



QUARTER 1/2023

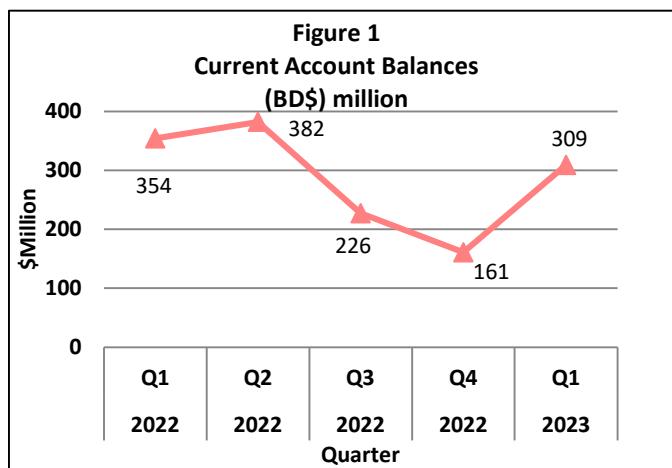
BALANCE OF PAYMENTS

FAST FACTS

Current Account

The Bermuda current account recorded a surplus of \$309 million in the first quarter of 2023 (Figure 1; Table 1). This represented a \$45 million decrease year-over-year. Contributing factors include:

- The deficit on the goods account expanded by \$2 million to \$285 million.
- Services transactions realised a surplus of \$76 million, down \$2 million year-over-year.
- Bermuda's primary income account surplus narrowed by \$43 million year-over-year, falling to \$564 million in the first quarter of 2023.



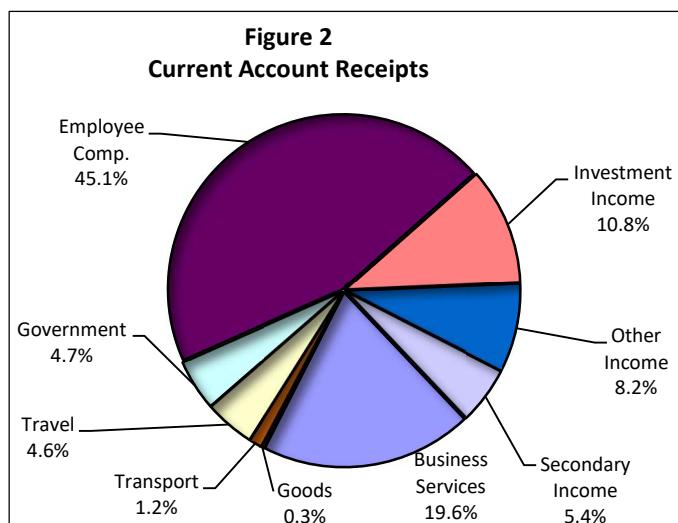
Financial, Capital, and Reserve Assets Accounts

In the first quarter of 2023, transactions within Bermuda's assets accounts resulted in a net lending position of \$272 million (Table 1). They were influenced by:

- Bermuda's net acquisition of financial assets resulted in a decrease of \$601 million compared to an increase of \$1.6 billion in 2022.
- Bermuda decreased its net incurrence of financial liabilities by \$873 million this quarter compared to an increase of \$1.3 billion in 2022.

Current Account Surplus = \$309 million

The current account surplus stood at \$309 million for the first quarter of 2023 (Table 1). This represented a \$45 million decrease from the \$354 million surplus in the first quarter of 2022. The decrease in the surplus reflected an increase in payments to non-residents which was larger than the rise in receipts.



Goods Account Deficit = \$285 million

Year-over-year, the goods account deficit expanded by \$2 million during the first quarter of 2023. The value of imported goods increased to \$287 million (Table 1). This growth was reflected mostly in a \$23 million rise in imported goods from the United States. Goods imported from the United Kingdom increased by \$2 million. The value of goods imported from Canada, the All Other Countries group and the Caribbean decreased by \$17 million, \$5 million, and \$1 million, respectively. Among the commodity groups, the expansion in imports was reflected primarily in the imports within the miscellaneous group, finished equipment, and food beverages & tobacco which rose by \$19 million, \$16 million and 8 million. Imports of basic materials & semi-manufactured goods, clothing, and chemicals each increased by \$2 million. There were decreases of imports within fuels, transport equipment and machinery; the largest decrease being \$24 million in the fuels commodity group.

