new capital requirements under the Basel III regime.

The aggregate asset quality of the banking book continues to deteriorate, albeit at a slower pace than in the past. Loan loss provisioning (up 7.4 per cent) grew for the fourth consecutive quarter and increased from 22.2 per cent in Q2 to 23.3 per cent relative to NPLs. NPLs as a percentage of total loans rose slightly to 11.7 per cent (Q2 2013: 11.4 per cent) against the background of contracting loan books. Improvements in new lending appear limited since the rise was primarily driven by declining lending activity as loans fell 1.8 per cent during Q3 but remain virtually flat from Q3 2012. In terms of sectorial distribution of loans and advances, real estate-related loans continue to dominate lending at 66.3 per cent (Q2 2013: 65 per cent) of all loans and advances. Lending to other sectors, including "Other personal loans", grew to 9.3 per cent (Q2 2013: 8.3 per cent) during the quarter, while "Other" loans fell to 9.7 per cent (Q2 2013: 12.5 per cent).

Investments continue to decline, which has helped mitigate the impact of deleveraging on lending growth. Banks continue to trim investments at a higher rate than any other asset class, which exceeded even the decline in lending (down 1.8 per cent). Sovereign investments as a percentage of total investments grew to 40.4 per cent (Q2 2013: 39.3 per cent) during Q3, representing a year-on-year increase of 43.9 per cent. Over the past year, the investment book has shown evidence of reallocation, with a shift from investments held with banks to sovereign investments.

Global Economic Outlook

The global economy experienced a relatively successful year in 2013. Global activity grew in the second half of the year fueled by advanced economies unlike the years following the 2008 financial crisis when emerging markets were the primary drivers of global growth. However, the situation was not all positive news for everyone with the Eurozone in recession for much of the year and living standards in most of the developed world below their 2007 peak. Difficulties in emerging markets included China's economic slowdown and a fall in potential growth stemming from delays in launching structural reform. However, by the end of the year, the overall consensus was that most regions were heading in the right direction.

Economic prosperity in advanced economies should support stronger growth in developing countries. The U.S. is expected

to experience greater growth in 2014 than in 2013, driven by a reduction in fiscal austerity, a resurgent housing market and healthy corporate, bank and household balance sheets. Growth is also expected in the Euro-Zone but at a slower pace than the U.S. As this region comes out of recession, high levels of debt and financial fragmentation will curtail domestic demand, while exports should continue to grow.

Emerging market and developing economies will likely enjoy relatively high growth in 2014 with projections of 5.1 per cent in 2014 and 5.4 per cent in 2015 up from the 4.8 per cent growth in 2013. China experienced a strong second half of 2013 which was due in large part to an acceleration in investment. Likewise, India's economy gained momentum after a favorable monsoon season and larger export growth and is anticipated to strengthen further based on structural policies geared to supporting investment. Many other emerging markets and developing economies are reaping the benefits of stronger external demand in China and advanced economies. However, tighter financial conditions and policy stances have resulted in many developing economies domestic demand being weaker than expected.

Growth in the global economy is expected to accelerate to approximately 3.7 per cent in 2014 and 3.9 per cent in 2015 as oppose to the 3.0 per cent growth experienced in 2013.

There are risks to these outlooks that could cause the GDP predictions to be lower than anticipated. The main risk relates to the U.S. Federal Reserve unwinding its \$85 billion monthly bond purchasing or quantitative easing (QE) which could lead to a series of disruptive events. Shocks from the exit of QE in international financial markets have the potential to transmit quickly to the domestic real economic sectors of both developed and developing countries.

United States of America: In the U.S., economic growth in 2013 was slow but stable. However, as 2013 drew to a close, the Federal Government shutdown and looming default threatened to derail an economy that was still in recovery.

The unemployment rate was 7.9 per cent at the beginning of 2013. By the end of December it was 6.7 per cent. However, as the unemployment rate decreased, so did the number of jobs being added to the economy, suggesting that more people were dropping out of the workforce. In fact, the number of Americans working or actively seeking a job was at a 35 year low in September 2013.

One major reason for the lull in job growth during the fall of 2013 was the standoff in Congress that led to a Government shutdown. On October 1, 2013, Congress failed to agree on a budget and pass a spending bill, causing the government

to shut down. The failure to pass a bill was largely due to a standoff over the Affordable Care Act, also known as Obamacare.

The impact of the U.S. Government shutdown was already being felt by the world's financial markets as stocks fell around the globe on September 30, 2013. The partial shutdown forced approximately 800,000 federal workers off the job before the situation was resolved the night before the debt ceiling deadline on October 16, 2013. It is estimated that this event took \$24 billion from the U.S. economy and slowed down economic growth.

Although the shutdown dampened growth, Real GDP grew at an annual rate of 3.2 per cent in the final three months of 2013 following a 4.1 per cent increase in the third quarter. Over all, the pace of business activity in the second half of the year was twice that of the first half. For the full year, GDP grew 1.9 per cent compared to 2.8 per cent in 2012.

Consumer spending grew at an annual rate of 3.3 per cent in the fourth quarter, the strongest quarterly performance since 2010. The steady improvement in employment conditions and higher asset prices are factors that helped to lift consumer purchases. Business equipment spending closed on a strong note in the fourth quarter and is likely to gather additional momentum in 2014.

