2017 NATIONAL ECONOMIC REPORT of BERMUDA

GOVERNMENT OF BERMUDA

Ministry of Finance

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NATIONAL ECONOMIC REPORT OF BERMUDA 2017

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THE ECONOMY IN 2017

The Ministry of Finance estimates that Bermuda's GDP may have increased by 0.75% – 1.25% per cent in 2017[1] following a marginal contraction of 0.1 per cent in 2016.

Many of the major economic indicators such as employment, employment income, air visitors, new construction projects and retail sales increased in 2017 indicating a strengthening in the Bermuda economy.

The number of jobs is estimated to have grown by 0.1 per cent and the official unemployment rate remained at 7.0 per cent.

In the tourism sector, air visitors increased by 10.3 per cent while cruise arrivals rose by 5.1 per cent. Employment in hotels grew by 1.3 per cent.

Employment income rose by 3.1 per cent over the first three quarters of 2017. The largest increase occurred in international business sector whose employment income rose by 4.2 per cent.

The gross turnover generated by retail stores increased by 2.9 per cent in 2017 while jobs in the sector rose by 0.7 per cent.

Over the first three quarters of 2017 the level of construction activity fell by 7.0 per cent with the value of work put in place decreasing $5.4 million. The value of new projects started increased from $87.0 million in 2016 to $537.5 in 2017. Jobs in this industry grew by 2.8 per cent year-over-year.

The Consumer Price Index (CPI) measured 1.9 per cent for 2017. This level of inflation is above the 1.5 per cent recorded in 2014 and 2015.

GROSS DOMESTIC PRODUCT 2016

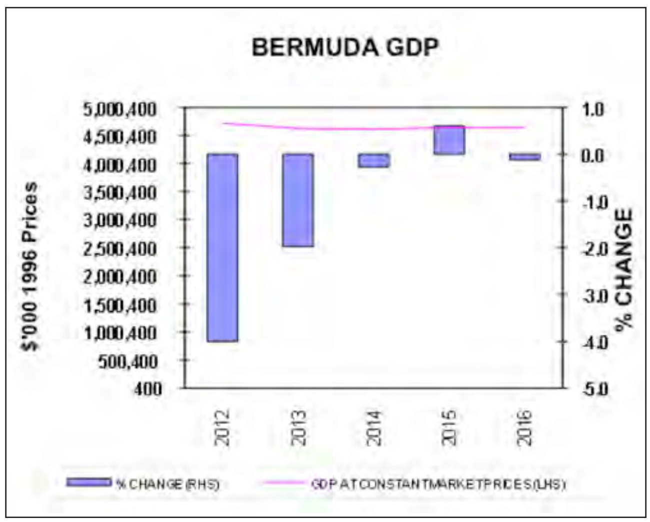
The most recent published estimates by the Department of Statistics for GDP are for the year 2016.

In 2016 the Bermuda economy grew by 3.4 per cent in current market prices. This increase marks the fourth consecutive year that the economy has grown in nominal terms, after 4 years of decline. Nominal GDP was reported to be approximately $6.127 billion reflecting an increase of $204.3 million above the 2015 revised figure of roughly $5.9 billion. As a result, Bermuda's GDP per capita rose from $95,943 in 2015 to $99,316 in 2016. When adjusted for inflation, the level of economic activity or real GDP declined by 0.1 per cent. This rate was better than the five year average (2012-2016) of negative 1.2 per cent. However, the result was marginally below the Ministry of Finance's 2016 estimate (made in February 2017) of an increase in GDP of 0.0–1.0 per cent.

The positive movement in GDP of 3.4 per cent at current market prices was largely driven by a 5.8 per cent increase in the output of the business activities sector, growth of 11.9 per cent in the transport and communications sector and a 10.6 per cent uptick in the hotel and restaurant sector.

The contraction in the level of GDP in real terms of 0.1 per cent was mainly caused by reductions of $35.1 million in the output of the financial intermediation sector, a $28.6 million decline in the international business sector, and an $8.5 million fall in the public administration sector. These losses were offset by gains of $13.2 million in the construction & 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 (Nominal GDP) while Table 2 presents it in current market prices (Real GDP)

In current market prices, international business contributed the greatest amount to the Bermuda economy in 2016. This sector provided $1.68 billion in total output or 27.3 per cent of total GDP which was a 1.0 per cent increase when compared to 2015. The growth in output in this sector benefitted from increases in the value added of businesses offering insurance activities such as actuarial services, insurance claims adjustment services and insurance and reinsurance management.

1 Official 2017 GDP estimates are not yet available.

2016 marked the fourth consecutive year that the value added by the international business sector increased following 4 years of contraction. The value added from this sector represents over a quarter of total GDP and is a continuation in the trend of previous years. Companies in the insurance and reinsurance industry are the biggest contributors to this sector. Contributions to this sector also emanate from the trading operations of security and commodity brokerage, shipping, consultancy and other forms of international business activity.

The real estate and rental sector was the second largest contributor to GDP. This sector accounted for $1.0 billion in output or 16.4 per cent of total GDP. The value added from this industry increased by 2.3 per cent, increasing for the third consecutive year. The growth in this sector can be attributed to the rise in the imputed rent for owner-occupied dwellings.

The next largest contributor to Bermuda's economy is the financial intermediation sector. This sector accounted for $733.5 million in output which represents 12.0 per cent of total GDP. The 3.8 per cent year over year growth in this sector was mainly the result of higher net interest received by banks which offset decreases in reserves by insurance companies.

The business activities sector contributed $563.4 million to the output of the economy representing 9.2 per cent of GDP. Output in this sector grew by 5.8 per cent led by greater sales of architectural and engineering activities, building cleaning activities and management consultancy.

Output generated in the education, health and social services sector was recorded at $504.9 million in 2016, which represents 8.2 per cent of total output. This sector experienced growth in output of 2.8 per cent which was primarily driven by greater output in private health activities and government hospital activities.

The wholesale, retail trade and repair services sector represented 7.2 per cent of GDP in 2016 with an output level of $443.1 million which is a 6.3 per cent increase over 2015. This sector increased for the third consecutive year following five consecutive years of decline. This sector was bolstered by growth in the wholesale of fuel, food, beverages and tobacco, and the sales of motor vehicles and construction materials.

The construction and quarrying sector grew by 10.7 per cent and accounted for 3.4 per cent of GDP. The output of $211.0 million was driven by continued construction activity associated with the 35th America's Cup and major Hotel projects that were underway.

Economic Trends 2017

Domestic Demand

Personal Consumption and the Retail Sector

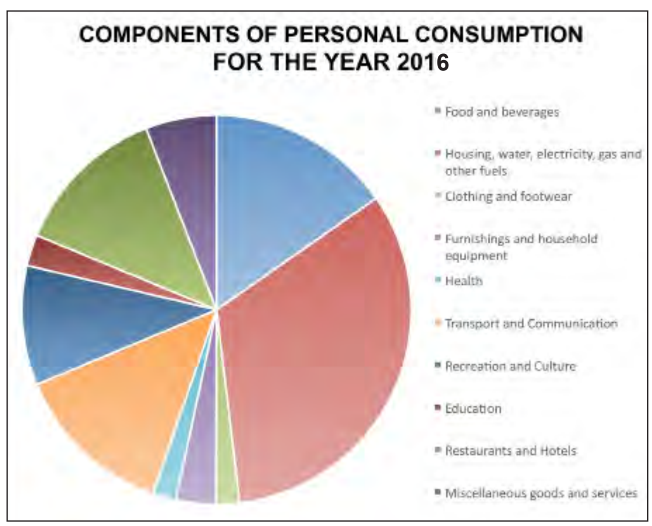
Employment income supports personal consumption and is estimated to have increased by 3.1 per cent for the first three quarters of 2017 compared to the same period in 2016. For the 12 month period ending September 2017, total employment income was $3.35 billion, some $79.3 million or 2.4 per cent greater than the 12 month period ending September 2016.

The year-over-year level of employment income grew by 2.4 per cent during the first quarter and 4.0 per cent in the second quarter and 3.0 per cent in the third quarter of 2017. In 2016 the Labour Force Survey, which measures the unemployment rate, was not compiled by the Department of Statistics because the Department obtained the data through the 2016 Census. During years when a Census is done, the Department of Statistics will use the Census data for the unemployment rate because it is more accurate. Based on the 2016 Census the unemployment rate was 7.0 per cent.

The broadening economic recovery has led to increases in employment income which should translate into increased personal consumption.

The most recent estimates by the Department of Statistics for household personal consumption are for the year 2016. During that year, total household personal consumption was $3.22 billion, reflecting an increase of 2.9 per cent over 2015.

FIGURE 2



While personal consumption estimates are not available for 2017, the Retail Sales Index (RSI) for 2017 offers insight into the expenditure trends of consumers in Bermuda's retail stores.

In 2017, total gross turnover stood at $1,175.8 million which represents a 2.9 per cent increase when compared to 2016. In the first three quarters of 2017 employment income rose by 3.1 per cent which appears to have had a positive effect on retail sales as consumers had more disposable income.

Four sectors in the RSI recorded sales growth in 2017 while three sectors experienced declines.

Building material stores experienced the highest growth in sales of all sectors. Six of the 12 months in 2017 recorded double digit sales growth with two of those months recording growth of over 20 per cent. The annual growth in sales of 8.8 per cent can be attributed to an increase in the availability and demand of inventory for construction supplies, related to various types of construction.

All other store types recorded the next largest increase in sales of all sectors. The sales level recorded in this sector was led by a strong second quarter which saw sales grow by an average of 9.5 per cent. The average monthly increase in this sector was 1.3 per cent. Sales increased due to greater demand from marine and supplier stores and increased gross receipts of pharmacies.

Monthly receipts by service stations advanced by an average of 1.3 per cent, due in large part to an increase in the cost of fuel in 2017. A 6.1 per cent increase in the second quarter was responsible in large part for the annual increase.

