



BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

QUARTER 4/2024

BALANCE OF PAYMENTS

Current Account Surplus = \$361 million

The Bermuda current account recorded a surplus of \$361 million in the fourth quarter of 2024 (Figure 1; Table 1). This represented a \$135 million increase year-over-year. The increase in the surplus reflected an increase in receipts from non-residents along with a decrease in payments to non-residents. The rise in receipts was largely driven by Business Services (Figure 2).

Contributing factors include:

- The deficit on the goods account narrowed by \$40 million to \$298 million.
- Service transactions realised a surplus of \$121 million, up \$26 million from a year ago.
- Bermuda's primary income account surplus expanded by \$85 million year-over-year, climbing to \$621 million in the fourth quarter of 2024.

Figure 1

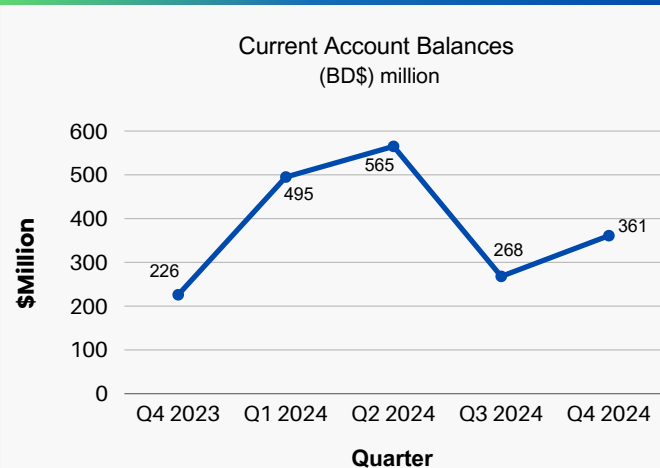
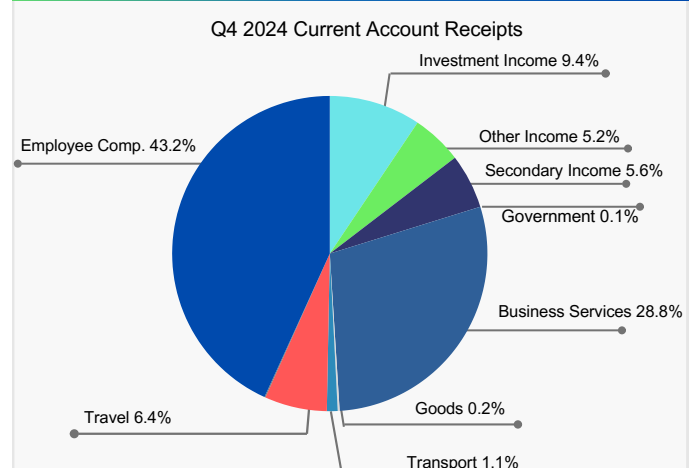


Figure 2



Goods Account Deficit = \$298 million

The goods account deficit narrowed by \$40 million year-over-year during the fourth quarter of 2024 (Table 1). The value of imported goods decreased to \$301 million, reflected in a fall in imported goods from the United States, the Caribbean and the All Other Countries group, decreasing by \$24 million, \$11 million and \$4 million, respectively. By contrast, imports from Canada increased by \$1 million.

Among the commodity groups, the decrease in imports was reflected in all commodity groups except two. The decrease in imports was driven primarily by fuels, finished equipment and transport equipment which fell by \$22 million, \$7 million and \$6 million, respectively. Only two commodity groups recorded marginal increases, machinery and clothing, increasing by \$3 million and \$96 thousand, respectively.

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

Services Account Surplus = \$121 million

The surplus on the services account increased by \$26 million from a year ago. The increase in the surplus balance reflected an increase in the import of services that was smaller than the increase in exports.

The surplus balance on business services widened by \$56 million due primarily to the increase in receipts for financial services received from non-residents.

