



**NARRATIVE  
RESEARCH**

# 2019 Bermuda Business Confidence Index Summary Report

April 2019

Sponsored by

HSBC Bank Bermuda Limited



- 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 a sample of 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) also 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, 198 surveys were completed between March 19 and April 10, 2019. *It should be noted that the sampling methodology used in this study does not allow for a margin of error to be applied to results. As such, results should be considered directional rather than statistically reliable.*
- This report includes highlights of key survey findings.
- 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.



- Online survey



- 198 interviews completed in total



- Sample of Bermuda business leaders across sectors, including both domestic and international organisations



- Data collection dates:  
March 19 to April 10, 2019

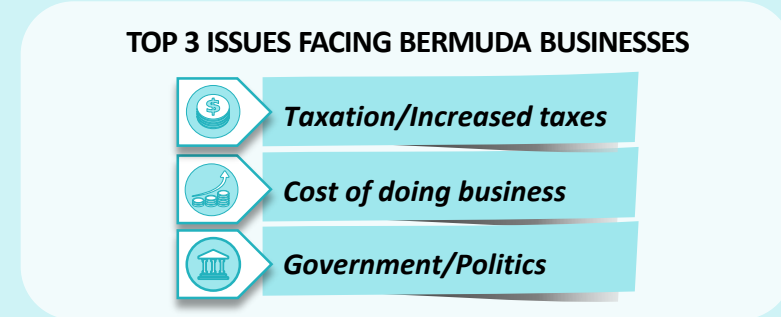
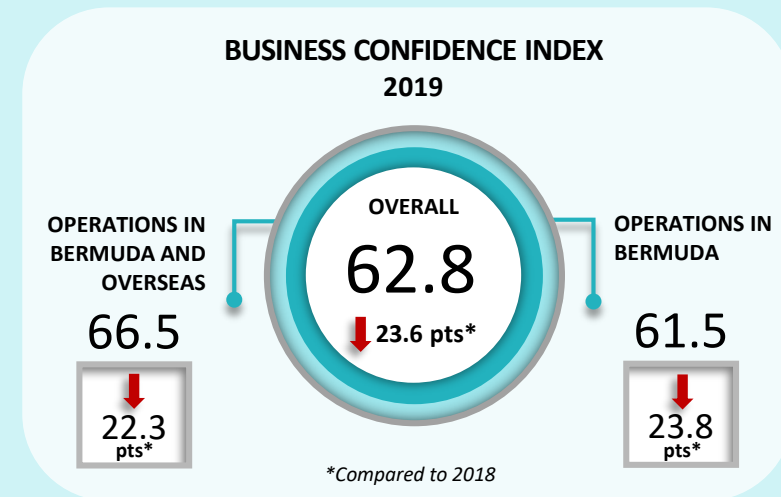


- Invitations sent to panel: 651
- Additional invitations sent out through BCC & BEDC
- Average survey length: 20 minutes

*The following presents highlights of the results from the Bermuda Business Confidence Index Study:*

A shift in perceptions of the Island’s economy over the past couple of years can be seen throughout results. Continuing the same trend as observed in 2018, business confidence has dropped notably and now sits at the lowest level. This decline stems from waning perceptions across nine index factors, most notably in regards to the stability and future direction of Bermuda’s economy. More specifically, the majority of business leaders now consider the current economic direction to be negative, and this perception is especially elevated among those operating internationally – likely in relation to the addition of Bermuda to the European Union’s tax haven blacklist. No doubt, the latter has had an impact, but the Island’s current economic woes began nearly two years ago. This year, *immigration* is in the spotlight as a key opportunity for change. At the same time, *taxation* is considered among the top issues facing the Island by a notable minority, as is the *cost of doing business*. In order to turn things around, business leaders are calling on government for immigration reform, increased foreign investment, and better tax policies.

As mentioned, anxiety about the economy is now heightened among business leaders, and a trickle-down effect of the private sector’s economic concerns is evident among residents. Indeed, consumer confidence has also declined notably and now sits at the lowest level for the past five years. This is perhaps not unfounded, as fewer businesses intend to offer their employees a raise in the coming year, and some plan to downsize in response to the Island’s economic conditions. At the same time, a sizeable number of businesses anticipate having to make cuts to their expenditures and imports of goods for resale in Bermuda, though importers do not expect much impact on the value of goods, at least for the time being. Interestingly, the long-term outlook is perceived more positively than the near-term, with four in ten feeling more optimistic about the coming year than the next six months.