The sharp 12.6 per cent decline in Federal Government spending in the fourth quarter places the annual contraction in Federal Government outlays at 5.1 per cent, which is the largest decline since 1970. The good news is that the fiscal drag will nearly vanish in 2014 and provide support to overall economic growth. Inflation and inflation expectations are both subdued with the U.S. CPI increasing by 1.5 per cent in 2013 which is below the Fed's 2.0 per cent inflation target. As economic growth strengthens during 2014 and one-off cuts in Medicare payments that helped to contain inflation are no longer prevalent, inflation should gradually move up towards the Fed's target.

The Fed is watching recent emerging market volatility closely and does not believe it is a source of significant risk to the U.S. economy. This, plus the mixed nature of incoming data, is unlikely to result in a pause of the Fed's measured tapering of asset purchases. Markets have digested the fact that tapering of asset purchases is on course to be completed by year end. Markets will now be sensitive to the nature of future economic reports to confirm forecasts of continued forward momentum.

The U.S. economy is predicted to expand by 2.8 per cent in 2014. The growth in output will be sustained by final domestic

demand after positive results in inventories in the second half of 2013. As a result of the recent budget agreement, final domestic demand will be partially supported by a reduction in fiscal drag. The budget agreement suggests that the majority of the sequester cuts will remain in place which translates into a tighter fiscal stance in 2015. As a result, growth in the U.S. is projected to be 3.0 per cent in 2015.

Canada: The Canadian economy experienced sub-par growth in 2013, but the rate is poised to pick up in 2014. Fiscal headwinds and policy uncertainty in the U.S. and Europe have weighed heavily on both investor sentiment and the trade balance since 2012, slowing growth in the Canadian economy to an estimated 1.8 per cent in 2013. The Canadian housing market added to growth in 2013 with rising home sales and increased prices. The surprising summer surge began to cool by the end of the year; however GDP growth was still more heavily weighted toward housing and consumer spending than expected. As a result, household debt hit a new record high when compared to income. Auto sales also recorded its highest levels in 2013; yet Canadian auto production fell almost 7.0 per cent in a challenging year for manufacturing, exports and productivity.

The Bank of Canada has kept interest rates unchanged for a fourth consecutive year which is the longest period without a change since the early 1950's. There doesn't seem to be any appetite to make any changes to the rate in the next 18 months which is the same forecast for nearly every central bank in the developed world. Most central banks already have rates at the lower threshold, and odds of a rate increase are virtually nil with inflation uncomfortably low across the industrial world.

The inflation rate in Canada for 2013 measured 0.9 per cent. The low rate of price increases stems from a significant and persistent excess supply in the economy, and from heightened competition in the retail sector. The Bank of Canada uses monetary policy to offset disinflation that is created by excess supply in the market while ignoring disinflation that stems from healthy competition. Canada has a floating exchange rate which is a key element of their inflation-targeting framework serving as a buffer against shocks to the economy.

It is anticipated that growth will pick up in Canada in 2014 and 2015. The amount of growth will not be enough to lead to massive job creation and steep income growth but it will be material. Unemployment ended the year at 7.2 per cent after a surprisingly weak December jobs report and the rate is anticipated to fall to 6.7 per cent in 2014 and 6.4 per cent

in 2015. The optimism for 2014 is tied to how quickly the U.S. recovers and to what extent the recovery boosts Canadian exports.

GDP for Canada is predicted to grow by 2.3 per cent in 2014 and 2.6 per cent in 2015. The risks to this outlook include a slower recovery in the U.S. which would negatively affect exports, particularly since 75 per cent of Canadian exports are to the U.S.

Euro-Zone: In the Euro-Zone, a recovery has begun following a double dip recession lasting 18 months, but it will be a weak recovery. GDP has fallen by 0.4 per cent in 2013 after declining by 0.6 per cent in 2012. The ECB has stabilized sovereign debt markets and systemic risk is substantially reduced for now. But that does not mean that growth will be automatic. Rising inventories and investment contributed positively to the Zone towards the end of 2013, however these encouraging signs were offset by weak trade and lackluster household expenditure.

In 2014, the Euro-Zone is expect to experience positive results which will be led by German growth of 1.6 per cent together with a modest return to growth in Italy and Spain, the regions third and fourth largest economies, of 0.6 per cent each. At the other end of the spectrum, Cyprus is predicted to contract by 3.9 per cent. 2014 marks a big improvement over 2013 when GDP fell in eight countries in the Euro-Zone.

Continued bank deleveraging, an uncertain global growth outlook which will retrain exports, and an excessively tight macroeconomic policy will provide powerful headwinds to recovery in 2014. Greater demand is needed to boost growth, and a relaxation of fiscal austerity would be beneficial. The ECB will also need to do more to spur new lending, particularly for small and medium enterprises in the periphery. Euro-Zone GDP is projected to grow by 1.0 per cent in 2014 and by 1.4 per cent in 2015.

