



GOVERNMENT OF BERMUDA

Ministry of Finance

NATIONAL ECONOMIC REPORT OF BERMUDA



2014





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THE ECONOMY IN 2014

The Ministry of Finance estimates that Bermuda's GDP may have contracted by 0.0–1.5 per cent in 2014¹ following the decline of 2.5 per cent in 2013.

While some of the major economic indicators such as employment, employment income and air visitors declined in 2014, there were many encouraging results regarding international business, construction, retail sales and the balance of payments.

The number of jobs fell by 2.3 per cent and the official unemployment rate was calculated at 9.0 per cent in 2014.

In the tourism sector, air visitors fell by 5.1 per cent while cruise arrivals rose by 4.7 per cent. Employment in hotels fell by 2.1 per cent.

Employment income contracted by 2.2 per cent over the first three quarters of 2014 and declined in all major sectors with the exception of international business (2.7 per cent).

The gross turnover generated by retail stores increased by 1.7 per cent in 2014 while jobs in the sector fell by 1.1 per cent.

Over the first three quarters of 2014 the level of construction activity grew by 14.9 per cent with the value of work put in place increasing from \$119.7 million in 2013 to \$137.5 million in 2014. The value of new projects started rose by 54.0 per cent. Jobs in this industry fell by 10.3 per cent year-over-year.

The Consumer Price Index (CPI) measured 2.0 per cent for 2014. This level of inflation was marginally above the 1.8 per cent recorded in 2013 but below the 2.4 per cent recorded in 2012.

The two major contributors to the inflation rate were a increase in health and personal care, up 6.7 per cent and higher food prices, up 3.1 per cent.

Gross Domestic Product 2013

The most recent estimates by the Department of Statistics for GDP are for the year 2013.

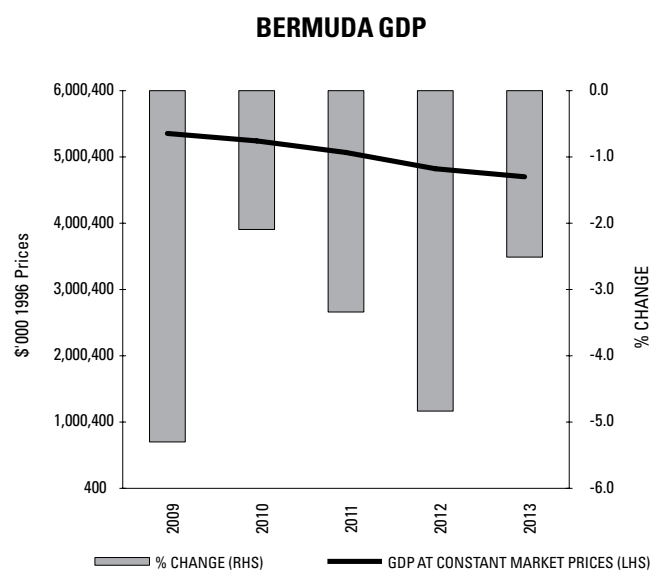
In 2013 the Bermuda economy grew by 0.7 per cent based in current market prices. This increase marks the first time that the economy has grown since 2008. Nominal GDP was reported to be approximately \$5.574 billion reflecting an increase of \$36.2 million above the 2012 revised figure of roughly \$5.538 billion. When adjusted for inflation, the level of economic activity or real GDP decreased by 2.5 per cent.

This rate was better than the five year average (2009–2013) of negative 3.6 per cent. This result was in line with the Ministry of Finance's estimate (made in February 2014) of a contraction in GDP of 2.0–2.5 per cent in 2013.

The positive movement in GDP of 0.7 per cent at current market prices was largely driven by a 6.1 per cent increase in the output of the hotel and restaurant sector and growth of 3.9 per cent in the international business sector.

The contraction of GDP in real terms of 2.5 per cent was mainly caused by sharp declines of \$25.7 million in the output of the business activities sector, a \$24.9 million decline in the real estate and renting sector and a \$24.8 million reduction in the international business sector. These declines were offset by gains of \$12.4 million in the financial intermediation sector, a \$10.0 million increase in the transportation and communications sector, and a \$6.1 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 2013. This sector provided \$1.46 billion in total output or 26.2 per cent of total GDP which was a 3.9 per cent increase when compared to 2012. Contributing factors to the growth in output included the fact that businesses offering insurance-related services including reinsurance, brokerage and insurance management experienced a 6.4 per cent increase in value added.

¹ Official 2014 GDP estimates are not yet available.

2013 marked the second consecutive year that the value added by the international business sector increased. Prior to 2012, the value added for this sector had been declining 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 26.2 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.

Although the real estate and rental sector declined by 2.3 per cent, it was the second largest contributor to GDP. This sector accounted for \$926.6 million in output or 16.6 per cent of total GDP. This sector has been very resilient throughout the recession and before the decline in 2012, had not experienced a year-over-year decrease since 2009. The decline in 2013 is partially due to lower income earned from building rentals and declining commissions.

The financial intermediation sector was the next largest contributor to Bermuda's economy accounting for \$731.8 million in output which represents 13.1 per cent of total GDP. The output in this sector grew by 0.3 per cent year-over-year.

Output generated in the education, health and social services was recorded at \$494.7 million in 2013, which represents 8.9 per cent of total output. This sector experienced an increase of 3.4 per cent which was primarily driven by increased revenue experienced by both private and government institutions that offer health services. The growth in this sector was also aided by increased value added by both education services and social work.

The business activities sector which includes computer, accounting and legal services provides professional and other services to the international business sector. This sector contributed \$480.4 million to the output of the economy representing 8.6 per cent of GDP. Output in this sector decreased by 5.3 per cent. The 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.

The wholesale, retail trade and repair services sector represented 6.7 per cent of GDP in 2013 with an output level of \$372.1 million. This sector contracted by 0.3 per cent when compared to the 2012 figures. The decline in this sector was attributed to declines in businesses engaged in jewelry, household appliances and computer sales as well as businesses that maintain motor vehicles.

The construction and quarrying sector contracted by 4.4 per cent and accounted for \$169.5 million in output for 2013. With major projects like the King Edward VII Memorial Hospital redevelopment nearing completion in 2013, smaller scale projects such as home renovations combined with the hospital project represented the majority of construction activity. As a result, businesses engaged in various areas of construction activity experienced declines in their contribution to GDP.

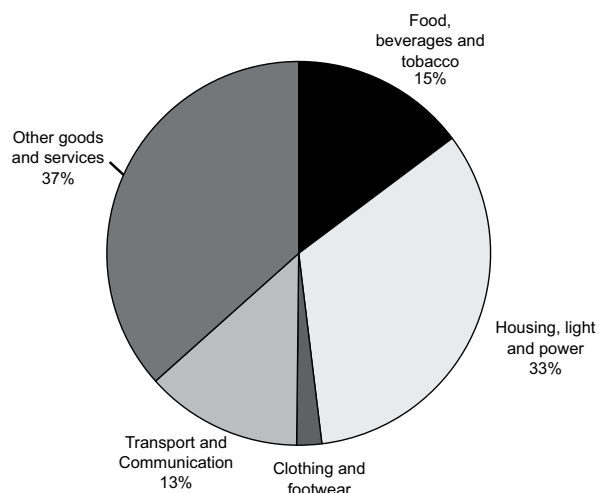
ECONOMIC TRENDS 2014

Domestic Demand

Personal Consumption and the Retail Sector

Employment income supports personal consumption and is estimated to have declined by 2.2 per cent for the first three quarters of 2014 compared to the same period in 2013. For the 12 month period ending September 2014, total employment income was \$3.15 billion, \$52.3 million or 1.6 per cent less than the 12 month period ending September 2013.

The year-over-year level of employment income declined by 0.3 per cent during the first quarter, 2.8 per cent in the second quarter and declined by 3.8 per cent in the third quarter of 2014. The most recent estimates by the Department of Statistics for household personal consumption are for the year 2013. During that year, total household personal consumption was \$2.98 billion, reflecting an increase of 1.1 per cent over 2012

FIGURE 2**COMPONENTS OF PERSONAL CONSUMPTION FOR THE YEAR 2013**

While personal consumption estimates are not available for 2014, the Retail Sales Index (RSI) for that year provides insight into the expenditure trends of consumers in Bermuda's retail stores.

