

BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

QUARTER 3/2024

BALANCE OF PAYMENTS

Current Account Surplus = \$273 million

The Bermuda current account recorded a surplus of \$273 million in the third quarter of 2024 (Figure 1; Table 1). This represented a \$119 million decrease year-over-year. The decrease in the surplus reflected an increase in payments to non-residents which was larger than the receipts from non-residents, largely driven by Employee Compensation (Figure 2).

Contributing factors include:

- The deficit on the goods account expanded by \$107 million to \$380 million.
- Service transactions realised a surplus of \$105 million, down \$32 million from a year ago.
- Bermuda’s primary income account surplus expanded by \$46 million year-over-year, climbing to \$610 million in the third quarter of 2024.

Figure 1

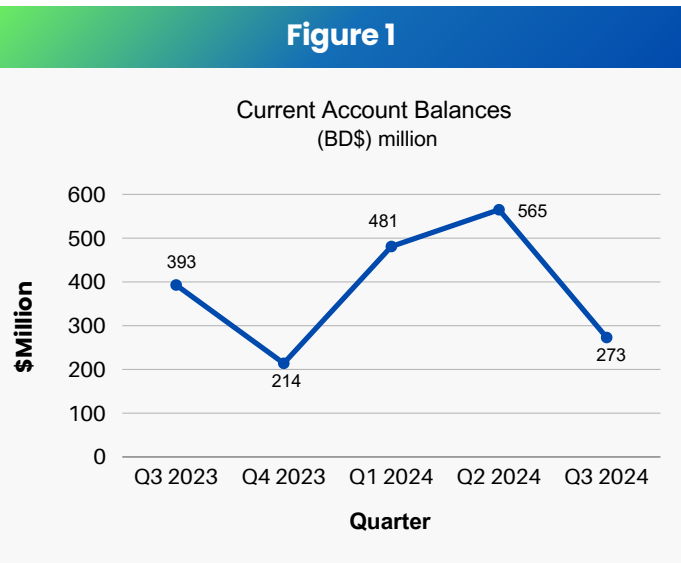
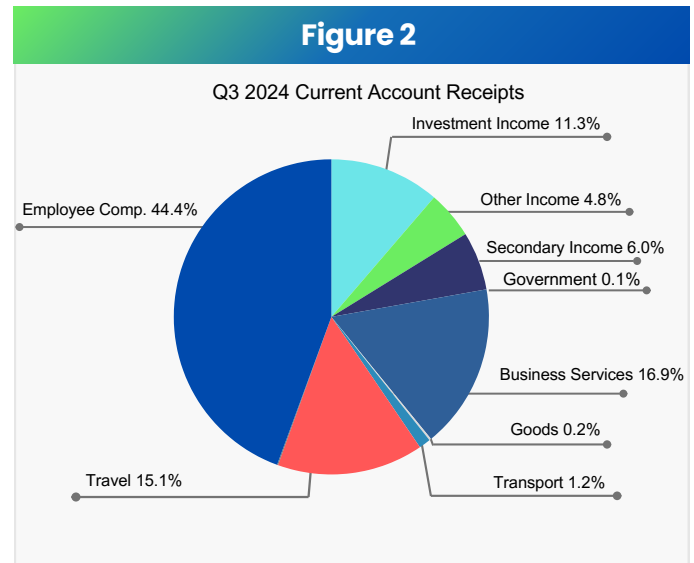


Figure 2



Goods Account Deficit = \$380 million

The goods account deficit expanded by \$107 million year-over-year during the third quarter of 2024 (Table 1). The value of imported goods increased to \$383 million, reflected in a \$116 million rise in imported goods from the United States. By contrast, importation from the Caribbean, United Kingdom, Canada, and the All Other Countries group, decreased by \$5.5 million, \$2 million, \$0.7 million, and \$0.5 million, respectively.

Among the commodity groups, the increase in imports was primarily reflected in the imports of fuels, food, beverages and tobacco, machinery and finished equipment which grew by \$71 million, \$14 million, \$11 million and \$10 million, respectively. Only one commodity group, transport equipment, recorded a decrease of \$6 million.

