



GOVERNMENT OF BERMUDA
Ministry of Finance



2015

NATIONAL ECONOMIC
REPORT *of* BERMUDA





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THE ECONOMY IN 2015

The Ministry of Finance estimates that Bermuda's GDP may have increased by 1.5-2.5 per cent in 2015¹ following the decline of 0.4 per cent in 2014.

While some of the major economic indicators such as employment, air visitors and construction activity declined in 2015, there were many encouraging results regarding international business, employment income, retail sales and balance of payments.

The number of jobs fell by 0.9 per cent and the official unemployment rate was calculated at 7.0 per cent in 2015.

In the tourism sector, air visitors fell by 1.2 per cent while cruise arrivals rose by 4.2 per cent. Employment in hotels fell by 4.4 per cent.

Employment income rose by 1.6 per cent over the first three quarters of 2015 and increased in all major sectors with the exception of Banking, Insurance & Real Estate (0.4 per cent) and construction (11.9 per cent).

The gross turnover generated by retail stores increased by 2.7 per cent in 2015 while jobs in the sector rose by 0.4 per cent.

Over the first three quarters of 2015 the level of construction activity contracted by 41.3 per cent with the value of work put in place falling from \$97.9 million in 2014 to \$57.5 million in 2015. The value of new projects started rose by 19.3 per cent. Jobs in this industry fell by 1.0 per cent year-over-year.

The Consumer Price Index (CPI) measured 1.5 per cent for 2015. This level of inflation was below the 2.0 per cent recorded in 2014 and the 1.8 per cent recorded in 2013.

Gross Domestic Product 2014

The most recent published estimates by the Department of Statistics for GDP are for the year 2014.

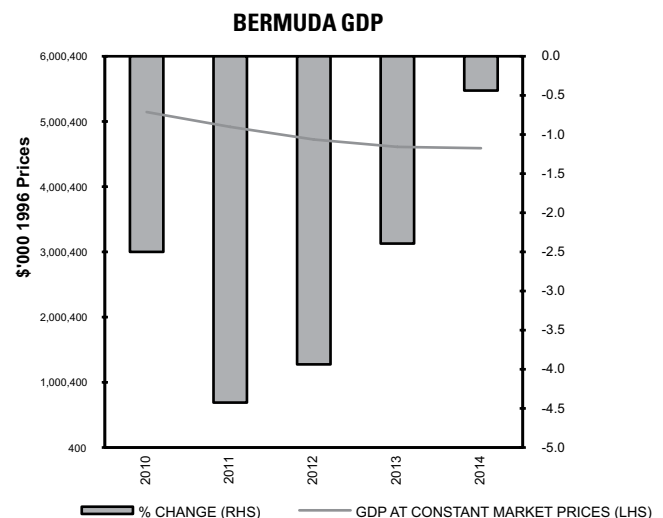
In 2014 the Bermuda economy grew by 0.2 per cent based in current market prices. This increase marks the second consecutive year that the economy has grown in nominal terms, after 6 years of decline. Nominal GDP was reported to be approximately \$5.651 billion reflecting an increase of \$11.5 million above the 2013 revised figure of roughly \$5.64 billion. When adjusted for inflation, the level of economic activity or real GDP decreased by 0.4 per cent. This rate was better than the five year average (2010-2014) of negative 2.7

per cent. This result was in line with the Ministry of Finance's 2014 estimate (made in February 2015) of a contraction in GDP of 0.0-1.5 per cent.

The positive movement in GDP of 0.2 per cent at current market prices was largely driven by a 9.3 per cent increase in the output of the business activity sector and growth of 1.9 per cent in the real estate and renting sector.

The contraction of GDP in real terms of 0.4 per cent was mainly caused by sharp declines of \$32.6 million in the output of the financial intermediation sector, a \$23.5 million reduction in the education, health and social work sector, and a \$19.7 million reduction in the hotels and restaurant sector. These declines were offset by gains of \$39.2 million in the international business sector and an \$8.5 million gain in the construction and quarrying sector.

FIGURE 1



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

In current market prices, international business contributed the greatest amount to the Bermuda economy in 2014. This sector provided \$1.53 billion in total output or 27.1 per cent of total GDP which was a 0.2 per cent increase when compared to 2013. The growth in output in this sector benefitted from businesses offering financial and related services increasing their value added by 27.0 per cent.

2014 marked the third consecutive year that the value added by the international business sector increased following

¹ Official 2015 GDP estimates are not yet available.

5 years of contraction. The value added from this sector represents 27.1 per cent of GDP and is a continuation of the trend of previous years. Companies in the insurance and reinsurance industry are the biggest contributors to this sector. Contributions to this sector also emanate from the trading operations of security and commodity brokerage, shipping, consultancy and other forms of international business activity.

The real estate and rental sector was the second largest contributor to GDP. This sector accounted for \$970.0 million in output or 17.2 per cent of total GDP. The value added from this industry increased by 1.9 per cent, registering the first increase since 2011. The growth in this sector can be attributed to an uptick in real estate activity, specifically an increase in condominium sales.

Although lower net interest received by banks caused the financial intermediation sector to decline by 3.7 per cent, it was the next largest contributor to Bermuda's economy accounting for \$687.9 million in output which represents 12.2 per cent of total GDP.

The business activities sector contributed \$525.0 million to the output of the economy representing 9.3 per cent of GDP. Output in this sector grew by 9.3 per cent led by greater sales of legal services and business and management consulting. This sector comprises of computer, accounting and legal services and provides professional and other services to the international business sector.

Output generated in the education, health and social services sector was recorded at \$476.2 million in 2014, which represents 8.4 per cent of total output. This sector experienced a decrease in output of 4.7 per cent which was primarily driven by declines in private health activities and government hospital activities.

The wholesale, retail trade and repair services sector represented 6.7 per cent of GDP in 2014 with an output level of \$376.1 million. This sector increased by 1.1 per cent following five consecutive years of decline and was bolstered by a 24.0 per cent growth in sales of new vehicles.

The construction and quarrying sector grew by 0.6 per cent and accounted for 3.2 per cent of GDP. The output of \$178.7 million was driven by increased demand for construction services following the damaging effects of hurricane Faye and Gonzalo.

ECONOMIC TRENDS 2015

Domestic Demand

Personal Consumption and the Retail Sector

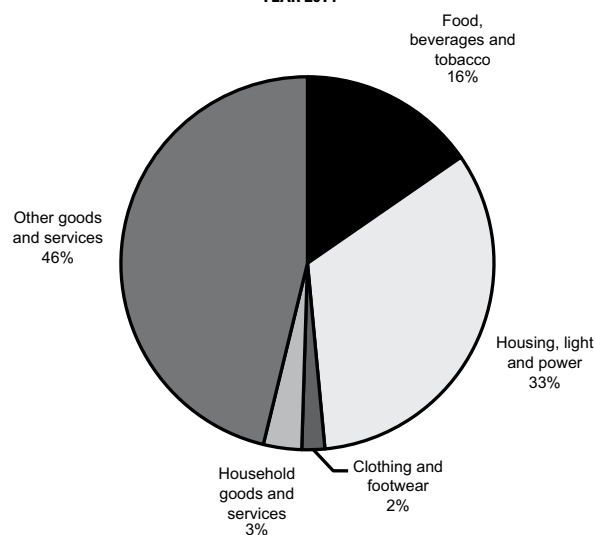
Employment income supports personal consumption and is estimated to have increased by 1.6 per cent for the first three quarters of 2015 compared to the same period in 2014. For the 12 month period ending September 2015, total employment income was \$3.21 billion, some \$43.6 million or 1.4 per cent greater than the 12 month period ending September 2014.

The year-over-year level of employment income grew by 1.8 per cent during the first quarter, declined by 0.5 per cent in the second quarter and increased by 3.4 per cent in the third quarter of 2015. The unemployment rate fell from 9.0 per cent last year to 7.0 per cent in 2015. Broadening economic recovery has led to modest increases in employment income which should translate into increased personal consumption.

The most recent estimates by the Department of Statistics for household personal consumption are for the year 2014. During that year, total household personal consumption was \$3.02 billion, reflecting an increase of 1.8 per cent over 2013.

FIGURE 2

COMPONENTS OF PERSONAL CONSUMPTION FOR THE YEAR 2014



While personal consumption estimates are not available for 2015, the Retail Sales Index (RSI) for that year provides insight into the expenditure trends of consumers in Bermuda's retail stores.

In 2015, total gross turnover stood at \$1,033.0 million which

represents a 2.7 per cent increase when compared to 2014. In 2015 the unemployment rate fell from 9.0 per cent to 7.0 per cent and over the first three quarters of the year employment income rose by 1.6 per cent. These two factors undoubtedly had a positive effect on retail sales. Consumer confidence grew with the decline in unemployment and consumers had more to spend on retail goods and services.

