



BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

QUARTER 4/2023

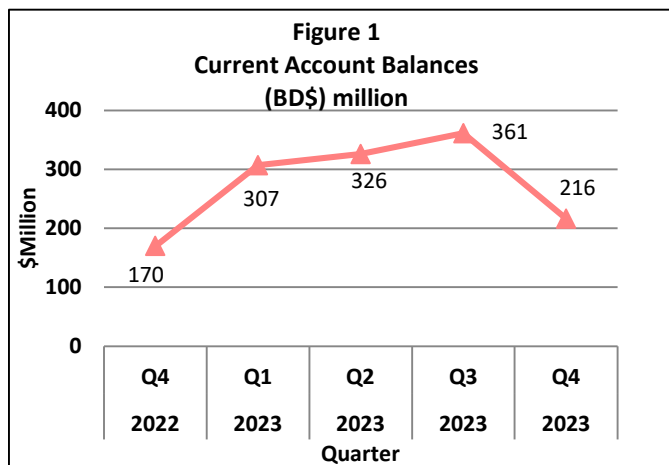
BALANCE OF PAYMENTS

FAST FACTS

Current Account

The Bermuda current account recorded a surplus of \$216 million in the fourth quarter of 2023 (Figure 1; Table 1). This represented a \$46 million increase year-over-year. Contributing factors include:

- The deficit on the goods account widened by \$14 million to \$336 million.
- Service transactions realised a surplus of \$92 million, up \$19 million from a year ago.
- Bermuda’s primary income account surplus expanded by \$54 million year-over-year, climbing to \$527 million in the fourth quarter of 2023.



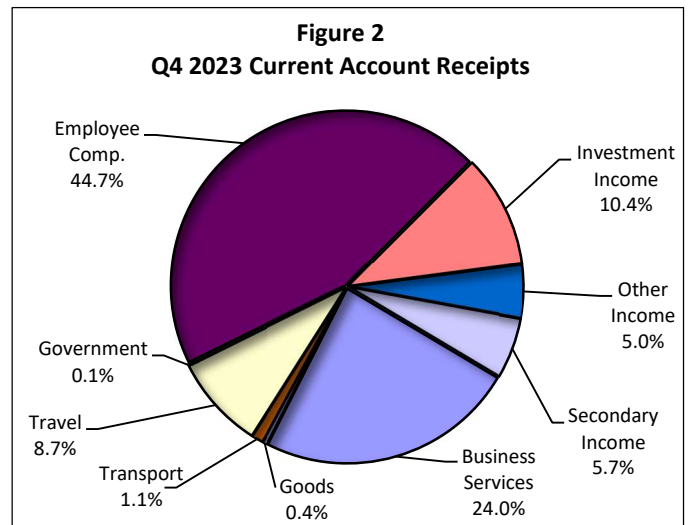
Financial, Capital, and Reserve Assets Accounts

In the fourth quarter of 2023, transactions within Bermuda’s assets accounts resulted in a net lending position of \$59 million (Table 1). They were influenced by:

- Bermuda’s net acquisition of financial assets resulted in an increase of \$280 million compared to an increase of \$51 million in 2022.
- Bermuda increased its net incurrence of financial liabilities by \$221 million this quarter compared to a decrease of \$48 million in 2022.

Current Account Surplus = \$216 million

The current account surplus stood at \$216 million for the fourth quarter of 2023 (Table 1). This represented a \$46 million increase from the \$170 million surplus in the fourth 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 = \$336 million

Year-over-year, the goods account deficit widened by \$14 million during the fourth quarter of 2023. The value of imported goods increased to \$341 million (Table 1). This increase was reflected by a rise in imported goods from the Caribbean and the United States, which increased \$10 million and \$9 million, respectively. Goods imported from Canada had an increase of \$2 million, while the value of imports from the United Kingdom decreased by \$5 million. The value of goods imported by the All Other Countries group decreased by \$1 million. Among the commodity groups, the import increase was reflected primarily in the imports of fuels, transport equipment, and chemicals which rose by \$11 million, \$4 million, and \$4 million, respectively. There were decreases across three commodity groups, with the largest decrease of \$4 million recorded in machinery.