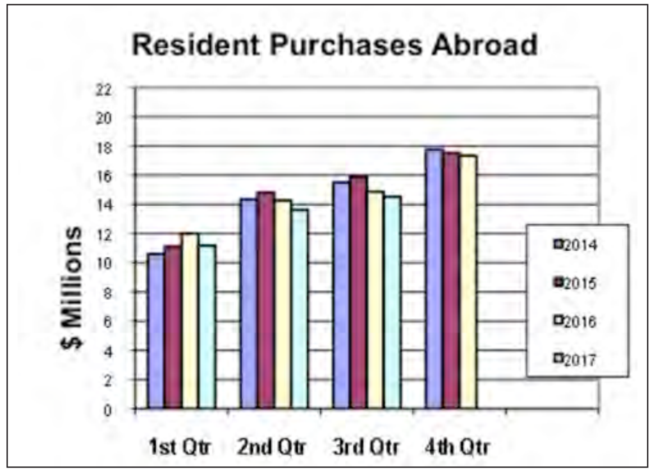
The largest sales decline was recorded by motor vehicle stores. The 3.8 per cent decline in sales for 2017 was mainly the result of fewer motor vehicles sold due in part to less vehicle availability throughout the year.

During 2017, overseas purchases declared by residents returning to Bermuda grew from $57.5 million to $58.4 million year-over-year, representing a 1.6 per cent increase.

The declared value of overseas purchases during 2017 equated to 4.8 per cent of the combined estimated local and overseas gross turnover in the retail sector.

Residents traveling overseas during the first three quarters of 2017 declared that 51.5 per cent of their overseas expenditure was on clothing and footwear and 7.6 per cent was spent on electronic and photographic equipment. The value of goods declared by returning residents does not include the significant amount of shopping performed by residents through mail order and online purchases over the internet.

FIGURE 3



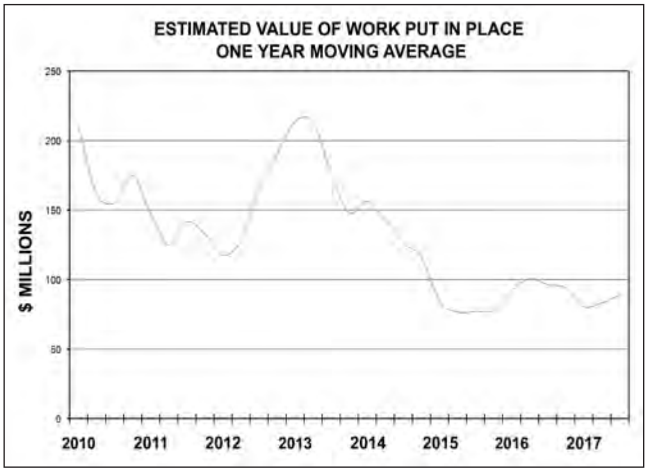
Capital Formation and the Construction Industry

Some leading building indicators displayed negative results in 2017; however with major projects in the pipeline, these results should start to improve. Evidence of the negative growth comes from the Department of Planning where new planning applications declined marginally to 465 in 2017 from 472 in 2016. Building permits are an indication of the projects that are actually being built and they also declined from 822 in 2016 to 794 in 2017.

During the first three quarters of 2017, the value of new projects started rose from $87.0 million in 2016 to $537.5 million, an increase of 517.8 per cent. However the estimated value of work put in place during the same time period fell from $77.3 million in 2016 to $71.9 in 2017, a decrease of 7.0 per cent. These declines are mainly attributed to work being done in the lead up to the America's Cup in 2016.

Work performed on residential construction projects accounted for 16.7 per cent of total construction activity. Offices, shops and warehouses contributed 24.6 per cent, and construction on roads, bridges and airports represented 32.5 per cent of total activity in the construction industry. Together, these three categories accounted for 73.9 per cent of all work put in place between January and September 2017. 58.0 per cent of the construction work performed during that time period was performed by the private sector and 42.0 per cent by the public sector.

FIGURE 4



During the first nine months of 2017, 50 new dwelling units were completed in the residential sector of the construction industry, which represented an increase of 9 units or 22.0 per cent year-over-year and halts the downward trend that occurred in this segment of the construction industry over the past several years. 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 2017 versus 2016, the number of new studio apartments grew by 4 units to a total of 12 (50.0 per cent), one bedroom apartments fell by 2 units to register a total of 18 (10.0 per cent), two bedrooms grew from 10 to 11 units (10.0 per cent) and three bedrooms and over experienced the largest increase of 6 units to end the third quarter with 9 (200.0 per cent).

External Demand

International business and tourism are Bermuda's primary sources of foreign exchange earnings. The Department of Statistics estimates that in the first three quarters of 2017 these two sectors of the economy represented 68.7 per cent of the total balance of payments current account receipts providing $1,888.2 million (excluding financial services) in foreign currency receipts. This combined figure grew by $110.7 million or 6.2 per cent when compared to 2016. Individually, the amount of foreign exchange earnings produced by the international business sector grew by 3.7 per cent year-over-year with a cumulative three quarter total of $1,509.6 million for 2017. The amount of foreign exchange earnings generated by tourism activity increased by 17.5 per cent recording earnings of $378.6 million at the end of September 2017.

International Business

In 2017 the international business sector provided 3,838 jobs in the economy reflecting a growth of 0.2 per cent year-over-year, or an increase of 6 posts. Over the first nine months of 2017, foreign exchange earnings of the international companies increased by $54.4 million to $1.509.6 billion representing growth of 3.7 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 provides government with revenue from taxes and fees.

Over the first three quarters of 2017, the BMA registered 33 new insurers. Of those three quarters, the third quarter was marked by one of the most active hurricane seasons in more than a decade. Two major events, hurricane Harvey and hurricane Irma made a landfall to the U.S. while hurricane Maria devastated several Caribbean nations including Puerto Rico. As a result the third quarter of 2017 recorded higher losses for large commercial Bermuda (re)insurance groups compared to Q3 2016, while the combined ratio surged by 67.4 per cent q/q standing on average at 149.3 per cent. The pricing dynamics in the market are set to change after these events, according to market participants, following a prolonged soft market. Nevertheless at the moment this development seems to be a profits and not a capital event.

Bermuda (re)insurance groups improved their asset base by 10.8 per cent q/q. Bermuda (re)insurers produced a negative gross profit of $3.6 billion due to substantially higher losses due to the two major hurricanes mentioned above. The aggregate combined ratio stood at 149.3 per cent compared to 89.2 per cent in Q3 2016. The loss ratio jumped by 113.0 per cent q/q due to catastrophic losses while the expense ratio declined by 11.3 per cent.

Reserve leverage increased by 24.4 per cent q/q and financial leverage increased by 18.2 per cent q/q. Total equity dropped by 6.2 per cent per cent q/q while reserves increased by 16.7 per cent, thus increasing the reserve leverage. The faster increase of assets compared to the drop in equity increased the financial leverage. Net Written Premiums to Equity, which is a very rough inverse measure of solvency, increased by 10.6 per cent q/q reaching 64.0 per cent.

The investment portfolios of Bermuda (re)insurance groups produced a low Return on Investment (RoI) close to 0.6 per cent, a drop of 7.3 per cent q/q. Return on Equity (RoE) turned negative due to negative net income. As a proxy for liquidity, the sum of cash and high quality "AAA"-rated securities represents 152.4 per cent of claims for Q3 2017, a decrease of 28.4 per cent q/q.

Tourism

The Bermuda tourism industry enjoyed a remarkable two years of expansion recording monthly year-over-year growth for 23 of the past 24 months in leisure air arrivals. The anomaly is September 2017 which can be attributed to an exceptionally active Atlantic Hurricane Season.

More importantly, the island's tourism industry experienced eight consecutive quarters of year-over-year growth in leisure air visitor spending. Cruise visitor spending saw modest gains. However, a steadily improving air visitor spending number is more important to the industry's development because air visitors spend, on average, at least ten times more than cruise passengers when they visit Bermuda.

The total estimated amount directly injected into the island's economy by visitors in 2017 is $431 million, which represents a sizeable 20.3 per cent increase over the previous year. Meantime, the total amount of visitors in 2017 reached 692,947 (including yachts), the highest number in recorded history.

The total number of vacation air arrivals for 2017 is 182,439, up from 164,321 in 2016. The 11.0 per cent increase is critically important to the industry's growth because, on average, air visitors spend at least ten times more than cruise passengers when they visit Bermuda. The greater volume of air vacation arrivals fuelled an increase in visitor spending. In 2017, leisure travelers who arrived by air spent an estimated $272.1 million on island, up from $222.1 million in 2016, a 22.5 per cent jump. Additionally average per person air leisure visitor spending jumped 10.4 per cent from $1,351 to $1,492. This data bodes well for the tourism industry contributing to two solid years of growth in air visitor arrivals and spending after a decades-long trend of contraction.

The total number of visitor air arrivals, with friends and family and business travel factored in, grew from 244,491 in 2016 to 269,576 in 2017, a 10.3 per cent increase. Cruise passenger arrivals also increased last year by 5.1 per cent, rising from 397,904 to 418,049. Total visitor arrivals (air and cruise) in 2017 increased by 45,230 or 7.0 per cent year-over-year.

All four quarters of 2017 experienced growth in air arrivals while cruise arrivals grew in the first three quarters before declining in the fourth quarter. These positive results led to a total number of visitors of 687,625 compared to 642,395 in 2016.

74 per cent of total air visitors originate from the US, 10 per cent from Canada, 9 per cent from the UK, 3 per cent from Europe and 4 per cent from the rest of the world. In 2017, air visitors from the US grew by 8.4 per cent which can be largely attributed to increased air lift from Boston. The greater capacity caused the number of visitors from Boston to expand by 13.4 per cent. Jet Blue switched from half years of seasonal flights from Boston to year round flights and it has had a positive effect on that market.

Air visitors from Canada increased by 15.5 per cent due to a better marketing strategy and a strong response to Bermuda's new branding messaging. Air arrivals from the UK and Europe were up 5.8 and 29.1 per cent respectively. Both expansions are mainly the result of the 35th America's Cup.

Hotel occupancy rates averaged 63.1 per cent in 2017, an increase of almost 9.2 per cent over the 2016 number. The increased hotel occupancy is a result of higher demand and higher visitation to the island as the number of properties remained the same. The occupancy rates recorded in 2017 amounted to the best performance in a decade.

The average daily rate improved year-over-year, up 9.4 per cent, helping to make revenue per available room much healthier, up 19.5 per cent. The 35th America's Cup in 2017 played a critical role in driving demand and higher visitor spending for the hotel sector, not only in May and June when the America's Cup took place but throughout much of the year.

The number of visitors under 45 years-old continues to power the comeback. Approximately 83 per cent of the growth in leisure air arrivals in 2017 is from visitors under the age of 45.

