



QUARTER 4/2022

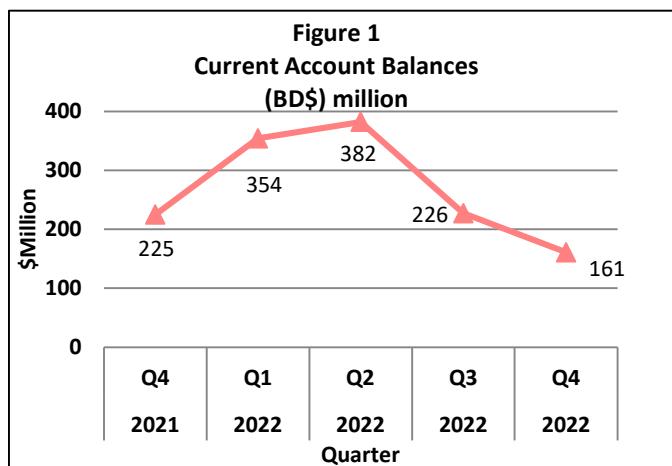
BALANCE OF PAYMENTS

FAST FACTS

Current Account

The Bermuda current account recorded a surplus of \$161 million in the fourth quarter of 2022 (Figure 1; Table 1). This represented a \$64 million decrease year-over-year. Contributing factors include:

- The deficit on the goods account expanded by \$25 million to \$324 million.
- Services transactions realised a surplus of \$45 million, down \$43 million year-over-year.
- Bermuda's primary income account surplus increased by \$12 million year-over-year to \$494 million in the fourth quarter of 2022.



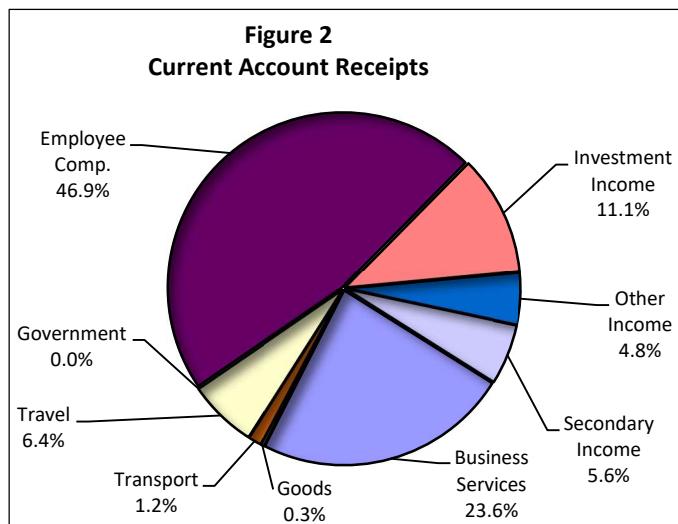
Financial, Capital, and Reserve Assets Accounts

In the fourth quarter of 2022, transactions within Bermuda's assets accounts resulted in a net lending position of \$87 million (Table 1). They were influenced by:

- Bermuda's net acquisition of financial assets resulted in an increase of \$40 million compared to a decrease of \$186 million in 2021.
- Bermuda decreased its net incurrence of financial liabilities by \$47 million this quarter compared to a decrease of \$407 million in 2021.

Current Account Surplus = \$161 million

The current account surplus stood at \$161 million for the fourth quarter of 2022 (Table 1). This represented a \$64 million decrease from the \$225 million surplus in the fourth quarter of 2021. The decrease in the surplus reflected an increase in payments to non-residents which was larger than the rise in receipts.



Goods Account Deficit = \$324 million

Year-over-year, the goods account deficit expanded by \$25 million during the fourth quarter of 2022. The value of imported goods increased to \$326 million (Table 1). This growth was reflected mostly in a \$47 million rise in imported goods from the United States. Goods imported from the All Other Countries group increased by \$3 million. The value of goods imported from Canada and the Caribbean decreased by \$24 million and \$1 million, respectively. Among the commodity groups, the expansion in imports was reflected primarily in the imports of food, beverages and tobacco and finished equipment which each rose by \$11 million, respectively. Imports of machinery, miscellaneous, and basic materials and semi-manufactured goods also increased by \$7 million, \$3 million and \$2 million, respectively. There were decreases of imports within fuels, chemicals and transport equipment; the largest decrease being \$9 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.

