



BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION

QUARTER 3/2020

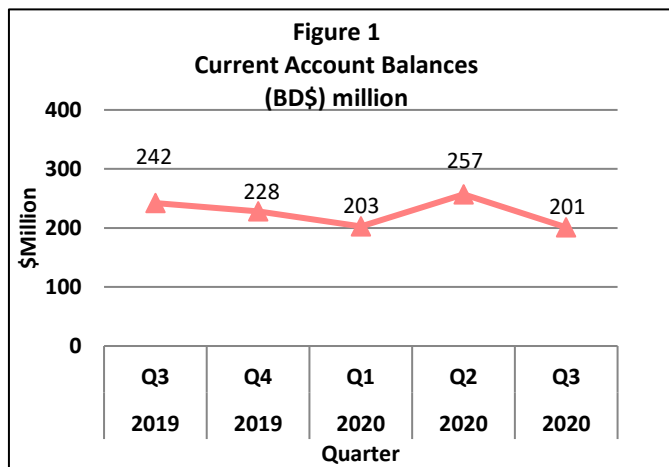
BALANCE OF PAYMENTS

FAST FACTS

Current Account

The Bermuda current account recorded a surplus of \$201 million in the third quarter of 2020 (Figure 1 and Table 1). This represented a \$41 million decrease year-over-year.

- The deficit on the goods account decreased by \$39 million to \$224 million.
- Services transactions realised a surplus of \$51 million in the third quarter of 2020.
- The surplus on Bermuda’s primary income account rose to \$447 million in the third quarter of 2020.



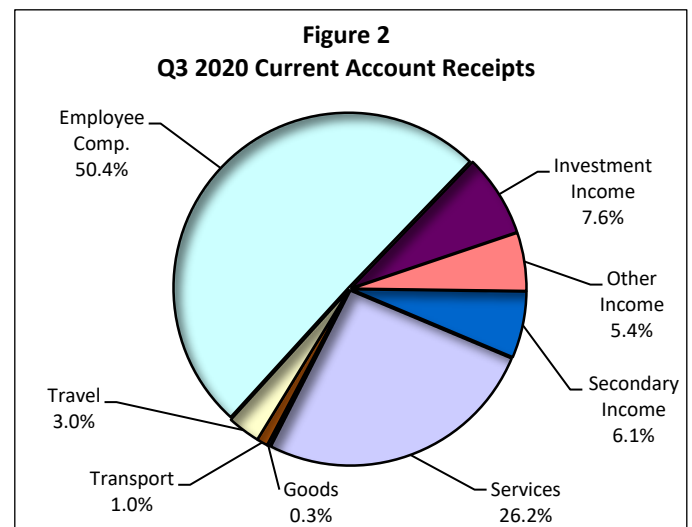
Financial, Capital, and Reserve Assets Accounts

Transactions on Bermuda’s assets accounts resulted in a net lending position of \$273 million (Table 1). Factors influencing this year-over-year performance include:

- Bermuda’s net acquisition of financial assets resulted in an increase of \$660 million compared to a smaller increase of \$134 million in 2019.
- Bermuda increased its net incurrence of financial liabilities by \$387 million this quarter compared to a decrease of \$135 million in 2019.

Current Account Surplus = \$201 million

The current account surplus stood at \$201 million for the third quarter of 2020 (Table 1). This represented a \$41 million decrease from the \$242 million surplus in the third quarter of 2019. The decrease in the current account surplus reflected mostly a deficit in the travel account compared to a surplus a year ago.



Goods Account Deficit = \$224 million

Year-over-year, the goods account deficit narrowed by \$39 million during the third quarter of 2020. The value of imported goods decreased to \$224 million (Table 1). This was reflected in a decrease in imports from the majority of Bermuda’s trading partners. A \$39 million decline was recorded in imported goods from the United States of America. Imported goods from the Caribbean and Canada declined by \$7 million and \$5 million, respectively. In contrast, imports from the United Kingdom rose by less than \$1 million. Among the commodity groups, the contraction in imports was reflected primarily in the imports of Fuels which fell by \$22 million. Imports of Finished Equipment dropped \$10 million while Food, Beverages and Tobacco fell by \$9 million. In contrast, imports of Transport Equipment increased by \$6 million.

Revenue earned from the exports of goods decreased from \$5 million in 2019 to \$2 million in 2020 as less fuel was re-exported to foreign airlines visiting Bermuda.

Services Account Surplus = \$51 million

The surplus on the services account decreased \$102 million during the third quarter of 2020. This narrowing in the surplus balance reflected mostly a \$163 million fall in net receipts from travel services due to decreased expenditure in Bermuda by fewer visitors. The deficit balance on ICT services widened by \$7 million mostly due to lower receipts from computer services during the third quarter 2020.

In contrast, other business services recorded a larger surplus balance of \$72 million compared to \$21 million a year ago. This improvement was due to lower payments for engineering/construction services related to the airport construction. The balance on financial services rose by \$3 million year-over-year.

