

BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

QUARTER 2/2024

BALANCE OF PAYMENTS

Current Account Surplus = \$425 million

The Bermuda current account recorded a surplus of \$425 million in the second quarter of 2024 (Figure 1; Table 1). This represented a \$100 million increase year-over-year. The increase in the surplus reflected an increase in receipts from non-residents 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 expanded by \$26 million to \$334 million.
- Service transactions realised a surplus of \$247 million, up \$52 million from a year ago.
- Bermuda's primary income account surplus expanded by \$69 million year-over-year, climbing to \$552 million in the second quarter of 2024.

Figure 1

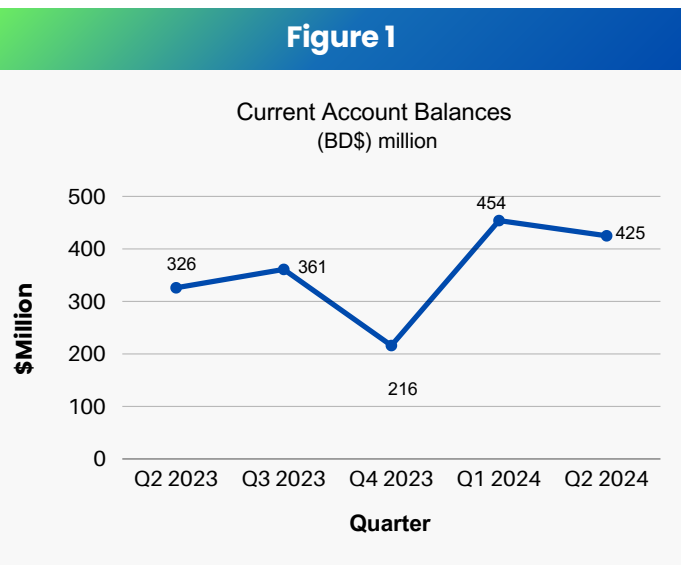
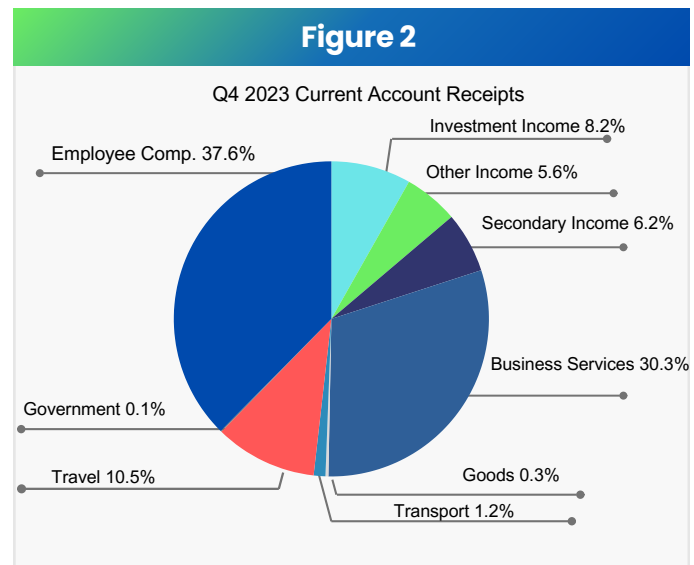


Figure 2



Goods Account Deficit = \$334 million

The goods account deficit expanded by \$26 million year-over-year during the second quarter of 2024 (Table 1). The value of imported goods increased to \$339 million, reflected in a \$40 million rise in imported goods from the United States. By contrast, importation from the Caribbean, Canada, the All Other Countries group, and the United Kingdom decreased by \$5 million, \$5 million, \$2 million, and \$1 million, respectively.

Among the commodity groups, the increase in imports was primarily reflected in the imports of finished equipment, fuels, chemicals, and machinery, which grew by \$24 million, \$6 million, \$3 million, and \$2 million, respectively. There were decreases across four commodity groups, with the largest decrease of \$6 million recorded in transport equipment.

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

Services Account Surplus = \$247 million

The surplus on the services account increased by \$52 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 \$120 million due primarily to the increase in receipts for the other services group and financial services received from non-residents.

