



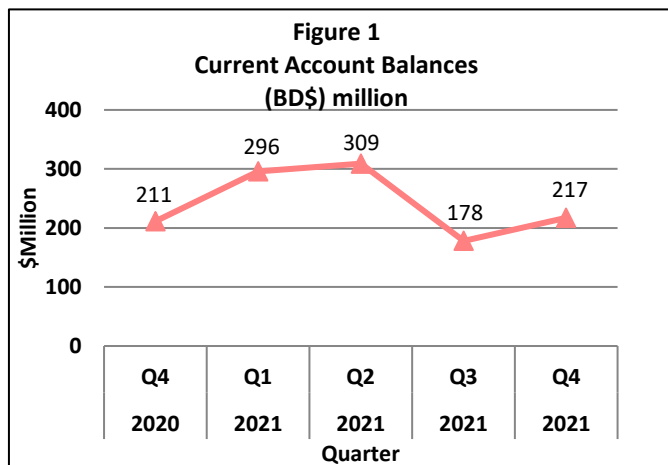
### BALANCE OF PAYMENTS

#### FAST FACTS

##### Current Account

The Bermuda current account recorded a surplus of \$217 million in the fourth quarter of 2021 (Figure 1 and Table 1). This represented a \$6 million increase year-over-year.

- The deficit on the goods account widened by \$47 million to \$298 million.
- Services transactions realised a surplus of \$101 million, up \$41 million year-over-year.
- The surplus on Bermuda's primary income account increased by \$12 million to \$467 million in the fourth quarter of 2021.



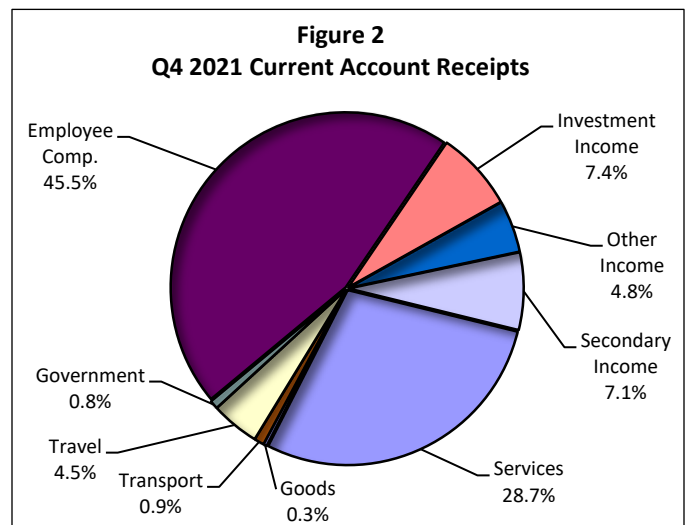
#### Financial, Capital, and Reserve Assets Accounts

Transactions on Bermuda's assets accounts resulted in a net lending position of \$220 million (Table 1). Factors influencing this year-over-year performance include:

- Bermuda's net acquisition of financial assets decreased by \$190 million compared to an increase of \$785 million in 2020.
- Bermuda decreased its net incurrence of financial liabilities by \$410 million this quarter compared to a rise of \$594 million in 2020.

#### Current Account Surplus = \$217 million

The current account surplus stood at \$217 million for the fourth quarter of 2021 (Table 1). This represented a \$6 million increase from the \$211 million surplus in the fourth quarter of 2020. The growth in the surplus reflected an increase in receipts from non-residents which was larger than the rise in payments. With the exception of the goods account, all major sub-accounts recorded improvements in their net balance led by a \$41 million increase in the surplus on the services account.



#### Goods Account Deficit = \$298 million

Year-over-year, the goods account deficit widened by \$47 million during the fourth quarter of 2021. The value of imported goods increased to \$301 million (Table 1). This growth was reflected mostly in a \$19 million and \$18 million rise in imported goods from Canada and the United States of America, respectively. Goods imported from the United Kingdom grew by \$5 million. Among the commodity groups, growth was reflected primarily in the imports of fuels which rose by \$25 million. Imports of transport equipment and the category of food, beverages and tobacco each rose by \$6 million. In contrast, imports of finished equipment decreased by \$2 million.

Revenue earned from the exports of goods was unchanged at \$3 million in 2021.

**Services Account Surplus = \$101 million**

The surplus on the services account increased by \$41 million during the fourth quarter of 2021. The higher surplus balance reflected mostly improvements in the business services account balance. The surplus balance on business services rose by \$40 million due primarily to receipts from legal services, accounting services and insurance services. The balance on travel services improved by \$22 million moving from a net deficit position to a zero balance. The surplus balance on government services was unchanged during the period.