In 2014, total gross turnover stood at \$1,033.3 million which represents a 1.7 per cent increase when compared to 2013. All sectors in the RSI recorded sales growth in 2014 apart from building material stores, down 6.2 per cent, service stations, down 1.4 per cent and apparel stores, down 0.7 per cent.

Motor vehicle stores recorded the largest increase in sales of all sectors. 10 of the 12 months in 2014 recorded double digit sales growth. The average monthly increase in this sector was 22.6 per cent. Higher consumer demand due in part to declines in the cost of motor vehicles led to increased sales volume during the year.

Monthly receipts by food stores advanced by an average of 1.7 per cent due to steady increases in the price of food throughout the year. Growth in sales was witnessed in every month apart from March, June and July which recorded marginal sales declines.

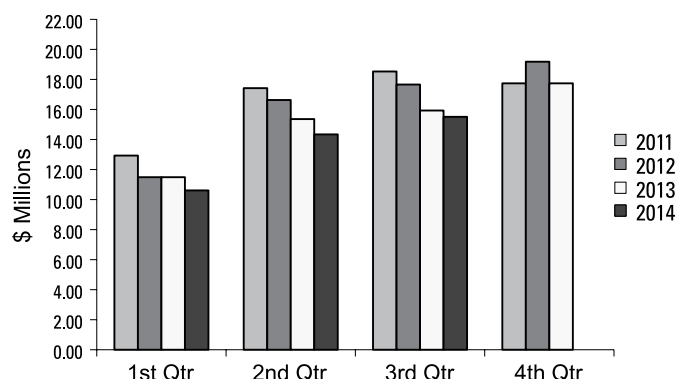
The sales level recorded by building material stores contracted by the greatest amount of all sectors for the third consecutive year. The 5.1 per cent reduction in sales can be attributed to decreased demand for building materials associated with the slowdown in commercial and residential construction activity. Promotional sales by retailers provided some stimulus to this sector.

Service Stations experienced a 1.3 per cent reduction in sales for 2014 which was mainly the result of a 12.9 per cent decline in gasoline prices throughout the year.

During 2014, overseas purchases declared by residents returning to Bermuda decreased from \$60.4 million to \$58.2 million year-over-year, representing a 3.6 per cent reduction.

The declared value of overseas purchases during 2014 equated to 5.3 per cent of the combined estimated local and overseas gross turnover in the retail sector.

Residents traveling overseas during the first three quarters of 2014 declared that 51.5 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**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. However, in 2013 construction activity declined again due to a slowdown in the hospital redevelopment project which saw the work performed on the hospital decline by approximately 42 per cent.

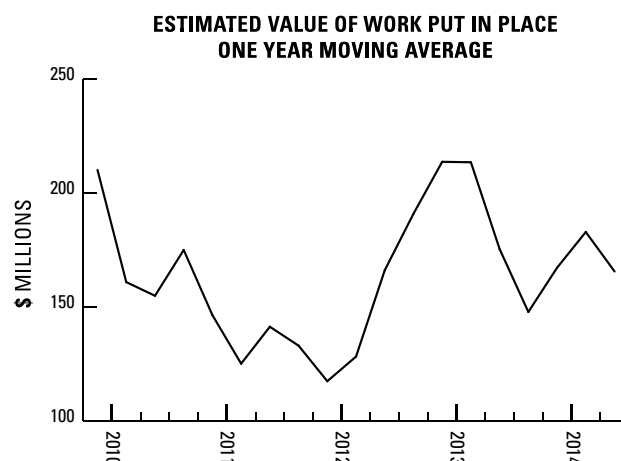
During the first three quarters of 2014, the value of new projects started grew from \$58.7 million in 2013 to \$90.4 million in 2014, an increase of 54.0 per cent. Similarly, the estimated value of work put in place during the same time period rose from \$119.7 million in 2013 to \$137.5 in 2014, an increase of 14.9 per cent.

The positive data in the construction expenditure was due in large part to a 58.4 per cent rise in work done on schools, hospitals and community centres. This growth was driven primarily by finishing work performed at the hospital redevelopment project in the first two quarters of the year. Construction work at the hospital was valued at \$70.5 during the first three quarters of 2014 compared to \$44.5 during the similar period in 2013. There were also positive results in the category that represents work performed on hotels and guest houses. The numbers in this category grew by \$24.8 million as a result of \$21.2 million of work performed in the first quarter of 2014. The majority of this figure was spent on the new marina at the Fairmont Hamilton Hotel.

Work performed on schools, hospitals, and community centres accounted for 51.3 per cent of construction activity. Hotels and guest houses contributed 20.6 per cent of the total and residential construction projects represented 11.4 per cent of the total activity in the industry. Together, these three categories accounted for 83.3 per cent of all work put in place between January and September 2014. 61.2 per cent of the construction work performed during that time period was done by the public sector and 38.8 per cent by the private sector.

Phase 2 of the \$90 million Hamilton Princess redevelopment has begun and is anticipated to create over 250 construction jobs in conjunction with the South Beach project in Southampton. Phase 2 will continue to provide work in this sector at a crucial period for the industry just as phase 1 did. The development of the Pink Beach Hotel is another project that has recently begun and is valued at approximately \$30 million and will create between 50 and 70 jobs during construction. Other significant projects that are expected to begin in the not too distant future include Ariel Sands, where design work has already begun, Morgan's Point Hotel, Grand Atlantic, the St. George's Hotel project and the Airport project. These projects should provide ongoing stimulus to the construction sector over the next several years.

FIGURE 4



During the first nine months of 2014, 69 new dwelling units were completed in the residential sector of the industry, which represented a decrease of 14 units or 16.9 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 2014 versus 2013, the number of new studio apartments increased by 2 units to 12 (20.0 per cent), one bedroom apartments declined by 13 units to 17 (43.3 per cent), two bedrooms fell by 7 units to 24 (22.6 per cent) and three bedrooms and over grew by 4 units to end the third quarter with 16 (33.3 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 2014 these two sectors of the economy represented 65.7 per cent of the total balance of payments current account receipts providing \$1,648.7 million (excluding financial services) in foreign currency receipts. This combined figure grew by \$12.8 million or 0.8 per cent when compared to 2013. Individually, the amount of foreign exchange earnings produced by the international business sector grew by 2.7 per cent year-over-year with a cumulative three quarter total of \$1.350 billion for 2014. In contrast, the amount of foreign exchange earnings generated by tourism activity fell by 7.0 per cent recording earnings of \$298.4 million at the end of September 2014.

International Business

In 2014 the international business sector provided 3,929 jobs in the economy reflecting an increase of 4.3 per cent year-over-year, or an extra of 161 posts. Over the first nine months of 2014, foreign exchange earnings of the international companies increased by \$35.2 million to \$1.35 billion representing growth of 2.7 per cent.

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

The capital structure of the large commercial Bermuda (re) insurance groups continues to be marked by low leverage and a stable liquidity position due to low catastrophic activity during the year. In terms of new insurer registrations, in 2014 the Bermuda Monetary Authority (BMA) registered 89 new insurance entities, 65 new insurers and 24 new intermediaries. There was a noticeable pick up in the Long-Term (life) sector with four new Class E Insurers, five Class C insurers and one Class A insurer establishing in Bermuda during the year. The most influential factor behind the growth of the Long-Term sector was the US-standard setting body, the National Association of Insurance Commissioners' (NAIC) granting of full Qualified Jurisdiction (QJ) status to Bermuda effective 1st January 2015. This status allows reinsurers from Qualified Jurisdictions to reinsure US risk on a non-discriminatory basis and potentially benefit from reduced collateral requirements.

Bermuda (re)insurance groups remain well capitalized with low losses but the industry continues to face the challenges of a soft market and further pressures on rates and terms. An oversupply of (re)insurance capital and increased competition from alternative capital are among the reasons for the soft market. Reserves increased and (re)insurers built more equity at a faster pace on a quarter on quarter (q/q) basis, leading to a decrease of reserve and financial leverage. The capital structure of the sector continues to be marked by low but rising financial and reserve leverage which is lower than that reported by international peers. Net written premiums to equity, which is a very rough measure of solvency, dropped marginally in Q3.

