



# BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

QUARTER 3/2022

**Technical Note:** There was a computational error within the exports of Travel Services in the Balance of Payments and International Investment Position (BOP & IIP) template that also impacted the Exports of Services for the Quarterly Gross Domestic Product (GDP) for Quarters 1 and 2 of 2022. The Quarterly GDP is being revised to account for the errors detected in the BOP & IIP.

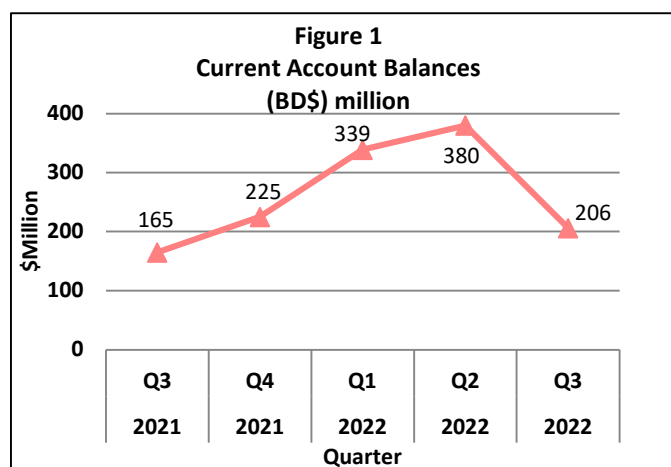
## BALANCE OF PAYMENTS

### FAST FACTS

#### Current Account

The Bermuda current account recorded a surplus of \$206 million in the third quarter of 2022 (Figure 1 and Table 1). This represented a \$41 million increase year-over-year. Contributing factors include:

- The deficit on the goods account expanded by \$19 million to \$314 million.
- Services transactions realised a surplus of \$82 million, up \$14 million year-over-year.
- Bermuda's primary income account surplus increased by \$38 million year-over-year to \$502 million in the third quarter of 2022.



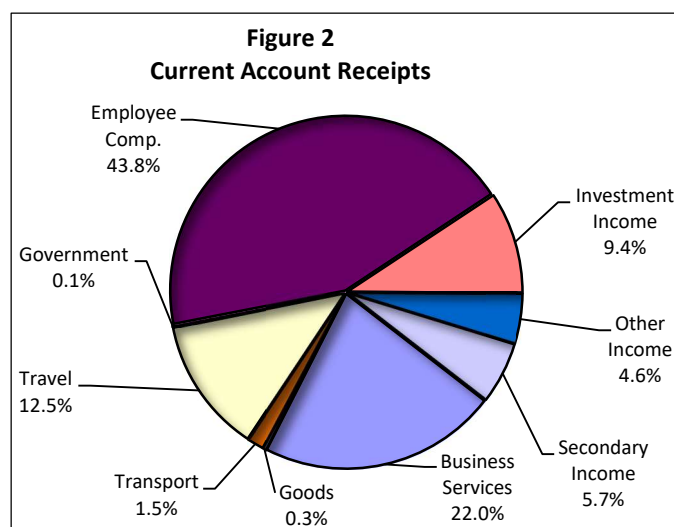
#### Financial, Capital, and Reserve Assets Accounts

Transactions within Bermuda's assets accounts resulted in a net lending position of \$148 million (Table 1). Factors influencing this year-over-year performance include:

- Bermuda's net acquisition of financial assets resulted in a decrease of \$744 million compared to an increase of \$345 million in 2021.
- Bermuda decreased its net incurrence of financial liabilities by \$922 million this quarter compared to an increase of \$242 million in 2021.

#### Current Account Surplus = \$206 million

The current account surplus stood at \$206 million for the third quarter of 2022 (Table 1). This represented a \$41 million increase from the \$165 million surplus in the third quarter of 2021. The increase in the surplus reflected an increase in receipts from non-residents which was larger than the rise in payments.