United Kingdom: The UK economy grew by 1.9 per cent in 2013, cementing its position as the fastest growing economy in Western Europe. The UK grew by 0.8 per cent in the third quarter and 0.7 per cent in the fourth of 2013 to record the fastest growth rate since 2007. The economic recovery is broadly based with manufacturing growing by 0.9 per cent which is more than any other sector and is indicative of the Government's economic policies that helped provide an environment for businesses to grow. Evidence of this growth can be found in the fact that 450,000 jobs were created in the UK in 2013.

The services sector, which accounts for over 75 per cent of economic output, grew by 0.8 per cent in the fourth quarter.

There was solid growth in industrial production although it fell slightly due to falling North Sea oil and gas output. There were modest gains in the retail sales and construction sectors while business confidence is sky high. Stronger GDP had led to speculation that the Bank of England may raise interest rates, but assurances were provided by the bank's Governor that the rates would not be rising anytime soon.

While the UK's rapid growth rate is expected to continue this year, concerns have been raised regarding the recovery's over-reliance on consumer spending and that the growth rate is unsustainable without a significant increase in real wages, investment and export growth. Forecasts indicate that the UK economy is expected to grow by 2.4 per cent in 2014 and 2.2 per cent in 2015.

Asia-Pacific: Tighter external funding conditions and homegrown structural impediments in a few countries will weigh on growth in emerging Asia. However, counteracting forces include stronger growth in advanced economies, weaker currencies and robust domestic demand underpinned by still rather favorable financial conditions and resilient labor markets. The economies of developing East Asia and Pacific are projected to grow at 6.7 per cent in 2014 and 6.8 per cent in 2015 after growing by 6.5 in 2013.

China: China's latest GDP figures measured growth of 7.7 per cent in 2013 which is the weakest in 14 years and many observers are predicting that China's economy will decelerate further in 2014. Year-end statistics for Chinese car sales provided a welcomed surprise as they rose by almost 14.0 per cent, indicating robustness in the domestic market. Exports expanded by 7.9 per cent, reflecting improving demand from Europe and the U.S., although December was slower than the previous month. Domestically, there are many problems that are expected to inhibit growth in 2014 such as higher labour and environmental costs, high levels of local Government debt and industrial overcapacity. A bright spot in the economy is the easing of the one child policy which may stimulate a baby boom that will lift consumption and spur the economy. The GDP for China is anticipated to grow at 7.5 per cent in 2014 and 7.3 per cent in 2015.

India: The Indian economy is projected to grow at a slower rate than previously expected in 2014. However, GDP growth is expected to pick-up due to a mild recovery in investment as well as export growth. External conditions continue to be challenging as the Indian economy experienced significant capital outflows, which led to a sharp depreciation of the rupee. GDP grew by 4.8 per cent in 2013 and is projected to grow by 5.3 per cent in 2014 and 5.7 per cent in 2015.

2014 Outlook for Bermuda

The domestic economic situation remains a challenge given the island's current fiscal position and lack of significant improvement in the loan performance within the banking sector. However, global growth is expected to improve in 2014 with the U.S. being highlighted as one of the major developed countries leading the recovery. Consensus expectations are for growth out of the U.S. to be approximately 2.8 per cent in 2014, which should bode well for Bermuda since the U.S. is our leading trade and finance partner. Bermuda's reliance on tourism and the international business sector for foreign exchange earnings could benefit from stronger growth out of the U.S. and its other trading partners. Fortunately, Bermuda maintains a competitive advantage as a domicile for reinsurance and financial service companies because of its sophisticated legal system, strong regulatory framework, simple tax regime, highly skilled human capital and proximity to the U.S. Stronger growth in the U.S. should lead to renewed consumer and business confidence in the mid-term, resulting in more international business and tourist coming to Bermuda.

Throughout the current recession, the loss of jobs in the economy is one of the chief contributing factors preventing positive growth from occurring. The economy has lost 5,691 jobs since 2008 when employment levels were at their peak of 40,213. The 34,522 jobs recorded in 2013 were 14.2 per cent less than the 2008 figures. The current unemployment rate is calculated at 7.0 per cent for 2013, down from the 8.0 per cent calculated in 2012.

Lower levels of employment will continue to weigh heavily on household consumption and retail sales.

During the last year, the Government has implemented specific pro-growth economic policies to stimulate much-needed foreign investment and create new jobs. These policies include a two year payroll tax holiday to employers for new Bermudian hires, abolishing term limits and reducing the time it takes to receive approvals for major capital projects from various government departments.

In 2014/15, to help create jobs in the economy, the Government will begin the process to introduce casino gaming by way of the integrated resort concept which will create construction and hospitality related jobs. Proposed adjustments to the immigration policy and the 60/40 rule are being considered in an attempt to encourage foreign direct investment and improve Bermuda's competitiveness. Also, the Government intends to continue existing policies such as the various concessions given to the retail and hospitality industries which are geared to maintain and stimulate employment.

The construction sector has not recovered to previous levels of activity. The KEMH redevelopment project has provided some relief, but this is now coming to an end.