Overall profitability of the industry remained positive despite higher claims in Q3. The aggregate combined ratio stood at 88.1 per cent compared to 80.9 per cent in Q3-2013. The (re)insurance industry remains profitable despite ongoing competitive pressures. In Q4 2014 (re)insurers produced a

gross profit of \$1.3 billion. Investment performance was low at 0.5 per cent in the third quarter, confirming a trend observed over the past year. The low rate environment imposed by global central banks to stimulate growth and raise inflation expectations will likely persist for the remainder of 2015, or longer. As such, Bermuda (re)insurance companies will continue to face low investment returns, as proceeds from maturing bonds are likely to be invested in lower yields and shorter tenors. Alternatively, some insurers will diversify and allocate assets towards alternative investments or different asset classes for yield enhancement. As investment income becomes less significant for (re)insurers they have to rely on underwriting income to generate profits. The investment portfolios of Bermuda (re)insurance groups produced a low return on investment close to 0.5 per cent, a decrease of 16.7 per cent compared to Q3-2013. Return on equity dropped significantly due to higher losses and stood at 2.3 per cent, or lower by 28 per cent from Q3-2013.

Bermuda (re)insurance groups faced higher losses q/q but without weakening their asset base, due to both higher earned and written premiums. Assets increased by 4.7 per cent between Q3-2014 and Q3-2013, while reserve leverage and financial leverage dropped by 6.2 per cent q/q and 2.8 per cent q/q respectively. Reserves increased and (re)insurers built more equity at a faster pace on a q/q basis, leading to a decrease of the reserve leverage and the financial leverage. New written premiums to equity fell by 0.7 per cent q/q reaching 57.4 per cent. The ratio dropped due to a faster growth in equity compared to net written premiums.

Bermuda was the primary jurisdiction of choice for the issuance of Insurance-Linked Securities (ILS) during 2014 – both in terms of the number of deals issued and total issuance volume. During Q4-2014, ILS activity by companies domiciled in Bermuda accounted for 95 per cent of ILS issuance volume (\$2.1 billion of \$2.2 billion). Bermuda-based Special Purpose Insurers (SPIs) issued 36 of the 43 deals during 2014 and 88 per cent of total volume (\$7.7 billion of \$8.8 billion) for the entire ILS market. The jurisdiction has positioned itself at the forefront of the global development of the ILS asset class and the outstanding amount of ILS issued in Bermuda represents 57 per cent of the worldwide stock of ILS. 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. Domestic issuance tends to be motivated by Property and Casualty (P&C) underwriting, given the large footprint of the business line in Bermuda.

Tourism

2014 was another daunting year for tourism in Bermuda. The Bermuda Tourism Authority (BTA) was established as the entity responsible for tourism sales and marketing, taking effect April 1st 2014 and embracing the monumental challenge of reversing 30 years of tourism decline. The BTA management mission is aligned with Government's priority of reviving the tourism economy and its leadership has determined 2015 will be the year when this downward trend is reversed.

The total number of air arrivals during 2014 fell from 236,343 in 2013 to 224,329 in 2014, a decrease of 5.1 per cent. Cruise passenger arrivals increased in 2014, rising from 340,030 in 2013 to 355,880, which represents an increase of 4.7 per cent. Total visitor arrivals in 2014 increased by 3,836 or 0.7 per cent year-over-year.

All four quarters of 2014 experienced declines in the number of air visitors. The first quarter figures fell by 1.0 per cent as a result of fewer vacation and business travelers which decreased by 2.0 per cent and 4.0 per cent respectively.

The second quarter numbers for air arrivals also fell, declining by 3.0 per cent year-over-year. April witnessed a large increase in air arrivals, an increase of 16.2 per cent, however May and June air arrivals saw decreases of 4.7 per cent and 10.2 per cent respectively, causing the drop for the second quarter.

The third quarter saw a decrease of 5.6 per cent in air arrivals. This decrease came from the vacation and business visitor categories which saw a drop of 7.7 per cent and 5.0 per cent respectively.

Fourth quarter results were heavily affected by Hurricanes Fay and Gonzalo which made landfall in October of 2014. Air arrivals fell 10.9 per cent, or 5,125 arrivals, from the fourth quarter of 2013.

2014 cruise ship visitors increased by 4.7 per cent over 2013. Cruise passenger arrivals during the months of November and December helped to lift the number of total arrivals, those months increased 29.4 and 52.1 per cent respectively. An additional call in December from the Europa 2 and larger cruise ships in port during November contributed to this increase.

Hotel occupancy rates averaged 57.6 per cent in 2014 which represents an increase of 1.0 percentage point over last year's figures. The increase in hotel occupancy is due to the reduction in available inventory during 2014. Available room nights in 2014 were 4.2 per cent lower than in 2013 due to room renovations at multiple properties.

During 2014, the tactical promotions supported by the BTA to increase room nights included The Pink Sale, So Much More Summer, Endless Summer and the Winter Free Tonight promotion. Over 19,400 room nights were booked under the So Much More Summer promotion which rewarded travel between May and September and offered visitors a \$200 resort credit. Over 10,700 room nights were booked under the Endless Summer promotion which was valid from late August through the end of November and offered guests a free night as part of their stay.

Per person visitor expenditure for air visitors during 2014 decreased by 6.6 per cent year-over-year. The dollar value of the total expenditure by air visitors was an estimated \$280.2 million, representing a decline of \$35.8 million or 11.3 per cent year-over-year.

As in previous years, the vast majority of visitors 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 2014 air visitors who reside in the U.S. was 71.1 per cent which is down from the 72.4 per cent recorded in 2013. Canada was the second largest market at 13.0 per cent, an increase over 11.7 per cent in 2013. Air Canada increased capacity in 2014 which contributed to this increase in Canadian visitors. The UK remained steady at 10.0 per cent of the total air visitors. Europe and the rest of the world contributed 3.0 per cent each to air visitor numbers.

In the fourth quarter, the BTA launched a new marketing strategy. The new approach focuses on experiential travel – telling rich, authentic stories about Bermuda, told by Bermudians, and placed across multiple media platforms in a coordinated way. These paid media placements in print and digital are matched with earned media content that shapes a destination identity of unique, 'only-in-Bermuda' experiences that the BTA Sales & Marketing team can sell overseas and the Product & Experiences team can deliver here in Bermuda.

Employment

In the 2014 Labour Force Survey Executive Report produced by the Department of Statistics in December 2014, the 2014 unemployment rate was measured at 9.0 per cent during the week of May 13th to May 19th 2014. The unemployment rate rose two percentage points from the 7.0 per cent recorded in 2013.

Preliminary data from the 2014 Employment Survey indicates that the total number of jobs in Bermuda decreased by 790 posts from 34,277 in 2013 to 33,487 in 2014, which equates to a 2.3 per cent decline. 2014 marks the sixth 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 6,726 jobs since 2008, a reduction of 16.7 per cent.

Growth in the number of jobs began to moderate in 2007 when the increase was 0.4 per cent. The number of jobs peaked in 2008 at 40,213 reflecting year-over-year growth of 0.9 per cent. Since that time, the number of jobs in Bermuda has declined in six 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 and 2.3 per cent in 2014.

Financial intermediation, construction and business services were the only three sectors to lose over 100 jobs, declining by 310, 221 and 106 positions respectively. Public administration and transport & communications also lost a significant amount of positions in 2014.

The financial intermediation sector recorded the highest number of jobs lost of any industrial sector. This sector's employment numbers fell from 2,559 in 2013 to 2,249 in 2014. These figures equated to a reduction in employment of 12.1 per cent in the sector.

The construction sector experienced a decline in posts of 10.3 per cent, settling at 1,922 jobs in 2014 from 2,143 a year earlier.

Employment levels in the business services sector stood at 3,417 in 2014, a reduction of 106 posts or 3.0 per cent. The public administration sector experienced 83 job losses registering a total of 4,154 posts in 2014, a reduction of 2.0 per cent year-over-year.

Of the remaining sectors, transport & communications recorded the largest number of job losses. The number of positions in this sector fell to 2,058 in 2014 from 2,139 in 2013. This represents a decline of 81 posts or 3.8 per cent.