It warrants mention that business leaders' perceptions of their own organisation's economic well-being are more optimistic compared with opinions of the economy of Bermuda more generally. Indeed, only a minority of businesses anticipate worsened conditions for their own organisations in the coming year, compared with a growing majority (albeit small) that predicts further economic decline for Bermuda in the next twelve months. Nonetheless, as trends for the Island's economy have largely continued towards the negative this year, it is positive to note that a small minority remain steadfast that things will improve (consistent with last year).

Despite these results, there are opportunities to take action and foster a more positive business climate in Bermuda. Although business leaders are divided in terms of the amount of effort they have put forth to cultivate positivity in the market, there is a perception that steps could be taken towards increased engagement with the government, better promotion of Bermuda as a business destination, increased support of small/local businesses, and increased employment opportunities for Bermudians. Conversely, businesses look to government for improved immigration policies, greater collaboration with the private sector, and reduced taxes.



## HOW CAN WE FOSTER A POSITIVE BUSINESS ENVIRONMENT?

### BUSINESS COMMUNITY

1. *Engage/work with government*
2. *Better promotion/marketing*
3. *Better/More job opportunities/Employ more Bermudians*
4. *Support small/local businesses*

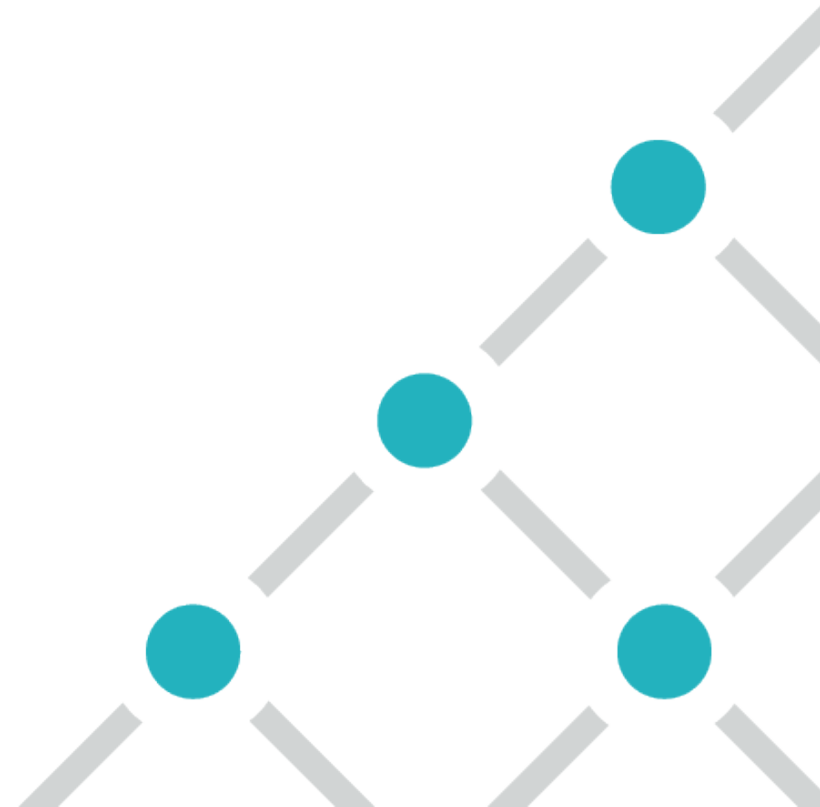
### GOVERNMENT

1. *Immigration reform/Improve immigration policies*
2. *Work/Collaborate with the business community*
3. *Reduce taxes*
4. *More support for small/local businesses*



