

# BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

## QUARTER 1/2024

### BALANCE OF PAYMENTS

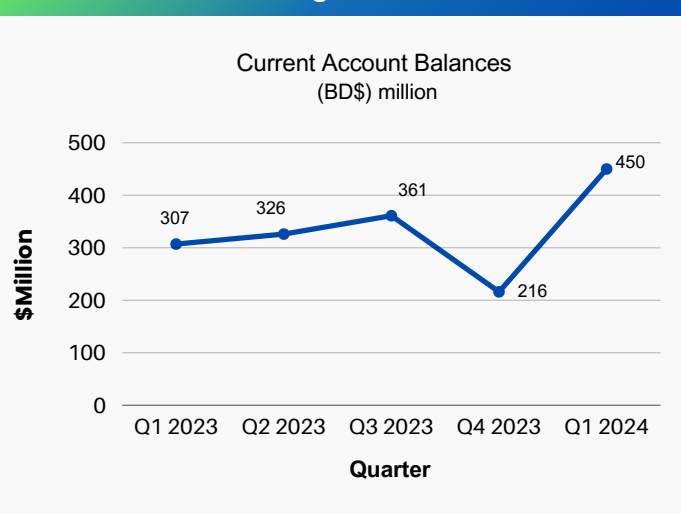
#### Current Account Surplus = \$450 million

The Bermuda current account recorded a surplus of \$450 million in the first quarter of 2024 (Figure 1; Table 1). This represented a \$143 million increase year-over-year. The increase in the surplus reflected an increase in receipts from nonresidents which was larger than the rise in payments to non-residents, largely driven by Employee Compensation (Figure 2).

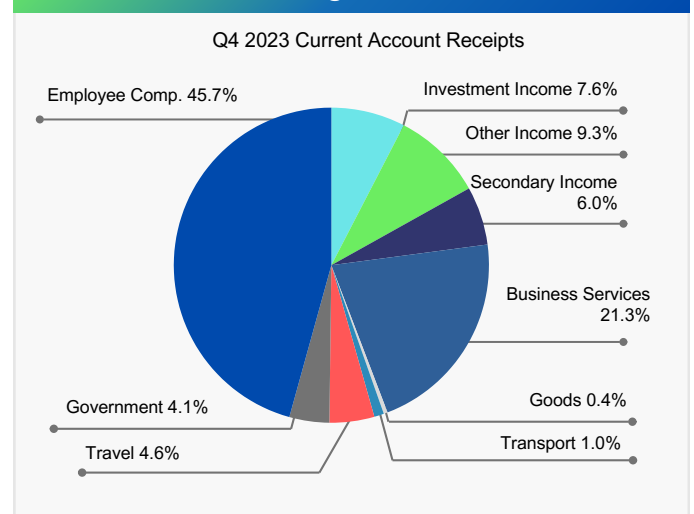
Contributing factors include:

- The deficit on the goods account narrowed by \$2 million to \$280 million.
- Service transactions realised a surplus of \$96 million, up \$14 million from a year ago.
- Bermuda's primary income account surplus expanded by \$130 million year-over-year, climbing to \$681 million in the first quarter of 2024.

**Figure 1**



**Figure 2**



## Goods Account Deficit = \$280 million

Year-over-year, the goods account deficit narrowed by \$2 million during the first quarter of 2024 (Table 1). The value of imported goods decreased to \$284 million. This decrease was reflected by a fall in imported goods from Canada, the Caribbean, and the All Other Countries group, which decreased \$11 million, \$5 million and \$2 million, respectively. In contrast, goods imported from the United States and the United Kingdom had increases of \$13 million and \$2 million, respectively.

Among the commodity groups, the decrease in imports was reflected primarily in the imports of fuels and machinery which fell by \$7 million and \$3 million, respectively. Food beverages and tobacco, basic materials and semi-manufactured goods and chemicals commodity groups also decreased. There were increases across three commodity groups, with the largest increase of \$6 million recorded in transport equipment.

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

## Services Account Surplus = \$96 million

The surplus on the services account increased by \$14 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 \$14 million due primarily to the increase in receipts for financial services and insurance services received from non-residents.