Revenue earned from the exports of goods increased by \$1 million to \$3 million as more fuel was re-exported to foreign airlines visiting Bermuda.

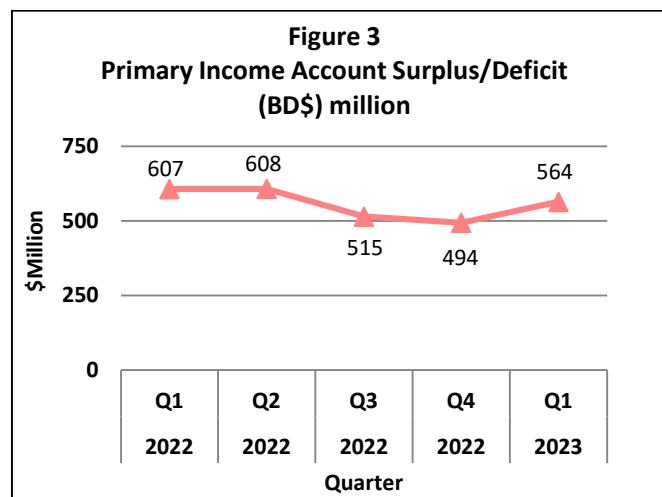
Services Account Surplus = \$76 million

The surplus on the services account decreased by \$2 million during the first quarter of 2023. The decrease in the surplus balance reflected an increase in the import of services that was larger than the increase in exports. The surplus balance on business services narrowed by \$16 million due primarily to the decrease of receipts from non-residents for accounting, auditing, bookkeeping, and tax consulting services. The deficit for transport services widened by \$9 million due to the increase in payments of air transport by residents to non-residents for air passenger transport.

The deficit on travel services narrowed as transactions increased by \$19 million, year-over-year. This change was predominantly due to the rise in receipts from non-residents for personal travel services being larger than the increase in payment by residents for personal travel services.

Primary Income Account Surplus = \$564 million

The primary income account reflects balances on compensation earned/paid to non-residents, and income from investments and payroll tax paid by non-resident companies to the Government. Year-over-year, the surplus on the primary income account decreased by \$43 million during the first quarter of 2023 (Figure 3; Table 1). This fall reflected primarily a decrease in investment income of \$93 million. Employee compensation and other income recorded a year-over-year increase of \$43 million and \$6 million, respectively.

**Secondary Income Account Deficit = \$46 million**

The secondary income account reflects the balances on donations, insurance claims and other transfers between residents and non-residents. The deficit balance on the secondary income account narrowed by \$2 million from a year ago due primarily to increased payments of nonlife insurance claims to non-residents.

INTERNATIONAL INVESTMENT POSITION (Tables 2 & 3)**Bermuda's Net IIP Decreased to \$3.8 billion**

At the end of the first quarter 2023, the stock of foreign assets held by Bermuda residents registered above its stock of foreign liabilities by an estimated \$3.8 billion (Table 2). The net IIP decreased by \$554 million from the fourth quarter of 2022.

Foreign Assets dipped to \$15.9 billion

Between the fourth quarter 2022 and first quarter 2023, Bermuda residents' stock of foreign financial assets decreased by \$1 billion due mostly to decreased holdings of loans, currency and deposits and debt securities.

Bermuda's Net Liability Position fell to \$12.1 billion

Bermuda residents' stock of foreign liabilities decreased by \$485 million from the fourth quarter of 2022. The decrease is due mostly to decreased holdings of other investments (Table 4).

IIP by Resident Institutional Sector

The non-financial corporations held a net liability position of \$2.2 billion with the rest of the world at the end of the first quarter 2023 (Table 3). The general government sector's external liabilities exceeded its external assets by \$458 million, representing a larger negative net investment position due to a decrease in portfolio and other investment assets. Government's liability position remained unchanged from the previous quarter. Financial corporations held a net asset position of \$6.4 billion due mostly to holdings of portfolio investments in the form of debt securities. Non-profit institutions serving households also recorded a net asset position of \$26 million at the end of the first quarter.

BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

TABLE 1 - BALANCE OF PAYMENTS (BD\$) MILLIONS¹

Components	2022 YTD Q1	2023 YTD Q1	2022 Q1	2022 Q2	2022 Q3	2022 ^R Q4	2023 ^P Q1
CURRENT ACCOUNT PAYMENTS							
GOODS IMPORTS (1)	285	287	285	311	316	326	287
SERVICES (2)	238	256	238	230	270	261	256
Transportation	51	62	51	64	71	67	62
Travel	56	63	56	61	70	62	63
Business Services:	131	131	131	106	129	131	131
Insurance Services	20	21	20	21	25	23	21
Financial Services	23	23	23	23	22	24	23
ICT Services	33	29	33	22	26	29	29
Other Business Services	55	57	55	40	56	56	57
Government Services	0	0	0	0	0	0	0
PRIMARY INCOME (3)	-3	141	-3	4	51	121	141
Employee Compensation	7	9	7	5	6	5	9
Investment Income	-10	132	-10	-1	45	116	132
Other Income	0	0	0	0	0	0	0
SECONDARY INCOME (4)	105	105	105	118	119	110	105
TOTAL PAYMENTS (5)=SUM(1:4)	625	789	625	664	756	818	789
CURRENT ACCOUNT RECEIPTS							
GOODS EXPORTS (6)	2	3	2	3	3	3	3
SERVICES (7)	316	332	316	366	358	306	332
Transportation	11	13	11	13	15	12	13
Travel	25	51	25	132	122	63	51
Business Services:	231	215	231	220	220	231	215
Insurance Services	23	25	23	25	24	23	25
Financial Services	39	34	39	46	57	70	34
ICT Services	8	6	8	6	6	6	6
Other Business Services	162	151	162	144	133	132	151
Government Services	49	52	49	1	1	0	52
PRIMARY INCOME (8)	604	704	604	612	566	615	704
Employee Compensation	450	495	450	472	427	460	495
Investment Income	69	119	69	82	94	109	119
Other Income	84	90	84	58	45	47	90
SECONDARY INCOME (9)	57	59	57	65	56	55	59
TOTAL RECEIPTS (10)=SUM(6:9)	979	1,098	979	1,046	983	979	1,098
CURRENT ACCOUNT BALANCES							
GOODS	-283	-285	-283	-309	-314	-324	-285
SERVICES	78	76	78	136	88	45	76
Transportation	-40	-49	-40	-51	-55	-55	-49
Travel	-31	-12	-31	71	52	1	-12
Business Services:	100	84	100	114	90	99	84
Insurance Services	3	3	3	4	-2	0	3
Financial Services	16	10	16	23	34	46	10
ICT Services	-25	-23	-25	-16	-20	-23	-23
Other Business Services	107	94	107	104	77	76	94
Government Services	49	52	49	1	1	0	52
PRIMARY INCOME	607	564	607	608	515	494	564
Employee Compensation	443	486	443	467	421	455	486
Investment Income	80	-13	80	83	49	-7	-13
Other Income	84	90	84	58	45	47	90
SECONDARY INCOME	-48	-46	-48	-53	-64	-55	-46
CURRENT ACCOUNT BALANCE (11)=(10)-(5)	354	309	354	382	226	161	309
FINANCIAL ACCOUNT							
Direct Investment	2	7	2	11	-1	11	7
Portfolio Investment	937	-105	937	404	-1,570	-687	-105
Financial Derivatives	52	-17	52	64	91	0	-17
Other Investment	592	-519	592	-310	718	726	-519
Reserve Assets	15	34	15	2	-12	-9	34
NET ACQUISITION OF FIN. ASSETS (12)	1,598	-601	1,598	171	-774	40	-601
Direct Investment	8	61	8	-105	43	63	61
Portfolio Investment	-62	-60	-62	-5	-674	-140	-60
Financial Derivatives	-7	-33	-7	-25	21	7	-33
Other Investment	1,372	-840	1,372	-63	-320	23	-840
NET INCURRENCE OF FIN. LIABILITIES (13)	1,311	-873	1,311	-199	-929	-47	-873
TOTAL NET CAPITAL ACCOUNT (14)	0	0	0	0	0	0	0
NET LENDING(+)/NET BORROWING(-) (15)=(12)+(14)-(13)	287	272	287	370	155	87	272
BALANCING ITEM (15)-(11)	-67	-37	-67	-12	-71	-74	-37

BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

TABLE 2 - INTERNATIONAL INVESTMENT POSITION^{1,2}

(BD\$) MILLIONS

Components	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 ^P Q1
ASSETS					
BY FUNCTIONAL CATEGORY					
Direct investment	367	375	126	137	126
Portfolio investment	13,219	13,609	11,979	11,420	11,404
Financial Derivatives (other than reserves) and ESOs	59	94	180	155	108
Other investment	5,471	3,740	4,416	4,979	3,981
Reserve Assets	237	239	227	218	252
BY INSTRUMENT					
Equity and investment fund share/units	3,590	3,257	2,826	3,011	3,103
Debt instruments:	15,704	14,706	13,922	13,743	12,659
Special drawing rights	-	-	-	-	-
Currency and deposits	1,336	1,071	1,065	1,163	866
Debt securities	10,232	10,966	9,505	8,763	8,678
Loans	3,984	2,527	3,204	3,630	2,938
Insurance, pension, standardized guarantee schemes	1	1	1	1	1
Other accounts receivable/payable	150	141	146	185	176
Other financial assets and liabilities	59	94	180	155	108
TOTAL ASSETS	19,352	18,058	16,928	16,910	15,870
LIABILITIES					
BY FUNCTIONAL CATEGORY					
Direct investment	2,574	2,468	2,761	2,725	3,187
Portfolio investment	4,644	4,643	4,778	4,353	4,346
Financial Derivatives (other than reserves) and ESOs	34	24	45	52	19
Other investment	6,053	5,993	5,597	5,462	4,555
BY INSTRUMENT					
Equity and investment fund share/units	3,183	3,078	3,369	3,330	3,502
Debt instruments:	10,088	10,026	9,766	9,211	8,586
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	5,112	5,309	4,970	4,891	4,158
Debt securities	4,035	4,033	4,170	3,748	4,031
Loans	738	479	387	330	220
Insurance, pension, standardized guarantee schemes	30	28	28	26	29
Other accounts receivable/payable	173	177	212	215	148
Other financial assets and liabilities	34	24	45	52	19
TOTAL LIABILITIES	13,304	13,127	13,180	12,593	12,108
NET IIP	6,048	4,930	3,748	4,317	3,763

TABLE 3 - IIP BY RESIDENT INSTITUTIONAL SECTOR — (BD\$) MILLIONS¹

2023 Q1	Households and NPISHs ^{2,3} 26	General government 2,836	Financial corporations 12,815	Non- financial corporations 194	Total economy 15,870
ASSETS					
BY FUNCTIONAL CATEGORY					
Direct investment	11		67	49	126
Portfolio investment	14	2,706	8,674	9	11,404
Financial Derivatives (other than reserves) and ESOs	n.a.	-	108	-	108
Other investment	1	129	3,714	136	3,981
Reserve Assets		-	252		252
BY INSTRUMENT					
Equity and investment fund share/units	3,183	3,078	3,369	3,330	3,502
Debt instruments:	10,088	10,026	9,766	9,211	8,586
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	5,112	5,309	4,970	4,891	4,158
Debt securities	4,035	4,033	4,170	3,748	4,031
Loans	738	479	387	330	220
Insurance, pension, standardized guarantee schemes	30	28	28	26	29
Other accounts receivable/payable	173	177	212	215	148
Other financial assets and liabilities	34	24	45	52	19
TOTAL ASSETS	19,352	18,058	16,928	16,910	15,870
LIABILITIES					
BY FUNCTIONAL CATEGORY					
Direct investment	11		67	49	126
Portfolio investment	14	2,706	8,674	9	11,404
Financial Derivatives (other than reserves) and ESOs	n.a.	-	108	-	108
Other investment	1	129	3,714	136	3,981
Reserve Assets		-	252		252
BY INSTRUMENT					
Equity and investment fund share/units	3,183	3,078	3,369	3,330	3,502
Debt instruments:	10,088	10,026	9,766	9,211	8,586
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	5,112	5,309	4,970	4,891	4,158
Debt securities	4,035	4,033	4,170	3,748	4,031
Loans	738	479	387	330	220
Insurance, pension, standardized guarantee schemes	30	28	28	26	29
Other accounts receivable/payable	173	177	212	215	148
Other financial assets and liabilities	34	24	45	52	19
TOTAL LIABILITIES	13,304	13,127	13,180	12,593	12,108
NET IIP	6,048	4,930	3,748	4,317	3,763

