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# 2018 Bermuda Business Confidence Index

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## *Final Report*

2018



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## Introduction

This report presents the findings of the **2018 Business Confidence Index Study** undertaken by Total Research Associates Limited (TRA) in association with Corporate Research Associates Inc. (CRA). Launched in 2014 and sponsored by HSBC Bank Bermuda Limited, the Bermuda Business Confidence Index (BCI) is a comprehensive survey of business owners and executives across industries, providing insight into current economic business conditions, anticipated business conditions for the coming year, capital purchase intentions and hiring. This initiative provides important economic indicators for industry, the business community, and the Island's economy.

This economic metric represents both international and domestic companies from all major sectors of the economy including communications, transportation, retail, tourism, professional services, and finance, among others. Participants include members of an exclusive panel of executives who were initially recruited by direct personal invitation. This year the Bermuda Chamber of Commerce (BCC), and the Bermuda Economic Development Corporation (BEDC) invited their memberships to take part, producing a more in-depth understanding of the current business climate on the Island. Participating individuals are provided with advance notification of the Business Confidence Index (BCI) on a confidential basis, prior to the public release of the Index.

In total, 138 surveys were completed between April 18 and May 24, 2018. This report includes an executive summary, an analysis of the survey findings, and a detailed description of the methodology employed in the study. The current results are presented in comparison to findings from the benchmark **Business Confidence Index Study**, as well as results dating back to 2014. To provide further context surrounding the economic indicators for industry in Bermuda, information sourced from the Bermuda Department of Statistics and the Ministry of Finance has also been included throughout this report. Appended to the report is a copy of the data tables that present results overall, by question and across key organisational characteristics.

## Economic Context and Executive Summary

### Current Economic Environment in Bermuda

Bermuda enjoyed a year of reasonable growth in 2017, and a spike in retail and tourist activity thanks largely to the stimulus provided by the America's Cup. This event pumped an estimated US\$336-million into the Island economy, according to a PricewaterhouseCoopers study (*Economic, Environmental and Social Impact of the 35<sup>th</sup> America's Cup on Bermuda*, October 2017).

The Ministry of Finance reports that GDP growth, following only marginal expansion in 2016, was decent for most of 2017, reaching a high of 3.9 percent in the third quarter (current prices, unadjusted for inflation). Even so, retail sales trended downwards through 2017, despite the one-time boost in May and June from the America's Cup – revealing weakening consumer confidence throughout 2017. The inflation rate rose modestly to 1.9 percent in 2017 – following two years at 1.5 percent – a change perhaps driven by the Cup stimulus, but also by a return to government spending that included a wage increase for civil servants following several years of austerity budgeting. Inflation remained in the range of 1.6 to 2 percent through the first three months of 2018.

The unemployment rate was 7 percent in 2016, and estimates are that unemployment shrank modestly in 2017 with a 0.1 percent increase in total job growth. International business, the largest contributor to the Bermuda economy, added 0.2 percent more jobs in 2017, and foreign exchange earnings by this sector grew by 3.7 percent. Tourists injected an estimated \$431-million into the economy in 2017, a more than 20 percent increase over 2016, and the total number of visitors of more than 692,000 (by air and sea) is the highest on record.

In the wake of moderate growth in 2017 and the economic boost of an international sporting event, Bermuda faces significant economic headwinds in 2018 and beyond. These include the ongoing transfer of domestically-earned income overseas, an onerous payroll tax, and more problematically, an ageing and declining population. At the same time, the feared impact of US corporate tax reforms, the threat of Brexit and rising global trade protectionism generally, all create uncertainty for Bermuda's economy. Amid these internal and external pressures, it remains unclear what forces – beyond government spending, including on public capital projects, and the potential spill-over benefits of a booming US economy – will lift the economic fortunes of the Island in the near future.

### **Executive Summary**

The results of the 2018 survey suggest that business confidence in Bermuda has dropped dramatically since the previous study in 2016, and is now at its lowest point since tracking began in 2014. The Business Confidence Index (BCI) – based on nine economic considerations evaluated by business leaders – has fallen almost 20 points since 2016 to 86.4, slipping below the benchmark index of 100 points for the first time.

Confidence is generally higher among smaller businesses and lower among medium-to-larger enterprises. It is also strongest in the financial services/insurance and real estate sectors, and weakest in the hotel/restaurant and automotive/technical sectors. Yet even accounting for such differences, confidence is low across the board – in no sector and in no size grouping does the Business Confidence Index score rise much above 90 points.

The record-low BCI reflects a widespread pessimism in Bermuda's private sector about the state of the Island's economy and its prospects over the coming 12 months. Such attitudes contrast with the Ministry of Finance's *2017 National Economic Report*, published in February 2018, which states that Bermuda's economy expanded marginally over 2017 and "is projected to further improve," conditional on various factors including increased employment, growth in tourism and capital spending. This survey suggests that following the first quarter of 2018, the business community does not share the government's optimistic projections for the year.

Specifically, a majority of business leaders believe the Island's economy is not moving in the right direction (notably, the percentage with an optimistic outlook has fallen from 79 percent in 2016 to only 38 percent this year). For the first time since these surveys began in 2014, more business leaders believe the economy is in worse shape today than a year ago, versus those who say it is in better shape. Also for the first time, those who believe the economy will continue to deteriorate outnumber those who believe it will improve.

As in previous years, the business community points generally to Bermuda's government and politics as the top issue facing the Island today. However, this concern has eased significantly since 2016, while concerns are increasing about taxation, the cost of doing business and Bermuda's declining population. Businesspeople say one of the most critical actions the government can take to help the private sector is to promote immigration and streamline the work permit process. For their part, many business leaders say they need to work more closely with government to achieve their goals.

The pessimistic outlook toward the economy as a whole is mirrored inside individual companies, one-quarter of which report being in worse economic shape than they were a year ago – a record high number. Although a large minority of enterprises (44 percent) expect economic conditions for their organisations to improve over the coming year, roughly the same number expect no change in their company's economic conditions, and 14 percent believe conditions will worsen.

Perhaps as a result, overall capital spending by the private sector is expected to decrease by 3.5 percent over the next 12 months.

If there is any good news to be found in the survey it is that on the employment front, businesses expect to marginally increase their full-time staffing levels in 2018. Meanwhile, the reported average wage increase in 2017 (including those companies not awarding an increase) was 1.7 percent, somewhat lower than the inflation rate of 1.9 percent.

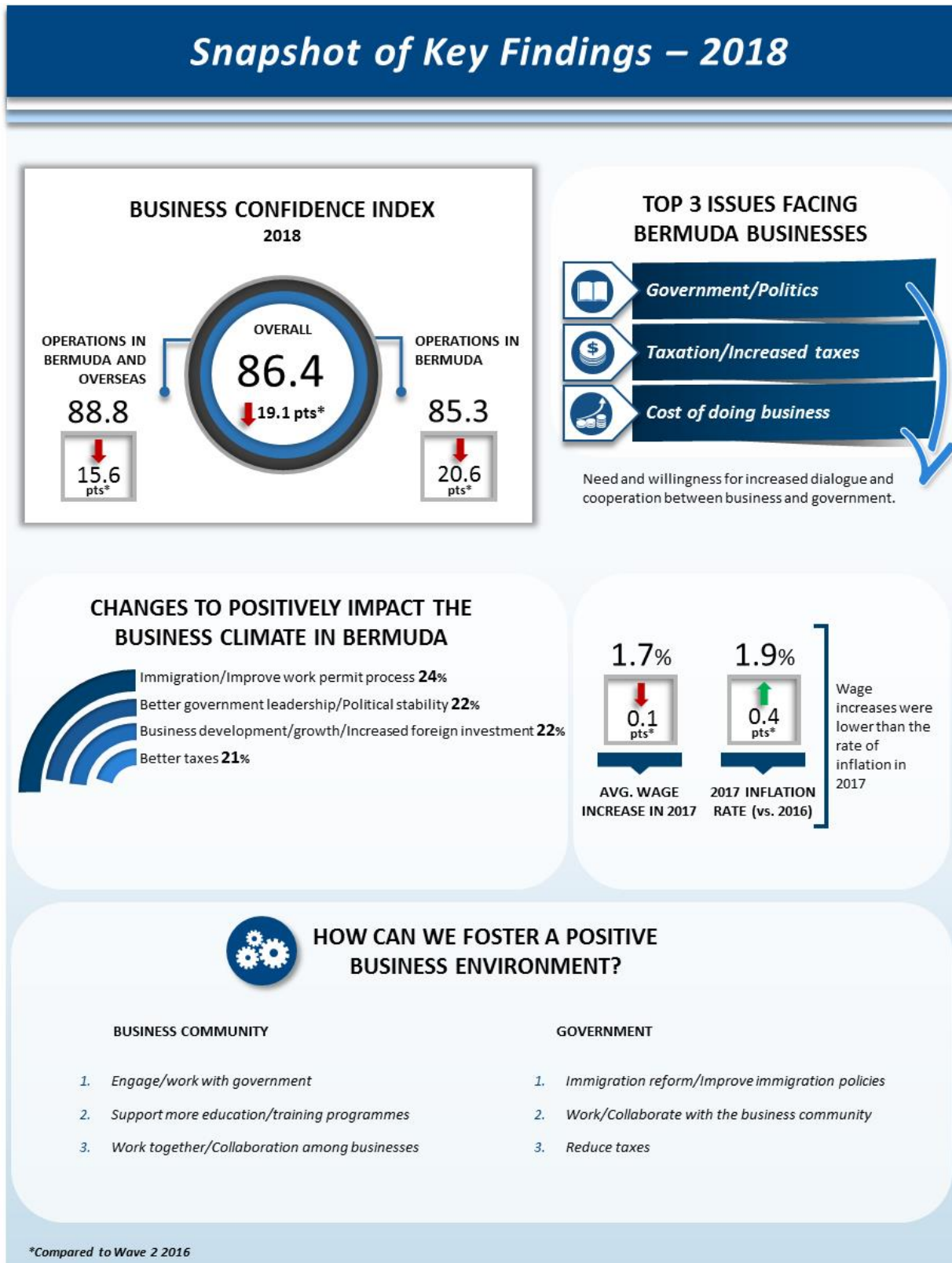
The number of businesses reporting higher revenues in 2017 declined from the previous survey, while the number reporting lower revenues increased. A record-high number of companies expect their revenues in the coming year to remain the same, or decrease.

This outlook is very likely driven in part by foreign political and economic events. The American tax reforms of President Donald Trump – which cut US corporate tax rates from 35 percent to 21 percent – pose a threat to Bermuda’s traditional tax advantage against the United States. This is particularly true for Bermuda’s insurers, already facing structural change and consolidation pressures in their industry. The unwelcome, competitive challenges of the US tax changes come on top of the uncertainty raised by Brexit and the possibility of exclusion from the European market, as well as the general unease that continues to grow alongside rising global trade tensions.

Amid such a daunting international picture, it is perhaps not surprising that the economic stimulus provided by the America’s Cup in early 2017 was a short-lived benefit, coming in the wake of a multi-year recession. This survey shows that Bermuda’s business community is becoming increasingly concerned about the structural state of the island’s economy, its competitiveness and its ability to attract investment. Some relief may be available in the form of higher government spending following years of austerity (civil servants received a 2.5 percent pay raise in the most recent budget), and in efforts announced by Premier David Burt to begin making structural changes, such as allowing majority, non-Bermudian ownership of domestic businesses, thereby encouraging the investment of locally-earned revenues back into the Island economy.

*The infographic on the following page presents a snapshot summary of key findings.*

## Infographic Snapshot of Key Findings





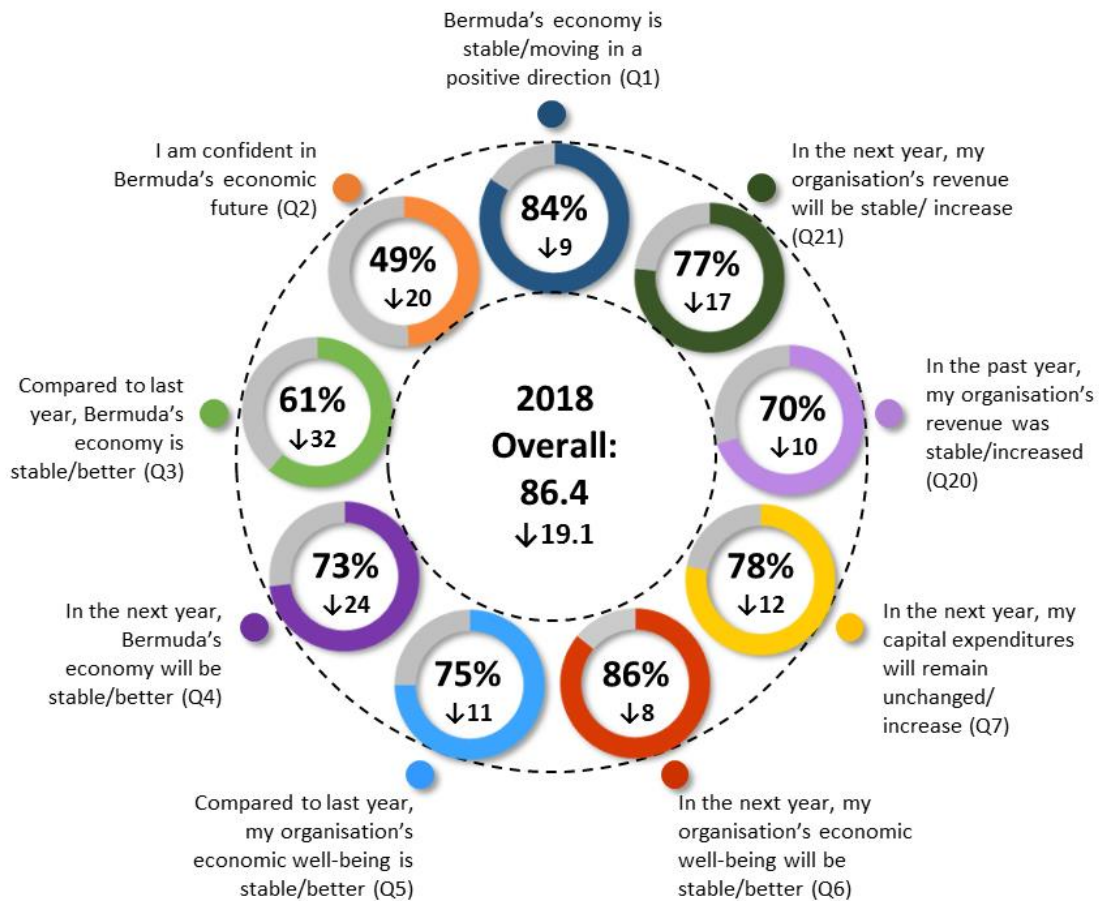
## Detailed Analysis

### The Bermuda Business Confidence Index

The business confidence index is a composite measure of nine variables including business leaders' perception of the economy, both now and in the coming year, confidence in the direction of the economy, well-being of their businesses both the past year and the year ahead, as well as revenue expectations and capital expenditure plans in the coming year.

