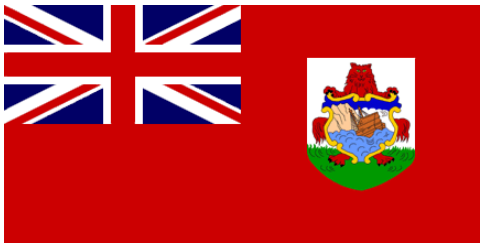
Common Country Analysis

Update 2021

Bermuda



UNITED NATIONS
JAMAICA, BAHAMAS, BERMUDA
TURKS AND CAICOS & CAYMAN ISLANDS

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This document was not subject to official editing. Any errors are the responsibility of the authors. Comments or suggestions concerning the contents of this document should be addressed to Olaf J. de Groot (olaf.degroot@un.org).

Contents

Abbreviations

CCA	=	Common Country Analysis
CSO	=	Civil Society Organization
DCO	=	Development Coordination Office
FY	=	Fiscal Year
GDP	=	Gross Domestic Product
ICT	=	Information and Communication Technology
IRP	=	Integrated Resource Plan
LGBTQI+	=	Lesbian, Gay, Bi, Transexual, Queer and Intersex
MSDCF	=	Multi-Country Sustainable Development Framework
NDP	=	National Development Plan
PSHM	=	Public Health and Social Measures
PWD	=	Person with disability
SDG	=	Sustainable Development Goal
UNCT	=	United Nations Country Team

I. Executive Summary

During 2021, there was no dramatic change to the socioeconomic environment of Bermuda. The primary differences with the previous year are those related to the continued changes resulting from the ongoing **COVID-19 pandemic**. This update of the Common Country Analysis (CCA) thus primarily focuses on those observed impacts.

The first and foremost global change is the current availability of a vaccine that helps to reduce the risk of infection and especially hospitalization. For Bermuda, **take-up of the vaccine** was excellent, and a large share of the population has been vaccinated. Unfortunately, this has not eliminated the continued waves of the virus, but it has greatly reduced the number of gravely ill and hospitalized. Second, it is important to look at continued **progress on the SDGs** and whether any SDG indicators have suffered declines or reversals resulting from the pandemic. Unfortunately, in the case of Bermuda, data is too scarce to be able to provide much insight in this area. Finally, the **economic picture** has become much substantially clearer during the year and it shows that Bermuda has suffered less than many other Caribbean economies, and that the economic recovery from the impact of the pandemic is well underway.

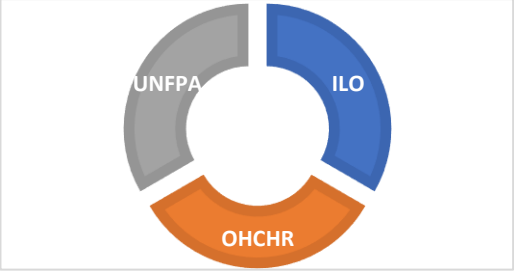
Finally, it is important to reiterate that the status of Bermuda as being both a **high-income and low-tax** jurisdiction may make it challenging to access concessional or other financing while attempts are made to make the economy more inclusive and fairer for all Bermudians and especially in the process of addressing **climate change**. While the Government of Bermuda has announced ambitious decarbonization goals, it is not certain whether private investment alone will allow the territory to achieve its objectives.

II. Introduction

The CCA is a key instrument designed to reflect the United Nations integrated, forward-looking and evidence-based joint analysis of the context for **sustainable development**, in view of achieving the 2030 Agenda and the Sustainable Development Goals (SDGs). It forms the basis of UN programmatic support through the Multi-Country Sustainable Development Cooperation Framework (MSDCF). However, the CCA is not an insular document that, once completed, is set in stone. Rather, an annual update is prepared that expands the growing evidence base over time. This update identifies actual and anticipated shifts in the national development landscape.

This document is the first CCA update of the latest cycle, with the original mini-CCA for Bermuda completed at the end of 2020. This document thus provides that overview of major changes that have taken place during 2021 and highlights the data that has become available since the original publication.

