



# Bermuda High Cost of Living

## [compared to Switzerland, Norway, Ireland & Bahamas]

**N**umbeo is the world's largest database of user contributed data about cities and countries worldwide. They provide current historical information on living conditions, including cost of living, housing indicators, health care, traffic, crime and pollution.

The data illustrated in the charts below shows that Bermuda was ranked number one in "Cost of Living" six times in the last seven years and ranked number 2 in 2019 behind Cayman (2016–2022).

For comparison purposes, we have chosen to present Bermuda's historical data relative to the followings four high cost/high income countries:

**Switzerland** has been ranked number 2 or 3 in the world over this period as a country with a high cost of living.

**Norway** has been ranked number 3 or 4 in the world over this period as a country with a high cost of living.

**Ireland** has been ranked between number 11 to 16 in the world over this period as a country with a high cost of living.

**Bahamas** has been ranked between number 3 to 9 in the world over this period as a country with a high cost of living.

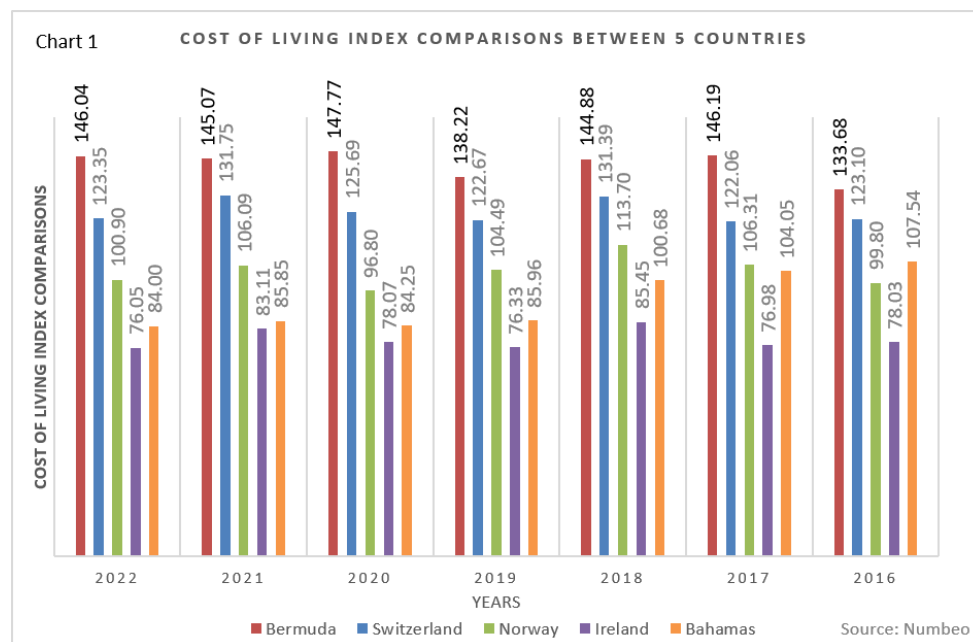
Even though the data reflected in these charts below show the last seven (7) years, most of histor-

ical erosion in purchasing power for the average Bermudian worker occurred in the mid-1970's, 80's and 90's due to the increases in the household expenditures.

Historical information concerning workers disposable income in the 1970's to 2013 was highlighted by the BIU in a Report on a Living Wage dated September 26, 2018.

On page 9 of the report, it shows the cumulative increases in the Consumer Price Index (CPI) of 165.8% from 1974 to 2013. Over that same period the household expenditure cumulative increases was 221.5%. Therefore, the household expenditure outpaced the rate of inflation by 55.6% over that period.

**Chart 1** to the right reflects the year-to-year changes in the cost-of-living Index between the 5 countries and it is very clear that Bermuda has consistently been the most expensive place to live by significant margin. Moreover, the difference between Bermuda's cost-of-living and those of the other countries has grown over time.



Bermuda's cost living index over this period increased from 133.68 in (2016) to 146.04 in (2022) a twelve (12) point increase.

