



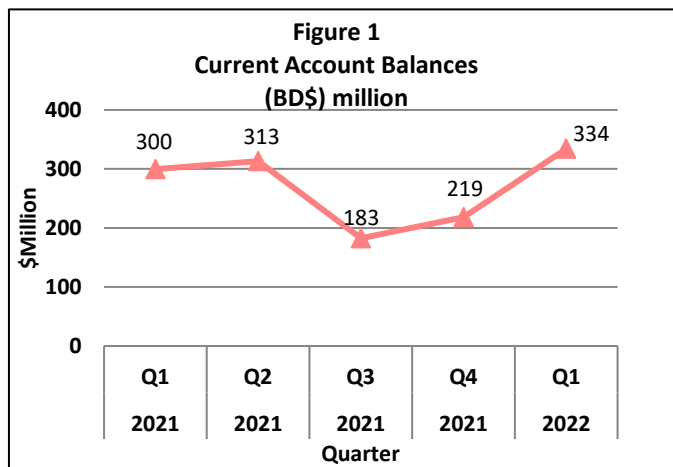
## BALANCE OF PAYMENTS

### FAST FACTS

#### Current Account

The Bermuda current account recorded a surplus of \$334 million in the first quarter of 2022 (Figure 1 and Table 1). This represented a \$34 million increase year-over-year.

- The deficit on the goods account expanded by \$37 million to \$281 million.
- Services transactions realised a surplus of \$65 million, up \$10 million year-over-year.
- The surplus on Bermuda’s primary income account increased by \$61 million to \$603 million in the first quarter of 2022.



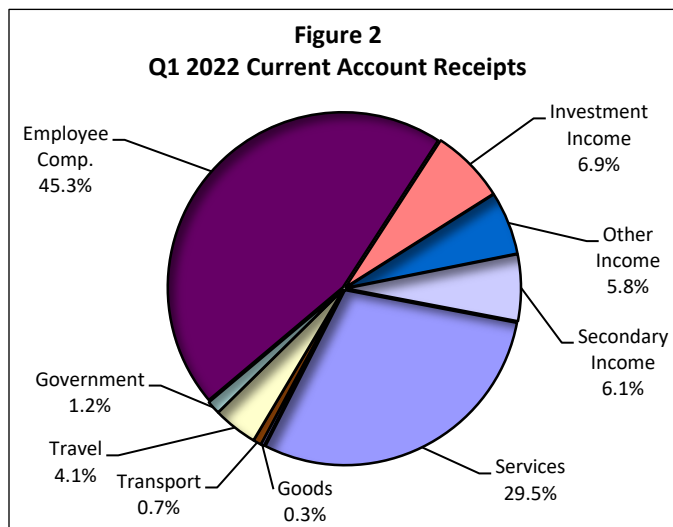
#### Financial, Capital, and Reserve Assets Accounts

Transactions on Bermuda’s assets accounts resulted in a net lending position of \$277 million (Table 1). Factors influencing this year-over-year performance include:

- Bermuda’s net acquisition of financial assets resulted in an increase of \$1.6 billion compared to a decrease of \$4 million in 2021.
- Bermuda increased its net incurrence of financial liabilities by \$1.3 billion this quarter compared to a decrease of \$260 million in 2021.

#### Current Account Surplus = \$334 million

The current account surplus stood at \$334 million for the first quarter of 2022 (Table 1). This represented a \$34 million increase from the \$300 million surplus in the first quarter of 2021. The growth in the surplus reflected an increase in receipts from non-residents which was larger than the rise in payments. With the exception of goods account, all major sub-accounts recorded improvements in their net balance led by a \$61 million increase in the surplus on the primary income account.



#### Goods Account Deficit = \$281 million

Year-over-year, the goods account deficit expanded by \$37 million during the first quarter of 2022. The value of imported goods increased to \$284 million (Table 1). This growth was reflected mostly in a \$22 million rise in imported goods from Canada. Goods imported from the Caribbean and United States also increased by \$6 million and \$8 million, respectively. The value of goods imported from All Other Countries also increased \$5 million. The rise was offset by a decline in imports from the United Kingdom of \$3 million. Among the commodity groups, the expansion in imports was reflected primarily in the imports of fuels which surged by \$37 million. Imports of machinery also increased \$4 million. In contrast, imports of finished equipment decreased by \$9 million.

Revenue earned from the exports of goods increased by \$1 million to \$3 million in 2022 as more fuel was re-exported to foreign airlines visiting Bermuda.