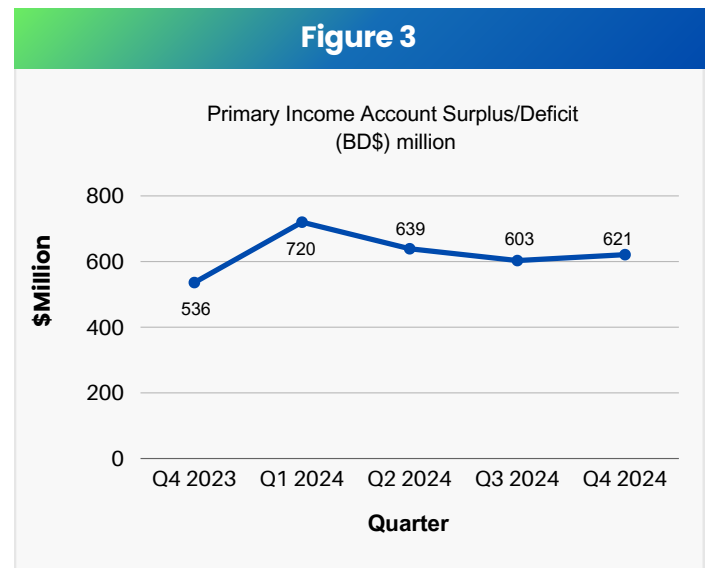
Travel services decreased by \$37 million due primarily to a decrease in receipts for business travel services, turning the surplus into a deficit. The deficit for transportation services narrowed by \$8 million as payments for transportation services decreased by \$6 million and receipts increased by \$2 million.

Primary Income Account Surplus = \$621 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 \$85 million during the fourth quarter of 2024 (Figure 3; Table 1). This rise reflected

primarily an increase in investment income of \$56 million. Employee compensation recorded a year-over-year increase of \$21 million, while other income increased by \$7 million.



Secondary Income Account Deficit = \$83 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 \$15 million from a year ago due primarily to increased nonlife insurance claims and nonlife insurance premiums paid to non-residents.

Financial, Capital, and Reserve Assets Accounts

In the fourth quarter of 2024, transactions within Bermuda's assets accounts resulted in a net lending position of \$281 million (Table 1). They were influenced by:

- Bermuda's net acquisition of financial assets resulted in an increase of \$253 million compared to an increase of \$287 million in 2023.
- Bermuda decreased its net incurrence of financial liabilities by \$28 million this quarter compared to an increase of \$221 million in 2023.