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

Services Account Surplus = \$105 million

The surplus on the services account decreased by \$32 million from a year ago. The decrease in the surplus balance reflected an increase in the import of services that was larger than the increase in exports.

The surplus balance on business services narrowed by \$32 million due primarily to the decrease in receipts for financial services received from non-residents.

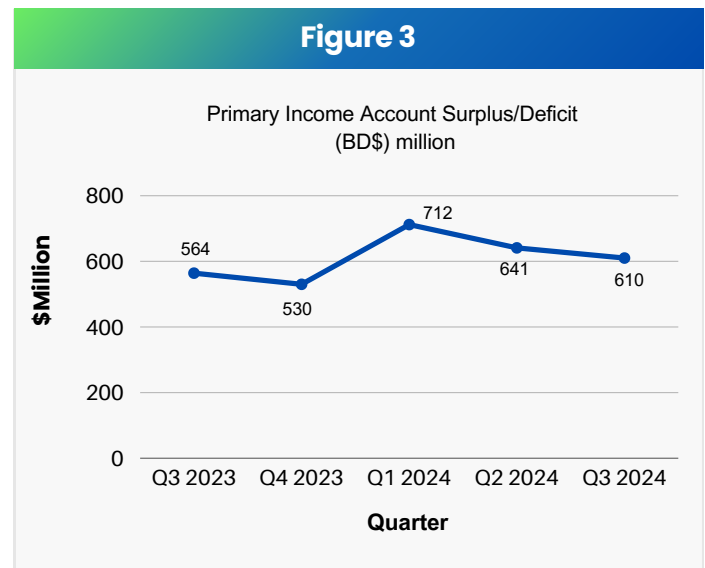
The surplus balance on travel services widened by \$9 million due primarily to an increase in receipts for personal travel services. The deficit for transportation services narrowed by \$10 million as payments for transportation services increased by \$9 million and receipts decreased by \$1 million.

Primary Income Account Surplus = \$610 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 \$46 million during the third quarter of 2024 (Figure 3; Table 1). This rise reflected

primarily an increase in employee compensation of \$38 million. Other income recorded a year-over-year increase of \$8 million, while investment income decreased by \$1 million.



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 \$26 million from a year ago due primarily to increased nonlife insurance claims and social benefits paid to non-residents.

Financial, Capital, and Reserve Assets Accounts

In the third quarter of 2024, transactions within Bermuda's assets accounts resulted in a net lending position of \$345 million (Table 1). They were influenced by:

- Bermuda's net acquisition of financial assets resulted in an increase of \$286 million compared to an increase of \$485 million in 2023.
- Bermuda decreased its net incurrence of financial liabilities by \$60 million this quarter compared to a increase of \$58 million in 2023.

