



# BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

QUARTER 3/2023

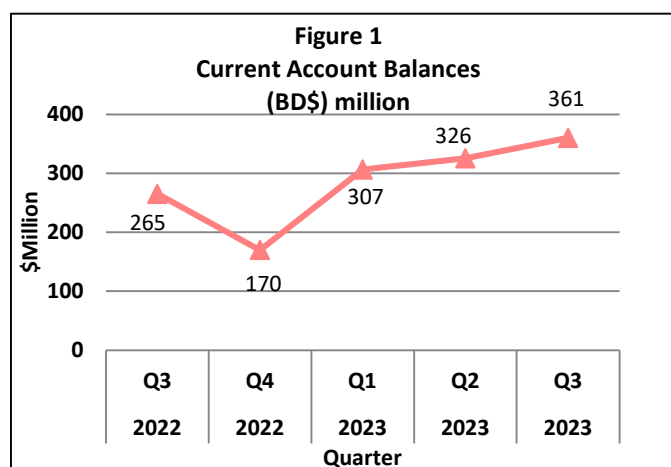
## BALANCE OF PAYMENTS

### FAST FACTS

#### Current Account

The Bermuda current account recorded a surplus of \$361 million in the third quarter of 2023 (Figure 1; Table 1). This represented a \$96 million increase year-over-year. Contributing factors include:

- The deficit on the goods account narrowed by \$40 million to \$272 million.
- Service transactions realised a surplus of \$137 million, up \$23 million from a year ago.
- Bermuda's primary income account surplus expanded by \$5 million year-over-year, climbing to \$531 million in the third quarter of 2023.



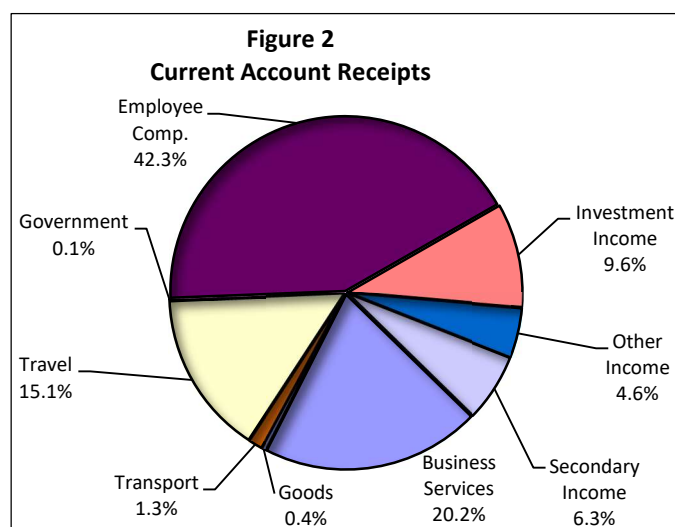
#### Financial, Capital, and Reserve Assets Accounts

In the third quarter of 2023, transactions within Bermuda's assets accounts resulted in a net lending position of \$444 million (Table 1). They were influenced by:

- Bermuda's net acquisition of financial assets resulted in an increase of \$476 million compared to a decrease of \$766 million in 2022.
- Bermuda increased its net incurrence of financial liabilities by \$32 million this quarter compared to a decrease of \$930 million in 2022.

#### Current Account Surplus = \$361 million

The current account surplus stood at \$361 million for the third quarter of 2023 (Table 1). This represented a \$96 million increase from the \$265 million surplus in the third quarter of 2022. The increase in the surplus reflected an increase in receipts from non-residents which was larger than the rise in payments to non-residents.



#### Goods Account Deficit = \$272 million

Year-over-year, the goods account deficit narrowed by \$40 million during the third quarter of 2023. The value of imported goods decreased to \$276 million (Table 1). This decrease was reflected by a \$31 million drop in imported goods from Canada. Goods imported from the United States decreased by \$21 million. Goods imported from the United Kingdom decreased by \$1 million. The value of goods imported from the Caribbean and the All Other Countries group increased by \$9 million, and \$2 million, respectively. Among the commodity groups, the decrease in imports was reflected primarily in the imports of fuels, finished equipment, and basic materials and semi-manufactured goods which fell by \$16 million, \$10 million, and \$9 million, respectively. There were decreases across all commodity groups, with one exception, transport equipment was up \$7 million.