All sectors in the RSI recorded sales growth in 2015 apart from service stations, down 4.9 per cent, Liquor stores, down 0.9 per cent and all other store types, down 0.4 per cent.

Motor vehicle stores recorded the largest increase in sales of all sectors. 8 of the 12 months in 2015 recorded double digit sales growth. The average monthly increase in this sector was 23.2 per cent. An increase in car and motorcycle sales led to increased sales volume during the year.

The sales level recorded by building material stores was led by a strong first quarter which saw sales grow by an average of 16.8 per cent. Unfortunately, September and October witnessed a decline in sales of 11.6 per cent and 3.5 per cent respectively. The 3.9 per cent growth in sales can be attributed to an increase in sales for construction projects and consumers demand during discount sales events.

Monthly receipts by food stores advanced by an average of 3.8 per cent, due to steady increases in the price of food throughout the year. Growth in sales was witnessed in every month apart from November which recorded a marginal sales decline.

The sales level recorded by service stations experienced the largest contraction of all the sectors. The 4.9 per cent decline in sales for 2015 was mainly the result of declining fuel prices throughout the year.

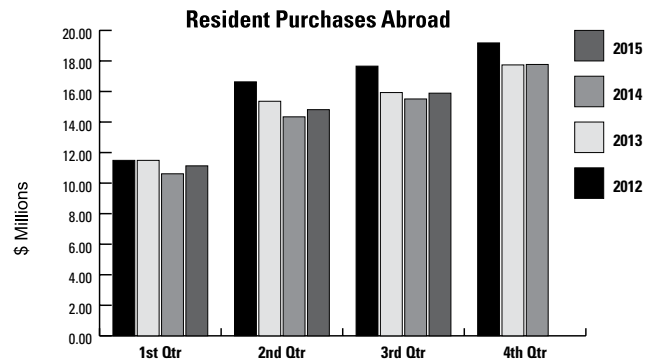
During the first eleven months of 2015, overseas purchases declared by residents returning to Bermuda increased from \$50.7 million to \$52.6 million year-over-year, representing a 3.7 per cent growth.

The declared value of overseas purchases during 2015 equated to 5.1 per cent of the combined estimated local and overseas gross turnover in the retail sector.

Residents traveling overseas during the first three quarters of 2015 declared that 50.4 per cent of their overseas expenditure was on clothing and footwear and 8.2 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



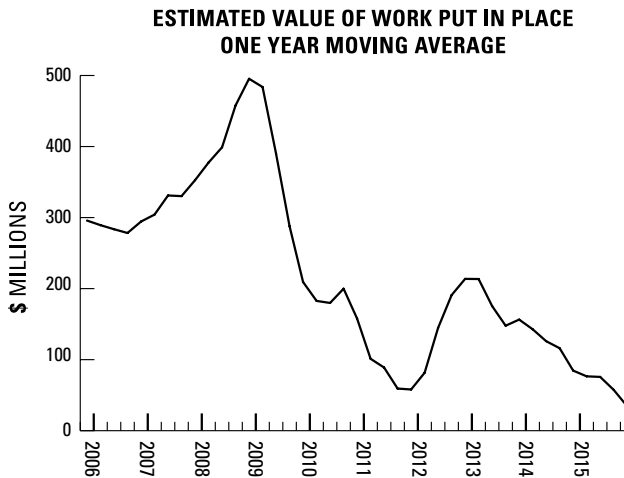
Capital Formation and the Construction Industry

Building indicators were mixed in 2015; however with major projects in the pipeline, the sector should start to improve. Evidence of this comes from the Department of Planning where new planning applications rose to 567 in 2015 from 458 in 2013. Building permits are an indication of the projects that are actually being built.

During the first three quarters of 2015, the value of new projects started grew from \$90.8 million in 2014 to \$108.3 million, an increase of 19.3 per cent. The estimated value of work put in place during the same time period fell from \$97.9 million in 2014 to \$57.5 in 2015, a decline of 41.3 per cent. This decrease is mainly attributed to the completion of multi-million dollar projects which include the hospital redevelopment project and the new marina at the Fairmont Hamilton Hotel in the first quarter of 2014. This strong performance was not matched in 2015.

Work performed on residential construction projects accounted for 30.6 per cent of construction activity. The Industrial Plant & Other category contributed 24.2 per cent of the total, and offices, shops and warehouses represented 17.7 per cent of total activity in the construction industry. Together, these three categories accounted for 72.5 per cent of all work put in place between January and September 2015. 61.6 per cent of the construction work performed during that time period was performed by the private sector and 38.4 per cent by the public sector.

FIGURE 4



During the first nine months of 2015, 38 new dwelling units were completed in the residential sector of the industry, which represented a decrease of 31 units or 44.9 per cent year-over-year, continuing the 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 2015 versus 2014, the number of new studio apartments declined by 5 to 7 units (41.7 per cent), one bedroom apartments remained constant at 17 units, two bedrooms experienced the largest decrease falling from 24 to 2 units (91.7 per cent) and three bedrooms and over decreased by 4 to end the third quarter with 12 units (25.0 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 2015 these two sectors of the economy represented 66.6 per cent of the total balance of payments current account receipts providing \$1,673.0 million (excluding financial services) in foreign currency receipts. This combined figure grew by \$17.5 million or 1.1 per cent when compared to 2014. Individually, the amount of foreign exchange earnings produced by the international business sector grew by 1.7 per cent year-over-year with a cumulative three quarter total of \$1.384 billion for 2015. In contrast, the amount of foreign exchange earnings generated by tourism activity fell by 2.1 per cent recording earnings of \$289.0 million at the end of September 2015.

International Business

In 2015 the international business sector provided 3,894 jobs in the economy reflecting a contraction of 1.1 per cent year-over-year, or a reduction of 43 posts. Over the first nine months of 2015, foreign exchange earnings of the international companies increased by \$17.5 million to \$1.673 billion representing growth of 1.1 per cent.

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

The capital structure of the large commercial Bermuda (re) insurance groups continued to be marked by low leverage and a stable liquidity position due to low catastrophic loss activity during the year. In 2015 there were 64 new reinsurers and insurers registered by the Bermuda Monetary Authority compared with 65 registrations in 2014. At the end of the year the European Commission published a Delegated Act which recognized Bermuda's prudential framework for (re)insurance and group supervision as being fully equivalent to standards applied to entities operating under Europe's Solvency II Directive. At the time of writing, the Delegated Act remains subject to a review by the European Parliament and Council but is the outcome of several years of active engagement by the Bermuda Monetary Authority and the Bermudian insurance sector with their European counterparts to ensure continued access to the European insurance market. This announcement continued to solidify Bermuda's reputation as a strong financial service center.

Bermuda (re)insurance groups remain well-capitalized with relatively low losses, but the industry continues to face challenges. An oversupply of (re)insurance capital and increased competition by alternative sources of capital contributed to a soft insurance market. Higher anticipated interest rates in the United States in 2016 will benefit (re) insurers in the long run by allowing them to earn higher returns on their investments. In the short term, the valuation of (re)insurers bond portfolios will be impacted by a rise in interest rates but this should be limited due to the short duration of their bond holdings. The capital structure of the sector continues to be marked by low but rising financial and reserve leverage.

The (re)insurance industry remained profitable despite ongoing competitive pressures. Bermuda (re)insurers produced a positive gross profit of \$1.2 billion, which was lower on a year-over-year basis due to lower investment income and increased expenses. The aggregate combined ratio stood at 88.8 per cent compared to 88.6 per cent in Q3-2014. Investment returns continue to remain low as interest rates hover at historically low levels. The return on investment at the end of Q3-2015 was close to 0.5 per cent compared to 0.6 per cent in Q2. The return on equity dropped 0.7 per cent, due to net income falling as a result of the realization of capital losses.

Bermuda continues to maintain its position as the leading jurisdiction for the issuance of Insurance Linked Securities (ILS) and catastrophe bonds. Global ILS issuance fell 10 per cent in 2015 to \$7.9 billion from \$8.8 billion in 2014. During the year there were 48 new Special Purpose Insurers (SPIs) issues, of which 36 were Bermuda-based, representing 71 per cent of total volume. Companies domiciled in Bermuda account for 69 per cent (\$18.1 billion of \$26.3 billion) of the total outstanding ILS capacity at the end of Q4-2015. Since 2010, Bermuda-based SPIs have issued 119 ILS bonds. The majority of ILS covers North American risk events. This can be attributed to the fact that the majority of primary insurers in the ILS market are US-based firms. The Bermuda Stock Exchange (BSX) has also benefited from the growth in the volume of insurance linked listings of catastrophe bonds, insurance-linked securities and insurance linked investment funds as the number of listings increased to 151 at the end of 2015 representing \$19.2 billion in valuations, compared to 118 (\$15.9 billion) at the end of 2014.