**Services Account Surplus = \$65 million**

The surplus on the services account increased \$10 million during the first quarter of 2022. The higher surplus balance reflected mostly gains in the business services account balance. The surplus balance on business services rose \$18 million due primarily to receipts from business and management consultancy services, accounting services and insurance services.

In contrast, the net deficit on transactions on transportation increased by \$13 million to \$44 million as residents paid more for freight transport services and air passenger services. The deficit balance on the travel account increased by \$5 million due to greater expenditure by residents on personal travel services. The balance on ICT services recorded a deficit of \$20 million, mostly due to higher payments during the first quarter 2022.

**Primary Income Account Surplus = \$603 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 \$61 million during the first quarter of 2022 (Figure 3 and Table 1). This rise reflected primarily an increase in net employee compensation by \$37 million. Net investment income increased by \$20 million due to reinvested earnings. Net surplus balance on other income increased by \$4 million.

**Secondary Income Account Deficit = \$52 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 \$1 million from a year ago due primarily to less claims on nonlife insurance paid to non-residents.

**INTERNATIONAL INVESTMENT POSITION (Tables 2 & 3)**

**Bermuda’s Net IIP Increased to \$6.1 billion**

At the end of the first quarter 2022, the stock of foreign assets held by Bermuda residents registered above its stock of foreign liabilities by an estimated \$6.1 billion (Table 2). The net IIP increased by \$1.4 billion over the fourth quarter of 2021.

**Foreign Assets Rose to \$19.4 billion**

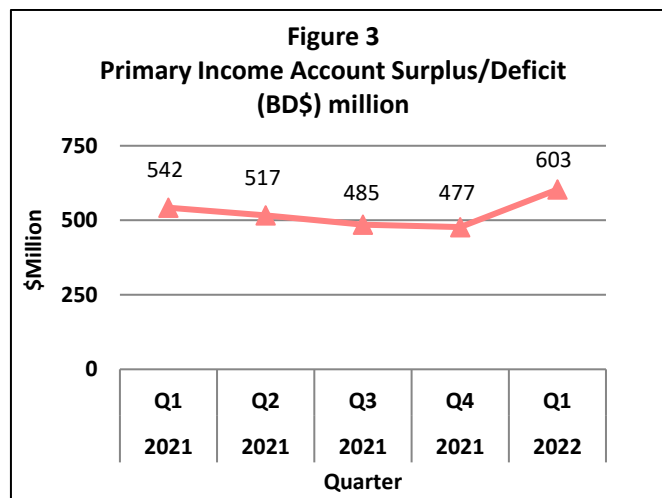
Between the fourth quarter 2021 and first quarter 2022, Bermuda residents’ stock of foreign financial assets grew by \$1.7 billion due mostly to increased holdings of debt securities and currency and deposits.

**Bermuda’s Net Liability Position Increased to \$13.3 billion**

Bermuda residents’ stock of foreign liabilities increased by \$314 million from the fourth quarter of 2021. The increase in the liability position reflected mostly a rise in currency and deposit liabilities along with loans held by resident institutions and owed to non-residents.

**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 2022. The general government sector’s external liabilities exceeded its external assets by \$118 million, representing a larger negative net investment position due to a decline in portfolio investment assets. Financial corporations held a net asset position of \$8.3 billion due mostly to holdings of portfolio investments in the form of debt securities and other investments in the form of currency and deposits. Non-profit institutions serving households also recorded a net asset position of \$43 million at the end of the first quarter.



**BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION**
**TABLE 1 - BALANCE OF PAYMENTS (BD\$) MILLIONS<sup>1</sup>**