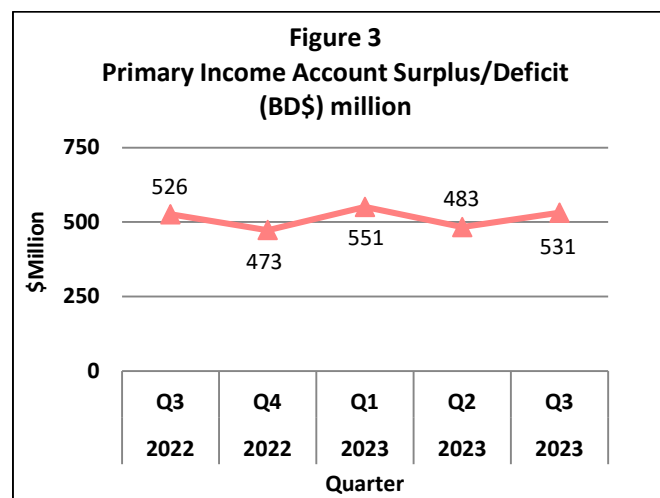
Revenue earned from the exports of goods remained steady at \$5 million.

**Services Account Surplus = \$137 million**

The surplus on the services account increased by \$23 million from a year ago. The increase in the surplus balance reflected an increase in the export of services that was larger than the increase in imports. The surplus balance on travel services widened by \$20 million due primarily to the increase in expenditure for personal travel services received from non-residents. The surplus balance on business services narrowed by \$4 million due primarily to larger payments than receipts for computer and information services. The deficit for transportation services narrowed by \$6 million due to the decrease in payments for freight transportation services by residents to non-residents for cargo transport.

**Primary Income Account Surplus = \$531 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 \$5 million during the third quarter of 2023 (Figure 3; Table 1). This rise reflected primarily an increase in employee compensation of \$54 million. Other income recorded a year-over-year increase of \$8 million, while investment income decreased by \$57 million.

**Secondary Income Account Deficit = \$35 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 \$28 million from a year ago due primarily to increased social contributions and nonlife insurance premiums received from non-residents.

**INTERNATIONAL INVESTMENT POSITION (IIP) (Tables 2 & 3)****Bermuda's Net IIP Increased to \$4.6 billion**

At the end of the third quarter 2023, the stock of foreign assets held by Bermuda residents registered above its stock of foreign liabilities by an estimated \$4.6 billion (Table 2). The net IIP increased by \$761 million over the second quarter of 2023.

**Foreign Assets Rose to \$16.2 billion**

Between the second quarter 2023 and third quarter 2023, Bermuda residents' stock of foreign financial assets increased by \$374 million due mostly to increased holdings of debt securities and loans.