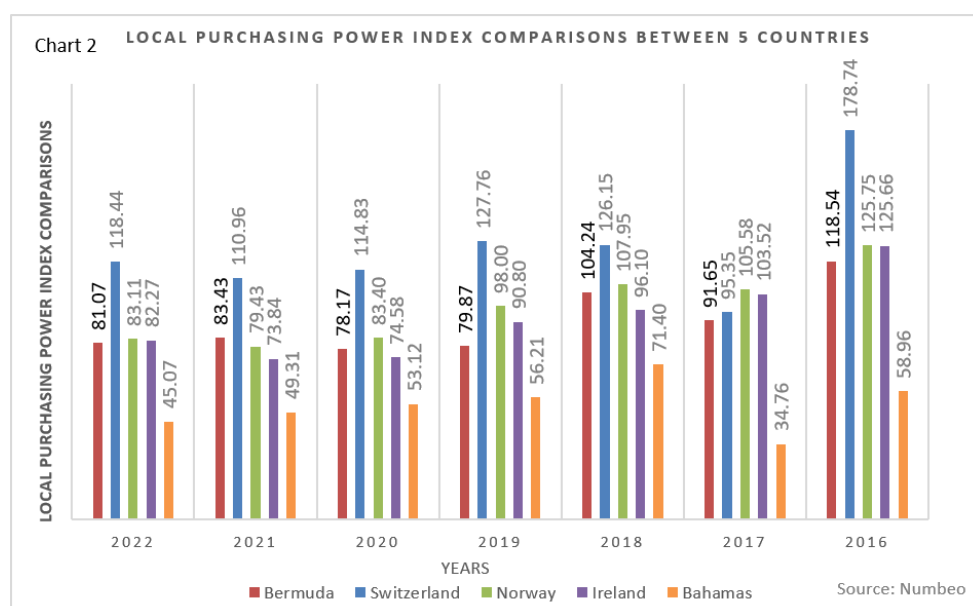
Switzerland's cost living index over this period remained petty much unchanged at 123.10 in (2016) and 123.35 in (2022)

Norway's cost living index over this period increased from 99.80 in (2016) to 100.90 in (2022) a one (1) point increase.

Ireland's cost living index over this period decreased from 78.03 in (2016) to 76.05 in (2022) a two (2) point decline.

Bahamas cost living index over this period decreased from 107.54 in (2016) to 84.00 in (2022) a two (23) point decline.

**Chart 2** to the right reflects on the year-to-year changes in local purchasing power index by comparisons between the five (5) Countries.



Bermuda local purchasing power in 2016 was 118.54 and in 2022 it was 81.07 a decline of 37 points

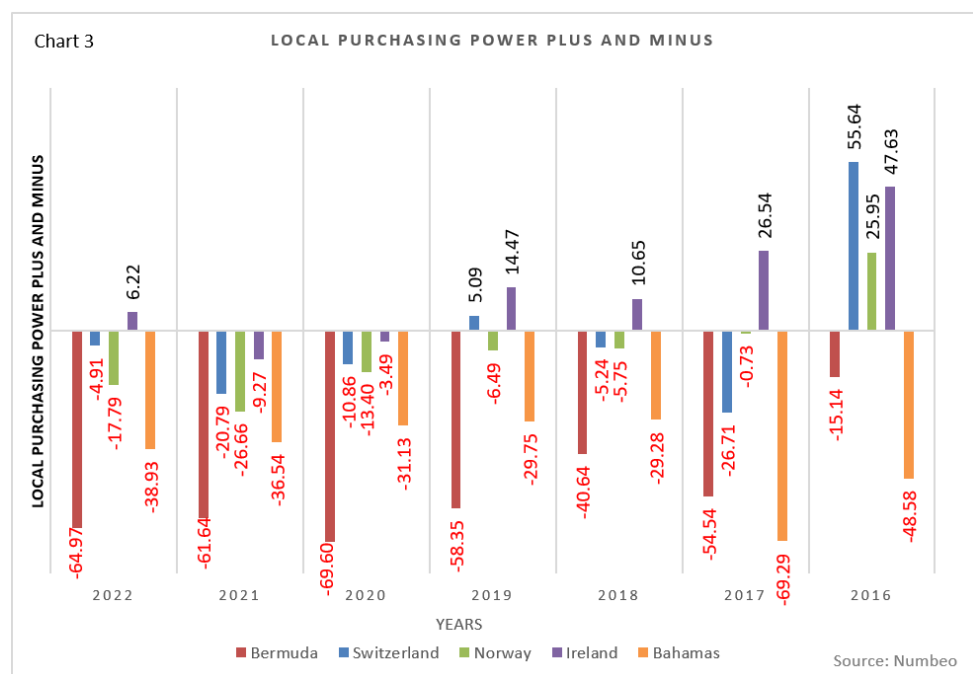
Switzerland local purchasing power in 2016 was 178.74 and in 2022 it was 118.44 a decline of 60 points