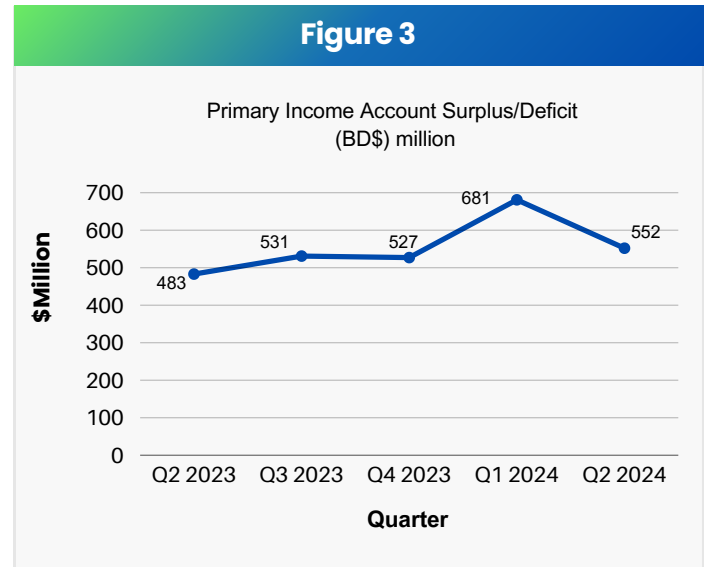
The surplus balance on travel services narrowed by \$74 million due primarily to an increase in payments for personal travel services. The deficit for transportation services narrowed by \$5 million as payments for transportation services increased by \$2 million and receipts increased by \$7 million.

Primary Income Account Surplus = \$552 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 \$69 million during the second quarter of 2024 (Figure 3; Table 1). This rise reflected

primarily an increase in employee compensation of \$69 million. Other income recorded a year-over-year increase of \$17 million, while investment income decreased by \$16 million.



Secondary Income Account Deficit = \$40 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 narrowed by \$4 million from a year ago due primarily to increased nonlife insurance claims paid to non-residents.

Financial, Capital, and Reserve Assets Accounts

In the second quarter of 2024, transactions within Bermuda's assets accounts resulted in a net lending position of \$511 million (Table 1). They were influenced by:

- Bermuda's net acquisition of financial assets resulted in an increase of \$403 million compared to an increase of \$90 million in 2023.
- Bermuda decreased its net incurrence of financial liabilities by \$109 million this quarter compared to a decrease of \$81 million in 2023.