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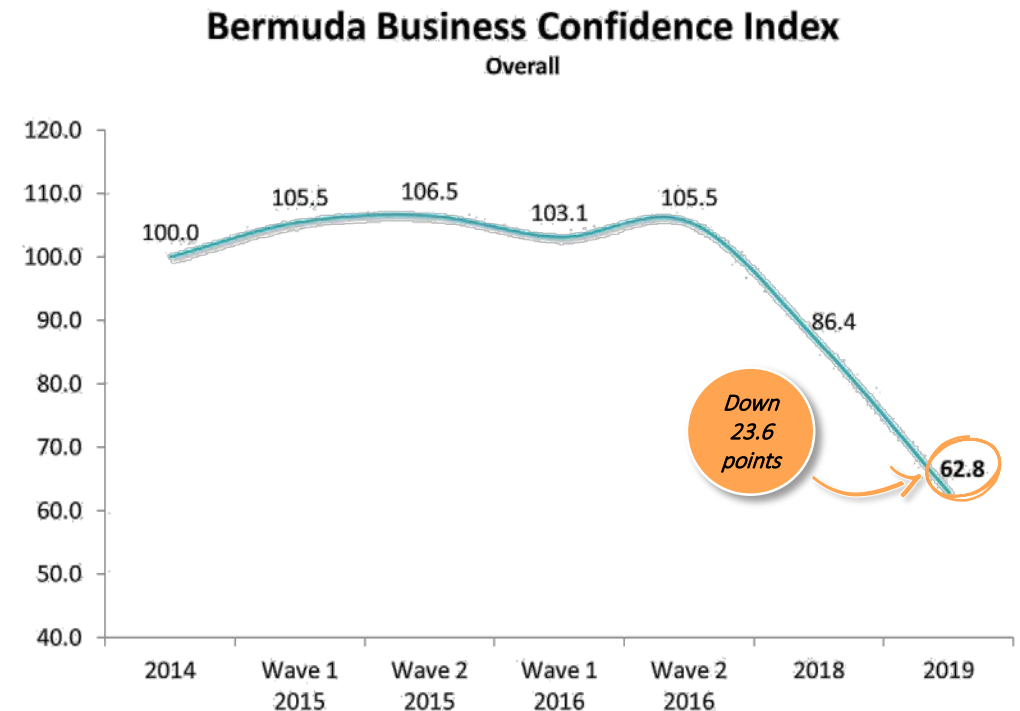
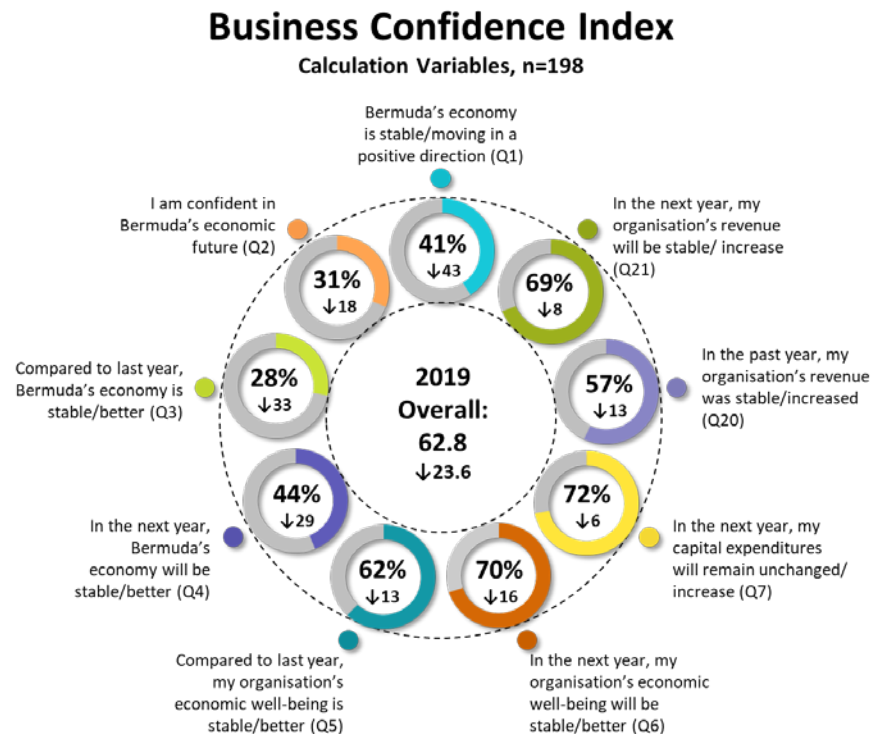
# Business Confidence Index



The business climate in Bermuda has suffered over the past few years – with a notable decline in business confidence.