Collectively, the five divisions of economic activity with the greatest job losses mentioned above accounted for 801 job losses in 2014.

International business recorded the largest growth in jobs in 2014. The number of posts in this sector grew from 3,768 in 2013 to 3,929 in 2014, an increase of 161 jobs or 4.3 per cent.

All major occupational groups experienced job losses in 2014 except for Technicians and Associate Professionals whose positions grew by 49 jobs, Skilled Agricultural and Fishery Workers whose employment numbers increased

by 1 position and armed forces whose job total remained constant. Of the remaining occupational groups, Clerks lost 307 posts, Craft and Related Trade Workers jobs declined by 143 and Professionals positions were reduced by 136 posts. Together, these groups accounted for 74.2 per cent of the total job losses in 2014.

The number of jobs occupied by Non-Bermudians declined by a total of 135 posts or 1.9 per cent in 2014, while Bermudian occupied jobs fell by 651 positions or 2.7 per cent. 17.1 per cent of the job losses for the year were positions held by Non-Bermudians while 82.4 per cent were occupied by Bermudians. Non-Bermudian Spouses of Bermudians accounted for 1.4 per cent of the losses while Permanent Residence Certificate holders decreased their posts by 7 positions.

Inflation in Bermuda

The Consumer Price Index (CPI) increased at an average annual rate of 2.0 per cent for 2014 which is in line with the Ministry of Finance's February 2014 prediction which stated that inflation is expected to remain in the region of 2.0 per cent in 2014. The headline rate in December stood at 1.5 per cent year-over-year.

The average rate of 2.0 per cent is below the UK (2.4 per cent) and above the U.S. (0.8 per cent) and Canada (1.9 per cent). The level of inflation had declined for the last three years before experiencing the marginal increase this year. The average rates for the previous years were 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 still 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.

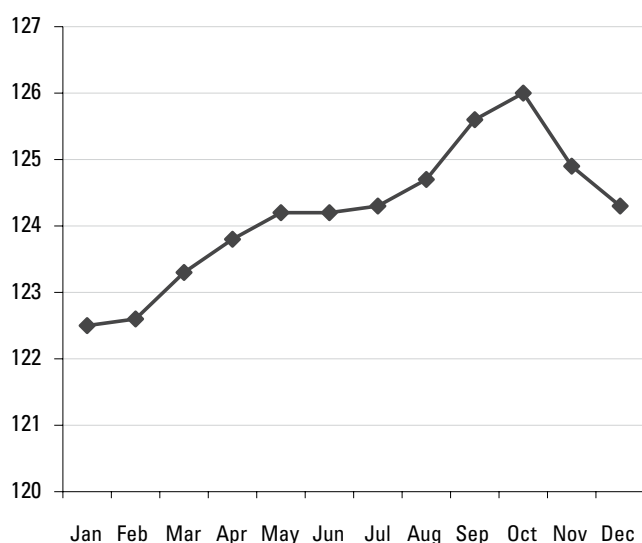
In 2014, the largest price increases were recorded in the health & personal care, food, rent and transport & vehicles sectors.

The increases in price levels of the health & personal care sector was the most significant contributor to the level of inflation in 2014. The average rate of price increases for this sector was 6.8 per cent which can primarily be attributed to an 8.2 per cent increase in the average price of health insurance premiums in April 2014. Other categories experiencing higher costs in this sector were household medical supplies and self-prescribed medicines.

During 2014 the monthly increases in the food sector ranged from 2.0 per cent to 3.9 per cent with the average rate of price growth for the year settling at 3.1 per cent. The 3.9 per cent price increase recorded in both November and December was the largest increase with the next highest figure of 3.5 per cent recorded in October. Seven of the twelve months recorded price increases of over 3.0 per cent.

FIGURE 5

Bermuda's Consumer Price Index 2014



The prices in the rent sector climbed at an average rate of 0.8 per cent this year which can be attributed to marginal increases in the prices of both rent controlled and non-rent controlled properties.

The transport & vehicle sector experienced cost increases at an average rate of 1.7 per cent for the year. Costs in this sector rose in large part as a result of higher prices on airfare and overseas hotel accommodations. Also, in May 2014, there was a 24.2 per cent increase in taxi fares. These increases were offset by falling fuel prices which occurred towards the end of the year.

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 2014 was recorded at \$618 million. This figure is 16.9 per cent less than the \$744 million recorded over the first three quarters of 2013.

A great deal of the decrease was reflected in the primary income account which fell by \$85 million or 7.0 per cent year over year. Within the primary income account, investment income experienced the largest decline over the first three quarters of 2014. Net figures for investment income illustrate that income received by residents on interest earnings and dividends was less than investment income payments to non-residents by \$148 million which is a significant decline when compared to the \$239 million figure recorded over the first three quarters of 2013. However, employee compensation, which is also in the primary account, offset some of that decline increasing by \$60 million or 6.9 per cent year-over-year.

The services account balances were down by \$51 million or 13.5 per cent between January and September of 2014. The bulk of the decline can be attributed to reductions in travel and business services. The travel balance fell, due in large part to lower expenditure by air visitors. The reduction in the business services balance was mainly the result of a decline in fees and commissions related to financial services offset by an increase in insurance services due to reinsurance payments.

Based on the level of the current account balance after the first three quarters of 2014 and the anticipated balance of payments flows for the last quarter of the year, it is estimated that the full year's balance of payments current account surplus will be approximately \$100 million less than the \$841 surplus posted in 2013.

Financial Sector

The financial sector remains relatively stable when compared to the previous year, despite significant challenges in terms of growing the economy and stabilizing government finances. With the US economy leading global economic recovery, the outlook for the Bermuda economy should improve. The overall capital position of the banking sector rose at the end of the third quarter as the level of risk assumed experienced further declines. Capital levels are similar to those observed a year earlier, and continue to be well above all applicable capital requirements. Asset quality indicators improved as Non-Performing Loans (NPLs) and bank provisioning declined. Liquidity conditions in the banking sector continue to reflect a trend towards declining loan demand. The economic recession remains a key issue behind the lack of loan demand by consumers and small businesses. 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 from the BMA, overall money supply remained fairly stable during Q3-2014 but decreased by 3.22 per cent year-on-year, as Bermuda Dollar customer deposits expanded by 0.58 per cent, while cash held at banks fell. The volume of notes and coins in circulation fell during the quarter by 4.5 per cent (or \$5.2 million) and were lower (down 12.3 per cent or \$15.7 million) than levels in the same period last year.

The sector's asset base declined in the third quarter as total assets fell by 8.9 per cent (or \$2.2 billion) and 4.7 per cent (or \$1.1 billion) year-on-year. This quarterly decline was driven primarily by a planned divestiture transaction and several large loan payoffs. The most notable movements occurred in interbank deposits (down 31.0 per cent or \$1.8 billion), followed by lending (down 4.1 per cent or \$332.8 million) and investments (down 1.5 per cent or \$142.2 million). Year-on-year, the amount of total assets dropped by 4.7 per cent (or \$1.1 billion), largely driven by negative loan growth and falling deposit growth. Foreign investments have also been declining at a modest pace over the past year.

Banking sector profitability continued to be positive. Non-performing Loans (NPLs) as a percentage of total loans have been on a declining trend over the past year. The capitalization of the sector improved over the year as the overall Risk Asset Ratio (RAR) increased from 21.8 per cent (Q3-2013) to 23.4 per cent at the end of Q3-2014. Tier 1 capital (core equity capital)

as a percentage of Risk-Weighted Assets (RWAs) also rose over the year, rising from 19.8 per cent (Q3-2013) to 21.6 per cent. The capital adequacy continued to improve, as the regulatory leverage ratio (equity to total assets) increased to 10.0 per cent from 9.4 per cent.

The aggregate asset quality of the banking book shows signs of modest improvement. Loan impairments improved as banks reported \$188.2 million in provisions for loan losses during Q3-2014; a 42.3 per cent decline over the prior quarter and the lowest quarterly provision total since Q1 2012. Subsequently, the level of provisions reserved by banks relative to total loans declined to 2.4 per cent (Q3-2013: 3.2 per cent). NPLs as a percentage of total loans fell from 11.7 per cent (Q3-2013) to 10.8 per cent in Q3-2014, while NPLs to total capital fell for the fifth consecutive quarter, declining to 38.5 per cent (Q3-2013: 44.9 per cent). Loans to the real-estate related sector continue to dominate overall lending, representing 64.8 per cent of all loans and advances. Loans classified as "Other personal loans" increased to 10.1 per cent, while loans to "Other financial institutions" declined to 6.3 per cent as at the end of Q3-2014.