#### Goods Account Deficit = \$314 million

Year-over-year, the goods account deficit expanded by \$19 million during the third quarter of 2022. The value of imported goods increased to \$316 million (Table 1). This growth was reflected mostly in a \$21 million rise in imported goods from Canada. Goods imported from the United Kingdom and All Other Countries each increased by \$4 million and \$2 million, respectively. The value of goods imported from the United States decreased by \$7 million. Among the commodity groups, the expansion in imports was reflected primarily in the imports of fuels and basic and semi-manufactured goods which rose by \$14 million and \$7 million, respectively. Imports of food, beverages and tobacco and miscellaneous goods also increased by \$6 million and \$4 million, respectively. There were decreases of imports within finished equipment, machinery, transport equipment and chemicals; the largest decrease being \$10 million in the finished equipment 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.

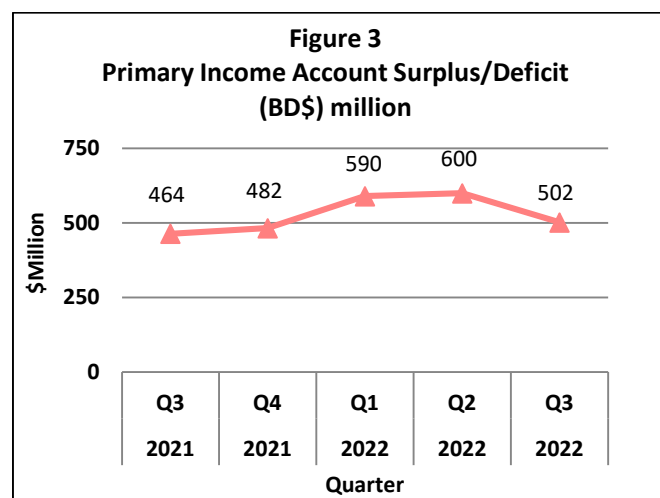
### Services Account Surplus = \$82 million

The surplus on the services account increased \$14 million during the third quarter of 2022. The larger surplus balance reflected mostly gains in the travel account balance. The surplus balance on transport and travel services widened by \$21 million due primarily to the increase in payments made by residents for air passenger services and travel services abroad.

The net surplus on transactions on business services decreased by \$8 million to \$92 million as residents received less for accounting, bookkeeping and tax consulting services. The balance on insurance services recorded a surplus of \$2 million, mostly due to the increase in receipts being greater than the increase in payments during the third quarter of 2022.

### Primary Income Account Surplus = \$502 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 increased by \$38 million during the third quarter of 2022 (Figure 3 and Table 1). This rise reflected primarily an increase in net investment income of \$26 million. Employee compensation also recorded an increase of \$12 million year-over-year. Other income decreased by \$1 million.



### Secondary Income Account Deficit = \$63 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 \$9 million from a year ago due primarily to higher premiums on nonlife insurance received from non-residents.

## INTERNATIONAL INVESTMENT POSITION (Tables 2 & 3)

### Bermuda's Net IIP Decreased to \$3.3 billion

At the end of the third quarter 2022, the stock of foreign assets held by Bermuda residents registered above its stock of foreign liabilities by an estimated \$3.3 billion (Table 2). The net IIP decreased by \$1.6 billion from the second quarter of 2022.

### Foreign Assets dipped to \$16.4 billion

Between the second quarter 2022 and third quarter 2022, Bermuda residents' stock of foreign financial assets decreased by \$1.7 billion due mostly to decreased holdings of portfolio and other investments.

### Bermuda's Net Liability Position held at \$13.1 billion

Bermuda residents' stock of foreign liabilities remained largely unchanged from the second quarter of 2022. The most noticeable change is a decrease in currency and deposit liabilities.

### 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 third quarter 2022 (Table 3). The general government sector's external liabilities exceeded its external assets by \$521 million, representing a larger negative net investment position due to a decline in portfolio investment assets and an increase in portfolio investment liabilities. Financial corporations held a net asset position of \$6.1 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 \$32 million at the end of the third quarter.

# BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

TABLE 1 - BALANCE OF PAYMENTS (BD\$) MILLIONS<sup>1</sup>

Components	2021 YTD Q3	2022 YTD Q3	2021 <sup>R</sup> Q3	2021 <sup>R</sup> Q4	2022 <sup>R</sup> Q1	2022 <sup>R</sup> Q2	2022 <sup>P</sup> Q3
<b>CURRENT ACCOUNT PAYMENTS</b>							
<b>GOODS IMPORTS (1)</b>	<b>784</b>	<b>913</b>	<b>297</b>	<b>301</b>	<b>285</b>	<b>311</b>	<b>316</b>
<b>SERVICES (2)</b>	<b>617</b>	<b>744</b>	<b>228</b>	<b>224</b>	<b>242</b>	<b>230</b>	<b>272</b>
Transportation	134	185	53	53	51	64	71
Travel	149	195	56	53	56	61	78
Business Services:	334	364	119	118	136	106	123
Insurance Services	55	66	21	19	20	21	25
Financial Services	64	61	20	21	23	23	15
ICT Services	71	78	26	23	33	22	23
Other Business Services	143	159	52	56	60	40	59
Government Services	-	-	-	-	-	-	-
<b>PRIMARY INCOME (3)</b>	<b>140</b>	<b>86</b>	<b>62</b>	<b>42</b>	<b>11</b>	<b>12</b>	<b>63</b>
Employee Compensation	17	18	5	6	7	5	6
Investment Income	122	68	57	36	4	8	57
Other Income	-	-	-	-	-	-	-
<b>SECONDARY INCOME (4)</b>	<b>328</b>	<b>343</b>	<b>125</b>	<b>117</b>	<b>105</b>	<b>118</b>	<b>119</b>
<b>TOTAL PAYMENTS (5)=SUM(1:4)</b>	<b>1,869</b>	<b>2,086</b>	<b>712</b>	<b>683</b>	<b>644</b>	<b>672</b>	<b>770</b>
<b>CURRENT ACCOUNT RECEIPTS</b>							
<b>GOODS EXPORTS (6)</b>	<b>7</b>	<b>7</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>
<b>SERVICES (7)</b>	<b>815</b>	<b>1,048</b>	<b>296</b>	<b>312</b>	<b>322</b>	<b>372</b>	<b>353</b>
Transportation	33	39	12	12	11	13	15
Travel	106	279	65	37	25	132	122
Business Services:	635	679	219	256	237	226	215
Insurance Services	63	82	20	25	26	28	27
Financial Services	143	141	61	70	39	46	57
ICT Services	23	20	7	9	8	6	6
Other Business Services	406	436	130	152	164	146	125
Government Services	41	51	-	7	49	1	1
<b>PRIMARY INCOME (8)</b>	<b>1,615</b>	<b>1,778</b>	<b>526</b>	<b>524</b>	<b>602</b>	<b>612</b>	<b>564</b>
Employee Compensation	1,241	1,350	414	414	450	472	427
Investment Income	196	242	66	66	67	83	92
Other Income	178	187	46	43	84	58	45
<b>SECONDARY INCOME (9)</b>	<b>169</b>	<b>178</b>	<b>52</b>	<b>70</b>	<b>57</b>	<b>65</b>	<b>56</b>
<b>TOTAL RECEIPTS (10)=SUM(6:9)</b>	<b>2,606</b>	<b>3,012</b>	<b>877</b>	<b>908</b>	<b>983</b>	<b>1,052</b>	<b>976</b>
<b>CURRENT ACCOUNT BALANCES</b>							
<b>GOODS</b>	<b>-777</b>	<b>-905</b>	<b>-295</b>	<b>-299</b>	<b>-283</b>	<b>-309</b>	<b>-314</b>
<b>SERVICES</b>	<b>198</b>	<b>304</b>	<b>68</b>	<b>88</b>	<b>80</b>	<b>142</b>	<b>82</b>
Transportation	-101	-146	-41	-41	-40	-51	-55
Travel	-43	84	9	-16	-31	71	44
Business Services:	301	315	100	137	102	120	92
Insurance Services	8	16	-1	6	6	8	2
Financial Services	79	80	42	49	16	23	42
ICT Services	-49	-59	-18	-14	-25	-16	-17
Other Business Services	263	277	78	96	105	106	66
Government Services	41	51	-	7	49	1	1
<b>PRIMARY INCOME</b>	<b>1,476</b>	<b>1,692</b>	<b>464</b>	<b>482</b>	<b>590</b>	<b>600</b>	<b>502</b>
Employee Compensation	1,224	1,332	409	408	443	467	422
Investment Income	74	173	9	30	63	75	35
Other Income	178	187	46	43	84	58	45
<b>SECONDARY INCOME</b>	<b>-160</b>	<b>-165</b>	<b>-73</b>	<b>-46</b>	<b>-48</b>	<b>-53</b>	<b>-63</b>
<b>CURRENT ACCOUNT BALANCE (11)=(10)-(5)</b>	<b>736</b>	<b>926</b>	<b>165</b>	<b>225</b>	<b>339</b>	<b>380</b>	<b>206</b>
<b>FINANCIAL ACCOUNT</b>							
Direct Investment	-24	12	-6	-3	2	11	-1
Portfolio Investment	-503	-188	-700	-565	937	404	-1,529
Financial Derivatives	69	207	19	27	52	64	91
Other Investment	1,896	959	1,026	360	592	-310	677
Reserve Assets	47	5	7	-6	15	2	-12
<b>NET ACQUISITION OF FIN. ASSETS (12)</b>	<b>1,485</b>	<b>996</b>	<b>345</b>	<b>-186</b>	<b>1,598</b>	<b>171</b>	<b>-744</b>
Direct Investment	-13	-24	-19	16	21	-98	53
Portfolio Investment	-91	-741	-37	-4	-62	-5	-674
Financial Derivatives	-46	-11	-5	-5	-7	-25	21
Other Investment	957	986	303	-413	1,372	-63	-323
<b>NET INCURRENCE OF FIN. LIABILITIES (13)</b>	<b>806</b>	<b>210</b>	<b>242</b>	<b>-407</b>	<b>1,323</b>	<b>-192</b>	<b>-922</b>
<b>TOTAL NET CAPITAL ACCOUNT (14)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET LENDING(+)/NET BORROWING(-)</b>	<b>679</b>	<b>786</b>	<b>103</b>	<b>221</b>	<b>275</b>	<b>363</b>	<b>148</b>
<b>(15)=(12)+(14)-(13)</b>	<b>-57</b>	<b>-140</b>	<b>-61</b>	<b>-4</b>	<b>-64</b>	<b>-17</b>	<b>-58</b>
<b>BALANCING ITEM (15)-(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