**Bermuda's Net Liability Position Fell to \$11.5 billion**

Bermuda residents' stock of foreign liabilities decreased by \$23 million from the second quarter of 2023. 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 third quarter 2023 (Table 3). The general government sector's external liabilities exceeded its external assets by \$506 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 \$7.3 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 \$33 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	2022 <sup>R</sup> YTD Q3	2023 YTD Q3	2022 <sup>R</sup> Q3	2022 <sup>R</sup> Q4	2023 <sup>R</sup> Q1	2023 <sup>R</sup> Q2	2023 <sup>P</sup> Q3
<b>CURRENT ACCOUNT PAYMENTS</b>							
<b>GOODS IMPORTS (1)</b>	<b>913</b>	<b>876</b>	<b>316</b>	<b>326</b>	<b>287</b>	<b>312</b>	<b>276</b>
<b>SERVICES (2)</b>	<b>738</b>	<b>796</b>	<b>270</b>	<b>261</b>	<b>255</b>	<b>255</b>	<b>286</b>
Transportation	185	198	71	67	62	67	68
Travel	186	203	70	62	63	64	76
Business Services:	366	395	129	131	129	123	142
Insurance Services	66	64	25	23	21	21	22
Financial Services	69	79	22	24	23	30	25
ICT Services	81	83	26	29	29	23	31
Other Business Services	151	168	56	56	56	49	64
Government Services	-	-	-	-	-	-	-
<b>PRIMARY INCOME (3)</b>	<b>54</b>	<b>397</b>	<b>52</b>	<b>121</b>	<b>141</b>	<b>135</b>	<b>122</b>
Employee Compensation	21	17	7	6	9	6	2
Investment Income	34	380	45	115	132	129	120
Other Income	-	-	-	-	-	-	-
<b>SECONDARY INCOME (4)</b>	<b>343</b>	<b>330</b>	<b>119</b>	<b>110</b>	<b>105</b>	<b>117</b>	<b>109</b>
<b>TOTAL PAYMENTS (5)=SUM(1:4)</b>	<b>2,048</b>	<b>2,399</b>	<b>757</b>	<b>818</b>	<b>788</b>	<b>819</b>	<b>793</b>
<b>CURRENT ACCOUNT RECEIPTS</b>							
<b>GOODS EXPORTS (6)</b>	<b>13</b>	<b>14</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>SERVICES (7)</b>	<b>1,073</b>	<b>1,210</b>	<b>384</b>	<b>334</b>	<b>337</b>	<b>450</b>	<b>423</b>
Transportation	26	33	11	8	9	9	15
Travel	308	423	148	90	53	196	174
Business Services:	687	699	224	236	223	243	233
Insurance Services	71	73	23	23	25	23	26
Financial Services	141	134	57	70	34	44	57
ICT Services	34	31	11	10	11	10	11
Other Business Services	441	460	133	133	153	167	140
Government Services	51	55	1	-	52	1	1
<b>PRIMARY INCOME (8)</b>	<b>1,748</b>	<b>1,961</b>	<b>578</b>	<b>594</b>	<b>691</b>	<b>618</b>	<b>652</b>
Employee Compensation	1,316	1,410	439	438	481	440	488
Investment Income	245	349	94	109	119	119	111
Other Income	187	203	45	47	90	59	53
<b>SECONDARY INCOME (9)</b>	<b>176</b>	<b>207</b>	<b>56</b>	<b>55</b>	<b>62</b>	<b>72</b>	<b>73</b>
<b>TOTAL RECEIPTS (10)=SUM(6:9)</b>	<b>3,011</b>	<b>3,392</b>	<b>1,022</b>	<b>988</b>	<b>1,094</b>	<b>1,144</b>	<b>1,153</b>
<b>CURRENT ACCOUNT BALANCES</b>							
<b>GOODS</b>	<b>-899</b>	<b>-862</b>	<b>-312</b>	<b>-322</b>	<b>-282</b>	<b>-308</b>	<b>-272</b>
<b>SERVICES</b>	<b>335</b>	<b>414</b>	<b>114</b>	<b>74</b>	<b>82</b>	<b>195</b>	<b>137</b>
Transportation	-159	-165	-60	-59	-53	-58	-54
Travel	122	220	79	28	-11	132	99
Business Services:	321	304	95	105	93	120	91
Insurance Services	5	9	-2	-	3	2	4
Financial Services	73	55	34	46	10	13	32
ICT Services	-47	-52	-15	-18	-18	-13	-20
Other Business Services	290	292	77	77	98	118	76
Government Services	51	55	1	-	52	1	1
<b>PRIMARY INCOME</b>	<b>1,694</b>	<b>1,564</b>	<b>526</b>	<b>473</b>	<b>551</b>	<b>483</b>	<b>531</b>
Employee Compensation	1,295	1,393	432	432	473	434	486
Investment Income	212	-31	49	-6	-13	-10	-8
Other Income	187	203	45	47	90	59	53
<b>SECONDARY INCOME</b>	<b>-167</b>	<b>-123</b>	<b>-64</b>	<b>-55</b>	<b>-43</b>	<b>-44</b>	<b>-35</b>
<b>CURRENT ACCOUNT BALANCE (11)=(10)-(5)</b>	<b>963</b>	<b>993</b>	<b>265</b>	<b>170</b>	<b>307</b>	<b>326</b>	<b>361</b>
<b>FINANCIAL ACCOUNT</b>							
Direct Investment	10	16	-1	11	7	6	3
Portfolio Investment	-229	812	-1,570	-687	-105	576	342
Financial Derivatives	226	135	98	5	-10	78	67
Other Investment	1,000	-1,007	718	731	-519	-566	78
Reserve Assets	5	17	-12	-9	34	-3	-14
<b>NET ACQUISITION OF FIN. ASSETS (12)</b>	<b>1,012</b>	<b>-28</b>	<b>-766</b>	<b>51</b>	<b>-594</b>	<b>90</b>	<b>476</b>
Direct Investment	-52	117	43	62	61	43	14
Portfolio Investment	-741	-147	-674	-140	-60	-133	47
Financial Derivatives	-11	-16	21	7	-33	7	10
Other Investment	989	-874	-320	23	-838	3	-38
<b>NET INCURRENCE OF FIN. LIABILITIES (13)</b>	<b>185</b>	<b>-919</b>	<b>-930</b>	<b>-48</b>	<b>-870</b>	<b>-81</b>	<b>32</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>827</b>	<b>891</b>	<b>163</b>	<b>99</b>	<b>277</b>	<b>171</b>	<b>444</b>
<b>(15)=(12)+(14)-(13)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>BALANCING ITEM (15)-(11)</b>	<b>-136</b>	<b>-102</b>	<b>-102</b>	<b>-71</b>	<b>-30</b>	<b>-154</b>	<b>83</b>

# BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

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

(BD\$) MILLIONS

Components	2022 <sup>R</sup> Q3	2022 <sup>R</sup> Q4	2023 Q1	2023 Q2	2023 <sup>P</sup> Q3
<b>ASSETS</b>					
<b>BY FUNCTIONAL CATEGORY</b>					
Direct investment	112	123	126	148	151
Portfolio investment	11,979	11,420	11,404	11,970	12,308
Financial Derivatives (other than reserves) and ESOs	180	155	108	152	181
Other investment	4,416	5,094	3,983	3,263	3,282
Reserve Assets	227	218	252	249	235
<b>BY INSTRUMENT</b>					
Equity and investment fund share/units	2,812	2,997	3,103	3,190	3,104
Debt instruments:	13,922	13,858	12,661	12,440	12,871
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	1,065	1,240	866	1,132	924
Debt securities	9,505	8,763	8,678	9,177	9,588
Loans	3,204	3,665	2,938	1,969	2,174
Insurance, pension, standardized guarantee schemes	1	1	1	1	1
Other accounts receivable/payable	146	189	178	161	183
Other financial assets and liabilities	180	155	108	152	181
<b>TOTAL ASSETS</b>	<b>16,914</b>	<b>17,010</b>	<b>15,872</b>	<b>15,782</b>	<b>16,156</b>
<b>LIABILITIES</b>					
<b>BY FUNCTIONAL CATEGORY</b>					
Direct investment	2,775	2,838	3,187	3,100	2,915
Portfolio investment	4,778	4,636	4,346	4,220	4,235
Financial Derivatives (other than reserves) and ESOs	45	52	19	21	32
Other investment	5,597	5,463	4,555	4,570	4,342
<b>BY INSTRUMENT</b>					
Equity and investment fund share/units	3,383	3,443	3,502	3,361	3,398
Debt instruments:	9,766	9,494	8,586	8,529	8,095
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	4,970	4,891	4,158	4,184	3,985
Debt securities	4,170	4,031	4,031	3,959	3,752
Loans	387	330	220	208	195
Insurance, pension, standardized guarantee schemes	28	26	29	32	33
Other accounts receivable/payable	212	215	148	146	130
Other financial assets and liabilities	45	52	19	21	32
<b>TOTAL LIABILITIES</b>	<b>13,194</b>	<b>12,988</b>	<b>12,108</b>	<b>11,911</b>	<b>11,525</b>
<b>NET IIP</b>	<b>3,720</b>	<b>4,022</b>	<b>3,765</b>	<b>3,871</b>	<b>4,631</b>