The investment book remained structurally conservative, as banks continued to adjust their investment holdings in favor of highly liquid securities. Further evidence of this reallocation trend towards sovereign investment holdings can be observed by a rise in sovereign holdings from 40.4 per cent (Q3-2013) to 51.4 per cent, while "other investments" grew for the third successive quarter, increasing from 27.7 per cent to 30.2 per cent in Q3-2014.

Global Economic Outlook

Global growth in 2014 measured approximately 3.0 per cent which is not vastly different from the growth rate in 2013. Activity in the US and the UK has gathered momentum as labour markets heal and monetary policy remains extremely accommodative. However, the recovery has been inconsistent in the Euro Area and Japan as legacies of the financial crisis linger, along with structural bottlenecks. Meanwhile, China is undergoing a carefully managed slowdown. Disappointing growth in other developing countries in 2014 not only reflected weak external demand, but also domestic policy tightening, political uncertainties and supply side constraints.

China and Japan, the world's second and third largest economies respectively, had a major influence over the modest growth experienced by the global economy in 2014. The disappointing economic results of these two countries, particularly China, prevented the world economy from reaching its full potential. Chinese policy makers have attempted to slow the rapid increase in private and local government indebtedness without tipping the economy into a slump while the efforts of the Japanese government to end deflation and trigger growth by expanding the Bank of Japan's balanced sheet resulted in little to no growth in 2014.

Overall, global growth is anticipated to rise moderately to 3.3 per cent in 2015, and average about 3.5 per cent through 2017. High-income countries are likely to experience growth of 2.3 per cent in 2015-17, up from 1.8 per cent in 2014. This growth will be spearheaded by gradually recovering labour markets, ebbing fiscal consolidation and continuingly low financing costs. In developing countries, as the domestic headwinds that held back growth in 2014 ease and the recovery in high-income countries slowly strengthen, growth is projected to gradually accelerate, rising from 4.4 per cent in 2014 to 4.6 in 2015 and 5.0 per cent by 2017. Lower oil prices will contribute to diverging prospects for oil exporting and importing countries, particularly in 2015. There are risks to these outlooks that could cause the GDP predictions to be lower than anticipated. Financial market volatility, compounded by the risk of a sudden deterioration in liquidity conditions could derail a still fragile recovery. Tightening financial conditions, rising geopolitical tensions, financial market stress in a major emerging market or repeated growth disappointments could have major negative consequences. In the Euro Area, stagnation, exacerbated by very low inflation or deflation, could prove to be protracted. A sharper decline of growth in China could trigger a disorderly unwinding of financial vulnerabilities and would have considerable implications for the global economy. However, there is a low probability of this occurring due to China's substantial policy buffers.

United States of America: The US economy grew at a moderate rate of 2.4 per cent in 2014. The year began on a bad note as severe winter storms sent the economy into reverse. GDP dropped at a 2.1 per cent rate in the first quarter but the economy rebounded with growth averaging 4.1 per cent over the next three quarters. The economy grew by 4.6 per cent in the second quarter, 5.0 per cent in the third quarter and 2.6 per cent in the fourth quarter. Consumer spending led the spurred growth in the fourth quarter but business investment, trade and government spending weakened.

Despite signs that global growth may be losing momentum, the outlook for the US economy remains positive. Solid job growth, falling unemployment and lower gas prices are boosting spending. Consumer spending, which accounts for about 70 per cent of the economy, has benefited from the increase in disposable income. GDP growth in the third and fourth quarter of 2014 was 5.0 per cent and 2.6 per cent respectively, capping its strongest six months in a decade. The stronger growth figures helped to allay concerns about the outlook for the economy after a weak first quarter GDP figure of negative 2.1 per cent, which was impacted by the harsh winter conditions at the start of the year. Other components of GDP, such as business investment and government spending, continue to contribute positively towards overall output. With the labor markets improving and sufficient strength in the underlying economy, the US Fed has decided to end its asset purchase program. Market expectations for growth remain positive with analysts forecasting growth of 3.0 per cent for 2015 and 2.9 per cent in 2016. The outlook for inflation is constructive thanks to falling gasoline and commodity prices. Both headline and core inflation measures have been trending below expectations with the latest readings of 1.7 per cent and 1.8 per cent respectively. Longer term inflation expectations have also been moving lower, thus giving the US Fed more leeway to maintain accommodative monetary policies for an extended period. Inflation expectations for 2015 remain low at 1.7 per cent before creeping higher in 2016 at 2.2 per cent, based on the latest US Fed forecasts. The debate as to when the US Fed will begin to normalize interest rates will depend upon incoming information on the economy. Market expectations for rate hikes have been pushed out until the second half of 2015 due to weak growth out of Europe, declining oil prices, and falling inflation. With global central banks cutting interest rates and the ECB embarking on quantitative easing, the US Dollar has scope to appreciate further, creating headwinds for US exporters and putting upward pressure on large US companies whose earnings are being pressured by the rising dollar.

Canada: The Canadian economy experienced a good year in 2014 with a projected expansion of 2.4 per cent. Consumption was much stronger than anticipated in 2014. Consumption grew about 2.7 per cent, driven by record auto sales. Auto sales are expected to stay near record levels, but that means modest growth in durables spending. Broader consumer demand will likely grow in line with incomes as elevated debt burdens will restrain borrowing. Tax cuts from the federal government and lower gasoline prices will provide some spending fuel, allowing

consumption growth to keep pace with overall economic growth.

The housing market was surprisingly strong again in 2014, continuing to defy calls for a crash or at least a slowdown. Sales activity is on pace for the best year since 2007, and prices keep marching higher. With interest rates expected to trend modestly higher, housing will likely slow somewhat.

Business investment was weak and is poised to contract after a relatively soft 2013. Chances of a short term turn around are slim as the steep drop in oil and base metal prices will weigh heavily on investment with those sectors accounting for about 30 per cent of private-sector investment. While a weaker Canadian dollar and stronger US demand (resulting in firmer exports) are significant offsets to the drop in commodity prices, they take time to evolve, and the fall in capital spending is likely to be more immediate.

Turning to inflation, deceleration is expected in early 2015 due to lower energy prices and favorable comparables. However, the projected weakness in the Canadian dollar will provide some offset, pushing import prices higher. That will keep core inflation above the Bank of Canada's 2.0 per cent target early in the year before underlying price pressures ease modestly. Given the economic backdrop, inflation is not likely to push the Bank of Canada into moving earlier.

Overall, the Canadian economy will face a significant challenge in 2015 from the sharp decline in oil prices, with the risk to the expectation of a 2.2 per cent GDP growth tilted to the downside. Growth prospects are dependent on a firming US economy and some upturn in oil prices. The financial backdrop should remain supportive, with only modest policy tightening expected near the end of the year.

Euro-Zone: In 2014, activity in the Euro Area has been weaker than anticipated, especially in France, Germany and Italy. Concerns about long-term prospects and the legacies of the crisis weigh on a fragile recovery and diminish expected growth benefits from sustained low oil prices. In Greece, political uncertainty continues to fray investor sentiment. In contrast, an increase in economic activity appears to be underway in Ireland and Spain, assisted by gains in cost competitiveness and strengthening corporate balance sheets.

The current account surplus in the Euro Area remains significant, reflecting ongoing import compression, competitiveness gains in the periphery and persistent surpluses in Germany. Bank recapitalization efforts and continued deleveraging could still constrain bank lending in some parts of the Euro Area, despite the successful

completion of the European Central Bank's Asset Quality Review and the move to place the largest banks under single supervision.

Financial fragmentation, high unemployment, structural rigidities and unresolved fiscal challenges are likely to dampen the recovery. The sharp drop in oil prices in the second half of 2014 is expected to reduce headline inflation further in the short-term while core inflation remains low. Financial market indicators suggest that investors expect a prolonged period of below-target inflation. Euro Area growth is forecast at 1.1 per cent in 2015 and 1.6 per cent in 2016.