Tourism

Although it is beginning to arrest the decades-long decline of vacation air arrivals, the Bermuda Tourism Authority (BTA) was unable to achieve the level of industry growth it had hoped for in 2015. However, there are many encouraging signs.

The total number of vacation air arrivals during 2015 fell from 141,509 in 2014 to 139,820, a decrease of 1.2 per cent. Cruise passenger arrivals increased in 2015, rising from 355,880 in 2014 to 370,756, which represents an increase of 4.2 per cent. Total vacation visitor arrivals in 2015 increased by 12,011 or 2 per cent year-over-year.

A dive below the top-line numbers shows that between 2013 and 2014, vacation air arrivals fell by about 10,000 visitors. Between 2014 and 2015, the year-over-year decline was 1,689. This is a clear indication, that in the category the BTA has the most influence over, it is arresting the decline. Regrettably, the weakness in the Canadian dollar in 2015 was a major contributing factor in preventing the air arrival performance from reaching positive territory. Canadian air arrivals were down 17 per cent in 2015, which amounted to almost 3,000 arrivals. If they had remained flat or even decreased less dramatically, vacation air arrivals would have been up for the year. Vacation air arrivals from the US and the UK saw growth in 2015, 0.5 per cent and 9 percent respectively. Air capacity (or available seats) flying into Bermuda in 2015 were reduced by 9 per cent year-over-year, or over 50,000 seats. Despite this decrease, vacation visitor air arrivals were able to hold relatively steady for the year while business and visiting friends/relatives arrivals fell at 5 per cent and 7 per cent respectively. Although these factors are part of a less than desirable result, these are seen as positive signs of improvement.

Another point of optimism in the past year is the tourism industry performance around the America's Cup. The Louis Vuitton America's Cup World Series took place in October of last year and it made up part of a bumper month for the island's tourism economy. Total visitor arrivals for the month were up 44 per cent year-over-year, including a 12 per cent jump in vacation air arrivals, a 15 per cent spike in total air arrivals and was 16 per cent better in hotel room occupancy. Tourism-related retail sales surged almost one-third.

The Bermuda Tourism Authority was able to leverage the America's Cup in 2015 to land a series of international sailing regattas that would not have happened in Bermuda if not for our position as host of the world's greatest sailing event in 2017. International sailing races which include the M32 Winter Series, RC44 and the Viper North America Race have recently moved to Bermuda because regatta organizers have stated they want to experience the same racecourse as the pros will compete on in 2017. Cruise lines are also repositioning their vessels to take advantage of the event; some are considering charter deployments.

2015 cruise ship visitors increased by 4 per cent over 2014 and the number of cruise calls increased by 5 per cent (or

7 calls). These additional calls took place mostly in the shoulder months.

During 2015, tactical promotions supported by the BTA to increase room nights included The Pink Sale, Buy Her Bermuda, Proper Rewards and Endless Summer.

Per person visitor expenditure for air visitors during 2015 decreased by 5.8 per cent year-over-year. The dollar value of the total expenditure by air visitors was an estimated \$258.8 million, representing a decline of \$21 million or 7.6 per cent year-over-year. Cruise visitor spending increased however by a total of \$12.3 million or 34.4 per cent. This was due to both an increase in total cruise visitors as well as an increase in average spend per person of \$29.

As in previous years, the vast majority of visitors that travel to Bermuda originate from the U.S. With more favorable weather conditions and direct flights from cities such as New York, Boston, Philadelphia, Washington DC and Atlanta, 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 2015 vacation air visitors who reside in the U.S. was 78 per cent. Canada was the second largest market at 10 per cent, a decrease from 12 per cent in 2014. The UK made up 8 per cent of vacation air visitors, up from 7 per cent in 2014. Europe and the rest of the world contributed 4 per cent to vacation air arrivals.

Employment

In the 2015 Labour Force Survey Executive Report, produced by the Department of Statistics in December 2015, the 2015 unemployment rate was measured at 7.0 per cent. The unemployment rate fell two percentage points from the 9.0 per cent recorded in 2014.

Preliminary data from the 2015 Employment Survey indicates that the total number of jobs in Bermuda decreased by 298 from 33,475 in 2014 to 33,177 in 2015, which equates to a 0.9 per cent decline. 2015 marks the seventh year that the number of jobs in the economy has declined which corresponds to the reduction in the level of GDP or economic growth in the economy. Overall the island has lost 7,024 jobs since 2008, a reduction of 17.5 per cent.

Growth in the number of jobs began to moderate in 2007 when the increase was 0.4 per cent. The number of jobs peaked in 2008 at 40,213 reflecting year-over-year growth of 0.9 per cent. Consistent with the decline in the economy, the number

of jobs in Bermuda has declined in seven 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, 2.6 per cent in 2013, 2.3 per cent in 2014 and 0.9 per cent in 2015.

Public administration, wholesale trade & motor vehicles and hotels were the only sectors to lose over 100 jobs, declining by 225, 113 and 101 positions respectively.

With the government continuing their program of reducing the size of the public service, public administration recorded the highest number of jobs lost of any industrial sector. This sector's employment numbers fell from 4,163 in 2014 to 3,938 in 2015. These figures equated to a reduction in employment of 5.4 per cent in the public sector.

The wholesale trade & motor vehicles sector experienced a decline in posts of 8.1 per cent, settling at 1,288 jobs in 2015 from 1,401 a year earlier.

Employment levels in the hotel sector stood at 2,186 in 2015, a reduction of 101 posts or 4.4 per cent. The sector with the next largest amount of job losses was the international business sector. This sector experienced 43 job losses registering a total of 3,894 posts in 2015, a reduction of 1.1 per cent year-over-year.

Collectively, the three divisions of economic activity with the greatest job losses mentioned above accounted for 439 job losses in 2015.

These losses were offset by the financial intermediation sector which recorded the largest growth in jobs in 2015. The number of posts in this sector grew from 2,253 in 2014 to 2,372 in 2015, an increase of 119 jobs or 5.3 per cent.

All major occupational groups experienced job losses in 2015 except for Skilled Agricultural and Fishery Workers whose employment numbers increased by 11 positions and armed forces whose job total grew by 1 post.

Service workers, Shop and Market Sales Workers lost 89 positions, Technicians and Associate Professionals' jobs fell by 50 jobs and Craft and Related Trade Workers posts declined by 48. Together, these groups accounted for 62.8 per cent of the total job losses in 2015.

Jobs occupied by Bermudians were the only status category to exhibit a decline in employment in 2015. Bermudian jobs declined by 320 posts or 1.3 per cent. The figure fell from 23,833 in 2014 to 23,513 in 2015. Non-Bermudians positions grew by a total of 18 posts or 0.3 per cent in 2015. Non-

Bermudian Spouses of Bermudians accounted for 1 job loss while Permanent Residence Certificate holders decreased their posts by 3 positions.

Inflation in Bermuda

The Consumer Price Index (CPI) increased at an average annual rate of 1.5 per cent for 2015 which is below the Ministry of Finance's February 2015 prediction which stated that inflation is expected to remain in the region of 2.0 per cent. The headline rate in December stood at 1.8 per cent year-over-year.

The average inflation rate of 1.5 per cent, although low, is above the UK (1.1 per cent), Canada (1.1 per cent) and the U.S. (0.7 per cent). The level of inflation had declined between 2011 and 2013 before marginally increasing last year. However, in 2015 the rate of inflation has fallen once again. The average rates for the previous years were 2.7 per cent in 2011, 2.4 per cent in 2012, 1.8 per cent in 2013 and 2.0 per cent in 2014. Such moderate inflation is beneficial for the economy as it encourages consumers to purchase goods and services and also supports productive planning and investment. Consumers are further sheltered from accelerating price increases which can cause further pain in these still difficult, but improving 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 range of 1.5-2.0 per cent over the next 12 months.

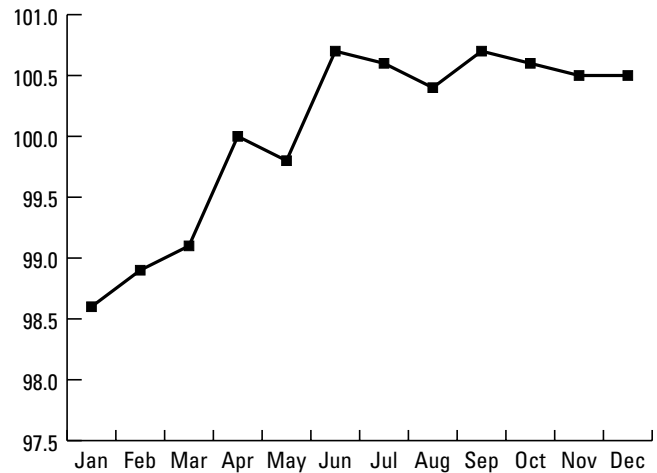
In 2015, the largest price increases were recorded in the health & personal care, food, household goods, services & supplies and rent sectors.