In contrast, the net deficit balance on transportation transactions worsened by \$21 million to \$45 million as residents paid more for air passenger transport services and freight transport services.

**Primary Income Account Surplus = \$467 million**

The primary income account reflects balances on compensation earned or 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 \$12 million during the fourth quarter of 2021 (Figure 3 and Table 1). This rise reflected primarily an increase in net employee compensation by \$14 million. Net investment income decreased by \$2 million while the net surplus balance on other income remained unchanged at \$43 million.

**Secondary Income Account Deficit = \$53 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 was reduced by \$1 million from a year ago due primarily to an increase in nonlife insurance premiums received from non-residents.

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

**Bermuda’s Net IIP Increased to \$4.6 billion**

At the end of the fourth quarter 2021, the stock of foreign assets held by Bermuda resident entities registered above its stock of foreign liabilities by an estimated \$4.6 billion (Table 2). The net IIP increased by \$55 million above the third quarter of 2021.

**Foreign Assets fell to \$17.6 billion**

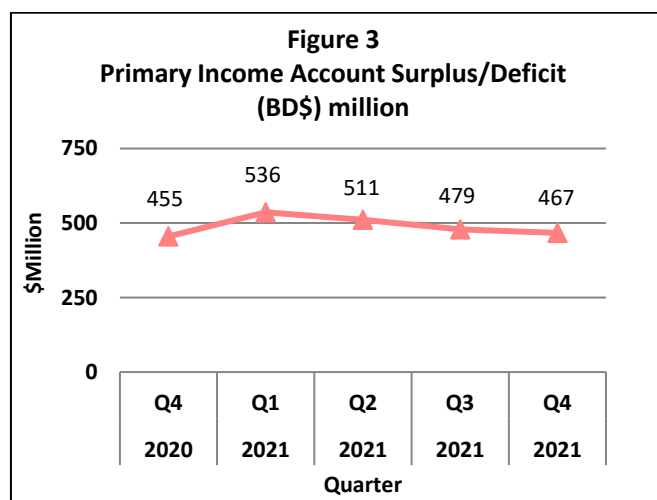
Between the third and fourth quarters of 2021, Bermuda resident entities’ stock of foreign financial assets shrank by \$356 million due mostly to a decrease in holdings of debt securities.

**Bermuda’s Liability Position fell to \$13.0 billion**

Bermuda resident entities’ stock of foreign liabilities decreased by \$412 million from the third quarter of 2021. The decrease in the liability position reflected mostly a fall in currency and deposit liabilities.

**IIP by Resident Institutional Sector**

Non-financial corporations held a net liability position of \$1.9 billion with the rest of the world at the end of the fourth quarter 2021. The general government sector’s external liabilities exceeded its external assets by \$5 million, representing a smaller negative net investment position due to a rise in portfolio investment assets. Financial corporations held a net asset position of \$6.5 billion due mostly to holdings of portfolio investments in the form of debt securities and other investments in the form of currency and deposits. Non-profit institutions serving households also recorded a net asset position of \$38 million at the end of the fourth quarter.



**BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION**
**TABLE 1 - BALANCE OF PAYMENTS (BD\$) MILLIONS<sup>1</sup>**