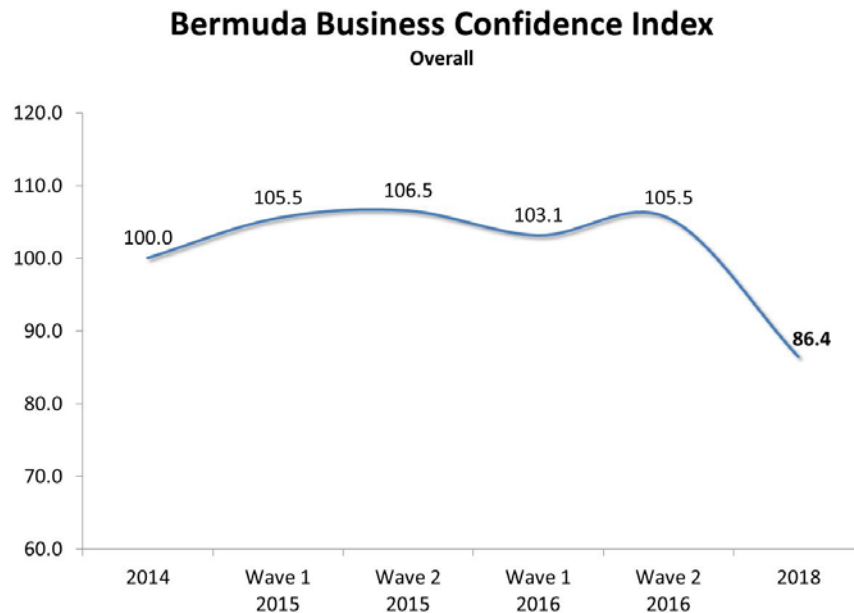
## Business Confidence Index

Calculation Variables, n=138



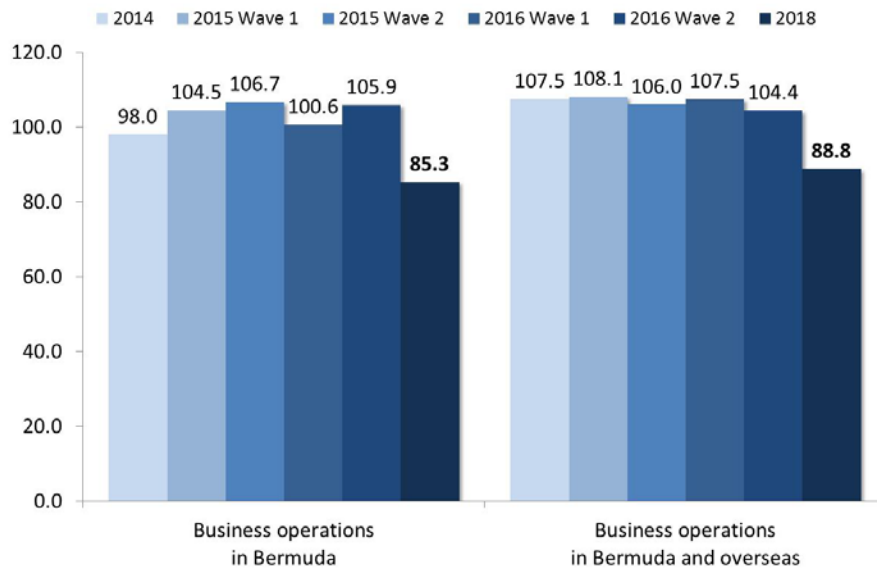
***Business confidence has fallen nearly 20 points since 2016, and is at a record low since tracking began.***

Business confidence in Bermuda has fallen dramatically since 2016. The composite index is down to 86.4, its lowest level – and the first time it has dipped below 100 – since the BCI surveys began in 2014. (Table BCI)



The decline in business confidence is most apparent among enterprises with operations only on the Island, for whom the index has dropped by 20.6 points since 2016. Confidence has also declined among companies with operations locally and overseas, falling by 15.6 points among this group since 2016.

### Bermuda Business Confidence Index



### Business Confidence across Size of Organisations

Although not high, confidence is healthiest among the smallest businesses on the Island, and weakest among medium-to-large-sized organizations.

### BCI Scores Across Number of Employees Listed in Descending Order by Organisation Size



### Business Confidence across Business Activities

Confidence is relatively low across the board. However, it is strongest in the financial services/insurance and the real estate sectors, and weakest among hotel/restaurant operators and in the automotive/technical sector.

### BCI Scores Across Primary Business Activity Listed in Descending Order by BCI Score



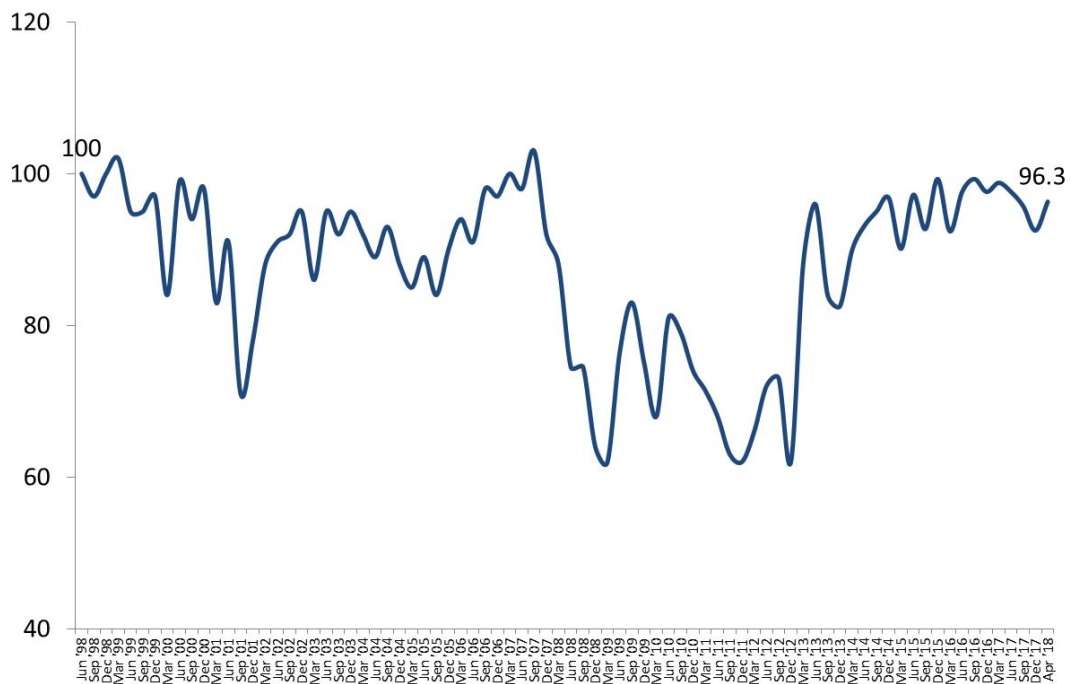
## Consumer Confidence

***Consumer confidence continues be stable on the Island and generally favourable.***

The Bermuda Omnibus® Consumer Confidence Index (CCI) is derived from a series of five questions asked of residents on a quarterly basis, related to the perceived state of Bermuda’s economy, household economic situation, and conditions for major purchases. The Index takes into account Bermuda residents’ assessments of economic conditions at the present time as well as the outlook for the upcoming year. Similar to the Business Confidence Index, the CCI was set at a benchmark of 100 upon its inaugural calculation in 1998, and all reports of the CCI since 1998 are measured relative to this benchmark. More specifically, the calculation is based on positive or neutral responses (namely, *better* or *about the same*), excluding negative responses (*worse*) for each evaluation.

Consumer confidence has been in a mostly favourable and stable level for the last couple of years, moving in a narrow range over that period. Despite a dip in confidence through most of 2017, the index has risen somewhat in early 2018.

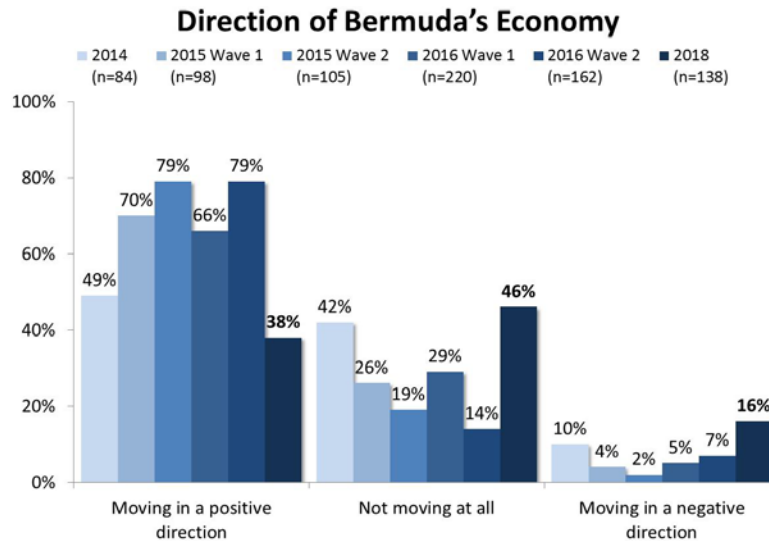
### Bermuda Consumer Confidence Index



## The Bermuda Economy

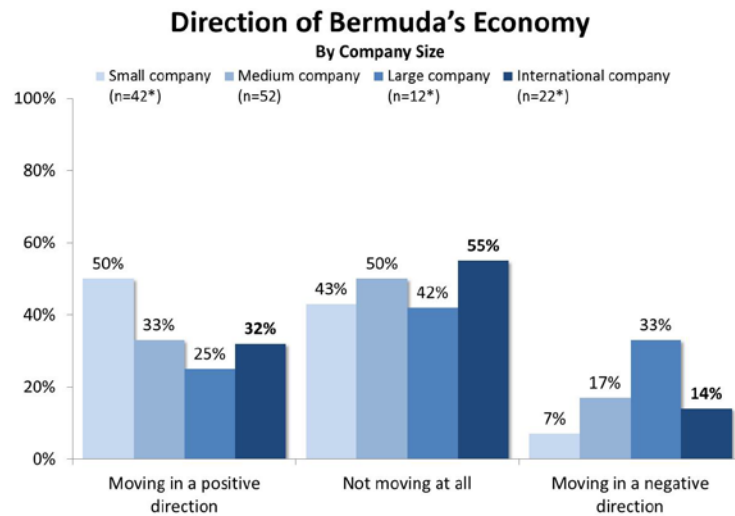
**The majority of businesses on the Island say the economy is static or moving downward.**

The majority of businesses (six in ten) are pessimistic about Bermuda’s economy, with almost half saying it is not moving at all, and more than one in ten saying it is moving in a negative direction. Fewer than four in ten – half the number from two years ago – say it is moving in a positive direction. (Table 1)



Q.1: In your opinion, is Bermuda’s economy moving in a positive direction, not moving at all, or moving in a negative direction?

Larger enterprises, as well as those in the retail, real estate and financial sectors are more likely than those elsewhere to be pessimistic about the economy. While businesses in the hotel and restaurant space do not think Bermuda’s economy is actually moving downward, almost all say it has no momentum at all.

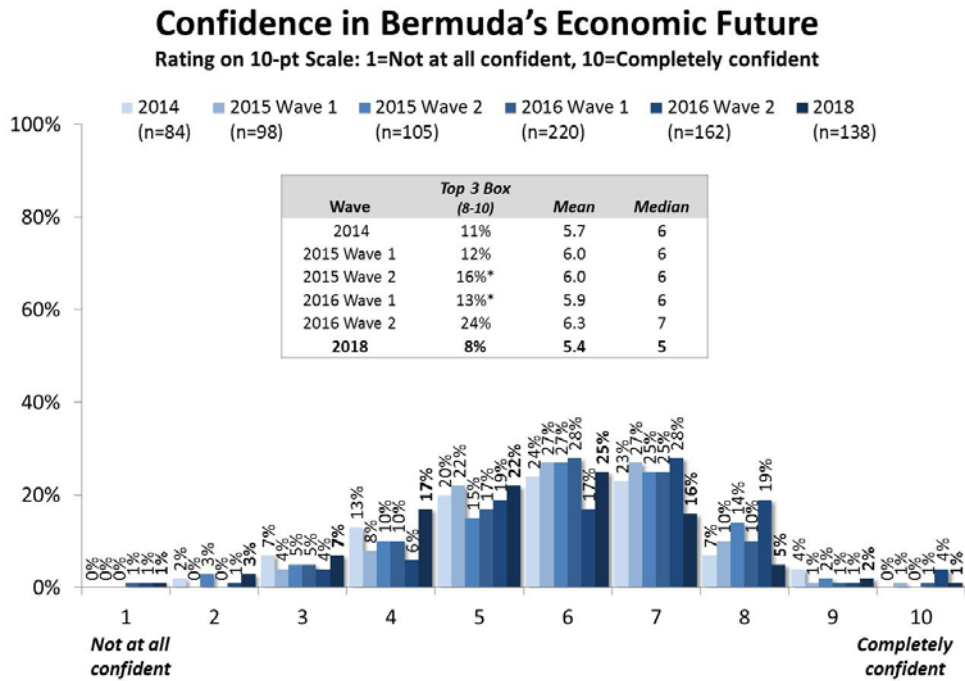


Q.1: In your opinion, is Bermuda’s economy moving in a positive direction, not moving at all, or moving in a negative direction?  
\*Caution: Small sample size.