The increases in price levels of the health & personal care sector was the most significant contributor to the level of inflation in 2015. The average rate of price increases for this sector was 7.8 per cent which can primarily be attributed to a 9.8 per cent increase in the average price of health insurance premiums in April 2015. Other categories experiencing higher costs in this sector were doctor's visits, personal care items and over-the-counter medicines.

During 2015 the monthly increases in the food sector ranged from 1.6 per cent to 3.7 per cent with the average rate of price growth for the year settling at 2.7 per cent. The 3.7 per cent price increase recorded in January was the largest increase with the next highest figure 3.6 per cent recorded in February. Four of the twelve months recorded price increases of over 3.0 per cent.

FIGURE 5

Bermuda's Consumer Price Index 2015



The household goods, services & supplies sector experienced cost increases at an average rate of 2.1 per cent for the year. Costs in this sector rose in large part as a result of higher postal rates, childcare costs and various cleaning materials throughout the last 12 months.

The prices in the rent sector climbed at an average rate of 0.6 per cent, in 2015, which can be attributed to marginal increases in the prices of both rent controlled and non-rent controlled properties.

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 2015 was recorded at \$652 million. This figure is 14.0 per cent greater than the \$572 million recorded over the first three quarters of 2014.

Much of the current account year-over-year growth was due to a significant reduction in the level of imports into the island. Over the first nine months of 2015 the value of imported goods fell from \$735 million in 2014 to \$676 million in 2015 or 8.0 per cent. The reduction was due in large part to a 12.6 per cent decline in the amount of imports from Bermuda's largest trading partner, the United States and 10.3 per cent decrease in imports from Canada. Based on commodity groups, the contraction was reflected mainly in the reduction of fuel imports which fell by 46.6 per cent over the first three quarters of 2015. Imports of food also contributed to the decreased level of imports, falling by

6.2 per cent between January and September 2015. Export numbers remained relatively unchanged during the time period.

Although the net change in the Primary Income Account was a marginal decline of \$5 million, there were large movements in the subcategories. The Investment Income Account fell by \$29 million due primarily to lower profits from the sale of investments. However, this decline was offset by an increase in employee compensation of \$18 million which was due to increased bonuses and stock options and a \$6 million growth in other income.

Based on the level of the current account balance after the first three quarters of 2015 and the anticipated balance of payments flows for the last quarter of the year, it is estimated that the full year's balance of payments current account surplus will be approximately \$50 million more than the \$816 million surplus posted in 2014 based on the average surplus over the last 5 quarters and the current transaction trends between Bermuda and our trading partners.

Financial Sector

The financial sector in Bermuda remained strong in 2015 against the background of a modest recovery in economic growth and the necessity of continued fiscal retrenchment. The overall capital position of the banking sector remains firm and above the regulatory capital requirements recommended by the Basel II and Basel III international standards. Asset quality indicators continue to improve as Non-Performing Loans (NPLs) as a percentage of total loans carry on trending lower for the fifth consecutive quarter. Liquidity conditions within the banking sector remain steady while loan demand recorded a modest decline as the private sector continues to deleverage.

The movement in the money supply (Bermuda dollar currency only) reflects the broad economic climate in Bermuda and the overall level of financial intermediation by local banks. Based on figures released by the Bermuda Monetary Authority, money supply declined marginally by 0.2 per cent in Q3-2015, despite cash in circulation having risen by 1.8 per cent. The volume of notes and coins in circulation had increased for three consecutive quarters in 2015. When compared to a year earlier, the overall money supply rose by 1.3 per cent as deposit liabilities rose by 1.2 per cent from a year earlier.

Banking sector assets contracted in the third quarter as total assets declined by 4.9 per cent (or \$1.2 billion), however

total banking assets increased 5.9 per cent (or \$1.3 billion) year-over-year. The fall-off in assets can be attributed to the decrease in interbank deposits (down 16.5 per cent or \$972 million). Loans were also impacted, falling by 1.7 per cent to \$8.5 billion while investment holdings fell by 1 per cent to \$9.2 billion. When looking at the growth in assets over the year, the main drivers can be credited to a 23.7 per cent rise in interbank deposits and an 8.7 per cent gain in loan growth.

Banking sector profitability continued to improve, aided by a combination of higher earnings and a reduction of non-interest expenses. Quarterly earnings from other banking sources (up 16.4 per cent) and non-banking sources (up 7.7 per cent) improved banking income. At the same time, operating and non-operating expenses declined by 2.6 per cent. The combination of reduced non-interest expense and higher earnings helped boost overall profits in Q3-2015. The profitability indicators reflected a quarterly improvement in the banking sector with annualized Return on Equity (ROE) and Return on Assets (ROA) increasing from 8.4 per cent to 11.2 per cent and from 0.8 per cent to 1.0 per cent respectively.

The overall capital position of the banks remained stable with the Risk Asset Ratio (RAR) reported at 20.8 per cent for both Q3 and Q2-2015, keeping the banks above the regulatory capital recommendations under Basel II and Basel III. Tier 1 capital (core equity capital) as a percentage of Risk-Weighted Assets (RWAs) was generally stable at 19.2 per cent compared to 19.3 per cent in Q2-2015. The regulatory leverage ratio (equity to total assets) increased to 8.8 per cent from 8.4 per cent. Under Basel III the leverage ratio was unchanged at 7.7 per cent which is above the newly implemented minimum leverage ratio.

The aggregate asset quality of the banking book was little changed on a quarter-over-quarter basis, though provisioning levels continued to rise. Loan impairment measures of Non-Performing Loans (NPLs) to total loans remained fairly stable at 9.4 per cent quarter-over-quarter and annualized net charge-offs to total loans were comparable to the prior quarter (Q2-2015). However, banks increased their loan loss provisions by 3.0 per cent to \$191.9 million relative to the decline in total loans. The banking sector continued to experience weak demand in the real-estate market with loans to this sector remaining at its lowest level for a second consecutive quarter. Notable movements in other sectors have been observed as loans to "Other Financial Institutions" increased from 5.9 per cent to 7.9 per cent, while lending to "Other Business and Services" fell from 11.8 per cent to 9.6 per cent over the same period.

The investment book of the banking sector is generally conservative as banks prefer their investment holdings to be in highly liquid assets. Given the low interest rate environment, there has been a modest rebalancing of the investment book toward other types of securities as banks look to maximize their returns and optimize the balance between their invested assets. "Other Investments" increased for the third consecutive quarter rising to 35.8 per cent. This is mainly driven by the growth in securitized (non-equity) investments. However, over the same period sovereign investments have steadily declined, falling to 47.5 per cent of total investments.

Global Economic Outlook

Global economic growth remained subdued in 2015 as a result of a slowdown of growth in China, declining commodity prices, and weaker capital flows and global trade. While in the advanced economies there was a modest recovery led by stronger growth out of the United States and the UK, signs of growth in Europe and Japan were limited. Below trend growth out of China, which had been an important source of global demand in the wake of the global financial crisis, had far reaching consequences in terms of declines in commodity prices and its impact on global deflationary pressures.

In turn, commodity exporters struggled to sustain growth whilst triggering big swings in emerging market currencies and increased market volatility in financial markets. To offset the record capital outflows and the downturn in exports, Chinese authorities decided to devalue the Renminbi in Q3-2015. This move only heightened concerns over the outlook for the Chinese economy leading to sharp corrections in Chinese stocks and eventually global stock markets in the second half of the year. The decision by the US Federal Reserve (Fed) in December to increase its policy rate and start to slowly remove its ultra-accommodative monetary policy raised risks to developing economies in terms of capital flight and the depreciation of their domestic currencies.

According to the International Monetary Fund's (IMF) latest World Economic Outlook global growth, currently estimated at 3.1 per cent in 2015, is projected to rise at 3.4 per cent in 2016 and 3.6 per cent in 2017. The projected pick-up in growth over the next two years reflects a general improvement in growth rates in countries currently in economic distress, notably Brazil, Russian and some countries in the Middle East. In the advanced economies growth is expected to be modest and uneven. Overall activity in the United States is expected to remain solid, supported by still-easy financial

market conditions and firmer labour markets, but a stronger dollar will weigh on the manufacturing and export sectors.

In the Euro-area, stronger private consumption will be supported by lower oil prices and accommodative monetary policy. Within the developed and emerging economies there remain several key challenges. China is expected to slow down further with growth projected at 6.3 per cent in 2015 which is below the 6.5 per cent target projected by the Chinese authorities. The lower Chinese growth projections can be attributed to weaker investment growth as the economy continues to transition away from investment and manufacturing as the main locomotives for growth in the world's second-largest economy, to a more consumption led or service based economy. The IMF also believes that the major downside risks to their global economic outlook reflect concerns over negative spillovers from reduced trade and weaker commodity prices that could impact confidence and affect global financial markets. This could lead to a sudden rise in risk-aversion, leading to currency depreciations and financial strains in emerging market economies. An escalation in geopolitical tensions that could impact confidence and disrupt global trade was also cited as a major downside risk.

