



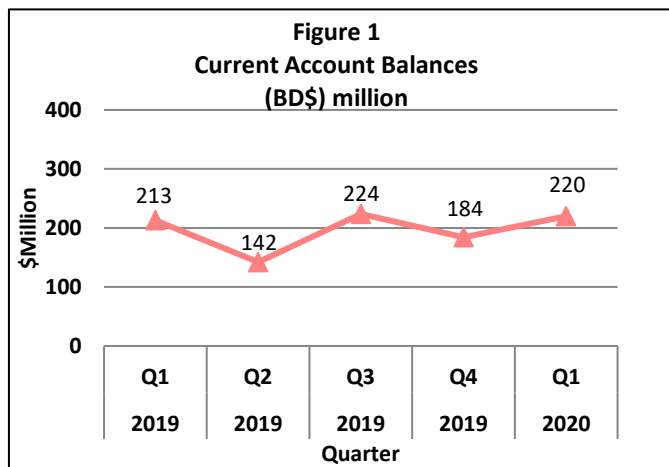
BALANCE OF PAYMENTS

FAST FACTS

Current Account

The Bermuda current account recorded a surplus of \$220 million in the first quarter of 2020 (Figure 1 and Table 1). This surplus increased \$7 million compared to the first quarter of 2019.

- The deficit on the goods account increased by \$12 million to \$263 million.
- Services transactions realised a surplus of \$67 million in the first quarter of 2020.
- The surplus on Bermuda’s primary income account increased to \$471 million in the first quarter of 2020.



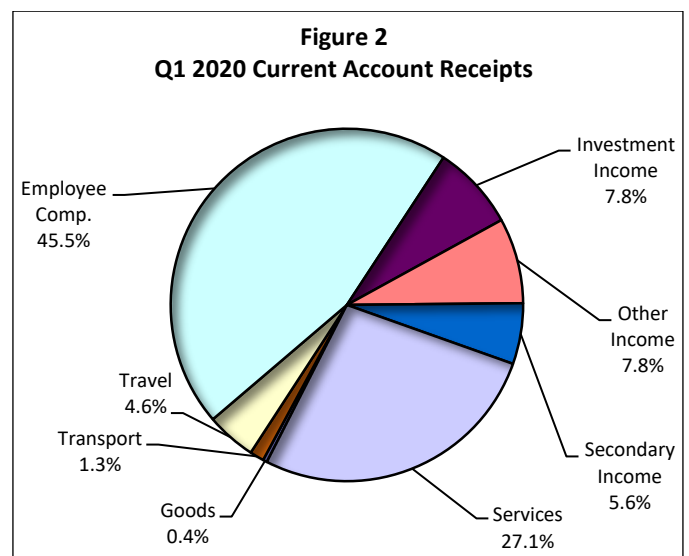
Financial, Capital, and Reserve Assets Accounts

Transactions on Bermuda’s assets accounts resulted in a net lending position of \$193 million (Table 1). Factors influencing this year-over-year performance include:

- Transactions related to the net acquisition of financial assets resulted in an accumulation of \$911 million compared to an increase of \$62 million in 2019.
- Bermuda increased its net incurrence of financial liabilities by \$718 million this quarter compared to a decrease of \$91 million in 2019.

Current Account Surplus = \$220 million

The current account surplus stood at \$220 million for the first quarter of 2020 (Table 1), an increase of \$7 million from a year ago. This growth was due mainly to increases in the surplus balances on the primary income account and the services account. In contrast, larger deficits were recorded on the goods account and the secondary income account due to a rise in non-life insurance claims.



Goods Account Deficit = \$263 million

Year-over-year, the goods account deficit widened by \$12 million during the first quarter of 2020 influenced directly by a rise in the value of imported goods (Table 1). The value of imported goods from Canada and the Caribbean increased by \$12 million and \$7 million, respectively. In contrast, payments for imported goods from the United States of America and United Kingdom fell by \$7 million and \$1 million, respectively. Among the commodity groups, imports of Food, Beverages and Tobacco, Finished Equipment and Machinery recorded the largest increases. These commodity groups combined for a \$20 million increase in imports which was offset partially by a decrease in machinery imports of \$13 million.

Revenue earned from the exports of goods remained unchanged at \$4 million.

Services Account Surplus = \$67 million

The surplus on the services account increased by \$6 million during the first quarter of 2020. This rise in the surplus balance reflected mostly a \$24 million rise in the surplus for other business services due to lower payments to non-residents for construction/engineering services. Insurance services recorded a \$2 million surplus compared to a \$1 million deficit a year ago. Financial services also increased by \$2 million year-over-year.

In contrast, travel services recorded a deficit of \$21 million reflecting lower expenditure on island by visitors and fewer tourists due to the temporary closure order for the L.F. Wade International Airport in March 2020 during the onset of the Coronavirus Disease 2019 (COVID-19) pandemic. The surplus balance on government services fell by \$3 million compared to a year ago. Information, computer and telecommunication services recorded a \$3 million deficit compared to a \$2 million surplus in the first quarter of 2019.