### Confidence in Bermuda’s Economic Future

**Confidence in Bermuda’s economic future is at its lowest point since the BCI survey began in 2014.**

Confidence among businesses in the Island’s economic future is at its lowest point since the survey was launched four years ago. The *mean* confidence figure is 5.4 – nearly a full point below the 2016 measure of 6.3, while the *median* figure has slipped below the number 6 for the first time since 2014. In that same year, only 11% of businesses expressed high or complete confidence in Bermuda’s economic future. This year, only 8% have a similar level of confidence – down from 24% in 2016. (Table 2)

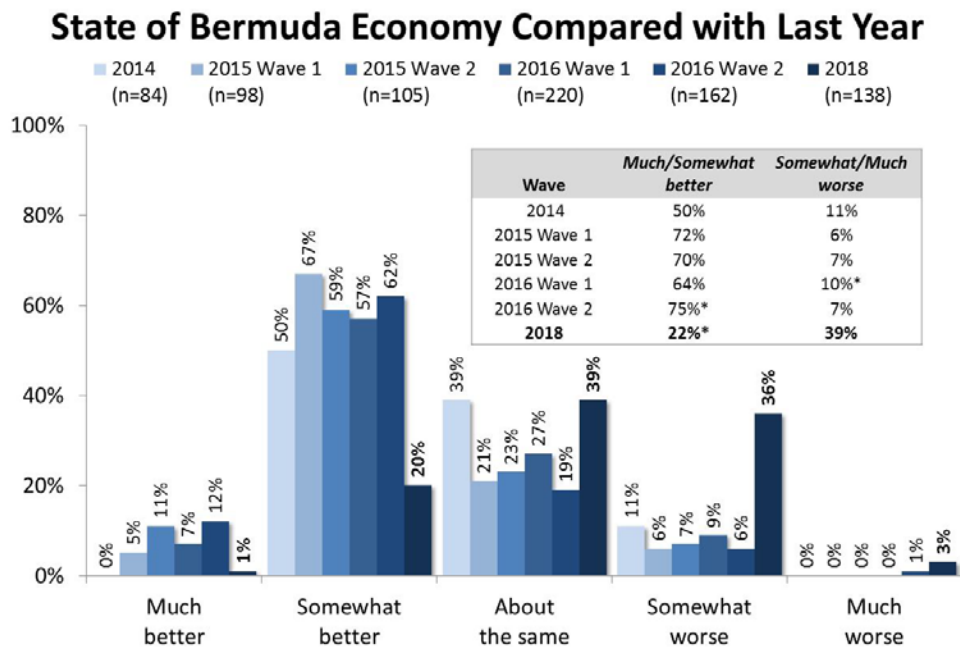


Q.2: How confident are you in Bermuda’s economic future? \*Due to rounding.

### Current State of Bermuda’s Economy

**The vast majority of businesses say Bermuda’s economy is in the same or worse condition than one year ago.**

Four in ten businesses say the economy is in worse shape today than a year ago. Another four in ten say the economy is the same, while only two in ten consider it in better shape – a considerable drop from 2016, when three-quarters said the economy was better than 12 months previously. Those more likely to consider the economy worse than a year ago are medium-to-large sized enterprises, international enterprises, and those in the hotel/restaurant, international business and auto/tech sectors. (Table 3)

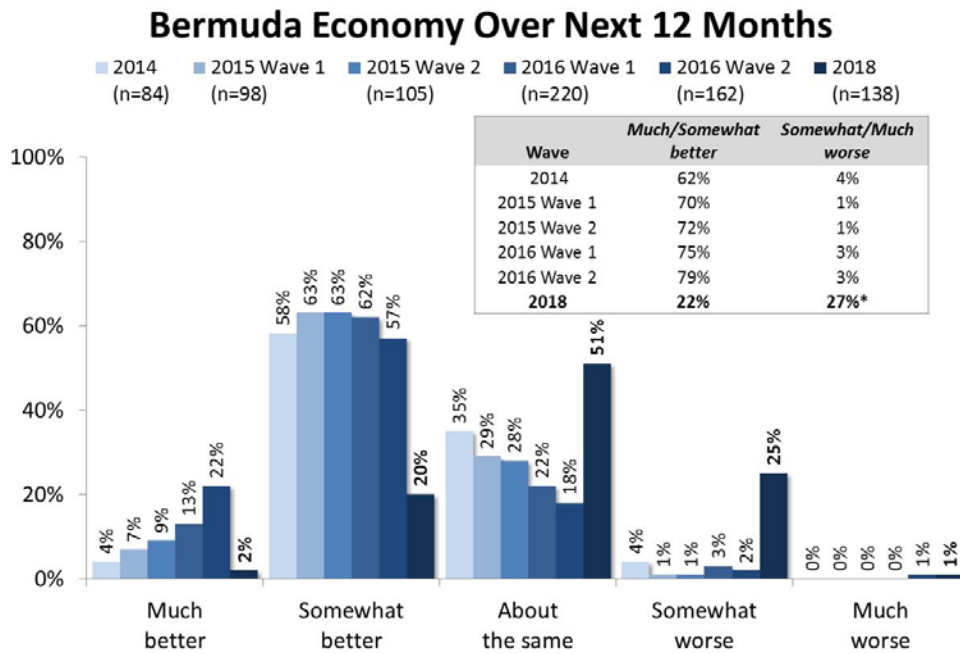


Q.3: Compared with 12 months ago, would you describe the overall state of the economy in Bermuda as much better, somewhat better, about the same, somewhat worse, or much worse? \*Due to rounding.

### Future State of Bermuda’s Economy

**Businesses are pessimistic about the economy in the coming year, with few expecting improvement.**

Half of Bermuda’s businesses expect the economy to remain the same over the next 12 months. One-quarter expect it to worsen, while one-fifth expect it to improve – in each case, a huge swing in sentiment from previous surveys. (Table 4)



Q.4: Thinking about the economy in Bermuda over the next 12 months, do you think it will be much better, somewhat better, about the same, somewhat worse, or much worse? \*Due to rounding.



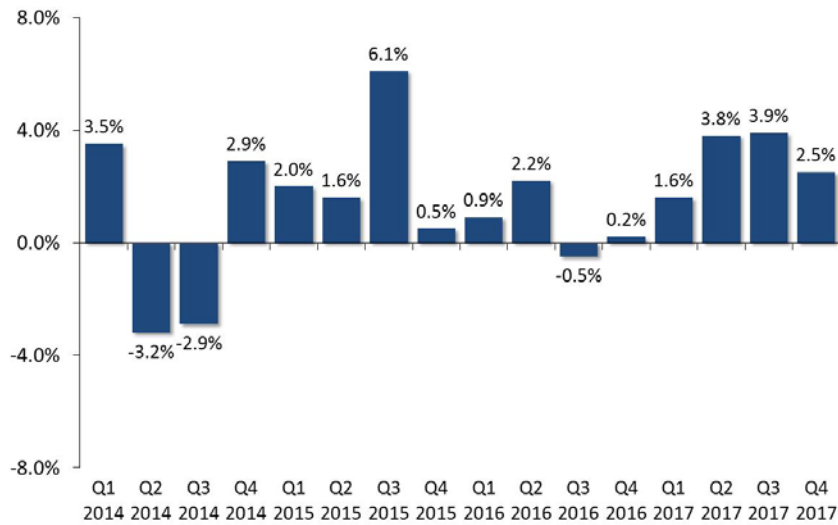
## GDP Growth in Bermuda

**Bermuda experienced reasonable economic growth in 2017, particularly compared with 2016.**

Figures from the Department of Statistics (current prices) show decent economic growth for 2017, with all four quarters on the plus side and greater than 1.5 percent.<sup>1</sup>

### Quarterly GDP Growth Compared to Previous Year

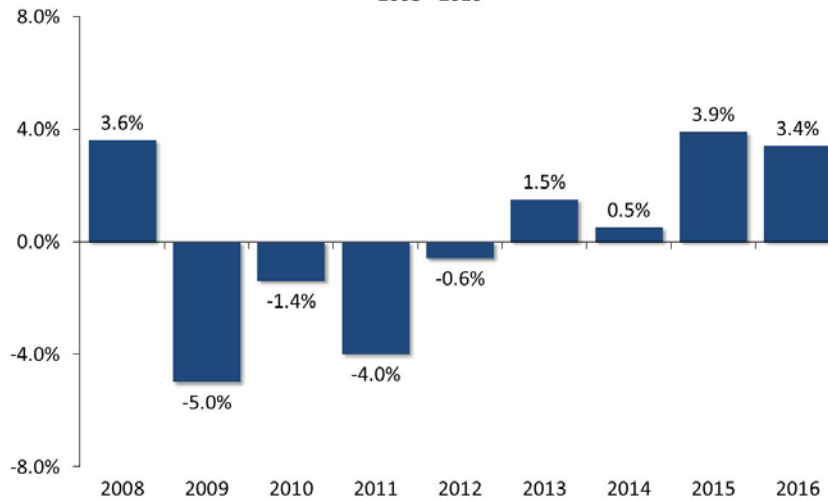
With Inflation – Current Prices



Source: Bermuda Department of Statistics.

### GDP Growth - Bermuda

With Inflation – Current Prices  
2008 - 2016



Source: Bermuda Department of Statistics.

<sup>1</sup> Government of Bermuda Department of Statistics, Quarterly Gross Domestic Product (GDP) Quarter 4/2017

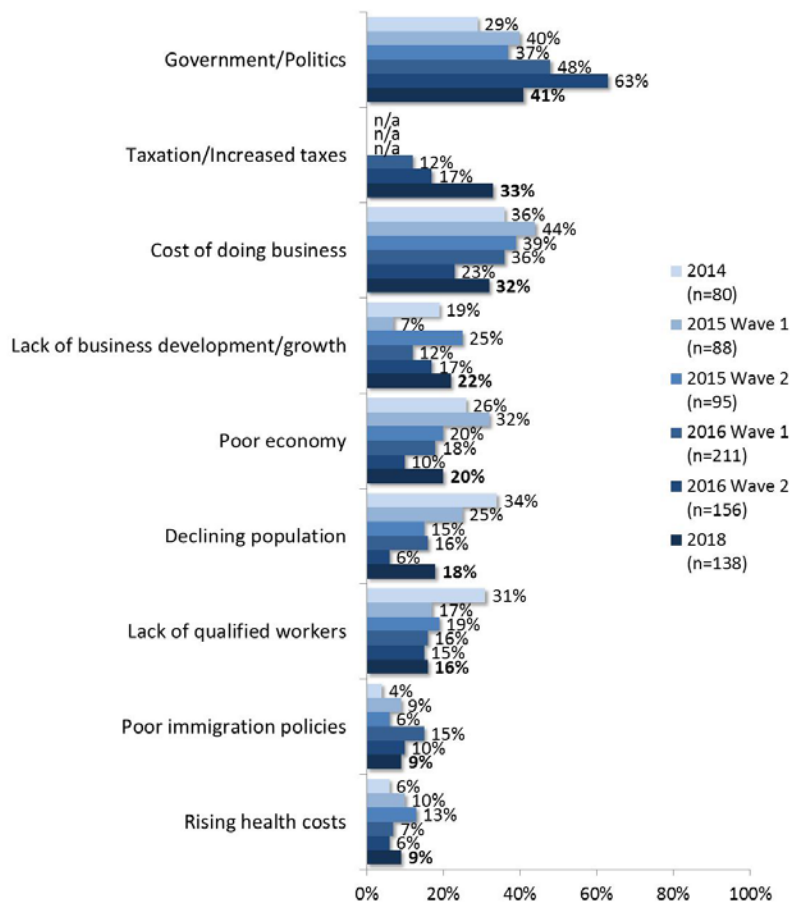
### Top Three Issues Facing Bermuda Businesses Today

**Government and politics is still considered the top issue facing businesses, although it is less of a concern than in recent years, while other issues such as taxation are of more concern.**

In unaided mentions, four in ten businesses say that government and politics is the most critical issue facing Bermuda’s business community today (down 22 points from 2016). Taxation (up 16 points) and the cost of doing business (up 9 points) are each identified as top issues by one-third of businesses. The lack of business development (up 5 points), and a poor economy (up 10 points) are each identified by one-fifth of businesses. (Table 28)

### Top Three Issues Facing Bermuda Businesses Today

Key Mentions, From Total Unaided Mentions



*“The lack of political leadership around making immediate legislative and policy changes to grow our economy.”*

- *“Government taxes ... payroll tax, land tax, import duties, immigration fees.”*
- *“Bermuda needs far more people.”*
- *“Shrinkage of the insurance industry in Bermuda as a primary economic driver.”*
- *“Unfriendly government to international business.”*
- *“Foreign investors cannot purchase commercial real estate in Hamilton, which limits their ability to invest in Bermuda.”*

Q.28: In your opinion, what are the top three issues facing Bermuda businesses today? *Note: Responses were not forced.*

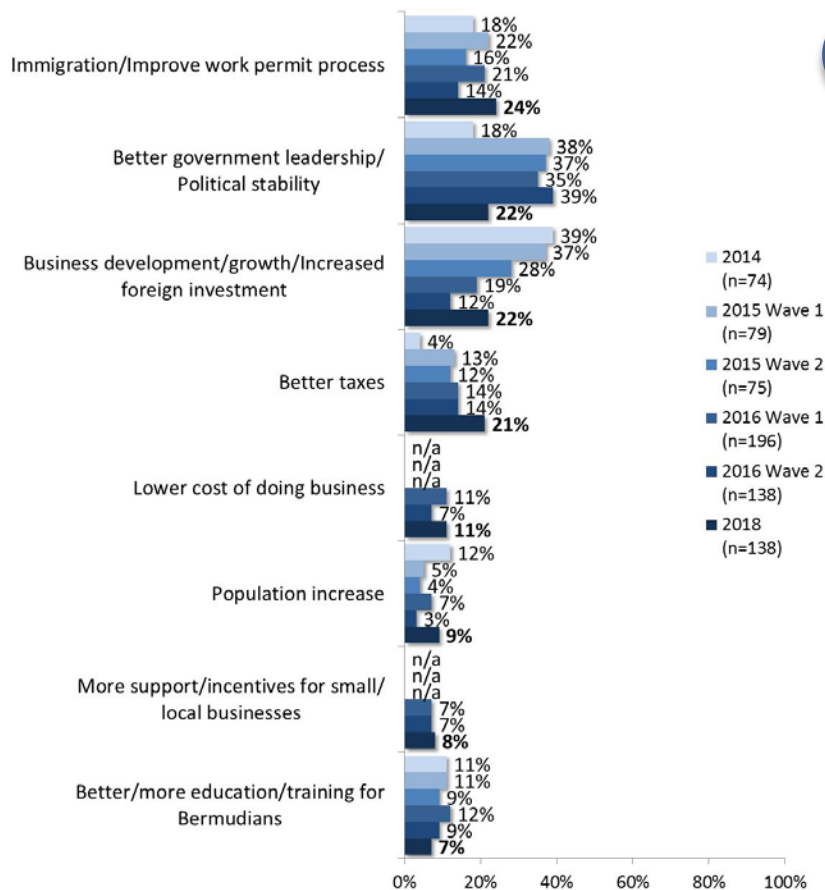
## Changes Would Like to See to Positively Impact Bermuda Business Climate