The number of visitors who chose vacation rentals when they travelled to Bermuda surged 133 per cent in 2017 versus 2016, according to Airbnb data shared with the Bermuda Tourism Authority. With all vacation rentals factored into the equation, 10 per cent of total visitors chose to stay in vacation rentals last year.

Additionally, and very importantly, Bermuda enjoys higher consumer awareness – perhaps the highest in a generation. That awareness has resulted in greater interest, evidenced through, among other things, visits to the GoToBermuda.com website. Putting on the 35th America's Cup, undoubtedly played a sizeable role in putting Bermuda top of mind. This was helpful not only because the island's people successfully hosted the event, but because the event was leveraged to generate media buzz far beyond the world of sailing.

For example, Bermuda was on the "best list" of scores of mainstream and travel trade publications at the start of 2017. Additionally, Bermuda's refreshed brand, which rolled out in 2016, resonated with the Bermuda Tourism Authority's target audiences and that showed up in the 2017 performance – exhibited by the strong growth from younger visitors.

Employment

In the 2016 Population and Housing Census Preliminary Report, produced by the Department of Statistics, the 2016 unemployment rate was measured at 7.0 per cent. This report represents the last time that the unemployment rate was calculated.

Preliminary data from the 2017 Employment Survey indicates that the total number of jobs in Bermuda grew by 40 posts from 33,481 in 2016 to 33,521 in 2017, which equates to a 0.1 per cent increase. 2017 represents the second consecutive year that the number of jobs has increased since 2008 when the number of jobs amounted to 40,213. Although the increases have been marginal in both years, the 2016 job growth halted seven consecutive years of job reductions in a Bermuda economy that only recently began to experience positive growth. Overall the island has lost 6,692 jobs since 2008, a reduction of 16.6 per cent.

Growth in the number of jobs began to moderate in 2007 when the increase was 0.4 per cent. The number of jobs peaked in 2008 at 40,213 reflecting year-over-year growth of 0.9 per cent. Consistent with the decline in the economy, the number of jobs in Bermuda declined every year starting in 2009 and continuing until 2015. The declines ranged between 5.2 per cent and 0.9 per cent during those years. With sustained economic growth, the number of jobs is anticipated to continue to grow after the modest increases in 2016 and 2017.

Restaurants, cafes and bars was the only sector to gain over 100 jobs, increasing by 113 posts. The next largest increase occurred in financial intermediation followed closely by construction which contributed 55 and 54 additional positions respectively.

Restaurants, cafes and bars recorded the largest job growth of any industrial sector. This sector's employment numbers grew from 2,023 in 2016 to 2,136 in 2017. These figures equated to an increase in employment of 5.6 per cent.

The Financial Intermediation sector experienced an increase in posts of 2.4 per cent, settling at 2,387 jobs in 2017 from 2,332 a year earlier.

Employment levels in the Construction sector stood at 2,008 in 2017, an expansion of 54 posts or 2.8 per cent. The sector with the next largest amount of job growth was Wholesale Trade & Motor Vehicles. This sector experienced an uptick of 52 jobs registering a total of 1,438 posts in 2017 or 3.8 per cent year-over-year.

Collectively, the three divisions of economic activity with the greatest growth in jobs accounted for 222 additional jobs in 2017.

These increases were offset in large part by the Other Community, Social & Personal Services sector which recorded the largest reduction in jobs in 2017. This sector's employment numbers fell from 2,056 in 2016 to 1,898 in 2017. This figure equated to a reduction in employment of 7.7 per cent.

Other significant losses in posts occurred in the Education, Health & Social Work sector which lost 67 positions, or 1.8 per cent, falling from 3,722 in 2016 to 3,655 in 2017.

Five major occupational groups experienced job growth in 2017. Service workers, shop and market sales workers had the largest increase of 113 positions followed by senior officials and managers whose jobs grew by 85 positions. Other groups with positive growth were Technicians and associate professionals (+74), craft and related trade workers (+51) and Armed Forces (+1).

There were five major occupational groups that experienced job losses in 2017. The largest reductions occurred with clerks who shed 117 positions, professionals' jobs fell by 80 posts, plant and machine operators and assemblers (-73), skilled agricultural and fishery workers (-10) and elementary occupations (-4).

Jobs occupied by Bermudians and Non-Bermudians were the only status categories to exhibit an increase in employment in 2017. Bermudian jobs increased by 84 positions from 23,494 in 2016 to 23,578 in 2017 which is a 0.4 per cent rise. Non-Bermudian employment grew from 7,259 in 2016 to 7,281 in 2017 which equates to 22 posts or 0.3 per cent. Permanent

Residence Certificate holders' positions declined by a total of 34 posts or 4.1 per cent to finish 2017 with 792 positions. Non-Bermudian Spouses of Bermudians accounted for 32 job losses or 1.7 per cent to end the year with 1,870 posts.

Inflation in Bermuda

The Consumer Price Index (CPI) increased at an average annual rate of 1.9 per cent for 2017 which is in line with the Ministry of Finance's February 2017 forecast which stated that, "….it is expected that the CPI will register in the range of 1.5-2.0 per cent." The headline rate in December stood at 1.9 per cent year-over-year.

The average rate of 1.9 per cent, although minimal, is above Canada which had an average inflation rate of 1.6 per cent. Bermuda's rate however, is below the UK (3.6 per cent) and the U.S. (2.1 per cent). The level of inflation had declined between 2011 and 2013 before marginally increasing in 2014. Over the last three years, the rate fell to 1.5 per cent in 2015 and 2016 before increasing again last year. The average rates for the years prior to 2015 were 2.7 per cent in 2011, 2.5 per cent in 2012, 1.8 per cent in 2013 and 2.0 per cent in 2014. Such moderate inflation is beneficial for the economy as it encourages consumers to purchase goods and services and also supports productive planning and investment. Since 2008, when the yearly rate of inflation was recorded at 4.8 per cent, the level of inflation has averaged 2.0 per cent. Given this trend in the level of inflation, The CPI is expected to end 2018 in the region of 1.7-2.2 per cent.

In 2017, the largest price increases were recorded in the transport & foreign travel, education, recreation, entertainment & reading, fuel & power and food sectors.

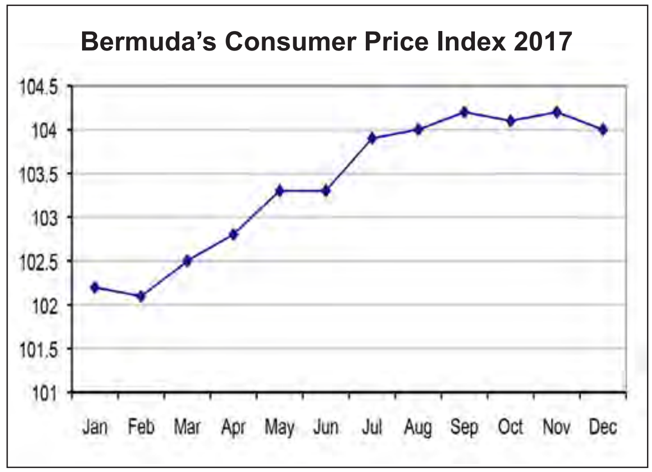
The increases in price levels of the transport & foreign travel sector was the most significant contributor to the level of inflation in 2017. The average rate of price increases for this sector was 3.5 per cent which can primarily be attributed to increased costs of airfares, due to the privatization contract at the LF Wade International Airport, higher fuel prices and greater costs for overseas hotel accommodations.

The education, recreation, entertainment & reading sector experienced cost increases at an average rate of 2.1 per cent in 2017. Costs in this sector rose in large part as a result of increases in the cost of tuition fees for local schools and overseas colleges which expanded by 2.4 and 2.5 percent respectively in September.

The prices in the fuel & power sector climbed at an average rate of 7.1 per cent, in 2017, which was the result of increases in the average cost of propane gas, the fuel adjustment clause charged by Belco for the use of electricity and the introduction of the regulatory recovery fee which was introduced in April.

During 2017 the monthly increases in the food sector ranged from 1.3 per cent to 2.9 per cent with the average rate of price growth for the year settling at 2.2 per cent. The 2.9 per cent price increase recorded in December was the largest increase with the next highest figure 2.8 per cent recorded in November. Eight of the twelve months recorded price increases of 2.0 per cent or higher.

FIGURE 5



Balance of Payments

The international business sector and its interaction with the local economy has 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 2017 was recorded at $672 million. This figure is 75.0 per cent greater than the $384 million recorded over the first three quarters of 2016.

A large proportion of the increase in the current account balance was reflected in the primary income account which grew by $375 million or 37.6 per cent. Within the primary income account, investment income contributed to the majority of the gains over the first three quarters of 2017, increasing by $303 million. Net figures illustrate that the growth was the result of lower reinvested earnings and a decline in dividends paid compared to 2016. Employee compensation, which is also part of the primary income account, accounted for a large portion of the remainder of the growth and increased by $48 million.

The services account balance also increased, surging by $60 million. Within the services sector, travel services grew by $47 million or 29.2 per cent over the first three quarters of 2017. The rise in the travel service's balance was mainly the result of increases in both air and cruise visitor arrivals and higher per-person visitor expenditure. Business services increased by $16 million or 9.0 per cent between January and September. The positive results were due to a decline in payments for business services, specifically business and management consultancy services.

Based on the level of the current account balance after the first three quarters of 2017 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 $90 million more than the $766 surplus posted in 2016 based on the average surplus over the last 5 quarters and the current transaction trends between Bermuda and our trading partners.

Financial Sector

The financial sector 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 banking sector remains stable with locally-based institutions seeing a reduction in Non-Performing Loans (NPLs). All banking institutions continued to be above the new Basel III capital requirements, with the sectoral risk-asset ratio (RAR) gradually improving during 2017. Asset quality indicators remained sound with NPL's holding steady throughout the first three quarters of 2017. All banks have maintained robust liquidity levels and have consistently exceeded the phased-in minimum requirements for liquidity as set out in the Liquidity Coverage Ratio (LCR). Commencing 1st January 2018 all banks will be required to meet the Net-Stable Funding Ratio (NSFR) per the newly-adopted Basel III requirements.