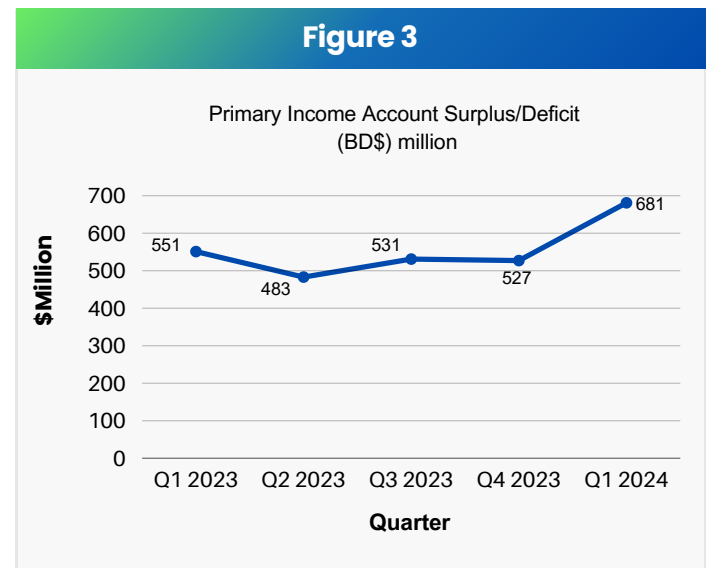
The surplus balance on travel services widened by \$4 million due primarily to an increase in payments for personal travel services. The deficit for transportation services narrowed by \$6 million as payments for transportation services decreased by \$3 million and receipts increased by \$3 million.

## Primary Income Account Surplus = \$681 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 \$130 million during the first quarter of 2024 (Figure 3; Table 1). This rise reflected

primarily an increase in employee compensation of \$80 million. Other income recorded a year-over-year increase of \$25 million, while investment income increased by \$26 million.



## Secondary Income Account Deficit = \$48 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 \$5 million from a year ago due primarily to increased nonlife insurance claims paid to non-residents.

## Financial, Capital, and Reserve Assets Accounts

In the first quarter of 2024, transactions within Bermuda's assets accounts resulted in a net lending position of \$531 million (Table 1). They were influenced by:

- Bermuda's net acquisition of financial assets resulted in an increase of \$213 million compared to a decrease of \$594 million in 2023.
- Bermuda decreased its net incurrence of financial liabilities by \$318 million this quarter compared to a decrease of \$870 million in 2023.