### *Improvements should be made to the immigration and work permit process.*

In unaided mentions, one-quarter of businesses say that improving immigration and the work permit process is one of the best ways to help the business climate in Bermuda (up 10 points from 2016). Those most likely to mention immigration are large enterprises with international operations, and those in the financial services and insurance sector. Better government leadership and stability, although mentioned less often than in 2016, is still considered important by one-fifth of businesses (down 17 points). Business development and foreign investment, and better taxes, are also each mentioned by one-fifth of businesses. (Table 29)

### Changes to Positively Impact the Business Climate in Bermuda

Key Mentions, From Total Unaided Mentions



*“We need to grow our population immediately with new job creators. This will mean we cannot maintain the status quo.”*

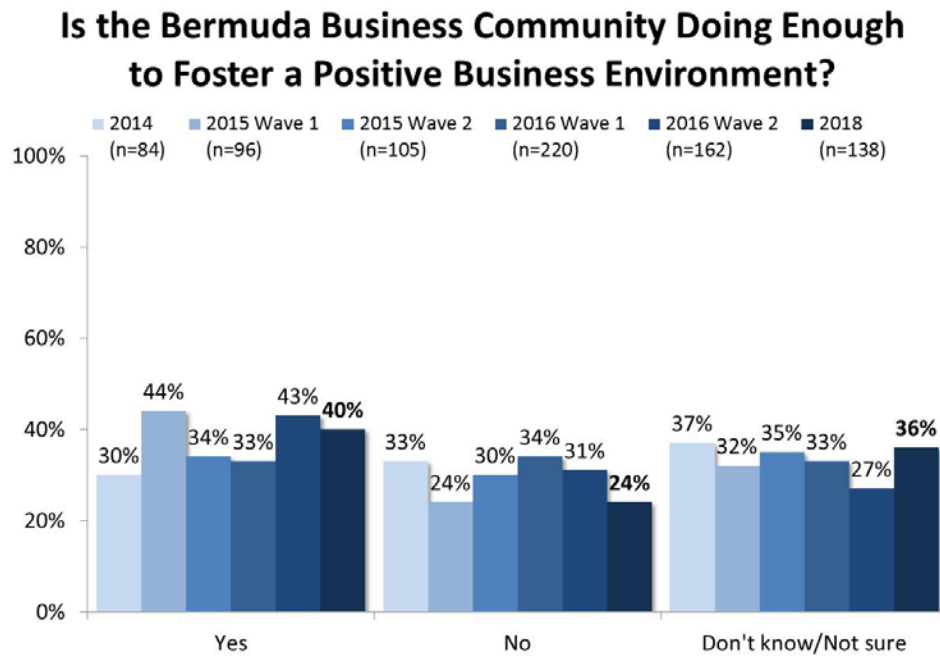
- *“Reduce the size of government and red tape everywhere.”*
- *“Relax immigration to get more people to Bermuda.”*
- *“More support for small business (and) more welcoming for work permit holders as we need to grow the population.”*
- *“A government that honestly addresses issues such as education reform and civil service reform ... we are consumed by negativity, resentment and race issues.”*

Q.29: What would you like to see change in order to positively impact the business climate in Bermuda? *Note: Responses were not forced.*

### Business Community Efforts to Foster Positive Business

*The business community continues to be split in terms of whether it is doing enough to encourage a positive business environment in Bermuda.*

Consistent with previous surveys, the business community is divided on whether it is doing enough to foster a positive environment for trade and commerce. Four out of ten say yes, one-quarter say no, and one-third aren't sure. Larger enterprises and those with international links are more likely to say the business community is doing enough. (Table 30)

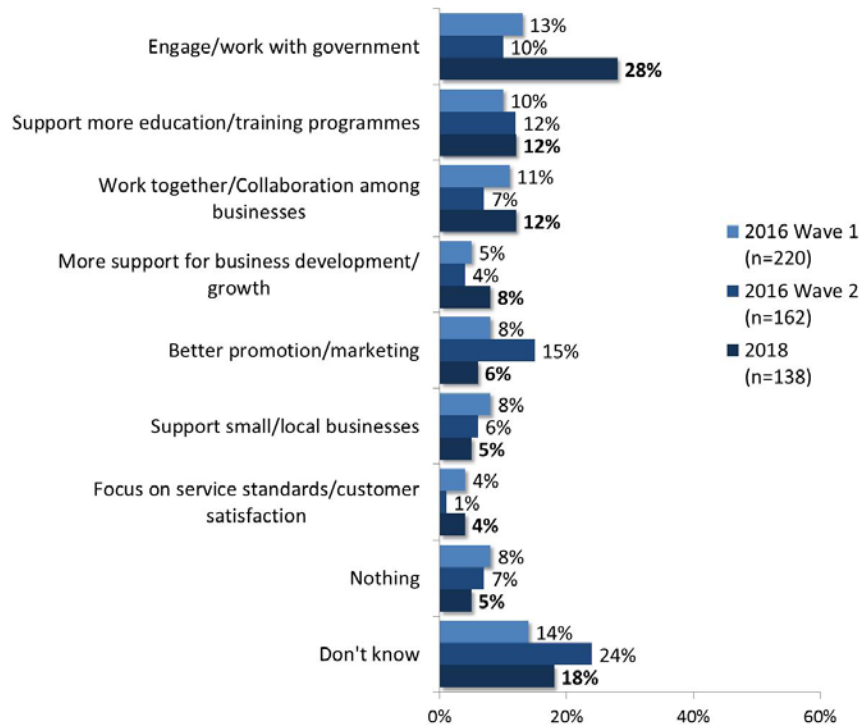


Q.30: In your opinion, is the Bermuda Business community doing enough to foster a positive business environment?

In terms of what the business community can do to foster a more positive business climate, three out of ten businesses – in unaided mentions – say they should work more with government (up 18 points from 2016). Teamwork between businesses (up 5 points), and supporting education and training programs (no change) are also mentioned as possible strategies. Of note, two out of ten businesses say they don’t know what can be done by the business community to foster a positive climate (down 6 points from 2016). (Table 31)

### What More Business Community Could Do to Foster a Positive Business Environment

Key Mentions, From Total Unaided Mentions



*“Lobby with government to reduce taxes and (the) cost of doing business.”*

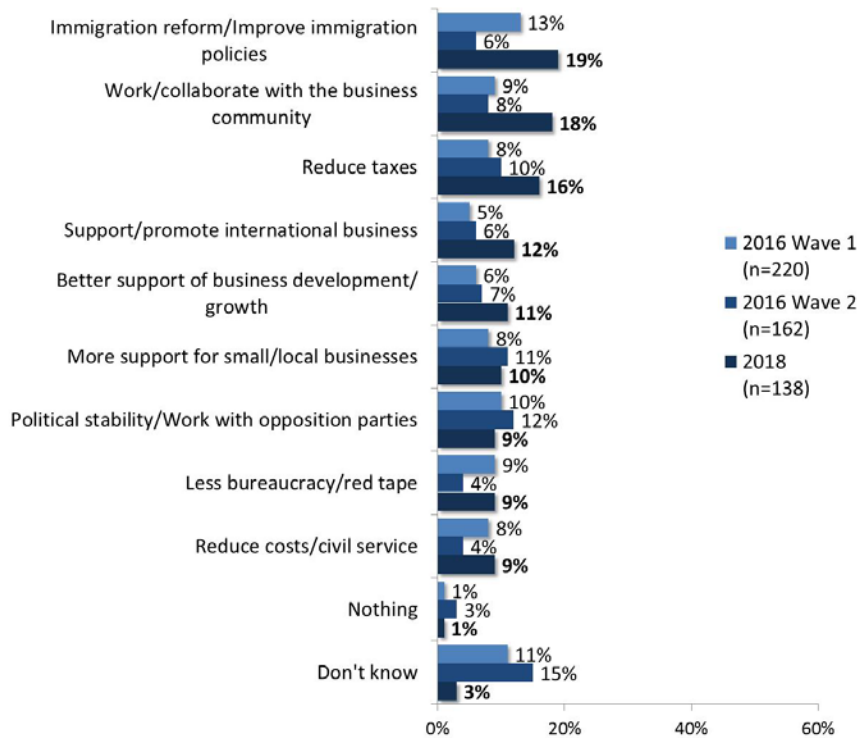
- *“Have more influence with the government and the decisions they are making.”*
- *“Put a greater emphasis on training and retraining Bermudians.”*
- *“Ensure each industry has its own representative body (and) ensure these industry groups speak and work with each other on a collaborative basis.”*
- *“Continue to invest in Bermuda and Bermudians.”*

Q.31: In your opinion, what more should the business community do to foster a positive business environment?  
 Note: Responses were not forced. Note: Question added 2016 Wave 1.

Immigration reform (19%, up 13 points), collaboration with the business community (18%, up 10 points) and tax reduction (16%, up 6 points) are identified as the key actions government can take to foster a more positive business climate. (Table 32)

### What More Government Could Do to Foster a Positive Business Environment

Key Mentions, From Total Unaided Mentions



Q.32: In your opinion, what more should the Government do to foster a positive business environment?  
 Note: Responses were not forced. Note: Question added 2016 Wave 1.



*“Allow more people to come here to work and feel more welcome.”*

- *“Work more closely with companies to ensure they are allowed to have a fair balance of Bermudian and permit workers.”*
- *“Create a neutral space where representatives across the business spectrum can communicate and collaborate on solutions to our collective problems.”*
- *“Taxes are killing us. Let’s start there.”*
- *“Stop thinking that the business community are ‘Fat Cats.’ All of us are in this together and should be working together to improve Bermuda’s economy.”*

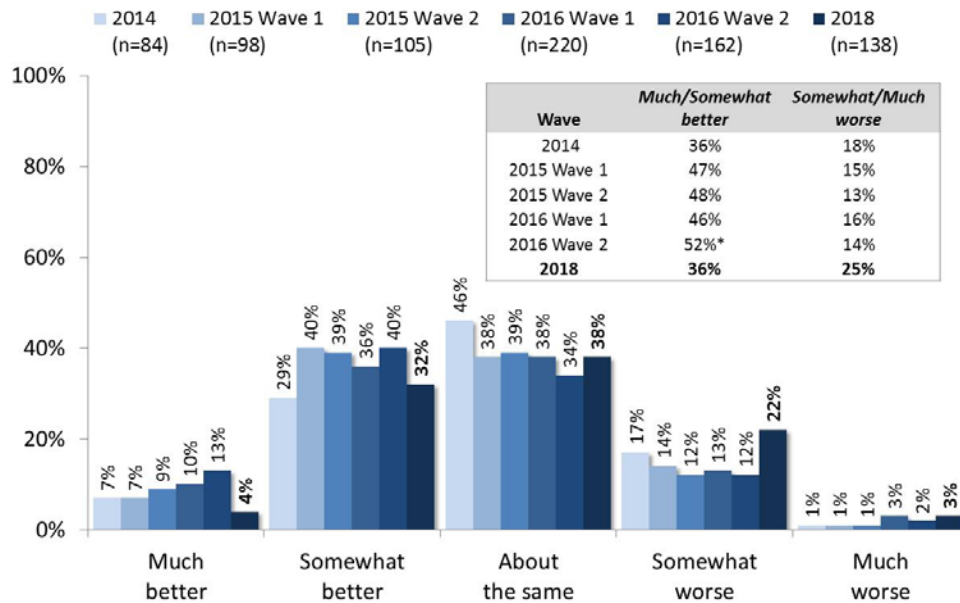
## Organisations' Economic Outlook

### Organisations' Current Economic Well-being

**Despite improvements in the economic condition of some businesses on the Island, a significant number say they're in no better shape, or in worse shape, than last year.**

One-third of businesses say the economic well-being of their companies is better than a year ago. This metric is down 16 points from 2016, when more than half reported their companies being in better shape. This year, four in ten businesses say their companies are in about the same economic condition, while one-quarter say they are in worse shape – the highest number recorded for this metric since 2014. (Table 5)

**Organisation's Economic Well-Being in the Past Year**



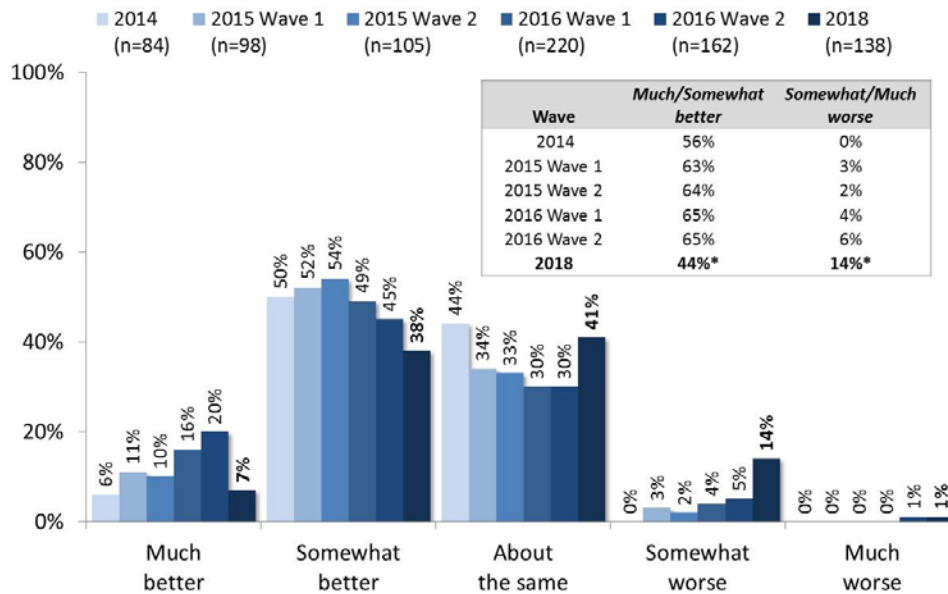
Q.5: Thinking about your own business in the past year, would you say that your organisation's economic well-being is much better, somewhat better, about the same, somewhat worse, or much worse? \*Due to rounding.