United Kingdom: In the UK, the recovery has gained momentum, supported by robust housing markets and expanding credit. Growth reached 2.6 per cent in 2014 and is expected to be above potential until 2016, despite slowing net exports partly as a result of weak euro demand. Inflation was significantly below target in 2014 and should remain so until 2015, partly due to continued low oil prices. As the recovery broadens, also supported by low oil prices, the Bank of England is expected to begin modest tightening in the second half of 2015. However, subdued wage growth, low inflation, and spillovers from weak activity in the rest of Europe may delay the first rate hike.

With cost pressures and inflation contained, and the downside risks to growth in the rest of Europe, monetary policy rates in the UK are expected to rise only gradually from 2015 onward, despite prospects of diminishing slack. Macro-prudential policy could help contain risks associated with a housing market boom, such as increasing vulnerabilities of households to income and interest rate shocks. As the fiscal consolidation program implemented over the past several years winds down, the recovery will strengthen. However, revenue and expenditure reforms are needed to meet medium-term fiscal objectives. Continuing to reduce bottlenecks in infrastructure and investing in human capital will be key to supporting the needed improvements in productivity. Forecasts indicate that the UK economy is expected to grow by 2.7 per cent in 2015 and 2.4 per cent in 2016.

Asia-Pacific: As a result of political tensions; tightening monetary, fiscal, and macro-prudential policies in 2013 and early 2014, credit growth and inflation have slowed. This has allowed several central banks to keep policy rates on hold for the time being but monetary policy room remains constrained by high domestic debt. Recent volatility in global financial markets put some pressure on asset prices and currencies in commodity-exporting economies. Although

the region has so far been resilient to the growth slowdown in China from post-crisis peaks, a sustained slowdown in China may feed through via integrated supply chains. The economies of developing East Asia and Pacific are projected to grow at a steady rate of 6.4 per cent in 2015 and 6.2 per cent in 2016, after growing by 6.5 in 2014.

Japan: in 2014, the Japanese economy grew at 0.2 per cent which fell significantly short of expectation as the economy struggled to recover from a sales tax increase in April 2014 and exports remained subdued during the first half of the year despite a weak yen. This export weakness reflected soft global demand, the relocation of production facilities overseas and the rising cost of energy imports since the shutdown of nuclear reactors. Looking forward, soft oil prices should help contain the cost of energy imports and support the recovery. While unemployment is low, labour force participation remains below pre-crisis levels and real wage growth is subdued

The central banks announced additional monetary stimulus aimed at expanding its balance sheet to 70 per cent of GDP to bolster growth and prevent a slowdown in inflation. Supported by these measures, growth is expected to reach 0.9 per cent in 2015 and 1.2 per cent in 2016.

China: China's economy grew at 7.4 per cent in 2014 amid adopted measures aimed at containing financial vulnerabilities and unwinding excess capacity while at the same time stemming a slowdown. Actions to rein in credit growth have slowed the real estate market and investment with dampening growth, especially in early 2014. To reach its growth target, the government subsequently implemented a series of targeted stimulus measures. These included support for new public infrastructure and housing projects, tax relief to small and medium-sized enterprises and targeted cuts in the banks' required reserves. In addition, benchmark deposit and lending rates were cut in November 2014 for the first time since 2012. As the authorities have balanced the competing goals of reducing vulnerabilities with supporting growth, the medium-term growth outlook has been revised downwards. For 2015, soft oil prices are expected to boost activity and reduce the need for additional policy stimulus. Inflation is expected to remain below the central bank's indicative ceiling of 3 per cent. GDP is expected to be 6.8 per cent in 2015.

India: India's economy grew by 5.8 per cent in 2014. Monetary policy is likely to remain tight, given the central bank's focus in reining in inflation. Falling commodity prices should brighten the outlook by providing a boost to consumer spending and helping to improve the fiscal position. However,

domestic consumers may only have a small portion of their income available to spend as the government's increase of excise duties on diesel and petrol mean that retail prices have not fallen by as much in India as they have elsewhere. The revival of investment, a possible easing of interest rates in mid-2015 and improved growth in the industrial economies should boost growth to 6.3 per cent in 2015.

2015 Outlook for Bermuda

Two key challenges facing the island are the government fiscal imbalances and the need for economic development. Expectations for global growth remain mixed with the US and the UK leading the developed economies while growth in Europe and Japan is expected to remain anaemic. Just recently, the IMF downgraded global growth for both this year and next. The outlook for inflation is expected to be constructive given the weaker growth dynamics globally and declining commodity prices. Bermuda's reliance on international business and tourism could benefit from stronger growth out of the US and its other trading partners. The island's reputation within the reinsurance industry remains very high. Bermuda is one of the world's leading alternative risk transfer marketplaces and remains the global leader in both captives and Insurance Linked Securities. Bermuda's international reinsurance sector remains one of the world's top reinsurance markets.

Throughout the current recession, the loss of jobs in the economy is one of the chief contributing factors preventing economic recovery. The island has lost 6,726 jobs since 2008 when employment levels were at their peak of 40,213. The 33,487 jobs recorded in 2014 were 16.7 per cent less than the 2008 figures. The current unemployment rate is calculated at 9.0 per cent for 2014, up from the 7.0 per cent calculated in 2013.

The lower levels of employment and the corresponding loss of expatriate workers who leave the island when their employment is terminated will continue to weigh heavily on household consumption and retail sales.

In 2015/16, The Government will continue to focus on creating the conditions necessary to attract inward direct investment from abroad in order to stimulate the economy. The main aim is to invigorate the two main pillars of the economy, international business and tourism, because of the potential that these sectors have to assist the most people in the quickest time possible. To achieve this, the Government is pursuing a two-track strategy to grow the economy while keeping a watchful eye on the public purse. Government will

look to rebuild investor confidence in the island and open new job and revenue creating opportunities in an effort to better the lives of Bermudians.

In early December 2014, Bermuda was chosen as the host nation for the prestigious America's Cup in 2017. The country's successful bid is heralded as one of the most significant economically beneficial events in the history of Bermuda. It is estimated that the economy will benefit from \$250 million in additional on-island spending over the next three years. This development constitutes a major stimulus to the island as new jobs and investment will begin in 2015 and build to the events in 2017 and beyond.

The additional spending is anticipated to come from the operations of the America's Cup Event Authority on island, the teams taking part over the next three years, spending by sponsors on hospitality and associated activities, additional visitors, media regatta officials and super-yacht visits. Practically all sectors of the economy will benefit including hotels and restaurants, transport services from taxis to ferries, construction, wholesale and retail, small businesses and real estate, telecommunications providers and opportunities for Bermudians to rent their homes and apartments.

One specific project that will boost construction is the erection of the base for Team Oracle which will occupy up to 7.2 acres on the northern side of the South Basin dock. Some of the structures included on the site will be four new buildings to house boats and sails, two tents, seven containers and two floating docks.

The construction sector experienced a significant level of growth in 2014. The vast majority of this growth was attributed to work performed to complete the KEMH redevelopment project. With the hospital project now completed, the construction industry needs new projects to continue this momentum.

In the hotel sector, there is interest by several investors in new hotel developments which will translate into job and career opportunities for Bermudians. Phase 2 of the \$90 million Hamilton Princess redevelopment project has begun and is projected to create over 250 construction jobs at the Hamilton location and at South Beach in Southampton where the Princess Beach Club will be built. Upon the completion of Phase 2 in the summer of 2015, the hotel anticipates hiring 115 addition staff to run its operations.

Preliminary work has also begun at Ariel Sands to construct a \$50 million cottage colony development that will create between 50 and 70 jobs during construction. In addition to these projects, work is underway at Pink Beach and plans

are either in progress or under negotiation at Morgan's Point, Grand Atlantic and the St. George's hotel project.

The Economic Development Committee will continue to consider other construction projects that, if approved, will inject much needed job-creating investment capital into the island. One such project that is earmarked for a Public Private Partnership (PPP) is the building of the new airport terminal. This project is projected to begin in the next few years and is valued at \$255 million.

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 in anticipation of the America's Cup.

