



BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

QUARTER 2/2025

BALANCE OF PAYMENTS

Current Account Surplus = \$532 million

The Bermuda current account recorded a surplus of \$532 million in the second quarter of 2025 (Figure 1; Table 1). This represented a \$34 million decrease year-over-year. The decrease in the surplus reflected a decrease in receipts from non-residents that was larger than the decrease in payments to non residents. The fall in receipts was largely driven by business services (Figure 2).

Contributing factors include:

- The deficit on the goods account narrowed by \$16 million to \$320 million.
- Service transactions realised a surplus of \$190 million, down \$113 million from a year ago.
- Bermuda's primary income account surplus expanded by \$84 million year-over-year, climbing to \$723 million in the second quarter of 2025.

Figure 1

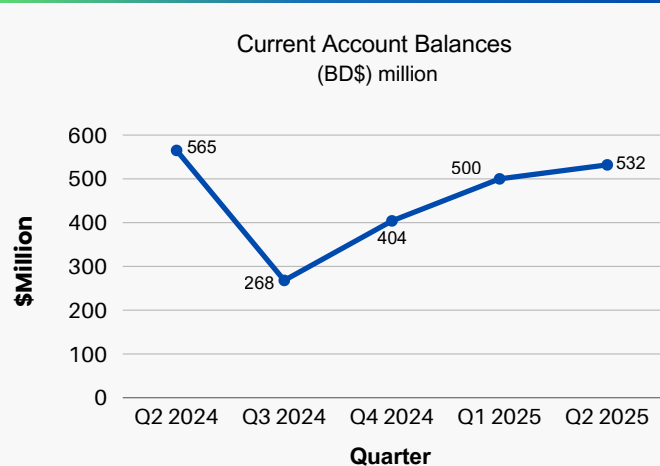
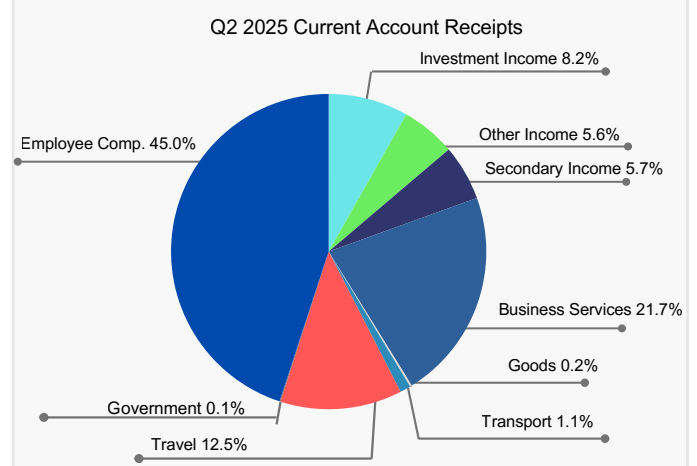


Figure 2



Goods Account Deficit = \$320 million

The goods account deficit narrowed by \$16 million year-over-year during the second quarter of 2025 (Table 1). The value of imported goods decreased to \$323 million, reflected in a drop in imported goods from the United States and Canada, decreasing by \$25 million, and \$3 million, respectively. By contrast, imports from all other countries and the United Kingdom increased by \$8 million, and \$2 million, respectively.

Among the commodity groups, the decrease in imports was reflected in one commodity group. The decrease in imports was driven by finished equipment, which decreased by \$41 million. All remaining commodity groups recorded increases, led by food, beverages and tobacco, machinery and transport equipment, increasing by \$7 million, \$5 million and \$5 million, respectively.

Revenue earned from the exports of goods remained steady at \$3 million.

Services Account Surplus = \$190 million

The surplus on the services account decreased by \$113 million from a year ago. The decrease in the surplus balance reflected a decrease in the export of services combined with an increase in imports of services.

The surplus balance on business services narrowed by \$102 million due primarily to the decrease in receipts for other services received from non-residents.

Travel services decreased by \$8 million due to a decrease in receipts for business travel services and an increase in payments for travel services. The deficit for transportation services widened by \$3 million as payments for transportation services increased by \$2 million and receipts remained relatively unchanged.