### Organisations' Future Economic Well-being

*There is less optimism than witnessed in previous surveys about the well-being of businesses over the coming year.*

Although more than four in ten businesses expect the well-being of their organisations to improve over the next 12 months, nearly the same number expect no improvement, and 14 percent – the highest number on record in the life of this survey – believe their company’s well-being will get worse. (Table 6)

#### Organisation’s Economic Well-Being in the Next 12 Months

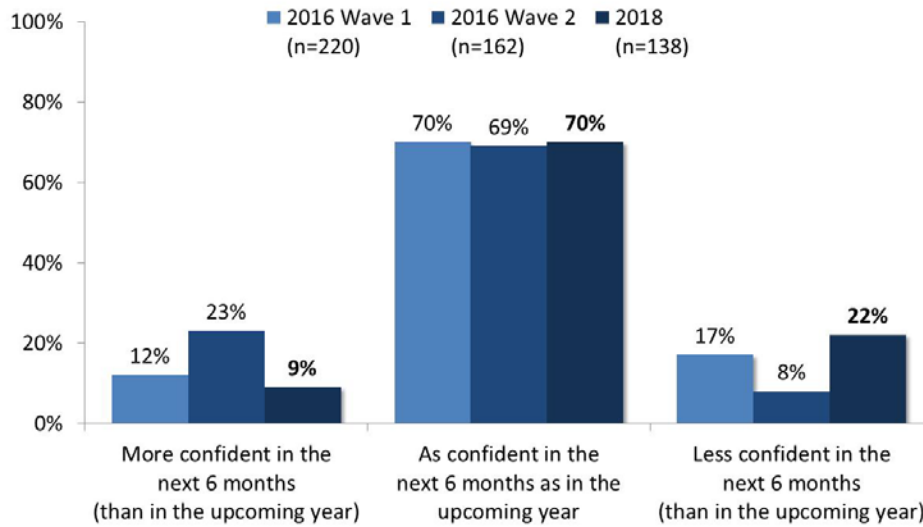


Q.6: In the next 12 months, do you think the economic well-being of your organisation will become much better, somewhat better, about the same, somewhat worse, or much worse?



The large majority of businesses express the same level of confidence in their enterprise’s well-being over the next six months as compared to their initial forecasts for the year. Meanwhile, two in ten say they’re even less confident in the next six months than in the coming year, indicating that the year has proved to have started out on a negative footing for these companies. (Table 6a)

### Confidence in Organisation’s Well-Being in Next Six Months Compared to Forecast for the Upcoming Year



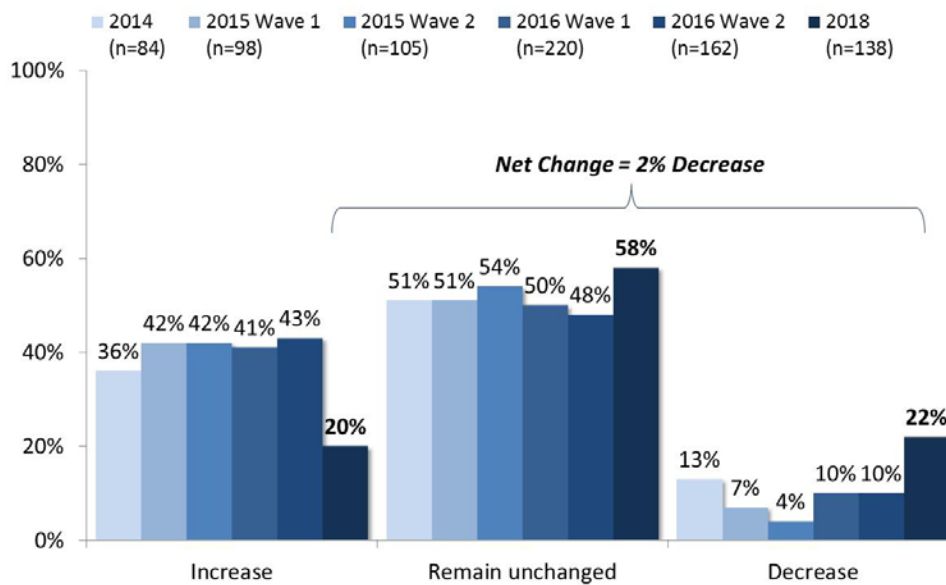
Q.6a: Do you feel more confident, as confident, or less confident about your organisation’s economic well-being in the next 6 months, compared with your forecast for the upcoming year? *Note: Question added 2016 Wave 1.*

### Anticipated Change in Capital Expenditures

**A majority of Island enterprises predict that capital spending will remain the same as the past year.**

The majority of businesses expect no change in capital spending over the coming year, compared to the previous year. Two in ten expect to increase capital spending, while another two in ten expect to decrease spending. These are the least confident numbers regarding capital spending since 2014. Small companies are more likely than large ones to expect an increase in spending, while companies in the hotel and restaurant sector are more likely than those in other sectors to predict less spending. (Table 7)

#### Opinion of Capital Expenditures in the Next 12 Months

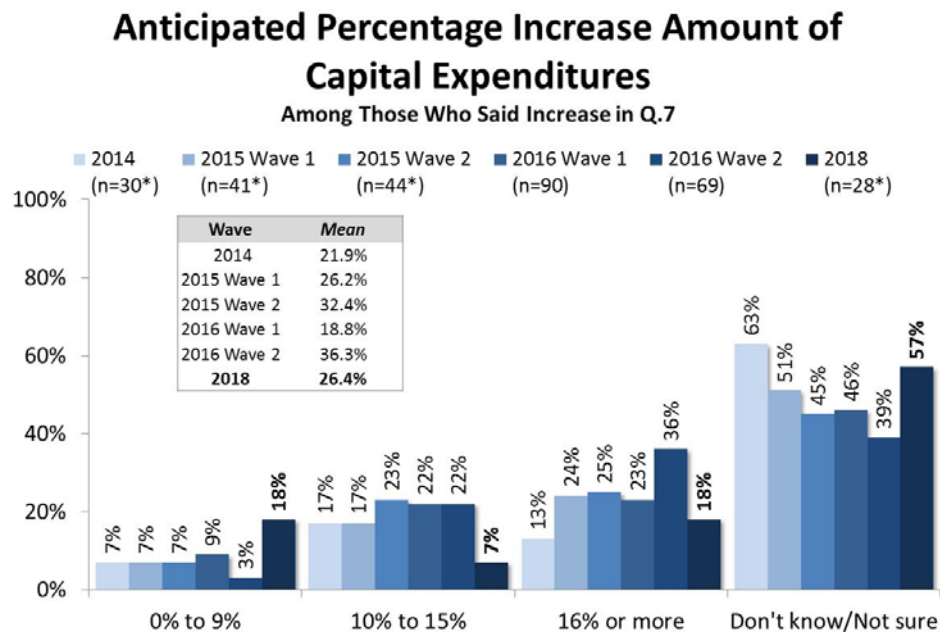


Q.7: In the next 12 months, do you anticipate your capital expenditures will increase, decrease or remain unchanged from the past 12 months?

**Capital expenditures expected to decline overall in Bermuda in the next year.**

Taking into consideration the percentage of businesses expecting to increase their capital expenditures – and the average expected increase in those expenditures – with the percentage of those anticipating a decrease in capital spending – and the average expected decrease in that spending – it is estimated that overall capital spending on the Island will decrease by 3.5% in the coming year. (Table 7/8a/8b combined)

Among businesses expecting to increase capital spending in the coming year, six in ten say they don't know how large such increases will be. The average increase is expected to be 26%, 10 points lower than in 2016. (Table 8a)

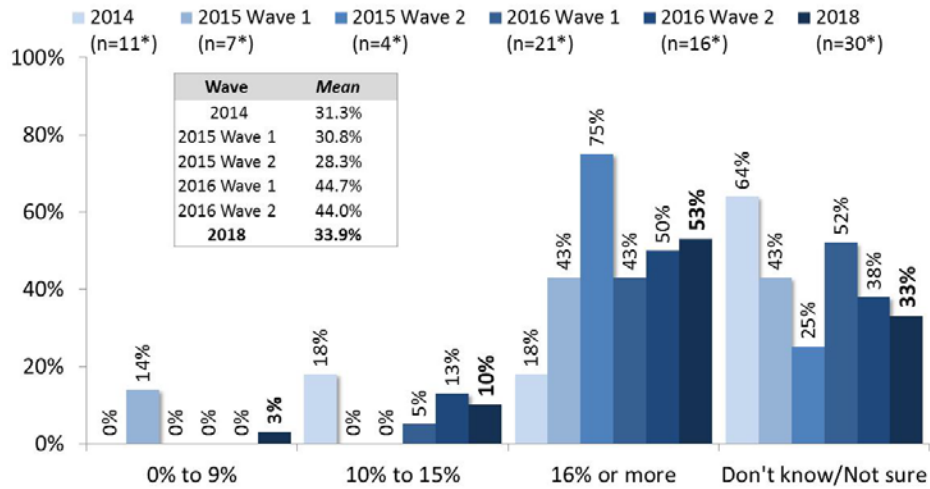


Q.8a: [IF Q.7 = 'INCREASE'] As a percentage, how much do you anticipate your capital expenditures will increase?  
*\*Caution: Small sample size. Note: Responses of 'Don't know/Not sure' as well as any values greater than 200% are excluded from the calculation of the mean.*

Among the small number of companies expecting a decrease in capital spending, more than half expect to reduce it by 16% or more. The average decrease is expected to be 34%. (Table 8b)

### Anticipated Percentage Decrease Amount of Capital Expenditures

Among Those Who Said Decrease in Q.7



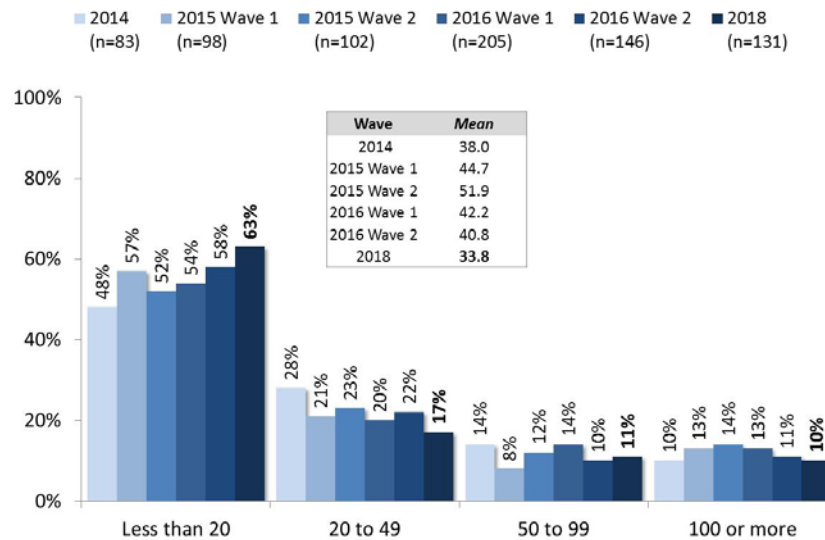
Q.8b: [IF Q.7 = 'DECREASE'] As a percentage, how much do you anticipate your capital expenditures will decrease?  
*\*Caution: Small sample size. Note: Responses of 'Don't know/Not sure' as well as any values greater than 100% are excluded from the calculation of the mean.*

## Number of Staff Employed in Bermuda

*The low average number of full-time staff shows the small-business orientation of the private sector.*

Private sector companies each employ an average of 34 full-time employees in Bermuda. The relatively small average underscores the small-business orientation of the private sector on the Island, and the difficulty in creating jobs in Bermuda’s current economic environment. (Table 9, ‘full time, 0s excluded’)

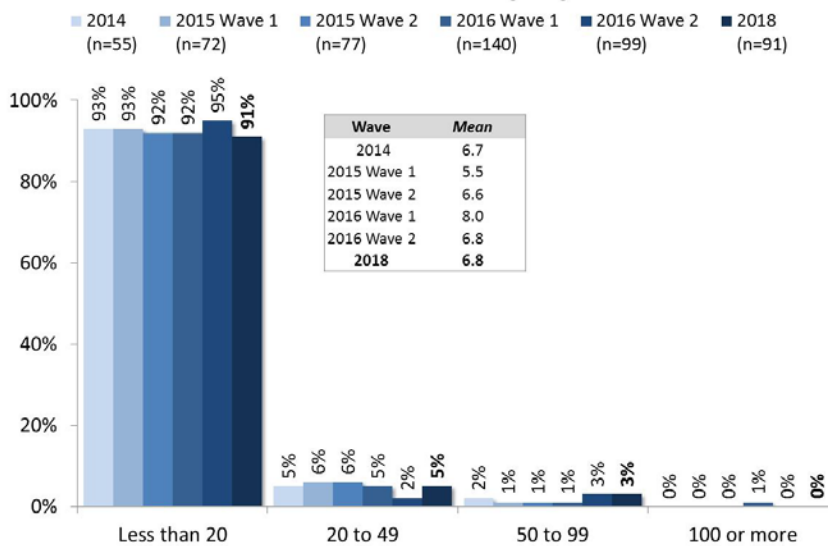
### Number of Full-Time Staff Employed in Bermuda



Q.9 FULL-TIME: At present, how many staff do you employ in Bermuda?  
 Note: All calculations exclude businesses with 0 full-time employees.