Following a year of transition in 2014 involving setting up office space and building a supporting infrastructure, recruiting staff and developing new marketing strategies, the Bermuda Tourism Authority is fully prepared to focus more specifically on its primary function as a sales and marketing organization in 2015. This year and beyond, the BTA's goals are to grow visitor spend by tens of millions of dollars, which includes increased earnings for tourism industry stakeholders and tax revenue for government coffers. The other major goal is to strengthen the case for further private sector investment in Bermuda's tourism infrastructure by increasing visitor demand

High on the list of priorities is achieving a Destination Marketing Organization (DMO) certification from the Destination Marketing Association International. A DMO certification will put the Tourism Authority in an elite stratosphere of destinations around the world, arming the BTA with best practices for growing the local tourism economy.

Another major priority is to change the way Bermuda is marketed. The BTA recently selected a new advertising agency to carry forward Bermuda's marketing presence in North America and Europe. This is a critical piece in the formula for increasing visitor arrivals. The new agency will synergize with the sales and marketing team to execute the BTA's strategy focus on experiential travel, telling rich, authentic stories about Bermuda, by Bermudians, and placed across multiple media platforms in a coordinated way.

On Island, there is a laser focus on enhancing the visitor experience. To complete this mission the BTA is doing substantive work on a number of fronts simultaneously. These include a review of the Bermuda Vacation Rental

Market to acknowledge its growing importance in the visitor experience and ensure standards across the sector. Implementation of a National Service Standards Program to build an army of Tourism Ambassadors on the front lines, from hotels to transport, restaurants to tour operators, equipped to educate visitors on Bermuda's history, culture and product offerings. In the east end a cultural tourism plan is being built with the valuable input of stakeholders from the area.

These experience enhancement objectives and others are strategically designed to get visitors to spend more money in Bermuda. With the insight of new business intelligence on our target visitors, better marketing strategies and a newly established competitive set, the BTA is well positioned to grow air arrivals in 2015.

The Government has made a commitment to complement and support the effective and important work of the Bermuda Tourism Authority. In 2015, legislation will be introduced to establish a domestic gaming industry. The objective of this legislation is to promote and enhance development of the hotel industry through new construction and redevelopment of existing facilities and to increase tourism arrivals and investment to create jobs.

Government's efforts to reinvigorate the hospitality sector by establishing the Bermuda Tourism Authority should generate a more positive contribution to GDP in 2015 and 2016 from this sector.

The Government is also taking strides towards strengthening the island's reputation as the preferred domicile for a variety of international business activities. Along with the Bermuda Business Development Agency (BDA) and the private sector, Government has been working hard to maintain, and in some cases improve market position and share in the re-insurance sector while at the same time enhancing the island's potential in fund and asset management, high net worth and trust services.

The BDA will continue with its mandate to create and implement marketing and business development strategies to stimulate growth in the Bermuda economy and to create and maintain jobs.

In 2015/16 the BDA will seek to increase asset management business in Bermuda by continuing to build long-term relationships with key decision-makers in New York and raising Bermuda's profile and build long-term relationships with key decision-makers in UK and Switzerland.

In the Trust & Private Client sector the top priorities for the BDA are to significantly raise Bermuda's profile in the US, UK and Switzerland, and start work on Asia. The BDA will

also seek to deliver attractive new products to the market and improve the legislative change process to increase speed to market and enable innovation.

In order to further diversify the international business sector the BDA will look for business opportunities in the areas of Life Science/Biotech and Canadian E-Commerce.

To strengthen Bermuda's competitiveness in company incorporations the Ministry of Economic Development will introduce legislation to create a new limited liability corporate vehicle, to be known as Bermuda Limited Liability Company (LLC).

The latest business and consumer sentiment surveys suggest opportunities for increased employment and rising income. Also the global economic environment is favorable mainly because of the robustness of the US economy which has re-established itself as the economic growth engine of the world. Taking all information into account the prospects for GDP growth look favorable. Along with the America's Cup, the proposed reform measures in the areas of employment, international business, tourism and construction are all expected to have a positive impact on the economy beginning in 2015 and beyond. All of these measures will help the economy to eventually grow and in turn assist the Government in its goal of sustainable growth and debt reduction.

For 2015, GDP growth is projected to be in the range of 0.0 per cent to 1.5 per cent.

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The Bermuda Business Development Agency

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

INDUSTRIAL SECTIONS	2008	2009	2010	2011	2012	2013
01 Agriculture, forestry and fishing	50,897	48,343	47,896	45,963	42,638	43,119
03 Manufacturing	86,063	85,992	79,613	74,981	63,792	58,607
04 Electricity, gas and water supply	106,862	95,244	91,038	98,320	91,028	87,430
05/02 Construction & Quarrying	320,573	283,951	241,093	230,564	173,217	179,354
06 Wholesale and retail, repair serv.	381,920	374,368	356,728	341,810	321,143	317,002
07 Hotels and restaurants	246,059	207,979	233,923	243,613	240,750	223,481
08 Transport and communications	294,716	274,689	264,815	245,885	234,951	244,937
09 Financial intermediation	777,680	685,389	690,547	707,740	663,508	675,950
10 Real estate and renting activities	876,769	906,268	900,275	862,252	879,990	855,082
11 Business activities	496,907	478,935	448,277	448,162	421,385	395,673
12 Public administration	297,070	291,126	294,362	281,029	270,883	263,000
13 Education, health and social work	358,388	373,970	364,172	370,352	346,172	331,327
14 Comm., social and personal serv.	112,336	104,255	102,549	97,468	95,135	88,860
15 International business activity	1,443,926	1,336,043	1,337,950	1,268,872	1,199,624	1,174,852
Total	5,850,165	5,546,550	5,453,240	5,317,011	5,044,216	4,938,675
Less: Imputed bank service charge	439,476	422,000	436,952	470,146	431,021	442,201
Add: Taxes and duties on imports	242,774	230,174	226,302	220,649	209,328	204,948
GDP at market prices	5,653,463	5,354,724	5,242,590	5,067,514	4,822,523	4,701,422
Per cent change from previous year	1.5	-5.3	-2.1	-3.3	-4.8	-2.5

Source: Department of Statistics

TABLE 2

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

INDUSTRIAL SECTIONS	2008	2009	2010	2011	2012	2013
01 Agriculture, forestry and fishing	48,301	42,987	42,971	43,782	41,023	41,539
03 Manufacturing	90,043	76,916	74,799	65,214	52,102	49,075
04 Electricity, gas and water supply	97,783	96,825	96,518	97,644	86,598	81,663
05/02 Construction & Quarrying	370,078	317,531	260,556	203,776	177,278	169,492
06 Wholesale and retail, repair serv.	435,354	419,377	412,488	381,961	373,340	372,056
07 Hotels and restaurants	308,039	253,103	269,554	263,838	246,945	261,906
08 Transport and communications	322,177	307,079	288,390	265,765	268,693	269,915
09 Financial intermediation	943,800	685,821	682,777	719,640	729,916	731,849
10 Real estate and renting activities	861,776	861,632	907,590	953,058	948,894	926,644
11 Business activities	587,677	578,749	558,124	535,089	507,559	480,446
12 Public administration	326,409	342,463	350,202	343,095	353,011	338,677
13 Education, health and social work	399,600	400,218	434,582	464,747	478,323	494,674
14 Comm., social and personal serv.	122,659	116,753	126,685	122,650	120,750	112,499
15 International business activity	1,547,210	1,479,051	1,469,287	1,361,430	1,407,367	1,461,958
Total	6,460,906	5,978,503	5,974,521	5,821,691	5,791,799	5,792,396
Less: Imputed bank service charge	578,228	395,483	425,232	450,856	423,955	416,506
Add: Import duties	227,250	223,358	195,125	179,936	169,693	197,820
GDP at market prices	6,109,928	5,806,378	5,744,414	5,550,771	5,537,537	5,573,710
Per cent change from previous year	3.6	-5.0	-1.1	-3.4	-0.2	0.7