United States of America: The year began at an exceptionally slow pace with the U.S. economy shrinking 0.64 per cent in the first quarter. This was attributable mainly to poor weather conditions and a small inventory build up in the previous quarter. However, in the second quarter, there were some signs of recovery as consumer spending grew and GDP growth touched 3.9 per cent. Unfortunately, the recovery was short lived as the economy growth fell below 2 per cent in the third quarter. According to the US Department of Commerce's Bureau of Economic Analysis, the first estimate of fourth quarter GDP growth came in at 0.7 per cent and if correct this means the US economy ended up where it started the year, with very low GDP growth.

The slump in oil prices which began in 2014, intensified in 2015, causing prices to sink to an 11-year low in December 2015. The plummeting oil prices were expected to be a boon for the economy as it effectively meant higher consumer disposable income. Instead, consumers decided against spending the extra cash in hand in favor of savings, which rose to 5.5 per cent in November 2015 as opposed to 4.6 per cent in the year ago period. There is a suggestion that consumers' faith in the U.S. economic recovery still has not been completely restored. However, since oil prices have been low for some time now, U.S. consumers may think of

the development as more long term in nature and spend the extra income in 2016.

The U.S. Federal Reserve (the Fed) raised interest rates in December 2015 for the first time in nearly 10 years. This move signifies that the Fed has confidence in the U.S. recovery. However, it has caused some worry in the economy, even though the rise is only by a quarter of a percentage point. The hike's immediate effect is an increase in the cost of borrowing, which may lead to limiting the demand for housing.

An increase in interest rates will also result in a further strengthening of the U.S. dollar, which in turn will cause U.S. exports of goods to become more expensive. There is a train of thought that the hike in interest rates may curtail GDP growth and push the economy back into a recession, instead achieving what the Fed intended it for, which is to fight off inflationary pressure. The U.S. economic outlook for 2016 calls for a GDP growth rate to remain in a 2 per cent range, for unemployment to stay at a natural rate and for oil prices to remain low. The low oil prices are expected to lower the cost of transportation, food and raw materials even further for business, and thus raise profit margins. This in turn is expected to give consumers more disposable income to spend and help fuel the U.S. economy.

Canada: Economic activity during 2015, in Canada, appears to be weaker than what was originally anticipated. Relatively low commodity prices have been the main driving factor. The declines in Canada's terms of trade and in the value of the Canadian dollar over the past year and a half have set in motion complex adjustments, involving significant shifts in economic activity and a reallocation of labor and capital that will continue over the next several years. Investment in the resource sector of the economy has been scaled back due to the weaker commodity prices, job losses have increased and production has been restrained. However, in response to these factors, activity in the non-resource sector has been strong and is expected to be the main driver of growth going forward. The strength in the non-resource sector has been boosted by a weaker Canadian dollar and the Bank of Canada taking an accommodative stance on monetary policy.

National employment has been strong, even though there have been job losses in the resource sector. This strength, together with low household borrowing costs, has supported household expenditures, underpinning overall demand in Canada.

While the Bank of Canada's labor market indicators for British Columbia, Ontario, Quebec and New Brunswick have improved over the past year, those for the energy-producing provinces (Alberta, Saskatchewan, and Newfoundland and Labrador) have deteriorated.

Household expenditures across Canada mirror the differences observed in regional labour markets. Although the major housing market indicators for Canada as a whole are strong, there remain regional housing market concerns in line with the regional concerns found in the energy producing economies as mentioned above. Although vulnerabilities in the household sector continue to edge higher, overall risks to financial stability appear to be largely unchanged.

The Bank of Canada's latest Business Outlook Survey indicated that firms engaged in non-commodity exports were more optimistic about growth in their sales prospects in 2016 than firms that are more oriented toward domestic sales. In this context, the survey provided evidence of firms actively reorienting their sales efforts toward faster-growing foreign markets in order to take advantage of a lower Canadian dollar. The Business Outlook Survey also highlighted some challenges from the lower Canadian dollar: the majority of firms that were surveyed faced higher costs for imported and investment goods, and some plan to respond by switching from foreign to Canadian suppliers.

Overall, the Canadian economy will continue to face a significant challenge in 2016 from the sharp decline in oil prices. However, no recession or further interest rate cut by the Bank of Canada is expected this year. Canada's economy is forecast to grow 1.8 percent in 2016.

Euro-Zone: The Euro area has emerged very slowly from recession with growth picking up to 1.5 per cent in 2015, as domestic demand strengthened and exports increased. In terms of the outlook for 2016, Gross Domestic Product (GDP) growth is expected to pick up modestly to 1.7 per cent. A weaker exchange rate will provide continued support to the export sector, while lower oil prices will support consumer spending. Additional support to the economy will be underpinned by easing credit conditions from the banking sector due to the European Central Bank's quantitative easing measures. Credit growth has resumed in several of the large peripheral countries following several years of contraction. However, headline inflation remained close to zero in 2015. With core inflation and wage growth stagnant, the outlook for deflationary pressures has not receded.

The European Central Bank (ECB) stands ready to launch another round of additional monetary stimulus as long as the inflation outlook remains significantly below the Central Bank's 2 per cent target. Declining oil prices along with weaker growth out of China will likely continue to suppress inflation. The markets are anticipating another round of stimulus from the ECB by the end of March or June, which could include a cut to the deposit rate as well as an expansion of the quantitative easing measures via bond purchases. Downside risk to the outlook for the economy relate to Europe's exposure to China and the emerging markets region through export trade.

United Kingdom: The United Kingdom had a solid performance in 2015, with economic growth of around 2.5 per cent, which is near its long term trend growth rate. Growth was supported by strong consumer spending and a fall in unemployment. There are expectations of a modest pick-up in growth for 2016 of 2.7 per cent. The role of the consumer will continue to be the main supporting factor behind the positive outlook, thanks to further job gains and rising wage growth. The Bank of England is expected to raise its policy interest rates by mid-year due to strengthening labour markets. With UK inflation lagging below the Central Bank's 2 per cent inflation target, the risks to a delayed rate move have increased. One risk factor to the growth outlook relates to the possibility of the UK holding a referendum on membership of the EU later in the year, and the uncertainty associated with the timing and possible outcome may impact sentiment. This uncertainty could result in higher bank funding costs. Another risk could be related to the government's plans on further fiscal tightening.

East & South Asia: Economic growth in East and South Asia (ESA) stabilized in the third quarter. More complete data showed that the region's GDP increased 6.3 per cent year-on-year in Q3 2015, which matched the pace of expansion registered in Q2 2015. The stabilization in the region's GDP growth reflected that the gradual slowdown in the Chinese economy was cushioned by stronger economic dynamics in India and Korea. Toward the end of 2015, economic growth in East and South Asia likely lost momentum as a result of a further deceleration in the Chinese economy.

The economy of East and South Asia is headed toward some challenging months as the region faces tighter global financial conditions due to the U.S. monetary policy, as well as rising imports costs resulting from weaker regional currencies. On top of that, ESA will have to adjust to slower

demand in China as the economy gradually shifts to a more consumption-driven growth model. Economies in the region face these challenges at a time when the build-up of leverage in the region, particularly in China, is raising serious concerns. Meanwhile, cheap oil in 2015 has benefited many ESA energy importers by improving their external accounts and boosting real spending power.

Japan: In 2015 the Japanese economy shrank by 1.4 per cent. Prime Minister Shinzo Abe's plan to revive the economy - dubbed Abenomics - was introduced after his December 2013 election win. However, his plans have yet to come into fruition as the Japanese economy appears to be held in a cycle of expansion and retraction.

The country relies heavily on domestic consumption but as its population is ageing and shrinking so too are fewer people contributing to the economy.

The slowdown in China, Japan's largest trading partner and the sudden appreciation of the Japanese currency, the yen, are concerns for exports and a few Japanese exporting companies have already revised down their profit forecasts amongst fears that demand from China and oil-producing nations will be low.

The Bank of Japan stepped up its efforts in late January 2016 by surprising investors as it announced negative interest rates for the first time. But that only resulted in a brief weakening of the yen before the currency climbed sharply again.

Economists have raised their estimates of the likelihood that Japan could fall into another recession in the next 12 months to the highest level since the end of 2012.

China: China's economic growth slipped to 6.8 per cent in the fourth quarter of 2015, which was marginally below the 6.9 per cent registered in the third quarter of the same year. In 2015 as a whole, the economy grew by 6.9 per cent, which was in line with the government's target of "approximately 7.0 per cent". However, growth fell short of the 7.3 per cent registered in 2014 and marked the slowest pace since 1990. The Chinese leadership has promised structural reforms to boost long-term growth, and economic policy in 2016 will focus on supply-side reforms, while China's authorities will also rely on demand-side stimulus to cushion the current slowdown. The path of full liberalization in the Chinese Yuan (CNY) is far from smooth. The currency's weakness observed in December worsened at the beginning of the year as the

Chinese currency remains under pressure due to strong capital outflows amid concerns about the health of the economy.