Capital adequacy levels improved with banks holding more regulatory capital. The banking sector's capital position rose in the third quarter of 2017, with the Common Equity Tier 1 (CET 1) ratio rising from 19.8 per cent to 20.8 per cent and the Basel III Risk Asset Ratio (RAR) increasing from 21.4 per cent to 22.3 per cent. The quarterly increase was driven by movement in the sector's net capital base, as CET 1 capital increased by 6.1 per cent (or $104.2 million) to $1.8 billion relative to the marginal change in risk-weighted assets (RWAs). Banks were also required to hold additional buffers in the form of the Capital Conservation Buffer (CCB) of 1.25 per cent, further bolstering minimum capital requirements. The sector also improved its leverage position, as the supplementary leverage ratio increased from 7.7 per cent to 8.4 per cent during the quarter.

Liquidity conditions were stable during the third quarter of 2017. The liquidity position was slightly higher, as the ratio of total Loans to Total Deposits (LTD) rose for a second consecutive quarter from 46.2 per cent to 47.3 per cent in Q3. Banks continued to comply with the phased-in Liquidity Coverage Ratio (LCR) of 80 per cent for 2017 and other regulatory liquidity requirements.

Sector total assets fell for a third consecutive quarter during 2017, falling by 2.4 per cent in the third quarter and 4.6 per cent from a year earlier. The quarterly decline in total assets was largely due to the decrease in interbank deposits (down 18 per cent or $524.5 million), while the remaining core assets were unchanged. Total customer deposits held by banks, were down by 2.2 per cent to $18.8 billion with most of the decline led by savings deposits (down 7.9 per cent or 525.1 million) and time deposits (down 4.1 per cent or 118.7 million); nullifying all of the positive growth in demand deposits (up 2.2 per cent or $213 million).

Banks posted higher profits during the third quarter, generating healthier returns. Net profits were up mainly due to reduced operating costs. Net interest income, consisting of 60.6 per cent of total income, was up 3.9 per cent over the prior quarter. Income sources from other banking activities increased by 74.5 per cent (or $25.8 million) contributing to the overall rise in total income (up 14.7 per cent or $29.7 million). Total operating expenses for the sector amounted to $71.2 million, down 47.8 per cent compared to the prior quarter. The combination of higher total income and lower reported operating expenses contributed to the rise in net profits. The improvement in profitability resulted in higher returns, with annualised Return on Assets (RoA) and annualised Return on Equity (RoE) increasing to 0.4 per cent and 4.4 per cent, respectively.

The investment book structure continued to be fairly conservative in the third quarter, with the sector holding more investments in highly-rated, non-equity, government guaranteed securitised instruments. Sovereign investments remained fairly stable during the quarter, making up a third of all investments held by the sector.

Bermuda money supply experienced minimal changes in the third quarter of 2017, yet remained above levels reported a year ago. The supply of local money fell slightly during the third quarter, as the combination from BD$ customer deposits (down 0.4 per cent or $13.9 million) to $3.6 billion and notes and coins in circulation (down 4.1 per cent or $5.7 million) to $133 million contributed to the quarterly decline in money supply.

Global Economic Outlook

All of the major fears about 2017 that dominated the latter stages of 2016 — a market crash as a result of a Trump presidency, a Brexit-triggered recession in the UK, and a collapse of the Eurozone following the implosion of the Italian banking system —failed to materialize. The world economy is actually estimated, by the IMF, to have grown by 3.7 per cent in 2017, which is a 0.5 percentage point higher than in 2016.

Surprisingly, the increase in growth was broad based, with positive surprises in Europe and Asia. As a result, global growth forecasts for 2018 and 2019 have now been revised upward by 0.2 percentage points to 3.9 per cent. The revision reflects an expectation that the increased global growth momentum and the expected impact of the recently approved U.S. tax policy changes will add to the growth in the world economy.

Some of the events that helped to shape 2017 included the U.S. Federal Reserve continuing their rate rising cycle, the Bank of England raising interest rates for the first time in more than 10 years, and the surge of bitcoin.

Bitcoin has been around since 2009 but 2017 marked the year when it crossed the divide between being seen as an esoteric IT creation to becoming more of a known quantity. On January 1, bitcoin was trading at $908 per coin. At end of the year the price of a single bitcoin was in excess of $16,000 as investors from around the world speculatively pour money into the asset.

Bitcoin has caused a huge divide between more traditional financial institutions and regulators who mostly classify bitcoin as pointless and worthless — and those who believe that cryptocurrencies, and the blockchain technology that underlies them, are disruptive technology that will usher in a new way the global economy work going forward

In December 2017, bitcoin became even more mainstream when the Chicago Board Options Exchange, the largest options exchange in the US, started offering bitcoin futures, thus allowing investors to bet on the future direction of the cryptocurrency.

On the negative side we have seen a year in which we had major natural disasters, geopolitical tensions, deep political divisions in many countries and the continuous struggle against terrorism.

In May of 2017, Emmanuel Macron comprehensively defeated far-right candidate Marine Le Pen to become France's youngest president, since Napoleon. The youthful leader, who promised political renewal and campaigned on centrist reforms. French President Macron's first steps in power, have seen him swiftly pass a bill to make the labor market more flexible, and he has also instituted public spending cuts and tax breaks for the wealthy; making France friendlier for business.

In contrast, German Chancellor Angela Merkel had mixed fortunes as she won her fourth term as chancellor in September elections. However, her victory was overshadowed by the emergence of a far-right party into parliament for the first time in more than 60 years. Chancellor Merkel's center right party, the CDU, won approximately 33 per cent of the vote, sharply down from 41 per cent of the votes it collected in the previous elections of 2013. This put Mrs. Merkel in a weakened position as she had to negotiate a coalition government with rival parties – a task that was nowhere near complete at the end of 2017.

United States of America

The U.S. economy's growth slowed in the fourth quarter of 2017 as consumer spending in three years resulted in a surge in imports.

Fourth quarter Gross Domestic Product (GDP) grew by 2.6 per cent when compared to the same period in 2016. This followed a 3.2 per cent growth pace in the third quarter of 2017. Overall, the U.S. economy grew by 2.3 per cent in 2017, much healthier than the 1.5 per cent recorded in 2016.

U.S. imports, which lower GDP growth, increased at their fastest rate in more than seven years during the fourth quarter of 2017. Increasing imports highlight the challenges that the Trump administration faces in its aim to lift annual GDP growth to 3 per cent.

Domestic demand soared at a 4.6 per cent rate, the highest jump since the third quarter of 2014, highlighting the economy's strength. Final sales to private domestic purchasers rose at a 2.2 per cent pace in the third quarter.

Strong domestic demand is in alignment with a global rebound that includes the Eurozone and Asia. Demand has also been propped up by President Donald Trump's promise of major tax cuts, which came into fruition in December when the Republican-controlled U.S. Congress approved the largest overhaul of the tax code in 30 years.

The corporate income tax rate has been dropped to 21 per cent from 35 per cent and taxes for households have also been lowered. However, economists see only a modest boost to GDP growth going forward as the fiscal stimulus is coming at a time when the economy is almost at full employment.

Consumer spending, which accounts for more than two-thirds of U.S. economic activity, increased at 3.8 per cent in the fourth quarter of 2017. That was the quickest pace since the fourth quarter of 2014 and followed on from a 2.2 per cent rate of growth in the third quarter.

Consumer spending is likely to remain supported by rising household wealth, thanks to not only the stock market rally but also due to higher house prices, tax cuts as we mentioned earlier and firming wage growth as companies compete for workers and some states raise the minimum wage.

Declining savings, in the U.S., however are a cause for concern. Savings fell in the fourth quarter of 2017 to $384.4 billion from $478.3 billion in the third quarter. The saving rate dropped to 2.6 per cent from 3.3 per cent in the prior period.

The surge in consumer spending was satisfied by imports, which grew at a 13.9 per cent pace in the fourth quarter, the fastest since the third quarter of 2010, offsetting a rise in exports, which is being driven by dollar weakness.

As a result, trade shaved off 1.13 percentage points from GDP growth in the fourth quarter, the most in a year, after adding 0.36 percentage points in the third quarter. Inventory investment also held back GDP growth in the fourth quarter, removing a 0.67 percentage points from output after adding 0.79 percentage points to output in the prior period.

In general the U.S. economy is healthy. Americans are shopping, businesses are investing, and the stock market is thriving. Consumer confidence is the highest since 2000, unemployment is the lowest in 17 years, and the country has added jobs every month for more than seven years.

The U.S. economy is poised for continued growth in 2018, with economists predicting the economy to grow by 2.7 per cent in 2018. However, a potential conflict with North Korea and the deep state war against the President Trump's agenda are the two variables that can potentially weaken the prospects for growth.

United Kingdom

The United Kingdom (UK) economy grew slightly more than expected in the fourth quarter of 2017.

The preliminary estimate for fourth quarter GDP growth from the Office for National Statistics was 0.5 per cent, ahead of the expectation of 0.4 per cent growth.

On an annualized basis, the UK growth for 2017 is estimated at 1.8 per cent. Although this is down slightly from the 1.9 per cent recorded in 2016, it is ahead of the 1.5 per cent growth forecast by the Office for Budget Responsibility (OBR) in the November budget.

The chair of the OBR, Robert Chote, said in an interview that the UK economy is "weak and stable", in a twist on Theresa May's description of her Government as "strong and stable".

And the Bank of England Governor, Mark Carney, speaking at the World Economic Forum in Davos, said the UK economy is now 1 per cent smaller than the Bank forecast before the 2016 Brexit vote.

Given the uncertainties facing the UK economy as Brexit talks intensify, the Bank of England looks set to keep interest rates steady in 2018. This will help households with cheap borrowing costs and also help to support the mortgage market.

Assuming talks with Brussels do not lead to any major falls in the British pound, the impact from the pound's devaluation after the Brexit vote on inflation will gradually decline over the course of the year. The UK's central bank, the Bank of England (BOE), has set a target of 2 per cent for the consumer price index, and rates are set to fall back gradually in this direction from a peak of 3.1 per cent in November.

Should there be a move higher, it will only be limited and gradual, according to the BOE's governor, Mark Carney, and it should be manageable for most. Just a third of households have a mortgage on their home and the majority have a fixed rate mortgage, meaning they will not see any immediate change until the term of their mortgage comes to an end.

Those feeling the change will only see an increase in debt servicing costs of about £15 a month from a 25 basis point increase in rates, according to a BOE study.

One element to watch for as 2018 wears on is BOE Governor Carney's approaching departure in June 2019. It is expected that investors and politicians will start an outcry for clarity on his replacement, which could lead to uncertainty over the direction of monetary policy.