Primary Income Account Surplus = \$447 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 \$42 million during the third quarter of 2020 (Figure 3 and Table 1). This rise reflected primarily a \$26 million increase in net investment income and a \$19 million rise in employee compensation. In contrast, the net surplus balance on other income decreased by \$4 million.

Secondary Income Account Deficit = \$73 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 \$20 million from a year ago due mostly to an increase in net nonlife insurance claims paid to non-residents along with a decrease in nonlife insurance premiums received from non-residents.

INTERNATIONAL INVESTMENT POSITION (Tables 2 & 3)

Bermuda’s Net IIP Decreased to \$2,833 million

At the end of the third quarter 2020, the stock of foreign assets held by Bermuda residents registered above its stock of foreign liabilities by an estimated \$2,833 million (Table 2). The net IIP decreased by \$258 million over the second quarter of 2020.

Foreign Assets Rise to \$15,619 million

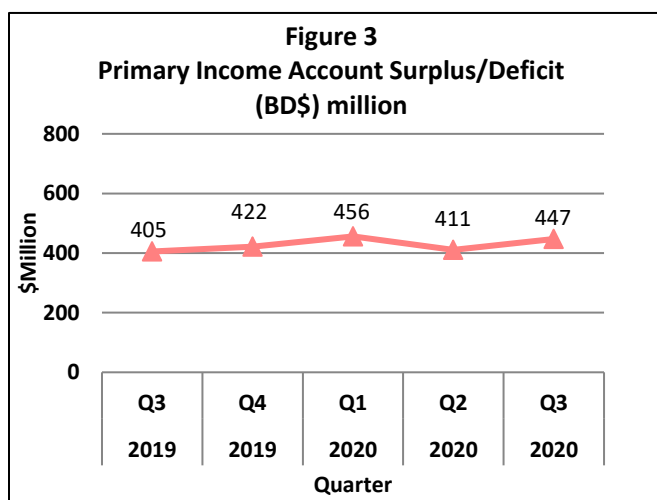
Between the second and third quarter 2020, Bermuda residents’ net acquisition position of financial assets grew \$680 million due mostly to increased holdings of debt securities.

Bermuda’s Net Liability Position Increased to \$12,786 million

Bermuda residents’ stock of foreign liabilities increased by \$938 million over the second quarter of 2020. The upswing in the liability position reflected mostly a rise in debt securities and currency and deposit liabilities held by resident institutions and owed to non-residents.

IIP by Resident Institutional Sector

The non-financial corporations held a net liability position of \$2,326 million with the rest of the world at the end of the third quarter 2020. The general government sector’s external liabilities exceeded its external assets by \$670 million due mostly to a rise in long term debt security liabilities. Financial corporations held a net asset position of \$5,796 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 \$32 million at the end of the third quarter.



BERMUDA BALANCE OF PAYMENTS & INTERNATIONAL INVESTMENT POSITION
TABLE 1 - BALANCE OF PAYMENTS (BD\$) MILLIONS¹

Components	2019 YTD Q3	2020 YTD Q3	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3
CURRENT ACCOUNT PAYMENTS							
GOODS IMPORTS	885	674	268	267	267	181	226
SERVICES	816	592	281	261	234	169	190
Transportation	187	118	61	57	52	28	38
Travel	193	145	70	70	61	38	46
Business Services:	437	329	150	134	120	103	106
Insurance Services	54	52	18	23	19	18	16
Financial Services	56	59	18	20	16	24	19
ICT Services	63	66	21	20	23	21	22
Other Business Services	263	152	92	71	62	41	49
Government Services	0	0	0	0	0	0	0
PRIMARY INCOME	323	222	103	86	89	72	61
Employee Compensation	45	38	15	15	14	12	12
Investment Income	278	184	88	71	75	60	49
Other Income	0	0	0	0	0	0	0
SECONDARY INCOME	297	303	109	99	105	76	122
TOTAL PAYMENTS	2,320	1,791	761	713	694	498	599
CURRENT ACCOUNT RECEIPTS							
GOODS EXPORTS	13	9	5	5	4	2	2
SERVICES	1,202	767	434	372	302	224	241
Transportation	43	26	15	14	12	6	8
Travel	484	77	211	117	43	11	24
Business Services:	623	615	206	229	201	206	208
Insurance Services	59	54	22	21	19	16	19
Financial Services	129	135	52	60	35	44	56
ICT Services	59	51	18	20	20	18	13
Other Business Services	376	374	113	127	127	127	120
Government Services	53	50	1	12	47	2	1
PRIMARY INCOME	1,545	1,536	508	508	545	483	507
Employee Compensation	1,160	1,178	387	387	402	373	403
Investment Income	224	197	74	80	71	64	61
Other Income	160	161	47	41	72	46	43
SECONDARY INCOME	155	140	57	57	46	46	49
TOTAL RECEIPTS	2,916	2,452	1,003	942	897	756	800
CURRENT ACCOUNT BALANCES							
GOODS	-872	-665	-263	-262	-263	-178	-224
SERVICES	386	175	153	111	69	55	51
Transportation	-144	-92	-46	-43	-40	-22	-30
Travel	291	-68	141	47	-18	-27	-22
Business Services:	186	285	56	94	80	103	102
Insurance Services	5	2	4	-2	0	-1	4
Financial Services	73	76	34	40	19	20	37
ICT Services	-4	-16	-3	0	-3	-3	-10
Other Business Services	113	223	21	56	64	86	72
Government Services	53	50	1	12	47	2	1
PRIMARY INCOME	1,222	1,314	405	422	456	411	447
Employee Compensation	1,116	1,140	372	372	388	361	391
Investment Income	-53	13	-14	8	-4	4	12
Other Income	160	161	47	41	72	46	43
SECONDARY INCOME	-141	-163	-53	-41	-59	-30	-73
CURRENT ACCOUNT BALANCE	596	661	242	228	203	257	201
FINANCIAL ACCOUNT							
Direct Investment	-36	6	-1	-2	-10	-25	41
Portfolio Investment	-328	662	-263	570	451	-243	454
Financial Derivatives	80	80	31	22	31	26	23
Other Investment	741	672	377	169	419	96	157
Reserve Assets	16	18	-10	-6	14	20	-15
NET ACQUISITION OF FIN. ASSETS	472	1,438	134	754	904	-127	660
Direct Investment	91	94	46	-87	31	39	25
Portfolio Investment	-187	250	-8	-140	-93	95	248
Financial Derivatives	20	31	1	-4	47	-11	-6
Other Investment	-45	441	-173	755	733	-413	121
NET INCURRENCE OF FIN. LIABILITIES	-121	816	-135	525	718	-289	387
TOTAL NET FINANCIAL ACCOUNT	-594	-622	-269	-229	-187	-162	-273
TOTAL NET CAPITAL ACCOUNT	0	0	0	0	0	0	0
NET LENDING (+)/NET BORROWING (-)	594	622	269	229	187	162	273
BALANCING ITEM	-2	-39	26	1	-16	-95	72