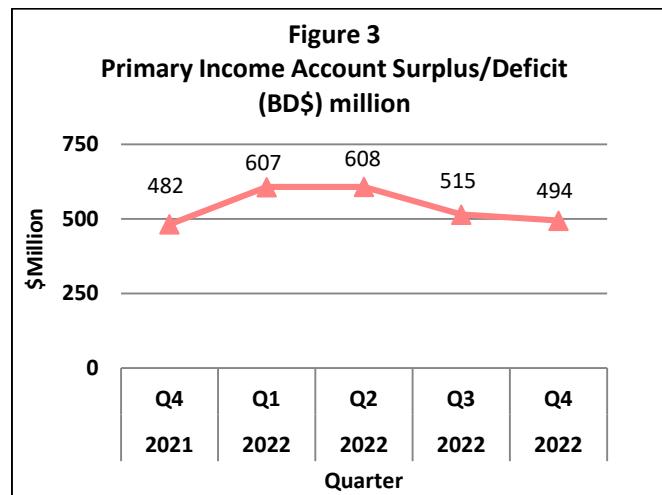
Services Account Surplus = \$45 million

The surplus on the services account decreased by \$43 million during the fourth quarter of 2022. The decrease in the surplus balance reflected a decreases in the business services account and transportation account balance. The surplus balance on business services narrowed by \$38 million due primarily to the decrease of receipts from non-residents for legal, accounting, management consulting and public relation services. The deficit for transport services widened by \$14 million due to the increase of payments of air transport by residents to non-residents.

Transactions on travel services changed from a deficit to a surplus after it increased by \$17 million to \$1 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 = \$494 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 \$12 million during the fourth quarter of 2022 (Figure 3; Table 1). This rise reflected primarily an increase in employee compensation of \$46 million. Other income also recorded an increase of \$3 million year-over-year. Investment income decreased by \$38 million.

**Secondary Income Account Deficit = \$55 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 widened by \$9 million from a year ago due primarily to less premiums on nonlife insurance received from non-residents.

INTERNATIONAL INVESTMENT POSITION (Tables 2 & 3)**Bermuda's Net IIP Increased to \$4.3 billion**

At the end of the fourth quarter 2022, the stock of foreign assets held by Bermuda residents registered above its stock of foreign liabilities by an estimated \$4.3 billion (Table 2). The net IIP increased by \$569 million from the third quarter of 2022.

Foreign Assets dipped to \$16.9 billion

Between the third quarter 2022 and fourth quarter 2022, Bermuda residents' stock of foreign financial assets decreased by \$18 million due mostly to decreased holdings of debt securities.

Bermuda's Net Liability Position fell to \$12.6 billion

Bermuda residents' stock of foreign liabilities decreased by \$587 million from the third quarter of 2022. The decrease is due mostly to decreased holdings of portfolio investments, specifically debt securities.

IIP by Resident Institutional Sector

The non-financial corporations held a net liability position of \$2.0 billion with the rest of the world at the end of the fourth quarter 2022 (Table 3). The general government sector's external liabilities exceeded its external assets by \$415 million, representing a smaller negative net investment position due to a decline in portfolio investment liabilities and an increase in portfolio investment assets. Financial corporations held a net asset position of \$6.7 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 \$28 million at the end of the fourth quarter.

BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

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

Components	2021 YTD Q4	2022 YTD Q4	2021 Q4	2022 ^R Q1	2022 ^R Q2	2022 ^R Q3	2022 ^P Q4
CURRENT ACCOUNT PAYMENTS							
GOODS IMPORTS (1)	1,085	1,239	301	285	311	316	326
SERVICES (2)	841	999	224	238	230	270	261
Transportation	186	252	53	51	64	71	67
Travel	202	248	53	56	61	70	62
Business Services:	452	498	118	131	106	129	131
Insurance Services	74	89	19	20	21	25	23
Financial Services	86	92	21	23	23	22	24
ICT Services	94	109	23	33	22	26	29
Other Business Services	199	207	56	55	40	56	56
Government Services	0	0	0	0	0	0	0
PRIMARY INCOME (3)	182	173	42	-3	4	51	121
Employee Compensation	23	23	6	7	5	6	5
Investment Income	159	149	36	-10	-1	45	116
Other Income	0	0	0	0	0	0	0
SECONDARY INCOME (4)	445	453	117	105	118	119	110
TOTAL PAYMENTS (5)=SUM(1:4)	2,553	2,863	683	625	664	756	818
CURRENT ACCOUNT RECEIPTS							
GOODS EXPORTS (6)	9	10	2	2	3	3	3
SERVICES (7)	1,126	1,346	312	316	366	358	306
Transportation	45	51	12	11	13	15	12
Travel	143	342	37	25	132	122	63
Business Services:	890	902	256	231	220	220	231
Insurance Services	88	94	25	23	25	24	23
Financial Services	213	211	70	39	46	57	70
ICT Services	31	25	9	8	6	6	6
Other Business Services	558	571	152	162	144	133	132
Government Services	48	51	7	49	1	1	0
PRIMARY INCOME (8)	2,140	2,397	524	604	612	566	615
Employee Compensation	1,656	1,810	414	450	472	427	460
Investment Income	262	354	66	69	82	94	109
Other Income	222	234	43	84	58	45	47
SECONDARY INCOME (9)	239	233	70	57	65	56	55
TOTAL RECEIPTS (10)=SUM(6:9)	3,514	3,986	908	979	1,046	983	979
CURRENT ACCOUNT BALANCES							
GOODS	-1,076	-1,229	-299	-283	-309	-314	-324
SERVICES	286	348	88	78	136	88	45
Transportation	-141	-201	-41	-40	-51	-55	-55
Travel	-59	94	-16	-31	71	52	1
Business Services:	438	404	137	100	114	90	99
Insurance Services	14	5	6	3	4	-2	0
Financial Services	128	119	49	16	23	34	46
ICT Services	-63	-84	-14	-25	-16	-20	-23
Other Business Services	359	364	96	107	104	77	76
Government Services	48	51	7	49	1	1	0
PRIMARY INCOME	1,958	2,225	482	607	608	515	494
Employee Compensation	1,632	1,786	408	443	467	421	455
Investment Income	104	204	30	80	83	49	-7
Other Income	222	234	43	84	58	45	47
SECONDARY INCOME	-206	-220	-46	-48	-53	-64	-55
CURRENT ACCOUNT BALANCE (11)=(10)-(5)	961	1,123	225	354	382	226	161
FINANCIAL ACCOUNT							
Direct Investment	-27	23	-3	2	11	-1	11
Portfolio Investment	-1,067	-916	-565	937	404	-1,570	-687
Financial Derivatives	96	207	27	52	64	91	0
Other Investment	2,256	1,725	360	592	-310	718	726
Reserve Assets	41	-3	-6	15	2	-12	-9
NET ACQUISITION OF FIN. ASSETS (12)	1,299	1,035	-186	1,598	171	-774	40
Direct Investment	2	9	16	8	-105	43	63
Portfolio Investment	-95	-880	-4	-62	-5	-674	-140
Financial Derivatives	-52	-4	-5	-7	-25	21	7
Other Investment	544	1,011	-413	1,372	-63	-320	23
NET INCURRENCE OF FIN. LIABILITIES (13)	398	136	-407	1,311	-199	-929	-47
TOTAL NET CAPITAL ACCOUNT (14)	0	0	0	0	0	0	0
NET LENDING(+)/NET BORROWING(-) (15)=(12)+(14)-(13)	900	900	221	287	370	155	87
BALANCING ITEM (15)-(11)	-61	-223	-4	-66	-12	-71	-74

BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

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

(BD\$) MILLIONS

Components	2021 Q4	2021 Q1	2022 Q2	2022 ^R Q3	2022 ^P Q4
ASSETS					
BY FUNCTIONAL CATEGORY					
Direct investment	114	367	375	126	137
Portfolio investment	12,819	13,219	13,609	11,979	11,420
Financial Derivatives (other than reserves) and ESOs	33	59	94	180	155
Other investment	4,446	5,471	3,740	4,416	4,979
Reserve Assets	221	237	239	227	218
BY INSTRUMENT					
Equity and investment fund share/units	3,567	3,590	3,257	2,826	3,011
Debt instruments:	14,033	15,704	14,706	13,922	13,743
Special drawing rights	-	-	-	-	-
Currency and deposits	770	1,336	1,071	1,065	1,163
Debt securities	9,587	10,232	10,966	9,505	8,763
Loans	3,542	3,984	2,527	3,204	3,630
Insurance, pension, standardized guarantee schemes	1	1	1	1	1
Other accounts receivable/payable	133	150	141	146	185
Other financial assets and liabilities	33	59	94	180	155
TOTAL ASSETS	17,633	19,352	18,058	16,928	16,910
LIABILITIES					
BY FUNCTIONAL CATEGORY					
Direct investment	2,690	2,574	2,468	2,761	2,725
Portfolio investment	4,625	4,644	4,643	4,778	4,353
Financial Derivatives (other than reserves) and ESOs	41	34	24	45	52
Other investment	5,632	6,053	5,993	5,597	5,462
BY INSTRUMENT					
Equity and investment fund share/units	3,277	3,183	3,078	3,369	3,330
Debt instruments:	9,670	10,088	10,026	9,766	9,211
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	4,843	5,112	5,309	4,970	4,891
Debt securities	4,038	4,035	4,033	4,170	3,748
Loans	632	738	479	387	330
Insurance, pension, standardized guarantee schemes	31	30	28	28	26
Other accounts receivable/payable	126	173	177	212	215
Other financial assets and liabilities	41	34	24	45	52
TOTAL LIABILITIES	12,988	13,304	13,127	13,180	12,593
NET IIP	4,645	6,048	4,930	3,748	4,317

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

2022 Q4	Households and NPISHs ^{2,3}	General government	Financial corporations	Non-financial corporations	Total economy
ASSETS	28	2,879	13,856	147	16,910
Direct investment	-		91	46	137
Portfolio investment	27	2,702	8,700	(9)	11,420
Financial Derivatives (other than reserves) and ESOs	n.a.	-	155	-	155
Other investment	1	177	4,691	110	4,979
Reserve Assets		-	218		218
LIABILITIES	-	3,294	7,174	2,125	12,593
Direct investment			872	1,853	2,725
Portfolio investment	-	3,294	1,037	22	4,353
Financial Derivatives (other than reserves) and ESOs	-	-	49	3	52
Other investment	-	-	5,215	247	5,462
NET IIP	28	(415)	6,681	(1,978)	4,317

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, 2022¹

(BD\$) MILLIONS

Components	Fourth Quarter 2022			
	Opening Position	Financial Transactions ²	Other Changes in Position ³	Closing Position ^P
ASSETS				
BY FUNCTIONAL CATEGORY				
Direct investment	126	11	0	137
Portfolio investment	11,979	-716	157	11,420
Financial Derivatives (other than reserves) and ESOs	180	-28	3	155
Other investment	4,416	552	12	4,979
Reserve Assets	227	-9	0	218
BY INSTRUMENT				
Equity and investment fund share/units	2,826	0	130	3,011
Debt instruments:	13,922	-218	39	13,743
Special drawing rights	0	0	0	0
Currency and deposits	1,065	92	6	1,163
Debt securities	9,505	-769	27	8,763
Loans	3,204	422	5	3,630
Insurance, pension, standardized guarantee schemes	1	0	0	1
Other accounts receivable/payable	146	38	1	185
Other financial assets and liabilities	180	-28	3	155
TOTAL ASSETS	16,928	-191	172	16,910
LIABILITIES				
BY FUNCTIONAL CATEGORY				
Direct investment	2,761	-36	0	2,725
Portfolio investment	4,778	-424	0	4,353
Financial Derivatives (other than reserves) and ESOs	45	7	0	52
Other investment	5,597	28	-162	5,462
BY INSTRUMENT				
Equity and investment fund share/units	3,369	-39	0	3,330
Debt instruments:	9,766	-394	-162	9,211
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	4,970	-4	-74	4,891
Debt securities	4,170	-421	0	3,748
Loans	387	30	-86	330
Insurance, pension, standardized guarantee schemes	28	-2	0	26
Other accounts receivable/payable	212	4	-1	215
Other financial assets and liabilities	45	7	0	52
TOTAL LIABILITIES	13,180	-426	-162	12,593
NET IIP	3,748	235	334	4,317

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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