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

Components		2023 YTD Q2	2024 YTD Q2	2023 Q2	2023 Q3	2023 Q4	2024 ^R Q1	2024 ^P Q2
CURRENT ACCOUNT PAYMENTS	GOODS IMPORTS	600	525	312	276	341	284	339
	SERVICES	510	598	255	286	290	285	324
	Transportation	130	118	67	68	71	59	69
	Travel	127	155	64	76	68	71	84
	Business Services:	253	325	123	142	151	155	171
	Insurance Services	42	43	21	22	24	20	25
	Financial Services	54	68	30	25	23	30	38
	ICT Services	52	60	23	31	30	33	27
	Other Services	105	154	49	64	73	72	81
	Government Services	-	-	-	-	-	-	-
	PRIMARY INCOME	275	237	135	122	153	91	146
	Employee Compensation	15	19	6	2	8	11	8
	Investment Income	261	218	129	120	145	80	138
	Other Income	-	-	-	-	-	-	-
	SECONDARY INCOME	221	246	117	109	132	121	125
TOTAL PAYMENTS	1,606	1,606	819	792	916	782	934	
CURRENT ACCOUNT RECEIPTS	GOOD EXPORTS	9	9	5	5	5	5	5
	SERVICES	786	953	450	423	382	382	571
	Transportation	18	28	9	15	12	12	16
	Travel	249	199	196	174	98	57	142
	Business Services:	466	674	243	233	271	263	411
	Insurance Services	48	56	23	26	24	27	29
	Financial Services	77	125	44	57	70	51	74
	ICT Services	21	20	10	11	11	10	10
	Other Services	320	473	167	140	167	175	298
	Government Services	54	53	1	1	1	51	2
	PRIMARY INCOME	1,309	1,471	618	652	680	772	698
	Employee Compensation	921	1,075	440	488	506	564	511
	Investment Income	238	205	119	111	118	94	111
	Other Income	150	191	59	53	56	115	76
	SECONDARY INCOME	134	162	72	73	64	77	85
TOTAL RECEIPTS	2,239	2,595	1,144	1,153	1,131	1,236	1359	
CURRENT ACCOUNT BALANCES	GOODS	-590	-516	-308	-272	-336	-279	-334
	SERVICES	276	355	195	137	92	97	247
	Transportation	-112	-90	-58	-54	-59	-46	-53
	Travel	121	44	132	99	30	-14	58
	Business Services:	213	349	120	91	121	107	240
	Insurance Services	6	13	2	4	0	7	4
	Financial Services	24	57	13	32	47	21	36
	ICT Services	-32	-40	-13	-20	-20	-23	-17
	Other Services	216	319	118	76	93	102	217
	Government Services	54	52	1	1	1	51	2
	PRIMARY INCOME	1,034	1,234	483	531	527	681	552
	Employee Compensation	907	1,055	434	486	498	553	503
	Investment Income	-23	-13	-10	-8	-27	14	-26
	Other Income	150	191	59	53	56	115	76
	SECONDARY INCOME	-87	-84	-44	-35	-68	-44	-40
CURRENT ACCOUNT BALANCE	632	989	326	361	216	454	425	
FINANCIAL ACCOUNT	Direct Investment	13	22	6	3	21	7	15
	Portfolio Investment	470	-4	576	342	-697	-167	163
	Financial Derivatives	68	29	78	67	-59	-3	32
	Other Investments	-1,086	526	-566	79	1,039	328	198
	Reserve Assets	31	43	-3	-14	-23	48	-5
	NET ACQUISITION OF FIN. ASSETS	-503	615	90	477	280	213	403
	Direct Investment	104	17	43	14	36	-19	36
	Portfolio Investment	-194	-35	-133	73	-15	-21	-15
	Financial Derivatives	-26	-40	7	10	15	-39	-1
	Other Investments	-835	-368	3	-38	185	-239	-129
	NET INCURRENCE OF FIN. LIABILITIES	-951	-427	-81	58	221	-318	-109
	TOTAL NET CAPITAL ACCOUNT	-	-	-	-	-	-	-
	NET LENDING(+)/NET BORROWING(-)	448	1042	171	418	59	531	511
	BALANCING ITEM	-185	53	-154	57	-157	76	86

INTERNATIONAL INVESTMENT POSITION (IIP)

Bermuda's Net IIP Decreased to \$4.7 billion

At the end of the second quarter 2024, the stock of foreign assets held by Bermuda residents registered above its stock of foreign liabilities by an estimated \$4.7 billion (Table 2 and 3). The net IIP decreased by \$255 million over the first quarter of 2024.

Foreign Assets Falls to \$16.0 billion

Between the first quarter 2024 and second quarter 2024, Bermuda residents' stock of foreign financial assets decreased by \$472 million due mostly to decreased holdings of loans and a reduction in equity and investment fund units.

Bermuda's Net Liability Position Falls to \$11.3 billion

Bermuda residents' stock of foreign liabilities decreased by \$218 million from the first 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 \$1.9 billion with the rest of the world at the end of the second quarter 2024 (Table 2). The general government sector's external liabilities exceeded its external assets by \$549 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 \$7.0 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 \$91 million at the end of the second quarter.

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

2024 Q2	Households and NPISHs ^{2,3}	General government	Financial corporations	Nonfinancial corporations	Total economy
ASSETS	91	2,745	12,904	239	15,979
Direct investment	34	-	83	99	217
Portfolio investment	55	2,745	8,854	12	11,665
Financial derivatives (other than reserves) and ESOs	n.a	-	24	-	24
Other investment	2	-	3,688	128	3,819
Reserve assets	-	-	255	-	255
LIABILITIES	-	3,294	5,877	2,136	11,307
Direct investment	-	-	998	1,649	2,647
Portfolio investment	-	3,294	870	296	4,460
Financial derivatives (other than reserves) and ESOs	-	-	11	1	12
Other investment	-	-	3,998	190	4,188
NET IIP	91	-549	7,027	-1,897	4,672