Figure 1. Agencies involved in CCA Update



Source: Prepared by authors.

The most pressing issue in Bermuda continues to be the COVID-19 pandemic. Chapter III of the update provides further detail on the status of the pandemic in Bermuda by late 2021, and chapter IV will highlight the economic impacts the pandemic is having. While the pandemic was clearly present in late 2020, it was not yet apparent in much of the data presented in the CCA. In fact, as pointed out in chapter II, on progress towards the SDGs, even now, much information continues to be incomplete. This means that it is still partially unknown what the **socioeconomic impact of the pandemic** is like in Bermuda.

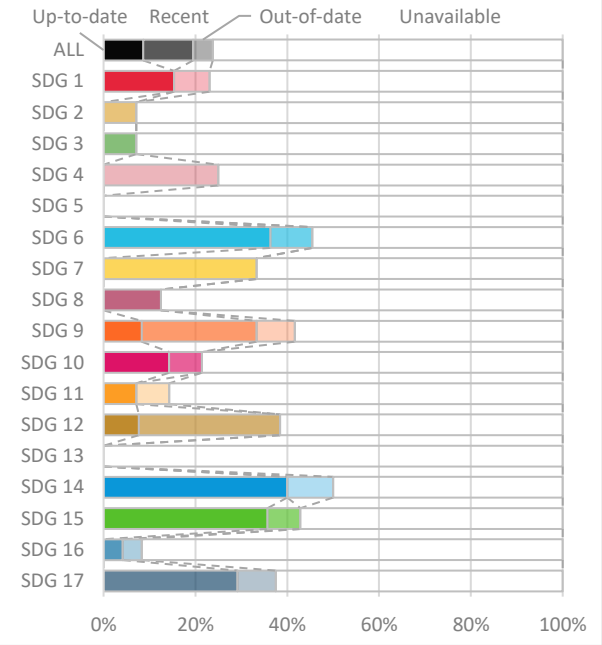
Chapter V provides a deep dive into the different upcoming threats and opportunities as identified by the Agencies, Funds and Programmes that are active in Bermuda. For this report, the inputs of the different UN entities in the territory have been pivotal, as shown in figure 1. Inputs were also solicited and incorporated from the whole UN Country Team (UNCT), the regional Development Cooperation Office (DCO) based in Panama, national government and select Civil Society Organizations (CSOs).

III. Progress towards the SDGs

As described in the CCA, the **National Development Plan** (NDP) Draft Bermuda Plan 2018 has a strong focus on the effective management of the territory's natural and built environment. The plan is not clearly aligned with the 2030 Agenda. In July 2021, the Government of Bermuda announced its intention to finetune some of the features of the plan[1]. In particular, it will get an even stronger focus on climate change adaptation and environmental conservation. At the same time, it also increases the amount of land available for tourism activities, and specifically acknowledges the importance of heritage preservation, including its UNESCO World Heritage site and other historic areas. Even if it does not make the link explicit, the Economic Recovery Plan announced in 2021 addresses several key issues that will enable the 2030 Agenda, such as universal healthcare access and youth unemployment[2].

As stated in the CCA, while progress towards each of the indicators that are part of the 2030 Agenda are tracked by the United Nations, it can be

Figure 2. Bermuda: SDG indicator availability and recentness as of 16 December 2021



Source: United Nations, 2021.

Note: Availability and recentness is calculated per SDG. If the most recent data is from 2020 or 2021, an indicator is considered "up-to-date", if the most recent data is from 2018 or 2019, it is considered "recent", and if it is from 2010-2017, it is considered "out-of-date". Older observations are treated as unavailable indicators. Reported data may not be complete and may not be available at complete levels of disaggregation.

[1] https://www.gov.bm/articles/bermuda-plan-2018.

[2] Government of Bermuda, 2021a.