Following last year's slowest expansion in 25 years, the economy is expected to continue experiencing a structural slowdown in 2016. Uncertainties regarding economic policy remain as there are increasing risks that policy makers will not deliver on time.

India: India's government reported that the economy grew by 7.5 per cent in 2015, faster than the 6.8 per cent growth in China. However, some economists say the latest growth figures are at odds with other data for Asia's third largest economy, including weak exports, railway freight, cement production and investment and flat order books. There has been a lot of skepticism about India's GDP data since the government revised the way it calculates those numbers in January last year. While some economist have said they do not believe in the rate of the rapid pace of growth as suggested by the government numbers, all have agreed that the Indian economy is expanding.

The pickup in domestic demand, on the back of strengthening industrial production and fixed investment has helped fuel the Indian economy. Lower global oil prices have also helped to boost economic activity and have underpinned an improvement in the current account and fiscal position as well as help to temper inflation. However, the risk to economic growth lies in the fact that export growth declined in the first half of 2015, which is partly a result of global demand.

Overall, the Indian economy is expected to grow by 7.5 per cent in 2016.

2016 Outlook for Bermuda

The Bermuda economy in 2016 is projected to further improve, conditional on sustained growth in international business and tourism and higher investment in construction projects. The Government has pledged to do its part to maintain any positive momentum created, but there is still a lot of work to be done.

Economic recovery is a national priority, as it can assist the most people in the least amount of time. To remain on a path to economic recovery, the Government is continuing its two-track strategy to improve the economy while simultaneously reigning in Government expenditure and public debt. Emphasis is being placed on the traditional pillars of the

economy, namely International Business and Tourism, because they bring foreign investment to our shores which is vital to a sustained recovery.

There are expectations for global growth in 2016 and 2017. Based on information from the IMF, the global economy is expected to expand over the next two years reflecting improved growth rates in developing countries and solid performances in advanced countries particularly the US, Bermuda's main sources of financial and tourism services.

Although the economic climate in Bermuda is improving, there are still challenges that must be overcome. One such challenge is lower employment levels.

In the upcoming year, the Government will continue to stimulate economic activity by attracting inward direct investment which will provide the local economy, and the local job market in particular, with the stimulus needed to expand jobs and income.

Regarding international business, the two dominant sectors are insurance and reinsurance. Historically, the island's success relied on the international business companies that are incorporated locally. Over the past year there have been several well publicized mergers within the reinsurance sector that may have negative implications for employment for individuals and payroll tax receipts for the government. The reinsurance industry faces challenges from ongoing structural changes in a soft market which has plagued the industry for several years due to various factors from: a wave of third party capital moving into the reinsurance space in the form of Insurance Linked Securities such as catastrophe bonds; insurers holding onto more risk so buying less expensive reinsurance; low investment returns; and a quiet period for major loss events.

Bermuda still maintains an excellent reputation within the international business community as reflected in the steady growth of new (re) insurance registrations and the recent announcement of Bermuda being recommended for full EU Solvency II status by the European Commission. This international recognition which enables Bermuda companies to compete on an equal footing in the EU, should benefit the island in the long term and enhance the island's financial stability.

The Bermuda Business Development Agency's (BDA) targeted business development efforts across key industry sectors over the past year is reaping success—with

year-over-year increases noted in the numbers of new international companies setting up on the island across several industry sectors. In 2015, BDA carried out strategic overseas business development meetings, roadshows, conference attendance and business concierge services for prospective clients in the areas of captive insurance, asset management, trust and private client, biomed, shipping, technology and e-commerce. New markets explored included Latin America and Canada, which yielded positive growth results.

Latest statistics from the Bermuda Monetary Authority (BMA) represent examples, indicating resulting year-over-year growth in:

- captive incorporations (22 new companies at Q4 2015 vs 14 in 2014);
- and funds (83 new funds added to the register in 2015, vs 80 in 2014)

In 2016–17, the BDA plans to further this growth, exploring new markets—such as China and South East Asia, providing business development support to America’s Cup Louis Vuitton World Series events, as well as safeguarding and promoting Bermuda’s jurisdictional reputation through proactive advocacy overseas.

Specifically, the BDA is pursuing strategic business development initiatives in the following key sectors:

- **Asset Management:** attracting physical fund managers to set up a Bermuda presence with a focus on emerging managers.
- **Trust & Private Client:** tapping into growing interest in trust products in Asia.
- **Risk Solutions:** building on Latin America, Canada and ILS initiatives.
- **International Commerce:** aggressively developing shipping, aviation and international arbitration services.

The outlook for international tourism looks positive in 2016 as the improving world economy and declining oil prices increase the demand for travel.

Due to collaboration between the public and private sectors, plus prudent marketing partnerships between the airlines and the Bermuda Tourism Authority, air arrivals are better positioned for growth in 2016. In the first quarter of this year,

airline seat capacity will increase 8 per cent. This will help give vacationers easier access to the island by air, and perhaps more importantly, provide a greater opportunity to lure business and leisure groups – a performance area that lagged in 2015 as a result of poor group sales booked before the start-up of the BTA.

Tourism insiders know that group travel is critical to a healthy tourism industry. It provides a base-load of business the industry can yield-manage against by layering in individual vacationers. That is why the BTA reorganized and redeployed its group sales team in 2015. That has helped to get group sales on the books for 2016 and 2017. These bookings are essential to keep the industry’s employment levels high on a year round basis.

Simultaneously, due to strategic targeting of influencers in the cruise industry, more cruise ships will call on Bermuda in 2016 bringing a projected 10 per cent increase in visitors and more occasional calls for our ports in Hamilton and St. George. Those two ports will see visitors with deeper pockets, as is the modern-day trend for smaller ships in the cruise business. Increased direct spending is anticipated across the island from cruise ship passengers in 2016.

On-going projects in the Tourism Sector are expected to further enhance Bermuda as a Tourist destination beyond 2016 and these projects are expected to positively impact other sectors, led by the construction sector, which is an important area of employment in Bermuda.

The major hotel developments include the third phase of the Hamilton Princess’ \$100 million restoration which should create 100 construction jobs. Pink Beach is currently undergoing a \$50 million redevelopment and Coral Beach has started the first phase of a \$14 million renovation. Both Morgan’s Point and Ariel Sands have recently received planning approval for multi-million dollar developments on their respective properties. Rounding of the hotel developments is the recently signed agreement for construction of a new St. George’s hotel which is anticipated to begin soon.

The new airport terminal is expected to break ground late this year or early next year creating hundreds of construction jobs. Furthermore, infrastructure preparation for the America’s Cup will continue to create many job opportunities for Bermudians in the construction sector.

Along with private sector projects, 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 continuing its road work improvements and remedial works on the swing bridge in St. Georges.

Consistent with the above-mentioned broad trends and increased consumer and investor confidence, the Bermuda economy is predicted to have stable to strong growth in the next few years. The key assumption is that the local sectors with strong connections to the global economies (tourism and international business) will improve their value propositions, thus increasing external demand for their services. Growth in domestic demand is assumed to be sustained by continued stimulation in local employment, particularly in the construction sector.

Considering all the above factors, economic output in Bermuda is projected to expand by 2.0-3.0 per cent in 2016.

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

INDUSTRIAL SECTIONS	2009	2010	2011	2012	2013	2014
01 Agriculture, forestry and fishing	48,343	47,896	45,963	42,638	43,119	39,890
03 Manufacturing	85,992	79,613	74,981	63,792	58,607	54,995
04 Electricity, gas and water supply	95,244	91,038	98,320	91,028	88,594	86,274
05/02 Construction & Quarrying	288,517	227,661	176,214	152,570	143,046	151,518
06 Wholesale and retail, repair serv.	374,368	331,701	310,110	299,621	295,989	296,646
07 Hotels and restaurants	223,689	241,875	243,338	240,294	223,370	203,626
08 Transport and communications	274,689	264,815	245,885	234,951	242,926	242,220
09 Financial intermediation	685,389	690,547	707,740	663,508	670,451	637,820
10 Real estate and renting activities	847,779	845,914	833,638	817,139	809,030	809,465
11 Business activities	478,935	448,277	448,162	420,807	395,143	394,776
12 Public administration	289,935	291,652	268,521	273,280	270,927	259,552
13 Education, health and social work	355,338	356,438	352,014	353,443	345,396	321,868
14 Comm., social and personal serv.	104,255	102,549	97,468	95,135	88,582	82,520
15 International business activity	1,336,043	1,337,950	1,268,872	1,199,624	1,174,852	1,214,075
Total	5,469,120	5,357,927	5,171,226	4,947,829	4,850,033	4,795,244
Less: Imputed bank service charge	422,000	436,952	470,146	431,021	442,201	405,333
Add: Taxes and duties on imports	228,832	224,180	216,368	207,021	202,929	200,637
GDP at market prices	5,275,952	5,145,155	4,917,448	4,723,829	4,610,761	4,590,547
Per cent change from previous year	-5.9	-2.5	-4.4	-3.9	-2.4	-0.4