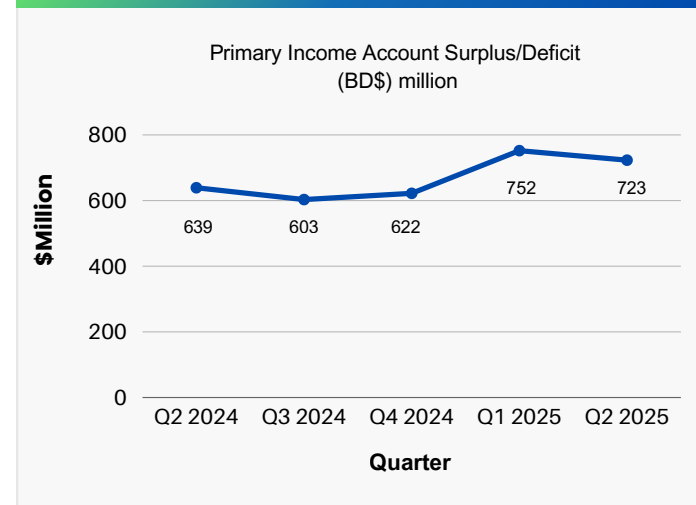
Primary Income Account Surplus = \$723 million

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 \$84 million during the second quarter of 2025 (Figure 3; Table 1). This rise reflected

primarily an increase in employee compensation of \$48 million. Investment income recorded a year-over-year increase of \$31 million, while other income increased by \$4 million.

Figure 3



Secondary Income Account Deficit = \$62 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 \$20 million from a year ago due primarily to increased nonlife insurance premiums and nonlife insurance claims paid to non-residents.

Financial, Capital, and Reserve Assets Accounts

In the second quarter of 2025, transactions within Bermuda's assets accounts resulted in a net lending position of \$530 million (Table 1). They were influenced by:

- Bermuda's net acquisition of financial assets resulted in an increase of \$317 million compared to an increase of \$416 million in 2024.
- Bermuda decreased its net incurrence of financial liabilities by \$212 million this quarter compared to a decrease of \$109 million in 2024.

Table 1 : BALANCE OF PAYMENTS (BD\$) MILLIONS

Components		2024 YTD Q2	2025 YTD Q2	2024 ^R Q2	2024 ^R Q3	2024 ^R Q4	2025 ^R Q1	2025 ^P Q2
CURRENT ACCOUNT PAYMENTS	GOODS IMPORTS	623	614	339	383	301	291	323
	SERVICES	597	624	312	320	319	306	318
	Transportation	128	137	69	77	65	65	71
	Travel	142	148	71	83	73	74	75
	Business Services:	327	339	171	160	181	167	172
	Insurance Services	45	46	25	24	27	21	24
	Financial Services	68	71	38	28	27	33	38
	ICT Services	60	48	27	27	32	26	22
	Other Services	154	174	81	81	94	87	87
	Government Services	-	-	-	-	-	-	-
	PRIMARY INCOME	237	209	146	162	96	86	122
	Employee Compensation	19	19	8	9	9	10	9
	Investment Income	218	190	138	153	87	76	113
	Other Income	-	-	-	-	-	-	-
	SECONDARY INCOME	249	271	127	140	155	128	143
	TOTAL PAYMENTS	1,707	1,718	923	1,005	870	812	906
CURRENT ACCOUNT RECEIPTS	GOOD EXPORTS	6	6	3	3	3	3	3
	SERVICES	1,000	897	615	428	483	389	509
	Transportation	29	26	16	14	14	10	16
	Travel	242	236	184	192	111	56	180
	Business Services:	677	582	413	221	358	271	311
	Insurance Services	59	61	30	31	28	30	31
	Financial Services	125	137	74	21	120	52	85
	ICT Services	19	17	10	9	9	8	9
	Other Services	474	367	299	160	200	180	187
	Government Services	53	53	2	1	1	52	1
	PRIMARY INCOME	1,596	1,684	785	765	717	839	845
	Employee Compensation	1,200	1,280	598	559	537	633	647
	Investment Income	205	195	111	144	117	77	118
	Other Income	191	209	76	62	64	129	80
	SECONDARY INCOME	162	164	85	76	70	82	81
	TOTAL RECEIPTS	2,764	2,750	1,488	1,272	1,273	1,312	1,438
CURRENT ACCOUNT BALANCES	GOODS	-617	-608	-336	-380	-298	-288	-320
	SERVICES	403	273	303	108	165	82	190
	Transportation	-99	-111	-53	-63	-51	-55	-56
	Travel	100	88	113	110	38	-17	105
	Business Services:	350	243	242	61	177	103	139
	Insurance Services	14	15	5	7	1	8	6
	Financial Services	57	66	36	-7	93	19	47
	ICT Services	-41	-31	-18	-18	-23	-18	-14
	Other Services	320	193	218	79	106	94	99
	Government Services	52	53	2	1	1	52	1
	PRIMARY INCOME	1,359	1,475	639	603	622	752	723
	Employee Compensation	1,181	1,261	590	550	528	623	638
	Investment Income	-13	5	-26	-9	30	1	5
	Other Income	191	209	76	62	64	129	80
	SECONDARY INCOME	-87	-108	-42	-63	-85	-46	-62
	CURRENT ACCOUNT BALANCE	1,058	1,032	565	268	404	500	532
FINANCIAL ACCOUNT	Direct Investment	22	-71	15	16	-4	42	-112
	Portfolio Investment	-4	600	163	415	-19	254	346
	Financial Derivatives	52	99	46	53	67	29	70
	Other Investments	526	321	198	-162	221	277	44
	Reserve Assets	43	55	-5	-24	-11	85	-30
	NET ACQUISITION OF FIN. ASSETS	639	1,004	416	299	254	687	317
	Direct Investment	17	-125	36	-36	137	-155	30
	Portfolio Investment	-35	-104	-15	-12	30	10	-114
	Financial Derivatives	-40	-	-1	49	-28	-18	18
	Other Investments	-368	35	-130	-60	-168	182	-147
	NET INCURRENCE OF FIN. LIABILITIES	-427	-194	-109	-60	-28	18	-212
	TOTAL NET CAPITAL ACCOUNT	-	-	-	-	-	-	-
	NET LENDING(+)/NET BORROWING(-)	1,066	1,198	526	358	282	668	530
	BALANCING ITEM	9	166	-40	91	-121	168	-2