Primary Income Account Surplus = \$471 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 \$29 million during the first quarter of 2020 (Figure 3 and Table 1). This increase reflected primarily a \$17 million rise in net employee compensation. The surplus on other income transactions increased \$7 million.

Secondary Income Account Deficit = \$55 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 \$16 million from a year ago due mostly to an increase in net nonlife insurance claims paid to non-residents and fewer receipts from miscellaneous current transfers.

INTERNATIONAL INVESTMENT POSITION (Tables 2 & 3)

Bermuda’s Net IIP Decreased to \$3,262 million

At the end of the first quarter 2020, the stock of foreign assets held by Bermuda residents registered above its stock of foreign liabilities by an estimated \$3,262 million (Table 2). The net IIP decreased by \$65 million over the fourth quarter of 2019.

Foreign Assets Increased to \$15,356 million

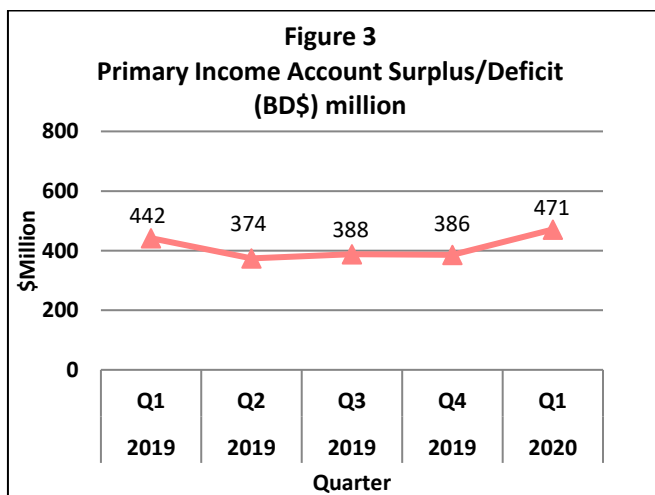
Between the fourth quarter 2019 and first quarter 2020, Bermuda residents’ net acquisition position of financial assets rose \$649 million due mostly to increased holdings of debt securities.

Foreign Liabilities Increased to \$12,094 million

Bermuda residents’ stock of foreign liabilities increased by \$714 million from the fourth quarter of 2019. The increase in the liability position reflected mostly a rise in currency and deposits of non-residents.

IIP by Resident Institutional Sector

The non-financial corporations held a net liability position of \$2,134 million with the rest of the world at the end of the first quarter 2020. The general government sector’s external liabilities exceeded its external assets by \$122 million. Financial corporations held a net asset position of \$5,490 million due mostly to portfolio investment holdings such as bonds, notes and money market instruments. Non-profit institutions serving households also recorded a net asset position of \$28 million at the end of the first quarter.



BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

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

Components	2019 YTD Q1	2020 YTD Q1	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1
CURRENT ACCOUNT PAYMENTS							
GOODS IMPORTS	255	267	255	362	268	267	267
SERVICES	256	235	256	279	281	261	235
Transportation	55	52	55	70	61	57	52
Travel	62	63	62	61	70	70	63
Business Services:	139	120	139	148	150	134	120
Insurance Services	17	18	17	19	18	23	18
Financial Services	16	16	16	22	18	20	16
ICT Services	19	23	19	22	21	20	23
Other Business Services	86	62	86	85	92	71	62
Government Services	0	0	0	0	0	0	0
PRIMARY INCOME	99	89	99	121	103	86	89
Employee Compensation	15	14	15	14	15	15	14
Investment Income	83	75	83	106	88	71	75
Other Income	0	0	0	0	0	0	0
SECONDARY INCOME	81	106	81	107	109	99	106
TOTAL PAYMENTS	691	696	691	869	761	713	696
CURRENT ACCOUNT RECEIPTS							
GOODS EXPORTS	4	4	4	4	4	4	4
SERVICES	317	302	317	454	433	364	302
Transportation	11	12	11	16	15	14	12
Travel	59	42	59	213	210	108	42
Business Services:	197	201	197	223	206	229	201
Insurance Services	16	20	16	20	21	21	20
Financial Services	33	35	33	44	52	60	35
ICT Services	22	20	22	19	18	20	20
Other Business Services	126	126	126	140	114	128	126
Government Services	50	47	50	1	1	12	47
PRIMARY INCOME	541	560	541	495	490	472	560
Employee Compensation	401	417	401	372	369	351	417
Investment Income	75	71	75	76	74	80	71
Other Income	65	72	65	47	47	41	72
SECONDARY INCOME	41	51	41	58	57	57	51
TOTAL RECEIPTS	903	917	903	1,011	985	897	917
CURRENT ACCOUNT BALANCES							
GOODS	-251	-263	-251	-358	-264	-263	-263
SERVICES	61	67	61	175	152	103	67
Transportation	-44	-40	-44	-54	-46	-42	-40
Travel	-3	-21	-3	152	140	38	-21
Business Services:	58	81	58	75	56	94	81
Insurance Services	-1	2	-1	2	3	-3	2
Financial Services	17	19	17	22	34	40	19
ICT Services	2	-3	2	-3	-3	0	-3
Other Business Services	40	64	40	55	22	57	64
Government Services	50	47	50	1	1	12	47
PRIMARY INCOME	442	471	442	374	388	386	471
Employee Compensation	386	403	386	358	354	337	403
Investment Income	-9	-4	-9	-31	-14	8	-4
Other Income	65	72	65	47	47	41	72
SECONDARY INCOME	-39	-55	-39	-49	-52	-41	-55
CURRENT ACCOUNT BALANCE	213	220	213	142	224	184	220
FINANCIAL ACCOUNT							
Direct Investment	-30	-10	-30	-5	-1	-2	-10
Portfolio Investment	-23	451	-23	-42	-263	570	451
Financial Derivatives	39	38	39	20	35	25	38
Other Investment	63	418	63	301	377	169	418
Reserve Assets	14	14	14	12	-10	-6	14
NET ACQUISITION OF FIN. ASSETS	62	911	62	287	138	756	911
Direct Investment	13	30	13	32	46	-87	30
Portfolio Investment	-67	-94	-67	-112	-8	-140	-94
Financial Derivatives	3	47	3	16	1	-4	47
Other Investment	-40	734	-40	168	-173	755	734
NET INCURRENCE OF FIN. LIABILITIES	-91	718	-91	105	-135	524	718
TOTAL NET FINANCIAL ACCOUNT	-154	-193	-154	-182	-273	-232	-193
TOTAL NET CAPITAL ACCOUNT	0	0	0	0	0	0	0
NET LENDING (+)/NET BORROWING (-)	154	193	154	182	273	232	193
BALANCING ITEM	-59	-27	-59	40	49	48	-27

BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION
TABLE 2 - INTERNATIONAL INVESTMENT POSITION^{1,2}
(BD\$) MILLIONS

Components	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1
ASSETS					
BY FUNCTIONAL CATEGORY					
Direct investment	168	166	161	159	160
Portfolio investment	11,920	11,941	11,714	12,251	12,413
Financial Derivatives (other than reserves) and ESOs	44	35	41	37	42
Other investment	2,274	1,989	1,894	2,096	2,564
Reserve Assets	166	179	169	163	177
BY INSTRUMENT					
Equity and investment fund share/units	2,670	2,803	2,915	3,036	2,766
Debt instruments:	11,858	11,472	11,022	11,633	12,547
Special drawing rights	-	-	-	-	-
Currency and deposits	999	730	652	829	1,059
Debt securities	9,584	9,482	9,128	9,536	9,983
Loans	1,158	1,138	1,131	1,162	1,414
Insurance, pension, standardized guarantee schemes	2	1	2	1	1
Other accounts receivable/payable	116	121	110	104	90
Other financial assets and liabilities	44	35	41	37	42
TOTAL ASSETS	14,572	14,310	13,979	14,707	15,356
LIABILITIES					
BY FUNCTIONAL CATEGORY					
Direct investment	2,460	2,485	2,538	2,437	2,463
Portfolio investment	3,994	3,894	3,936	3,826	3,770
Financial Derivatives (other than reserves) and ESOs	20	36	37	32	80
Other investment	5,052	5,213	5,043	5,084	5,780
BY INSTRUMENT					
Equity and investment fund share/units	3,066	3,093	3,188	3,058	3,033
Debt instruments:	8,440	8,499	8,329	8,290	8,981
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	4,404	4,575	4,142	4,440	5,127
Debt securities	3,388	3,286	3,286	3,206	3,201
Loans	525	482	766	512	540
Insurance, pension, standardized guarantee schemes	36	36	36	35	30
Other accounts receivable/payable	86	121	99	96	83
Other financial assets and liabilities	20	36	37	32	80
TOTAL LIABILITIES	11,526	11,628	11,554	11,380	12,094
NET IIP	3,046	2,682	2,425	3,327	3,262

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

2020 Q1	Households and NPISHs ^{2,3}	General government	Financial corporations	Non- financial corporations	Total economy
ASSETS	28	2,328	12,842	157	15,356
Direct investment	-	-	126	33	160
Portfolio investment	27	2,328	10,048	9	12,413
Financial Derivatives (other than reserves) and ESOs	-	-	42	-	42
Other investment	1	-	2,448	115	2,564
Reserve Assets	-	-	177	-	177
LIABILITIES	-	2,450	7,352	2,292	12,094
Direct investment	-	-	855	1,609	2,463
Portfolio investment	-	2,450	1,022	299	3,770
Financial Derivatives (other than reserves) and ESOs	-	-	80	-	80
Other investment	-	-	5,396	384	5,780
NET IIP	28	-122	5,490	-2,134	3,262

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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