In their forward projections, the OBR has forecast UK growth, in 2018, to slow to 1.4 per cent and a little further to 1.3 per cent in 2019, reflecting weaker household consumption due to higher inflation and weak investment from firms due to Brexit-related uncertainty.

Canada

Canada had a very impressive year of economic growth in 2017. Having weathered the oil price shock of the past two years, the Canadian economy registered strong growth of 3.1 per cent on an annual basis. What is even more impressive is that the expansion has been broad-based, with all sectors of the economy contributing. Goods exports were up 8.7 per cent year over year. Business investment, which is critical to continued growth, also improved. At the same time, Canada's labor market thrived, adding 329,000 jobs in 2017, with nearly all in full-time employment.

It is believed that the reason Canada was able to post such remarkable growth over the past year was due, in part, to the fact that the economy had adjusted to the prior commodity shock and that it had significant spare capacity to accommodate the rapid growth. However, there have been signs that the excess capacity has contracted significantly over the past few quarters and that economic growth will slow to a more sustainable pace going forward.

The Canadian economy is expected to slow to approximately 2.2 per cent in 2018. However, this is still decent growth. From a provincial perspective, Alberta, British Columbia, Saskatchewan and Ontario will be the engines of growth, with above 2 per cent forecasted growth next year, while provinces in Atlantic Canada will show slower rates, at about one per cent and lower.

Canada's economy can best be referred to as an open economy, as Canada's economic performance has been and will continue to be harmonized with the rest of the global economy. Europe has been the driver of global trade growth. In fact, the contribution of European imports to global trade growth equaled that of the U.S. and China combined. Europe's economic growth is expected to reach 2.4 per cent in 2017 and 2.1 per cent in 2018, according to the International Monetary Fund. This is great news for Canadian exporters as they prepare to take advantage of the recently enacted Canada-European Union Comprehensive Economic Trade Agreement (CETA). CETA will open up a market of over 510 million people and that accounts for 22 per cent of global GDP. However, a couple of uncertainties confront Canada.

Firstly, the U.S. Federal Reserve will likely raise its key policy interest rate three times in 2018, up to 2.25 by year-end, while the Bank of Canada may raise its policy rate only twice over the next 18 months, up to 1.5 per cent. This interest rate differential will mean that the Canadian dollar will likely lose some ground to the U.S. dollar. A falling Canadian dollar though is good for exporters to the U.S., and for the tourism industry in Canada.

But higher interest rates in the U.S. mean than borrowing globally will become more expensive, and this will have an impact on Canadian businesses. The anticipated rate hikes by the Bank of Canada will also contribute to higher borrowing costs.

Secondly, there is concern with the North American Free Trade Agreement (NAFTA) renegotiation. With about two-thirds of Canada's goods and services exports flowing to the U.S., this is the most important market for Canadian exporters. If the NAFTA renegotiation falls apart, Canadian exports will be effected negatively and because of the skewed relationship, in which Canada depends on trade with the U.S. more than the other way around, the Canadian dollar could significantly depreciate against the U.S. resulting in higher import costs.

China

China's economy grew by 6.9 per cent in 2017 according to official data. This is the first time in seven years the pace of growth has picked up. The figure beats the country's official annual expansion target of about 6.5 per cent.

However, many China observers believe the GDP numbers are much weaker than the official figures suggest as this month alone, the governments of Inner Mongolia and of the large industrial city of Tianjin have admitted their economic numbers for 2016 were overstated.

If we take the figures at face value, the 2017 growth rate is China's highest in two years. And it represents the first time the economy has expanded faster than the previous year since 2010. The numbers showed that in the fourth quarter of 2017, the economy grew at an annual rate of 6.8 per cent - slightly higher than analysts had been expecting.

It appears that China's economy grew faster than expected in the fourth quarter due to a rebound in the industrial sector, a resilient property market and strong export growth.

Despite strong overall growth, there have been signs of weakening impetus in the economy as firms face higher borrowing costs and the government tries to restrain credit.

Growth of fixed asset investment, much of it government-directed, fell to the slowest pace since 1999 at 7.2 per cent in 2017. China's exports and imports growth also slowed in December after surging in the previous month, adding to signs of a receding economic momentum.

Also, China's bank lending halved in December as the government kept up its campaign to curb financial system risks, but banks still managed to hand out a record amount for the year amid the tighter scrutiny.

China's economy begins 2018 facing what its leaders call three years of "critical battles."

The battles are to tackle domestic debt, poverty and pollution as these pose greater risks to the Chinese economy even before higher interest rates and trade war threats from the U.S. are taken into consideration.

Although the nation is starting from a position of strength, with full-year growth in 2017 posing its first acceleration since 2010, the expansion is expected to slow in 2018.

As a result, the government is signaling that it is erring on the side of modest economic performance, if progress on the top risk - financial instability - can be overcome.

Japan

Strong global demand, especially for high-tech electronics along with the Bank of Japan's ultra-accommodative monetary policy helped to stabilize economic activity in Japan.

Healthy international demand for Japanese goods sent the manufacturing Purchasing Manager's Index to multi-year highs, and boosted capital expenditure. Robust economic activity is increasing job creation, with the unemployment rate hitting a 25-year low in November. Moreover, a tighter job market is adding upward pressure on salaries, which is translating into stronger retail sales.

Confidence in the economy is surging among Japanese businesses from large to small. According to the Bank of Japan's December Tankan Report (Short-Term Economic Survey of Enterprises), large businesses' overall assessment of business conditions improved for the fifth straight quarter, hitting an 11 year high of +25. The confidence index among small and medium-sized businesses was recorded at +15, the highest level recorded since August 1991.

Real growth in Japan's Gross Domestic Product (GDP) rose at an annualized rate of 2.5 per cent in the third quarter, registering seven straight quarter of economic expansion. It was Japan's longest quarterly growth streak since the government began compiling comparable statistics in 1994. In the December consensus forecasts for real GDP growth (averaged from the predictions of 41 economists polled by the Japan Center for Economic Research) were 1.84 per cent for fiscal year 2017 (ending March 31, 2017) and 1.22 per cent for fiscal 2018. Meanwhile, the forecast for inflation was a 0.64 per cent increase in core consumer prices in fiscal 2017 and a 0.85 per cent increase in fiscal 2018.

The World Bank has forecast Japan's economic growth at 1.3 per cent in 2018, decelerating from their estimated 1.7 per cent increase in 2017. It is believed the decrease will be a result of a withdrawal of fiscal stimulus and a moderation in export growth.

With all signs pointing toward modest but sustained expansion, the Japanese job market is steadily strengthening. The active opening-to-applicant ratio has continued to climb, reaching 1.55 in October 2017—the highest monthly figure since 1.64 was recorded in January 1974. The unemployment rate remained at a steady 2.8 per cent each month between June and October, but since August it has actually been lower. These trends bode well for wage increases in 2018. If the major unions can secure a 3 per cent increase in their 2018 spring wage negotiations, consumer spending is bound to rise in response.

Higher employment and better wages will offer other benefits as well. With good jobs comes stability, and with stability comes the confidence needed to support sustained economic expansion.

The national mood is looking up, judging from the results of the Japanese Cabinet Office's annual Public Opinion

Survey on the Life of the People. In 2017, a full 73.9 per cent of respondents indicated that they were basically satisfied with their current standard of living, the highest percentage tallied in more than 50 years since the survey began asking the question.

One area where the Japanese government has managed to capitalize on is in the area of cryptocurrencies, such as Bitcoin. The Tokyo Government is hoping to capitalize on the growth in interest for cryptocurrencies as an opportunity to improve the Japanese economy.

Japan has become one of the most popular countries for Bitcoin and blockchain-related companies. One of the major reasons for this situation is the fact that the Japanese government has proper regulations and laws that favor cryptocurrencies. Earlier in 2017 the Japanese government officially recognized Bitcoin as a legal payment method. This caused a major price increase, as many Japanese investors decided to invest in the decentralized cryptocurrency.

The effects of Bitcoin were and continue to be multiple on the economy of Japan. Not only were further jobs being created, but the resulting wealth effect from the cryptocurrency's rise in value has been spurring real and measurable economic growth. As more cryptocurrency exchanges and operations move to Japan, it's likely that this financial trend will continue unceasingly.

It is estimated that cryptocurrencies may contribute 0.3 per cent to Japan's GDP and 20 per cent of their total growth expected in 2018.

The year to come is sure to bring challenges for Japan in the form of major weather events, international tensions on the Korean Peninsula and elsewhere, and other potential threats to growth, but most indicators suggest that the Japanese economy now has the resilience to overcome such temporary setbacks. Looking ahead to 2018, it is not unrealistic to anticipate another year of modest but stable growth fueled by a balanced mix of internal and external demand.

2018 Outlook for Bermuda

The Bermuda economy in 2018 is projected to further improve, conditional on increased employment levels, higher capital investment in on-going projects, sustained growth in tourism and stable demand for financial services; as well as the government making positive strides to implement its strategy to diversify the economy. Domestic inflation is projected to be slightly higher due to increased demand for goods and services and an expected recovery in global prices.

In 2018 the Government will continue to act prudently in order to support sustainable economic growth, but the primary focus is to invest in creating a more diversified economy, which will create stronger economic growth for the island. A stronger and more diversified economy will assist in the Government's mission to increase employment across all sections of the Bermuda economy and create jobs and opportunities in not only existing industries, but also new sectors that will drive stronger economic growth in the future.

The PLP administration has recognized this fact and has made it a priority to cultivate a climate that would attract foreign direct investment that leads to a diversified economy.

Of particular focus has been the industry of Financial Technology (FinTech). FinTech is a relatively new technology and innovation that aims to compete with traditional financial methods in the delivery of financial services. The use of smartphones for mobile banking, investing services and cryptocurrency are popular examples of technologies aimed at making financial services more accessible to the general public. A large amount of FinTech runs on Blockchain technology (blockchain) and it is the firms that use blockchain that the government is interested in attracting to the Island.

An article published in Fortune magazine revealed that the number of blockchain and bitcoin (the most popular cryptocurrency) related job listings increased by 5753%. To help attract cryptocurrency related companies to our shores, the government is implementing sensible laws and regulations in order to protect consumers and the reputation of Bermuda.

