

MAY 2016



Report card season

Earlier this year, I was asked to chat with a couple of visiting analysts from Standard & Poor's. The ratings agency, like AM Best, Fitch, and others, periodically sends its experts to do a pulse-check on the island's economy, measuring everything from GDP growth and the effects of national debt to our level of fiscal responsibility.

That, indeed, was the mission on this occasion for a Toronto-based S&P duo, Stephen Ogilvie, director of sovereign and international public finance ratings, and Nikola Swann, director of financial institutions ratings. Their Bermuda research involved not only vetting the jurisdiction's latest economic statistics, but also conducting direct interviews with government and regulatory



officials, industry leaders and others who could give them anecdotal insights on the reasons behind our leading economic indicators.

I spent well over an hour describing what the BDA does and what we have achieved for Bermuda's economy in the past year. I'm seldom at a loss for words when asked to talk about the BDA's business-development initiatives. So, I readily detailed the genesis of our unit and gave Stephen and Nikola a full rundown on activity and results to date, as well as ongoing strategies to ensure the island's recent uptick in GDP growth continued.

Six weeks later, on April 28, S&P delivered its ratings services report on Bermuda, affirming our 'A+' rating with an outlook of 'stable' based on real GDP growth and improving fiscal deficits.

It was pleasing to see this positive response from S&P—and to know I had been able to play even a small part in it.

S&P's report card pointed out the following key factors:

- > The agency affirmed 'A+' long-term sovereign credit and senior unsecured debt ratings on Bermuda
- > S&P affirmed their 'A-1' short-term rating
- > The ratings reflect S&P's view of Bermuda's net external creditor status, moderate and improving fiscal deficits and low debt burden, effective and predictable policymaking, high GDP per capita, and lack of monetary flexibility

"Bermuda's six-year-long economic contraction has come to an end," Stephen and Nikola confirmed. "According to our estimates, real GDP increased about 0.4 percent in 2015 and nominal GDP 3.5 percent—the highest annual nominal growth rate since 2008.

"For 2016 and 2017," they added, "we expect real growth of 2.0 percent and 3.0 percent, respectively."



Let's be clear: this is highly positive news for Bermuda—for all of us. And the growth described is not limited to any specific industry. Every sector is experiencing upward-trending statistics. At the BDA, we see this first-hand. We see new incorporations and physical companies coming down the pipeline. We cheer legislative enhancements that attract new business. We hear serious interest from overseas business in insurance, investment funds, trusts, family office and even blue-sky sectors. On the heels of overseas roadshows and the industry conferences we've brought here, we've shepherded new captives from Latin America and Canada, new brokers from the UK and US. New asset managers, new fund administrators. All setting up in Bermuda. That means a boost to GDP—and new jobs.

We parlayed all this good news to the S&P analysts and they factored it into their decision-making.

It is these positive factors—these differentiating metrics—that we need to continue to billboard. We must all accentuate positive trends because they help define who we are economically as a nation, and where we're going. Strong ratings set Bermuda apart from other international financial centres and are critical to our global reputation.

At the BDA, we'll continue the work to keep them headed in the right direction.

ABOUT VIEWPOINT

A monthly blog by BDA CEO Ross Webber, with commentary on industries, issues and influencers affecting Bermuda as a global financial centre. Comments and feedback can be sent to ross@bda.bm

ABOUT BERMUDA BUSINESS DEVELOPMENT AGENCY (BDA)

The BDA encourages direct investment and helps companies start up, re-locate or expand their operations in our premier jurisdiction. An independent, public-private partnership, we connect prospective companies to industry professionals, regulatory officials, and key contacts in the Bermuda government to facilitate domicile decisions. Our goal? To make doing business in Bermuda straightforward and beneficial.