The number of part-time staff employed by the private sector is consistent with 2016, averaging 7 such employees. (Table 9 ‘part time, 0’s excluded’)

### Number of Part-Time Staff Employed in Bermuda



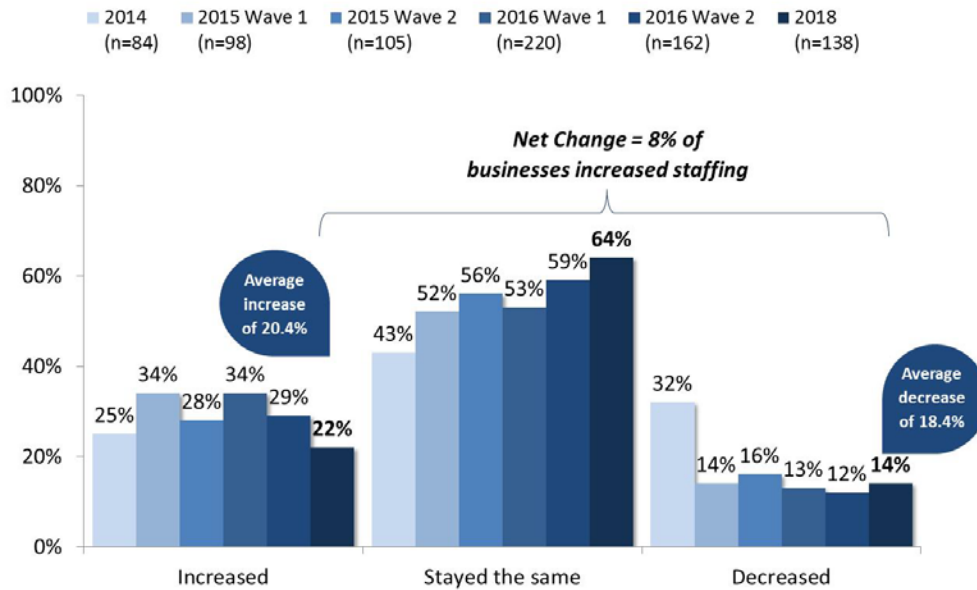
Q.9 PART-TIME: At present, how many staff do you employ in Bermuda?  
 Note: All calculations exclude businesses with 0 part-time employees.

### Change in Staffing Levels in Bermuda

*The majority of businesses have not altered their employment levels over the past year*

Although slightly more businesses increased staffing levels rather than decreased them, a majority of businesses (64%), kept their staff numbers the same. (Table 10)

#### Level of Staff Employed in Bermuda in the Past Year

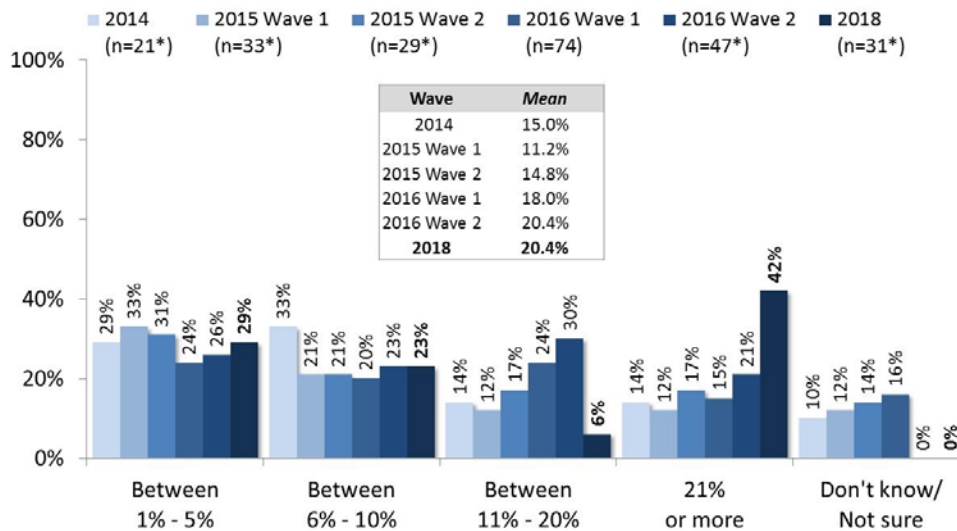


Q.10: In the past year has the total number of staff you employ in Bermuda increased, stayed the same, or decreased?  
*Note: Responses of 'Don't know/Not sure' excluded from the calculation of the mean increase % and mean decrease %.*

In addition, the average percentage increase in employment by company (20.4%) was somewhat higher than the average percentage decrease (18.4%). It should be remembered that these percentage increases are based on the relatively small average number of full-time employees in the private sector. (Tables 11a and 11b)

### Percentage of Increase in Staff Complement in Past Year

Among Those Who Said Increase in Q.10

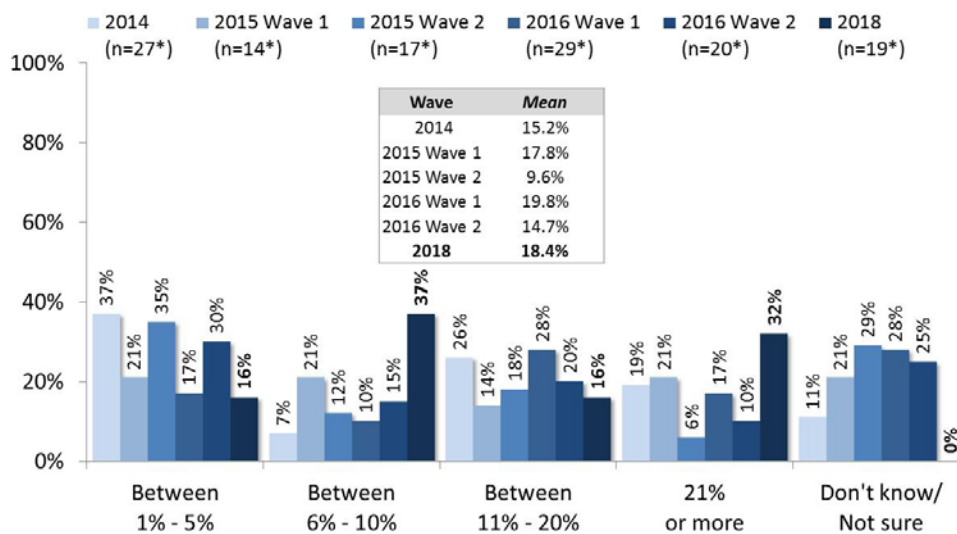


Q.11a: [IF Q.10 = 'INCREASE'] As a percentage, how much has your staff complement increased in the past year? Please use your best estimate.

\*Caution: Small sample size. Note: Responses of 'Don't know/Not sure' excluded from the calculation of the mean.

### Percentage of Decrease in Staff Complement in Past Year

Among Those Who Said Decrease in Q.10



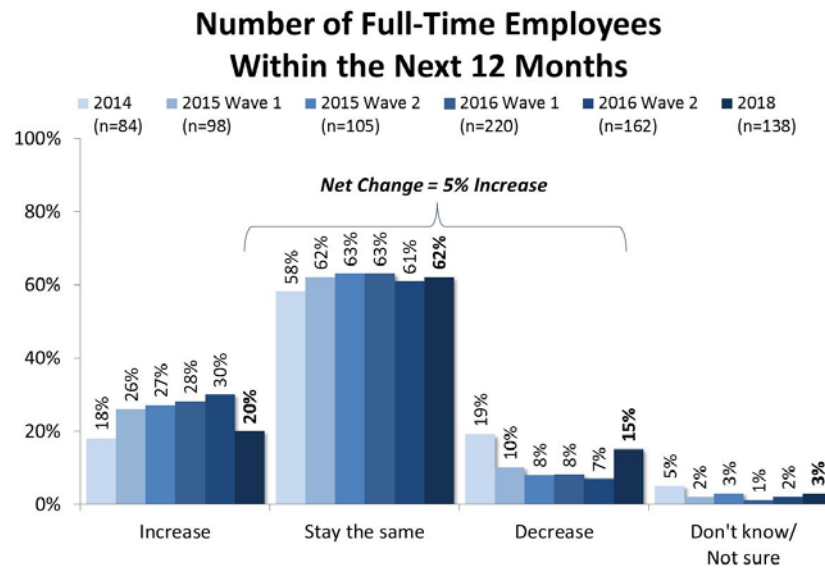
Q.11b: [IF Q.10 = 'DECREASE'] As a percentage, how much has your staff complement decreased in the past year? Please use your best estimate.

\*Caution: Small sample size. Note: Responses of 'Don't know/Not sure' excluded from the calculation of the mean.

### Anticipated Change in Staffing Levels

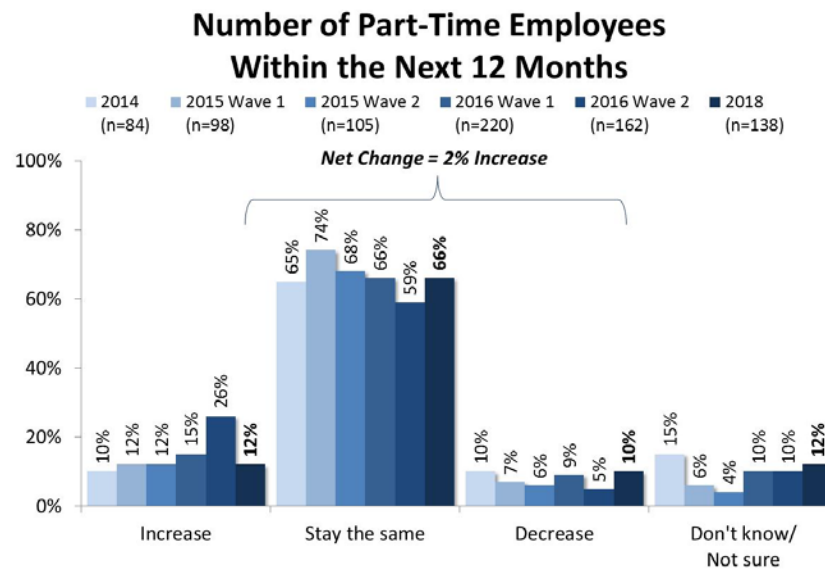
*Little change is anticipated in overall employment levels over the next year, although the number of full-time employees is expected to marginally increase.*

Twenty percent of businesses anticipate higher, full-time staffing levels over the next year, however, 15% expect lower staffing levels, and the majority expect no change. (Table 12)



Q.12: Do you expect the number of full-time employees (those working 30 hours or more per week) in your organisation to increase, decrease, or stay the same within the next 12 months?

Expectations are that part-time employment will remain roughly the same over the next 12 months. (Table 15)

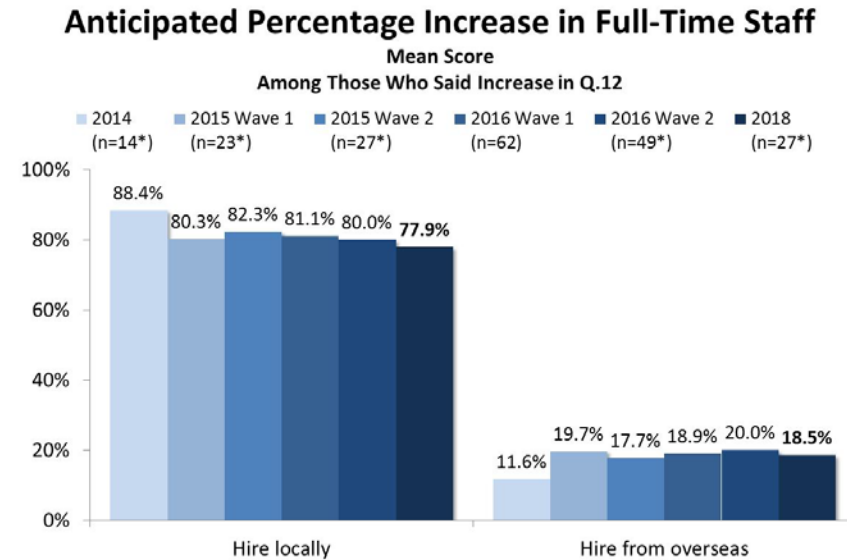


Q.15: Do you expect the number of part-time employees (those working less than 30 hours per week) in your organisation to increase, decrease, or stay the same within the next 12 months?



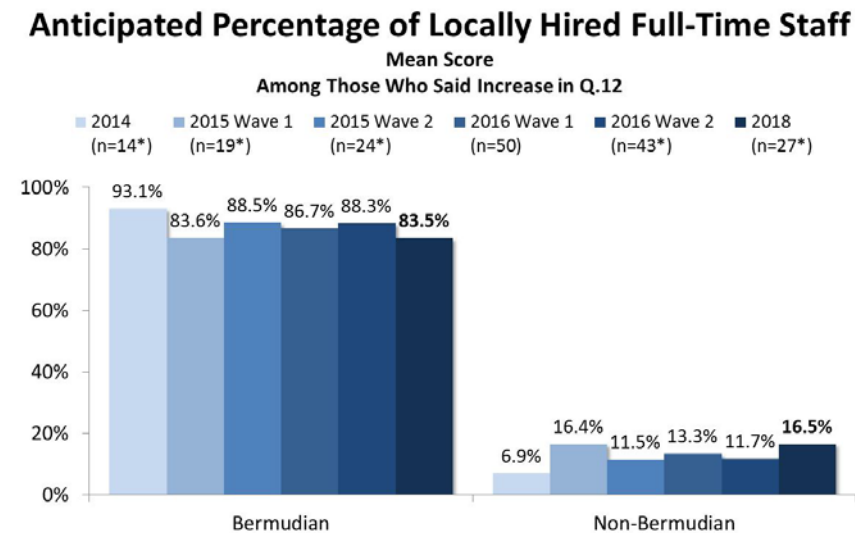
**Among those anticipating higher staff levels, the vast majority of businesses expect to hire locally for new employees.**

Eight-in-ten businesses who anticipate hiring more full-time employees in the coming year, expect to hire in Bermuda for those positions. This is consistent with previous surveys. (Tables 13a-b & 14a-b)



Q.13a-b: [IF Q.12 = 'INCREASE'] What percentage of full-time staff do you anticipate hiring locally compared to bringing in expertise you require from overseas?  
*\*Caution: Small sample size. Note: Responses of 'Don't know' excluded from the calculation of the mean.*

Among those anticipating hiring locally, more than eight in ten intend to hire a Bermudian for the positions available.