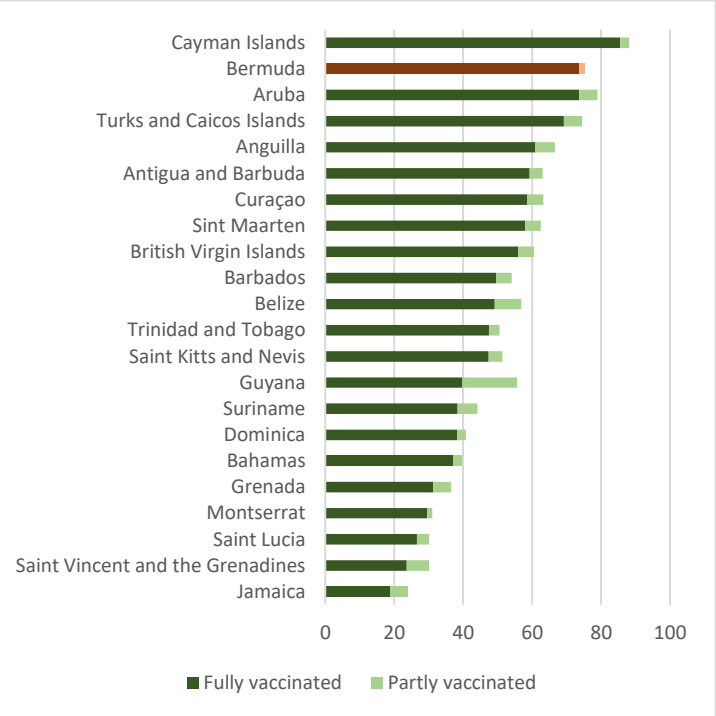
difficult to assess the overall progress towards the SDGs. Looking at the United Nations SDG data portal[3], we can assess the **availability and recentness of SDG data** for Bermuda. Figure 2 shows that the most recent observation of 19 per cent of indicators is from 2018 or later, and 76 per cent of all indicators have no observed data from 2010 onwards. However, as the figure shows, there is great variation between the indicators. SDG 5 and SDG 13 has no data available whatsoever and only out-of-date information is available for SDG 4. On the other hand, more than 40 per cent of the indicators for SDG 6, SDG 14 and SDG 15 are recent.

It should be noted that in some cases, **data availability at the territory level** is not fully reflected in the UN SDG database. For example, with regards to the prevalence of disease and the causes of death, UN data only report on the prevalence of tuberculosis (3.7 cases per 100,000 of population in 2019, SDG 3.3.2) and the adolescent birth rate (3.9 per 1,000 women aged 15-19, SDG 3.7.2). National statistics can provide further information on road casualties (SDG 3.6.1), neonatal mortality rate (SDG 3.2.2) and the number of new HIV infections (SDG 3.3.1), all up to and including 2019[4]. It should be a UN priority to make sure that this kind of data is also incorporated in global databases, assuming that it can be validated and is found to be comparable to data reported for other jurisdictions.

IV. Impact and response to COVID-19

As of 30 December 2021, 6,420 cases of **COVID-19** have been diagnosed and 110 deaths have been attributed to the pandemic[5]. Like elsewhere, the pandemic has waxed and waned, but three waves can be identified. The first took place in December 2020, when the seven-day average of identified cases peaked close to 20. The second wave took place during March and April 2021, with the seven-day average of cases peaking around 70. The third wave, in September and October 2021 peaked at around 160 cases a day. A fourth wave may be starting at the end of December of 2021 resulting from the Omicron variant. The third peak was also the deadliest, with the total number of deaths increasing from 36 to 104 between 15 September and 1 November.