Fostering an environment that adopts Blockchain Technology opens up a huge pool of business opportunities for Bermuda as well as creates more job opportunities in the sector, thus enabling Bermuda to diversify and keep the economy up-to-date with emerging technological advancements.

Bermuda's major (re)insurers will report elevated combined ratios for 2017, averaging around 108%-109%, including more than 20 percentage points from catastrophe losses. This would exceed the 107.1% posted in 2011, the last year with significant insured losses from catastrophes, and compares with 91.8% in 2016, when catastrophe losses contributed only 5.3 percentage points.

The large catastrophe losses of 2017 appear to have ended several years of soft pricing, with market data in 2018 showing rate increases in most lines, particularly property and catastrophe business. But the increases look modest and it is questionable whether there will be a longer-term shift to a harder market, given the still-strong capitalization in the global (re)insurance market and extra capacity from the insurance-linked securities (ILS) market. The ILS market grew to a record size in 2017 (USD82 billion at end-September, according to Aon Benfield), with growth in both catastrophe bonds and collateralized reinsurance.

This year's cut in the U.S. corporate tax rate to 21% from 35% and the new base erosion and anti-abuse tax (BEAT) will significantly reduce the long-standing tax advantage of Bermudian (re)insurers over those in the U.S. It is expected that the overall benefit of a Bermuda domicile and operations is to be reduced, but not eliminated, with the island largely maintaining its established position in the global market due to its underwriting expertise, strong and efficient regulatory regime and full Solvency II equivalence.

AIG's announcement in early 2018 that it will purchase Validus will further reduce the number of independently owned and publicly traded Bermuda (re)insurers. But companies continue to be launched in Bermuda, demonstrating that the island remains attractive for start-ups. Bermuda market M&A could be driven this year by attempts to offset the impact of U.S. tax reforms and a continued competitive market.

The Bermuda Business Development Agency's (BDA) will continue to encourage direct investment that positively impacts Bermuda's economy and stimulates job retention and growth in the international business and professional services sectors.

In 2018, the BDA will support existing companies by deploying business development resources to encourage the continuation of existing streams of business for Bermuda companies and source new ones.

To effect growth and counter-balance attrition, the BDA will seek to attract new companies to set up and invest in Bermuda. While the emphasis will be on attracting companies that will have a physical presence, all company incorporations provide work and revenue for Bermuda service providers and the public purse. Companies without a physical presence contribute to the economy by providing fees to several Government departments and private firms.

In collaboration with the Ministry of Economic Development & Tourism's Business Development Unit (BDU), the BDA will continue to provide a concierge service in 2018 which will assist companies to establish a presence on island. The agency acts as a conduit for advice, introductions and referrals to private sector partners, government officials and regulators.

Jurisdictional advocacy has been and will continue to be a top priority for the BDA due to the real risks and opportunities which contradicting external events can have on potential investment and domicile decisions. Counteracting negative press and actively cultivating media engagement to correct misperceptions about Bermuda or promote positive storylines will continue in 2018.

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

- Asset Management: The BDA will continue to encourage the servicing of funds, primarily out of the US and put greater emphasis on promoting Bermuda as a domicile for private equity, while seeking to leverage ILS success.
- Trust & Private Client: The BDA will develop products designed to encourage direct investment specifically from the High Net Worth markets in Asia and Latin America. 2018 will see the development and implementation of the packaging and distribution strategy for those products.
- Risk Solutions: The BDA will continue to promote Bermuda as the world's leading captive domicile with expanded marketing to regional US centres such as Florida and Texas. The momentum created in the healthcare space continues and expands to incorporate BDA's cyber working group. BDA will liaise closely with BILTIR to launch their Long Term/ Life Insurance working group.
- Economic Diversification: The BDA will seek to increase the registrations from existing users of the ship registry and seek avenues to commercialize Bermuda's existing satellite slots. They will also encourage Bermuda based companies with US affiliates to make use of the Nearshore concept and continue to find avenues to socialize the Nearshore proposition to appropriate decision makers in the US.

The outlook for international tourism looks extremely positive in 2018 as a sustainable recovery is underway in the Bermuda tourism industry after decades of decline.

In 2018 the Bermuda Tourism Authority will continue its efforts toward harnessing the momentum clearly underway in the island's resurgent tourism economy. Last year was the highest volume of total visitors in recorded history for Bermuda with 692,947 arrivals across air, cruise and yacht segments. With that level of visitation, it's not surprising that all key performance indicators finished higher year-over-year. As Bermuda heads into 2018, the health of its tourism industry is significantly improved, particularly when compared to the situation just two years ago.

For 2018, the Bermuda Tourism Authority's goal is to ensure many of these growth-enabling trends are maintained without the advantage of an America's Cup event to impact in-year demand. The legacy impact is real, although we have work to do to convert higher interest into actual visitors. Furthermore, thanks to a more robust visitor events calendar, a greater selection of high quality experiences on-island and improved airlift, it's expected the elevated numbers of younger air visitors, increased spending and higher arrival volumes achieved in 2017 can be matched in 2018. This will not be an easy feat, however.

One of the challenges to matching last year's performance will be the availability of hotel inventory in the first quarter of 2018. Six local properties have a large portion – or indeed its full hotel inventory – off line for renovations. It represents about 12 percent of the country's total hotel capacity in the first quarter. This is a blessing and a curse. The good news is that the property upgrades are exactly what the industry needs; our product will undoubtedly be more attractive to travellers post-refurbishment (GenCom for example is investing $25 million in its property at Rosewood Bermuda). The bad news is that the reduction in inventory makes it more difficult to keep pace with 2017.

Overall, growing hotel inventory has been a struggle for Bermuda over the past few decades and the Bermuda Tourism Authority expects to see tangible evidence of a turnaround in this area in 2018. By New Year's Day in 2018, Azura, Caroline Bay and the St. George's Resort all had shovels in the ground, and in some cases, structures taking shape. When their work is completed Bermuda will have 240 more hotel rooms to join up with a growing vacation rental inventory which surged more than 90 percent in 2017.

Above all else, the track record over the past three years for the Bermuda tourism industry is the greatest reason for an optimistic 2018 outlook. The progress has been tremendous. Bermuda's tourism industry has been on a path for growth since 2015 after decades of decline; the America's Cup helped to accelerate the growth trajectory. In 2018, if Bermuda is able to keep pace with the landmark year in 2017, we will maintain the industry's glide path to resurgence.

With major projects like the redevelopment of the airport and the above mentioned hotel developments already underway, many jobs have been and will continue to be created in the construction sector.

Along with private sector capital projects, the capital expenditure component of the 2018/19 budget will help to strengthen economic growth by providing vital support to our construction sector.

The new Government's desire is to create new economic pillars and enact policies to grow Bermuda's economy. This should lead to higher employment numbers providing sustained economic growth in most sectors.

Considering all the above factors, the Islands' economic growth in 2018 is projected to expand by 1.5 – 2.0 per cent.

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Tables

TABLE 1

GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN
(At constant market prices $000's) 2006 = 100

INDUSTRIAL SECTIONS	2011	2012	2013	2014	2015	2016
01 Agriculture, forestry and fishing	45,963	42,638	43,119	39,890	43,210	45,833
03 Manufacturing	74,981	63,792	58,607	54,995	54,674	53,239
04 Electricity, gas and water supply	98,320	91,028	88,594	86,274	84,006	71,160
05/02 Construction & Quarrying	176,214	151,849	148,899	149,870	159,061	172,242
06 Wholesale and retail, repair serv.	310,110	298,777	294,380	293,446	297,272	303,019
07 Hotels and restaurants	243,338	240,294	223,370	203,865	191,536	199,269
08 Transport and communications	245,885	234,951	242,926	248,035	246,244	241,925
09 Financial intermediation	707,740	663,508	670,451	653,371	664,657	629,542
10 Real estate and renting activities	833,638	817,937	806,086	800,599	804,348	810,450
11 Business activities	448,162	420,807	395,143	394,776	402,721	411,732
12 Public administration	268,521	273,191	270,158	252,743	253,470	245,006
13 Education, health and social work	352,014	353,942	338,532	313,795	323,540	329,430
14 Comm., social and personal serv.	97,468	95,135	88,582	83,600	89,579	98,728
15 International business activity	1,268,872	1,195,383	1,195,273	1,241,367	1,248,546	1,219,951
Total	5,171,226	4,943,231	4,864,120	4,816,625	4,862,863	4,831,525
Less: Imputed bank service charge	470,146	431,021	442,201	405,333	425,535	398,597
Add: Taxes and duties on imports	216,367	206,828	203,518	201,531	203,465	202,152
GDP at market prices	4,917,447	4,719,038	4,625,437	4,612,822	4,640,793	4,635,082
Per cent change from previous year	-4.4	-4.0	-2.0	-0.3	0.6	-0.1

Source: Department of Statistics

TABLE 2

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

INDUSTRIAL SECTIONS	2011	2012	2013	2014	2015	2016
01 Agriculture, forestry and fishing	43,782	41,023	41,539	36,732	41,877	52,260
03 Manufacturing	65,214	52,102	49,078	44,388	49,114	46,471
04 Electricity, gas and water supply	97,644	86,598	83,677	86,728	92,724	97,565
05/02 Construction & Quarrying	203,776	177,278	177,697	178,685	190,606	210,982
06 Wholesale and retail, repair serv.	381,961	373,340	372,056	376,099	416,937	443,056
07 Hotels and restaurants	263,838	246,945	261,906	262,205	263,011	290,853
08 Transport and communications	265,765	268,693	269,419	259,267	245,393	274,549
09 Financial intermediation	719,640	729,916	714,128	721,737	706,320	733,472
10 Real estate and renting activities	960,311	954,379	948,247	962,994	979,741	1,002,070
11 Business activities	535,089	507,559	480,446	525,030	532,405	563,383
12 Public administration	331,318	340,427	341,204	323,355	327,379	319,747
13 Education, health and social work	468,298	485,254	489,715	463,929	491,013	504,939
14 Comm., social and personal serv.	122,650	120,750	112,499	111,203	126,427	144,233
15 International business activity	1,432,012	1,455,409	1,570,036	1,575,025	1,659,278	1,675,644
Total	5,891,299	5,839,672	5,911,648	5,927,377	6,122,226	6,359,223
Less: Imputed bank service charge	450,856	423,955	416,506	398,855	393,205	441,366
Add: Import duties	179,936	169,693	174,951	171,470	194,015	209,484
GDP at market prices	5,620,380	5,585,410	5,670,093	5,699,992	5,923,036	6,127,341
Per cent change from previous year	-4.0	-0.6	1.5	0.5	3.9	3.4