Norway local purchasing power in 2016 was 125.75 and in 2022 it was 83.11 a decline of 42 points

Ireland local purchasing power in 2016 was 125.66 and in 2022 it was 82.27 a decline of 43 points

Bahamas local purchasing power in 2016 was 58.96 and in 2022 it was 45.07 a decline of 13 points

**Chart 3** to the right reflects the "Lost Purchasing Power Metric" as it changed from 2016 to 2022 between the 5 countries.



The Lost Purchasing Power Metric is the difference between the 'Cost of Living Index' and the 'Purchasing Power Index' for a given year. This represents the lost purchasing power due to a higher cost of living and a reduction in the dollar value.

Bermuda's lost purchasing power in 2016 was -15.14 in 2016 and in 2022 it has increased to -64.97

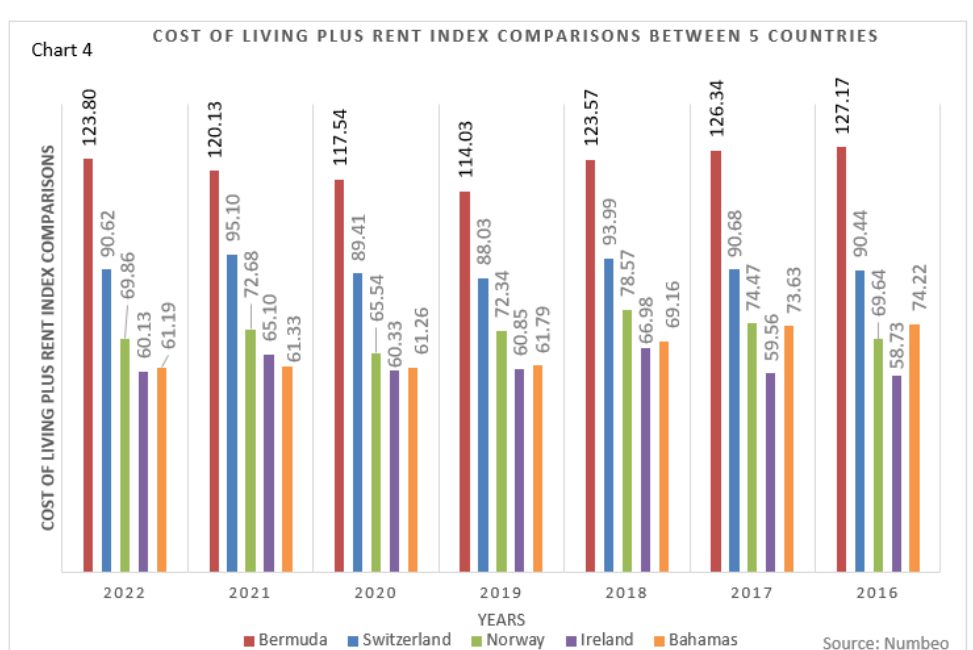
Switzerland's gain in purchasing power in 2016 was 55.64 in 2016 and in 2022 it is -4.91

Norway's gain in purchasing power in 2016 was 25.95 in 2016 and in 2022 it is -17.79

Ireland's gain in purchasing power in 2016 was 47.63 in 2016 and in 2022 it is 6.22

Bahamas's lost purchasing power in 2016 was -48.58 in 2016 and in 2022 it is -38.93

**Chart 4** to the right reflects on the year-to-year changes in the cost of living plus rent index comparisons between five (5) countries.