Components	2020 YTD Q4	2021 YTD Q4	2020 Q4	2021 Q1	2021R Q2	2021R Q3	2021P Q4
<b>CURRENT ACCOUNT PAYMENTS</b>							
<b>GOODS IMPORTS (1)</b>	<b>927</b>	<b>1,085</b>	<b>253</b>	<b>246</b>	<b>241</b>	<b>297</b>	<b>301</b>
<b>SERVICES (2)</b>	<b>798</b>	<b>829</b>	<b>206</b>	<b>201</b>	<b>188</b>	<b>229</b>	<b>211</b>
Transportation	157	186	39	38	42	53	53
Travel	191	191	46	45	47	58	40
Business Services:	449	452	121	117	98	119	118
Insurance Services	74	74	22	17	17	21	19
Financial Services	81	86	21	22	23	20	21
ICT Services	95	94	28	24	22	26	23
Other Business Services	199	198	50	54	37	52	55
Government Services	0	0	0	0	0	0	0
<b>PRIMARY INCOME (3)</b>	<b>270</b>	<b>210</b>	<b>46</b>	<b>33</b>	<b>59</b>	<b>67</b>	<b>50</b>
Employee Compensation	49	48	11	13	12	11	12
Investment Income	220	162	35	20	47	56	38
Other Income	0	0	0	0	0	0	0
<b>SECONDARY INCOME (4)</b>	<b>405</b>	<b>445</b>	<b>97</b>	<b>103</b>	<b>101</b>	<b>125</b>	<b>117</b>
<b>TOTAL PAYMENTS (5)=SUM(1:4)</b>	<b>2,400</b>	<b>2,569</b>	<b>603</b>	<b>583</b>	<b>589</b>	<b>718</b>	<b>678</b>
<b>CURRENT ACCOUNT RECEIPTS</b>							
<b>GOODS EXPORTS (6)</b>	<b>11</b>	<b>12</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>3</b>	<b>3</b>
<b>SERVICES (7)</b>	<b>1,017</b>	<b>1,121</b>	<b>266</b>	<b>258</b>	<b>257</b>	<b>294</b>	<b>311</b>
Transportation	40	28	15	7	5	8	8
Travel	94	156	24	11	36	68	40
Business Services:	827	890	220	200	215	218	257
Insurance Services	71	90	18	20	24	21	26
Financial Services	200	213	65	36	46	61	70
ICT Services	65	51	13	13	12	12	14
Other Business Services	491	535	125	131	133	124	147
Government Services	57	48	7	39	1	0	7
<b>PRIMARY INCOME (8)</b>	<b>2,040</b>	<b>2,203</b>	<b>501</b>	<b>569</b>	<b>570</b>	<b>547</b>	<b>518</b>
Employee Compensation	1,574	1,719	394	425	452	434	408
Investment Income	261	262	64	64	65	66	66
Other Income	205	222	43	80	52	46	43
<b>SECONDARY INCOME (9)</b>	<b>185</b>	<b>233</b>	<b>44</b>	<b>50</b>	<b>67</b>	<b>52</b>	<b>64</b>
<b>TOTAL RECEIPTS (10)=SUM(6:9)</b>	<b>3,252</b>	<b>3,569</b>	<b>814</b>	<b>879</b>	<b>898</b>	<b>896</b>	<b>896</b>
<b>CURRENT ACCOUNT BALANCES</b>							
<b>GOODS</b>	<b>-916</b>	<b>-1,074</b>	<b>-251</b>	<b>-244</b>	<b>-237</b>	<b>-294</b>	<b>-298</b>
<b>SERVICES</b>	<b>219</b>	<b>292</b>	<b>60</b>	<b>57</b>	<b>69</b>	<b>65</b>	<b>101</b>
Transportation	-117	-159	-24	-31	-37	-45	-45
Travel	-98	-35	-22	-34	-11	11	0
Business Services:	378	438	99	83	116	100	139
Insurance Services	-3	16	-4	3	7	0	7
Financial Services	119	128	43	14	23	42	49
ICT Services	-30	-43	-14	-11	-10	-13	-9
Other Business Services	292	337	74	77	96	72	92
Government Services	56	48	7	39	1	0	7
<b>PRIMARY INCOME</b>	<b>1,770</b>	<b>1,994</b>	<b>455</b>	<b>536</b>	<b>511</b>	<b>479</b>	<b>467</b>
Employee Compensation	1,525	1,672	382	412	441	423	396
Investment Income	41	100	30	44	18	10	28
Other Income	205	222	43	80	52	46	43
<b>SECONDARY INCOME</b>	<b>-221</b>	<b>-212</b>	<b>-54</b>	<b>-53</b>	<b>-33</b>	<b>-72</b>	<b>-53</b>
<b>CURRENT ACCOUNT BALANCE (11)=(10)-(5)</b>	<b>853</b>	<b>1000</b>	<b>211</b>	<b>296</b>	<b>309</b>	<b>178</b>	<b>217</b>
<b>FINANCIAL ACCOUNT</b>							
Direct Investment	-11	-25	-18	-18	1	-6	-1
Portfolio Investment	1,046	-1,067	382	-558	755	-700	-565
Financial Derivatives	95	101	20	37	16	20	27
Other Investment	1,073	2,292	401	507	405	1,026	354
Reserve Assets	18	41	-1	28	12	7	-6
<b>NET ACQUISITION OF FIN. ASSETS (12)</b>	<b>2,220</b>	<b>1,341</b>	<b>785</b>	<b>-4</b>	<b>1,189</b>	<b>347</b>	<b>-190</b>
Direct Investment	477	1	382	10	-2	-20	13
Portfolio Investment	193	-95	-57	-51	-3	-37	-4
Financial Derivatives	46	-52	16	-40	-2	-5	-5
Other Investment	679	501	253	-180	791	303	-414
<b>NET INCURRENCE OF FIN. LIABILITIES (13)</b>	<b>1,396</b>	<b>355</b>	<b>594</b>	<b>-260</b>	<b>785</b>	<b>241</b>	<b>-410</b>
<b>TOTAL NET CAPITAL ACCOUNT (14)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET LENDING(+)/NET BORROWING(-) (15)=(12)+(14)-(13)</b>	<b>825</b>	<b>986</b>	<b>191</b>	<b>256</b>	<b>404</b>	<b>105</b>	<b>220</b>
<b>BALANCING ITEM (15)-(11)</b>	<b>-28</b>	<b>-14</b>	<b>-20</b>	<b>-40</b>	<b>95</b>	<b>-72</b>	<b>3</b>

**BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION**
**TABLE 2 - INTERNATIONAL INVESTMENT POSITION<sup>1,2</sup>**
**(BD\$) MILLIONS**

Components	2020 Q4	2021 Q1	2021 Q2	2021R Q3	2021P Q4
<b>ASSETS</b>					
<b>BY FUNCTIONAL CATEGORY</b>					
Direct investment	141	122	123	117	114
Portfolio investment	13,268	12,828	13,537	12,825	12,818
Financial Derivatives (other than reserves) and ESOs	36	46	35	32	33
Other investment	3,247	3,331	4,343	4,779	4,438
Reserve Assets	181	208	221	227	221
<b>BY INSTRUMENT</b>					
Equity and investment fund share/units	3,091	3,196	3,456	3,495	3,567
Debt instruments:	13,746	13,294	14,768	14,452	14,024
Special drawing rights	-	-	-	-	-
Currency and deposits	1,493	1,199	1,131	1,344	760
Debt securities	10,498	9,962	10,424	9,673	9,586
Loans	1,646	2,038	3,095	3,311	3,542
Insurance, pension, standardized guarantee schemes	1	1	1	1	1
Other accounts receivable/payable	108	95	117	124	135
Other financial assets and liabilities	36	46	35	32	33
<b>TOTAL ASSETS</b>	<b>16,873</b>	<b>16,536</b>	<b>18,259</b>	<b>17,980</b>	<b>17,624</b>
<b>LIABILITIES</b>					
<b>BY FUNCTIONAL CATEGORY</b>					
Direct investment	3,084	2,725	2,727	2,686	2,678
Portfolio investment	4,334	4,620	4,622	4,633	4,625
Financial Derivatives (other than reserves) and ESOs	92	53	51	46	41
Other investment	5,365	5,146	5,937	6,022	5,632
<b>BY INSTRUMENT</b>					
Equity and investment fund share/units	3,341	3,260	3,322	3,287	3,265
Debt instruments:	9,442	9,231	9,963	10,054	9,669
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	4,376	4,112	4,876	5,321	4,843
Debt securities	4,077	4,084	4,027	4,032	4,038
Loans	844	893	937	593	631
Insurance, pension, standardized guarantee schemes	26	27	28	29	31
Other accounts receivable/payable	119	114	96	80	127
Other financial assets and liabilities	92	53	51	46	41
<b>TOTAL LIABILITIES</b>	<b>12,875</b>	<b>12,544</b>	<b>13,337</b>	<b>13,387</b>	<b>12,975</b>
<b>NET IIP</b>	<b>3,998</b>	<b>3,992</b>	<b>4,922</b>	<b>4,593</b>	<b>4,648</b>

**TABLE 3 - IIP BY RESIDENT INSTITUTIONAL SECTOR — (BD\$) MILLIONS<sup>1</sup>**

2021 Q4	Households and NPISHs <sup>2,3</sup>	General government	Financial corporations	Non- financial corporations	Total economy
<b>ASSETS</b>	<b>38</b>	<b>3,295</b>	<b>14,111</b>	<b>180</b>	<b>17,624</b>
Direct investment	5	-	67	42	114
Portfolio investment	33	3,038	9,739	9	12,818
Financial Derivatives (other than reserves) and ESOs	-	-	33	-	33
Other investment	1	257	4,050	130	4,438
Reserve Assets	-	-	221	-	221
<b>LIABILITIES</b>	<b>-</b>	<b>3,300</b>	<b>7,565</b>	<b>2,111</b>	<b>12,975</b>
Direct investment	-	-	1,049	1,629	2,678
Portfolio investment	-	3,300	1,033	293	4,625
Financial Derivatives (other than reserves) and ESOs	-	-	34	7	41
Other investment	-	-	5,449	182	5,632
<b>NET IIP</b>	<b>38</b>	<b>(5)</b>	<b>6,546</b>	<b>(1,931)</b>	<b>4,648</b>

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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