Q.14a: [IF Q.12 = 'INCREASE' AND Q.13a DOES NOT = 0] And of the full-time staff you anticipate hiring locally, what percentage will be Bermudian?  
 Q.14b: [IF Q.12 = 'INCREASE' AND Q.13a DOES NOT = 0] And of the full-time staff you anticipate hiring locally, what percentage will be Non-Bermudian?  
*\*Caution: Small sample size. Note: Responses of 'Don't know' excluded from the calculation of the mean.*

**Retail Sales in Bermuda**

**Monthly retail sales were in overall decline in 2017, but show promise in 2018.**

In 2017, despite spikes during the America’s Cup in the spring and at Christmas, the monthly retail sales index has shown an overall declining trend throughout the year. There were some signs of improvement in early 2018.<sup>2</sup>

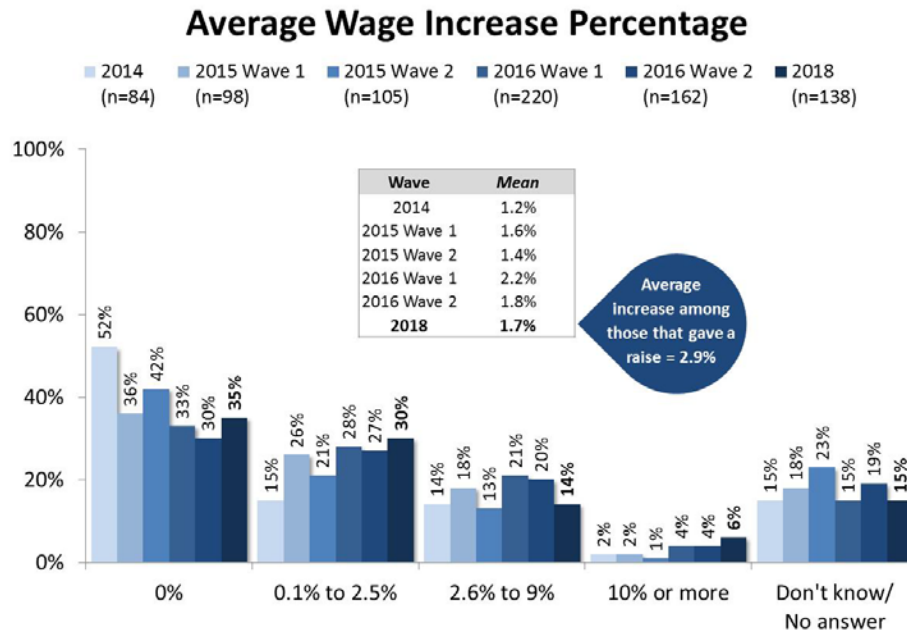


<sup>2</sup> Government of Bermuda Department of Statistics, Monthly Retail Sales Publication, March 2018

## Average Wage Increase Granted to Employees in 2017

*The average increases in wages in the private sector remain modest.*

The average wage increase for the private sector in 2017 was a modest 1.7% (2.9% for those granting a wage increase). Two-thirds of businesses report no wage increase in 2017 (up five points from 2016). (Table 16)



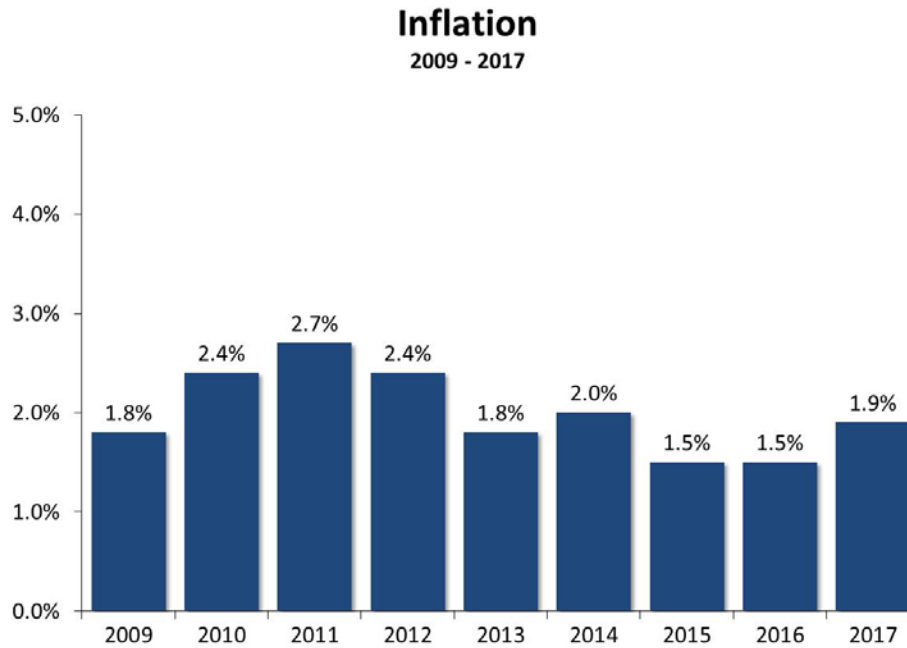
Q.16: What was the average wage increase granted to your employees by your organisation [2015 Waves: in 2014?] [2016 Waves: in 2015?] [2018 Wave: in 2017?]

*Note: Responses of 'Don't know/No answer' excluded from the calculation of the mean.*

## Inflation vs. Wages

***Wage increases did not keep pace with inflation.***

For 2017, the overall average wage increase was marginally lower than inflation (1.7% overall average increase – with a 2.9% average among those offering raises – compared with 1.9% inflation).<sup>3</sup>



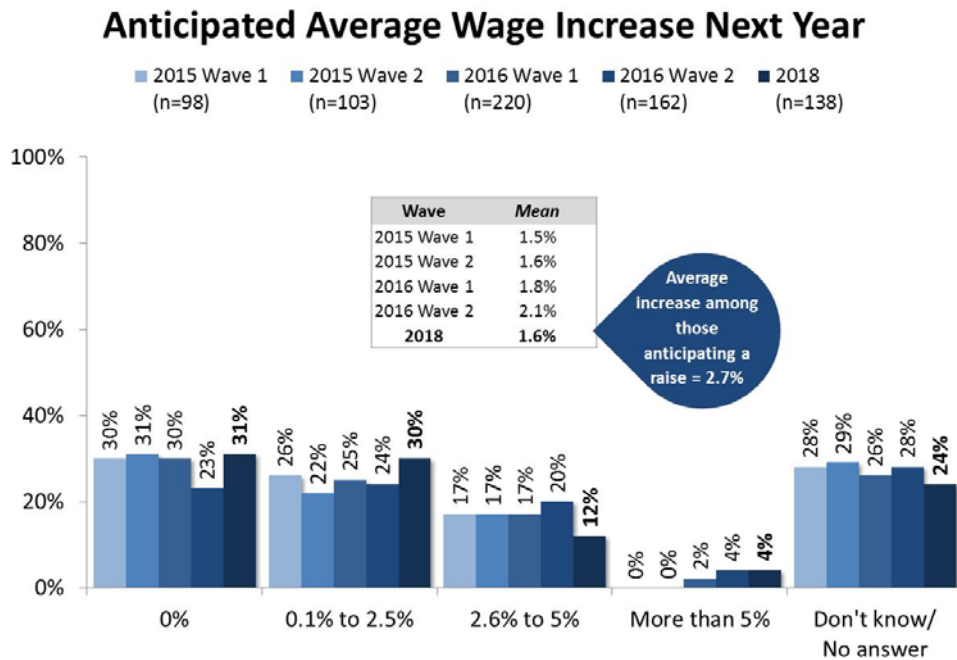
Source: Bermuda Department of Statistics.

<sup>3</sup> Bermuda Government Department of Statistics, Consumer Price Index December 2017

## Anticipated Wage Increase

*There is a modest increase in average wages expected for the coming year.*

The upward trend in anticipated wage increases has come to an end, with expected increases dipping from 2.1% in 2016 to 1.6% currently (2.7% for those expecting to increase wages). Three in ten businesses expect no increase at all in the coming year. (Table 17)



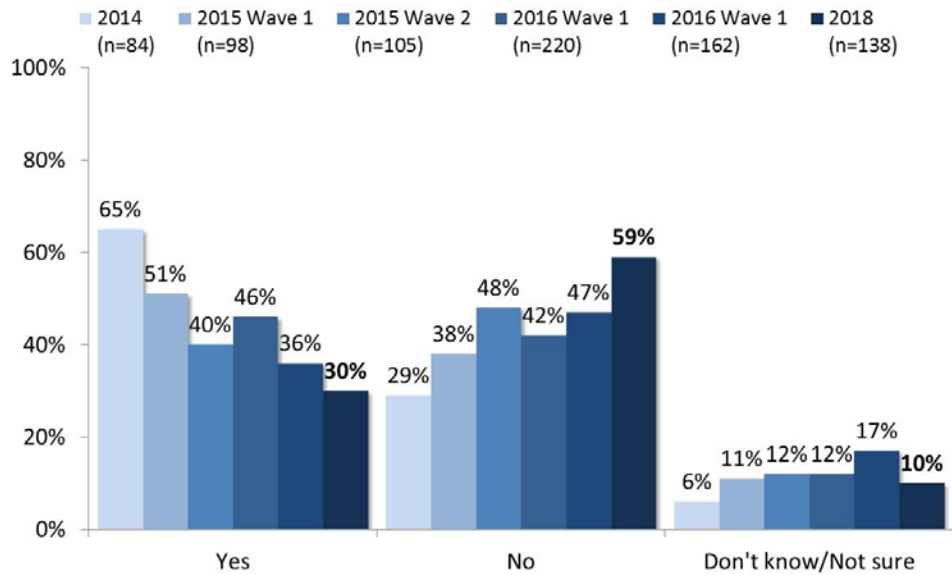
Q.17: What do you anticipate the average wage increase will be [2015 Waves: for 2015?] [2016 Waves: for 2016?] [2018 Wave: for 2017?] *Note: Responses of 'Don't know/No answer' excluded from the calculation of the mean.*

### Non-advertised Job Applications

**Metrics are at record lows for the number of businesses seeing applicants for non-advertised jobs**

The number of unsolicited applications continues to decline and is now at its lowest point (30%) since 2014. (Table 18)

#### Received an Increased Number of Applications for Jobs Not Advertised or Posted?



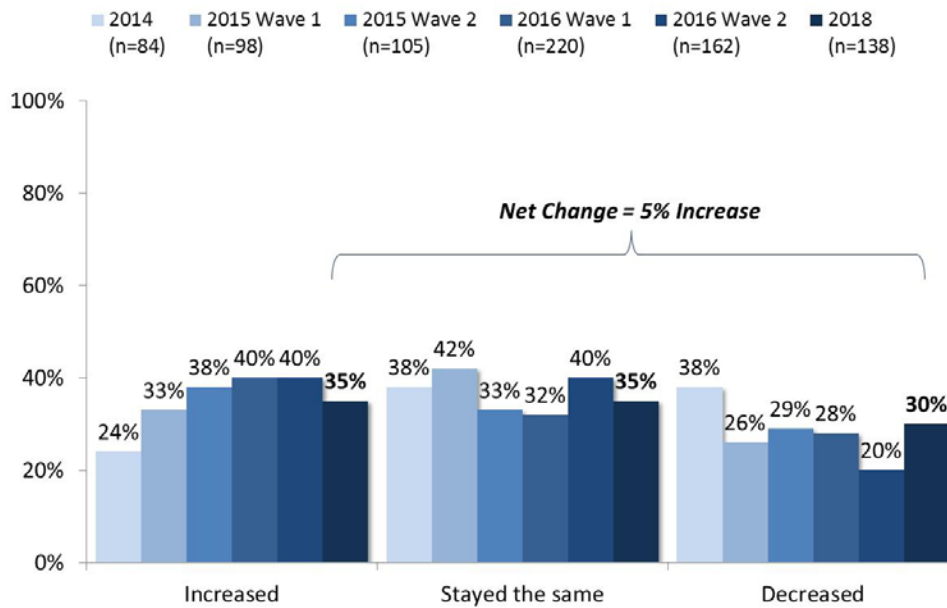
Q.18: In the past year, have you received an increased number of applications for jobs that have not been advertised or posted?

## Organisations' Revenue in the Past Year

**A rising number of businesses report declining revenues over the past year.**

One-third of businesses report increased revenue over the past year (down from 40% in 2016), while three in ten report decreased revenues (up from 20%). Another one-third say their revenues stayed the same. Declining revenue growth supports other data in this survey pointing to a slowing Bermuda economy. (Table 20)

### Organisation's Revenue in the Past 12 Months

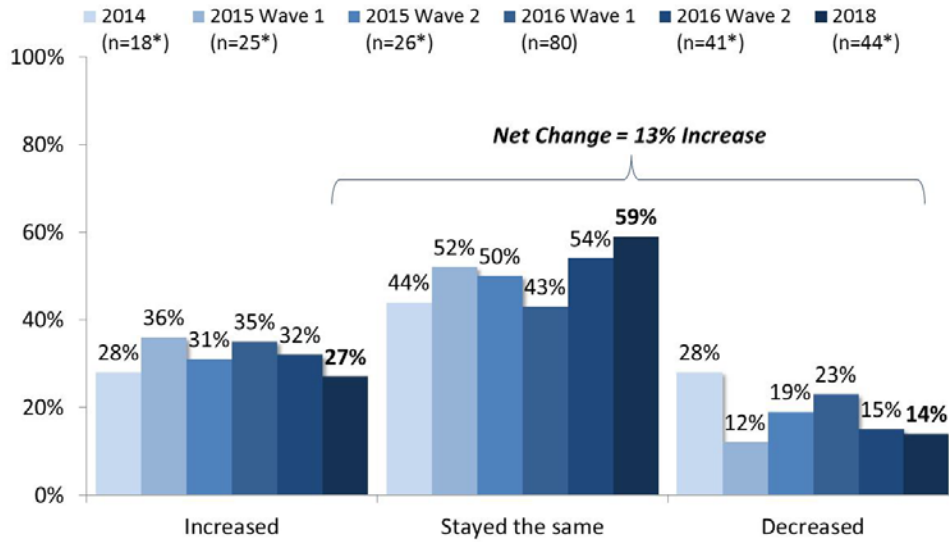


Q.20: In the past year have your organisation's revenue increased, stayed the same, or decreased?