Components	2021 YTD Q1	2022 YTD Q1	2021R Q1	2021R Q2	2021R Q3	2021R Q4	2022P Q1
<b>CURRENT ACCOUNT PAYMENTS</b>							
<b>GOODS IMPORTS (1)</b>	<b>246</b>	<b>284</b>	<b>246</b>	<b>241</b>	<b>297</b>	<b>301</b>	<b>284</b>
<b>SERVICES (2)</b>	<b>201</b>	<b>242</b>	<b>201</b>	<b>188</b>	<b>228</b>	<b>224</b>	<b>242</b>
Transportation	38	51	38	42	53	53	51
Travel	45	56	45	47	56	53	56
Business Services:	117	135	117	98	119	118	135
Insurance Services	17	20	17	17	21	19	20
Financial Services	22	23	22	23	20	21	23
ICT Services	24	33	24	22	26	23	33
Other Business Services	54	60	54	37	52	56	60
Government Services	0	0	0	0	0	0	0
<b>PRIMARY INCOME (3)</b>	<b>27</b>	<b>11</b>	<b>27</b>	<b>53</b>	<b>61</b>	<b>41</b>	<b>11</b>
Employee Compensation	7	7	7	6	5	6	7
Investment Income	20	3	20	47	56	35	3
Other Income	0	0	0	0	0	0	0
<b>SECONDARY INCOME (4)</b>	<b>103</b>	<b>104</b>	<b>103</b>	<b>101</b>	<b>125</b>	<b>117</b>	<b>105</b>
<b>TOTAL PAYMENTS (5)=SUM(1:4)</b>	<b>577</b>	<b>641</b>	<b>577</b>	<b>582</b>	<b>711</b>	<b>682</b>	<b>642</b>
<b>CURRENT ACCOUNT RECEIPTS</b>							
<b>GOODS EXPORTS (6)</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>SERVICES (7)</b>	<b>256</b>	<b>307</b>	<b>256</b>	<b>255</b>	<b>292</b>	<b>309</b>	<b>307</b>
Transportation	7	7	7	5	8	8	7
Travel	8	14	8	34	66	37	14
Business Services:	201	237	201	215	218	257	237
Insurance Services	20	27	20	24	21	26	27
Financial Services	36	39	36	46	61	70	39
ICT Services	13	13	13	12	12	14	13
Other Business Services	132	158	132	133	124	147	158
Government Services	39	49	39	1	0	7	49
<b>PRIMARY INCOME (8)</b>	<b>569</b>	<b>614</b>	<b>569</b>	<b>570</b>	<b>547</b>	<b>518</b>	<b>614</b>
Employee Compensation	425	463	425	452	434	408	463
Investment Income	64	67	64	65	66	66	67
Other Income	80	84	80	52	46	43	84
<b>SECONDARY INCOME (9)</b>	<b>50</b>	<b>52</b>	<b>50</b>	<b>67</b>	<b>52</b>	<b>71</b>	<b>52</b>
<b>TOTAL RECEIPTS (10)=SUM(6:9)</b>	<b>877</b>	<b>975</b>	<b>877</b>	<b>895</b>	<b>894</b>	<b>900</b>	<b>977</b>
<b>CURRENT ACCOUNT BALANCES</b>							
<b>GOODS</b>	<b>-244</b>	<b>-281</b>	<b>-244</b>	<b>-237</b>	<b>-294</b>	<b>-298</b>	<b>-281</b>
<b>SERVICES</b>	<b>55</b>	<b>65</b>	<b>55</b>	<b>67</b>	<b>64</b>	<b>85</b>	<b>65</b>
Transportation	-31	-44	-31	-37	-45	-45	-44
Travel	-37	-42	-37	-13	10	-15	-42
Business Services:	84	102	84	116	100	138	102
Insurance Services	3	7	3	7	0	7	7
Financial Services	14	16	14	23	42	49	16
ICT Services	-11	-20	-11	-10	-13	-9	-20
Other Business Services	77	99	77	96	72	92	99
Government Services	39	49	39	1	0	7	49
<b>PRIMARY INCOME</b>	<b>542</b>	<b>603</b>	<b>542</b>	<b>517</b>	<b>485</b>	<b>477</b>	<b>603</b>
Employee Compensation	418	455	418	447	429	402	455
Investment Income	44	64	44	18	10	32	64
Other Income	80	84	80	52	46	43	84
<b>SECONDARY INCOME</b>	<b>-53</b>	<b>-52</b>	<b>-53</b>	<b>-33</b>	<b>-72</b>	<b>-46</b>	<b>-52</b>
<b>CURRENT ACCOUNT BALANCE (11)=(10)-(5)</b>	<b>300</b>	<b>334</b>	<b>300</b>	<b>313</b>	<b>183</b>	<b>219</b>	<b>334</b>
<b>FINANCIAL ACCOUNT</b>							
Direct Investment	-18	2	-18	1	-6	-3	2
Portfolio Investment	-558	937	-558	755	-700	-565	937
Financial Derivatives	37	53	37	16	20	27	53
Other Investment	507	593	507	363	1,026	360	593
Reserve Assets	28	15	28	12	7	-6	15
<b>NET ACQUISITION OF FIN. ASSETS (12)</b>	<b>-4</b>	<b>1,600</b>	<b>-4</b>	<b>1,147</b>	<b>347</b>	<b>-187</b>	<b>1,600</b>
Direct Investment	10	20	10	-2	-20	14	20
Portfolio Investment	-51	-62	-51	-3	-37	-4	-62
Financial Derivatives	-40	-7	-40	-2	-5	-5	-7
Other Investment	-180	1,372	-180	833	303	-413	1,372
<b>NET INCURRENCE OF FIN. LIABILITIES (13)</b>	<b>-260</b>	<b>1,323</b>	<b>-260</b>	<b>826</b>	<b>241</b>	<b>-409</b>	<b>1,323</b>
<b>TOTAL NET CAPITAL ACCOUNT (14)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET LENDING(+)/NET BORROWING(-) (15)=(12)+(14)-(13)</b>	<b>256</b>	<b>277</b>	<b>256</b>	<b>321</b>	<b>105</b>	<b>222</b>	<b>277</b>
<b>BALANCING ITEM (15)-(11)</b>	<b>-44</b>	<b>-57</b>	<b>-44</b>	<b>8</b>	<b>-77</b>	<b>4</b>	<b>-57</b>

**BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION**

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

**(BD\$) MILLIONS**

Components	2021 Q1	2021 Q2	2021 Q3	2021R Q4	2022P Q1
<b>ASSETS</b>					
<b>BY FUNCTIONAL CATEGORY</b>					
Direct investment	122	123	117	114	367
Portfolio investment	12,828	13,537	12,825	12,819	13,219
Financial Derivatives (other than reserves) and ESOs	46	35	32	33	59
Other investment	3,331	4,343	4,779	4,446	5,471
Reserve Assets	208	221	227	221	237
<b>BY INSTRUMENT</b>					
Equity and investment fund share/units	3,196	3,456	3,495	3,567	3,590
Debt instruments:	13,294	14,768	14,452	14,033	15,704
Special drawing rights	-	-	-	-	-
Currency and deposits	1,199	1,131	1,344	770	1,336
Debt securities	9,962	10,424	9,673	9,587	10,232
Loans	2,038	3,095	3,311	3,542	3,984
Insurance, pension, standardized guarantee schemes	1	1	1	1	1
Other accounts receivable/payable	95	117	124	133	150
Other financial assets and liabilities	46	35	32	33	59
<b>TOTAL ASSETS</b>	<b>16,536</b>	<b>18,259</b>	<b>17,980</b>	<b>17,633</b>	<b>19,352</b>
<b>LIABILITIES</b>					
<b>BY FUNCTIONAL CATEGORY</b>					
Direct investment	2,725	2,727	2,686	2,674	2,557
Portfolio investment	4,620	4,622	4,633	4,625	4,643
Financial Derivatives (other than reserves) and ESOs	53	51	46	41	34
Other investment	5,146	5,937	6,022	5,632	6,053
<b>BY INSTRUMENT</b>					
Equity and investment fund share/units	3,260	3,322	3,287	3,262	3,166
Debt instruments:	9,231	9,963	10,054	9,670	10,088
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	4,112	4,876	5,321	4,843	5,112
Debt securities	4,084	4,027	4,032	4,038	4,035
Loans	893	937	593	632	738
Insurance, pension, standardized guarantee schemes	27	28	29	31	30
Other accounts receivable/payable	114	96	80	126	173
Other financial assets and liabilities	53	51	46	41	34
<b>TOTAL LIABILITIES</b>	<b>12,544</b>	<b>13,337</b>	<b>13,387</b>	<b>12,973</b>	<b>13,287</b>
<b>NET IIP</b>	<b>3,992</b>	<b>4,922</b>	<b>4,593</b>	<b>4,660</b>	<b>6,065</b>

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

2022 Q1	Households and NPISHs <sup>2,3</sup>	General government	Financial corporations	Non- financial corporations	Total economy
<b>ASSETS</b>	<b>43</b>	<b>3,253</b>	<b>15,922</b>	<b>205</b>	<b>19,424</b>
Direct investment	10	-	317	40	367
Portfolio investment	32	2,927	10,251	9	13,219
Financial Derivatives (other than reserves) and ESOs	-	-	59	-	59
Other investment	1	327	5,059	156	5,543
Reserve Assets	-	-	237	-	237
<b>LIABILITIES</b>	<b>-</b>	<b>3,300</b>	<b>7,610</b>	<b>2,378</b>	<b>13,287</b>
Direct investment	-	-	729	1,828	2,557
Portfolio investment	-	3,300	1,030	313	4,643
Financial Derivatives (other than reserves) and ESOs	-	-	31	3	34
Other investment	-	-	5,820	233	6,053
<b>NET IIP</b>	<b>43</b>	<b>(118)</b>	<b>8,312</b>	<b>(2,173)</b>	<b>6,065</b>

1 Data are estimates only and subject to revision; numbers may not add due to rounding

2. Series does not include stock of household foreign assets and liabilities

3. NPISH: Non-profit institutions serving households.

## 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.



## 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.

\* 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/department/statistics](http://www.gov.bm/department/statistics)



@BermudaStats