Source: Department of Statistics

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

	2010	2011	2012	2013F	2014P
Agriculture, forestry and fishing	692	639	594	589	587
Manufacturing	841	792	671	624	589
Electricity, gas and water supply	426	389	386	341	327
Construction & Quarrying	3,042	2,549	2,264	2,143	1,922
Wholesale and retail, repair serv.	4,658	4,529	4,214	4,113	4,110
Hotels and restaurants	4,349	4,533	4,385	4,217	4,116
Transport and communications	2,322	2,293	2,176	2,139	2,058
Financial intermediation	2,741	2,747	2,501	2,559	2,249
Real estate and renting activities	574	491	488	432	453
Business activities	4,033	3,976	3,702	3,523	3,417
Public administration	4,296	4,284	4,298	4,237	4,154
Education, health & social work	3,625	3,895	3,750	3,600	3,645
Other comm., social and personal	2,211	2,205	2,136	1,992	1,931
International business activity	4,287	4,077	3,878	3,768	3,929
Total	38,097	37,399	35,443	34,277	33,487

P = Preliminary data

F = Final

Source: Department of Statistics Employment Survey

TABLE 4

RETAIL SALES INDEX																
Average Monthly Sales (1)																
2006 = 100																
	Total		Food		Liquor		Motor		Service		Building		Apparel		All Other	
Period	Retail Stores		Stores (2)		Stores (3)		Vehicle Stores		Stations		Material Stores		Stores		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	96.2	+1.7	133.3	+1.7	136.3	+6.5	54.8	+20.2	111.7	-1.4	45.6	-6.2	84.1	-0.7	89.6	+0.1
2013																
Jan	83.2	+3.4	122.1	+7.0	97.5	+8.8	46.2	+31.6	106.7	+1.4	43.2	-30.2	59.2	+6.3	74.6	+0.7
Feb	78.5	-1.7	114.9	+3.4	101.5	+3.8	36.9	-15.6	97.1	-4.5	44.8	-19.0	49.9	-1.7	74.0	-1.4
Mar	94.5	-1.3	133.9	+6.0	129.1	+9.5	41.0	-18.0	118.0	+1.0	59.7	-9.8	61.8	-5.4	84.2	-7.2
Apr	91.5	-1.3	126.6	+2.5	112.3	-9.8	49.0	+4.4	109.0	-4.2	53.6	-20.6	76.1	-2.8	84.4	-0.7
May	95.9	+1.6	133.1	+7.3	114.7	+17.0	46.0	-2.0	119.5	+0.6	55.3	-20.7	93.5	+5.2	94.1	-3.3
Jun	100.7	-1.0	135.4	+1.2	132.3	+8.2	38.8	-8.2	123.0	+4.0	46.7	-13.0	104.7	+0.4	98.6	-3.8
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	-4.3	106.1	+4.5
Aug	91.6	-3.2	125.1	-2.1	151.4	+3.1	40.1	-3.2	117.0	-6.6	44.8	-17.5	80.9	-0.4	86.7	-2.8
Sep	88.0	-4.5	124.1	-3.8	128.5	-12.2	48.3	+18.1	109.7	-7.0	41.0	-17.3	76.9	+0.1	78.4	-7.2
Oct	91.8	+0.4	131.7	+0.5	108.5	+5.0	59.7	+9.4	111.5	-1.6	46.8	-13.3	74.6	+3.7	79.5	-0.2
Nov	95.9	+4.8	127.1	+3.2	134.0	+9.8	46.1	+27.6	108.3	-7.0	47.7	+0.2	97.1	+10.4	93.9	+4.9
Dec ^	113.3^	-2.4	143.9	-0.9	160.5	-5.7	36.3^	-14.8	107.5	-4.8	37.8	+2.4	158.0	-7.5	119.4^	+1.0
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

(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)										
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
2014	+2.0	+3.1	+0.8	+2.0	+2.4	-2.4	+0.8	+1.7	+1.9	+6.7
MONTHLY (per cent)										
2012										
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
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
Dec '14	124.3	134.5	111.6	123.4	136.9	141.4	112.6	108.2	134.0	177.6
Dec '14	+1.5	+3.9	+0.7	+1.1	+1.0	-8.2	+1.0	-2.0	+2.0	+7.2
Dec '13										

(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

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, Guest-Houses	Schools, Hospitals, Community Centres	Roads, Bridges, Airports	Industrial Plant & Other	Total	Public	Private
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
2013	85.1	30.0	23.7	9.0	57.5	16.9	10.7	147.8	78.3	69.5
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	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	32.4	4.3	2.2	65.4	35.0	30.4
	56.3	5.5	1.7	3.6	37.2	2.1	4.1	54.2	41.6	12.6
	16.1	5.2	1.3	3.5	0.9	1.5	5.5	17.9	7.5	10.4

TABLE 6

¹ Projects valued at \$0.5 million or more
Source: Department of Statistics

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

Number of Units		Studio apartments	One bedroom	Two bedroom	Three bedroom and over	Total units completed
2010		20	64	193	98	375
2011		26	50	209	108	393
2012		18	54	83	73	228
2013		17	43	38	19	117
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	3	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

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
2009	235,866	318,528	554,394	-10.5	11.2	0.8
2010	232,262	347,931	580,193	-1.5	9.2	4.7
2011	236,038	415,711	651,749	1.6	19.5	12.3
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	229,484	364,259	593,743	-2.9	7.1	3.0
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	133,737	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	73,214	146,916	220,130	-2.4	9.9	5.5
Q3	78,194	169,846	248,040	-5.6	7.9	3.3
Q4	41,889	39,118	81,007	-11.3	-17.5	-14.4

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

²Excluding passengers arriving by ship and departing by air.

Source: The Bermuda Tourism Authority

TABLE 9**NUMBER OF BEDNIGHTS SOLD**

	2008	2009	2010	2011	2012	2013	2014
Resort hotels	540,086	462,388	460,364	487,698	479,134	561,599	419,289
Small hotels	138,930	163,541	211,190	217,680	212,828	262,725	217,308
Cottage colonies	123,670	112,044	85,642	85,167	77,137	95,590	70,507
Private clubs	26,224	18,094	18,332	18,758	19,039	21,922	19,145
Cottage Suites/Apt	93,274	50,968	48,020	46,887	39,945	47,979	40,146
Inns/Guest houses	8,062	7,195	7,266	5,995	4,774	5,511	2,884
Bed & Breakfast	17,666	12,739	14,297	13,512	12,493	14,158	12,010
Total commercial properties	947,912	826,870	845,111	875,687	845,350	1,009,484	781,289
Private homes	727,725	606,285	587,022	545,411	560,845	666,857	617,644
Unallocated	3,230	4,184	10,085	8,412	7,438	4,925	9,511
Total	1,678,867	1,437,339	1,442,218	1,429,520	1,413,633	1,681,266	1,408,444
Percentage change (year-on-year)	-11.5	-14.4	0.3	-0.9	-1.1	18.9	-16.2

Source: The Bermuda Tourism Authority

TABLE 10

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

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

TABLE 11

BALANCE OF PAYMENTS ESTIMATES
\$ millions

	2010	2011	2012	2013	2014*
Exports	15	13	11	13	9
Imports	972	900	900	1,012	740
Merchandise Trade Balance	-958	-888	-889	-999	-732
Services & Income – receipts	3,231	3,202	3,225	3,825	2,509
Services & Income- payments	1,531	1,705	1,565	2,984	1,891
Current account balance	743	610	771	841	618
Financial Account					
Direct Investment	-14	-337	240	51	70
Portfolio Investment	1,406	2,254	-1,028	2,168	-1,217
Financial Derivatives	60	107	83	105	153
Other Investments	605	1,462	151	989	-1,503
Reserve Assets	3	11	-5	11	-24
Net Acquisition of Financial Assets	2,060	3,497	-559	3,323	-2,521
Direct Investment	249	-109	133	55	-24
Portfolio Investment	470	-121	267	555	-1,063
Financial Derivatives	-1	8	15	-7	22
Other Investments	650	3,672	-1,351	1,783	-2,099
Net Incurrence of Financial Liability	1,368	3,449	-937	2,386	-3,163
Total Net Financial Account	692	-48	-378	-937	-642
Total Net Capital Account	0	0	0	0	0
Total Net Lending (+)/ Net Borrowing (-)	692	48	378	937	642
Balancing Item	-51	-562	-393	97	23

* 2013 Q1 – Q3 provisional estimates

Source: Department of Statistics



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