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

Components		2023 YTD	2024 YTD	2023 ^R Q4	2024 ^R Q1	2024 ^R Q2	2024 ^R Q3	2024 ^P Q4
CURRENT ACCOUNT PAYMENTS	GOODS IMPORTS	1,217	1,309	341	283	341	384	301
	SERVICES	1,086	1,247	290	285	312	320	330
	Transportation	269	270	71	59	69	77	65
	Travel	271	309	68	71	71	83	84
	Business Services:	545	667	151	155	171	160	180
	Insurance Services	89	97	24	20	25	24	27
	Financial Services	102	123	23	30	38	28	27
	ICT Services	113	120	30	33	27	27	32
	Other Services	242	328	73	72	81	81	94
	Government Services	-	-	-	-	-	-	-
CURRENT ACCOUNT RECEIPTS	PRIMARY INCOME	550	495	153	91	146	162	96
	Employee Compensation	25	37	8	11	8	9	9
	Investment Income	525	458	145	80	138	153	87
	Other Income	-	-	-	-	-	-	-
	SECONDARY INCOME	462	537	132	121	125	138	153
	TOTAL PAYMENTS	3,315	3,587	916	781	923	1,004	879
	GOOD EXPORTS	12	12	3	3	3	3	3
	SERVICES	1,603	1,879	385	385	615	428	451
	Transportation	46	57	12	12	16	14	14
	Travel	527	513	99	58	184	192	79
CURRENT ACCOUNT BALANCES	Business Services:	975	1,254	272	263	413	221	357
	Insurance Services	102	118	25	28	30	31	28
	Financial Services	204	266	70	51	74	21	120
	ICT Services	40	37	10	9	10	9	9
	Other Services	629	833	167	175	299	160	200
	Government Services	56	54	1	51	2	1	1
	PRIMARY INCOME	2,785	3,078	689	811	785	765	717
	Employee Compensation	2,058	2,296	515	602	598	559	536
	Investment Income	468	465	118	94	111	144	117
	Other Income	259	316	56	115	76	62	64
FINANCIAL ACCOUNT	SECONDARY INCOME	272	308	64	77	85	76	70
	TOTAL RECEIPTS	4,672	5,276	1,141	1,276	1,488	1,272	1,240
	GOODS	-1,205	-1,297	-338	-280	-338	-381	-298
	SERVICES	517	632	95	99	303	108	121
	Transportation	-223	-213	-59	-46	-53	-63	-51
	Travel	256	204	31	-13	113	110	-6
	Business Services:	429	587	122	108	241	61	177
	Insurance Services	13	21	1	8	5	7	1
	Financial Services	102	143	47	21	36	-7	93
	ICT Services	-74	-83	-20	-23	-18	-18	-23
FINANCIAL ACCOUNT	Other Services	387	505	94	102	218	79	106
	Government Services	56	54	1	51	2	1	1
	PRIMARY INCOME	2,235	2,583	536	720	639	603	621
	Employee Compensation	2,033	2,259	507	591	590	550	528
	Investment Income	-58	7	-27	14	-26	-9	30
	Other Income	259	316	56	115	76	62	64
	SECONDARY INCOME	-190	-229	-68	-44	-40	-62	-83
	CURRENT ACCOUNT BALANCE	1,357	1,689	226	495	565	268	361
	Direct Investment	37	34	21	7	15	16	-4
	Portfolio Investment	115	391	-697	-167	163	415	-19
FINANCIAL ACCOUNT	Financial Derivatives	110	173	-53	7	46	53	67
	Other Investments	33	584	1,039	328	198	-162	220
	Reserve Assets	-7	9	-23	48	-5	-24	-11
	NET ACQUISITION OF FIN. ASSETS	288	1,190	287	223	416	299	253
	Direct Investment	153	118	36	-19	36	-36	137
	Portfolio Investment	-135	-17	-15	-21	-15	-12	30
	Financial Derivatives	-1	-19	15	-39	-1	49	-28
	Other Investments	-688	-596	185	-239	-130	-60	-168
	NET INCURRENCE OF FIN. LIABILITIES	-671	-515	221	-318	-109	-60	-28
	TOTAL NET CAPITAL ACCOUNT	-	-	-	-	-	-	-
FINANCIAL ACCOUNT	NET LENDING(+)/NET BORROWING(-)	959	1,705	66	541	526	358	281
	BALANCING ITEM	-398	16	-160	46	-39	90	-80

INTERNATIONAL INVESTMENT POSITION (IIP)

Bermuda's Net IIP Decreased to \$4.4 billion

At the end of the fourth quarter 2024, the stock of foreign assets held by Bermuda residents registered above its stock of foreign liabilities by an estimated \$4.4 billion (Tables 2 and 3). The net IIP decreased by \$68 million over the third quarter of 2024.

Foreign Assets remain at \$16.0 billion

Between the third quarter 2024 and fourth quarter 2024, Bermuda residents' stock of foreign financial assets remained relatively unchanged, increasing by \$4 million.

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

Bermuda residents' stock of foreign liabilities increased by \$72 million from the third quarter of 2024.

IIP by Resident Institutional Sector

The non-financial corporations held a net liability position of \$2.2 billion with the rest of the world at the end of the fourth quarter 2024 (Table 2). The general government sector's external liabilities exceeded its external assets by \$497 million, largely influenced by a decrease 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 \$94 million at the end of the fourth quarter.

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

2024 Q4	Households and NPISHs ^{2,3}	General government	Financial corporations	Nonfinancial corporations	Total economy
ASSETS	94	2,797	12,726	401	16,017
Direct investment	35	-	86	115	237
Portfolio investment	57	2,797	9,565	45	12,463
Financial derivatives (other than reserves) and ESOs	n.a	-	44	-	44
Other investment	2	-	2,810	241	3,053
Reserve assets	-	-	220	-	220
LIABILITIES	-	3,294	5,692	2,644	11,630
Direct investment	-	-	936	2,062	2,998
Portfolio investment	-	3,294	904	315	4,513
Financial derivatives (other than reserves) and ESOs	-	-	39	1	40
Other investment	-	-	3,813	266	4,079
NET IIP	94	-497	7,034	-2,243	4,388