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

Components		2023 YTD Q1	2024 YTD Q1	2023 Q1	2023 Q2	2023 Q3	2023 <sup>R</sup> Q4	2024 <sup>P</sup> Q1
CURRENT ACCOUNT PAYMENTS	<b>GOODS IMPORTS</b>	<b>287</b>	<b>284</b>	<b>287</b>	<b>312</b>	<b>276</b>	<b>341</b>	<b>284</b>
	<b>SERVICES</b>	<b>255</b>	<b>286</b>	<b>255</b>	<b>255</b>	<b>286</b>	<b>290</b>	<b>286</b>
	Transportation	62	59	62	67	68	71	59
	Travel	63	71	63	64	76	68	71
	Business Services:	129	155	129	123	142	151	155
	Insurance Services	21	20	21	21	22	24	20
	Financial Services	23	30	23	30	25	23	30
	ICT Services	29	33	29	23	31	30	33
	Other Services	56	72	56	49	64	73	72
	Government Services	-	-	-	-	-	-	-
	<b>PRIMARY INCOME</b>	<b>141</b>	<b>91</b>	<b>141</b>	<b>135</b>	<b>122</b>	<b>153</b>	<b>91</b>
	Employee Compensation	9	11	9	6	2	8	11
	Investment Income	132	80	132	129	120	145	80
Other Income	-	-	-	-	-	-	-	
<b>SECONDARY INCOME</b>	<b>105</b>	<b>121</b>	<b>105</b>	<b>117</b>	<b>109</b>	<b>132</b>	<b>121</b>	
<b>TOTAL PAYMENTS</b>	<b>788</b>	<b>783</b>	<b>788</b>	<b>819</b>	<b>792</b>	<b>916</b>	<b>783</b>	
CURRENT ACCOUNT RECEIPTS	<b>GOOD EXPORTS</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
	<b>SERVICES</b>	<b>337</b>	<b>382</b>	<b>337</b>	<b>450</b>	<b>423</b>	<b>382</b>	<b>382</b>
	Transportation	9	12	9	9	15	12	12
	Travel	53	57	53	196	174	98	57
	Business Services:	223	263	223	243	233	271	263
	Insurance Services	25	27	25	23	26	24	27
	Financial Services	34	51	34	44	57	70	51
	ICT Services	11	10	11	10	11	11	10
	Other Services	153	175	153	167	140	167	175
	Government Services	52	51	52	1	1	1	51
	<b>PRIMARY INCOME</b>	<b>691</b>	<b>772</b>	<b>691</b>	<b>618</b>	<b>652</b>	<b>680</b>	<b>772</b>
	Employee Compensation	481	564	481	440	488	506	564
	Investment Income	119	94	119	119	111	118	94
Other Income	<b>90</b>	<b>115</b>	<b>90</b>	<b>59</b>	<b>53</b>	<b>56</b>	<b>115</b>	
<b>SECONDARY INCOME</b>	<b>62</b>	<b>74</b>	<b>62</b>	<b>72</b>	<b>73</b>	<b>64</b>	<b>74</b>	
<b>TOTAL RECEIPTS</b>	<b>1,094</b>	<b>1,232</b>	<b>1,094</b>	<b>1,144</b>	<b>1,153</b>	<b>1,131</b>	<b>1,232</b>	
CURRENT ACCOUNT BALANCES	<b>GOODS</b>	<b>-282</b>	<b>-280</b>	<b>-282</b>	<b>-308</b>	<b>-272</b>	<b>-336</b>	<b>-280</b>
	<b>SERVICES</b>	<b>82</b>	<b>96</b>	<b>82</b>	<b>195</b>	<b>137</b>	<b>92</b>	<b>96</b>
	Transportation	-53	-47	-53	-58	-54	-59	-47
	Travel	-11	-14	-11	132	99	30	-14
	Business Services:	93	107	93	120	91	121	107
	Insurance Services	3	7	3	2	4	-	7
	Financial Services	10	21	10	13	32	47	21
	ICT Services	-18	-23	-18	-13	-20	-20	-23
	Other Services	98	102	98	118	76	93	102
	Government Services	52	51	52	1	1	1	51
	<b>PRIMARY INCOME</b>	<b>551</b>	<b>681</b>	<b>551</b>	<b>483</b>	<b>531</b>	<b>527</b>	<b>681</b>
	Employee Compensation	473	553	473	434	486	498	553
	Investment Income	-13	14	-13	-10	-8	-27	14
Other Income	<b>90</b>	<b>115</b>	<b>90</b>	<b>59</b>	<b>53</b>	<b>56</b>	<b>115</b>	
<b>SECONDARY INCOME</b>	<b>-43</b>	<b>-48</b>	<b>-43</b>	<b>-44</b>	<b>-35</b>	<b>-68</b>	<b>-48</b>	
<b>CURRENT ACCOUNT BALANCE</b>	<b>307</b>	<b>450</b>	<b>307</b>	<b>326</b>	<b>361</b>	<b>216</b>	<b>450</b>	
FINANCIAL ACCOUNT	Direct Investment	7	7	7	6	3	21	7
	Portfolio Investment	-105	-167	-105	576	342	-697	-167
	Financial Derivatives	-10	-3	-10	78	67	-59	-3
	Other Investments	-519	328	-519	-566	79	1,039	328
	Reserve Assets	34	48	34	-3	-14	-23	48
	<b>NET ACQUISITION OF FIN. ASSETS</b>	<b>-594</b>	<b>213</b>	<b>-594</b>	<b>90</b>	<b>477</b>	<b>280</b>	<b>213</b>
	Direct Investment	61	-19	61	43	14	36	-19
	Portfolio Investment	-60	-21	-60	-133	73	-15	-21
	Financial Derivatives	-33	-39	-33	7	10	15	-39
	Other Investments	-838	-239	-838	3	-38	185	-239
	<b>NET INCURRENCE OF FIN. LIABILITIES</b>	<b>-870</b>	<b>-318</b>	<b>-870</b>	<b>-81</b>	<b>58</b>	<b>221</b>	<b>-318</b>
	<b>TOTAL NET CAPITAL ACCOUNT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>NET LENDING(+)/NET BORROWING(-)</b>	<b>277</b>	<b>531</b>	<b>277</b>	<b>171</b>	<b>418</b>	<b>59</b>	<b>531</b>
<b>BALANCING ITEM</b>	<b>-30</b>	<b>81</b>	<b>-30</b>	<b>-154</b>	<b>57</b>	<b>-157</b>	<b>81</b>	