Figure 3. English- and Dutch-speaking Caribbean: vaccination rates, 30 December 2021



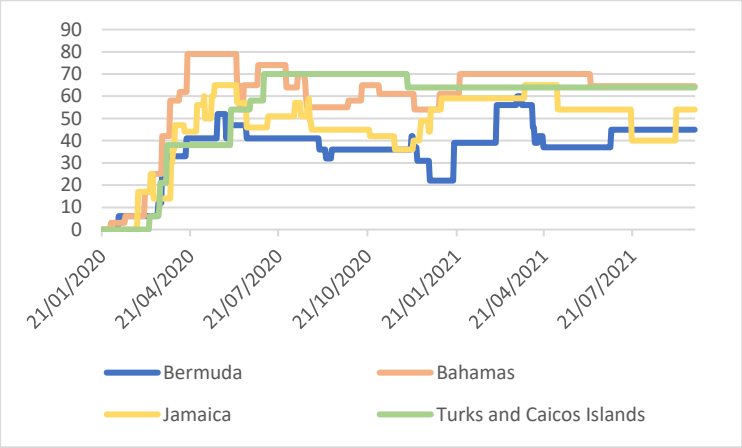
Source: Mathieu et al., 2021.

[3] United Nations, 2021.
[4] Government of Bermuda, 2021b.
[5] Worldometers, 2021.

With **vaccination** as the most effective way of combatting the pandemic, the rollout of vaccines has gone relatively smoothly, compared to elsewhere in the Caribbean. Thanks to its relationship with the United Kingdom, Bermuda did not suffer as much from the well-documented vaccine inequity that saw developed countries hoarding vaccines while others were not able to access any. Instead, the territory was able to start vaccinating its population in January 2021 with donated vaccines. Figure 3 shows that, as of 30 December 2021, Bermuda has the second-highest vaccination rate in the Caribbean, with 73.7 per cent of the population fully vaccinated and another 1.5 per cent partly vaccinated. This comparatively high level was achieved by July 2021 and has not increased substantially since. Amongst the remaining population, there appears to be a certain level of vaccine hesitancy, which has resulted in the recent deadly wave of the pandemic, as mentioned earlier. The latest announcement of a vaccine mandate for travel to the United States may be able to convince another part of the population to get vaccinated.

The Government of Bermuda responded less strictly than other Caribbean jurisdictions in response to the original arrival of the virus of the island. As is shown in figure 4, the **Public Health and Social Measures (PHSM) Index** developed by the World Health Organization[6] increased less rapidly in Bermuda than elsewhere and throughout the pandemic remained at a somewhat lower level. As of October 2021, the restrictions are mostly limited to public health ones, such as mask wearing mandates and restrictions upon entry, including mandatory testing. Plans are in place to eventually return to in-person teaching, which will be important to help young people overcome the important learning deficits that have occurred since the beginning of the pandemic.

Figure 4. Selected countries: PHSM Index, January 2020-October 2021



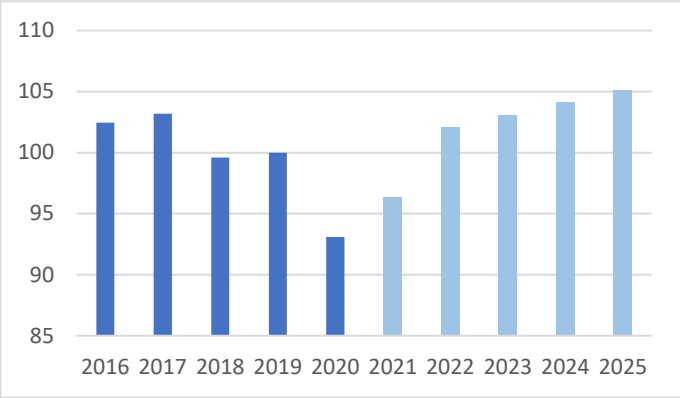
Source: WHO, 2020.

V. Economic Update

The impact of the COVID-19 pandemic was felt strongly in Bermuda, though not as strongly as in jurisdictions that are more tourism-dependent. Thanks to a vigorous financial sector, and substantial financial stimulus, **GDP shrank by only 6.9 per cent in 2020**[7] and the economy is expected to fully recover by 2022[8], as shown in figure 5. The Government of Bermuda responded firmly to shield its population from the economic impact of the pandemic, which resulted in a deterioration of Government finances. The budget deficit for FY 2020/21 was estimated at USD 245.5 million

[6] WHO, 2020.
[7] Government of Bermuda, 2021c.
[8] Government of Bermuda, 2021d.