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

Components	2023 YTD	2024 YTD	2023 Q3	2023 Q4	2024 Q1	2024 ^R Q2	2024 ^P Q3
GOODS IMPORTS	876	1,006	276	341	284	339	383
SERVICES	796	917	286	290	285	311	320
Transportation	198	205	68	71	59	69	77
Travel	203	225	76	68	71	71	83
Business Services:	395	487	142	151	155	171	160
Insurance Services	64	69	22	24	20	25	24
Financial Services	79	96	25	23	30	38	28
ICT Services	83	87	31	30	33	27	27
Other Services	168	234	64	73	72	81	81
Government Services	0	0	0	0	0	0	0
PRIMARY INCOME	397	399	122	153	91	146	162
Employee Compensation	17	28	2	8	11	8	9
Investment Income	380	371	120	145	80	138	153
Other Income	0	0	0	0	0	0	0
SECONDARY INCOME	330	384	109	132	121	125	138
TOTAL PAYMENTS	2,399	2,705	793	916	782	921	1,003
GOOD EXPORTS	9	9	3	3	3	3	3
SERVICES	1,207	1,416	423	380	380	611	425
Transportation	36	45	16	13	13	17	15
Travel	427	435	176	99	58	184	192
Business Services:	688	882	230	267	258	408	216
Insurance Services	77	89	27	25	28	30	31
Financial Services	134	145	57	70	51	74	21
ICT Services	30	28	10	10	9	10	9
Other Services	447	619	136	162	169	294	155
Government Services	55	54	1	1	51	2	1
PRIMARY INCOME	2,098	2,363	686	683	803	787	772
Employee Compensation	1,546	1,761	521	508	594	600	567
Investment Income	349	349	111	118	94	111	144
Other Income	203	253	53	56	115	76	62
SECONDARY INCOME	208	238	73	64	77	85	76
TOTAL RECEIPTS	3,521	4,025	1,185	1,130	1,263	1,486	1,276
GOODS	-867	-997	-273	-338	-281	-336	-380
SERVICES	411	499	137	90	95	299	105
Transportation	-162	-159	-52	-58	-45	-52	-62
Travel	224	210	100	31	-13	113	110
Business Services:	293	395	88	116	102	237	56
Insurance Services	12	20	5	1	8	5	7
Financial Services	55	50	32	47	21	36	-7
ICT Services	-53	-59	-21	-20	-23	-18	-18
Other Services	279	385	73	88	97	213	75
Government Services	55	54	1	1	51	2	1
PRIMARY INCOME	1,700	1,963	564	530	712	641	610
Employee Compensation	1,529	1,733	519	500	583	592	558
Investment Income	-31	-22	-8	-27	14	-26	-9
Other Income	203	253	53	56	115	76	62
SECONDARY INCOME	-123	-146	-35	-68	-44	-40	-62
CURRENT ACCOUNT BALANCE	1,122	1,320	393	214	481	565	273
Direct Investment	16	24	3	21	7	15	2
Portfolio Investment	812	411	342	-697	-167	163	415
Financial Derivatives	163	106	75	-53	6	46	54
Other Investments	-1,007	364	79	1,039	328	198	-162
Reserve Assets	17	20	-14	-23	48	-5	-24
NET ACQUISITION OF FIN. ASSETS	2	924	485	286	222	417	286
Direct Investment	117	-19	14	36	-19	36	-36
Portfolio Investment	-120	-48	73	-15	-21	-15	-12
Financial Derivatives	-16	9	10	15	-39	-1	49
Other Investments	-874	-428	-38	185	-239	-130	-60
NET INCURRENCE OF FIN. LIABILITIES	-893	-487	58	221	-318	-109	-60
TOTAL NET CAPITAL ACCOUNT	0	0	0	0	0	0	0
NET LENDING(+)/NET BORROWING(-)	894	1,411	427	65	540	526	345
BALANCING ITEM	-227	91	34	-149	59	-39	72

INTERNATIONAL INVESTMENT POSITION (IIP)

Bermuda's Net IIP Decreased to \$4.5 billion

At the end of the third quarter 2024, the stock of foreign assets held by Bermuda residents registered above its stock of foreign liabilities by an estimated \$4.5 billion (Table 2 and 3). The net IIP decreased by \$24 million over the second quarter of 2024.

Foreign Assets Falls to \$16.0 billion

Between the second quarter 2024 and third quarter 2024, Bermuda residents' stock of foreign financial assets decreased by \$57 million due mostly to decreased holdings of loans.

Bermuda's Net Liability Position remains at \$11.6 billion

Bermuda residents' stock of foreign liabilities decreased by \$33 million from the second quarter of 2024.

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 third quarter 2024 (Table 2). The general government sector's external liabilities exceeded its external assets by \$398 million, largely influenced by an increase in portfolio investment assets. Government's liability position remained unchanged from the previous quarter. Financial corporations held a net asset position of \$6.8 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 \$93 million at the end of the third quarter.

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

2024 Q3	Households and NPISHs ^{2,3}	General government	Financial corporations	Nonfinancial corporations	Total economy
ASSETS	93	2,896	12,653	370	16,012
Direct investment	36	-	87	120	243
Portfolio investment	57	2,876	9,335	37	12,305
Financial derivatives (other than reserves) and ESOs	n.a	-	24	-	24
Other investment	1	19	2,975	214	3,209
Reserve assets	-	-	231	-	231
LIABILITIES	-	3,294	5,830	2,433	11,557
Direct investment	-	-	970	1,885	2,855
Portfolio investment	-	3,294	877	310	4,481
Financial derivatives (other than reserves) and ESOs	-	-	50	-	50
Other investment	-	-	3,933	238	4,171
NET IIP	93	-398	6,823	-2,063	4,455