Source: Department of Statistics

TABLE 3

NUMBER OF FILLED JOBS BY ECONOMIC ACTIVITY GROUP

	2013	2014	2015	2016F	2017P
Agriculture, forestry and fishing	589	581	602	592	597
Manufacturing	624	585	573	575	564
Electricity, gas and water supply	341	325	321	322	324
Construction & Quarrying	2,143	1,925	1,928	1,954	2,008
Wholesale and retail, repair serv.	4,113	4,093	3,977	4,143	4,214
Hotels and restaurants	4,217	4,120	4,012	4,127	4,268
Transport and communications	2,139	2,046	2,037	2,009	1,962
Financial intermediation	2,559	2,253	2,369	2,332	2,387
Real estate and renting activities	432	452	460	448	472
Business activities	3,523	3,425	3,565	3,602	3,621
Public administration	4,237	4,163	3,936	3,767	3,713
Education, health & social work	3,600	3,642	3,688	3,722	3,655
Other comm., social and personal	1,992	1,928	1,951	2,056	1,898
International business activity	3,768	3,937	3,900	3,832	3,838
Total	34,277	33,475	33,319	33,481	33,521

P = Preliminary data

F = Final

Source: Department of Statistics

TABLE 4

RETAIL SALES INDEX Average Monthly Sales (1) 2006 = 100																	
Period	Total Retail Stores		Food Stores (2)		Liquor Stores (3)		Motor Vehicle Stores		Service Stations		Building Material Stores		Apparel Stores		All Other Store Types	
2012	95.3	0.6	92.9	6.4	90.8	8.9	68.5	(7.6)	105.4	(1.2)	130.4	(9.0)	98.0	(4.5)	97.6	(2.0)
2013	95.2	(0.1)	95.5	2.7	94.5	4.1	69.2	0.9	103.4	(1.9)	109.8	(15.8)	97.7	(0.3)	96.4	(1.2)
2014	96.1	1.0	96.4	0.9	100.5	6.3	83.3	20.4	102.7	(0.7)	93.3	(15.1)	96.6	(1.2)	96.5	0.1
2015	100.0	4.0	100.0	3.8	100.0	(0.5)	100.0	20.1	100.0	(2.6)	100.0	7.2	100.0	3.6	100.0	3.6
2016	101.9	1.9	102.4	2.4	103.6	3.6	102.5	2.5	102.8	2.8	106.6	6.6	97.1	(2.9)	101.3	1.3
2017	105.0	3.0	104.9	2.5	106.9	3.3	99.2	(3.2)	112.1	9.1	115.6	8.5	101.0	3.9	103.2	1.8
2016																
Jan	91.3	4.4	99.4	3.5	74.3	(1.2)	110.4	26.0	86.4	4.8	91.3	(10.9)	62.0	(3.2)	86.7	4.7
Feb	88.1	6.8	93.2	5.7	79.4	4.4	111.5	23.1	85.2	10.5	92.8	(6.1)	57.5	1.3	84.5	5.1
Mar	98.2	4.5	103.5	5.7	93.0	7.0	104.7	6.2	92.7	0.7	116.0	11.3	78.6	(4.5)	94.6	5.0
Apr	99.4	2.9	100.6	4.8	97.2	7.0	116.3	(2.9)	97.0	5.3	118.8	25.1	83.4	(4.2)	95.4	(0.5)
May	104.2	(0.6)	103.5	(2.2)	111.0	(1.1)	100.2	12.7	113.4	9.1	116.2	3.6	99.2	(7.5)	101.5	(5.1)
Jun	110.2	1.9	104.0	2.9	116.6	9.1	111.0	4.9	114.6	0.1	107.1	(6.0)	122.2	(2.0)	113.1	2.6
Jul	111.4	(0.2)	108.8	0.8	141.1	8.6	92.7	(20.4)	131.3	0.8	113.7	15.0	99.7	5.9	113.3	(0.4)
Aug	100.8	2.9	100.6	1.1	103.4	(1.1)	91.6	4.6	109.2	(1.9)	97.9	15.9	93.0	2.0	103.5	6.8
Sep	101.3	4.8	101.7	2.9	102.5	6.0	113.3	24.2	102.2	4.1	105.6	14.0	91.6	(2.1)	98.8	2.4
Oct	98.1	(4.2)	105.0	0.9	106.5	2.6	86.8	(20.1)	104.0	(1.2)	101.5	(0.9)	76.8	(22.9)	94.3	(3.0)
Nov	103.5	5.1	100.2	4.3	93.1	1.6	109.1	16.3	98.5	4.1	122.6	20.7	114.7	(0.9)	102.9	3.4
Dec	116.6	(2.4)	107.5	(0.9)	124.6	(0.6)	82.8	(25.4)	98.7	0.6	95.0	1.8	186.7	1.7	127.4	(1.7)
2017																
Jan	90.3	(1.0)	97.2	(2.3)	73.6	(1.0)	97.4	(11.8)	93.5	8.2	107.2	17.4	61.2	(1.4)	85.5	(1.4)
Feb	85.7	(2.7)	92.4	(0.9)	81.4	2.6	90.2	(19.1)	89.1	4.6	101.2	9.0	50.9	(11.6)	82.6	(2.3)
Mar	103.4	5.3	104.1	0.6	94.3	1.4	129.2	23.4	104.6	12.9	142.5	22.9	77.9	(0.9)	96.5	2.1
Apr	101.6	2.2	103.2	2.6	106.0	9.0	91.1	(21.6)	106.6	9.9	114.2	(3.9)	86.4	3.6	103.1	8.0
May	114.4	9.8	111.1	7.4	120.6	8.6	90.1	(10.1)	130.6	15.2	130.2	12.0	113.9	14.8	117.5	15.7
Jun	120.2	9.1	114.8	10.4	139.2	19.4	82.8	(25.4)	133.7	16.7	113.5	6.0	163.3	33.6	118.4	4.7
Jul	113.9	2.2	111.0	2.0	127.7	(9.5)	106.5	14.9	139.3	6.1	110.0	(3.3)	101.7	2.0	113.5	0.2
Aug	105.5	4.7	103.7	3.1	114.5	10.7	117.6	28.4	116.8	7.0	126.3	29.0	90.9	(2.3)	99.9	(3.5)
Sep	103.2	1.9	106.3	4.5	104.2	1.7	102.0	(10.0)	112.2	9.8	118.9	12.6	95.7	4.5	94.3	(4.6)
Oct	99.5	1.4	102.9	(2.0)	97.7	(8.3)	101.3	16.7	110.0	5.8	111.6	10.0	78.1	1.6	94.9	0.7
Nov	102.8	(0.7)	102.3	2.1	95.8	2.9	94.3	(13.6)	105.4	7.0	117.5	(4.2)	108.4	(5.5)	101.5	(1.4)
Dec	119.3	2.3	110.2	2.5	128.5	3.1	88.4	6.8	103.6	5.0	94.2	(0.8)	183.1	(1.9)	131.0	2.8

(1) Index numbers are subject to revisions
(2) Includes household supplies, but excludes alcoholic beverages
(3) Does not include sales to bars, clubs, hotels and restaurants
Source: Department of Statistics

TABLE 5

CONSUMER PRICE INDEX
APRIL 2015 = 100

	All Items	Food	Rent	Clothing & Footwear	Tobacco & Liquor	Fuel & Power	Household Goods, Services & Supplies	Transport & Foreign Travel	Education, Recreation, Entertain. & Reading	Health & Personal Care
2013										
WEIGHT	1000	115	267	25	31	39	116	130	147	130
ANNUAL AVERAGE (per cent)										
2013	1.8	3	-0.3	0.1	4.4	-1.9	0.5	1.4	2.5	8.3
2014	2.0	3.1	0.8	2.0	2.4	-2.4	0.8	1.7	1.9	6.7
2015	1.5	2.7	0.6	1.3	1.2	-8.9	2.1	-1.3	0.9	7.8
2016	1.5	1.9	1.0	0.4	5.1	-3.3	1.6	-2.2	3.3	4.5
2017	1.9	2.2	0.1	1.5	7.8	7.8	0.5	3.6	2.0	1.3
MONTHLY (per cent)										
2015										
Dec	Nil	-0.2	0.1	Nil	0.3	-2.0	Nil	0.4	0.1	Nil
2016										
Jan	-0.2	1.2	-0.1	0.1	0.4	-3.7	0.1	-1.6	Nil	Nil
Feb	-0.1	0.6	0.1	Nil	1.1	Nil	Nil	-1.4	-0.3	0.1
Mar	-0.1	-0.1	Nil	Nil	Nil	-0.8	0.1	-0.7	0.2	Nil
Apr	0.9	0.3	Nil	-0.5	2	-2.6	Nil	0.8	2.7	3.2
May	-0.1	-0.3	0.1	Nil	1.5	-5	Nil	-0.3	0.5	Nil
Jun	0.5	0.2	Nil	Nil	0.8	10.4	Nil	1	Nil	-0.1
Jul	0.8	0.3	1	0.1	Nil	4.3	0.1	2.5	-0.2	Nil
Aug	-0.5	0.1	0.1	Nil	Nil	Nil	Nil	-4.3	Nil	Nil
Sept	1.0	0.1	Nil	Nil	0.1	6.0	0.1	4.5	1.1	Nil
Oct	Nil	0.1	Nil	0.3	Nil	-0.9	0.1	Nil	0.1	0.1
Nov	-0.5	-0.1	Nil	0.1	Nil	-2.3	Nil	-2.8	-0.2	Nil
Dec	-0.1	-1.3	0.1	Nil	-0.4	-3.1	Nil	1.3	0.1	Nil
2017										
Jan	0.1	2.0	Nil	1.2	0.8	-2.3	Nil	-1.2	Nil	Nil
Feb	-0.1	Nil	-0.8	Nil	-0.1	Nil	Nil	0.8	-0.1	Nil
Mar	0.4	0.4	0.1	Nil	0.1	3.9	Nil	1.9	Nil	Nil
Apr	0.3	-1.1	Nil	Nil	2.8	0.5	0.1	1.9	0.2	0.2
May	0.4	1.7	Nil	Nil	4.7	1.8	-0.1	Nil	0.1	Nil
Jun	Nil	0.6	0.1	Nil	Nil	3.3	0.2	-1.2	-0.1	Nil
Jul	0.6	0.2	Nil	0.2	0.7	3.0	0.2	2.4	0.1	Nil
Aug	0.1	0.1	0.1	Nil	Nil	Nil	Nil	Nil	0.2	0.5
Sept	0.2	-0.1	Nil	Nil	0.1	0.2	0.1	0.2	0.8	Nil
Oct	-0.1	0.1	0.1	0.1	0.2	Nil	Nil	-1.4	-0.2	0.5
Nov	0.1	0.1	Nil	Nil	0.1	-2.1	Nil	1.2	0.5	Nil
Dec	-0.2	-0.7	Nil	Nil	0.1	Nil	Nil	-1.4	0.1	Nil
Dec ‘17	104	104.7	101.3	102.3	116.6	106	103.5	101.5	106.9	105.1
Dec ‘17 / Dec ‘16	1.9	3.3	-0.4	1.5	9.8	8.1	0.5	3.1	1.7	1.3