TABLE 2 - INTERNATIONAL INVESTMENT POSITION^{1,2}

(BD\$) MILLIONS

Components	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3
ASSETS					
BY FUNCTIONAL CATEGORY					
Direct investment	161	159	149	123	172
Portfolio investment	11,714	12,251	12,413	12,173	12,788
Financial Derivatives (other than reserves) and ESOs	41	37	42	45	40
Other investment	1,894	2,096	2,550	2,400	2,438
Reserve Assets	169	163	177	196	181
BY INSTRUMENT					
Equity and investment fund share/units	2,915	3,036	2,756	2,872	2,982
Debt instruments:	11,022	11,633	12,533	12,021	12,597
Special drawing rights	-	-	-	-	-
Currency and deposits	652	829	1,059	684	682
Debt securities	9,128	9,536	9,983	9,621	10,158
Loans	1,131	1,162	1,414	1,657	1,679
Insurance, pension, standardized guarantee schemes	2	1	1	1	1
Other accounts receivable/payable	110	104	77	58	77
Other financial assets and liabilities	41	37	42	45	40
TOTAL ASSETS	13,979	14,707	15,332	14,939	15,619
LIABILITIES					
BY FUNCTIONAL CATEGORY					
Direct investment	2,538	2,437	2,474	2,503	2,820
Portfolio investment	3,936	3,826	3,762	3,862	4,376
Financial Derivatives (other than reserves) and ESOs	37	32	80	85	79
Other investment	5,043	5,084	5,769	5,398	5,511
BY INSTRUMENT					
Equity and investment fund share/units	3,188	3,058	3,043	3,075	3,098
Debt instruments:	8,329	8,290	8,961	8,688	9,610
Special drawing rights	n.a.	n.a.	n.a.	n.a.	n.a.
Currency and deposits	4,142	4,440	5,127	4,585	4,654
Debt securities	3,286	3,206	3,193	3,291	4,099
Loans	766	512	540	716	738
Insurance, pension, standardized guarantee schemes	36	35	22	22	23
Other accounts receivable/payable	99	96	80	74	96
Other financial assets and liabilities	37	32	80	85	79
TOTAL LIABILITIES	11,554	11,380	12,084	11,848	12,786
NET IIP	2,425	3,327	3,248	3,091	2,833

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

2020 Q3	Households and NPISHs ^{2,3}	General government	Financial corporations	Non- financial corporations	Total economy
ASSETS	32	2,630	12,770	187	15,619
Direct investment	-	-	92	80	172
Portfolio investment	31	2,630	10,119	7	12,788
Financial Derivatives (other than reserves) and ESOs	-	-	40	-	40
Other investment	1	-	2,337	100	2,438
Reserve Assets	-	-	181	-	181
LIABILITIES	-	3,300	6,974	2,513	12,786
Direct investment	-	-	840	1,980	2,820
Portfolio investment	-	3,300	1,043	33	4,376
Financial Derivatives (other than reserves) and ESOs	-	-	65	14	79
Other investment	-	-	5,025	486	5,511
NET IIP	32	(670)	5,796	(2,326)	2,833

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)

January 2021

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

E-mail: statistics@gov.bm

Webpage: www.gov.bm/department/statistics



@BermudaStats