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 over the past year and the year ahead, as well as revenue expectations and capital expenditure plans in the coming year.

Continuing the same trend as observed last year, business confidence has dropped and now sits at the lowest level. This decline stems from waning perceptions across index factors, most notably in regards to the stability and future direction of Bermuda’s economy.





# Top Three Issues Facing Bermuda Businesses Today

Top Three Issues Facing Bermuda Businesses Today							
Key Mentions, From Total Unaided Mentions							
	2014 (n=80)	2015 Wave 1 (n=88)	2015 Wave 2 (n=95)	2016 Wave 1 (n=211)	2016 Wave 2 (n=156)	2018 (n=138)	2019 (n=198)
Taxation/Increased taxes	n/a	n/a	n/a	12%	17%	33%	<b>43%</b>
Cost of doing business	36%	44%	39%	36%	23%	32%	<b>38%</b>
Government/Politics	29%	40%	37%	48%	63%	41%	<b>33%</b>
Poor immigration policies	4%	9%	6%	15%	10%	9%	<b>27%</b>
Economic substance requirements/Being blacklisted by the EU	n/a	n/a	n/a	n/a	n/a	n/a	<b>24%</b>
Declining population	34%	25%	15%	16%	6%	18%	<b>20%</b>
Poor economy	26%	32%	20%	18%	10%	20%	<b>17%</b>
Lack of business development/growth	19%	7%	25%	12%	17%	22%	<b>15%</b>
Lack of qualified workers	31%	17%	19%	16%	15%	16%	<b>10%</b>

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

The economic shift as of late is attributed to a variety of issues – most notably taxation, the cost of doing business and politics, consistent with last year.

As in previous waves, business leaders were asked to identify (unaided) the top three issues facing Bermuda businesses today. The same factors dominate as last year, namely, increased taxation, the cost of doing business, and government/politics. While the latter issue is less top of mind than in the past, concerns with taxation have risen for the second year in a row. It also warrants mention that a sizeable minority cite poor immigration policies as a key challenge, marking a rise from past results. Moreover, concerns with the addition of Bermuda to the EU’s tax haven blacklist are now mentioned in light of the recent turn of events.



# Changes to Positively Impact Bermuda Business Climate

Changes to Positively Impact the Business Climate in Bermuda							
Key Mentions, From Total Unaided Mentions							
	2014 (n=74)	2015 Wave 1 (n=79)	2015 Wave 2 (n=75)	2016 Wave 1 (n=196)	2016 Wave 2 (n=138)	2018 (n=138)	2019 (n=198)
Immigration/Improve work permit process	18%	22%	16%	21%	14%	24%	<b>39%</b>
Business development/growth/Increased foreign investment	39%	37%	28%	19%	12%	22%	<b>31%</b>
Better taxes	4%	13%	12%	14%	14%	21%	<b>22%</b>
Better government leadership/Political stability	18%	38%	37%	35%	39%	22%	<b>20%</b>
Population increase	12%	5%	4%	7%	3%	9%	<b>10%</b>
More support/incentives for small/local businesses	n/a	n/a	n/a	7%	7%	8%	<b>7%</b>
Better/more education/training for Bermudians	11%	11%	9%	12%	9%	7%	<b>7%</b>
Improved economy	4%	9%	8%	6%	4%	5%	<b>7%</b>
Increased/Improved tourism	4%	4%	8%	5%	3%	5%	<b>7%</b>

Q.29: What would you like to see change in order to positively impact the business climate in Bermuda?

*Note: Responses were not forced.*

There is strong appetite for improved immigration policies and increased development among the business community in Bermuda.

When asked what changes would positively impact the Island’s business climate, improvements to the work permit process, as well as more growth and increased foreign investment are most often cited. Meanwhile, a portion would also like to see better taxes and greater political stability and leadership.