Source: Department of Statistics

TABLE 2

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

INDUSTRIAL SECTIONS	2009	2010	2011	2012	2013	2014
01 Agriculture, forestry and fishing	42,987	42,971	43,782	41,023	41,539	36,732
03 Manufacturing	76,916	74,799	65,214	52,102	49,078	44,388
04 Electricity, gas and water supply	96,825	96,518	97,644	86,598	83,677	86,728
05/02 Construction & Quarrying	317,531	260,556	203,776	177,278	177,697	178,685
06 Wholesale and retail, repair serv.	419,377	412,488	381,961	373,340	372,056	376,099
07 Hotels and restaurants	253,103	269,554	263,838	246,945	261,906	262,205
08 Transport and communications	307,079	288,390	265,765	268,693	269,419	259,444
09 Financial intermediation	685,821	682,777	719,640	729,916	714,128	687,874
10 Real estate and renting activities	933,645	654,323	960,311	953,455	951,697	969,980
11 Business activities	578,749	558,124	535,089	507,559	480,446	525,030
12 Public administration	339,225	345,487	331,318	340,427	341,204	331,244
13 Education, health and social work	403,512	435,408	468,298	485,086	499,569	476,204
14 Comm., social and personal serv.	116,753	126,685	122,650	120,750	112,499	111,203
15 International business activity	1,539,537	1,537,360	1,432,012	1,455,409	1,526,360	1,529,131
Total	6,111,059	6,085,438	5,891,299	5,838,581	5,881,275	5,874,948
Less: Imputed bank service charge	395,483	425,232	450,856	423,955	416,506	398,855
Add: Import duties	223,358	195,125	179,936	169,693	174,951	175,196
GDP at market prices	5,938,934	5,855,331	5,620,380	5,584,319	5,639,720	5,651,289
Per cent change from previous year	-3.9	-1.4	-4.0	-0.6	1.0	0.2

Source: Department of Statistics

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

	2011	2012	2013	2014F	2015P
Agriculture, forestry and fishing	639	594	589	581	602
Manufacturing	792	671	624	585	576
Electricity, gas and water supply	389	386	341	325	324
Construction & Quarrying	2,549	2,264	2,143	1,925	1,906
Wholesale and retail, repair serv.	4,529	4,214	4,113	4,093	3,992
Hotels and restaurants	4,533	4,385	4,217	4,120	3,997
Transport and communications	2,293	2,176	2,139	2,046	2,033
Financial intermediation	2,747	2,501	2,559	2,253	2,372
Real estate and renting activities	491	488	432	452	463
Business activities	3,976	3,702	3,523	3,425	3,503
Public administration	4,284	4,298	4,237	4,163	3,938
Education, health & social work	3,895	3,750	3,600	3,642	3,665
Other comm., social and personal	2,205	2,136	1,992	1,928	1,912
International business activity	4,077	3,878	3,768	3,937	3,894
Total	37,399	35,443	34,277	33,475	33,177

P = Preliminary data

F = Final

Source: Department of Statistics

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	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	-0.1	131.1	+2.8	128.0	+3.5	45.6	+0.7	113.3	-1.4	48.6	-15.1	84.7	-0.3	89.5	-1.2
2014	95.5	+1.0	132.4	+1.0	136.3	+6.4	54.9	+20.4	111.9	-0.6	41.9	-12.8	83.9	-1.0	89.5	+0.1
Jan - Nov 2015	96.5	+1.0	135.9	2.7	131.6	-3.4	67.1	+22.2	107.6	-3.8	44.6	+6.3	79.8	-4.9	86.1	-3.9
2014																
Jan	84.1	+1.1	123.8	+1.4	107.6	+10.4	55.7	+20.6	104.5	-2.1	40.0	-7.4	54.6	-7.8	74.1	-0.7
Feb	79.6	+1.4	115.0	+0.1	109.8	+8.2	52.5	+42.3	97.1	0.0	44.9	+0.2	47.4	-5.0	71.4	-3.5
Mar	92.3	-2.3	129.8	-3.0	128.6	-0.4	54.6	+33.3	112.6	-4.6	48.2	-19.2	59.8	-3.3	81.7	-3.0
Apr	96.3	+5.2	133.3	+5.3	141.9	+26.4	58.1	+18.6	111.2	+2.0	49.3	-8.0	83.0	+9.1	86.0	+1.9
May	97.7	+1.8	134.2	+0.8	120.7	+5.2	60.4	+31.1	119.9	+0.3	45.9	-17.0	95.2	+1.8	95.2	+1.2
Jun	99.0	-1.7	132.0	-2.5	134.7	+1.8	51.2	+32.0	118.8	-3.4	41.8	-10.5	102.1	-2.5	94.5	-4.2
Jul	108.5	-2.0	152.8	-1.7	165.1	-0.6	57.6	-2.5	119.7	-9.9	56.0	-8.6	85.3	+1.8	104.1	-1.9
Aug	91.8	+0.2	129.6	+3.6	152.2	+0.5	45.0	+12.2	113.4	-3.1	40.3	-10.0	78.5	-3.0	83.7	-3.5
Sep	91.7	+4.2	126.4	+1.9	139.6	+8.6	57.6	+19.3	112.9	+2.9	43.3	+5.6	77.8	+1.2	82.4	+5.1
Oct	95.9	+4.5	142.5	+8.2	126.2	+16.3	55.8	-6.5	122.9	+10.2	47.8	+2.1	60.0	-19.6	85.6	+7.7
Nov	97.2	+1.3	130.3	+2.5	138.6	+3.4	51.3	+11.3	106.8	-1.4	46.3	-2.9	100.9	+3.9	91.3	-2.8
Dec	120.4	+6.3	149.9	+4.2	171.4	+6.8	57.8	+59.2	101.1	-6.0	43.5	+15.1	164.2	+3.9	124.9	+4.6
2015																
Jan	86.5	+2.9	131.0	+5.8	111.9	+3.9	53.5	-5.3	90.9	-12.4	46.0	+16.8	55.4	+1.7	75.6	+2.2
Feb	81.5	+3.0	119.8	+3.9	109.5	-0.1	62.0	+18.1	84.5	-13.3	45.5	+15.5	48.6	+3.4	70.8	-1.0
Mar	94.4	+2.5	131.2	+1.1	123.4	-4.0	68.9	+26.4	105.7	-7.1	54.7	+18.1	59.6	+0.4	81.1	-0.5
Apr	100.1	+4.1	137.1	+2.9	133.1	-6.2	88.0	+51.5	105.5	-6.8	50.7	+2.8	76.3	-7.9	87.4	+2.2
May	99.7	+1.6	141.3	+5.3	120.1	-0.5	58.2	-5.4	114.3	-5.2	54.5	+13.5	97.7	+3.0	93.1	-2.7
Jun	105.8	+7.1	139.1	+5.1	131.3	+0.1	70.0	+36.7	117.6	+0.1	43.7	+12.6	107.9	+6.2	100.5	+5.6
Jul	108.7	+2.7	156.4	+3.1	162.6	-1.8	78.7	+36.6	119.9	+0.5	35.3	+3.5	81.4	-4.1	101.7	-2.5
Aug	94.5	+5.4	128.5	+4.9	150.0	-1.6	61.5	+37.0	118.0	-0.5	35.7	+4.4	83.6	+6.6	86.2	+1.7
Sep	95.4	+3.1	136.5	+7.1	145.1	+3.8	62.7	+8.9	106.5	-5.7	41.9	-11.6	81.2	+4.6	82.3	-0.2
Oct	99.6	+5.1	144.9	+2.9	125.5	-0.9	72.5	+30.2	118.4	-3.6	40.8	-3.5	85.9	+43.2	82.5	-3.4
Nov	95.5	-0.6	129.0	-0.4	135.3	-2.7	61.9	+20.7	102.6	+0.1	41.4	+1.2	100.0	-1.3	85.4	-6.2