Figure 5. Bermuda: GDP Index, 2016-2025 (est.) (2019=100)



Source: prepared by the author on the basis of Government of Bermuda, 2021c and 2021d.

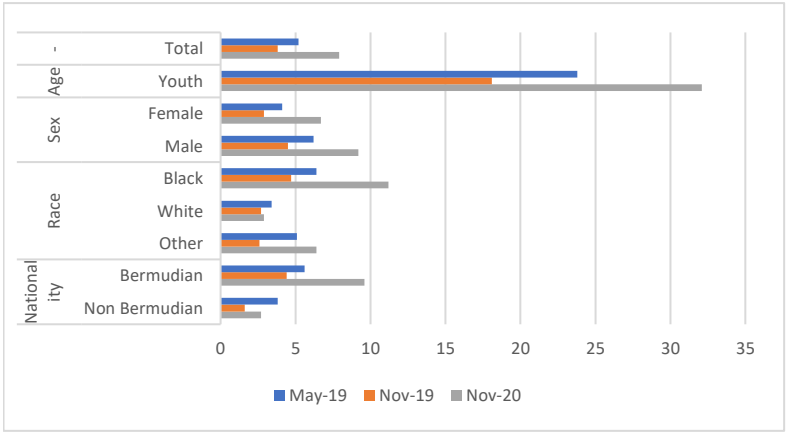
(3.6 per cent of GDP), up from USD 32.5 million (0.4 per cent of GDP) the year before. While this is comprehensible in the current circumstances, there is some worry about the long-term fiscal sustainability of the territory, which has a relatively high debt-to-GDP ratio for an Overseas Territory (estimated at 49.5 per cent of GDP). With a structurally low rate of economic growth, and an approaching demographic crunch, it will be important to address this issue in the short-to-medium term[9].

To identify the impact of the pandemic on economic well-being, it is worthwhile looking at the Bermudian Labour Survey. This is normally undertaken each year in May and November, but in May 2020, the pandemic led to the survey's cancellation. In November, the survey was carried out via telephone instead of in-person, but results were obtained that are comparable to the previous year's surveys[10].

The most important observation is that **unemployment** increased from 3.8 per cent in November 2019 to 7.9 per cent in November 2020, which was felt by all different groups (see figure 6), but most strongly by black residents, for whom the unemployment rate increased from 4.7 per cent to 11.2 per cent over the same period. Women continue to have lower unemployment rates as men. What is interesting to see is that the increase for non-Bermudian citizens was relatively limited, but this seems to be related to the migratory flexibility of non-Bermudians: this population shrank by 8 per cent during this period.

Another noteworthy point from the survey is the **change in incomes**. While the median gross salary increased by 2.3 per cent to USD 64,033, this increase was absorbed entirely by non-Bermudian residents. This group experienced an increase of 12.0 per cent, compared to a 0.1 per cent decrease amongst Bermudians. This pattern is racially sensitive, with white salaries increasing by 12.7 per cent and black salaries increasing by only 0.9 per cent. Women, who in November 2020 earned 9 per cent less than men experienced a lower increase (0.8 per cent compared to 4.2 per cent).

Figure 6. Bermuda: unemployment by group, May 2019-November 2020

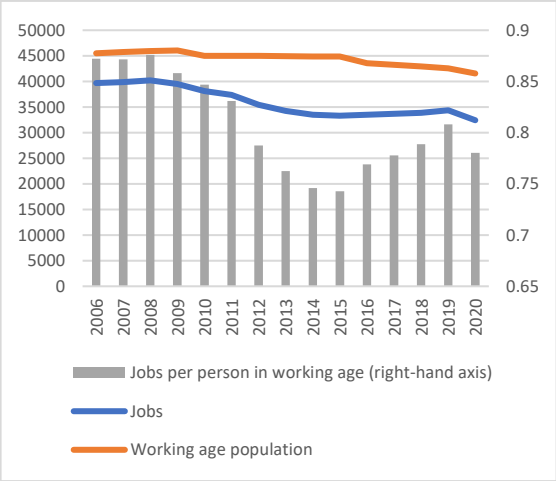


Source: Government of Bermuda, 2021e.