Some relief is being provided to this sector by way of the \$70 million renovation of the Fairmont Hamilton Princess hotel that has recently begun. This project includes a marina, guest room renovations, a facelift for the west side pool area, and construction of a new gazebo-style bar and grill. These renovations will not only attract new visitors to the island due to the new marina but they will also enhance the guest's experience at the hotel tremendously. It is anticipated that this project will create 150 jobs. The Green Family has also purchased the former Sonesta Beach Hotel site on South Shore which could become a beach club for guests of the Fairmont Hamilton Princess Hotel.

The Economic Development Committee will continue to meet and consider other construction projects that, if approved, will inject much needed job-creating investment capital into the island.

The Government will continue to provide stimulus to the construction sector with its capital expenditure program. Although capital expenditure has been curtailed in recent years, the Government still anticipates expanding the Tynes Bay Waste Treatment Facility, upgrading the airport runway, continuing the remedial work at Morgan's Point and carry on the improvements to Government's infrastructure in 2014.

The Government is currently exploring the option to use public private partnerships to finance large infrastructure development projects that could stimulate employment.

Tourism is undergoing some innovative and revitalizing changes in the way that it is doing business with the establishment of the Bermuda Tourism Authority. The new CEO of the Authority has now been put in place and will lead the development of the strategy to tackle the difficult challenges of fluctuating demand for the Bermuda product.

Government has made the decision to introduce casino gaming by way of the integrated resort concept. The inclusion of casino gaming is central to Government's initiatives in tourism development. Moreover, overseas direct investment in hotel development will be key to sparking growth in the future -- a catalyst for creating construction jobs as well as hotel and other hospitality related jobs.

Cruise ship passengers are projected to increase marginally from the 340,030 recorded this year to 350,000 in 2014.

Government has made huge commitments to the support and revitalization of tourism. This support will continue.

Considering the above there is cautious optimism of a moderate recovery in the tourism sector which could generate a more positive contribution to GDP in 2014 and 2015.

2013 witnessed an improvement in the international Business sector in Bermuda. Even with declining numbers of international companies this sector has been the primary driver of the local economy. 2013 was the first year since 2009 that the number of international businesses on the register actually grew. During this period, the number of new companies incorporated increased by 16.3 per cent and the number of international businesses that were active on the register grew by 0.9 per cent.

The Ministry of Education and Economic Development is committed to growing Bermuda's international business sector. This Ministry will be assisted by the newly-formed Bermuda Business Development Agency (BDA) which is a public-private entity focused on job creation in the international business sector. With the governments proposed adjustments to the immigration policy and 60/40 rule, the foundation for positive results in this sector are in place.

Taking all of the above information into account, Bermuda's economy should begin to see modest GDP growth in the latter half of 2014 with a return to stronger growth in 2015, although below the pre-crisis (2003-08) average of 2.8 per cent. For 2014, GDP growth is estimated to be relatively flat, in the range of -0.5 per cent to 0.5 per cent. Further gains will come as business and consumer confidence strengthens

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

INDUSTRIAL SECTIONS	2007	2008	2009	2010	2011	2012
01 Agriculture, forestry and fishing	48,280	50,897	48,343	47,896	45,963	42,089
03 Manufacturing	89,532	86,063	85,992	79,613	74,981	63,792
04 Electricity, gas and water supply	92,124	106,862	95,244	91,038	98,320	91,420
05/02 Construction & Quarrying	306,496	320,573	283,951	241,093	230,564	175,577
06 Wholesale and retail, repair serv.	393,137	381,920	374,368	356,728	341,810	321,143
07 Hotels and restaurants	277,546	246,059	207,979	233,923	243,613	240,750
08 Transport and communications	308,482	294,716	274,689	264,815	245,885	236,549
09 Financial intermediation	774,024	777,680	685,389	690,547	707,740	650,430
10 Real estate and renting activities	829,841	876,769	906,268	900,275	862,252	879,497
11 Business activities	483,335	496,907	478,935	448,277	448,162	425,488
12 Public administration	281,521	297,070	291,126	294,362	281,029	270,883
13 Education, health and social work	342,188	358,388	373,970	364,172	370,352	344,825
14 Comm., social and personal serv.	113,515	112,336	104,255	102,549	97,468	96,872
15 International business activity	1,462,507	1,443,926	1,336,043	1,337,950	1,268,872	1,203,243
Total	5,802,528	5,850,165	5,546,550	5,453,240	5,317,011	5,042,559
Less: Imputed bank service charge	474,941	439,476	422,000	436,952	470,146	431,021
Add: Taxes and duties on imports	240,797	242,774	230,174	226,302	220,649	209,259
GDP at market prices	5,568,384	5,653,463	5,354,724	5,242,590	5,067,514	4,820,797
Per cent change from previous year	2.8	1.5	-5.3	-2.1	-3.3	-4.9