1. Data are estimates only and subject to revision
2. Series does not include stock of household foreign assets and liabilities
3. NPISH: Non-profit institutions serving households

TABLE 4 - INTEGRATED INTERNATIONAL INVESTMENT POSITION, 2023¹
(BD\$) MILLIONS

Components	First Quarter 2023			
	Opening Position ^R	Financial Transactions ²	Other Changes in Position ³	Closing Position ^P
ASSETS				
BY FUNCTIONAL CATEGORY				
Direct investment	137	-11	0	126
Portfolio investment	11,420	-86	70	11,404
Financial Derivatives (other than reserves) and ESOs	155	-47	0	108
Other investment	4,979	-867	-131	3,981
Reserve Assets	218	34	0	252
BY INSTRUMENT				
Equity and investment fund share/units	3,011	16	76	3,103
Debt instruments:	13,743	-947	-137	12,659
Special drawing rights	0	0	0	0
Currency and deposits	1,163	-164	-133	866
Debt securities	8,763	-79	-6	8,678
Loans	3,630	-693	1	2,938
Insurance, pension, standardized guarantee schemes	1	0	0	1
Other accounts receivable/payable	185	-10	1	176
Other financial assets and liabilities	155	-47	0	108
TOTAL ASSETS	16,910	-978	-61	15,870
LIABILITIES				
BY FUNCTIONAL CATEGORY				
Direct investment	2,725	462	0	3,187
Portfolio investment	4,353	-7	0	4,346
Financial Derivatives (other than reserves) and ESOs	52	-33	0	19
Other investment	5,462	-903	-4	4,555
BY INSTRUMENT				
Equity and investment fund share/units	3,330	172	0	3,502
Debt instruments:	9,211	-620	-4	8,586
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	4,891	-724	-9	4,158
Debt securities	3,748	283	0	4,031
Loans	330	-114	3	220
Insurance, pension, standardized guarantee schemes	26	3	0	29
Other accounts receivable/payable	215	-69	2	148
Other financial assets and liabilities	52	-33	0	19
TOTAL LIABILITIES	12,593	-481	-4	12,108
NET IIP	4,317	-497	-57	3,763

1. Data displayed represents the changes between the previous and current quarters.
2. Transactions refer to any business dealings that occurred during the quarter that lead to an increase or decrease (shown as a negative) in the investment position.
3. Other changes include price changes, exchange rate changes, and any other adjustments to the investment position, not otherwise reflected in transactions.

WHAT IS THE BALANCE OF PAYMENTS?

The balance of payments (BOP) is a statistical statement that systematically summarizes, for a specific time period, the economic transactions of an economy (resident) with the rest of the world (non-resident). Quite simply, the balance of payments covers all economic transactions between Bermuda and the rest of the world. It includes the **current account** and the **capital and financial account**.

In principle, the current account and capital and financial account should balance each other out. If Bermuda sells more goods and services than it buys (i.e., if it has a current account surplus), it has to lend money abroad to finance its exports (i.e., run a capital and financial account deficit). In theory, therefore, the balance of payments is always zero.

Example: Every dollar spent by a tourist in Bermuda earns the economy \$1 in foreign currency which can be used to purchase goods and services from overseas.

DEFINITIONS AND NOTES

Balancing Item (Net Errors & Omissions)

A current account surplus or deficit should correspond to an equivalent outflow or inflow in the capital and financial account. In other words, the two accounts should add to zero. In fact, as data are compiled from multiple sources, the two balance of payments accounts rarely equate. As a result, the balancing item is the net unobserved inflow or outflow needed to balance the accounts.