Bermuda's cost of living plus rent in 2016 was 127.17 and in 2022 it is 123.80 a decrease of -3.37.

Switzerland's cost of living plus rent in 2016 was 90.44 and in 2022 it is 90.62 an increase of .18.

Norway's cost of living plus rent in 2016 was 69.64 and in 2022 it is 69.86 an increase of .22.

Ireland's cost of living plus rent in 2016 was 58.73 and in 2022 it is 60.13 an increase of 1.40.

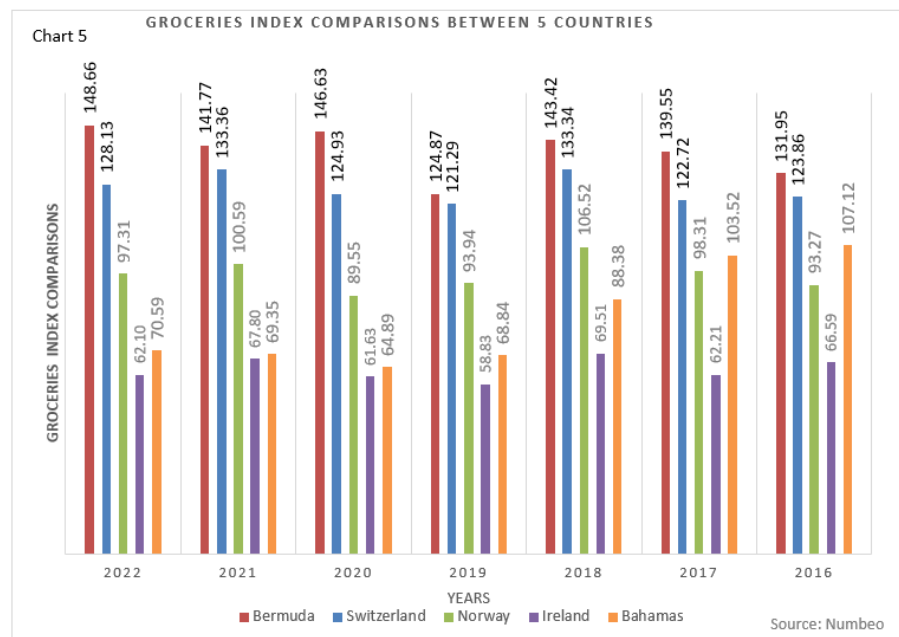
Bahamas cost of living plus rent in 2016 was 74.22 and in 2022 it is 61.19 a decrease of -13.03.



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**Chart 5** to the right reflects on the year-to-year changes in the groceries index by comparisons between the five (5) countries.



Bermuda's groceries index in 2016 was 131.95 and in 2022 it is 148.66 an increase of 16.71.

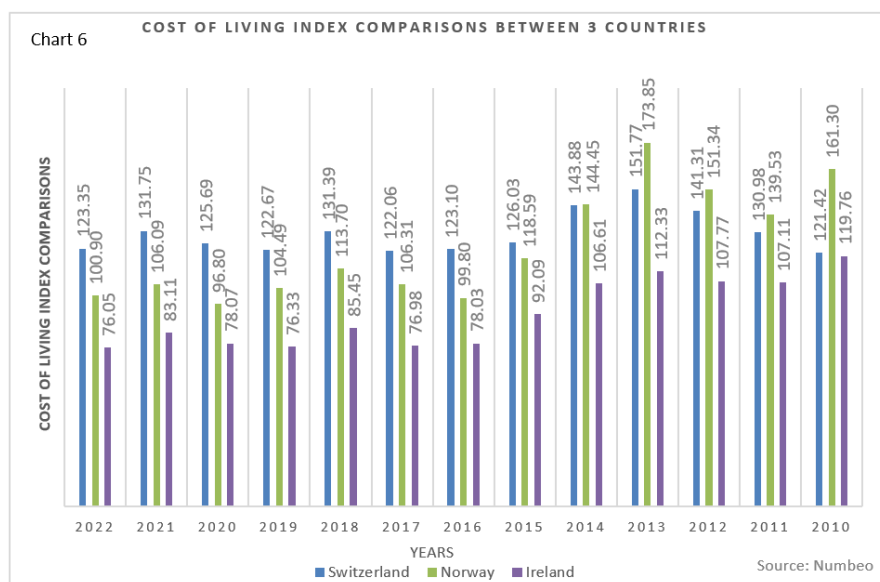
Switzerland's groceries index in 2016 was 123.86 and in 2022 it is 128.13 an increase of 4.27.