TABLE 2 - INTERNATIONAL INVESTMENT POSITION<sup>1,2</sup>

(BD\$) MILLIONS

Components	2021 Q3	2021 Q4	2022 Q1	2022 <sup>R</sup> Q2	2022 <sup>P</sup> Q3
<b>ASSETS</b>					
<b>BY FUNCTIONAL CATEGORY</b>					
Direct investment	117	114	367	375	126
Portfolio investment	12,825	12,819	13,219	13,609	11,640
Financial Derivatives (other than reserves) and ESOs	32	33	59	94	180
Other investment	4,779	4,446	5,471	3,740	4,226
Reserve Assets	227	221	237	239	227
<b>BY INSTRUMENT</b>					
Equity and investment fund share/units	3,495	3,567	3,590	3,257	2,826
Debt instruments:	14,452	14,033	15,704	14,706	13,393
Special drawing rights	-	-	-	-	-
Currency and deposits	1,344	770	1,336	1,071	971
Debt securities	9,673	9,587	10,232	10,966	9,167
Loans	3,311	3,542	3,984	2,527	3,115
Insurance, pension, standardized guarantee schemes	1	1	1	1	1
Other accounts receivable/payable	124	133	150	141	140
Other financial assets and liabilities	32	33	59	94	180
<b>TOTAL ASSETS</b>	17,980	17,633	19,352	18,058	16,399
<b>LIABILITIES</b>					
<b>BY FUNCTIONAL CATEGORY</b>					
Direct investment	2,699	2,690	2,572	2,464	2,703
Portfolio investment	4,633	4,625	4,644	4,643	4,778
Financial Derivatives (other than reserves) and ESOs	46	41	34	24	45
Other investment	6,022	5,632	6,053	5,993	5,540
<b>BY INSTRUMENT</b>					
Equity and investment fund share/units	3,300	3,277	3,182	3,074	3,311
Debt instruments:	10,054	9,670	10,088	10,026	9,710
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	5,321	4,843	5,112	5,309	4,919
Debt securities	4,032	4,038	4,035	4,033	4,170
Loans	593	632	738	479	387
Insurance, pension, standardized guarantee schemes	29	31	30	28	28
Other accounts receivable/payable	80	126	173	177	206
Other financial assets and liabilities	46	41	34	24	45
<b>TOTAL LIABILITIES</b>	13,401	12,988	13,303	13,123	13,065
<b>NET IIP</b>	<b>4,579</b>	<b>4,645</b>	<b>6,049</b>	<b>4,934</b>	<b>3,334</b>