[9] Ibid.

[10] Government of Bermuda, 2021e

Figure 8. Number of jobs, people of working age and jobs per person, 2006-2020 (in numbers and share)

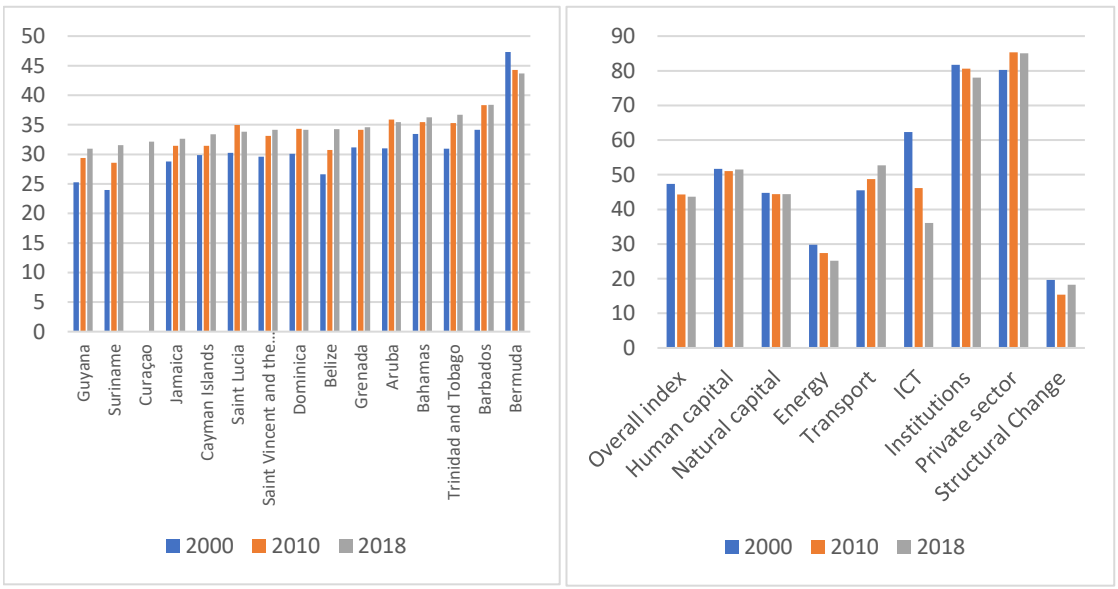


Source: Prepared by authors on the basis of Government of Bermuda, 2016 and 2021b.

A more long-run trend affecting the Bermudian economy is that of a generally shrinking labour market. Figure 8 shows that the number of jobs peaked in 2008 when there were 40,213 jobs. In 2020, this number fell to a historic low of 32,427. Only around a quarter of the 8,000 jobs lost can be attributed to the ongoing pandemic. While this is worrisome, it is worthwhile looking at the rapidly changing demographic profile of the territory. While the total population fell by around 2,500 people over the same period[11], the dependency ratio increased rapidly due to increased ageing. In 2010, the dependency ratio was estimated at 0.43 young and old people for each person of working age, but according to the Government's own estimates, this ratio reached 53.0 in 2021 and is expected to reach 60.7 in 2026[12]. With these and other estimates, it can be shown that the working age population has shrunk by around 4,500 people between the 2009 peak and 2020. Figure 8 shows that the number of jobs per working-age member of the population did indeed decrease rapidly after the financial crisis, in line with GDP, but that since the 2015 trough, the employment situation markedly improved until the onset of the pandemic.

Looking at the **structural state of the economy**, a new analysis from UNCTAD confirms the exceptionality of Bermuda compared to its Caribbean counterparts[13]. This report develops

Figure 7a. Productive Capacities Index for different Caribbean economies. 8b. Bermuda: PCI subindices, 2000, 2010 and 2018 (in indices)



Source: UNCTAD, 2021.