Norway's groceries index in 2016 was 93.27 and in 2022 it is 97.31 an increase of 4.04.

Ireland's groceries index in 2016 was 66.59 and in 2022 it is 62.10 a decrease of **-4.49**.

Bahamas groceries index in 2016 was 107.12 and in 2022 it is 70.59 a decrease of **-36.53**.

**Chart 6** to the right reflects the year-to-year changes in the cost-of-living index from 2010 – 2022



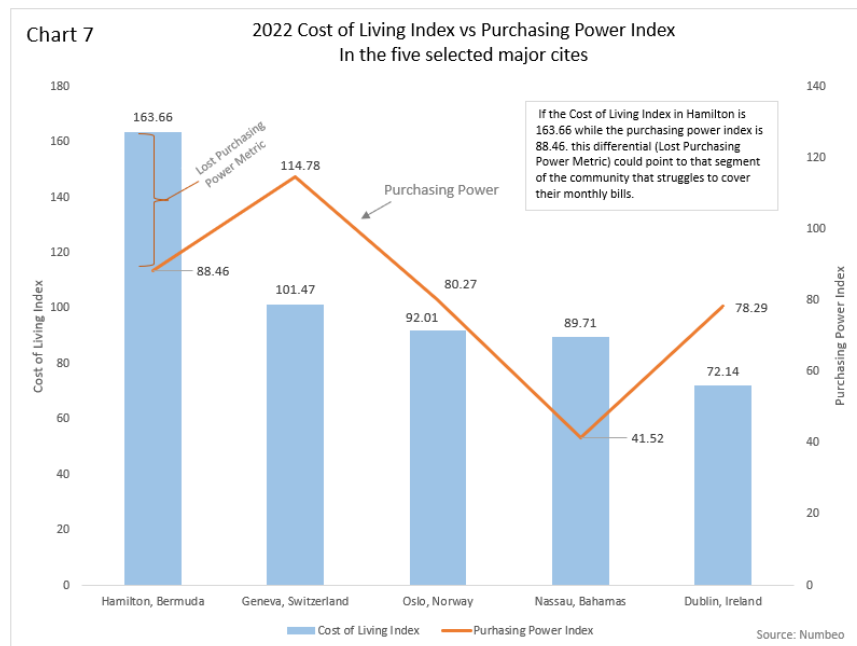
Switzerland's cost of living index in 2010 was 121.42 and now in 2022 it is 123.35 and increase of 1.93

Norway's cost of living index in 2010 was 161.30 and now in 2022 it is 100.90 a decline of 60.40

Ireland's cost of living index in 2010 was 119.76 and now in 2022 it is 76.05 a decline of 43.71

The question that should be asked, how was Norway and Ireland able to bring down their cost of living by 60 and 40 plus points respectively over this period

**Chart 7** to the right reflects 5 cities cost of living index compared to the purchasing power index. Only Bermuda and Bahamas have a lost purchasing power metric.



Major cities from the five selected countries show a higher cost of living in the city itself than that reported for the countries as a whole in 2022.

Hamilton Bermuda is reporting a cost of living of 163.66 compared to 146.04 for Bermuda as a whole. In simple terms, this index means when we use 2015 as a base year then an item costing \$100 in that year will cost \$163.66 in 2022 dollars.

The purchasing power index for the city of Hamilton is 88.46 vs 81.07 for the whole of Bermuda. Again, that \$100 in 2015, that we used to buy groceries then, would only get us \$88.46 worth of groceries today in 2022. Where is the disposable income (that income remaining after deduction of taxes and other mandatory charges, available to be spent or saved as one wishes), it has been wiped away by the lost purchasing power.