TABLE 3 - IIP BY RESIDENT INSTITUTIONAL SECTOR — (BD\$) MILLIONS<sup>1</sup>

2022 Q3	Households and NPISHs <sup>2,3</sup> 32	General government 2,913	Financial corporations 13,250	Non- financial corporations 205	Total economy 16,399
<b>ASSETS</b>					
Direct investment	-		92	34	126
Portfolio investment	31	2,546	9,062	-	11,640
Financial Derivatives (other than reserves) and ESOs	n.a.	-	180	-	180
Other investment	1	367	3,689	170	4,226
Reserve Assets		-	227		227
<b>LIABILITIES</b>	-	<b>3,434</b>	<b>7,192</b>	<b>2,440</b>	<b>13,065</b>
Direct investment			840	1,863	2,703
Portfolio investment	-	3,434	1,037	307	4,778
Financial Derivatives (other than reserves) and ESOs	-	-	47	(2)	45
Other investment	-	-	5,268	272	5,540
<b>NET IIP</b>	<b>32</b>	<b>(521)</b>	<b>6,058</b>	<b>(2,235)</b>	<b>3,334</b>

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, 2022<sup>1</sup>

(BD\$) MILLIONS

Components	Third Quarter 2022			
	Opening Position	Financial Transactions <sup>2</sup>	Other Changes in Position <sup>3</sup>	Closing Position <sup>P</sup>
<b>ASSETS</b>				
<b>BY FUNCTIONAL CATEGORY</b>				
Direct investment	375	-249	-	126
Portfolio investment	13,609	-1,911	-58	11,640
Financial Derivatives (other than reserves) and ESOs	94	65	21	180
Other investment	3,740	513	-27	4,226
Reserve Assets	239	-12	-	227
<b>BY INSTRUMENT</b>				
Equity and investment fund share/units	3,257	-299	-132	2,826
Debt instruments:	14,706	-1,360	47	13,393
Special drawing rights	-	-	-	-
Currency and deposits	1,071	-99	-1	971
Debt securities	10,966	-1,873	74	9,167
Loans	2,527	588	-1	3,115
Insurance, pension, standardized guarantee schemes	1	-	-	1
Other accounts receivable/payable	141	24	-25	140
Other financial assets and liabilities	94	65	21	180
<b>TOTAL ASSETS</b>	<b>18,058</b>	<b>-1,594</b>	<b>-64</b>	<b>16,399</b>
<b>LIABILITIES</b>				
<b>BY FUNCTIONAL CATEGORY</b>				
Direct investment	2,464	238	-	2,703
Portfolio investment	4,643	135	-	4,778
Financial Derivatives (other than reserves) and ESOs	24	21	-	45
Other investment	5,993	-366	-87	5,540
<b>BY INSTRUMENT</b>				
Equity and investment fund share/units	3,074	236	-	3,311
Debt instruments:	10,026	-229	-87	9,710
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	5,309	-308	-82	4,919
Debt securities	4,033	137	-	4,170
Loans	479	-82	-11	387
Insurance, pension, standardized guarantee schemes	28	1	-	28
Other accounts receivable/payable	177	24	5	206
Other financial assets and liabilities	24	21	-	45
<b>TOTAL LIABILITIES</b>	<b>13,123</b>	<b>29</b>	<b>-87</b>	<b>13,065</b>
<b>NET IIP</b>	<b>4,934</b>	<b>-1,623</b>	<b>23</b>	<b>3,334</b>

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

<sup>P</sup> – Provisional

<sup>R</sup> – 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:

A new table is included on page 5.

The inclusion of an Integrated 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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