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 Q4	2024 Q1	2024 Q2	2024 ^R Q3	2024 ^P Q4
ASSETS					
BY FUNCTIONAL CATEGORY					
Direct investment	172	193	226	243	237
Portfolio investment	11,730	11,551	11,681	12,305	12,463
Financial derivatives (other than reserves) and ESOs	77	31	24	24	44
Other investment	3,840	4,464	3,883	3,209	3,053
Reserve assets	211	259	255	231	220
BY INSTRUMENT					
Equity and investment fund share/units	3,425	3,478	3,316	3,513	3,411
Debt instruments:	12,529	12,990	12,730	12,476	12,562
Special drawing rights	0	n.a.	n.a.	n.a.	n.a.
Currency and deposits	1,151	1,225	1,190	1,120	928
Debt securities	8,688	8,525	8,846	9,266	9,509
Loans	2,452	2,994	2,433	1,822	1,762
Insurance, pension, standardized guarantee schemes	1	1	1	1	1
Other accounts receivable/payable	237	245	259	267	362
Other financial assets and liabilities	77	31	24	24	44
TOTAL ASSETS	16,031	16,499	16,069	16,013	16,017
LIABILITIES					
BY FUNCTIONAL CATEGORY					
Direct investment	3,109	2,811	2,873	2,855	2,998
Portfolio investment	4,232	4,487	4,474	4,481	4,513
Financial derivatives (other than reserves) and ESOs	47	12	12	50	40
Other investment	4,603	4,353	4,231	4,171	4,079
BY INSTRUMENT					
Equity and investment fund share/units	3,534	3,522	3,558	3,536	3,689
Debt instruments:	8,411	8,129	8,020	7,971	7,900
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	4,098	3,751	3,581	3,708	3,505
Debt securities	3,807	3,776	3,789	3,799	3,821
Loans	248	345	359	192	273
Insurance, pension, standardized guarantee schemes	34	36	39	37	39
Other accounts receivable/payable	223	221	252	234	262
Other financial assets and liabilities	47	12	12	50	40
TOTAL LIABILITIES	11,992	11,663	11,590	11,557	11,630
NET IIP	4,039	4,836	4,479	4,455	4,388

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

Components	Fourth quarter 2024			
	Opening Position ^R	Financial Transactions ²	Other Changes in Position ³	Closing Position ^P
ASSETS				
BY FUNCTIONAL CATEGORY				
Direct investment	243	-4	-2	237
Portfolio investment	12,305	-12	170	12,463
Financial Derivatives (other than reserves) and ESOs	24	20	-	44
Other investment	3,209	-153	-3	3,053
Reserve Assets	231	-11	-	220
BY INSTRUMENT				
Equity and investment fund share/units	3,513	-71	-30	3,411
Debt instruments:	12,476	-108	194	12,562
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	1,120	-188	-4	928
Debt securities	9,266	45	197	9,509
Loans	1,822	-58	-1	1,762
Insurance, pension, standardized guarantee schemes	1	-	-	1
Other accounts receivable/payable	267	94	2	362
Other financial assets and liabilities	24	20	-	44
TOTAL ASSETS	16,013	-160	164	16,017
LIABILITIES				
BY FUNCTIONAL CATEGORY				
Direct investment	2,855	151	-8	2,998
Portfolio investment	4,481	30	2	4,513
Financial Derivatives (other than reserves) and ESOs	50	-28	18	40
Other investment	4,171	-144	52	4,079
BY INSTRUMENT				
Equity and investment fund share/units	3,536	159	-6	3,689
Debt instruments:	7,971	-122	52	7,900
Special drawing rights	n.a.	n.a.	n.a.	n.a.
Currency and deposits	3,708	-261	58	3,505
Debt securities	3,799	22	-	3,821
Loans	192	87	-6	273
Insurance, pension, standardized guarantee schemes	37	1	-	39
Other accounts receivable/payable	234	28	-	262
Other financial assets and liabilities	50	-28	18	40
TOTAL LIABILITIES	11,557	9	63	11,630
NET IIP	4,455	-169	101	4,388

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.

APRIL 2025

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