# INTERNATIONAL INVESTMENT POSITION (IIP)

## Bermuda's Net IIP Increased to \$4.9 billion

At the end of the first quarter 2024, the stock of foreign assets held by Bermuda residents registered above its stock of foreign liabilities by an estimated \$4.9 billion (Table 2 and 3). The net IIP increased by \$821 million over the fourth quarter of 2023.

## Foreign Assets Rise to \$16.5 billion

Between the fourth quarter 2023 and first quarter 2024, Bermuda residents' stock of foreign financial assets increased by \$564 million due mostly to increased holdings of loans and currency and deposits.

## Bermuda's Net Liability Position Falls to \$11.5 billion

Bermuda residents' stock of foreign liabilities decreased by \$257 million from the fourth quarter of 2024. The decrease is due mostly to decreased holdings of currency and deposits (Table 3 and 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 first quarter 2024 (Table 2). The general government sector's external liabilities exceeded its external assets by \$398 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 \$7.2 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 \$105 million at the end of the first quarter.

**Table 2 : IIP BY RESIDENT INSTITUTIONAL SECTOR — (BD\$) MILLIONS <sup>1</sup>**

2024 Q1	Households and NPISHs <sup>2,3</sup>	General government	Financial corporations	Nonfinancial corporations	Total economy
<b>ASSETS</b>	<b>105</b>	<b>2,896</b>	<b>13,237</b>	<b>212</b>	<b>16,451</b>
Direct investment	33	-	86	75	134
Portfolio investment	54	2,847	8,631	14	11,546
Financial derivatives (other than reserves) and ESOs	n.a.	-	31	-	31
Other investment	19	49	4,230	124	4,421
Reserve assets	-	-	259	-	259
<b>LIABILITIES</b>	<b>-</b>	<b>3,294</b>	<b>6,016</b>	<b>2,214</b>	<b>11,524</b>
Direct investment	-	-	1,000	1,723	2,723
Portfolio investment	-	3,294	884	290	4,468
Financial derivatives (other than reserves) and ESOs	-	-	11	1	12
Other investment	-	-	4,122	200	4,322
<b>NET IIP</b>	<b>105</b>	<b>-398</b>	<b>7,221</b>	<b>-2,002</b>	<b>4,927</b>

<sup>1</sup> Data are estimates only and subject to revision

<sup>2</sup> Series does not include stock of household foreign assets and liabilities