Source: Department of Statistics

TABLE 2

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

INDUSTRIAL SECTIONS	2007	2008	2009	2010	2011	2012
01 Agriculture, forestry and fishing	45,249	48,301	42,987	42,971	43,782	41,233
03 Manufacturing	84,979	90,043	76,916	74,799	65,214	52,079
04 Electricity, gas and water supply	91,170	97,783	96,825	96,518	97,644	86,598
05/02 Construction & Quarrying	317,068	370,078	317,531	260,556	203,776	179,799
06 Wholesale and retail, repair serv.	425,927	435,354	419,377	412,488	381,961	372,407
07 Hotels and restaurants	320,063	308,039	253,103	269,554	263,838	246,945
08 Transport and communications	337,012	322,177	307,079	288,390	265,765	268,693
09 Financial intermediation	863,588	943,800	685,821	682,777	719,640	694,181
10 Real estate and renting activities	831,867	861,776	861,632	907,590	953,058	949,628
11 Business activities	532,977	587,677	578,749	558,124	535,089	511,511
12 Public administration	285,726	326,409	342,463	350,202	343,095	353,011
13 Education, health and social work	355,125	399,600	400,218	434,582	464,747	478,236
14 Comm., social and personal serv.	113,848	122,659	116,753	126,685	122,650	120,750
15 International business activity	1,592,675	1,547,210	1,479,051	1,469,287	1,361,430	1,371,592
Total	6,197,275	6,460,906	5,978,503	5,974,521	5,821,691	5,726,663
Less: Imputed bank service charge	536,169	578,228	395,483	425,232	450,856	423,955
Add: Import duties	233,942	227,250	223,358	195,125	179,936	170,828
GDP at market prices	5,895,048	6,109,928	5,806,378	5,744,414	5,550,771	5,473,536
Per cent change from previous year	8.9	3.6	-5.0	-1.1	-3.4	-1.4

Source: Department of Statistics

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

	2009	2010	2011	2012R	2013P
Agriculture, forestry and fishing	710	692	639	594	594
Manufacturing	907	841	792	671	630
Electricity, gas and water supply	409	426	389	386	342
Construction & Quarrying	3,488	3,042	2,549	2,264	2,234
Wholesale and retail, repair serv.	4,752	4,658	4,529	4,214	4,109
Hotels and restaurants	4,674	4,349	4,533	4,385	4,250
Transport and communications	2,471	2,322	2,293	2,176	2,151
Financial intermediation	2,781	2,741	2,747	2,501	2,567
Real estate and renting activities	606	574	491	488	436
Business activities	4,197	4,033	3,976	3,702	3,542
Public administration	4,318	4,296	4,284	4,298	4,218
Education, health & social work	3,624	3,625	3,895	3,750	3,613
Other comm., social and personal	2,152	2,211	2,205	2,136	2,049
International business activity	4,431	4,287	4,077	3,878	3,787
Total	39,520	38,097	37,399	35,443	34,522

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	
	Index	Change	Index	Change	Index	Change	Index	Change	Index	Change	Index	Change	Index	Change	Index	Change
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	67.7	-17.5	111.5	+5.2	64.3	-25.3	87.6	-2.4	95.7	-4.6
2011	94.2	-3.1	119.9	-0.4	113.4	-1.9	48.8	-27.8	116.2	+4.2	63.1	-1.9	89.0	+1.6	92.5	-3.3
2012	94.7	+0.5	127.6	+6.4	123.7	+9.1	45.3	-7.3	114.9	-1.1	57.2	-9.4	85.0	-4.5	90.6	-2.0
*2013	94.6	-0.2	131.6	+3.1	121.7	-1.6	45.8	+1.0	112.7	-2.0	48.6	-15.0	84.7	-0.3	89.4	-1.4
2012																
Jan	80.5	-3.6	114.1	+1.8	89.6	+4.5	35.1	-38.7	105.2	+1.7	61.9	+10.7	55.7	-2.2	74.1	-6.8
Feb	79.8	+1.9	111.1	+6.0	97.8	+8.3	43.8	-26.2	101.7	+2.8	55.3	+9.9	50.7	-2.9	75.1	+3.0
Mar	95.7	+1.9	126.3	+8.5	117.9	+15.4	49.9	-28.6	116.8	0.0	66.1	+4.5	65.4	+1.0	90.7	+1.3
Apr	92.7	-3.7	123.6	-0.9	124.6	+2.1	46.9	-9.7	113.7	-6.1	67.6	+0.7	78.3	-5.6	85.0	-7.0
May	94.4	+2.2	124.0	+7.6	98.0	+8.1	47.0	-25.6	118.8	-4.9	69.7	+5.0	88.9	-4.4	97.3	+6.1
Jun	101.7	+0.4	133.8	+8.7	122.2	+9.5	42.3	-18.7	118.3	-7.0	53.7	-16.8	104.3	-6.7	102.5	+1.5
Jul	106.4	+6.0	142.2	+5.0	145.1	+2.4	62.8	+64.2	118.9	-7.7	69.3	+6.1	87.6	+1.3	101.5	+4.2
Aug	94.6	+0.8	127.8	+9.4	146.9	+19.6	41.4	-17.5	125.3	+1.4	54.3	-12.6	81.2	-4.5	89.2	-4.3
Sep	92.1	+0.6	129.0	+10.9	146.3	+25.5	40.9	-2.7	117.9	+0.2	49.6	-27.3	76.8	-8.3	84.5	-4.7
Oct	91.5	+0.7	131.1	+6.2	103.3	+7.5	54.6	+43.3	113.3	+0.9	54.0	-24.2	71.9	-8.6	79.6	-5.7
Nov	91.5	+1.1	123.1	+8.0	121.9	+10.3	36.1	+9.6	116.5	+7.0	47.6	-28.7	87.9	+1.1	89.5	-4.2
DecR	116.0	-1.6	145.2	+5.9	170.2	+0.1	42.6	+37.9	113.0	+1.9	36.9	-33.5	170.7R	-7.8	118.2R	-6.7
2013																
Jan	82.9	+3.0	122.3	+7.2	91.7	+2.4	46.2	+31.6	106.7	+1.4	43.2	-30.2	59.2	+6.1	73.7	-0.5
Feb	78.4	-1.8	115.4	+3.9	95.2	-2.7	36.9	-15.6	96.9	-4.7	44.7	-19.2	49.9	-1.7	73.6	-1.9
Mar	94.7	-1.1	135.1	+7.0	123.4	+4.7	41.0	-18.0	118.1	+1.1	59.7	-9.8	61.8	-5.4	84.1	-7.3
Apr	91.4	-1.3	126.6	+2.5	112.4	-9.8	49.0	+4.4	109.0	-4.2	53.7	-20.6	76.1	-2.8	84.1	-1.0
May	95.7	+1.3	133.6	+7.8	102.6	+4.7	46.0	-2.1	119.5	+0.6	55.3	-20.7	93.5	+5.2	93.9	-3.5
Jun	100.9	-0.9	136.6	+2.1	119.6	-2.2	38.8	-8.2	124.2	+4.4	46.9	-12.7	104.8	+0.5	99.0	-3.4
Jul	110.7	+4.1	155.5	+9.4	166.1	+14.5	59.1	-5.9	123.8	+4.1	61.3	-11.5	83.8	-4.4	106.1	+4.6
Aug	91.6	-3.2	126.2	-1.3	138.2	-5.9	40.1	-3.1	116.9	-6.7	44.8	-17.5	80.9	-0.4	86.7	-2.8
Sep	88.0	-4.4	124.2	-3.8	128.5	-12.1	48.3	+18.0	109.7	-7.0	41.0	-17.2	76.9	+0.1	78.3	-7.3
Oct	91.6	+0.2	132.0	+0.6	100.2	-3.0	59.7	+9.3	111.5	-1.6	46.8	-13.3	74.6	+3.8	79.5	-0.1
Nov	95.8	+4.7	127.5	+3.5	121.5	-0.4	46.1	+27.6	108.2	-7.1	47.7	+0.2	97.3	+10.7	93.9	+4.9
Dec	113.4	-2.2	143.9	-0.9	160.5	-5.7	38.0	-10.8	107.5	-4.8	37.8	+2.4	158.0	-7.5	119.2	+0.9

