

History of Bermuda's Economy - Notes

Bermuda's economic history can be divided into several focus areas from 1600s colonisation to the 21st century. From tobacco farming to shipbuilding to the sale of winter vegetables, the island's economy flip-flopped among pursuits over three centuries. In the 1900s, tourism took root, followed by international business. Both became economic pillars fuelling Bermuda's survival and growth through to today.

1600s: TOBACCO & AGRICULTURE

Early colonists tried to make a living by growing tobacco, and it was used as the only form of currency for trade. The Bermuda Company, run by a group of wealthy landowners, forced colonists to trade only with Company ships. Some agriculture was attempted, but vines and mulberry trees failed. In 1684, Bermuda became a true English colony run by the Crown, and trade restrictions were lifted.

1700s: MARITIME INDUSTRIES

Bermudians abandoned the tobacco industry and took up maritime pursuits. Shipbuilding, piloting, whaling, and trade with nations to the south and east allowed entrepreneurial talent to flourish and the colony began to thrive. Bermudian privateers won approval of the island's governors to capture enemy vessels. Bermuda merchants and sea captains also traded goods and services in ports across the Caribbean and Americas. The fast, light, waterproof Bermuda sloop was the vessel of choice and many were fabricated for sale to mariners around the world.

1800s: SALT, WHALING & AGRICULTURE

Salt production and trade from the Turks and Caicos Islands became a major industry for Bermudians in the 1800s. Bermudian captains journeyed south for summers in the Turks, then spent winters trading their haul of salt for grain, tobacco, or meat in American ports. Whaling was also a profitable enterprise. From 1849 when the first Portuguese immigrants were brought to Bermuda, agriculture became a new focus. Leasing land, they farmed produce such as arrowroot, lilies, potatoes and onions—which were exported by thousands of barrels to US cities in winter.

1900s: TOURISM AND INTERNATIONAL BUSINESS

Bermuda reinvented itself twice over the 1900s. With no exportable natural resources, no manufacturing, and few viable exports other than onions, the island invested in its physical

beauty. A tourism industry was launched in the early 20th century—and became the island’s new economic pillar.

TOURISM

Missionaries and military officers were Bermuda’s first visitors. The idea of travel as “vacation” did not happen until the late 1800s. Queen Victoria’s daughter, Princess Louise, came to Bermuda the winter of 1883, attracting media coverage. Her visit encouraged America’s elite to follow—politicians, socialites, artists, and writers. Hotels sprang up and guidebooks were created. Early visitors attended garden parties, dances, and military displays, travelling around by bicycle or horse-drawn carriages. Croquet, tennis, and golf became popular, as well as the new pastime of swimming. Between the wars, many visitors arrived by cruise ship or aboard floatplanes that landed at Darrell’s Island. They travelled between parishes on Bermuda’s 22-mile railroad.

The US military built a new airport, and after WW2 this opened up the island to mainstream tourism. Bermuda now had cars and large new hotels. Visitors arrived by jumbo jets and cruise ships. The industry’s golden years were the 1970s and 1980s, with a peak of 630,000 tourists in 1985. Tourism employed thousands of Bermudians. But competing destinations, like the Caribbean, caused a steady slump in the industry throughout the 1990s and first decade of the 2000s. Many hotels closed and fewer visitors came to the island; the ones that did spent less during vacations.

International Business

After WW2, Bermuda began to attract foreigners interested in the island for its offshore business benefits—and a second main industry sector was born. Thousands of insurance “captive” companies, trusts, mutual funds, and multibillion-dollar reinsurance firms flocked to the island in the 1970s, ’80s, ’90s and early to mid-2000s. They turned Bermuda into an economically powerful and globally respected financial centre. International business surpassed tourism as the biggest economic generator.

2000s

Bermuda endured a five-year recession beginning in 2008, after two decades of boom times. It was driven by sharp declines in financial services, international business, hotels, restaurants, and the construction sectors. The recession helped illustrate the close links between Bermuda and US economies. “When America sneezes—Bermuda catches a cold.”

The economy began to stabilise by 2014, and since then GDP has recorded six consecutive quarters of growth. Tourism began to recover, attracting younger visitors interested in culture, sports events, and more active pursuits. Investment in hotel properties also took off after Bermuda won the right to host the 2017 America’s Cup. Yet IB remains the biggest generator, accounting for more than 60% of economic activity.

What brings so many foreign companies to the island? Respected regulation. World-class expertise. A tax-neutral system. Political stability. Robust infrastructure. A convenient mid-Atlantic location, between US and European markets.