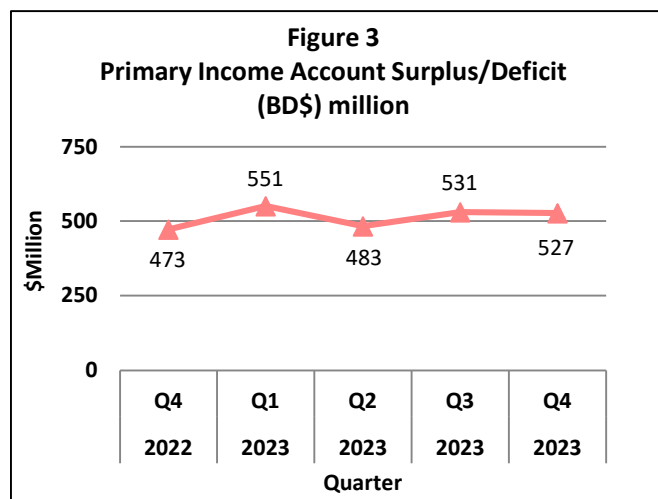
Revenue earned from the exports of goods remained steady at \$5 million.

Services Account Surplus = \$92 million

The surplus on the services account increased by \$19 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 business services widened by \$16 million due primarily to the increase in receipts for Professional and management consulting services received from non-residents. The surplus balance on travel services widened by \$2 million due primarily to an increase in personal travel receipts. The deficit for transportation services remained unchanged.

Primary Income Account Surplus = \$527 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 \$54 million during the fourth quarter of 2023 (Figure 3; Table 1). This rise reflected primarily an increase in employee compensation of \$65 million. Other income recorded a year-over-year increase of \$10 million, while investment income decreased by \$21 million.



Secondary Income Account Deficit = \$68 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 \$13 million from a year ago due primarily to decreased nonlife insurance premiums received from non-residents.

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

Bermuda’s Net IIP Decreased to \$4.1 billion

At the end of the fourth quarter 2023, the stock of foreign assets held by Bermuda residents registered above its stock of foreign liabilities by an estimated \$4.1 billion (Table 2). The net IIP decreased by \$539 million over the third quarter of 2023.

Foreign Assets Dipped to \$15.9 billion

Between the third quarter 2023 and fourth quarter 2023, Bermuda residents’ stock of foreign financial assets decreased by \$283 million due mostly to decreased holdings of debt securities.

Bermuda’s Net Liability Position Rose to \$11.8 billion

Bermuda residents’ stock of foreign liabilities increased by \$257 million from the third quarter of 2023. The increase is due mostly to increased holdings of currency and deposits (Table 4).

IIP by Resident Institutional Sector

The non-financial corporations held a net liability position of \$2 billion with the rest of the world at the end of the fourth quarter 2023 (Table 3). The general government sector’s external liabilities exceeded its external assets by \$410 million, representing a smaller negative net investment position due to an increase in portfolio investment assets. Government’s liability position remained unchanged from the previous quarter. Financial corporations held a net asset position of \$6.5 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 \$50 million at the end of the fourth quarter.

BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

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

Components	2022 YTD Q4	2023 YTD Q4	2022 Q4	2023 Q1	2023 Q2	2023 ^R Q3	2023 ^P Q4
CURRENT ACCOUNT PAYMENTS							
GOODS IMPORTS (1)	1,239	1,217	326	287	312	276	341
SERVICES (2)	998	1,086	261	255	255	286	290
Transportation	252	269	67	62	67	68	71
Travel	248	271	62	63	64	76	68
Business Services:	498	545	131	129	123	142	151
Insurance Services	89	89	23	21	21	22	24
Financial Services	92	102	24	23	30	25	23
ICT Services	109	113	29	29	23	31	30
Other Business Services	207	242	56	56	49	64	73
Government Services	-	-	-	-	-	-	-
PRIMARY INCOME (3)	175	550	121	141	135	122	153
Employee Compensation	27	25	6	9	6	2	8
Investment Income	148	525	115	132	129	120	145
Other Income	-	-	-	-	-	-	-
SECONDARY INCOME (4)	453	462	110	105	117	109	132
TOTAL PAYMENTS (5)=SUM(1:4)	2,866	3,314	818	788	819	792	916
CURRENT ACCOUNT RECEIPTS							
GOODS EXPORTS (6)	18	19	5	5	5	5	5
SERVICES (7)	1,407	1,592	334	337	450	423	382
Transportation	34	45	8	9	9	15	12
Travel	399	521	90	53	196	174	98
Business Services:	924	970	236	223	243	233	271
Insurance Services	94	98	23	25	23	26	24
Financial Services	211	204	70	34	44	57	70
ICT Services	44	42	10	11	10	11	11
Other Business Services	574	627	133	153	167	140	167
Government Services	51	56	-	52	1	1	1
PRIMARY INCOME (8)	2,342	2,642	594	691	618	652	680
Employee Compensation	1,755	1,915	438	481	440	488	506
Investment Income	354	468	109	119	119	111	118
Other Income	234	259	47	90	59	53	56
SECONDARY INCOME (9)	231	271	55	62	72	73	64
TOTAL RECEIPTS (10)=SUM(6:9)	3,998	4,523	988	1,094	1,144	1,153	1,131
CURRENT ACCOUNT BALANCES							
GOODS	-1,221	-1,198	-322	-282	-308	-272	-336
SERVICES	409	506	74	82	195	137	92
Transportation	-219	-224	-59	-53	-58	-54	-59
Travel	151	250	28	-11	132	99	30
Business Services:	426	425	105	93	120	91	121
Insurance Services	5	9	-	3	2	4	-
Financial Services	119	102	46	10	13	32	47
ICT Services	-65	-72	-18	-18	-13	-20	-20
Other Business Services	367	385	77	98	118	76	93
Government Services	51	56	-	52	1	1	1
PRIMARY INCOME	2,167	2,092	473	551	483	531	527
Employee Compensation	1,728	1,890	432	473	434	486	498
Investment Income	206	-58	-6	-13	-10	-8	-27
Other Income	234	259	47	90	59	53	56
SECONDARY INCOME	-222	-191	-55	-43	-44	-35	-68
CURRENT ACCOUNT BALANCE (11)=(10)-(5)	1,133	1,209	170	307	326	361	216
FINANCIAL ACCOUNT							
Direct Investment	21	37	11	7	6	3	21
Portfolio Investment	-916	115	-687	-105	576	342	-697
Financial Derivatives	231	76	5	-10	78	67	-59
Other Investment	1,731	33	731	-519	-566	79	1,039
Reserve Assets	-3	-7	-9	34	-3	-14	-23
NET ACQUISITION OF FIN. ASSETS (12)	1,063	253	51	-594	90	477	280
Direct Investment	10	153	62	61	43	14	36
Portfolio Investment	-880	-135	-140	-60	-133	73	-15
Financial Derivatives	-4	-1	7	-33	7	10	15
Other Investment	1,012	-688	23	-838	3	-38	185
NET INCURRENCE OF FIN. LIABILITIES (13)	137	-671	-48	-870	-81	58	221
TOTAL NET CAPITAL ACCOUNT (14)	-	-	-	-	-	-	-
NET LENDING(+)/NET BORROWING(-) (15)=(12)+(14)-(13)	926	925	99	277	171	418	59
BALANCING ITEM (15)-(11)	-207	-284	-71	-30	-154	57	-157

BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

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

(BD\$) MILLIONS

Components	2022 Q4	2023 Q1	2023 Q2	2023^R Q3	2023^P Q4
ASSETS					
BY FUNCTIONAL CATEGORY					
Direct investment	123	126	148	151	171
Portfolio investment	11,420	11,404	11,970	12,321	11,695
Financial Derivatives (other than reserves) and ESOs	155	108	152	181	77
Other investment	5,094	3,983	3,263	3,282	3,733
Reserve Assets	218	252	249	235	211
BY INSTRUMENT					
Equity and investment fund share/units	2,997	3,103	3,190	3,104	3,390
Debt instruments:	13,858	12,661	12,440	12,884	12,420
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	1,240	866	1,132	924	1,096
Debt securities	8,763	8,678	9,177	9,602	8,687
Loans	3,665	2,938	1,969	2,174	2,452
Insurance, pension, standardized guarantee schemes	1	1	1	1	1
Other accounts receivable/payable	189	178	161	183	184
Other financial assets and liabilities	155	108	152	181	77
TOTAL ASSETS	17,010	15,872	15,782	16,170	15,887
LIABILITIES					
BY FUNCTIONAL CATEGORY					
Direct investment	2,838	3,187	3,100	2,915	2,971
Portfolio investment	4,636	4,346	4,220	4,235	4,227
Financial Derivatives (other than reserves) and ESOs	52	19	21	32	47
Other investment	5,463	4,555	4,570	4,342	4,537
BY INSTRUMENT					
Equity and investment fund share/units	3,443	3,502	3,361	3,398	3,441
Debt instruments:	9,494	8,586	8,529	8,095	8,293
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	4,891	4,158	4,184	3,985	4,098
Debt securities	4,031	4,031	3,959	3,752	3,757
Loans	330	220	208	195	248
Insurance, pension, standardized guarantee schemes	26	29	32	33	34
Other accounts receivable/payable	215	148	146	130	156
Other financial assets and liabilities	52	19	21	32	47
TOTAL LIABILITIES	12,988	12,108	11,911	11,525	11,781
NET IIP	4,022	3,765	3,871	4,645	4,106

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

2023 Q4	Households and NPISHs^{2,3}	General government	Financial corporations	Non- financial corporations	Total economy
ASSETS	50	2,884	12,732	221	15,887
Direct investment	16	-	85	70	171
Portfolio investment	33	2,810	8,844	7	11,695
Financial Derivatives (other than reserves) and ESOs	n.a.	-	77	-	77
Other investment	1	74	3,515	143	3,733
Reserve Assets	-	-	211	-	211
LIABILITIES	-	3,294	6,280	2,207	11,781
Direct investment	-	-	1,013	1,958	2,971
Portfolio investment	-	3,294	903	30	4,227
Financial Derivatives (other than reserves) and ESOs	-	-	47	1	47
Other investment	-	-	4,318	219	4,537
NET IIP	50	(410)	6,452	(1,986)	4,106

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	Fourth quarter 2023			
	Opening Position ^R	Financial Transactions ²	Other Changes in Position ³	Closing Position ^P
ASSETS				
BY FUNCTIONAL CATEGORY				
Direct investment	151	20	-	171
Portfolio investment	12,321	-697	70	11,695
Financial Derivatives (other than reserves) and ESOs	181	-98	-6	77
Other investment	3,282	444	7	3,733
Reserve Assets	235	-23	-	211
BY INSTRUMENT				
Equity and investment fund share/units	3,104	120	166	3,390
Debt instruments:	12,884	-375	-88	12,420
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	924	168	4	1,096
Debt securities	9,602	-820	-95	8,687
Loans	2,174	276	1	2,452
Insurance, pension, standardized guarantee schemes	1	-	-	1
Other accounts receivable/payable	183	-	1	184
Other financial assets and liabilities	181	-98	-6	77
TOTAL ASSETS	16,170	-354	71	15,887
LIABILITIES				
BY FUNCTIONAL CATEGORY				
Direct investment	2,915	36	19	2,971
Portfolio investment	4,235	-9	1	4,227
Financial Derivatives (other than reserves) and ESOs	32	15	-	47
Other investment	4,342	189	5	4,537
BY INSTRUMENT				
Equity and investment fund share/units	3,398	24	19	3,441
Debt instruments:	8,095	192	7	8,293
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	3,985	111	2	4,098
Debt securities	3,752	3	1	3,757
Loans	195	51	2	248
Insurance, pension, standardized guarantee schemes	33	-	1	34
Other accounts receivable/payable	130	27	-	156
Other financial assets and liabilities	32	15	-	47
TOTAL LIABILITIES	11,525	231	26	11,781
NET IIP	4,645	-585	46	4,106

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

^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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