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} (B\$) MILLIONS

Components	2023 Q2	2023 Q3	2023 Q4	2024 ^R Q1	2024 ^P Q2
ASSETS					
BY FUNCTIONAL CATEGORY					
Direct investment	148	151	171	194	217
Portfolio investment	11,970	12,321	11,695	11,546	11,665
Financial derivatives (other than reserves) and ESOs	152	181	77	31	24
Other investment	3,263	3,282	3,733	4,421	3,819
Reserve assets	249	235	211	259	255
BY INSTRUMENT					
Equity and investment fund share/units	3,190	3,104	3,390	3,473	3,300
Debt instruments:	12,440	12,884	12,420	12,948	12,655
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	1,132	924	1,096	1,205	1,158
Debt securities	9,177	9,602	8,687	8,526	8,836
Loans	1,969	2,174	2,452	2,994	2,433
Insurance, pension, standardized guarantee schemes	1	1	1	1	1
Other accounts receivable/payable	161	183	184	221	226
Other financial assets and liabilities	152	181	77	31	24
TOTAL ASSETS	15,782	16,170	15,887	16,451	15,979
LIABILITIES					
BY FUNCTIONAL CATEGORY					
Direct investment	3,100	2,915	2,971	2,723	2,647
Portfolio investment	4,220	4,235	4,227	4,468	4,460
Financial derivatives (other than reserves) and ESOs	21	32	47	12	12
Other investment	4,570	4,342	4,537	4,322	4,188
BY INSTRUMENT					
Equity and investment fund share/units	3,361	3,398	3,441	3,430	3,344
Debt instruments:	8,529	8,095	8,293	8,083	7,950
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	4,184	3,985	4,098	3,751	3,581
Debt securities	3,959	3,752	3,757	3,761	3,762
Loans	208	195	248	345	359
Insurance, pension, standardized guarantee schemes	32	33	34	36	39
Other accounts receivable/payable	146	130	156	189	209
Other financial assets and liabilities	21	32	47	12	12
TOTAL LIABILITIES	11,911	11,525	11,781	11,524	11,307
NET IIP	3,871	4,645	4,106	4,927	4,672

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

Components	Second quarter 2024			
	Opening Position ^R	Financial Transactions ²	Other Changes in Position ³	Closing Position ^P
ASSETS				
BY FUNCTIONAL CATEGORY				
Direct investment	194	7	16	217
Portfolio investment	11,546	173	-53	11,665
Financial Derivatives (other than reserves) and ESOs	31	-7	-	24
Other investment	4,421	-605	2	3,819
Reserve Assets	259	-5	-	255
BY INSTRUMENT				
Equity and investment fund share/units	3,473	6	-178	3,300
Debt instruments:	12,948	-436	143	12,655
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	1,205	-48	1	1,158
Debt securities	8,526	169	141	8,836
Loans	2,994	-561	-	2,433
Insurance, pension, standardized guarantee schemes	1	-	-	1
Other accounts receivable/payable	221	3	1	226
Other financial assets and liabilities	31	-7	-	24
TOTAL ASSETS	16,451	-437	-35	15,979
LIABILITIES				
BY FUNCTIONAL CATEGORY				
Direct investment	2,723	-77	1	2,647
Portfolio investment	4,468	-9	1	4,460
Financial Derivatives (other than reserves) and ESOs	12	-1	2	12
Other investment	4,322	-125	-8	4,188
BY INSTRUMENT				
Equity and investment fund share/units	3,430	-87	2	3,344
Debt instruments:	8,083	-125	-8	7,950
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	3,751	-161	-9	3,581
Debt securities	3,761	-	-	3,762
Loans	345	14	-1	359
Insurance, pension, standardized guarantee schemes	36	2	1	39
Other accounts receivable/payable	189	20	-	209
Other financial assets and liabilities	12	-1	2	12
TOTAL LIABILITIES	11,524	-213	-5	11,307
NET IIP	4,927	-224	-30	4,672

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.

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