Capital Account

The capital account details transactions that involve the receipt or payment of capital transfers and acquisitions and disposal of non-produced, non-financial assets.

Current Account

Transactions on goods, services, income, and current transfers are allocated to the current account. Transactions in exports and interest income are examples of receipts, while imports and interest expenses are payments. The difference between payments and receipts determines if Bermuda's current account is in surplus or deficit.

Financial Account

All transactions associated with changes of ownership in foreign financial assets and liabilities of the economy are included in the financial account. Such changes include the creation and liquidation of claims on, or by, the rest of the world.

Payments

All monies that are paid by residents to non-residents are considered payments.

Receipts

All monies that are received by residents from non-residents are considered receipts.

Reserve Assets

Reserve Assets are those external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to affect the currency exchange rate, and for other related purposes (such as maintaining confidence in the currency and the economy, and serving as a basis for foreign borrowing).

Resident

The concept of residency is very important in the BOP because the BOP is in fact a statement of transactions between residents and non-residents. A unit must have a centre of predominant economic interest within an economic territory for at least one year or more to be considered resident of that territory.

Seasonal Workers

Workers from overseas who come to Bermuda to work for a few months in the year or every year are considered seasonal workers. Their expenditure on living expenses in Bermuda is included as travel receipts. Similarly, their income received from employers in Bermuda is a BOP outflow under compensation of employees.

Notes

n.a. – Not Available

Numbers may not add due to rounding

P – Provisional

R – Revised

WHAT IS THE INTERNATIONAL INVESTMENT POSITION?*

The international investment position (IIP) is a record of Bermuda residents' investment abroad and non-residents' investment in Bermuda. The IIP shows the balance sheet position of financial claims on non-residents as assets and non-residents' claims on Bermuda as liabilities. The balance between these two positions represents the IIP; that is, an excess of assets over liabilities indicates a positive contribution to the nation's net wealth and the reverse signifies a negative contribution.

WHY IS THE IIP IMPORTANT TO MEASURE?*

The composition of the IIP allows financial analysts to assess the vulnerability of the economy to changes in external market conditions. Details from the IIP can highlight mismatches in maturity of instruments and currency that can affect an economy's ability to service debt in the face of shock; financial structure problems; solvency problems and dependency problems where overreliance on another economy can present contagion concerns. Therefore, the IIP allows for a more in depth analysis behind balance sheet weaknesses that can lead to a modern-day financial crisis.

DEFINITIONS AND NOTES

Currency and Deposits

Currency consists of notes and coins that are of fixed nominal values and are issued or authorized by central banks, monetary authorities such as the Bermuda Monetary Authority or governments.

Deposits include all claims that are (a) on the central bank and other deposit-taking corporations; and (b) represented by evidence of deposit.

Debt Securities

Debt securities are negotiable instruments serving as evidence of a debt.

Direct Investment

Direct investment represents the value of long-term capital owned in subsidiaries, affiliates and branches by investors in a position to exercise control or a significant degree of influence on the management of the enterprise. A measure of total investment controlled in Bermuda by foreign direct investors, or abroad by Bermudian direct investors, indicates the leverage type impact of ownership.

Financial Derivatives

A financial derivative contract is a financial instrument whose value is based on the value of an underlying security such as a stock or bond, commodity or other financial instrument.

Insurance, Pension, Standardized Guarantee Schemes

Insurance, pension, and standardized guarantee schemes all function as a form of redistribution of income and wealth mediated by financial institutions.

Loans

Loans represent the extension of money from Bermuda residents to non-residents and vice versa, with an agreement that the money will be repaid.

Other Accounts Receivable/Payable

Other accounts receivable/payable consists of trade credit and advances between Bermuda and non-residents and, other miscellaneous receivables/payables.

Other Investment

Other investment is a residual category that includes positions and transactions other than those included in direct investment, portfolio investment, financial derivatives and employee stock options (ESO), and reserve assets.

Portfolio Investment

Portfolio investment abroad by Bermuda residents and in Bermuda by non-residents is defined as the holding of debt or equity securities other than those included in direct investment or reserve assets.

Notes:

The inclusion of an Integrated International Investment Position table demonstrates the flow of transactions and other changes between reporting quarters.

* Source: IMF Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6)

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