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

2023 Q3	Households and NPISHs <sup>2,3</sup> 33	General government 2,787	Financial corporations 13,121	Non- financial corporations 215	Total economy 16,156
<b>ASSETS</b>					
Direct investment	14	-	80	56	151
Portfolio investment	17	2,685	9,599	7	12,308
Financial Derivatives (other than reserves) and ESOs	n.a.	-	181	-	181
Other investment	2	102	3,026	152	3,282
Reserve Assets	-	-	235	-	235
<b>LIABILITIES</b>	-	<b>3,294</b>	<b>5,809</b>	<b>2,422</b>	<b>11,525</b>
Direct investment	-	-	724	2,192	2,915
Portfolio investment	-	3,294	917	24	4,235
Financial Derivatives (other than reserves) and ESOs	-	-	30	2	32
Other investment	-	-	4,139	204	4,342
<b>NET IIP</b>	<b>33</b>	<b>(506)</b>	<b>7,311</b>	<b>(2,206)</b>	<b>4,631</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, 2023<sup>1</sup>

(BD\$) MILLIONS

Components	Third Quarter 2023			
	Opening Position <sup>R</sup>	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	148	3	-	151
Portfolio investment	11,970	341	-3	12,308
Financial Derivatives (other than reserves) and ESOs	152	29	-	181
Other investment	3,263	17	2	3,282
Reserve Assets	249	-14	-	235
<b>BY INSTRUMENT</b>				
Equity and investment fund share/units	3,190	-36	-49	3,104
Debt instruments:	12,440	383	47	12,871
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	1,132	-211	2	924
Debt securities	9,177	366	46	9,588
Loans	1,969	207	-1	2,174
Insurance, pension, standardized guarantee schemes	1	-	-	1
Other accounts receivable/payable	161	21	1	183
Other financial assets and liabilities	152	29	-	181
<b>TOTAL ASSETS</b>	<b>15,782</b>	<b>376</b>	<b>-2</b>	<b>16,156</b>
<b>LIABILITIES</b>				
<b>BY FUNCTIONAL CATEGORY</b>				
Direct investment	3,100	-183	-2	2,915
Portfolio investment	4,220	-11	26	4,235
Financial Derivatives (other than reserves) and ESOs	21	10	1	32
Other investment	4,570	-248	21	4,342
<b>BY INSTRUMENT</b>				
Equity and investment fund share/units	3,361	39	-2	3,398
Debt instruments:	8,529	-481	47	8,095
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	4,184	-223	24	3,985
Debt securities	3,959	-233	26	3,752
Loans	208	-12	-2	195
Insurance, pension, standardized guarantee schemes	32	2	-	33
Other accounts receivable/payable	146	-16	-	130
Other financial assets and liabilities	21	10	1	32
<b>TOTAL LIABILITIES</b>	<b>11,911</b>	<b>-432</b>	<b>46</b>	<b>11,525</b>
<b>NET IIP</b>	<b>3,871</b>	<b>808</b>	<b>-48</b>	<b>4,631</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**, the **capital account** and **financial account**.

In principle, the current account, capital account and financial account should balance each other. 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:

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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Department of Statistics  
Cedar Park Centre,  
48 Cedar Avenue, Hamilton  
HM 11  
P.O. Box HM 3015  
Hamilton HM MX, Bermuda

Tel: (441) 297-7761  
Fax: (441) 295-8390  
E-mail: [statistics@gov.bm](mailto:statistics@gov.bm)  
Webpage:  
[www.gov.bm/departments/statistics](http://www.gov.bm/departments/statistics)