(1) Index numbers are subject to revisions

(2) Includes household supplies, but excludes alcoholic beverages

(3) Does not include sales to bars, clubs, hotels and restaurants

*The yearly series reflect annual changes

TABLE 5

**CONSUMER PRICE INDEX
APRIL 2006 = 100**

	All Items	Food	Rent	Clothing & Footwear	Tobacco & Liquor	Fuel & Power	Household Goods, Services & Communications	Transport & Vehicles	Education, Recreation & Reading	Health & Personal Care
2004 WEIGHT	1000	146	325	37	20	30	140	139	71	92
ANNUAL AVERAGE (per cent)										
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
2012	+2.4	+3.5	+0.2	+4.3	+2.5	+9.3	+1.0	+1.6	+2.7	+6.6
2013	+1.8	+3.0	-0.3	+0.1	+4.4	-1.9	+0.5	+1.4	+2.5	+8.3
MONTHLY (per cent)										
2011										
Dec	-0.2	-1.4	-0.1	Nil	+0.1	Nil	-0.1	+0.5	+0.1	0.2
2012										
Jan	+0.1	+1.6	Nil	Nil	-0.1	Nil	+0.1	-1.7	Nil	Nil
Feb	+0.1	-0.2	+0.1	Nil	+0.4	Nil	+0.1	+1.0	-0.1	Nil
Mar	+0.2	+0.9	+0.1	Nil	+0.2	Nil	+0.1	+0.4	-0.1	+0.1
Apr	+0.9	Nil	+0.1	+1.5	+0.7	Nil	Nil	+1.3	+0.2	+5.6
May	+0.2	+0.5	-0.1	+0.2	-0.1	Nil	Nil	+1.1	+0.2	Nil
Jun	Nil	+0.2	+0.2	Nil	+0.4	+5.3	-0.7	-1.8	+0.3	+0.1
Jul	+0.1	+0.2	-0.1	-1.8	+0.5	+2.4	+0.2	-0.5	Nil	-0.1
Aug	+0.6	+0.6	+0.3	Nil	+0.1	-1.8	+0.1	+4.1	-0.1	+0.1
Sep	Nil	+0.1	-0.2	Nil	+0.2	Nil	+0.3	-1.0	+2.1	+0.3
Oct	+0.3	+0.4	Nil	-2.0	+0.3	-1.9	+0.2	+1.3	+0.3	+1.5
Nov	-0.4	-0.4	+0.1	Nil	Nil	-7.8	Nil	Nil	+0.1	+0.1
Dec	-0.3	-1.0	Nil	Nil	+0.1	+2.9	Nil	-2.0	Nil	-0.1
2013										
Jan	+0.2	+2.3	-0.1	+1.1	+0.5	-1.4	+0.1	-1.2	+0.2	Nil
Feb	+0.2	Nil	+0.1	Nil	-0.2	+1.4	Nil	+1.3	Nil	Nil
Mar	+0.2	+0.4	-0.5	Nil	Nil	+2.8	Nil	+1.4	Nil	+0.1
Apr	+0.5	+0.4	-0.3	+0.8	+1.7	Nil	Nil	-1.9	Nil	+6.3
May	+0.1	-0.4	Nil	Nil	+2.0	-2.7	+0.1	+1.2	Nil	+0.7
Jun	+0.3	+0.1	Nil	Nil	+0.4	+1.8	-0.1	+1.6	-0.1	+0.1
Jul	Nil	+0.3	+0.2	+0.2	+0.1	Nil	+0.1	-1.8	-0.1	+0.1
Aug	+0.1	+0.8	+0.1	Nil	+0.1	+0.9	+0.4	-0.5	+0.1	Nil
Sep	+0.4	+0.2	Nil	Nil	-0.1	+0.8	-0.1	+2.2	+1.6	Nil
Oct	+0.1	-0.1	+0.1	+1.0	Nil	-0.8	+0.1	+0.5	-0.1	+0.4
Nov	-0.6	-0.4	Nil	+0.2	+0.4	-2.7	Nil	-3.2	-0.1	Nil
Dec	+0.3	-0.8	+0.1	Nil	+0.1	Nil	Nil	+2.6	+0.1	+0.1
Dec '13	122.4	129.4	110.8	122.0	135.5	154.0	111.5	110.4	131.4	165.7
	+1.9	+2.8	-0.3	+3.4	+5.0	-0.1	+0.5	+2.0	+1.6	+7.7