<sup>3</sup> NPISH: Non-profit institutions serving households

**Table 3 : INTERNATIONAL INVESTMENT POSITION <sup>1,2</sup> (BD\$) MILLIONS**

Components	2023 Q1	2023 Q2	2023 Q3	2023 <sup>R</sup> Q4	2024 <sup>P</sup> Q1
<b>ASSETS</b>					
<b>BY FUNCTIONAL CATEGORY</b>					
Direct investment	126	148	151	171	194
Portfolio investment	11,404	11,970	12,321	11,695	11,546
Financial derivatives (other than reserves) and ESOs	108	152	181	77	31
Other investment	3,983	3,263	3,282	3,733	4,421
Reserve assets	252	249	235	211	259
<b>BY INSTRUMENT</b>					
Equity and investment fund share/units	3,103	3,190	3,104	3,390	3,473
Debt instruments:	12,661	12,440	12,884	12,420	12,948
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	866	1,132	924	1,096	1,205
Debt securities	8,678	9,177	9,602	8,687	8,526
Loans	2,938	1,969	2,174	2,452	2,994
Insurance, pension, standardized guarantee schemes	1	1	1	1	1
Other accounts receivable/payable	178	161	183	184	221
Other financial assets and liabilities	108	152	181	77	31
<b>TOTAL ASSETS</b>	<b>15,872</b>	<b>15,782</b>	<b>16,170</b>	<b>15,887</b>	<b>16,451</b>
<b>LIABILITIES</b>					
<b>BY FUNCTIONAL CATEGORY</b>					
Direct investment	3,187	3,100	2,915	2,971	2,723
Portfolio investment	4,346	4,220	4,235	4,227	4,468
Financial derivatives (other than reserves) and ESOs	19	21	32	47	12
Other investment	4,555	4,570	4,342	4,537	4,322
<b>BY INSTRUMENT</b>					
Equity and investment fund share/units	3,502	3,361	3,398	3,441	3,430
Debt instruments:	8,586	8,529	8,095	8,293	8,083
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	4,158	4,184	3,985	4,098	3,751
Debt securities	4,031	3,959	3,752	3,757	3,761
Loans	220	208	195	248	345
Insurance, pension, standardized guarantee schemes	29	32	33	34	36
Other accounts receivable/payable	148	146	130	156	189
Other financial assets and liabilities	19	21	32	47	12
<b>TOTAL LIABILITIES</b>	<b>12,108</b>	<b>11,911</b>	<b>11,525</b>	<b>11,781</b>	<b>11,524</b>
<b>NET IIP</b>	<b>3,765</b>	<b>3,871</b>	<b>4,645</b>	<b>4,106</b>	<b>4,927</b>

**Table 4 : INTEGRATED INTERNATIONAL INVESTMENT POSITION, 2024 (BD\$) MILLIONS <sup>1</sup>**

Components	First quarter 2024			
	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	171	9	14	194
Portfolio investment	11,695	-141	-8	11,546
Financial Derivatives (other than reserves) and ESOs	77	-47	-	31
Other investment	3,733	692	-4	4,421
Reserve Assets	211	48	-	259
<b>BY INSTRUMENT</b>				
Equity and investment fund share/units	3,390	-11	94	3,473
Debt instruments:	12,420	620	-92	12,948
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	1,096	98	12	1,205
Debt securities	8,687	-73	-89	8,526
Loans	2,452	542	-	2,994
Insurance, pension, standardized guarantee schemes	1	-	-	1
Other accounts receivable/payable	184	52	-15	221
Other financial assets and liabilities	77	-47	-	31
<b>TOTAL ASSETS</b>	<b>15,887</b>	<b>562</b>	<b>2</b>	<b>16,451</b>
<b>LIABILITIES</b>				
<b>BY FUNCTIONAL CATEGORY</b>				
Direct investment	2,971	-271	24	2,723
Portfolio investment	4,227	242	-1	4,468
Financial Derivatives (other than reserves) and ESOs	47	-39	4	12
Other investment	4,537	-191	-24	4,322
<b>BY INSTRUMENT</b>				
Equity and investment fund share/units	3,441	-34	23	3,430
Debt instruments:	8,293	-186	-24	8,083
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	4,098	-324	-23	3,751
Debt securities	3,757	5	0	3,761
Loans	248	99	-1	345
Insurance, pension, standardized guarantee schemes	34	1	0	36
Other accounts receivable/payable	156	33	0	189
Other financial assets and liabilities	47	-39	4	12
<b>TOTAL LIABILITIES</b>	<b>11,781</b>	<b>-260</b>	<b>2</b>	<b>11,524</b>
<b>NET IIP</b>	<b>4,106</b>	<b>821</b>	<b>0</b>	<b>4,927</b>

<sup>1</sup> Data displayed represents the changes between the previous and current quarters.

<sup>2</sup> 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.

<sup>3</sup> 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.

**AUGUST 2024**

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