[11] Government of Bermuda, 2021b.
[12] Government of Bermuda, 2016.
[13] UNCTAD, 2021.

a Productive Capacities Index, which summarizes the state of productive capacities on a 0-100 scale, incorporating eight separate input categories[14]. Panel a in figure 7 shows that the productive capacities in Bermuda are estimated to be far above those in any other Caribbean economy, although nearly all others have made progress between 2011 and 2018 and Bermuda did not. Panel b of the figure shows the values over time of the different inputs. Most notably is the strong decrease in the productive capacities with respect to ICT and energy. These are worrisome trends that are only partially offset by the improvements in transport and the private sector.

VI. Emerging opportunities and challenges

Recently, there has been substantial discussion about the question of GDP as a tool for measuring welfare. The UN Secretary General's Common Agenda[15] states that "Efforts to find consensus on complementary measures to GDP could be reinforced by a global shift away from relying on GDP to determine access to concessional finance and support, led by international financial institutions along with the United Nations." (Chapter IV, p.55). To develop alternatives for GDP, work has been ongoing in the development of different vulnerability indices. Early work on the development of such indicators implies that Bermuda is one of the most **"structurally vulnerable"** SIDS in the world. This has important implications because it can help the territory overcome the challenge of being a high-income country facing challenges that it cannot address on its own.

At the same time, it is important to be realistic about the expectations for the international community: Bermuda has a low-tax structure, with revenues making up around 14 per cent of GDP, and with several taxes that are in practice regressive[16]. In addition to the aforementioned high debt ratio, leading to interest payments that have almost doubled as a share of revenues in ten years (reaching 11.4 per cent in FY 2021/22), **government spending** is concentrated in health (16.4 per cent of revenues), education (11.4 per cent) and national security (10.9 per cent). As government spending is relatively small, this means that spending on health and education are only equal to 2.6 per cent and 1.8 per cent respectively in the 2021/22 budget[17], making it difficult to achieve SDG 1.a.2 focused on a minimum level of spending on education, health and social services. An increase in government expenditures may be required to meet the socioeconomic needs of the population.

As noted in the CCA, the impact of **climate change** on Bermuda cannot be overestimated. While its carbon footprint may be small in absolute terms, Bermudians continue to have one of the highest carbon footprints in the world. The Integrated Resource Plan (IRP) presented in 2019 aims to reduce carbon emissions by 85 per cent in 2035. In 2021, the objectives were subject to popular inputs, with possibly setting an objective of achieving 100 per cent renewable electricity by 2041. An important step towards this goal was taken in November 2021 with the announcement of a 40MW wave

[14] Human capital, natural capital, energy, transport, information and communication technology (ICT), institutions, the private sector and structural change.

[15] https://www.un.org/en/content/common-agenda-report/.

[16] There is no income tax and payroll taxes are subject to an upper limit beyond which they are not levied. There is no tax on dividends or investment income.

[17] Government of Bermuda, 2021a.

energy project by the company *Seabased*, which, once completed, will supply around 10 per cent of the total energy demand in Bermuda[18].

Finally, the Government of Bermuda decided not to hold a 2020 **Census** and continue to base its data collection on the results of the 2016 Census instead. It is currently planning for another round to take place in 2026.

VII. Conclusions

Bermuda is a high-income territory lying in an isolate geographic location in the middle of the Atlantic. This brings with it a range of challenges that make it incomparable with most other jurisdictions in the Caribbean and beyond. The territory is highly sensitive to climate change, even if its role as a financial centre means it is home to a large insurance industry.

From an economic perspective, it faces longstanding challenges with respect to inclusive economic growth, meaning that it may be necessary to look at the size and the role of the Government of Bermuda in economic development. As a low-tax environment, the role of government expenditures in redistribution and the creation of new opportunities for the population is currently quite small.

The key groups of people at risk of being left behind in the CCA continue to be the same, as little progress has been made. Black Bermudians, children and young people, women and the LGBTQI community continue to be the key groups at risk of being left behind, while people with disabilities (PWD), people living with HIV/AIDS and the elderly are suffering from a lack of data, making it hard to pinpoint their vulnerabilities.

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