MAJOR CONSTRUCTION PROJECTS¹

Estimated value of work put in place during period | \$ millions

	Type of Project								Sector	
	Value of New Projects Started	Residential	Offices, Shops, Warehouses,	Hotels, Guesthouses	Schools, Hospitals, Community Centres	Roads, Bridges, Airports	Industrial Plant and Other	Total	Public	Private
2009	195.8	29.1	188.5	22.5	14.2	27.2	6.3	287.8	77.6	210.1
2010	163.6	55.1	120.6	0.0	4.6	4.7	14.9	199.9	66.2	133.7
2011	302.8	43.5	48.4	0.3	29.6	1.0	10.2	133.0	59.3	73.7
2012	106.8	34.3	43.1	1.3	99.7	5.3	7.2	190.9	103.9	87.0
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
	12.2	7.0	62.1	0.0	0.4	1.0	1.3	71.8	6.6	65.2
	66.3	9.4	6.6	0.0	1.8	0.8	3.7	22.3	14.1	8.2
	80.4	21.2	10.0	0.0	2.0	0.6	5.4	39.2	25.6	13.6
2011	261.6	15.4	12.3	0.0	8.2	0.5	2.4	38.8	24.5	14.3
	4.5	12.4	7.2	0.0	5.3	0.0	3.0	27.9	15.2	12.7
	22.3	10.4	14.9	0.0	7.5	0.0	2.6	35.4	10.0	25.4
	14.4	5.3	14.0	0.3	8.6	0.5	2.2	30.9	9.6	21.3
2012	24.7	6.3	4.1	0.3	8.1	1.4	3.0	23.2	10.5	12.7
	34.9	7.4	5.0	0.2	20.8	3.7	1.6	38.7	21.7	17.0
	24.4	12.6	25.4	0.5	33.2	0.2	1.4	73.3	34.0	39.3
	22.8	8.0	8.6	0.3	37.6	0.0	1.2	55.7	37.7	18.0
2013	7.9	8.5	7.6	0.2	25.6	3.8	0.3	46.0	25.6	20.4
	9.6	10.4	8.0	1.2	12.8	2.2	0.6	35.2	12.9	22.3
	11.6	8.1	7.5	2.2	5.0	0.2	0.0	23.0	5.0	18.0

¹Projects valued at \$0.5 million or more

Source: Department of Statistics

TABLE 6

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
2009		53	89	141	77	360
2010		20	64	193	98	375
2011		26	50	209	108	393
2012		18	54	83	73	228
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
	Q4	9	13	12	11	45
2012	Q1	4	12	9	11	36
	Q2	5	15	14	26	60
	Q3	1	17	48	30	96
	Q4	8	10	12	6	36
2013	Q1	5	16	10	5	36
	Q2	4	7	13	4	28
	Q3	2	7	8	3	20

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
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	415,464	651,502	1.6	19.4	12.3
2012	232,063	378,262	610,230	-1.7	-9.0	-6.3
2013	236,343	340,030	576,373	1.8	-10.1	-5.6
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
2012 Q1	31,619	2,719	34,338	2.6	302.8	9.0
Q2	75,186	161,351	236,537	-6.6	0.2	-2.1
Q3	80,852	179,124	259,976	1.2	-4.3	-2.7
Q4	44,406	35,068	79,474	-1.0	-47.5	-28.8
2013 Q1	31,300	1,484	32,784	-1.0	-45.4	-4.5
Q2	75,013	133,676	208,689	-0.2	-17.2	-11.8
Q3	82,819	157,373	240,192	2.4	-12.1	-7.6
Q4	47,211	47,497	94,708	6.3	35.4	19.2