In comparison Geneva, Switzerland's COL is 101.47, 62 points lower than Bermuda and yet the PPI is higher than the COL at 114.78. The citizens of Geneva are doing great as they are left with a measure of disposable income. The same can be said of Norway and Ireland but not so for Bahamas.

## Bermuda in Summary

We are going to hear a lot about the cost of living over the coming weeks and months. Inflation is running at 2.5%, and could go higher due to global events such as Covid-19 and the war in Ukraine. The Bermuda Industrial Union sets to focus on cost of living as one of its major themes, outside of our continuous fight for the fair and equitable treatment of our members. What's behind this publication, and what if anything can we do about it?

### OUR KEY POINTS ARE:

- Cost of Living Index is the highest in the world. Families are struggling to get by.
- Purchasing Power Index is second lowest in the selected countries behind Bahamas. Dollar does not go far.
- Cost of living index is 64 points higher than the PPI in 2022 resulting in lost purchasing power. Government may have to subsidize shortfalls
- Government spends just under a million dollars per week on financial assistance. Large outpayments could encourage abuse.
- Has the highest annual income among selected countries. Still not enough to cover loss in purchasing power.

It has been reported that approximately 2,900 Bermudians have left Bermuda within the last five 5 - 7 years and many more are

talking about leaving because they see no future here for themselves or their family.

- The Cost of living is too high such as, Housing and the cost of health care etc;
- They see no future here for them and their families.
- They have no real disposable income to support their families
- Not able to have a reasonable quality of life of them and their families

Without major changes, Bermuda is heading into a permanent class divide, where only those who inherit wealth are able to obtain the security needed to comfortably live in this country.

### POSSIBLE SOLUTIONS FOR THE COST OF DOING BUSINESS AND OUR HIGH COST OF LIVING.

The need to establish a new tax structure that will eliminate the current payroll tax system that is used to fund Government's expenditures.

The new corporate tax would be based on net profits (yielding around \$3 to \$4 billion a year)

- About \$1.2B will cover Government expenditures
- Paid down the Government Debt that is around \$3.5B over a 3-to-4-year period
- Take back control of our Airport by buying out Sky Port (Aecon)

- Reduce the cost of health insurance were the Government picks up 50% of the cost around \$375 million per year that will allow a 50% savings for Employers and the Employees.
- Provide free health care cost for our Seniors
- Eventually it could be possible for Government to provide free health insurance for ALL Bermudians
- Provide a Government grant of up to \$100 million per year that will assist ALL rest homes that are in financial trouble.
- Free college education for students (up to \$40,000 per year)

This new tax structure will allow us to bring down the cost of living by 20% over a 4-to-5-year period. This could be achieved by either agreeing to 4% a year over 5 years or 5% a year over 4 years.

- This must include reducing the household expenditure by 20%.
- Assisting the Employers in reducing their overhead cost to do business, customs duty relief by 50 to 100% etc;
- A Corporate Tax on net profits of 3 to 4% will increase the bottom line for medium to small companies because they would be paying to 3 to 4% on net profits, instead of paying 10 to 12% in payroll tax so there will be a savings for those businesses.

The new Tax Structure will improve the quality of life for so many Bermudians and their families who are currently struggling with the high cost of living in Bermuda.

This will require a conversation with ALL the key stakeholders in the interest of improving the wealth and lively hood of Bermudians. We must take a serious look at levelling the playing field for all. *"It's an investment, every community needs to empower dignity and the poor will benefit – it will raise their opportunity and raise their potential"*, this statement was made by Lord Hastings to the Royal Gazette on May 20, 2016.

The Bermuda Government has powerful levers to help with long term affordability. Chief among them is the ability to reform the tax structure. Successive governments have been reluctant to adequately address this problem. The Bermuda Industrial Union is committed to fighting the cost of living crisis. Through a series of town hall meetings, we would like to engage in dialogue with the people of Bermuda to discuss how together, we can come up with a real long-term strategy to make Bermuda more affordable.

### THE DATA PRESENTED PROVIDES ENOUGH INFORMATION TO SUPPORT THE FACT THAT BERMUDA'S COST OF LIVING IS TOO HIGH.

Submitted by the Bermuda Industrial Union