INTERNATIONAL INVESTMENT POSITION (IIP)

Bermuda's Net IIP Increased to \$5.1 billion

At the end of the second quarter 2025, the stock of foreign assets held by Bermuda residents registered above its stock of foreign liabilities by an estimated \$5.1 billion (Tables 2 and 3). The net IIP increased by \$202 million over the first quarter of 2025.

Foreign Assets remain at \$16.5 billion

Between the first and second quarters of 2025, Bermuda residents' stock of foreign financial assets decreased by \$84 million.

Bermuda's Net Liability Position falls to \$11.4 billion

Bermuda residents' stock of foreign liabilities decreased by \$287 million from the first quarter of 2025.

IIP by Resident Institutional Sector

The non-financial corporations held a net liability position of \$2.1 billion with the rest of the world at the end of the second quarter 2025 (Table 2). The General government sector's external liabilities exceeded its external assets by \$413 million, influenced primarily by changes in portfolio investment asset positions. Government's liability position remained unchanged from the previous quarter. Financial corporations held a net asset position of \$7.6 billion due mostly to holdings of portfolio investments in the form of debt securities. Non-profit institutions serving households recorded a net asset position of \$98 million at the end of the second quarter.

Table 2 : IIP BY RESIDENT INSTITUTIONAL SECTOR — (BD\$) MILLIONS ¹

2025 Q2	Households and NPISHs ^{2,3}	General government	Financial corporations	Non-financial corporations	Total economy
ASSETS	98	2,881	13,282	213	16,474
Direct investment	37	-	89	11	138
Portfolio investment	60	2,881	10,394	31	13,365
Financial derivatives (other than reserves) and ESOs	n.a	-	24	-	24
Other investment	1	1	2,513	171	2,685
Reserve assets	-	-	262	-	262
LIABILITIES	-	3,294	5,717	2,340	11,350
Direct investment	-	-	952	1,911	2,862
Portfolio investment	-	3,294	809	291	4,394
Financial derivatives (other than reserves) and ESOs	-	-	33	1	34
Other investment	-	-	3,923	137	4,060
NET IIP	98	-413	7,565	-2,127	5,124