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**

	2007	2008	2009	2010	2011	2012	2013*
Large hotels	633,073	540,086	462,388	460,364	487,692	478,893	273,493
Small hotels	157,837	138,930	163,541	211,190	217,680	212,730	118,208
Cottage colonies	150,706	123,670	112,044	85,642	85,167	77,104	45,298
Private clubs	33,207	26,224	18,094	18,332	18,758	19,011	9,904
House-keeping cottages	112,351	93,274	50,968	48,020	46,877	39,870	23,793
Guest houses	10,833	8,062	7,195	7,266	5,995	7,774	3,364
Other	21,932	17,666	12,739	14,297	13,491	12,473	6,834
Total commercial properties	1,119,939	947,912	826,870	845,111	875,660	847,855	480,894
Private homes	774,333	727,725	606,285	587,022	545,404	560,540	286,549
Unallocated	3,389	3,230	4,184	10,085	8,412	7,438	2,585
Total	1,897,661	1,678,867	1,437,339	1,442,218	1,429,476	1,415,833	770,028
Percentage change (year-on-year)	-1.7	-11.5	-14.4	0.3	-0.9	-1.0	23.3**

(*) figures reflect first half of 2013

(**) Percentage first half of 2013 vs first half of 2012

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-resident ² Entities	Total	Exempted Companies ¹	Exempted Partnerships	Non-resident ² Entities	Total ¹	
2009	629	82	27	738	13,882	1,250	603	15,735	0.8
2010	691	52	47	790	13,663	1,302	644	15,609	-0.8
2011	802	48	27	877	13,432	1,317	651	15,400	-1.3
2012	775	67	46	888	13,191	1,368	640	15,199	-1.3
2013	901	83	36	1,020	13,297	1,400	690	15,387	1.2
2009 Q1	156	31	5	192	13,949	1,199	608	15,756	1.4
Q2	158	13	6	177	13,883	1,212	615	15,710	1.8
Q3	127	18	7	152	13,978	1,230	621	15,829	-0.4
Q4	188	20	9	217	13,882	1,250	603	15,735	0.8
2010 Q1	162	13	17	192	13,888	1,263	618	15,769	0.1
Q2	145	13	7	165	13,756	1,276	625	15,657	-0.3
Q3	168	10	6	184	13,723	1,286	627	15,636	-1.2
Q4	216	16	17	249	13,663	1,302	644	15,609	-0.8
2011 Q1	184	8	3	195	13,626	1,310	646	15,582	-1.2
Q2	206	13	7	226	13,519	1,323	653	15,495	-1.0
Q3	185	10	8	203	13,419	1,329	654	15,402	-1.5
Q4	227	17	9	253	13,432	1,317	651	15,400	-1.3
2012 Q1	169	17	18	204	13,319	1,269	680	15,268	-2.0
Q2	194	17	6	217	13,325	1,337	670	15,332	-1.1
Q3	185	16	10	211	13,381	1,302	645	15,328	-0.5
Q4	227	17	12	256	13,191	1,368	640	15,199	-1.3
2013 Q1	194	11	15	220	13,293	1,293	703	15,289	0.1
Q2	228	14	8	250	13,520	1,394	718	15,632	2.0
Q3	222	26	7	255	13,648	1,420	724	15,792	3.0
Q4	257	32	6	295	13,297	1,400	690	15,387	1.2

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
2010	107.7	94.2	524.7	185.2
2011	107.6	94.6	452.2	168.8

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

TABLE 12

BALANCE OF PAYMENTS ESTIMATES
\$ millions

	2009	2010	2011	2012*	2013*
Exports	29	15	13	7	9
Imports	1,035	972	900	900	746
Merchandise Trade Balance	-1,007	-958	-888	-889	-737
Services & Income – receipts	3,324	3,231	3,202	3,225	3,029
Services & Income- payments	1,569	1,531	1,705	1,565	1,600
Current account balance	748	743	610	771	692
Financial Account					
Direct Investment	11	-14	-337	240	84
Portfolio Investment	1,574	1,406	2,254	-1,028	-67
Financial Derivatives	46	60	107	83	88
Other Investments	-2,380	605	1,462	151	860
Reserve Assets	18	3	11	-5	5
Net Acquisition of Financial Assets	-730	2,060	3,497	-559	970
Direct Investment	-71	249	-109	133	440
Portfolio Investment	-63	470	-121	267	-37
Financial Derivatives	-108	-1	8	15	2
Other Investments	-167	650	3,670	-1,351	15
Net Incurrence of Financial Liability	-409	1,368	3,449	-937	419
Total Net Financial Account	321	-692	-48	-378	-551
Total Net Capital Account	0	0	0	0	0
Total Net Lending (+)/ Net Borrowing (-)	-321	692	48	378	-551
Balancing Item	-1,069	-51	-562	-393	-141

* 2013 Q1 – Q3 provisional estimates

Source: Department of Statistics