The picture is more stable in terms of revenues generated specifically from operations in Bermuda. Six in ten businesses report that domestically-generated revenues remained the same over the past year. Three in ten say revenues increased, while more than one in ten say revenues decreased. (Table 26)

### Revenue Generated from Operations in Bermuda

Among Those Whose Organisation Operates in Both Bermuda and Overseas



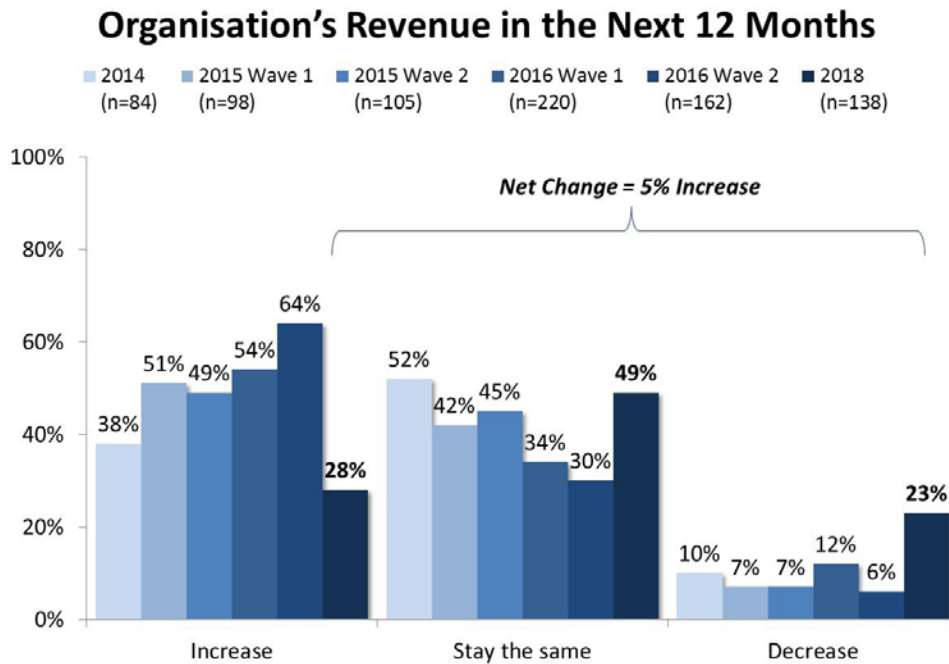
Q.26: [IF Q.A = 'BOTH BERMUDA AND OVERSEAS'] In the past year, has the amount of revenue generated from operations in Bermuda increased, stayed the same or decreased? *\*Caution: Small sample size.*



## Organisations' Revenue in Next 12 Months

*There is significant pessimism regarding the coming year's revenues.*

Unlike the optimism of 2016, only three out of ten businesses expect higher revenues in the coming 12 months. One-half expect revenues to remain the same, while one-quarter anticipate revenues to drop. These are the most pessimistic sentiments regarding future revenues, since the initial 2014 study. (Table 21)



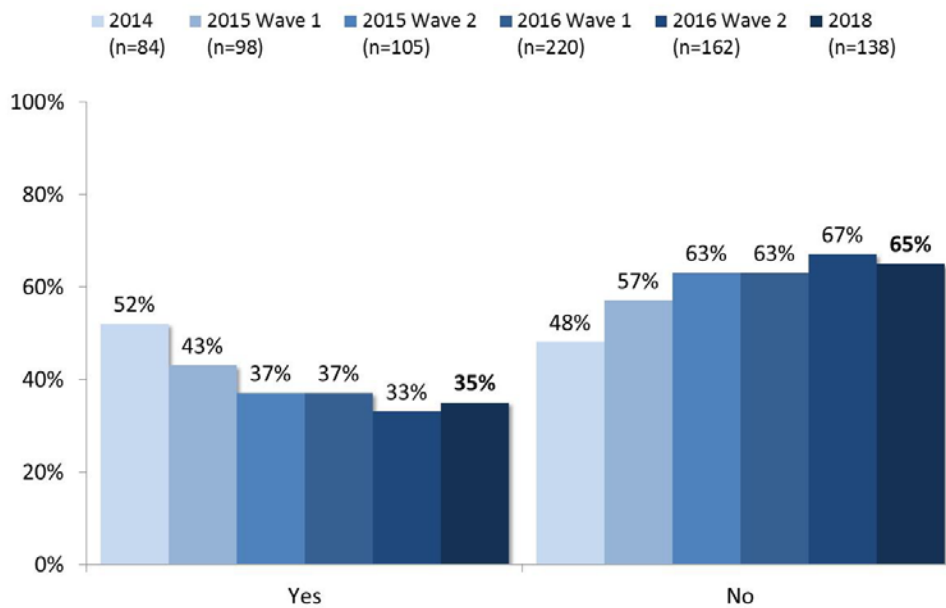
Q.21: In the next 12 months do you anticipate that your organisation's revenue will increase, stay the same, or decrease?

### Importation of Goods for Re-Sale in Bermuda

***A majority of Bermuda businesses do not import goods for resale.***

Only a third of businesses import goods for re-sale on the Island, the same as in 2016. (Table 22)

#### Company Imports Goods For Re-Sale in Bermuda?



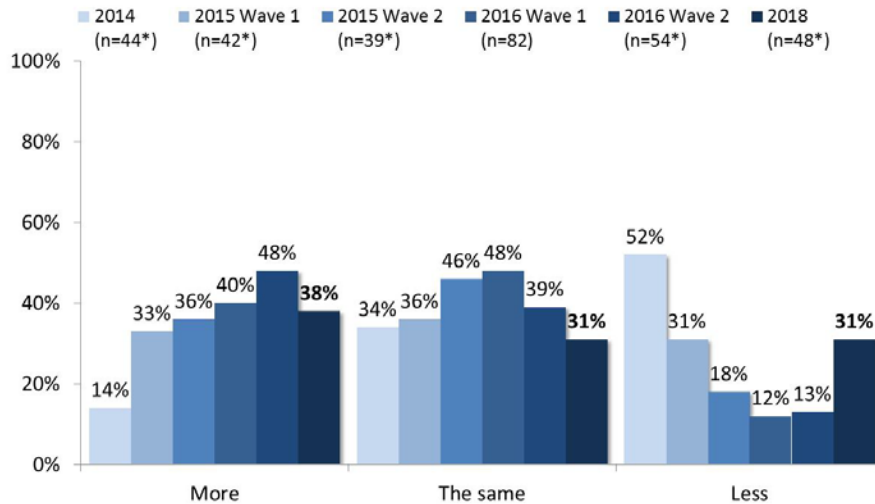
Q.22: Does your company import goods for re-sale in Bermuda?

**There is a downward trend in the percentage of Bermuda businesses importing goods for sale.**

Among those businesses importing goods for sale, four in ten are importing more (down 10 points from 2016), while three in ten are importing less (up 18 points). The large jump in those importing fewer goods is likely a sign of a deteriorating Island economy. (Tables 23 & 24)

### Amount of Importing in the Past Year by Organisation

Among Those Organisations who Import Goods for Re-sale in Bermuda

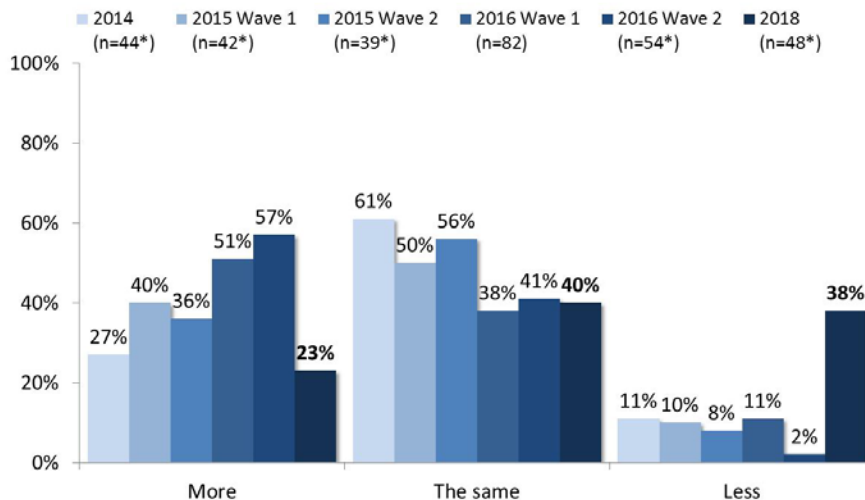


Q.23: [IF Q22 = 'YES'] In the past year has your organisation imported more, the same or less than in the past?  
 \*Caution: Small sample size.

Expectations are to continue importing less in the coming year as well.

### Amount of Importing in the Next 12 Months by Organisation

Among Those Organisations who Import Goods for Re-sale in Bermuda



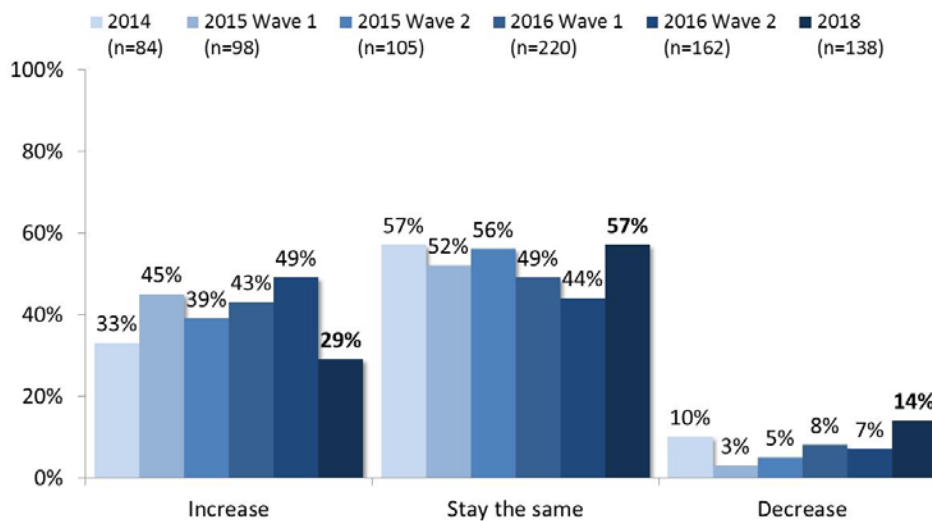
Q.24: [IF Q22 = 'YES'] In the next 12 months do you anticipate that your organisation will import more, the same or less than this year? \*Caution: Small sample size.

### Anticipated Change in Value of Local Goods/Services

**A majority of businesses do not expect to purchase more local goods and services in the coming year.**

More than half of private enterprises expect the value of goods and services they buy locally will not change in the coming year. The number expecting to increase purchases has fallen dramatically from 2016 (29%, down 20 points), while the number expecting to purchase less has risen (14%, up 7 points). (Table 25)

### Value of Goods/Services Purchased Locally in the Next 12 Months

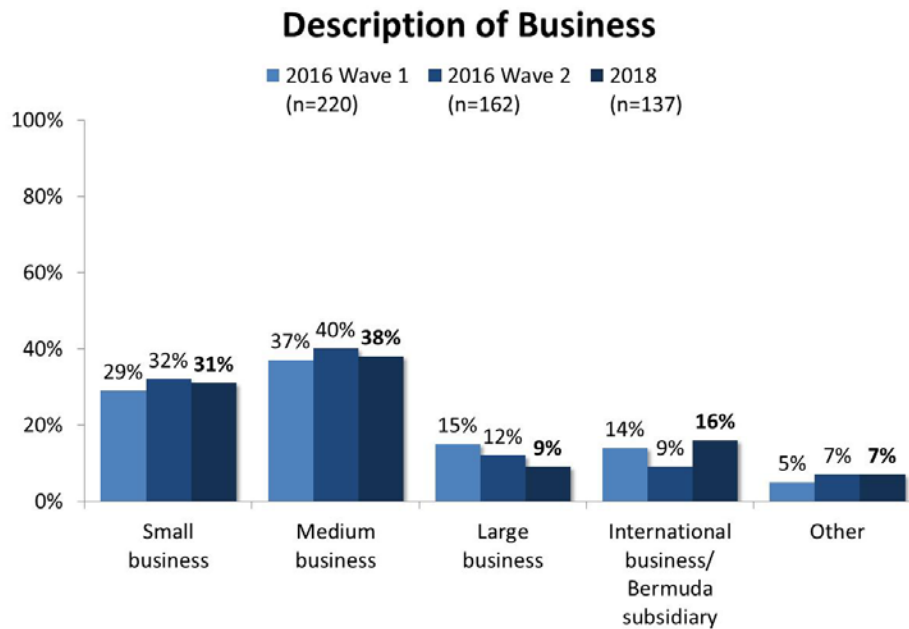


Q.25: In the next 12 months, do you think the value of the goods/services you purchase locally will increase, stay the same or decrease?

## Profile of Participating Organisations

**The private sector in Bermuda is made up primarily of SMEs.**

Small and medium size businesses continue to dominate the Bermuda economy, accounting for nearly 70% of the private sector. (Table 36)



Q.36: Which of the following best describes your business? *Note: Question added 2016 Wave 1. One respondent did not provide an answer for this question in 2018.*

## Survey Methodology

### Questionnaire Design

This survey represents the sixth iteration of the study which was first commissioned in 2014. The survey questions were based on the 2014 survey design, with the survey being virtually identical to the previous versions used in 2015 and 2016, save for a few questions added or subtracted. The survey was designed to ensure all responses were provided anonymously so none of the information collected could be linked to any individual.

### The Bermuda Business Confidence Index

The *Bermuda Business Confidence Index* is derived from a series of nine questions related to the perceived state of Bermuda's economy, organisations' economic situation, and organisations' revenue trends. The Index takes into account Bermuda business leaders' assessments of economic conditions at the present time as well as the outlook for the upcoming year. The Index was set at a benchmark of 100 in 2014, and as such, results from this year's study, and all subsequent reporting of the BCI are measured relative to this benchmark. More specifically, the calculation is based on positive or neutral responses (namely, *better or about the same; increase or stay the same; 6 to 10 confidence scale*), excluding negative responses (*worse; decrease; 1-5*) for each evaluation.

### Survey Administration

This economic metric represents both international and domestic companies from all major sectors of the economy including communications, transportation, retail, tourism, professional services, and finance, among others. In total, 138 surveys were completed between April 18 and May 24, 2018. In addition to direct invitations to panel members, the Bermuda Chamber of Commerce (BCC), and the Bermuda Economic Development Corporation (BEDC) invited their memberships to take part in the survey.

The median time required to complete the survey was 16.6 minutes. Appended to the report is a copy of the survey questionnaire (Appendix A), as well as the detailed data tables (Appendix B).