Source: Department of Statistics

TABLE 6

MAJOR CONSTRUCTION PROJECTS[1]
Estimated value of work put in place during period $ millions

		Value Of New Projects Started	Type of Project						Total	Sector	
			Residential	Offices, Shops, Warehouses	Hotels, Guest-Houses	Schools, Hospitals, Community Centres	Roads, Bridges, Airports	Industrial Plant & Other		Public	Private
2013		85.1	30.0	23.7	9.0	57.5	16.9	10.7	147.8	78.3	69.5
2014		122.5	21.5	4.7	34.3	30.7	8.8	16.1	116.1	49.2	66.9
2015		161.8	27.9	13.6	13.0	4.3	3.6	15.4	77.9	25.8	52.1
2016		96.3	33.2	29.5	9.5	4.4	5.6	11.9	94.2	29.9	64.3
2013	Q1	8.6	8.5	7.6	0.2	25.6	3.8	0.3	46.0	29.2	16.8
	Q2	34.5	10.4	8.2	1.2	13.0	2.8	2.9	38.5	18.1	20.4
	Q3	15.6	8.2	7.7	2.1	5.9	6.5	4.8	35.2	13.0	22.2
	Q4	26.4	2.9	0.2	5.5	13.0	3.8	2.7	28.1	18.0	10.1
2014	Q1	18.0	5.0	0.3	21.2	21.6	4.3	2.2	54.6	24.2	30.4
	Q2	56.3	5.5	1.7	3.6	7.9	2.1	4.1	24.9	12.3	12.6
	Q3	16.5	5.5	1.3	3.5	1.0	1.6	5.5	18.4	7.5	10.9
	Q4	31.7	5.5	1.4	6.0	0.2	0.8	4.3	18.2	5.2	13.0
2015	Q1	43.2	5.1	2.6	6.6	0.3	0.9	7.6	23.2	10.0	13.2
	Q2	51.2	6.6	4.5	2.3	0.4	0.9	2.1	16.7	4.4	12.3
	Q3	18.7	7.2	3.2	0.5	2.6	1.1	4.2	19.0	7.9	11.1
	Q4	48.6	9.0	3.2	3.6	0.9	0.7	1.5	19.0	3.5	15.5
2016	Q1	12.4	12.8	11.7	3.6	0.4	2.5	6.1	37.1	7.0	30.1
	Q2	55.4	10.9	8.4	2.3	0.4	0.7	2.7	25.4	9.5	15.9
	Q3	19.2	5.3	2.4	2.9	2.0	1.3	0.9	14.8	5.3	9.5
	Q4	9.3	4.2	6.9	0.8	1.6	1.1	2.2	16.8	8.1	8.7
2017	Q1	11.2	2.2	7.1	3.0	2.1	5.9	3.0	23.4	12.6	10.8
	Q2	515.4	7.7	5.9	5.5	0.3	8.6	0.3	28.3	10.5	17.8
	Q3	10.9	2.1	4.7	2.0	1.6	8.9	0.8	20.2	7.1	13.1

[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
2013		18	43	38	19	118
2014		14	21	31	22	88
2015		17	21	5	15	58
2016		10	27	15	5	57
2013	Q1	5	16	10	5	36
	Q2	4	7	13	4	28
	Q3	2	7	8	3	20
	Q4	7	13	7	7	34
2014	Q1	3	7	3	1	14
	Q2	7	5	20	14	46
	Q3	2	5	1	1	9
	Q4	2	4	7	6	19
2015	Q1	1	6	0	5	12
	Q2	4	7	2	5	18
	Q3	2	4	0	2	8
	Q4	10	4	3	3	20
2016	Q1	1	10	1	1	13
	Q2	4	6	5	2	17
	Q3	3	4	4	0	11
	Q4	2	7	5	2	16
2017	Q1	2	8	4	2	16
	Q2	6	4	5	5	20
	Q3	4	6	2	2	14

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
2012		232,063	378,262	610,325	-1.7	-9.0	-6.4
2013		236,343	340,030	576,373	1.8	-10.1	-5.6
2014		224,380	355,880	580,260	-5.1	4.7	0.7
2015		219,814	377,398	597,212	-2.0	6.0	2.9
2016		244,491	397,904	642,395	11.2	5.4	7.6
2017		269,576	418,049	687,625	10.3	5.1	7.0
2012	Q1	31,619	2,719	34,338	2.6	302.8	9.0
	Q2	75,186	161,351	236,537	-6.6	0.2	-2.1
	Q3	80,852	179,124	259,976	1.2	-4.3	-2.7
	Q4	44,406	35,068	79,474	-1.0	-47.5	-28.8
2013	Q1	31,300	1,484	32,784	-1.0	-45.4	-4.5
	Q2	75,013	133,737	208,750	-0.2	-17.1	-11.7
	Q3	82,819	157,373	240,192	2.4	-12.1	-7.6
	Q4	47,211	47,436	94,647	6.3	35.4	19.2
2014	Q1	31,032	0	31,032	-0.9	-100.0	-5.3
	Q2	73,262	146,916	220,178	-2.3	9.9	5.5
	Q3	78,195	169,846	248,041	-5.6	7.9	3.3
	Q4	41,891	39,118	81,009	-11.3	-17.5	-14.4
2015	Q1	28,968	319	29,287	-6.7	n.a.	-5.6
	Q2	71,972	146,479	218,451	-1.8	-0.3	-0.8
	Q3	76,487	182,256	258,743	-2.2	7.3	4.3
	Q4	42,387	48,344	90,731	1.2	23.6	12.0
2016	Q1	32,233	3,341	35,547	11.3	938.9	21.4
	Q2	75,730	150,811	226,541	5.2	3.0	3.7
	Q3	86,948	190,333	277,281	13.7	4.4	7.2
	Q4	49,580	53,419	120,999	17.0	10.5	33.4
2017	Q1	36,752	9,282	46,034	14.0	177.8	29.5
	Q2	87,351	165,560	252,911	15.3	9.8	11.6
	Q3	90,321	200,455	290,776	3.9	5.3	4.9
	Q4	55,152	42,752	97,904	11.2	-20.0	-19.1

[1]Including those passengers arriving by ship and departing by air.
[2]Excluding passengers arriving by ship and departing by air.

Source: Bermuda Tourism Authority

TABLE 9

THE BERMUDA INSURANCE MARKET $ billions				
	Gross premiums written	Net premiums written	Total assets	Capital and surplus
1983	6.5	4.7	17.1	8.4
1984	7.6	5.4	22.2	9.9
1985	10.1	8.1	24.5	10.2
1986	12.4	10.4	30.9	12.5
1987	10.3	8.0	34.9	15.0
1988	11.1	8.4	38.7	14.4
1989	12.0	9.4	44.5	17.4
1990	13.0	10.1	48.0	18.2
1991	15.4	11.8	52.3	19.9
1992	15.1	11.3	58.8	21.9
1993	17.9	13.4	69.9	29.0
1994	18.8	14.9	76.1	29.8
1995	23.4	18.4	95.0	36.9
1996	25.1	19.8	99.9	42.5
1997	25.4	20.4	111.8	48.4
1998	26.6	21.2	116.4	51.2
1999	30.4	23.8	131.6	54.4
2000	38.1	32.0	146.0	59.2
2001	48.5	40.9	165.3	64.9
2002	63.3	52.3	204.0	75.6
2003	94.7	84.1	236.0	87.3
2004	95.3	82.9	290.5	106.7
2005	100.7	86.3	329.9	110.0
2006	115.8	100.4	440.4	157.8
2007	124.4	100.8	441.3	167.1
2008	123.6	107.9	473.0	156.8
2009	119.8	106.3	496.1	182.1
2010	107.7	94.2	524.7	185.2
2011	107.6	94.6	452.2	168.8
2012	120.5	98.1	505.5	193.0
2013	163.0	138.7	607.6	191.6
2014	151.8	116.2	583.3	214.5
2015	130.8	108.5	631.7	200.8

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

TABLE 10

BALANCE OF PAYMENTS ESTIMATES
$ millions

	2013	2014	2015	2016	2017*
Exports	25	23	21	19	14
Imports	1,012	969	935	980	855
Merchandise Trade Balance	-987	-947	-914	-961	-841
Services & Income – receipts	3,957	3,397	3,381	3,563	2,747
Services & Income- payments	3,015	2,530	2,495	2,796	2,076
Current account balance	941	867	886	766	671
Financial Account					
Direct Investment	51	120	-84	95	-58
Portfolio Investment	2,169	-1,853	1596	406	-665
Financial Derivatives	164	192	137	208	111
Other Investments	989	-545	-897	561	50
Reserve Assets	11	-15	7	10	24
Net Acquisition of Financial Assets	3,383	-2,102	758	1,281	-538
Direct Investment	93	-3	-143	77	-171
Portfolio Investment	-1,845	90	151	807	96
Financial Derivatives	-7	11	0	-4	-7
Other Investments	1,783	-1,239	28	-280	-1,054
Net Incurrence of Financial Liability	2,424	-3,076	-24	600	1,136
Total Net Financial Account	-960	-974	-782	-681	-597
Total Net Capital Account	0	0	0	0	0
Total Net Lending (+)/ Net Borrowing (-)	960	974	782	681	597
Balancing Item	18	107	-103	-86	-74

Numbers may not add due to rounding

* Q1 – Q3 provisional estimate

Source: Department of Statistics

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