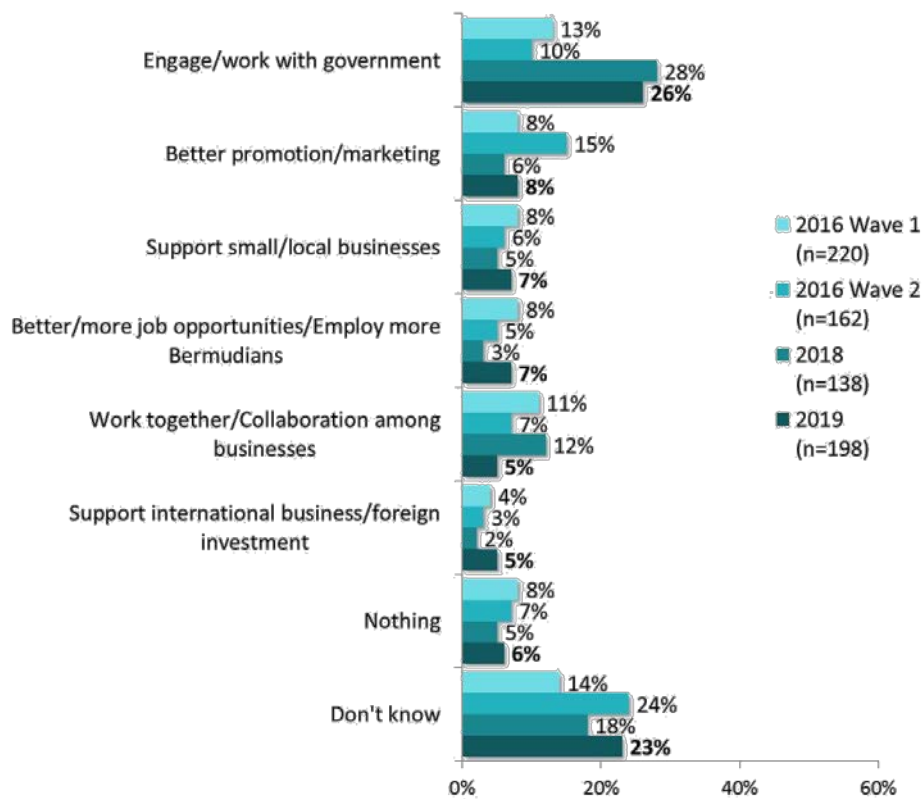
Comparing findings to last year, it is clear that immigration policies are now more top of mind than in the past, as is a perceived need for greater foreign investment and development.





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

Key Mentions, From Total Unaided Mentions



The main action businesses could take to foster a positive business environment is to increase engagement with the government.

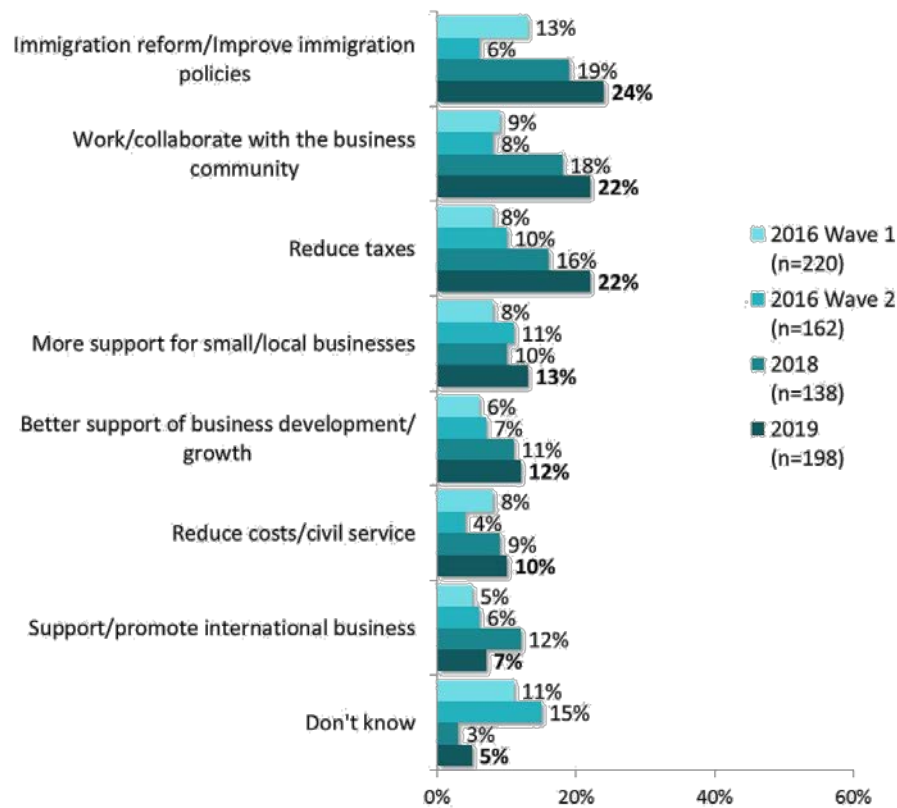
When asked what more the business community could do to foster a positive business environment, increased engagement with the government came out as the top suggestion, consistent with last year. Better promotion distantly follows, as does a suggestion to support small/local businesses, and to increase employment opportunities for 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.*