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 3 : INTERNATIONAL INVESTMENT POSITION ^{1,2} (BD\$) MILLIONS

Components	2024 ^R Q2	2024 ^R Q3	2024 ^R Q4	2025 ^R Q1	2025 ^P Q2
ASSETS					
BY FUNCTIONAL CATEGORY					
Direct investment	226	242	236	249	138
Portfolio investment	11,682	12,289	12,430	12,693	13,365
Financial derivatives (other than reserves) and ESOs	24	24	44	17	24
Other investment	3,884	3,156	2,946	3,307	2,685
Reserve assets	255	231	208	292	262
BY INSTRUMENT					
Equity and investment fund share/units	3,317	3,497	3,378	3,393	3,517
Debt instruments:	12,730	12,422	12,442	13,148	12,934
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	1,191	1,094	875	1,126	1,072
Debt securities	8,846	9,266	9,495	9,841	10,248
Loans	2,433	1,822	1,762	1,848	1,337
Insurance, pension, standardized guarantee schemes	1	1	1	2	1
Other accounts receivable/payable	258	239	308	331	275
Other financial assets and liabilities	24	24	44	17	24
TOTAL ASSETS	16,071	15,943	15,864	16,558	16,474
LIABILITIES					
BY FUNCTIONAL CATEGORY					
Direct investment	2,877	2,835	2,954	2,835	2,862
Portfolio investment	4,462	4,461	4,485	4,513	4,394
Financial derivatives (other than reserves) and ESOs	12	50	40	22	34
Other investment	4,226	4,131	4,003	4,267	4,060
BY INSTRUMENT					
Equity and investment fund share/units	3,547	3,517	3,661	3,536	3,565
Debt instruments:	8,019	7,910	7,781	8,078	7,752
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	3,581	3,708	3,505	3,805	3,693
Debt securities	3,792	3,779	3,778	3,811	3,691
Loans	359	192	273	233	168
Insurance, pension, standardized guarantee schemes	39	37	39	39	39
Other accounts receivable/payable	247	194	186	190	161
Other financial assets and liabilities	12	50	40	22	34
TOTAL LIABILITIES	11,578	11,478	11,483	11,637	11,350
NET IIP	4,493	4,465	4,381	4,922	5,124

Table 4 : INTEGRATED INTERNATIONAL INVESTMENT POSITION, 2025 (BD\$) MILLIONS ¹

Components	Second quarter 2025			
	Opening Position ^R	Financial Transactions ²	Other Changes in Position ³	Closing Position ^P
ASSETS				
BY FUNCTIONAL CATEGORY				
Direct investment	249	-114	3	138
Portfolio investment	12,693	218	454	13,365
Financial Derivatives (other than reserves) and ESOs	17	13	-7	24
Other investment	3,307	-632	10	2,685
Reserve Assets	292	-30	-	262
BY INSTRUMENT				
Equity and investment fund share/units	3,393	44	80	3,517
Debt instruments:	13,148	-602	387	12,934
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	1,126	-59	5	1,072
Debt securities	9,841	30	377	10,248
Loans	1,848	-512	1	1,337
Insurance, pension, standardized guarantee schemes	2	-	-	1
Other accounts receivable/payable	331	-61	5	275
Other financial assets and liabilities	17	13	-7	24
TOTAL ASSETS	16,558	-545	461	16,474
LIABILITIES				
BY FUNCTIONAL CATEGORY				
Direct investment	2,835	19	8	2,862
Portfolio investment	4,513	-121	1	4,394
Financial Derivatives (other than reserves) and ESOs	22	18	-7	34
Other investment	4,267	-166	-40	4,060
BY INSTRUMENT				
Equity and investment fund share/units	3,536	19	9	3,565
Debt instruments:	8,078	-287	-40	7,752
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	3,805	-64	-48	3,693
Debt securities	3,811	-121	-	3,691
Loans	233	-70	5	168
Insurance, pension, standardized guarantee schemes	39	-	1	39
Other accounts receivable/payable	190	-32	3	161
Other financial assets and liabilities	22	18	-7	34
TOTAL LIABILITIES	11,637	-250	-37	11,350
NET IIP	4,922	-295	497	5,124

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.



BOP 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 nonresidents 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 nonresidents' investment in Bermuda. The IIP shows the balance sheet position of financial claims on nonresidents 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.

IIP DEFINITIONS

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.

Notes

n.a. – Not Available

Numbers may not add due to rounding

P – Provisional

R – Revised

Source: IMF Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6)

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.

December 2025

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