(1) Index numbers are subject to revisions

(2) Includes household supplies, but excludes alcoholic beverages

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

Source: Department of Statistics

TABLE 5**CONSUMER PRICE INDEX
APRIL 2015 = 100**

	All Items	Food	Rent	Clothing & Footwear	Tobacco & Liquor	Fuel & Power	Household Goods, Services & Supplies	Transport & Foreign Travel	Education, Recreation, Entertain. & Reading	Health & Personal Care
2013										
WEIGHT	1000	115	267	25	31	39	116	130	147	130
ANNUAL AVERAGE (per cent)										
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
2014	+2.0	+3.1	+0.8	+2.0	+2.4	-2.4	+0.8	+1.7	+1.9	+6.7
2015	+1.5	+2.7	+0.6	+1.3	+1.2	-8.9	+2.1	-1.3	+0.9	+7.8
MONTHLY (per cent)										
2013										
Dec	+0.3	-0.8	+0.1	Nil	+0.1	Nil	Nil	+2.6	+0.1	+0.1
2014										
Jan	+0.1	+1.5	+0.5	+0.7	+0.4	-2.9	Nil	-1.7	-0.1	Nil
Feb	+0.1	+0.3	Nil	Nil	-0.1	-2.1	Nil	+1.2	+0.2	-0.1
Mar	+0.5	+1.2	Nil	Nil	Nil	+2.1	+0.1	+2.0	Nil	Nil
Apr	+0.4	-0.2	+0.1	-0.3	+0.4	+1.1	Nil	-2.4	+0.2	+5.3
May	+0.3	-0.2	Nil	Nil	+0.1	+0.8	Nil	+2.6	+0.1	Nil
Jun	Nil	+0.2	+0.1	Nil	+0.1	+0.7	+0.5	-1.2	+0.1	+0.1
Jul	Nil	+0.7	Nil	+0.2	+0.1	+1.8	+0.2	-1.4	+0.1	+0.1
Aug	+0.3	+0.7	Nil	Nil	-0.1	+1.3	Nil	+1.4	+0.1	Nil
Sep	+0.7	+0.1	+0.1	Nil	Nil	+0.8	Nil	+4.3	+1.5	+0.1
Oct	+0.3	+0.1	Nil	+0.5	+0.1	-2.6	+0.1	+1.0	-0.1	+1.7
Nov	-0.9	Nil	Nil	Nil	+0.1	Nil	+0.1	-7.2	Nil	Nil
Dec	-0.5	-0.7	Nil	Nil	-0.1	-9.0	Nil	Nil	-0.1	-0.1
2015										
Jan	Nil	1.3	+0.1	+0.2	+0.3	-2.5	+0.4	-1.7	Nil	+0.1
Feb	+0.2	+0.2	Nil	Nil	+0.1	Nil	Nil	+1.9	-0.6	Nil
Mar	+0.2	+0.3	+0.1	Nil	+0.1	+1.3	Nil	+0.7	-0.1	Nil
Apr	+1.0	Nil	+0.2	+0.5	+0.4	Nil	+0.1	+0.4	+0.1	+6.5
May	-0.2	+0.4	+0.1	Nil	Nil	-2.6	Nil	-1.0	Nil	Nil
Jun	+0.8	+0.1	Nil	Nil	Nil	Nil	Nil	+5.9	+0.3	Nil
Jul	-0.1	+0.1	Nil	+0.7	Nil	+4.0	+2.1	-3.6	-0.1	Nil
Aug	-0.2	+0.3	+0.1	Nil	+0.1	Nil	Nil	-1.6	-0.2	+0.1
Sep	+0.3	-0.1	Nil	Nil	+0.2	Nil	+0.3	+0.9	+0.9	-0.1
Oct	-0.1	+0.2	+0.1	Nil	Nil	-1.3	Nil	-1.2	+0.2	+0.5
Nov	-0.1	-0.5	Nil	Nil	Nil	-1.3	Nil	+0.1	Nil	Nil
Dec	Nil	-0.2	+0.1	Nil	+0.3	-2.0	Nil	+0.4	+0.1	Nil
Dec '15	100.5	100.3	100.4	100.7	100.6	96.7	102.4	99.6	101.2	100.5
Dec '15										
Dec '14	+1.8	+2.2	+0.8	+1.4	+1.6	-4.5	+2.9	+0.9	+0.6	+7.0

Source: Department of Statistics

MAJOR CONSTRUCTION PROJECTS¹

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

Value Of New Projects Started	Type of Project							Sector		
	Residential	Offices, Shops, Warehouses	Hotels, Guest-Houses	Schools, Hospitals, Community Centres	Roads, Bridges, Airports	Industrial Plant & Other	Total	Public	Private	
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
2013	85.1	30.0	23.7	9.0	57.5	16.9	10.7	147.8	78.3	69.5
2014	122.5	21.5	4.7	34.3	30.7	8.8	16.1	116.1	49.2	66.9
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	8.6	8.5	7.6	0.2	25.6	3.8	0.3	46.0	29.2	16.8
	34.5	10.4	8.2	1.2	13.0	2.8	2.9	38.5	18.1	20.4
	15.6	8.2	7.7	2.1	5.9	6.5	4.8	35.2	13.0	22.2
	26.4	2.9	0.2	5.5	13.0	3.8	2.7	28.1	18.0	10.1
2014	18.0	5.0	0.3	21.2	21.6	4.3	2.2	54.6	24.2	30.4
	56.3	5.5	1.7	3.6	7.9	2.1	4.1	24.9	12.3	12.6
	16.5	5.5	1.3	3.5	1.0	1.6	5.5	18.4	7.5	10.9
	31.7	5.5	1.4	6.0	0.2	0.8	4.3	18.2	5.2	13.0
2015	43.2	5.1	2.6	6.6	0.3	0.9	7.6	23.1	9.9	13.2
	51.2	6.6	4.5	2.3	0.4	0.9	2.1	16.8	4.4	12.4
	13.9	5.9	3.1	0.6	2.6	1.2	4.2	17.6	7.8	9.8

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
2011		26	50	209	108	393
2012		18	54	83	73	228
2013		18	43	38	19	118
2014		14	21	31	22	88
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
	Q4	7	13	7	7	34
2014	Q1	3	7	3	1	14
	Q2	7	5	20	14	46
	Q3	2	5	1	1	9
	Q4	2	4	7	6	19
2015	Q1	1	6	0	5	12
	Q2	4	7	2	5	18
	Q3	2	4	0	2	8

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
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
2012	232,063	378,262	610,325	-1.7	-9.0	-6.4
2013	236,343	340,030	576,373	1.8	-10.1	-5.6
2014	224,380	355,880	580,209	-5.1	4.7	0.7
2015	219,814	370,756	590,570	-2.0	4.2	1.8
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	133,737	208,750	-0.2	-17.1	-11.7
Q3	82,819	157,373	240,192	2.4	-12.1	-7.6
Q4	47,211	47,436	94,647	6.3	35.4	19.2
2014 Q1	31,032	0	31,032	-0.9	-100.0	-5.3
Q2	73,262	146,916	220,178	-2.3	9.9	5.5
Q3	78,195	169,846	248,041	-5.6	7.9	3.3
Q4	41,891	39,118	81,009	-11.3	-17.5	-14.4
2015 Q1	28,968	319	29,287	-6.7	n.a.	-5.6
Q2	71,977	146,479	218,456	-1.8	-0.3	-0.8
Q3	76,482	175,614	252,096	-2.2	3.4	1.6
Q4	42,387	48,344	90,731	1.2	23.6	12.0

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

²Excluding passengers arriving by ship and departing by air.

Source: Bermuda Tourism Authority

TABLE 9

THE BERMUDA INSURANCE MARKET
\$ billions

	Gross premiums written	Net premiums written	Total assets	Capital and surplus
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
2012	120.5	98.1	505.5	193.0
2013	163.0	138.7	607.6	191.6

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

TABLE 10

BALANCE OF PAYMENTS ESTIMATES
\$ millions

	2011	2012	2013	2014	2015*
Exports	13	11	13	21	15
Imports	900	900	1,012	969	676
Merchandise Trade Balance	-888	-889	-999	-948	-661
Services & Income – receipts	3,202	3,225	3,825	3,349	2,512
Services & Income- payments	1,705	1,565	2,984	2,533	1,859
Current account balance	610	771	841	816	652
Financial Account					
Direct Investment	-337	240	51	120	142
Portfolio Investment	2,254	-1,028	2,168	-1,853	-434
Financial Derivatives	107	83	105	176	6
Other Investments	1,462	151	989	-545	130
Reserve Assets	11	-5	11	-15	6
Net Acquisition of Financial Assets	3,497	-559	3,323	-2,118	-80
Direct Investment	-109	133	55	-3	-192
Portfolio Investment	-121	267	555	-1,845	98
Financial Derivatives	8	15	-7	11	-7
Other Investments	3,672	-1,351	1,783	-1,239	-606
Net Incurrence of Financial Liability	3,449	-937	2,386	-3,076	-707
Total Net Financial Account	48	-378	-937	958	-627
Total Net Capital Account	0	0	0	0	0
Total Net Lending (+)/ Net Borrowing (-)	48	378	937	958	627
Balancing Item	-562	-393	97	142	-25

Numbers may not add due to rounding

* Q1 – Q3 provisional estimate

Source: Department of Statistics



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