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

Key Mentions, From Total Unaided Mentions



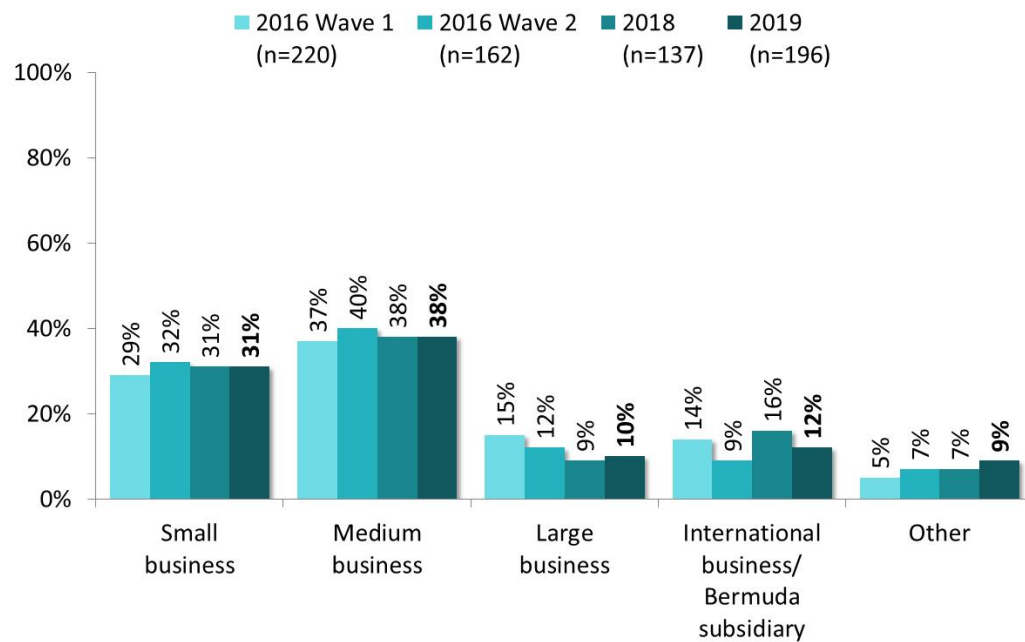
With the aim of cultivating a positive economic climate, Bermuda's business leaders call on the government for immigration reform, increased collaboration with the private sector, and reduced taxes.

Businesses offer a variety of suggested ways the Bermuda government could work to foster a positive business environment. Improvements to the Island's immigration policies is most often mentioned, underscoring the apparent focus this year on the matter. Following closely behind are mentions of a need for greater collaboration with the business community, as well as reduced taxes, among others.

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.*



## Description of Business



Q.36: Which of the following best describes your business? *Note: Question added 2016 Wave 1. Two respondents did not provide an answer for this question in 2019.*

A variety of business sizes operating across industries are represented in the research.

Respondents to this survey include a representative mix of small, medium and large-sized enterprises, as well as a portion with international and other operations.

every insight tells a story.