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	2023 Q3	2023 Q4	2024 Q1	2024 ^R Q2	2024 ^P Q3
ASSETS					
BY FUNCTIONAL CATEGORY					
Direct investment	151	171	193	226	243
Portfolio investment	12,321	11,695	11,551	11,681	12,305
Financial derivatives (other than reserves) and ESOs	181	77	31	24	24
Other investment	3,282	3,733	4,464	3,883	3,209
Reserve assets	235	211	259	255	231
BY INSTRUMENT					
Equity and investment fund share/units	3,104	3,390	3,478	3,316	3,513
Debt instruments:	12,884	12,420	12,990	12,730	12,475
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	924	1,096	1,225	1,190	1,120
Debt securities	9,602	8,687	8,525	8,846	9,266
Loans	2,174	2,452	2,994	2,433	1,822
Insurance, pension, standardized guarantee schemes	1	1	1	1	1
Other accounts receivable/payable	183	184	245	259	267
Other financial assets and liabilities	181	77	31	24	24
TOTAL ASSETS	16,170	15,887	16,499	16,069	16,012
LIABILITIES					
BY FUNCTIONAL CATEGORY					
Direct investment	2,915	2,971	2,811	2,873	2,855
Portfolio investment	4,235	4,227	4,487	4,474	4,481
Financial derivatives (other than reserves) and ESOs	32	47	12	12	50
Other investment	4,342	4,537	4,353	4,231	4,171
BY INSTRUMENT					
Equity and investment fund share/units	3,398	3,441	3,522	3,558	3,536
Debt instruments:	8,095	8,294	8,129	8,020	7,970
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	3,985	4,098	3,751	3,581	3,708
Debt securities	3,752	3,757	3,776	3,789	3,799
Loans	195	248	345	359	192
Insurance, pension, standardized guarantee schemes	33	34	36	39	37
Other accounts receivable/payable	130	157	221	252	234
Other financial assets and liabilities	32	47	12	12	50
TOTAL LIABILITIES	11,525	11,782	11,663	11,590	11,557
NET IIP	4,645	4,105	4,836	4,479	4,455

Table 4 : INTEGRATED INTERNATIONAL INVESTMENT POSITION, 2024 (BD\$) MILLIONS ¹

Components	Third quarter 2024			
	Opening Position ^R	Financial Transactions ²	Other Changes in Position ³	Closing Position ^P
ASSETS				
BY FUNCTIONAL CATEGORY				
Direct investment	226	-14	29	243
Portfolio investment	11,681	472	152	12,305
Financial Derivatives (other than reserves) and ESOs	24	4	-3	24
Other investment	3,883	-418	-257	3,209
Reserve Assets	255	-24	-	231
BY INSTRUMENT				
Equity and investment fund share/units	3,316	85	112	3,513
Debt instruments:	12,730	-68	-187	12,475
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	1,190	193	-263	1,120
Debt securities	8,846	350	70	9,266
Loans	2,433	-615	3	1,822
Insurance, pension, standardized guarantee schemes	1	-	-	1
Other accounts receivable/payable	259	5	2	267
Other financial assets and liabilities	24	4	-3	24
TOTAL ASSETS	16,069	21	-78	16,012
LIABILITIES				
BY FUNCTIONAL CATEGORY				
Direct investment	2,873	-24	6	2,855
Portfolio investment	4,474	-10	17	4,481
Financial Derivatives (other than reserves) and ESOs	12	49	-11	50
Other investment	4,231	-36	-24	4,171
BY INSTRUMENT				
Equity and investment fund share/units	3,558	-44	22	3,536
Debt instruments:	8,020	-26	-23	7,970
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	3,581	150	-24	3,708
Debt securities	3,789	10	1	3,799
Loans	359	-172	5	192
Insurance, pension, standardized guarantee schemes	39	-1	0	37
Other accounts receivable/payable	252	-13	-6	234
Other financial assets and liabilities	12	49	-11	50
TOTAL LIABILITIES	11,590	-21	-12	11,557
NET IIP	4,479	40	-66	4,455

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.

JANUARY 2025

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



Email:

statistics@gov.bm



Webpage:

www.gov.bm/department/statistics